

BASE PROSPECTUS



Santander International Debt, S.A.

Unipersonal

(incorporated with limited liability in Spain)

and

Santander Issuances, S.A. Unipersonal

(incorporated with limited liability in Spain)

guaranteed by

Banco Santander, S.A.

(incorporated with limited liability in Spain)

€32,000,000,000 PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

This document (the "**Base Prospectus**") constitutes two base prospectuses for the purposes of Article 5.4 of directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the "**Prospectus Directive**") (i) a base prospectus relating to instruments (the "**Instruments**") issued under the programme described herein (the "**Programme**") by Santander International Debt, S.A. Unipersonal ("**Santander International**") and guaranteed by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Guarantor**", the "**Bank**", "**We**" or the "**Parent**"); and (ii) a base prospectus relating to Instruments issued under the Programme by Santander Issuances, S.A. Unipersonal ("**Santander Issuances**" and, together with Santander International, the "**Issuers**" (each an "**Issuer**")) and guaranteed by the Guarantor.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC. This Base Prospectus has been approved on 21 June 2013, as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in Ireland for the purpose of giving information with regard to the issue of Instruments under the Programme during the period of twelve months after the date of its approval. The Central Bank of Ireland assumes no responsibility as to the economic and financial soundness of the transactions and the quality or solvency of either of the Issuers or the Guarantor. The Central Bank of Ireland only approves this Base Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Instruments which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange (the "**Irish Stock Exchange**") for the Instruments to be admitted to the Official List and trading on its regulated market. This Base Prospectus and any information incorporated by reference herein will be published on the website of the Irish Stock Exchange (www.ise.ie). The Programme also permits Instruments to be issued on the basis that they will be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the relevant Issuer.

For the purposes of the Directive 2004/109/EC (the "**Transparency Directive**") the Home Member State is Luxembourg. Santander International has Instruments admitted to trading on the Luxembourg Stock Exchange, on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (Scoach) and one issuance that is admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (*Bolsa Mexicana de Valores*). Santander Issuances apart from having Instruments admitted to trading on the Luxembourg Stock Exchange, has two issuances admitted to trading on the London Stock Exchange and two issuances admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (*Bolsa Mexicana de Valores*).

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

There are certain risks related to any issue of Instruments under the Programme, which investors should ensure they fully understand (see "Risk Factors" on pages 16 – 40 of this Base Prospectus). Potential purchasers should note the statements on pages 109 – 123 regarding the tax treatment in Spain of income obtained in respect of the Instruments and the disclosure requirements imposed by Law 13/1985 of 25 May 1985, as amended, on the relevant Issuer and the Guarantor in relation to the Instruments. In particular, payments on the Instruments may

be subject to Spanish withholding tax if certain information relating to the Instruments is not received by the relevant Issuer and the Guarantor in a timely manner.

Arrangers for the Programme
BANCO SANTANDER, S.A.
MORGAN STANLEY
Dealers

BARCLAYS
BoFA MERRILL LYNCH
COMMERZBANK
DEUTSCHE BANK
HSBC
MORGAN STANLEY
SANTANDER GLOBAL BANKING & MARKETS
THE ROYAL BANK OF SCOTLAND
CRÉDIT AGRICOLE

BNP PARIBAS
CITIGROUP
CREDIT SUISSE
GOLDMAN SACHS INTERNATIONAL
J.P. MORGAN
NOMURA
SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING
UBS INVESTMENT BANK

21 June 2013

Important information relating to Public Offers of Instruments

Restrictions on Public Offers of Instruments in Relevant Member States

Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Public Offer**". This Base Prospectus has been prepared on a basis that permits Public Offers of Instruments. However, any person making or intending to make a Public Offer of Instruments in Ireland, Germany or any other Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") may only do so if this Base Prospectus has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuers have consented to the use of this Base Prospectus in connection with such offer as provided under "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" and the conditions attached to that consent are complied with by the person making the Public Offer of such Instruments.

Save as provided above, none of the Issuers, the Guarantor and any Dealer have authorised, nor do they authorise, the making of any Public Offer of Instruments in circumstances in which an obligation arises for the Issuers or any Dealer to publish or supplement a prospectus for such offer.

Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)

In the context of a Public Offer of such Instruments, the Issuers and the Guarantor accept responsibility, in the jurisdictions to which the consent to use the Base Prospectus extends, for the content of this Base Prospectus under Article 6 of the Prospectus Directive in relation to any person (an "**Investor**") who acquires any Instruments in a Public Offer made by any person to whom the Issuers have given consent to the use of this Base Prospectus (an "**Authorised Offeror**") in that connection, provided that the conditions attached to that consent are complied with by the Authorised Offeror. The consent and conditions attached to it are set out under "*Consent*" and "*Common Condition to Consent*" below.

None of the Issuers, the Guarantor or any Dealer makes any representation as to the compliance by an Authorised Offeror with any applicable conduct of business rules or other applicable regulatory or Instruments law requirements in relation to any Public Offer and none of the Issuer or any Dealer has any responsibility or liability for the actions of that Authorised Offeror.

Save as provided below, none of the Issuers, the Guarantor and any Dealer has authorised the making of any Public Offer by any offeror and the Issuers have not consented to the use of this Base Prospectus by any other person in connection with any Public Offer of Instruments. Any Public Offer made without the consent of the Issuers is unauthorised and none of the Issuers, the Guarantor and any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer. If, in the context of a Public Offer, an Investor is offered Instruments by a person which is not an Authorised Offeror, the Investor should check with that person whether anyone is responsible for this Base Prospectus for the purposes of Article 6 of the Prospectus Directive in the context of the Public Offer and, if so, who that person is. If the Investor is in any doubt about whether they can rely on this Base Prospectus and/or who is responsible for its contents they should take legal advice.

Consent

In connection with each Tranche of Instruments and subject to the conditions set out below under "*Common Conditions to Consent*": the Issuers expressly consent to the use of this Base Prospectus (as supplemented as at the relevant time, if applicable) in connection with a Public Offer of such Instruments during the relevant Offer

Period stated in the applicable Final Terms by the relevant Dealer and/or by any financial intermediary named as an Authorised Offeror in the applicable Final Terms.

Common Conditions to Consent

The conditions to the Issuer's consent are that such consent:

- (i) is only valid during the Offer Period specified in the applicable Final Terms;
- (ii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in each Relevant Member State, as specified in the applicable Final Terms; and
- (iii) is subject to any other conditions set out in Part B of the applicable Final Terms.

Each Tranche of Instruments may only be offered to Investors as part of a Public Offer in the Relevant Member State(s) specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

Any financial intermediary who meets all of the conditions set out above who has consent to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website the statement (duly completed) specified in the paragraph below. In addition such financial intermediary will provide information to investors on the terms and conditions of the Offer at the time the Offer is made.

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Instruments] (the "**Instruments**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by [Santander International Debt, S.A.U./Santander Issuances, S.A.U.] (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland, Germany or any other relevant Member State] (the "**Offer**") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".*

ARRANGEMENTS BETWEEN INVESTORS AND AUTHORISED OFFERORS

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE INSTRUMENTS CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

The Base Prospectus should be read and construed together with any supplements thereto and with any other documents incorporated by reference therein and, in relation to any Tranche (as defined herein) of Instruments, should be read and construed together with the relevant Final Terms (as defined herein).

The Issuers and the Guarantor have confirmed to the Dealers that the Base Prospectus (together with the relevant Final Terms (each "**Final Terms**") referred to herein) contains all such information as investors and their professional advisers would reasonably require, and reasonably expect to find, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuers and the Guarantor and of the rights attaching to the relevant Instruments.

Neither the Issuers nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuers, the Guarantor, and the companies whose accounts are consolidated with those of the Guarantor (together, the "**Group**" or "**Santander Group**") or the Instruments other than as contained or incorporated by reference in the Base Prospectus, in the Dealership Agreement (as defined herein), in any other document prepared in connection with the Programme or any Final Terms or as approved for such purpose by either of the Issuers or (where applicable) the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuers, the Guarantor, the Dealers or any of them.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility, as to the accuracy or completeness of the information contained in the Base Prospectus. Neither the delivery of the Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall create, in any circumstances, any implication that there has been no adverse change in the financial situation either of the Issuers or the Guarantor or the Group since the date hereof or, as the case may be, the date upon which the Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Base Prospectus by reference. The distribution of the Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus or any Final Terms come are required by the Issuers, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Instruments, see "The Instruments — paragraph 5.2 (*Plan of Distribution and Allotment*)". In particular, neither the Instruments nor the Guarantee have been or will be registered under the United States Securities Act of 1933, as amended, (the "**Securities Act**") and may include Instruments in bearer form which are subject to U.S. tax law requirements. Subject to certain exceptions, Instruments may not be offered, sold or delivered within the United States or to U.S. persons, as defined in Regulation S under the Securities Act (the "**Regulation S**").

Neither the Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Instruments in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of Instruments which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Instruments may only do so (i) in circumstances in which no obligation arises for the relevant Issuer, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the relevant Issuer, or the Guarantor on its behalf, has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither of the Issuers, nor the Guarantor nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in circumstances in which an

obligation arises for the relevant Issuer, the Guarantor or any Dealer to publish or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuers, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Instruments. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuers and the Guarantor.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

There are certain risks relating to an investment in the Instruments. See "Risk Factors".

References herein to the "Terms and Conditions" are to the Terms and Conditions of the Instruments.

Tranches of Instruments may be rated or unrated. Where a Tranche of Instruments is rated, the applicable rating(s) will be specified in the relevant Final Terms. 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 European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended, the "**CRA Regulation**") will be disclosed in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold Instruments and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

All references in this Base Prospectus to "\$", "U.S.\$" or "U.S. dollars" are to United States dollars, references to "**Sterling**" and "£" are to pounds sterling, references to "**euro**", "EUR" and "€" are to the single currency of participating Member States of the European Union and references to "**R\$**" or "**BRL**" are to Brazilian Real.

For the avoidance of doubt, uniform resource locators ("**URLs**") given in respect of web-site addresses in the Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such web sites into this Base Prospectus nor should the contents of such web sites be deemed to be incorporated into this Base Prospectus.

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SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for this type of securities and Issuers. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary of the programme because of the type of securities and Issuers, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary of the programme with the mention of not applicable.

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	This summary of the programme should be read as an introduction to the Base Prospectus and the applicable Final Terms. Any decision to invest in any Securities should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms. Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated. No civil liability will attach to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the applicable Final Terms or, if following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the instruments.
A.2	Certain Tranches of Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “Public Offer”. [Issue specific summary: Consent: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Instruments by the relevant Dealer(s) specified in the Final Terms [and/or] [names of specific financial intermediaries listed in final terms] (each an “Authorised Offeror”) and that publishes on its website the following statement (with the information in square brackets being completed with the relevant information): <i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Instruments] (the "Instruments") described in the Final Terms dated [insert date] (the "Final Terms") published by [Santander International Debt, S.A.U./Santander Issuances, S.A.U.] (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland, Germany or any other relevant Member State] (the "Offer") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".</i> Offer period: The Issuer's consent referred to above is given for Public Offers of Instruments during [offer period for the Instruments to be specified here] (the "Offer Period"). Conditions to consent: The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in [specify Ireland, Germany or each Relevant Member State in which the particular Tranche of Instruments can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms]. AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH

	INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.
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SECTION B – ISSUERS AND GUARANTOR

Element	
B.1	Legal and commercial name of the Issuers Santander International Debt, S.A.U. (“Santander International”) and Santander Issuances, S.A.U. (“Santander Issuances”) (each an “Issuer” and together the “Issuers”).
B.2	Domicile / legal form / legislation / country of incorporation The registered office address of each of the Issuers is Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain. Each of the Issuers was incorporated in Spain as a limited liability company (<i>sociedad anónima</i>) for an unlimited duration and is subject to the Consolidated Text of Law on Limited Liability Companies 1/2010 dated 2 July (<i>Texto Refundido de la Ley de Sociedades de Capital</i>) (“Spanish Corporations Law”). Each of the Issuers is a wholly-owned subsidiary of Banco Santander, S.A. (the “Guarantor”). Santander International Debt, S.A.U. was incorporated in Spain by a public deed on 21 April 2004 and registered in the Mercantile Registry of Madrid on 5 May 2004. Santander Issuances, S.A.U. was incorporated in Spain by a public deed executed on 27 February 2004 and registered in the Mercantile Registry of Madrid on 2 March 2004.
B.4	Trend information b 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 we expect 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 Santander Group or that would cause the disclosed financial information not to be indicative of its future operating results or its financial condition: • a continued downturn in the Spanish and the United Kingdom real estate markets, and a corresponding increase in mortgage defaults, which could impact the Group’s none performing loans and decrease consumer confidence and disposable income; • uncertainties relating to economic growth expectations and interest rates cycles, especially in the United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates; • the continued effect of the global economic slowdown on Europe and the US and fluctuations in local interest and exchange rates; • continued changes in the macroeconomic environment, such as sustained unemployment above historical levels, could further deteriorate the quality of the Group’s customers’ credit; • increases in the Group’s cost of funding, partially as a result of the fragility of the Spanish, Portuguese, Irish and Greek economies, could adversely affect the Group’s net interest margin as a consequence of timing differences in the repricing of the Group’s assets and liabilities; • the effects of withdrawal of significant monetary and fiscal stimulus programs and uncertainty over government responses to growing public deficits; • continued instability and volatility in the financial markets; • a drop in the value of the euro relative to the US dollar, the sterling pound or Latin American currencies; • inflationary pressures, particularly in Latin America, because of the effect they may have in relation to increases of interest rates and decreases of growth; • increased consolidation of the global financial services sector, which could further reduce the Group’s spreads; • although it is foreseeable that entry barriers to domestic markets in Europe will eventually be lowered, the Group’s possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries; • acquisitions or restructurings of businesses that do not perform in accordance with the Group’s expectations or that subject the Group to previously unknown risks;

	- increased regulation, government intervention and new laws prompted by the financial crisis which could change the Group’s industry and require it to modify its businesses or operations; and - the risk of further reductions in liquidity and increases of credit spreads as a consequence of the crisis in the financial markets, which could affect not only the Group’s cost of funding but also the value of its proprietary portfolios and the assets under the management of the Group.																																										
B.5	Description of the Group Both the Issuers and the Guarantor are part of Santander Group (or, the “Group”). The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. As of 31 December 2012, the Group was made up of 740 companies that consolidate by the global integration method. In addition, another 131 companies are either affiliate, multi-group or listed companies in which the Group has more than 5% of its share capital. From these 131 companies, the following are remarkable because of the results they have obtained: Attijariwafa Bank Société Anonyme, Federal Home Loan Bank of Pittsburg, Federal Reserve Bank of Boston, Metrovacesa, S.A., Santander Consumer USA Inc. and Saudi Hollandi Bank.																																										
B.9	Profit forecast or estimate Not Applicable – no profit forecasts or estimates have been made in the Base Prospectus.																																										
B.10	Audit report qualifications Not Applicable – no qualifications are contained in any audit report included in the Base Prospectus.																																										
B.12	Selected historical key financial information The summarised financial statements of the Issuers as of, and for each of the years ended, 31 December 2011 and 31 December 2012 has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Issuers’ financial statements in respect of those dates and periods: <table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td>Santander International Debt</td><td>31 December 2012</td><td>31 December 2011</td></tr><tr><td>Total Assets</td><td>27,744,214</td><td>27,089,064</td></tr><tr><td>Deposits at Banco Santander</td><td>27,335,692</td><td>26,694,785</td></tr><tr><td>Debt instruments.....</td><td>27,379,905</td><td>26,713,716</td></tr><tr><td>Share Capital</td><td>180</td><td>180</td></tr><tr><td>Profit/(Loss).....</td><td>865</td><td>524</td></tr></table> <table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td>Santander Issuances</td><td>31 December 2012</td><td>31 December 2011</td></tr><tr><td>Total Assets</td><td>9,873,939</td><td>9,830,541</td></tr><tr><td>Deposits at Banco Santander</td><td>9,755,947</td><td>9,688,753</td></tr><tr><td>Subordinated debt instruments.....</td><td>9,767,669</td><td>9,698,291</td></tr><tr><td>Share Capital</td><td>60</td><td>60</td></tr><tr><td>Profit/(Loss).....</td><td>561</td><td>170</td></tr></table>		As at and for the year ended (in thousand euro)		Santander International Debt	31 December 2012	31 December 2011	Total Assets	27,744,214	27,089,064	Deposits at Banco Santander	27,335,692	26,694,785	Debt instruments.....	27,379,905	26,713,716	Share Capital	180	180	Profit/(Loss).....	865	524		As at and for the year ended (in thousand euro)		Santander Issuances	31 December 2012	31 December 2011	Total Assets	9,873,939	9,830,541	Deposits at Banco Santander	9,755,947	9,688,753	Subordinated debt instruments.....	9,767,669	9,698,291	Share Capital	60	60	Profit/(Loss).....	561	170
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B.13	Events impacting the Issuers’ solvency Not Applicable – There are no recent events particular to the Issuers which are to a material extent relevant to the evaluation of the Issuers’ solvency.																																										
B.14	Dependence upon other group entities Both the Issuers and the Guarantor are part of Santander Group. The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. Each Issuer’s sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm’s length basis. Each Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.																																										
B.15	Principal activities The Issuers’ businesses consist on the following: Santander International Debt, S.A.U.: the exclusive object of the company is to issue ordinary or senior debt with the guarantee of the Guarantor. Santander Issuances, S.A.U.: the exclusive object of the company is to issue subordinated debt with the guarantee																																										

	of the Guarantor.
B.16	Controlling shareholders The Issuers are wholly and directly owned subsidiaries of the Guarantor.
B.17	Credit ratings The Issuers have not been assigned any credit rating by any rating agency. Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. 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 European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "CRA Regulation") will be disclosed in the relevant Final Terms
B.18	Description of the Guarantee The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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 <i>pari passu</i> and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee. The Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon de insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions), shall rank <i>pari passu</i> with all other present and future subordinated obligations of the Guarantor other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, other subordinated obligations of the Guarantor prescribed by law or which are expressed to rank junior to the Guarantor's obligations under the subordinated guarantee.
B.19	Information about the Guarantor
	B.1 Legal and commercial name of the Guarantor The legal name of the Guarantor is Banco Santander, S.A. and operates under the trading name of "Santander".
	B.2 Domicile / legal form / legislation / country of incorporation The Guarantor is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520. The Guarantor was incorporated in Spain and has the legal form of a public limited liability company (<i>sociedad anónima</i>) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.
	B.4b Trend information See Element B.4b above.
	B.5 Description of the Group See Element B.5 above.
	B.9 Profit forecast or estimate Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus
	B.10 Audit report qualifications Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus
	B.12 Selected historical key financial information

The summarised consolidated financial statements of the Group as of, and for each of the years ended, 31 December 2011 and 31 December 2012 and as of, and for the three month period ended 31 March 2013 and 2012, has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Guarantor's consolidated financial statements in respect of those dates and periods:

(a) Summarised Consolidated Balance Sheet of the Group for the years ended 31 December 2012 and 31 December 2011

ASSETS	2012	2011 (*)	LIABILITIES AND EQUITY	2012	2011 (*)
CASH AND BALANCES WITH CENTRAL BANKS	118,488	96,524	FINANCIAL LIABILITIES HELD FOR TRADING:	143,242	146,948
			Deposits from central banks	1,128	7,740
			Deposits from credit institutions	8,292	9,287
			Customer deposits	8,897	16,574
FINANCIAL ASSETS HELD FOR TRADING:	177,917	172,638	Marketable debt securities	1	77
Loans and advances to credit institutions	9,843	4,636	Trading derivatives	109,743	103,083
Loans and advances to customers	9,162	8,056	Short positions	15,181	10,187
Debt instruments	43,101	52,704	Other financial liabilities	-	-
Equity instruments	5,492	4,744			
Trading derivatives	110,319	102,498	OTHER FINANCIAL LIABILITIES AT FAIR VALUE		
			THROUGH PROFIT OR LOSS:	45,418	44,909
OTHER FINANCIAL ASSETS AT FAIR VALUE			Deposits from central banks	1,014	1,510
THROUGH PROFIT OR LOSS:	28,356	19,563	Deposits from credit institutions	10,862	8,232
Loans and advances to credit institutions	10,272	4,701	Customer deposits	28,638	26,982
Loans and advances to customers	13,936	11,748	Marketable debt securities	4,904	8,185
Debt instruments	3,460	2,649	Subordinated liabilities	-	-
Equity instruments	688	465	Other financial liabilities	-	-
			FINANCIAL LIABILITIES AT AMORTISED COST:	959,321	935,669
AVAILABLE-FOR-SALE FINANCIAL ASSETS:	92,266	86,613	Deposits from central banks	50,938	34,996
Debt instruments	87,724	81,589	Deposits from credit institutions	80,732	81,373
Equity instruments	4,542	5,024	Customer deposits	589,104	588,977
			Marketable debt securities	201,064	189,110
LOANS AND RECEIVABLES:	758,228	779,525	Subordinated liabilities	18,238	22,992
Loans and advances to credit institutions	53,785	42,389	Other financial liabilities	19,245	18,221
Loans and advances to customers	697,384	730,296	CHANGES IN THE FAIR VALUE OF HEDGED ITEMS		
Debt instruments	7,059	6,840	IN PORTFOLIO HEDGES OF INTEREST RATE RISK	598	876
			HEDGING DERIVATIVES	6,444	6,444
HELD-TO-MATURITY INVESTMENTS	-	-	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	1	42
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	2,274	2,024	LIABILITIES UNDER INSURANCE CONTRACTS	1,425	517
HEDGING DERIVATIVES	7,936	9,898	PROVISIONS:	12,872	15,572
NON-CURRENT ASSETS HELD FOR SALE	4,330	5,338	Provision for pensions and similar obligations	7,077	9,045
INVESTMENTS:	4,454	4,155	Provisions for taxes and other legal contingencies	3,100	3,663
Associates	1,957	2,082	Provisions for contingent liabilities and commitments	617	659
Jointly controlled entities	2,497	2,073	Other provisions	2,078	2,205
			TAX LIABILITIES:	8,019	8,174
INSURANCE CONTRACTS LINKED TO PENSIONS	405	2,146	Current	5,162	5,101
REINSURANCE ASSETS	424	254	Deferred	2,857	3,073
TANGIBLE ASSETS:	13,860	13,846	OTHER LIABILITIES	7,962	9,516
Property, plant and equipment-	10,315	9,995	TOTAL LIABILITIES	1,185,302	1,168,667
For own use	8,136	7,797	EQUITY		
Leased out under an operating lease	2,179	2,198	SHAREHOLDERS' EQUITY:	81,244	80,896
Investment property	3,545	3,851	Share capital	5,161	4,455
			Registered	5,161	4,455
INTANGIBLE ASSETS:	28,062	28,083	Less: Uncalled capital	-	-
Goodwill	24,626	25,089	Share premium	37,412	31,223
Other intangible assets	3,436	2,994	Reserves	37,153	32,980
TAX ASSETS:	25,868	22,901	Accumulated reserves (losses)	36,898	32,921
Current	6,111	5,140	Reserves (losses) of entities accounted for using the equity method	255	59
Deferred	19,757	17,761	Other equity instruments	250	8,708
			Equity component of compound financial instruments	-	1,668
			Other	250	7,040
			Less: Treasury shares	(287)	(251)
			Profit for the year attributable to the Parent	2,205	5,351
			Less: Dividends and remuneration	(650)	(1,570)

OTHER ASSETS	6,760	8,018	VALUATION ADJUSTMENTS	(6,590)	(4,482)
Inventories	173	319	Available-for-sale financial assets	(249)	(977)
Other	6,587	7,699	Cash flow hedges	(219)	(202)
			Hedges of net investments in foreign operations	(2,957)	(1,850)
			Exchange differences	(3,013)	(1,358)
			Non-current assets held for sale	-	-
			Entities accounted for using the equity method	(152)	(95)
			Other valuation adjustments	-	-
			NON-CONTROLLING INTERESTS	9,672	6,445
			Valuation adjustments	(46)	435
			Other	9,718	6,010
			TOTAL EQUITY	84,326	82,859
TOTAL ASSETS	1,269,628	1,251,526	TOTAL LIABILITIES AND EQUITY	1,269,628	1,251,526

(*) Presented for comparison purposes only.

(b) Summarized consolidated Balance Sheet of the Group for the three month periods ended 31 March 2013 and 2012

Balance sheet

EUR million

	31.03.13	31.03.12	Variation	
			Amount	%
Assets				
Cash on hand and deposits at central banks	79,202	111,943	(32,741)	(29.2)
Trading portfolio	184,803	174,223	10,580	6.1
Debt securities	49,703	53,235	(3,532)	(6.6)
Customer loans	13,089	13,300	(211)	(1.6)
Equities	5,294	5,304	(9)	(0.2)
Trading derivatives	105,391	95,495	9,896	10.4
Deposits from credit institutions	11,326	6,889	4,437	64.4
Other financial assets at fair value	44,972	20,358	24,614	120.9
Customer loans	13,821	12,116	1,705	14.1
Other (deposits at credit institutions, debt securities and e	31,151	8,242	22,909	278.0
Available-for-sale financial assets	107,125	99,165	7,960	8.0
Debt securities	102,511	94,349	8,162	8.7
Equities	4,614	4,816	(202)	(4.2)
Loans	766,319	779,331	(13,012)	(1.7)
Deposits at credit institutions	61,898	52,924	8,974	17.0
Customer loans	696,904	719,533	(22,629)	(3.1)
Debt securities	7,517	6,874	644	9.4
Investments	4,729	4,685	43	0.9
Intangible assets and property and equipment	17,227	16,816	411	2.4
Goodwill	25,070	25,200	(131)	(0.5)
Other	52,253	51,117	1,136	2.2
Total assets	1,281,698	1,282,838	(1,140)	(0.1)
Liabilities and shareholders' equity				
Trading portfolio	154,089	149,125	4,964	3.3
Customer deposits	13,200	16,085	(2,885)	(17.9)
Marketable debt securities	1	74	(73)	(98.8)
Trading derivatives	105,624	96,889	8,734	9.0
Other	35,264	36,077	(813)	(2.3)
Other financial liabilities at fair value	59,422	47,490	11,932	25.1
Customer deposits	31,473	32,068	(595)	(1.9)
Marketable debt securities	5,650	5,247	403	7.7
Due to central banks and credit institutions	22,298	10,174	12,124	119.2
Financial liabilities at amortized cost	943,057	964,252	(21,195)	(2.2)
Due to central banks and credit institutions	103,375	124,780	(21,405)	(17.2)
Customer deposits	608,555	594,633	13,922	2.3
Marketable debt securities	195,091	201,697	(6,607)	(3.3)
Subordinated debt	17,828	22,821	(4,992)	(21.9)
Other financial liabilities	18,208	20,321	(2,113)	(10.4)
Insurance liabilities	1,263	717	545	76.0
Provisions	16,021	17,206	(1,185)	(6.9)
Other liability accounts	23,305	21,914	1,391	6.3
Total liabilities	1,197,157	1,200,705	(3,548)	(0.3)
Shareholders' equity	82,158	80,717	1,440	1.8
Capital stock	5,269	4,538	731	16.1
Reserves	75,683	74,552	1,131	1.5
Attributable profit to the Group	1,205	1,627	(422)	(25.9)
Less: dividends	—	—	—	—
Equity adjustments by valuation	(9,013)	(6,831)	(2,182)	31.9
Minority interests	11,397	8,247	3,150	38.2
Total equity	84,542	82,134	2,408	2.9
Total liabilities and equity	1,281,698	1,282,838	(1,140)	(0.1)

(c) Condensed Consolidated Income Statement of the Group for the years ended 31 December 2012 and 31 December 2011		
	(Debit) Credit	
	2012	2011 (*)
Interest and similar income	59,024	60,856
Interest expense and similar charges	(28,877)	(30,035)
NET INTEREST INCOME	30,147	30,821
Income from equity instruments	423	394
Share of results of entities accounted for using the equity method	427	57
Fee and commission income	12,827	12,749
Fee and commission expense	(2,519)	(2,277)
Gains/losses on financial assets and liabilities (net)	3,329	2,838
<i>Held for trading</i>	1,460	2,113
<i>Other financial instruments at fair value through profit or loss</i>	159	21
<i>Financial instruments not measured at fair value through profit or loss</i>	1,789	803
<i>Other</i>	(79)	(99)
Exchange differences (net)	(189)	(522)
Other operating income	6,693	8,050
<i>Income from insurance and reinsurance contracts issued</i>	5,541	6,748
<i>Sales and income from the provision of non-financial services</i>	369	400
<i>Other</i>	783	902
Other operating expenses	(6,585)	(8,032)
<i>Expenses of insurance and reinsurance contracts</i>	(4,948)	(6,356)
<i>Changes in inventories</i>	(232)	(249)
<i>Other</i>	(1,405)	(1,427)
GROSS INCOME	44,553	44,078
Administrative expenses	(17,928)	(17,781)
<i>Staff costs</i>	(10,323)	(10,326)
<i>Other general administrative expenses</i>	(7,605)	(7,455)
Depreciation and amortisation charge	(2,189)	(2,109)
Provisions (net)	(1,622)	(2,601)
Impairment losses on financial assets (net)	(18,906)	(11,868)
<i>Loans and receivables</i>	(18,549)	(11,040)
<i>Other financial instruments not measured at fair value through profit or loss</i>	(357)	(828)
PROFIT FROM OPERATIONS	3,908	9,719
Impairment losses on other assets (net)	(508)	(1,517)
<i>Goodwill and other intangible assets</i>	(151)	(1,161)
<i>Other assets</i>	(357)	(356)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	906	1,846
Gains from bargain purchases arising in business combinations	-	-
Gains/(losses) on non-current assets held for sale not classified as discontinued operations	(757)	(2,109)
PROFIT BEFORE TAX	3,549	7,939
Income tax	(575)	(1,776)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	2,974	6,163
LOSS FROM DISCONTINUED OPERATIONS (Net)	(7)	(24)
CONSOLIDATED PROFIT FOR THE YEAR	2,967	6,139
Profit attributable to the Parent	2,205	5,351
Profit attributable to non-controlling interests	762	788
(d) Condensed Consolidated Income Statement of the Group for the periods ended 31 March 2013 and 2012		

Income statement				
EUR million				
			Variation	
	Q1 '13	Q1 '12	Amount	%
Net interest income	6,652	7,763	(1,111)	(14.3)
Net fees	2,516	2,612	(96)	(3.7)
Gains (losses) on financial transactions	969	797	171	21.5
Other operating income	154	114	39	34.4
Dividends	59	61	(2)	(4.0)
Income from equity-accounted method	154	136	18	13.6
Other operating income/expenses	(59)	(83)	23	(28.3)
Gross income	10,290	11,287	(997)	(8.8)
Operating expenses	(4,996)	(5,043)	46	(0.9)
General administrative expenses	(4,428)	(4,519)	91	(2.0)
Personnel	(2,582)	(2,634)	52	(2.0)
Other general administrative expenses	(1,846)	(1,885)	40	(2.1)
Depreciation and amortisation	(569)	(524)	(45)	8.6
Net operating income	5,294	6,244	(950)	(15.2)
Net loan-loss provisions	(2,919)	(3,118)	199	(6.4)
Impairment losses on other assets	(110)	(83)	(27)	33.2
Other income	(261)	(487)	226	(46.4)
Ordinary profit before taxes	2,003	2,556	(553)	(21.6)
Tax on profit	(496)	(720)	224	(31.2)
Ordinary profit from continuing operations	1,508	1,836	(328)	(17.9)
Net profit from discontinued operations	—	17	(17)	(100.0)
Ordinary consolidated profit	1,508	1,853	(346)	(18.6)
Minority interests	303	227	76	33.7
Ordinary attributable profit to the Group	1,205	1,627	(422)	(25.9)
Net capital gains and provisions	—	—	—	—
Attributable profit to the Group	1,205	1,627	(422)	(25.9)
Statements of no significant or material adverse change				
There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 December 2012 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2013.				
B.13 Events impacting the Guarantor's solvency				
Not Applicable - There are no recent events particular to the Guarantor which are to a material extent relevant to an evaluation of its solvency.				
B.14 Dependence upon other Group entities				
The Guarantor is the Parent Company of the Santander Group. The Guarantor is not dependent upon any other entity in the Group.				
B.15 The Guarantor's Principal activities				
The Guarantor and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the US, offering wide range of financial products. At 31 December 2012, the Santander Group operated through 6,437 branch offices in Continental Europe, 1,189 branches in the United Kingdom, 6,044 branches in Latin America and 722 branches in the United States.				
B.16 Controlling shareholders				
The Guarantor is not aware of any person which exerts or may exert control over the Guarantor within the terms of Article 4 of Law 24/1988, of 28 July, of the Securities Market (<i>Law 24/1988 of 28 July of the Securities Market</i>).				
B.17 Credit ratings				
In accordance with the last available public information, the Guarantor has been rated by the rating agencies as follows:				
Rating Agency	Short	Long	Date of Last Rating	Perspective
Fitch Ratings (1)	F2	BBB+	June 2012	Negative
Moody's (2)	P-2	Baa2	February 2013	Negative
Standard & Poor's (3)	A-2	BBB	December 2012	Negative
DBRS (4)	R-1 (low)	A	February 2013	Negative
(1) Fitch Ratings España, S.A.U. (Fitch Ratings)				
(2) Moody's Investor Service España, S.A. (Moody's)				
(3) Standard & Poor's Credit Market Services Europe Limited (Standard & Poor's)				
(4) DBRS Ratings Limited (DBRS)				

SECTION C – SECURITIES

Element	
C.1	Type and class of the Securities The Issuers may issue under the Programme debt instruments up to an aggregate principal amount of EUR 32,000,000,000 (the "Instruments"). Such Instruments may be issued on a continuing basis and will be placed by one or more dealers appointed under the Programme from time to time by the Issuers, which appointment may be for a specific issue or on an on-going basis. Under the Programme, the Issuers may issue fixed or floating rate Instruments, including by reference to an index (equity and inflation indices). The Instruments may be senior Instruments (which are Instruments that can only be issued by Santander International and which specify their status as senior) ("Senior Instruments") or subordinated Instruments (being those Instruments that can only be issued by Santander Issuances and which specify their status as subordinated) ("Subordinated Instruments") in each case guaranteed by the Guarantor. Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Instruments will be constituted by virtue of the relevant public deed of issuance to be executed before a Spanish Notary Public and registered with the Mercantile Registry of Madrid on or prior to the issue date. Instruments will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Instruments of each Series will all be subject to identical terms except that the issue dates and the amount of the first payment of interest may be different in respect of different Tranches. Instruments may be issued in registered form, without interest coupons ("Registered Instruments"), or in bearer form, with or without interest coupons ("Bearer Instruments"). Bearer Instruments will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Instruments without interest coupons attached, deposited: (a) in the case of a global instrument 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, with or on behalf of a Common Depositary located outside the United States for Euroclear S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg", together with Euroclear, the "ICSDs"); or (b) in the case of a global instrument which is intended to be issued in new global note form (a "New Global Note" or "NGN"), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Instrument will be exchangeable (i) for interests in a permanent global Instrument in bearer form, without coupons (a "Permanent Global Instrument"), or (ii) in whole but not in part for definitive Instruments in bearer form (each, a "Definitive Instrument"), following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Instruments may be exchangeable for Registered Instruments. Registered Instruments will not be exchangeable for Bearer Instruments. The security identification number (ISIN) of the instruments will be set out in the relevant final terms.
C.2	Currency of the Securities The Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements.
C.5	Restrictions on free transferability The Instruments may not be transferred prior to the issue date. Selling restrictions apply to offers, sales or transfers of the Instruments under the applicable laws in various jurisdictions. A purchaser of the Instruments is required to make certain agreements and representations as a condition to purchasing the Instruments. For each issue of securities a minimum tradeable amount could be set out in the relevant Final Terms. With regards to Spain, the Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (<i>Law 24/1988 of 28 July of the Securities Market</i>), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.
C.8	Description of the rights attaching to the Securities Status: The Senior Instruments, being Instruments that can only be issued by Santander International, and the receipts and coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of Santander

	International and, upon the insolvency of Santander International (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (Ley Concursal) of 9 July 2003 (the "Insolvency Law" or "Law 22/2003") 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 preference among themselves and the payment obligations of Santander International under the Senior Instruments, receipts and coupons related to them rank at least <i>pari passu</i> with all other unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of Santander International, present or future. The Subordinated Instruments, being Instruments that can only be issued by Santander Issuances, constitute direct, unconditional, subordinated and unsecured obligations of Santander Issuances and, upon the insolvency of Santander Issuances (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank without preference or priority among themselves together with all other subordinated obligations of Santander Issuances other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law or which are expressed to rank junior to the Subordinated Instruments. Guarantees: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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 <i>pari passu</i> and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee. The Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon de insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions), shall rank <i>pari passu</i> with all other present and future subordinated obligations of the Guarantor other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, other subordinated obligations of the Guarantor prescribed by law or which are expressed to rank junior to the Guarantor's obligations under the subordinated guarantee. Deed of covenant: The Instruments have the benefit of a deed of covenant dated 21 June 2013. Taxation: All amounts payable in respect of the Instruments, the receipts and coupons, the senior guarantee and the subordinated guarantee by one of the Issuers or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the relevant Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the holder of any Instrument or coupon of such amounts as would have been received by them had no such withholding or deduction been required. Under Spanish Law 13/1985 and Royal Decree 1065/2007, each as amended, each Issuer and the Guarantor is required to provide to the Spanish tax authorities certain information relating to the Instruments. If Citibank, N.A., London Branch. (the "Issue and Paying Agent") fails to provide the relevant Issuer or, as the case may be, the Guarantor with the required information, the relevant Issuer or the Guarantor (as the case may be) will be required to withhold tax and may pay income in respect of the relevant Instruments net of the Spanish withholding tax applicable to such payments, generally at the rate of 19% (exceptionally, during the tax period 2013 the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014). None of the Issuers, the Guarantor, Banco Santander, S.A. and Morgan Stanley & Co. International plc. (the
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	"Arrangers"), Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and Crédit Agricole (all these dealers together with the Arrangers, the "Dealers") or the European clearing systems assumes any responsibility therefor. Events of Default: For Senior Instruments this includes non-payment, breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of the relevant Issuer or the Guarantor and if the senior guarantee ceases to be a valid and binding obligation of the Guarantor. For Subordinated Instruments this includes breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of Santander Issuances or the Guarantor and if the subordinated guarantee ceases to be a valid and binding obligation of the Guarantor. Governing law: The issue of the Instruments, including their legal nature (<i>obligaciones u otros valores que reconozcan o creen deuda</i>), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions and, when required, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.
C.9	Payment Features
	The issue date of the Instruments will be specified in the Final Terms and may not exceed the date of validity of this Base Prospectus. The nominal interest rate that will be received by investors will be set out in the relevant Final Terms and shall be the result of applying the terms and conditions specific to the relevant issue. Applicable interest payment dates will be specified in the Final Terms. Instruments may be issued with any maturity and may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms, in each case subject to compliance with all applicable legal, regulatory and/or central bank requirements. Early redemption will be permitted for taxation reasons, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms and in accordance with all applicable legal, regulatory and/or central bank requirements. The interest payment component of CMS-Linked Instruments, Equity Index-Linked Instruments and Inflation-Linked Instruments, will be determined by reference to the index specified in the relevant Final Terms. The syndicate of Holders shall be entrusted with the defence of the rights and interests of Holders.
	[Issue specific summary:
Issue Price:	[[●] per cent of the Aggregate Nominal Amount/[●] per Instrument]
Issue Date:	[●]
Calculation Amount:	[●]
Maturity Date :	[●]
	Set out relevant payment features below, completing or, where not relevant, deleting the following provisions:
	A. For variable interest rate Instruments, any of the following Interest Payment Options may apply:
	<i>Interest Payment Option 1</i>
	<i>Calculation Amount * Rate of Interest</i>
	<i>Interest Payment Option 2</i>
(1)	<i>If the Barrier Condition is satisfied:</i>
	<i>Calculation Amount * Rate of Interest_{n=1}; or</i>
(2)	<i>If the Barrier Condition is not satisfied:</i>
	<i>Calculation Amount * Rate of Interest_{n=2}</i>
	<i>Interest amounts if any become due on the relevant Interest Payment Date(s) specified below. [The yield of the Instruments is [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.(insert if Fixed Rate Instruments only)]</i>
	Set out the relevant definitions from the below, completing or, where not relevant, deleting the following provisions:

For these purposes:
" Asset " means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset.
" Asset Class " means [equity index(ices)] [and]/inflation index(ices).
" Asset Early " [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table below: insert table] [,] [Barrier].
" Asset Early Performance " means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of the [Asset] [Early Laggard] [Early Outperformer].
" Asset Final " means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].
" Asset Final Performance " means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of the [Asset] [Final Laggard] [Final Outperformer].
" Asset Initial " means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].
" Asset Level " means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.
" Asset Lookback " [means the] [Asset Level [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]]] [Average Level], [is as specified in the table below: insert table].
" Average Level " means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Determination Agent on each Averaging Date.
" Averaging Date " means each of [●].
" Barrier " means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].
" Barrier (Early) " means:
(a) where Barrier Condition Early (European) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
(b) where Barrier Condition Early (Bermudan) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
(c) where Barrier Condition Early (American) is applicable:
[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].
" Barrier (Final) " means:
(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or
(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.
" Barrier Condition " shall mean [Barrier Condition Early] [Barrier Condition Final].
" Barrier Condition Early " shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].
" Barrier Condition Early (American) " shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).
" Barrier Condition Early (Bermudan) " shall be deemed satisfied if the Determination Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).
" Barrier Condition Early (European) " shall be deemed satisfied if the Determination Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).
" Barrier Condition Final " shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].
" Barrier Condition Final (American) " shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).
" Barrier Condition Final (European) " shall be deemed satisfied if the Determination Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).
" Barrier Early Calculation Date " means [date to be specified] [each Scheduled Observation Date] [Valuation Date]

[Calculation Date].
" Barrier Return " shall mean an amount determined by the Determination Agent in accordance with the following methodology:-
(a) if Asset Final Performance is greater than [or equal to] the Barrier, [●] per cent.
(b) if Asset Final Performance is less than [or equal to] the Barrier: Max[(Cap +/-) (Participation * Asset Final Performance)), Floor]
" Basket Asset " means an Asset that is a constituent of a basket of Assets.
" Cap " means [●] per cent.
" Closing Level " means, the closing level of the relevant Asset.
" Downside Performance " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Initial} - \text{Asset Final}}{\text{Asset Initial}}$
" Early Laggard " shall mean in relation to the [Scheduled Observation Date],[Valuation Date],[Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Determination Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.
" Early Outperformer " shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Determination Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.
" Early Performance " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Early}}{\text{Asset Initial}}$
" Early Performance (Call Spread) " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$
" Early Performance (Rolling Lookback) " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Early}}{\text{Asset Lookback}} - 1$
" Early Weighted Performance " means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W \times \frac{\text{Asset Early} - \text{Asset Initial}}{\text{Asset Initial}}$
" Enhanced Weighted Performance " means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W * \text{Upside Performance}$
" Final Laggard " shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.

" Final Outperformer " shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.
" Final Performance " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Final}}{\text{Asset Initial}}$
" Final Performance (Call Spread) " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Final}}{\text{Asset Initial}} - 1$
" Final Performance (Lookback) " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Final}}{\text{Max}[(\text{Participation} \times \text{Asset Initial}), \text{Observation Level}]}$
" Final Performance (Temporis) " means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Final} - \text{Asset Lookback}}{\text{Asset Initial}}$
" Final Valuation Date " means [●].
" Final Weighted Performance " means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W \times \frac{\text{Asset Final} - \text{Asset Initial}}{\text{Asset Initial}}$
" Floor " means [●] per cent.
" i " shall mean the corresponding number related to a defined term within the Conditions as specified herein.
" Initial Valuation Date " means [●].
" Interest Payment Date(s) " means [●].
" Intraday Level " means the intraday level of the relevant Asset.
" Max " followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.
" Min " followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.
" n " shall mean the corresponding number related to a defined term within the Conditions as specified herein.
" Observation Days " means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].
" Observation Level " means [the Opening Level] [the lowest Closing Level observed on each Scheduled Observation Date] [the highest Closing Level observed on each Scheduled Observation Date] [the level of the Asset][the Rate of Interest] observed by the Determination Agent on the relevant [Initial Valuation Date] [Scheduled Observation Date] at [insert time] [the level of the relevant Asset scheduled to be published by the Inflation Index Sponsor for the Reference Month of [●] where the relevant Asset Class is an Inflation Index]
" Observation Period " means [●].
" Opening Level " means the opening level of the relevant Asset.
" Paid Interest " means, in respect of an Instrument, the sum of all interest paid in respect of that Instrument from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.
" Participation " means [●] per cent.

"Range Condition" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Determination Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum.]
"Range Days" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.
"Rate of Interest" shall mean in connection with the relevant Coupon Payout [Insert one of:]
[[●] per cent.] [per annum];
Screen Rate Determination;
ISDA Determination;
(n * [●] per cent.);
[(n * [●] per cent.)] – Paid Interest;
Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];
$\left([●] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}} \right); \text{ or}$
[the applicable percentage rate specified in the table below: insert table.]
"Scheduled Observation Date" means [insert date(s)] [each Scheduled Trading Day in the Observation Period].
"Single Asset" means a single Asset.
"t" shall mean the corresponding number related to a defined term within the Conditions as specified herein.
"Trade Date" means [●].
"Upside Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:
$\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$
"Valuation Date" means [specify date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].
"W" means the weighting in respect of the relevant Basket Asset, as specified in the table below: insert table:
"Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:
$W * \text{Final Performance}$
The above provisions are subject to adjustment as provided in the conditions of the Instruments to take into account events in relation to the Asset(s) or the Instruments. This may lead to adjustments being made to the Instruments or in some cases the Instruments being terminated early at an early redemption or cancellation amount.
B. Equity Index-Linked Interest Instruments:
The below provisions are subject to adjustment as provided in the conditions of the Instruments:
PART 1 – European Call
Structure 1:
Single Share Index Linked Instruments:
The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:
(a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:
$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$
(b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).
Definitions:
"Coupon B" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.
"Coupon B Percentage" has the meaning given in the relevant Final Terms.
"Final Price" means the Official Closing Level of the Share Index on the Final Price Date.
"Final Price Date" has the meaning given in the relevant Final Terms.
"Initial Price" means the Official Closing Level of the Share Index on Initial Price Date.
"Initial Price Date" has the meaning given in the relevant Final Terms.
"Official Closing Level" means, on any day, the official closing level of the Share Index.
"Strike Price" means a percentage of the Initial Price as specified in the relevant Final Terms.

[Share Index Basket Linked Instruments:

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price}_{(a)} - \text{Strike Price}_{(a)}}{\text{Initial Price}_{(a)}} \right)$$

Where:

"**Final Price_(a)**" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price_(a)**" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price_(a)**" is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means

$$\left(\frac{\text{Final Price}}{\text{Initial Price}} \right)$$

- (b) Otherwise, Coupon B (which may be zero).

Definitions:

"**Basket**" means each and every Share Index specified in the Final Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the relevant Final Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" has the meaning given in the relevant Final Terms.

"**Initial Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the relevant Final Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share.

"**Strike Price**" means a percentage of the Initial Price as specified in the Final Terms.

PART 2 – European Call Up & Out

Structure 2:

Single Share Index Linked Instruments:

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:
- (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:
- $$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$
- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

Definitions:

"**Barrier A**" means a percentage of the Initial Price as specified in the Final Terms.

"**Coupon A Percentage**" has the meaning given in the relevant Final Terms.

"**Coupon A**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"**Coupon C Percentage**" has the meaning given in the relevant Final Terms.

"**Coupon C**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

"**Final Price Date**" has the meaning given in the relevant Final Terms.

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Initial Price Date**" has the meaning given in the relevant Final Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Official Closing Level**" means, on any day, the official closing price of the Index.

PART 3 – Call Spread

Structure 3:

Share Index Basket Linked Instruments

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \min \left(\text{Cap Level}; \left(\frac{\sum_{i=1}^J \frac{\text{Final Price}_i - \text{Initial Price}_i}{\text{Initial Price}_i}}{J} \right) \right)$$

Where:

"**Final Price_i**" is the Final Price of the Share Index_i.

"**Initial Price_i**" is the Initial Price of the Share Index_i.

"**J**" is the total number of Shares comprised in the Basket.

Definitions:

"**Basket**" means each and every Share Index specified in the applicable Final Terms.

"**Cap Level**" has the meaning given to it in the relevant Final Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the relevant Final Terms.

"**Initial Price**" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the relevant Final Terms.

"**Official Closing Level**" means on any day, the official closing level of a Share Index.

C. Inflation-Linked Interest Instruments:

The below provisions are subject to adjustment as provided in the Terms and Conditions of the Instruments:

Inflation Linked interest payment based on a fixed rate of interest:

$$\text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin:

$$(I_T/I_0) + \text{Margin}$$

Inflation Linked interest payment plus a Margin subject to a minimum interest rate:

$$\text{Max} [\text{Floor}; (I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate:

$$\text{Min} [\text{Cap}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin subject to a maximum interest rate:

$$\text{Min} [\text{Cap}; (I_T/I_0) + \text{Margin}]$$

Definitions:

"**Cap**" has the meaning given to it in the relevant Final Terms;

"**Fixed Rate of Interest**" has the meaning given to it in the relevant Final Terms;

"**I₀**" means Inflation Index observation level for Reference Month T_{start};

"**I_T**" means Inflation Index observation level for Reference Month T;

"**Floor**" has the meaning given to it in the relevant Final Terms;

"**Margin**" has the meaning given to it in the relevant Final Terms;

"**Reference Month T_{start}**" has the meaning given to it in the relevant Final Terms;

"**Reference Month T**" has the meaning given to it in the relevant Final Terms;

"**T**" has the meaning given to it in the relevant Final Terms; and

"**T_{start}**" has the meaning given to it in the relevant Final Terms.

C.10 Derivative component on interest

The Issuers may issue Instruments with a derivative component on the interest payment.

Instruments can bear fixed rates, floating rates, variable interest rates and also with interest determined by reference to an index (such as CMS-Linked Instruments, Equity Index-Linked Instruments and Inflation-Linked Instruments).

The Share Index or the Inflation Index that may be used as reference to calculate the interest payment under the Instruments will not be composed, published or announced by the Issuer, the Guarantor, or any legal entity belonging to the Guarantor's group or by someone acting in association with or on behalf of the Issuer or the

	Guarantor. However, the relevant Share Index may be composed by shares of the Guarantor or of entities belonging to the Guarantor's group or of someone acting in association with or on behalf of the Issuer or the Guarantor.
	[Issue specific summary:
	[Not applicable – The Instruments do not have a derivative component in the interest payment] / [The interests of the Instruments are determined by reference [to an Equity or Inflation index]. [The Share Index or the Inflation Index that may be used as reference to calculate the interest payment under the Instruments will not be composed, published or announced by the Issuer, the Guarantor, or any legal entity belonging to the Guarantor's group or by someone acting in association with or on behalf of the Issuer or the Guarantor. However, the relevant Share Index may be composed by shares of the Guarantor or of entities belonging to the Guarantor's group or of someone acting in association with or on behalf of the Issuer or the Guarantor.]
C.11	Listing and Admission to trading Each Series may be listed on the official list of the Irish Stock Exchange and traded on the regulated market of the Irish Stock Exchange and/or any other listing authority, stock exchange and/or quotation system (each, a " Stock Exchange ") (as may be agreed between the relevant Issuer, the Guarantor and the relevant Dealer and specified in the relevant Final Terms) or may be unlisted. Under Spanish law, unlisted Instruments are subject to a different tax regime than that applicable to listed Instruments and, if issued under the Programme, such Instruments will be the subject of a supplement to the Base Prospectus.
C.15	Description of how the value of the Securities is affected by the value of the underlying Asset The following table sets out illustrative values of the amounts payable per Instrument on the relevant Interest Payment Date. The value of the Underlying will only affect the interest payments but not the principal amounts. [Issue specific summary [This Element C.15 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]: [insert table] <i>These Instruments are derivative securities and their value may go down as well as up.]</i>
C.16	Expiration Date or Maturity Date of the Instruments [Issue specific summary [This Element C.16 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]: [The Maturity Date of the Securities is [●], subject to adjustment] [or, if earlier the date on which the [Call] [Put] Option is exercised], subject to adjustment.]
C.17	Settlement procedures of the Instruments The Instruments will be settled on the Maturity Date at the relevant amount per Instrument. [For the purposes of the Issue specific summary: This Element C.17 only to be included where the Securities are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]
C.18	Description of how the return on derivative securities takes place [Issue specific summary [This Element C.18 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]: <i>For variable interest Instruments, the return is illustrated in item C.10 above.</i> <i>These Instruments are derivative securities and their value may go down as well as up.]</i>

SECTION D – RISKS

Element	
D.2	Key risks regarding the Issuers and the Guarantor Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Instruments under the Programme and on-lending the proceeds within the Santander Group. Each Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the relevant Issuer to fulfil its obligations under Instruments issued under the Programme. The main risks relating to the Santander Group operation are, amongst others: • Since the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the economies of Continental Europe, the United Kingdom or certain Latin American countries could adversely affect our financial condition. • The Group is vulnerable to the current disruptions and volatility in the global financial markets.

- We may suffer adverse effects as a result of the ongoing economic and sovereign debt tensions in the eurozone.
- Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect us.
- Market conditions have, and could result, in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects.
- If we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on us.
- Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management system could materially and adversely affect us and we may be exposed to unidentified or unanticipated risks.
- Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.
- We may generate lower revenues from fee and commission based businesses.
- Our financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of our operations and financial position.
- Competition with other financial institutions could adversely affect us.
- We are exposed to risks faced by other financial institutions.
- The financial problems faced by our customers could adversely affect us.
- Liquidity and funding risks are inherent in our business and could have a material adverse effect on us.
- Credit, market and liquidity risk may have an adverse effect on our credit ratings and our cost of funds. Any downgrading in our credit rating would likely increase our cost of funding, require us to post additional collateral or take other actions under some of our derivative contracts and adversely affect our interest margins and results of operations.
- We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.
- Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties, and we may not be able to manage various risks we face as we expand our range of products and services that could have a material adverse effect on us.
- Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on us.
- We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.
- If we are unable to manage the growth of our operations, this could have an adverse impact on our profitability.
- We are exposed to risk of loss from legal and regulatory proceedings.
- We are subject to substantial regulation which could adversely affect our business and operations.
- Operational risks, including risks relating to data collection, processing and storage systems are inherent in our business.
- We rely on recruiting, retaining and developing appropriate senior management and skilled personnel.
- Damage to our reputation could cause harm to our business prospects.
- Changes in accounting standards could impact reported earnings.
- We rely on third parties for important products and services.
- We engage in transactions with our subsidiaries or affiliates that others may not consider to be on an arm's-length basis.
- Our business could be affected if its capital is not managed effectively or if changes limiting our ability to manage our capital position are adopted.
- Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results.
- Our growth, asset quality and profitability in Latin America may be adversely affected by volatile

	macroeconomic and political conditions. • Changes in our pension liabilities and obligations could have a material adverse effect on us. • Changes in taxes and other assessments may adversely affect us. • Exposure to sovereign debt could have a material adverse effect on us. • We depend in part upon dividends and other funds from subsidiaries. • Our corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States.
D.3	Key risks regarding the Securities There are also risks associated with the Instruments and with the markets. These risks may include, amongst others: • Taxation in Spain: Under Spanish Law, payments of income in respect of the Instruments will not be subject to Spanish withholding tax provided that the relevant Issuer or the Guarantor receives certain information concerning the Instruments. If such information is not received by the relevant Issuer or the Guarantor, as the case may, it will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant Instruments, or income arising from the payment of Instruments issued below par; • In certain circumstances a portion of payments made on or with respect to the Instruments may be subject to US reporting obligations which, if not satisfied, may require US tax to be withheld; • Withholding under the EU Savings Directive; • Reforms to Spanish banking legislation that result from the Basel III proposals could lead to Subordinated Instruments being used to absorb losses of Santander Issuances or the Guarantor in certain circumstances; • The temporary Commissioner (which owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement) will be appointed by the relevant Issuer and may also be an employee or officer of such Issuer or of the Guarantor; • The Spanish Insolvency Law, provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (<i>administradores concursales</i>) within a certain period, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. In addition, recent amendments to the Insolvency Law have been implemented which, in certain instances, have the effect of modifying or impairing creditors' rights; • Prospective investors should make their own evaluations to determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers accordingly; • Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market; • Instruments may be redeemable at the relevant Issuer's option in certain circumstances. This feature is likely to limit their market value. If such option is exercised, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments. • Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or the Guarantor; • In accordance with applicable Spanish Bank of Spain regulations, the Subordinated Instruments may not be early redeemed due to the non-payment of the Subordinated Instruments, or of other debts of the Issuer or of any members of its group. • The Issuers may issue Instruments with interest determined by reference to an inflation or equity index (each, a Relevant Index). Potential investors should be aware that the market price of such Instruments may be volatile and that they may receive no interest. In addition, potential investors should be aware that: (i) a Relevant Index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; (ii) if a Relevant Index is applied to Instruments in conjunction with a multiplier greater than one (or contains some other leverage factor) the effect of changes in the

	Relevant Index on interest payable likely will be magnified; and (iii) the timing of changes in a Relevant Index may affect the actual yield to investors. • The Issuers may issue Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its interest payments. • The Issuers may issue Inverse Floating Rate Instruments which have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). • The Issuers may issue Fixed/Floating Rate Instruments. Such Instruments may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Instruments since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. • The Issuers may issue Instruments at a substantial discount or premium from their principal amount. The market values of such Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. • Santander Issuances' obligations under Subordinated Instruments will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of Santander Issuances. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor. Payments of principal and interest in respect of Short Term Subordinated Instruments may be suspended in certain circumstances. • One or more independent credit rating agencies may assign credit ratings to the Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Additionally, the risks relating to investment in the Instruments depend on their features and may include, <i>inter alia</i>, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Instruments, including with respect to certain underlying, no claim against the reference item(s) to which the Instruments relate, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption or exercise, settlement risk, possible illiquidity of Instruments, equity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption, a requirement to hold a minimum amount of Instruments, transfer restrictions and exchange, listing and legal regulation risk.
D.6	Risk Warning [Issue Specific Summary: This Element D.6 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)] • the Instruments issued under this Base Prospectus, including Structured Instruments, cannot have a negative yield for the investor. The Structured Instruments return is linked to the performance of one or more underlying (such as indices, or baskets of indices); • the Issue Price of the Instruments may be more than the market value of such Instruments as at the Issue Date, and the price of the Instruments in secondary market transactions; and • if the relevant Instruments include leverage, potential holders of such Instruments should note that these Instruments will involve a higher level of risk. Investors should therefore only invest in leveraged Instruments if they fully understand the effects of leverage.

SECTION E – OFFER

Element	
E.2b	Use of proceeds The net proceeds of the issue of each tranche of Instruments will be used for the general funding purposes of the Group.
E.3	Terms and conditions of the offer: Denomination: Instruments will be issued in such denominations as may be specified in the relevant Final Terms,

	subject to a minimum denomination of €1,000 (or, if the Instruments are denominated in a currency other than euro, the equivalent in another currency at the date of issue. For each issue of securities a minimum tradeable amount could be set out in the relevant Final Terms. Interest: Instruments are interest-bearing. Interest may accrue at a fixed or floating rate or other variable rate and may vary during the lifetime of the relevant Series. Issue Price: Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant tranche of Instruments will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions. Maturity: Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) in accordance with Bank of Spain requirements will have a maturity of not less than five years or, in the case of any Instrument that has been issued pursuant to the requirements of Bank of Spain Circular 3/2008 of 22 May (<i>Circular 3/2008, de 22 de mayo, del Banco de España</i>) for Subordinated Instruments having a maturity of not less than two years (the "Short Term Subordinated Instruments"), two years from their date of issue or as otherwise permitted by Bank of Spain. Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer. Redemption: Instruments may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Early redemption will be permitted for taxation reasons, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms. Any early redemption of Subordinated Instruments qualifying as regulatory capital (<i>recursos propios</i>) is subject to the prior consent of the Bank of Spain and may not take place within a period of five years from their date of issue or as otherwise permitted by the Bank of Spain and they may not be redeemed at the option of the holder of the relevant Instruments (the "Holder") prior to their stated maturity. Short Term Subordinated Instruments may not be redeemed until two years after the issue date (or otherwise as permitted by applicable law) and such redemption is subject to the prior consent of the Bank of Spain. Subordinated Instruments may not be redeemed at the option of the Holder prior to their stated maturity. Purchase: The Issuers and the Guarantor and any of their respective subsidiaries or any third party designated by any of them, may at any time purchase Instruments in the open market or otherwise and at any price provided that, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith. In the case of Subordinated Instruments which qualify as regulatory capital (<i>recursos propios</i>), the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance with the requirements of Spanish law (including for this purpose Bank of Spain's regulations in so far as the Issuer seeks to maintain eligibility of such instruments as regulatory capital). Clearing Systems: Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms. Terms and conditions of the offer: If so specified in the relevant Final Terms, the Instruments may be offered to the public in a non-exempt offer in one or more specified Public Offer Jurisdictions. The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms. An Investor intending to acquire or acquiring any Instruments in a non-exempt offer from an authorised offeror will do so, and offers and sales of such Instruments to an Investor by such authorised offeror will be made, in accordance with any terms and other arrangements in place between them.
E.4	Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests The relevant Dealers may be paid fees in relation to any issue of Instruments under the Programme. Any such

	Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business.
E.7	Expenses charged to the investor by the Issuer or an Offeror The expenses and taxes to be charged to the subscriber or purchaser of the Instruments will be specified in the relevant Final Terms.

RISK FACTORS

An investment in the Instruments may involve a high degree of risk. In purchasing Instruments, investors assume the risk that the Issuers and the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Instruments. There are a wide range of factors which individually or together could result in the Issuers and the Guarantor becoming unable to make all payments due in respect of the Instruments. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuers and the Guarantor's control. The Issuers and the Guarantor have identified in this Base Prospectus a number of factors which could materially adversely affect their businesses and ability to make payments due under the Instruments.

In addition, factors which are material for the purpose of assessing the market risk associated with Instruments issued under the Programme are detailed below. The factors discussed below regarding the risks of acquiring or holding any Instruments are not exhaustive, and additional risks and uncertainties that are not presently known to the Issuers or Guarantor or that the Issuers or Guarantor currently believes to be immaterial could also have a material impact on the Instruments.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

CONTENTS OF THE RISK FACTORS

1. **Risks Relating to the Issuers and the Guarantor**
2. **Risks Relating to Group Operations**
3. **Risks in relation to Latin America**
4. **Risks in relation to the Instruments**

Investing in Instruments issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:

1. Risks Relating to the Issuers and the Guarantor

The risk factors set out below also relate to the Issuers, as members of the Group.

Each Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Instruments under the Programme and on-lending the proceeds within the Group. Each Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Instruments issued under the Programme.

2. Risks Relating to Group Operations

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

Our loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At 31 December 2012, Continental Europe accounted for 40% of our total loan portfolio (Spain accounted for 28% of our total loan portfolio), while the United Kingdom and Latin America accounted for 34% and 20%, respectively. Accordingly, the recoverability of these loan portfolios in particular, and our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Continental Europe (in particular, Spain), the United Kingdom and Latin America. Continued recessionary economic conditions in the economies of Continental Europe (in particular, Spain), or a return to recessionary conditions in the United Kingdom or the Latin American countries in which we operate, would likely have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, cash flows and results of operations.

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

In the past five years, the financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. Global economic conditions deteriorated significantly between 2007 and 2009, and many countries, in which we operate, fell into recession. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, have been experiencing 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, we may face, among others, the following risks related to the economic downturn:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs, may affect the pricing for our products and services, and limit our ability to pursue business opportunities.
- Reduced demand for our products and services.
- Inability of our borrowers to timely or fully comply with their existing obligations.
- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process and the quality of our assets.
- The value and liquidity of the portfolio of investment securities that we hold may be adversely affected.
- Worsening of the global economic conditions may delay the recovery of the international financial industry and impact our financial condition and results of operations.
- The recoverability of our retail loans in particular may be increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and result in increased loan losses.

Some uncertainty remains concerning the future economic environment. While certain segments of the global economy are currently experiencing a moderate recovery, we expect such uncertainty will continue,

which could have an a negative impact on our business and results of operations. Global investor confidence remains cautious and downgrades of the sovereign debt of Ireland, Greece, Portugal, Spain, Italy and France, as well as the recent development and banking crisis in Cyprus, have caused volatility in the capital markets. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on us and on others in the financial services industry.

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

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

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

Eurozone markets and economies continue to show signs of fragility and volatility, with recession in several economies, including Germany, and only sporadic access to capital markets in others. Interest rate differentials among eurozone countries are affecting government finance and borrowing rates in those economies.

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

The continued high cost of capital for some European governments was felt in the wholesale markets and there has been a consequent increase in the cost of retail funding, with greater competition in a savings market that is growing slowly by historical standards. In the absence of a permanent resolution of the eurozone crisis, conditions could deteriorate.

We have direct and indirect exposure to financial and economic conditions throughout the eurozone economies.

Though the possibility may be more remote following the measures taken in 2012, a wide-scale break-up of the eurozone would most likely be associated with a deterioration in the economic and financial environment and 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 our operating results, financial position and prospects.

Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect us.

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

- net interest income;
- the volume of loans originated;
- the market value of our securities holdings; and
- gains from sales of loans and securities.

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

Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may also reduce the propensity of our customers to prepay or refinance fixed-rate loans. Increases in interest rates may reduce the value of our financial assets.

If interest rates decrease, although this is likely to decrease our funding costs, it is likely to adversely impact the income we receive arising from our investments in securities as well as loans with similar maturities. In addition, we may also experience increased delinquencies in a low interest rate environment when such an environment is accompanied by high unemployment and recessionary conditions.

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

Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

We are 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 our earnings and value of our assets and securities.

We are also exposed to equity price risk in connection with our trading investments in equity securities as part of our normal course of business as a commercial bank. The performance of financial markets may cause changes in the value of our 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 our investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against our results. To the extent any of these risks materialise, our net interest income or the market value of our assets and liabilities could be adversely affected.

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

In the past five 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. We have material exposures to securities 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 our financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by us on disposal may be lower than the current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material adverse effect on our 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, our valuation methodologies require us 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 our operating results, financial condition and prospects.

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

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

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

Mortgage loans are one of our principal assets, comprising 51% of our loan portfolio as of 31 December 2012. As a result, we are highly exposed to developments in real estate markets, especially in Spain and the United Kingdom. In addition, we have exposure to a number of large real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and social trends, the desirability of Spain as a vacation destination and historically low interest rates in the Eurozone. The United Kingdom experienced an increase in housing and mortgage demand driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. Since 2008, as economic growth stalled in Spain and the United Kingdom, persistent housing oversupply, decreased housing demand, rising unemployment, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance and the continued effect of global market volatility have caused home prices to decline, while mortgage delinquencies increased. As a result, our NPL ratio increased from 0.94% at 31 December 2007, to 2.02% at 31 December 2008, to 3.24% at 31 December 2009, to 3.55% at 31 December 2010 and to 3.89% at 31 December 2011. At 31 December 2012, our NPL ratio was 4.54%. These trends, especially higher unemployment rates coupled with declining real estate prices, could have a material adverse impact on our mortgage payment delinquency rates, which in turn could have a material adverse effect on our business, financial condition and results of operations.

The value of the collateral securing our loan portfolio may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Europe, the United States and Latin American countries. The real estate market is particularly vulnerable in the current economic climate and this may affect us as real estate represents a significant portion of the collateral securing our residential mortgage loan portfolio. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral.

If this were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management system could materially and adversely affect us and we may be exposed to unidentified or unanticipated risks.

The management of risk is an integral part of our activities. We seek to monitor and manage our risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

As a commercial bank, one of the main types of risks inherent in our business is credit risk. For example, an important feature of our 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 or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system.

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

Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behaviour. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in its statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modelling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. If existing or potential customers believe our risk management is inadequate, they could take their business elsewhere. This could harm our reputation as well as our revenues and profits.

Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us.

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

We may generate lower revenues from fee and commission based businesses.

The fees and commissions that we earn from the different banking and other financial services that we provide (credit and debit cards, insurance, account management, bill discounting, guarantees and other contingent liabilities, advisory and custody services, etc.) and from our mutual and pension funds management services represent a significant source of our revenues.

Market downturns have led and are likely to continue to lead, to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in our non-interest revenues. In addition, because the fees that we charge for managing our clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of our clients' portfolios or increases the amount of withdrawals would reduce the revenues we receive from our asset management, private banking and custody businesses and adversely affect our results of operations. Moreover, our customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect our fee and commission income.

Even in the absence of a market downturn, below-market performance by our mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue we receive from our asset management business and adversely affect our results of operations.

Our financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of our 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 our results and financial position, based upon materiality and significant judgments and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets and provision for liabilities.

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

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

Competition with other financial institutions could adversely affect us.

We face substantial competition in all parts of our 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 we must now compete. There can be no assurance that this increased competition will not adversely affect our growth prospects, and therefore our operations. We also face competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

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

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

We are exposed to risks faced by other financial institutions.

We routinely transact 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 rumors 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 we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. In 2012, the financial health of a number of European governments was shaken by the European sovereign debt crisis, contributing to volatility of the capital and credit markets, and the risk of contagion throughout and beyond the Eurozone remains, as a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. These liquidity concerns have had, and may continue to have, an adverse effect on interbank financial transactions in general. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilised. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material adverse effect on us.

The financial problems faced by our customers could adversely affect us.

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

Liquidity and funding risks are inherent in our business and could have a material adverse effect on us.

Liquidity risk is the risk that we either do not have available sufficient financial resources to meet our 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 we implement liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors in particular make it difficult to eliminate completely these risks. Adverse and continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding our business, and extreme liquidity constraints may affect our current operations as well as limit growth possibilities.

Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on our ability to access capital and liquidity on financial terms acceptable to us.

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

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

We rely, 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 our control, such as general economic conditions and the confidence of commercial depositors in the economy, in general, and the financial services industry in particular, and the availability and extent of deposit guarantees, as well as competition between banks for deposits. Any of these factors could significantly increase the amount of commercial deposit withdrawals in a short period of time, thereby reducing our 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 our operating results, financial condition and prospects.

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

We cannot assure you that in the event of a sudden or unexpected shortage of funds in the banking system, we 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, we could be materially adversely affected.

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

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

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

Banco Santander, S.A.'s long-term debt is currently rated investment grade by the major rating agencies—Baa2 by Moody's Investors Service España, S.A., BBB by Standard & Poor's Ratings Services and BBB+ by Fitch Ratings Ltd.—all of which have a negative outlook due to the difficult economic environment in Spain. All three agencies downgraded our rating in February 2012 together with that of the other main Spanish banks, due to the weaker-than-previously-anticipated macroeconomic and financial environment in Spain with dimming growth prospects in the near term, depressed real estate market activity and heightened turbulence in the capital markets. In addition, Standard & Poor's Ratings Services downgraded our rating by two notches in April 2012 together with that of 15 other Spanish banks following that rating agency's decision to downgrade Spain's sovereign debt rating by two notches. Moody's Investors Service España, S.A. further downgraded our rating in May 2012, together with downgrades of 15 other Spanish banks and Santander UK plc, our United Kingdom-domiciled subsidiary. In June 2012, Fitch Ratings Ltd. cut the rating of Spanish sovereign debt three notches to BBB- with a negative outlook, and Moody's followed shortly thereafter by downgrading Spanish sovereign debt three notches to Baa3, its lowest investment grade rating. Following its downgrade of Spanish sovereign debt, Fitch Ratings Ltd. further downgraded our rating on 11 June 2012 from A to BBB+. Moody's Investors Service downgraded our rating on 25 June 2012 from A3 to Baa2. Santander UK's long-term debt is currently rated investment grade by the major rating agencies: A2 with negative outlook by Moody's Investors Service, A with negative outlook by Standard & Poor's Ratings Services and A with stable outlook by Fitch Ratings. All three agencies revised Santander UK's ratings during 2012 following the downgrades of the Kingdom of Spain.

We conduct substantially all of our material derivative activities through Banco Santander, S.A. and Santander UK.

For example, we estimate that as of 31 December 2012, if the rating agencies were to downgrade Banco Santander, S.A.'s long-term senior debt ratings by one notch we would be required to post up to €3 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two notch downgrade would result in a requirement to post up to €14 million in additional collateral. In addition, we estimate that as of 31 December 2012, 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 outflows from Santander UK's total liquid assets of £2.0 billion of cash and £6.6 billion in additional collateral that Santander UK would be required to post under the terms of secured funding and derivative contracts. A hypothetical two notch downgrade would result in an additional outflow of £0.4 billion of cash and £1.4 billion of collateral under secured funding and derivative contracts.

However, while certain potential impacts are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of a firm's long-term credit rating precipitates downgrades to its short-term credit rating, and assumptions about the potential behaviors of various customers, investors and counterparties. Actual outflows could be higher or lower than this hypothetical example, depending upon certain factors including which credit rating agency downgrades our 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 our stress testing scenarios and a portion of our total liquid assets is held against these risks, it is still the case that a credit rating downgrade could have a material adverse effect on us. In addition, if we were required to cancel our derivatives contracts with certain counterparties and were unable to replace such contracts, our market risk profile could be altered.

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

We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.

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

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

Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties, and we may not be able to manage various risks we face as we expand our range of products and services that could have a material adverse effect on us.

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

As we expand the range of our products and services, some of which may be at an early stage of development in the markets of certain regions where we operate, we will be exposed to new and potentially increasingly complex risks and development expenses in those markets, with respect to which our experience and the experience of our partners may not be helpful. Our employees and our risk management systems may not be adequate to handle such risks. In addition, the cost of developing products that are not launched is likely to affect our results of operations. Any or all of these factors, individually or collectively, could have a material adverse effect on us.

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

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

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us.

We are required to comply with applicable anti-money laundering, anti-terrorism and other laws and regulations in the jurisdictions in which we operate. These laws and regulations require us, among other things, to adopt and enforce "know-your-customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems and sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision.

While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and related activities, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent we fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us, including the revocation of licenses. In addition, our business and reputation could suffer if customers use our banking network for money laundering or illegal or improper purposes.

In addition, while we review our relevant counterparties' internal policies and procedures with respect to such matters, we, to a large degree, rely upon our relevant counterparties to maintain and properly apply their own appropriate anti-money laundering procedures. Such measures, procedures and compliance may not be completely effective in preventing third parties from using our (and our relevant counterparties) as a conduit for money laundering (including illegal cash operations) without our (and our relevant counterparties') knowledge. If we are associated with, or even accused of being associated with, or become a party to, money laundering, then our reputation could suffer and/or we 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 our operating results, financial condition and prospects.

If we are unable to manage the growth of our operations, this could have an adverse impact on our profitability.

We allocate management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring our businesses. From time to time, we evaluate acquisition and partnership opportunities that we believe offer additional value to our shareholders and are consistent with our business strategy. However, we may not be able to identify suitable acquisition or partnership candidates, and our ability to benefit from any such acquisitions and partnerships will depend in part on our successful integration of those businesses. We can give no assurances that our expectations with regards to integration and synergies will materialise. We also cannot provide assurance that we will, in all cases, be able to manage our growth effectively or deliver our strategic growth objectives. Challenges that may result from our strategic growth decisions include our ability to:

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

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

We are exposed to risk of loss from legal and regulatory proceedings.

We face various issues that may give rise to risk of loss from legal and regulatory proceedings, including tax litigation. These issues, including appropriately dealing with potential conflicts of interest, and legal and regulatory requirements, could increase the amount of damages asserted against us or subject us to regulatory enforcement actions, fines and penalties. The current regulatory environment, which suggests an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, may lead to material operational and compliance costs.

We are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of our business, including in connection with our lending activities, relationships with our 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, we 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. We believe that we have made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings. However, the amount of these provisions is substantially less than the total amount of the claims asserted against us and in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by us. As a result, the outcome of a particular matter may be material to our operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and our level of income for that period.

We are subject to substantial regulation which could adversely affect our business and operations.

As a financial institution, we are subject to extensive regulation, which materially affects our businesses. For example, we are subject to capital adequacy requirements which, among other things, require us to maintain minimum ratios of regulatory capital to risk-weighted assets. Any failure by us to comply with capital adequacy requirements may result in administrative actions or sanctions which may affect our ability to fulfill our obligations.

Statutes, regulations and policies to which we are subject, in particular those relating to the banking sector and financial institutions, may be changed at any time. For example, in response to the recent financial crisis, regulators world-wide have imposed, and may continue to impose, more stringent capital adequacy requirements, including increasing the minimum regulatory capital requirements imposed on us. Regulators world-wide have also produced a range of proposals for future legislative and regulatory changes which could force us to comply with certain operational restrictions or take steps to raise further capital, or could increase our expenses, or otherwise adversely affect our operating results, financial condition and prospects. The interpretation and the application by regulators of the laws and regulations to which we are subject may also change from time to time. Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations could result in significant loss of revenue, limit our ability to pursue business opportunities in which we might otherwise consider engaging, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. As some of the banking laws and regulations have been recently adopted, 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 we operate, we may face higher compliance costs. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on our business and results of operations.

Extensive legislation affecting the financial services industry has recently been adopted in Spain, the United States, the European Union and other jurisdictions, and regulations are in the process of being implemented.

The European Union has created a European Systemic Risk Board to monitor financial stability and has implemented rules that will increase capital requirements for certain trading instruments or exposures and impose compensation limits on certain employees located in affected countries. In addition, the European Union Commission is considering and has already approved a wide array of other initiatives, including new legislation that will affect derivatives trading, impose surcharges on "globally" systemically important firms and possibly impose new levies on bank balance sheets.

Regulators in the UK have produced a range of proposals for future legislative and regulatory changes, which could force us to comply with certain operational restrictions or take steps to raise further capital, or could increase our expenses, or otherwise adversely affect our operating results, financial condition and prospects. These proposals include (i) the introduction of recovery and resolution planning requirements (popularly known as "living wills") for banks and other financial institutions as contingency planning for the failure of a financial institution that may affect the stability of the financial system, (ii) implementation of the Financial Services Act 2012 (which took effect from 1 April 2013), creating, among others, the Financial Conduct Authority ("**FCA**") (formerly the Financial Services Authority) and bestowing on it enhanced disciplinary and enforcement powers, (iii) the introduction of more regular and detailed reporting obligations, (iv) a move to pre-funding of the deposit protection scheme in the UK, (v) a proposal to require large UK retail banks to hold a minimum Core Tier 1 to risk-weighted assets ratio of at least 10 percent., which is, broadly, 3 percent higher than the minimum capital levels required under Basel III, and to have a minimum primary loss-absorbing capacity of 17 percent of risk-weighted assets, and (vi) proposed revisions to the approaches for determining trading book capital requirements and banking book risk-weighted assets from the Basel Committee.

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised

version of Basel III was published in June 2011. Basel III is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduces new eligibility criteria for Common Equity Tier 1, Additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios in order to avoid certain capital distribution constraints. The capital conservation buffer, to be comprised of Common Equity Tier 1 capital, would result in an effective Common Equity Tier 1 capital requirement of 7 percent of risk-weighted assets. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III introduces a leverage ratio for institutions as a backstop measure, to be applied alongside current risk-based regulatory capital requirements. The changes in Basel III are intended to be phased in gradually between January 2013 and January 2022. The implementation of Basel III in the European Union is being performed through the Capital Requirements Directive IV & Capital Requirements Regulation ("**CRDIV** ") legislative package. Drafts of the CRDIV have been released by the European Commission but are not scheduled to be published in final form until later in 2013. The final capital framework to be established in the EU under CRDIV is likely to differ from Basel III in certain areas and the implementation date is currently expected to be effective in January 2014. See risk factor entitled "*Reforms to Spanish banking legislation that result from the Basel III proposals could lead to Subordinated Instruments being used to absorb losses of Santander Issuances, S.A. Unipersonal or the Guarantor in certain circumstances*" below.

In addition to the changes to the capital adequacy framework published in December 2010 described above, the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") metrics, with objectives to (1) promote the short-term resilience of banks' liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (2) promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The LCR has been subsequently revised by the Basel Committee in January 2013 which amended the definition of high-quality liquid assets and agreed a revised timetable for phase-in of the standard from 2015 to 2019, as well as making some technical changes to some of the stress scenario assumptions. As with the Basel Committee's proposed changes to the capital adequacy framework, the draft liquidity framework remains under discussion within the EU and the final framework to be established could differ from Basel III in certain areas. The implementation date is still subject to uncertainty.

The Spanish government approved on 3 February 2012 the Royal Decree-Law 2/2012 and on 18 May 2012 the Royal Decree-Law 18/2012 on the reform of the financial sector, through which the following actions were performed:

- Review of the minimum provisioning percentages to be taken into consideration in the estimate of the impairment losses relating to financing granted to the property sector in Spain and to the foreclosed assets and assets received in payment of debt arising from financing granted to that sector, as a result of the impairment of these assets.
- Increase in the level of minimum capital requirements of Spanish credit institutions on the basis of the assets relating to the property sector in Spain presented on the balance sheet of each entity at 31 December 2012.

In September 2011, the European Commission (the "**Commission**") tabled a proposal for a common system of financial transactions taxes ("**FTT**"). Despite intense discussions on this proposal there was no unanimity amongst the 27 Member States. Eleven Member States ("**participating Member State**") requested enhanced cooperation on a FTT based upon the Commission's original proposal. The Commission presented a decision to this effect which was adopted by the EU's Council of Finance Ministers at its committee meeting on January 22, 2013. The formal Directive was published on February 14, 2013, under which participating Member States may charge a FTT on all financial transactions with effect from January 1, 2014 where (i) at least one party to the transaction is established in the territory of a participating Member State and (ii) a financial institution established in the territory of a participating Member State is a party to the transaction acting either for its own account or for the account of another person, or is acting in the name of a party to the transaction. We are still assessing the proposals to determine the likely impact on us.

In the United Kingdom, on 16 June 2010, the Chancellor of the Exchequer announced the creation of the Independent Commission on Banking (the "**ICB**"), chaired by Sir John Vickers. The ICB was asked to consider structural and related non-structural reforms to the UK banking sector to promote financial stability and competition, and to make recommendations to the UK Government. The ICB gave its recommendations on 12 September 2011 and proposed: (i) implementation of a retail ring fence; (ii) increased capital requirements; and (iii) improvement of competition – which were broadly endorsed by the Government in its response published on 19 December 2011. A White Paper was published on 14 June 2012 detailing how the Government intends to implement the recommendations of the ICB. A draft of the initial bill to implement the ICB recommendations was published on 12 October 2012, in the format of framework legislation to put in place the architecture to effect the reforms, with detailed policy being provided for through secondary legislation. On 4 February 2013, the Financial Services (Banking Reform) Bill was introduced to Parliament. The Government expects the legislation to be in place by 2015 and to take effect by 2019. Implementation of the proposals may require us to make changes to our structure and business.

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

With respect to OTC derivatives, the Dodd-Frank Act provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. Entities that are swap dealers, security-based swap dealers, major swap participants or major security-based swap participants will be required to register with the SEC or the CFTC, or both, and will become subject to new capital, margin, business conduct, recordkeeping, clearing, execution, reporting and other requirements. We will likely register one or more entities as swap dealers with the CFTC or SEC, or both. Although the full impact of U.S. derivatives regulation on us is still unclear, registration with the CFTC and SEC could materially increase our operating costs and adversely affect our derivatives business.

In June 2012, U.S. bank regulators proposed a broad revision of the regulatory capital rules applicable to U.S. banks, bank holding companies and other U.S. banking organisations. The proposals would implement the Basel III capital standards in the United States and modify existing standardised risk weights for certain types of asset classes, including residential mortgages and securitisation exposures. The proposals are intended to comply with the Dodd-Frank Act's minimum risk-based capital requirements and would be phased in over a multi-year period. Once fully implemented, the new rules would generally increase both the quality and quantity of regulatory capital that U.S. banking organisations are required to maintain. It was originally contemplated that the revised capital rules would be phased in beginning in January 2013. In November 2012, however, U.S. bank regulators announced that the proposals would not become effective in January 2013. The announcement did not specify new implementation or phase-in dates. U.S. bank regulators are working to finalise the proposals.

In addition, in December 2012, pursuant to the Dodd-Frank Act's systemic risk regulation provisions, the Board of Governors of the Federal Reserve System ("**Federal Reserve**") proposed to apply enhanced prudential standards to the U.S. operations of large foreign banking organisations, including us. Under the Federal Reserve's proposal, a number of large foreign banking organisations would be required to establish a separately capitalised top-tier U.S. intermediate holding company ("**IHC**") that would hold all of the large foreign banking organisation's U.S. bank and nonbank subsidiaries. Under the Federal Reserve's proposal, an IHC would be subject to U.S. capital, liquidity, single counterparty credit limits, risk management, stress testing and other enhanced prudential standards on a consolidated basis, and the Federal Reserve would have the authority to examine any IHC and any subsidiary of an IHC. Although U.S. branches and agencies of foreign banks would not be required to be held beneath an IHC, such branches and agencies would be subject to liquidity, single counterparty credit limits, and, in certain circumstances, asset maintenance requirements. The rules have a proposed effective date of 1 July 2015. The Federal Reserve is currently accepting comments on its proposal.

These and any additional legislative or regulatory actions in Spain, the European Union, the United States, the UK or other countries, and any required changes to our business operations resulting from such legislation and regulations, could result in reduced capital availability, significant loss of revenue, limit our ability to continue organic growth (including increased lending) and pursue business opportunities in which we might otherwise consider engaging, affect the value of assets that we hold, require us to increase our prices and therefore reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, we cannot provide assurance that any such new legislation or regulations would not have an adverse effect on our business, results of operations or financial condition in the future.

We may also face increased compliance costs. As some of the banking laws and regulations have been recently adopted, 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 we operate, we may face higher compliance costs. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have material adverse effect on our business and results of operations.

Operational risks, including risks relating to data collection, processing and storage systems are inherent in our business.

Our businesses depend on the ability to process a large number of transactions efficiently and accurately, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our 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. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented. Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure transmission capabilities and prevent against cyber attacks, we routinely exchange personal, confidential and proprietary information by electronic means, and we may be the target of attempted cyber attacks. If we cannot maintain an effective data collection, management and processing system, we may be materially and adversely affected.

We take protective measures and continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption, but our systems, software and networks nevertheless may be vulnerable to unauthorised access, misuse, computer viruses or other malicious code and other events that could have a security impact. An interception, misuse or mishandling of personal, confidential or proprietary information sent to or received from a client, vendor, service provider, counterparty or third party could result in legal liability, regulatory action and reputational harm. There can be no assurance that we will not suffer material losses from operational risk in the future, including relating to cyber attacks or other such security breaches. Further, as cyber attacks continue to evolve, we may incur significant costs in its attempt to modify or enhance our protective measures or investigate or remediate any vulnerabilities.

We manage and hold confidential personal information of customers in the conduct of our banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorised disclosures could subject us to legal actions and administrative sanctions as well as damages that could materially and adversely affect our results of operations and financial condition.

In addition, our businesses are exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. In recent years, a number of multinational financial institutions have suffered material losses due to the actions of 'rogue traders' or other employees. It is not always possible to deter employee misconduct and the precautions we take to prevent and detect this activity may not always be effective.

We rely on recruiting, retaining and developing appropriate senior management and skilled personnel.

Our continued success depends in part on the continued service of key members of our management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of our strategy. The successful implementation of our growth strategy depends on the availability of skilled management, both at our head office and at each of our business units. If we or one of our business units or other functions fails to staff its operations appropriately or loses one or more of its key senior executives and

fails to replace them in a satisfactory and timely manner, our 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 our ability to hire or retain the most qualified employees. If we fail or are unable to attract and appropriately train, motivate and retain qualified professionals, our business may also be adversely affected.

Damage to our reputation could cause harm to our business prospects.

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

Actions by the financial services industry generally or by certain members of, or individuals in, the industry can also affect our 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 us and others in the financial services industry to decline.

We could suffer significant reputational harm if we fail to properly identify and manage potential conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address, or the perceived failure to adequately address, conflicts of interest could affect the willingness of clients to deal with us, or give rise to litigation or enforcement actions against us. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause material harm to us.

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 our consolidated financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

We rely on third parties for important products and services.

Third party vendors provide key components of our business infrastructure such as loan and deposit servicing systems, internet connections and network access. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to customers and otherwise to conduct business. Replacing these third party vendors could also entail significant delays and expense.

We engage in transactions with our subsidiaries or affiliates that others may not consider to be on an arm's-length basis.

We and our subsidiaries and affiliates have entered into a number of services agreements pursuant to which we render services, such as administrative, accounting, finance, treasury, legal services and others. In addition, we have entered into services agreements with certain affiliates to allow these companies to offer their products and services within our branch network or that assist with our activities in consideration for certain fees.

Spanish law applicable to public companies and financial groups and institutions, as well as our bylaws, provide for several procedures designed to ensure that the transactions entered into with or among our financial subsidiaries do not deviate from prevailing market conditions for those types of transactions, including the requirement that our board of directors approve such transactions.

We are likely to continue to engage in transactions with our subsidiaries or affiliates. Future conflicts of interests between us and any of our subsidiaries or affiliates, or among our subsidiaries and affiliates, may arise, which conflicts are not required to be and may not be resolved in our favor.

Our business could be affected if its capital is not managed effectively or if changes limiting our ability to manage our capital position are adopted.

Effective management of our capital position is important to our ability to operate our business, to continue to grow organically and to pursue our business strategy. However, in response to the recent financial crisis, a number of changes to the regulatory capital framework have been adopted or are being considered. As these and other changes are implemented or future changes are considered or adopted that limit our ability to manage our balance sheet and capital resources effectively or to access funding on commercially acceptable terms, we may experience a material adverse effect on our financial condition and regulatory capital position.

Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results.

Our financial and operating performance may be adversely affected by force majeure events, such as natural disasters, particularly in locations where a significant portion of our loan portfolio is composed of real estate loans. Natural disasters such as earthquakes and floods may cause widespread damage which could impair the asset quality of our loan portfolio and could have an adverse impact on the economy of the affected region.

Our growth, asset quality and profitability in Latin America may be adversely affected by volatile macroeconomic and political conditions.

The economies of some of the Latin American countries where the Group operates have experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend.

Negative and fluctuating economic conditions, such as a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in these Latin American regions could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in these Latin American regions.

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

No assurance can be given that the Group's growth, asset quality and profitability will not be affected by volatile macroeconomic and political conditions.

Changes in our pension liabilities and obligations could have a material adverse effect on us.

We provide retirement benefits for many of our former and current employees through a number of defined benefit pension plans. We calculate the amount of our defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, or others. These calculations are based on IFRS 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 our pension funds. Under IFRS, the discount rate is set considering the term and performance of high credit quality corporate bonds with similar maturities in the same currency, and is the assumption that is most vulnerable to market volatility. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of our defined benefit obligations and therefore on the amount of pension expense that we accrue.

Changes in the size of the deficit in our defined benefit pension plans, due to reduction in the value of the pension fund assets (depending on the performance of financial markets) or an increase in the pension fund

liabilities due to changes in mortality assumptions, the rate of increase of salaries, discount rate assumptions, inflation, the expected rate of return on plan assets, or other factors, could result in our having to make increased contributions to reduce or satisfy the deficits which would divert resources from use in other areas of our business and reduce our capital resources. While we can control a number of the above factors, there are some over which we have no or limited control. Increases in our pension liabilities and obligations could have a material adverse effect on our business, financial condition and results of operations.

Changes in taxes and other assessments may adversely affect us.

The Spanish government regularly enacts reforms to the tax and other assessment regimes to which we and our 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 have not been, and cannot be, quantified and there can be no assurance that these reforms will not, once implemented, have an adverse effect upon our business. Furthermore, such changes may produce uncertainty in the financial system, increasing the cost of borrowing and contributing to the increase in our non-performing credit portfolio.

We cannot predict if such tax reforms will be implemented in the future. The effects of these changes, if enacted, and any other changes that could result from the enactment of additional tax reforms, cannot be quantified.

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

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

We depend in part upon dividends and other funds from subsidiaries.

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

Our 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 countries with more developed capital markets, including the United States. In particular, for regulatory purposes, we currently prepare and will continue to prepare and make available to our shareholders statutory financial statements in accordance with IFRS-IASB, which differs from U.S. GAAP in a number of respects. In addition, as a foreign private issuer, we are 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 us available to you will not be the same as the information available to shareholders of a U.S. company and may be reported in a manner that you are not familiar with.

3. Risks in relation to the Instruments

Taxation in Spain.

Under Spanish Law 13/1985 and Royal Decree 1065/2007, each as amended, payments of income in respect of the Instruments will be made without withholding tax in Spain provided that the Issue and Paying Agent provides to the relevant Issuer or the Guarantor at the relevant time a certificate in the Spanish language substantially in the form set out in Exhibit I, attached hereto. Each of the Issuers and the Guarantor is required pursuant to Spanish law to provide certain information relating to the Instruments to the Spanish tax authorities.

This information must be provided by the Issue and Paying Agent to the relevant Issuer or the Guarantor, as the case may be, before the close of business on the Business Day (as defined in the Terms and Conditions of the Instruments) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Instruments (each a "**Payment Date**") is due. The information must be filed by the Guarantor with the Spanish tax authorities on an annual basis.

The Issuer, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Instruments. If, despite these procedures, the relevant information is not received by the relevant Issuer or, as the case may be, the Guarantor on each Payment Date, such Issuer or, as the case may be, the Guarantor will withhold tax at the then-applicable rate, generally 19% (exceptionally, during the tax period 2013 the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014) from any payment in respect of the relevant Instruments. None of the Issuers or the Guarantor will pay any additional amounts with respect to any such withholding.

The Issue and Paying 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 Instruments. See "Taxation in Spain - Information about the Instruments in Connection with Payments". The procedures may be modified, amended or supplemented to, among other reasons, reflect a change in applicable Spanish law, regulation, ruling or interpretation thereof. None of the Issuers, the Guarantor or the Dealers assumes any responsibility therefor.

Royal Decree 1145/2011, of 29 July which amends Royal Decree 1065/2007, of 27 July 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 instruments is received by the relevant Issuer or, as the case may be, the Guarantor. In the opinion of the Issuers and the Guarantor, payments in respect of the Instruments will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Instruments is submitted by the Issue and Paying Agent to them.

Notwithstanding the above, under certain circumstances in the case of Instruments 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 Instruments may be subject to withholding by such depositary or custodian at the general rate of 19%, although exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%. Please note that it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014.

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

Hiring Incentives to Restore Employment Act withholding may affect payments on the Notes

The U.S. Hiring Incentives to Restore Employment Act (the "**HIRE Act**") imposes a 30% withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met. While significant aspects of the application of the relevant

provisions of the HIRE Act to the Instruments are uncertain, if the Issuers or any withholding agent determines that withholding is required, neither the Issuers nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section *"Taxation and Information About the Instruments in Connection with Payments – Hiring Incentives to Restore Employment Act."*

Foreign Account Tax Compliance withholding may affect payments on the Notes

Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly known as the “**Foreign Account Tax Compliance Act**” or “**FATCA**”) imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) “foreign passthru payments” made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. While the Instruments are in global form and held within the clearing systems, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. An Issuer’s obligations under the Instruments are discharged once the paying agent has paid the clearing systems and an Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. Prospective investors should refer to the section *"Taxation and Information About the Instruments in Connection with Payments – Foreign Account Tax Compliance Act"*.

Withholding under the EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015.

The European Commission has proposed certain amendments to the EC Council Directive 2003/48/EC which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuers nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Instrument as a result of the imposition of such withholding tax. The Issuers is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the EC Council Directive 2003/48/EC.

Reforms to Spanish banking legislation that result from the Basel III proposals could lead to Subordinated Instruments being used to absorb losses of Santander Issuances, S.A. Unipersonal or the Guarantor in certain circumstances.

On 16 December 2010 and on 13 January 2011, the Basel Committee on Banking Supervision (the **Basel Committee**) issued guidance on the eligibility criteria for Tier 1 and Tier 2 capital instruments as part of a package of new capital and liquidity requirements intended to reinforce capital standards and to establish

minimum liquidity standards for credit institutions (**Basel III**). The implementation of the Basel III reforms has begun, however, the requirements are subject to a series of transitional arrangements and will be phased in over a period of time.

In the European Union, Basel III as it relates to the eligibility criteria for Tier 1 and Tier 2 capital instruments will be implemented by amendments to European Council Directive 2002/87/EC, known as the Capital Requirements Directive (the **CRD IV Directive**) and the application of a European Parliament and Council regulation directly in each Member State of the European Economic Area (the **CRD IV Regulation**) (together, **CRD IV**). Drafts of CRD IV have been released by the European Commission but are not scheduled to be published in final form until later in 2013 and it is currently expected that they will become effective 1 January 2014.

The Basel Committee's press release dated 13 January 2011 entitled "Minimum requirements to ensure loss absorbency at the point of non-viability" included additional Basel III requirements (the **Non-Viability Requirements**) as follows:

"The terms and conditions of all non-common Tier 1 and Tier 2 instruments issued by an internationally active bank must have a provision that requires such instruments, at the option of the relevant authority, to either be written off or converted into common equity upon the occurrence of the trigger event unless:

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss;
- (b) a peer group review confirms that the jurisdiction conforms with clause (a); and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under clause (a) in this paragraph.

The trigger event is the earlier of: (1) a decision that a write-off, without which the firm would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the firm would have become non-viable, as determined by the relevant authority."

Drafts of CRD IV contemplate that the Basel III Non-Viability Requirements will be implemented in the European Economic Area by way of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the **Recovery and Resolution Directive, RRD**). If such statutory loss absorption at the point of non-viability is not implemented by 31 December 2015 then the latest draft of CRD IV indicates that the European Commission shall review and report on whether such a provision should be included in the CRD IV Regulation and, in light of that review, come forward with appropriate legislative proposals.

The Issuer cannot predict the final form of the RRD and how the implementation of the RRD may affect the pricing and claims of holders of the Subordinated Instruments. Subordinated Instruments may be subject to write-down or loss absorption upon the occurrence of the relevant trigger event. Such trigger event(s) may differ from the Non-Viability Requirements listed above and may result in Holders losing some or all of their investment.

EU Crisis Management Directive

The European Commission has published proposals for a crisis management directive which is intended to enable a range of actions to be taken by relevant regulatory authorities in relation to credit institutions and investment firms which are considered to be at risk of failing. The full scope of the directive and its impact on the Issuers is currently unclear but the implementation of the directive or the taking of any action under it could materially affect the value of any Instruments.

On 6 June 2012, the European Commission published a draft legislative proposal for a directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (the "**Crisis Management Directive**" or "**CMD**"). The stated aim of the draft CMD is to provide resolution authorities with common tools and powers to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' contributions to bank bail-outs and/or exposure to losses. The powers provided to authorities in the draft CMD are divided into three categories: (i)

preparatory steps and plans to minimise the risks of potential problems (preparation and prevention); (ii) in the event of incipient problems, powers to arrest a firm's deteriorating situation at an early stage so as to avoid insolvency (early intervention); and (iii) if insolvency of a firm presents a concern as regards the general public interest, a clear means to reorganise or wind down the firm in an orderly fashion while preserving its critical functions and limiting to the maximum extent any exposure of taxpayers to losses.

The draft CMD currently contains four resolution tools and powers:

- (i) sale of business – enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms without requiring the consent of the shareholders or complying with the procedural requirements that would otherwise apply;
- (ii) bridge institution - enables resolution authorities to transfer of all or part of the business of the firm to a "bridge bank" (a public controlled entity);
- (iii) asset separation - enables resolution authorities to transfer impaired or problem assets to an asset management vehicle to allow them to be managed and worked out over time; and
- (iv) bail-in - gives resolution authorities the power to write-down the claims of unsecured creditors of a failing institution and to convert debt claims to equity (subject to certain parameters as to which liabilities would be eligible for the bail-in tool).

The draft CMD currently contemplates that it will be implemented in Member States with effect from 1 January 2015, except for the bail-in tool, which is contemplated to be implemented by 1 January 2018. The powers currently set out in the draft CMD would impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. However, the proposed directive is not in final form and changes may be made to it in the course of the legislative process. In addition, many of the proposals contained in the draft CMD have already been implemented in Spain by virtue of Spanish Law 19/2012 of November 14 on restructuring and resolution of credit entities (**Law 19/2012**) and it is currently unclear to what extent, if any, the provisions of Law 19/2012 may need to change once the draft CMD is implemented. See risk factor entitled "*Reforms to Spanish banking legislation that result from the Basel III proposals could lead to Subordinated Instruments being used to absorb losses of Santander Issuances, S.A. Unipersonal or the Guarantor in certain circumstances*" above. Accordingly, it is not yet possible to assess the full impact of the draft CMD on the Issuers and there can be no assurance that, once it is implemented, the fact of its implementation or the taking of any actions currently contemplated in it would not adversely affect the rights of Noteholders, the price or value of their investment in the Instruments and/or the ability of the Issuers to satisfy its obligations under the Instruments.

Risks Relating to the Comisario.

Prospective investors should note that the temporary Commissioner (which owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement) will be appointed by the relevant Issuer and that may also be an employee or officer of such Issuer or of the Guarantor.

Risks Relating to the Insolvency Law.

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

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

Due to the deterioration of the Spanish economy, Law 38/2011 of 10 October has recently implemented certain amendments to the Insolvency Law which, in certain instances, have the effect of modifying or impairing creditors' rights.

Suitability.

Prospective investors should determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers to determine the consequences of an investment in the Instruments and to arrive at their own evaluations of the investment.

There is no active trading market for the Instruments.

Instruments issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Instruments which is already issued). If the Instruments are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the relevant Issuer and the Guarantor. Although applications have been made for the Instruments issued under the Programme to be admitted to listing on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Instruments 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 Tranche of Instruments.

The Instruments may be redeemed by the Issuer prior to maturity.

If in the case of any particular Tranche of Instruments the relevant Final Terms specifies that the Instruments are redeemable at the relevant Issuer's option in certain other circumstances the relevant Issuer may choose to redeem the Instruments at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments.

Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the relevant Issuer and/or the Guarantor.

Instruments issued under the Programme may be represented by one or more Global Instruments. Such Global Instruments will be deposited with a common depositary or common safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Instrument, investors will not be entitled to receive definitive Instruments. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Instruments. While the Instruments are represented by one or more Global Instruments, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Instruments are represented by one or more Global Instruments the relevant Issuer and the Guarantor will discharge their payment obligations under the Instruments by making payments to the common depositary or paying agent (in the case of a New Global Note) for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Instrument must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. The relevant Issuer and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments.

Holders of beneficial interests in the Global Instruments will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Instruments will not have a direct right under the Global Instruments to take enforcement action against the relevant Issuer or the Guarantor in the event of a default under the relevant Instruments but will have to rely upon their rights under the Deed of Covenant.

Risks related to the structure of a particular issue of Instruments.

A wide range of Instruments may be issued under the Programme. A number of these Instruments may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Instruments subject to optional redemption by the Issuers.

An optional redemption feature of Instruments is likely to limit their market value. During any period when the Issuers may elect to redeem Instruments, the market value of those Instruments generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuers may be expected to redeem Instruments when their cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks in relation to early redemption of Subordinated Instruments.

With respect to the provisions of the Subordinated Instruments, Bank of Spain Circular 3/2008, of 22 May (*Circular 3/2008, de 22 de mayo, del Banco de España*) ("**Circular 3/2008**") contains the following statement:

"Without prejudice to the rights granted by the insolvency legislation, contractual clauses cannot contemplate the early redemption of debt due to the non-payment of the financing, or other debts of the issuer, or any of the members of its group."

Structured Instruments (including Equity or Inflation Index Linked Interest Instruments).

The Issuers may issue Instruments with interest determined by reference to an Inflation or Equity index (each, a **Relevant Index**). Potential investors should be aware that:

- (i) the market price of such Instruments may be volatile;
- (ii) they may receive no interest;
- (iii) a Relevant Index may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices;
- (iv) if a Relevant Index is applied to Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Index on interest payable likely will be magnified; and
- (v) the timing of changes in a Relevant Index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Index, the greater the effect on yield.

Partly-paid Instruments.

The Issuers may issue Instruments where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of the payable interest payments.

Inverse Floating Rate Instruments.

Inverse Floating Rate Instruments have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Instruments are more volatile because an increase in the reference rate not only decreases the interest rate of the Instruments, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Instruments.

Fixed/Floating Rate Instruments.

Fixed/Floating Rate Instruments may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Instruments since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Instruments may be less favourable than then prevailing spreads on comparable Floating Rate Instruments tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Instruments. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Instruments.

Instruments issued at a substantial discount or premium.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments

An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments entails certain risks, which may vary depending on the specification and type or structure of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments.

Each potential investor should determine whether an investment in the Instruments is appropriate in its particular circumstances. An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and be aware of the related risks.

An investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is only suitable for potential investors who:

- (a) have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the information contained or incorporated by reference into this document;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Instruments will have on their overall investment portfolio;
- (c) understand thoroughly the terms of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and are familiar with the behaviour of the relevant underlying Index or Share Index and financial markets;
- (d) are capable of bearing the economic risk of an investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments until the maturity date of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments;
- (e) recognise that it may not be possible to dispose of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments for a substantial period of time, if at all before the maturity date; and

- (f) are able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect the investment in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the investor's risks.

Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments unless such potential investor has the expertise (either alone or with a financial and legal adviser) to evaluate how the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will perform under changing conditions, the resulting effects on the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and the impact this investment will have on the potential investor's overall investment portfolio.

Potential investors in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments should be aware that:

- (a) the market price of such Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be very volatile;
- (b) investors in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may receive no interest;
- (c) a relevant underlying Index or Share Index may be subject to significant fluctuations that may not correlate with changes in securities prices, indices or inflation indices;
- (d) if a relevant underlying Index or Share Index is applied to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the relevant underlying Index or Share Index on interest payable on such Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is likely to be magnified; and
- (e) the timing of changes in a relevant underlying Index or Share Index may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the relevant underlying Index or Share Index, the greater the effect on yield.

Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments are not ordinary debt securities

The terms of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments differ from those of ordinary debt securities because the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may not pay interest on maturity, depending on the performance of the relevant underlying Index or Share Index. Prospective investors who consider purchasing Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments should reach an investment decision only after carefully considering the suitability of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments in light of their particular circumstances. The price of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may fall in value as rapidly as it may rise.

The value of Equity Index-Linked Interest Instruments and Inflation Linked Interest Instruments may be influenced by unpredictable factors

The value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be influenced by several factors beyond the Issuer's and the Guarantor's control including:

1. Valuation of the relevant underlying Index or Share Index. The market price or value of an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument at any time is expected to be affected primarily by changes in the price, level, or value of the relevant underlying Index or Share Index to which the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments are linked. It is impossible to predict how the price, level, or value of the relevant underlying Index or Share Index will vary over time. The historical performance value (if any) of the relevant underlying Index or Share Index does not indicate the future performance of the relevant underlying Index or Share Index. Factors which may have an effect on the price, level, or value of the relevant underlying Index or Share Index include the rate of return of the relevant underlying Index or Share Index and, where relevant, the financial position and prospects of the Index Sponsor or Share Index Sponsor, the market price, level or value of the applicable underlying Index or Share Index or basket of Indices or Share Indices. In addition, the price, level, or value of the relevant underlying Index or Share Index may depend on a number of inter related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is linked to the relevant underlying Index or Share Index and will be influenced (positively or negatively) by the relevant underlying Index or Share Index, any change may not be comparable and may be disproportionate. It is possible that while the relevant underlying Index or Share Index is increasing in value, the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may fall. Further, the Conditions of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will allow the Determination Agent to make adjustments or take any other appropriate action if circumstances occur where the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments or any exchanges or price sources are affected by market disruption, adjustment events or circumstances affecting normal activities;
2. Volatility. The term volatility refers to the actual and anticipated frequency and magnitude of changes of the market price, level or value with respect to a relevant underlying Index or Share Index. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a relevant underlying Index or Share Index will move up and down over time (sometimes more sharply than at other times) and different relevant underlying Index or Share Index will most likely have separate volatilities at any particular time;
3. Dividend Rates and other Distributions. The value of certain Equity Index-Linked Interest Instruments could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a relevant underlying security referenced by a Share Index;
4. Interest Rates. Investments in the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
5. Remaining Term. Generally, the effect of pricing factors over the term of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price, level or value of the relevant underlying Index or Share Index rises or falls there may be a reduction or increase, as the case may be, in the value of Equity Index-Linked Interest

Instruments or Inflation Linked Interest Instruments due to the other value determining factors. Given that the term of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is limited, investors cannot rely on the price, level or value of the relevant underlying Index or Share Index or the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments recovering again prior to maturity;

6. Creditworthiness. Any prospective investor who purchases Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is relying upon the creditworthiness of the Issuer and the Guarantor and has no rights against any other person. If the Issuer or the Guarantor becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as a relevant underlying Index or Share Index; and
7. Exchange Rates. The value of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments is to be made and any currency in which a relevant underlying Index or Share Index is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments will be representative of the relevant rates of exchange used in computing the value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at any time thereafter.

Some or all of the above factors will influence the price that investors will receive if an investor sells its Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments prior to maturity which is usually referred to as "secondary market practice". For example, investors may have to sell certain Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at a substantial discount from the principal amount or investment amount if the market price, level or value of the applicable relevant underlying Index or Share Index is at, below, or not sufficiently above the initial market price, level or value or if market interest rates rise. The secondary market price of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may be lower than the market value of the issued Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as at the Issue Date due to, amongst other things, amounts paid to distributors and other intermediaries relating to the issue and sale of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and amounts relating to the hedging of the Issuer's obligations. As a result of all of these factors, any investor that sells the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments before the stated expiration or maturity date, may receive an amount in the secondary market which may be less than the then intrinsic market value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and which may also be less than the amount the investor would have received had the investor held the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments through to maturity.

Certain considerations regarding the use of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as hedging instruments

Any person intending to use Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments as a hedge instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments may not hedge exactly a relevant underlying Index or Share Index or portfolio of which a relevant security or index forms a part. In addition, it may not be possible to liquidate Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at a price which directly reflects the price, level or value of the relevant underlying Index or Share Index or portfolio of which a share or index forms part. Potential

investors should not rely on the ability to conclude transactions during the term of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to offset or limit the relevant risks. This depends on the market situation and the specific relevant underlying Index or Share Index conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Securityholder.

Effect of the liquidity of the relevant underlying Index or Share Index on Equity Index- Linked Interest Instruments and Inflation Linked Interest Instruments pricing

The Issuer's and its affiliates hedging costs tend to be higher the less liquidity the relevant underlying Index or Share Index has or the greater the difference between the "buy" and "sell" prices for the relevant underlying Index or Share Index or derivatives contracts referenced to the relevant underlying Index or Share Index. When quoting prices for Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments, the Issuer will factor in such hedging costs and will pass them on to the Holders of the Instruments by incorporating them into the "buy" and "sell" prices. Thus, the Holders of the Instruments selling their Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments on an exchange or on the over-the-counter market may be doing so at a price that is substantially lower than the actual value of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments at the time of sale.

Exchange rates and exchange controls may affect the value or return of the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments

General Exchange rate and exchange control risks.

An investment in an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument denominated in, or the payment of which is linked to value for a relevant underlying Index or Share Index denominated in currencies other than the investor's home currency entails significant risks. These risks include the possibility of significant changes in rates of exchange between its home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuer has no control. Investors should consult their financial and legal advisors as to any specific risks entailed by an investment in Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments that are denominated or payable in, or the payment of which is linked to values for a relevant underlying Index or Share Index denominated in a currency other than the currency of the country in which such investor resides or in which such investor conducts its business, which is referred to as their home currency. Such Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments are not appropriate investments for investors who are not sophisticated in foreign currency transactions.

Exchange rates may affect the investor's investment.

In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments. Depreciation against the investor's home currency or the currency in which an Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument is payable would result in a decrease in the effective yield of the Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument below its coupon rate and could result in an overall loss to an investor on the basis of the investor's home currency.

Investors have no shareholder rights

As an owner of Equity Index-Linked Interest Instruments, investors will not have voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to any underlying Index or Share Index.

Potential conflicts of interest between the investor and the Determination Agent

If acting as Determination Agent for Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Indices or Share Indices the Guarantor or the Issuer will determine the payout to the investor at maturity. The Issuer, the Guarantor and their affiliates may also carry out hedging activities related to any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Index or Share Index, including trading in the underlying Indices or Share Indices, as well as in other instruments related to the underlying Indices or Share Indices. The Issuer, the Guarantor and their affiliates may also trade the applicable underlying Indices or Share Indices and other financial instruments related to the underlying Indices or Share Indices on a regular basis as part of their general broker dealer and other businesses. Any of these activities could influence the Determination Agent's determination of adjustments made to any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to one or more Indices or Share Indices and any such trading activity could potentially affect the price, level or value of the underlying Indices or Share Indices and, accordingly, could affect the investor's payout on any Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments.

Market Disruption Event, Disrupted Day and adjustments

The Determination Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Instruments.

In addition the Determination Agent may make adjustments to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to account for relevant adjustments or events in relation to the relevant underlying Index or Share Index including, but not limited to, determining a successor to the relevant underlying Index or Share Index or its Index sponsor or Share Index Sponsor. In addition, in certain circumstances, the Issuer may redeem the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments prior to the Maturity Date following any such event. In this case, in relation to each Equity Index-Linked Interest Instrument or Inflation Linked Interest Instrument, the Issuer will pay an amount, if any, determined as provided in the Conditions.

Prospective investors should review the Conditions of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments to ascertain whether and how such provisions apply to Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments and what constitutes a Market Disruption Event or relevant adjustment event.

Caps and floors

The formula or other basis for determining the value and/or performance of the relevant underlying Indices or Share Indices in respect of a Series of Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments (or of individual Indices or Share Indices comprised in a relevant underlying basket of Indices or Share Indices) may provide for a maximum value, or cap, such that any value and/or performance of the relevant underlying Index or Share Index (or individual basket components) in excess of the applicable cap will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to such capped value and/or performance will be limited accordingly.

The formula or other basis for determining the value and/or performance of the relevant underlying Indices or Share Indices in respect of a Series of Equity Index-Linked Interest Instruments or Inflation Linked

Interest Instruments (or of individual Indices or Share Indices comprised in a relevant underlying basket of Indices or Share Indices) may alternatively, or additionally, be subject to a minimum value, or floor, such that any value and/or performance of the relevant underlying Index or Share Index (or individual basket components) below the applicable floor will not be taken into account for the purposes of the relevant determination. Amounts payable on the Equity Index-Linked Interest Instruments or Inflation Linked Interest Instruments linked to such floored value and/or performance will be limited accordingly. However, depending on the relevant formula or other basis for determination, such a floor may entitle holders to receive payment(s) greater than they would have received if the relevant determination had not been subject to the floor.

The Issuers' obligations under Subordinated Instruments are subordinated.

Santander Issuances' obligations under Subordinated Instruments will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of Santander Issuances. Although Subordinated Instruments may pay a higher rate of interest than comparable Instruments which are not subordinated, there is a real risk that an investor in Subordinated Instruments will lose all or some of his investment should Santander Issuances and the Guarantor become insolvent. The payment of principal and interest in respect of the Subordinated Instruments and any relative Coupons and Receipts and all amounts due under the Deed of Covenant in respect of the Subordinated Instruments and any relative Coupons and Receipts will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Subordinated Guarantee. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor.

Payments of principal and interest in respect of Short Term Subordinated Instruments may be suspended in certain circumstances.

In the event that there is a shortage in the consolidated own funds of the Guarantor (as defined in Chapter 3 of Circular 3/2008) Santander Issuances, S.A. Unipersonal will be obliged to suspend payments of principal and interest in respect of subordinated instruments having a maturity of not less than two years ("**Short Term Subordinated Instruments**").

Credit ratings may not reflect all risks.

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

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the relevant Final Terms.

DESCRIPTION OF THE ISSUERS

1. PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in the Base Prospectus relating to the Issuers and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Each of Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal (the "Issuers") accepts responsibility for the information contained in this Base Prospectus relating to the Issuers.

- 1.2 *A declaration by those responsible for the base prospectus that, having taken all reasonable care to ensure that such is the case the information contained in the base prospectus relating to the Issuers is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the base prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of the base prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

Each of Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the Issuers is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

- 2.1 *Names and addresses of the issuer's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The auditors of each of the Issuers are Deloitte, S.L. (registered under number S-0692 in the official registry of auditors of accounts (*registro oficial de auditores de cuentas*)). Deloitte S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*. The address of Deloitte, S.L. is Plaza Pablo Ruiz Picasso, No. 1, 28020 Madrid, Spain.

- 2.2 *If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.*

Auditors have not resigned or been removed and were last re-appointed by each of the Issuers on 10 May 2013 to audit their respective annual financial statements for the financial year ending 31 December 2013.

3. SELECTED FINANCIAL INFORMATION

- 3.1 *Selected historical financial information regarding the issuer, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the issuer.*

	As at and for the year ended (in thousand euro)	
	31 December 2012	31 December 2011
Santander International Debt		
Total Assets	27,744,214	27,089,064
Deposits at Banco Santander	27,335,692	26,694,785
Debt instruments	27,379,905	26,713,716
Share Capital	180	180
Profit/(Loss)	865	524

	As at and for the year ended (in thousand euro)	
	31 December 2012	31 December 2011
Santander Issuances		
Total Assets	9,873,939	9,830,541
Deposits at Banco Santander	9,755,947	9,688,753
Subordinated debt instruments	9,767,669	9,698,291
Share Capital	60	60
Profit/(Loss)	561	170

4. **RISK FACTORS**

- 4.1 ***Prominent disclosure of risk factors that may affect the issuer's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus.***

See "Risk Factors" on pages 16-40 of this Base Prospectus.

5. **INFORMATION ABOUT THE ISSUER**

- 5.1 ***History and development of the Issuer:***

5.1.1 ***the legal and commercial name of the issuer;***

The names of the Issuers are Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal.

5.1.2 ***the place of registration of the issuer and its registration number;***

Santander International Debt, S.A. Unipersonal was registered with the Mercantile Registry of Madrid on 5 May 2004 at Volume 19529, Folio 135, Section 8, page number M-342989.

Santander Issuances, S.A. Unipersonal was registered with the Mercantile Registry of Madrid on 2 March 2004 at Volume 19747, Folio 181, page number M-347561.

5.1.3 ***the date of incorporation and the length of life of the issuer, except where indefinite;***

Santander International Debt, S.A. Unipersonal was incorporated pursuant to a public deed executed on 21 April 2004 for an unlimited duration.

Santander Issuances, S.A. Unipersonal was incorporated pursuant to a public deed executed on 27 February 2004 for an unlimited duration.

5.1.4 ***the domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office); and***

The registered office address and telephone number of each of the Issuers is Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain.

Telephone: +34 91 257 20 59. Each of the Issuers was incorporated in Spain as a limited liability company (*sociedad anónima*) and is subject to the Spanish Corporations Law.

5.1.5 ***any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.***

There are no such recent events.

5.2 ***Investments***

5.2.1 ***A description of the principal investments made since the date of the last published financial statements.***

No investments made since the date of the last published financial statements.

5.2.2 ***Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.***

No commitments regarding future investments have been made.

5.2.3 ***Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.***

Not applicable.

6. **BUSINESS OVERVIEW**

6.1 ***Principal activities:***

6.1.1 ***a description of the issuer's principal activities stating the main categories of products sold and/or services performed; and***

Each of the Issuers is a special purpose financing vehicle for Banco Santander, S.A. Each Issuer's sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm's length basis. Each Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.

6.1.2 ***an indication of any significant new products and/or activities.***

There are no such new products and/or activities.

6.2 ***Principal markets: A brief description of the principal markets in which the issuer competes.***

Not applicable.

6.3 ***The basis for any statements made by the issuer regarding its competitive position.***

There are no such statements included.

7. **ORGANISATIONAL STRUCTURE**

7.1 ***If the issuer is part of a group, a brief description of the group and of the issuer's position within it.***

Each of the Issuers is a wholly owned subsidiary of Banco Santander, S.A.

7.2 ***If the issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.***

Both the Issuers and the Guarantor are part of Santander Group. The Issuers are instrumental companies of the Guarantor which is the parent entity of the Santander Group. Therefore, each Issuer is dependent upon the Guarantor and other members of the Group.

8. **TREND INFORMATION**

- 8.1 *Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements.*

In the event that the issuer is unable to make such a statement, provide details of this material adverse change.

There has been no material adverse change in the prospects of each of the Issuers since 31 December 2012.

- 8.2 *Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year.*

Not applicable.

9. **PROFIT FORECASTS OR ESTIMATES**

- 9.1 *If an issuer chooses to include a profit forecast or a profit estimate, the base prospectus must contain the information items 9.1 and 9.2.*

Not applicable.

- 9.2 *A statement setting out the principal assumptions upon which the issuer has based its forecast, or estimate.*

There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; the assumptions must be readily understandable by investors, be specific and precise and not relate to the general accuracy of the estimates underlying the forecast.

Not applicable.

- 9.3 *A report prepared by independent accountants or auditors must be included stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the issuer.*

Not applicable.

- 9.4 *The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.*

Not applicable.

10. **ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES**

- 10.1 *Names, business addresses and functions in the issuer of the following persons, and an indication of the principal activities performed by them outside the issuer where these are significant with respect to that issuer:*

- (a) *members of the administrative, management or supervisory bodies; and*
- (b) *partners with unlimited liability, in the case of a limited partnership with a share capital.*

The name, business address, position and other position in the Group of each of the members of the Board of Directors of each of the issuers is as follows:

The name, business address, position and other position in the Group for Santander International Debt is as follows:

Name	Business Address	Position	Other position in the Group
José Antonio Soler Ramos	Ciudad Grupo Santander Edificio Amazonia Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Chairman	- Deputy General Manager of the Guarantor - Chairman of Santander US Debt, S.A.U. - Director of Openbank, S.A. - Chairman of Santander Issuances, S.A.U. - Chairman of Santander Commercial Paper, S.A.U. - Director of Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A. - Director of Santander Benelux, S.A./N.V.
María Visitación Díaz Varona	Ciudad Grupo Santander Edificio Amazonia Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Operating and Accounting Control Manager of the Guarantor - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Chairman of Santander Finance Capital, S.A.U. - Director of Santander Issuances, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander Commercial Paper, S.A.U.
Antonio Torío Martín	Ciudad Grupo Santander Edificio Amazonia Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Corporate Issues Manager of the Guarantor - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander Issuances, S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Banesto Financial Products, plc
Pablo Roig García Bernalt	Ciudad Grupo Santander Edificio Amazonia	Director	Asset-Liability Management Analysis Manager of the Guarantor

Name	Business Address	Position	Other position in the Group
	Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain		- Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander Finance Capital, S.A.U. - Director of Santander Issuances, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander Perpetual, S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Santander International Preferred, S.A.U.

None of the directors referred to above carries out any activities outside Santander International Debt or the Group.

The name, business address, position and other position in the Group for Santander Issuances is as follows:

Name	Business Address	Position	Other position in the Group
José Antonio Soler Ramos	Ciudad Grupo Santander Edificio Amazonia	Chairman	- Deputy General Manager of the Guarantor
	Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain		- Chairman of Santander US Debt, S.A.U. - Director of Openbank, S.A. - Chairman of Santander International Debt, S.A.U. - Chairman of Santander Commercial Paper, S.A.U. - Director of Santander de Titulización, Sociedad Gestora de Fondos de Titulización, S.A. - Director of Santander Benelux, S.A./N.V.
María Visitación Díaz Varona	Ciudad Grupo Santander Edificio Amazonia	Director	- Operating and Accounting Control Manager of the Guarantor
	Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain		- Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Chairman of Santander Finance Capital, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander

Name		Business Address	Position	Other position in the Group
Antonio Torío Martín		Ciudad Grupo Santander Edificio Amazonia Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	Commercial Paper, S.A.U. - Corporate Issues Manager of the Guarantor - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Banesto Financial Products, plc
Pablo Roig García Bernalt		Ciudad Grupo Santander Edificio Amazonia Avenida de Cantabria, s/n 28660 Boadilla del Monte Madrid, Spain	Director	- Asset-Liability Management Analysis Manager of the Guarantor - Director of Santander Finance Preferred, S.A.U. - Director of Santander US Debt, S.A.U. - Director of Santander Finance Capital, S.A.U. - Director of Santander International Debt, S.A.U. - Director of Santander Emisora 150, S.A.U. - Director of Santander Perpetual, S.A.U. - Director of Santander Commercial Paper, S.A.U. - Director of Santander International Preferred, S.A.U.

None of the directors referred to above carries out any activities outside Santander Issuances or the Group.

- 10.2 *Administrative, Management, and Supervisory bodies conflicts of interests: Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.*

There are no such conflicts of interest.

11. BOARD PRACTICES

- 11.1 *Details relating to the issuer's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.*

The Issuers do not have an audit committee.

- 11.2 *A statement as to whether or not the issuer complies with its country of incorporation's corporate governance regime(s). In the event that the issuer does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.*

Each of the Issuers is a special purpose company and is not subject to any corporate governance regime. However, the Group (of which the Issuers form part) complies with the applicable Spanish corporate governance regime.

12. MAJOR SHAREHOLDERS

- 12.1 *To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.*

Each of the Issuers is a wholly owned subsidiary of the Guarantor and as such there is no indirect ownership of the Issuers.

- 12.2 *A description of any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.*

There are no such arrangements.

13. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

- 13.1 *Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the issuer has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member States national accounting standards for issuers from the Community.*

For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.

The most recent year's historical financial information must be presented and prepared in a form consistent with that which will be adopted in the issuer's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the issuer has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under the Regulation(EC) No 1606/2002, or if not applicable to a Member States national accounting standards where the issuer is an issuer from the Community. For third country issuers, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited.

If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least:

- (a) *balance sheet;*
- (b) *income statement;*
- (c) *cash flow statement; and*

(d) **accounting policies and explanatory notes.**

The historical annual financial information must have been independently audited or reported on as to whether or not, for the purposes of the base prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.

Santander Issuances

See "Documents Incorporated by Reference-Santander Issuances Annual Financial Information".

Santander International Debt

See "Documents Incorporated by Reference-Santander International Debt Annual Financial Information".

- 13.2 ***Financial statements: If the issuer prepares both own and consolidated financial statements, include at least the consolidated financial statements in the base prospectus.***

Each of the Issuers prepares only own financial statements.

- 13.3 ***Auditing of historical annual financial information.***

- 13.3.1 ***A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.***

The historical financial information included herein has been audited. The reports of the auditors do not contain any qualifications or disclaimers.

- 13.3.2 ***An indication of other information in the base prospectus which has been audited by the auditors.***

There is no such other information.

- 13.3.3 ***Where financial data in the base prospectus is not extracted from the issuer's audited financial statements state the source of the data and state that the data is un-audited.***

There is no such information

- 13.4 ***Age of latest financial information.***

- 13.4.1 ***The last year of audited financial information may not be older than 18 months from the date of the base prospectus.***

The last year of audited financial information relating to each of the Issuers is not older than 18 months from the date of this Base Prospectus.

- 13.5 ***Interim and other financial information.***

- 13.5.1 ***If the issuer has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in the base prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is un-audited or has not been reviewed state that fact.***

The Issuers have not published interim financial information since the date of its last audited financial statements.

- 13.5.2 ***If the base prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is un-audited state that fact.***

Not applicable

- 13.6 ***Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the issuer and/or group's financial position or profitability, or provide an appropriate negative statement.***

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which each Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on any Issuer's financial position or profitability.

- 13.7 ***Significant change in the issuer's financial or trading position: A description of any significant change in the financial or trading position of the Issuers which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.***

There has been no significant change in the financial or trading position of the Issuers since 31 December 2012 (being the date of the most recently published consolidated financial statements of the Issuers) and there has been no material adverse change in the prospects of the Issuers since 31 December 2012.

Since 22 June 2012, Santander International Debt, S.A. Unipersonal has made the following debt securities issues:

Issue Date	Description
6 July 2012	USD 70,000,500 Fixed Rate Instruments due 6 July 2015, Series 207
12 July 2012	USD 10,000,500 Fixed Rate Instruments due 13 July 2015, Series 209
27 July 2012	USD 12,165,000 Fixed To Floating Rate Instruments due 27 July 2015, Series 206
27 July 2012	USD 19,722,000 Floating Rate Instruments due 27 July 2017, Series 211
27 July 2012	USD 26,782,500 Fixed Rate Instruments due 27 July 2014, Series 212
27 July 2012	USD 29,295,000 Fixed Rate Instruments due 27 July 2015, Series 213
6 August 2012	GBP 83,182,000 Fixed Rate Instruments due 20 September 2014, Series 214
24 August 2012	USD 157,203,000 Fixed Rate Instruments due 24 August 2015, Series 215
24 August 2012	USD 96,814,500 Floating Rate Instruments due 24 August 2017, Series 216
3 September 2012	GBP 19,216,000 Fixed Rate Instruments due 20 September 2014, Series 214 Tranche 2
4 September 2012	EUR 2,000,000,000 Fixed Rate Instruments due 4 September 2014, Series 220

Issue Date	Description
4 September 2012	EUR 62,968,000 Step-Up Instruments due 4 March 2016, Series 210
10 September 2012	EUR 85,000,000 Fixed Rate Instruments due 7 April 2014, Series 170, Tranche 2
10 September 2012	EUR 100,000,000 Fixed Rate Instruments due 12 August 2014, Series 153 Tranche 2
21 September 2012	EUR 2,500,000,000 Fixed Rate Instruments due 21 March 2016, Series 223
28 September 2012	EUR 12,000,000 Fixed Rate Instruments due 10 March 2015, Series 141 Tranche 2
28 September 2012	EUR 40,000,000 Fixed Rate Instruments due 18 May 2015, Series 172 Tranche 2
28 September 2012	EUR 47,500,000 Fixed Rate Instruments due 1 December 2015, Series 187 Tranche 3
28 September 2012	EUR 19,400,000 Fixed Rate Instruments due 27 March 2017, Series 201 Tranche 2
28 September 2012	EUR 10,000,000 Fixed Rate Instruments due 4 October 2017, Series 159 Tranche 2
28 September 2012	USD 74,986,500 Fixed Rate Instruments due 28 December 2015, Series 217
28 September 2012	USD 94,507,500 Floating Rate Instruments due 28 December 2017, Series 218
11 October 2012	EUR 36,127,000 Fixed Rate Instruments due 11 April 2015, Series 219
17 October 2012	EUR 83,500,000 Floating Rate Instruments due 17 October 2014, Series 228
25 October 2012	EUR 200,000,000 Floating Rate Instruments due 25 October 2013, Series 229
26 October 2012	EUR 67,500,000 Floating Rate Instruments due 26 October 2013, Series 230
30 October 2012	EUR 40,200,000 Floating Rate Instruments due 30 October 2013, Series 232
31 October 2012	EUR 50,000,000 Floating Rate Instruments due 31 October 2013, Series 213
31 October 2012	EUR 500,000,000 Floating Rate Instruments due 31 October 2013, Series 233

Issue Date	Description
6 November 2012	EUR 550,000,000 Floating Rate Instruments due 6 November 2014, Series 234
8 November 2012	EUR 150,000,000 Floating Rate Instruments due 8 November 2013, Series 236
9 November 2012	USD 122,017,500 Fixed Rate Instruments due 9 November 2015, Series 224
9 November 2012	USD 61, 048,500 Floating Rate Instruments due 9 November 2017, Series 225
23 November 2012	EUR 66,737,000 Fixed Rate Instruments due 23 August 2016, Series 226
13 December 2012	EUR 100,000,000 Fixed Rate Instruments due 21 March 2016, Series 223 Tranche 2
13 December 2012	EUR 100,000,000 Fixed Rate Instruments due 27 March 2017, Series 201 Tranche 3
13 December 2012	EUR 100,000,000 Fixed Rate Instruments due 4 October 2017, Series 159 Tranche 3
28 December 2012	USD 13,278,000 Fixed Rate to Index Linked Instruments due 29 December 2015, Series 237
28 December 2012	EUR 30,000,000 Fixed Rate Instruments due 4 October 2017, Series 159 Tranche 4
7 January 2013	EUR 37,890,000 Fixed Rate Instruments due 7 October 2016, Series 235
24 January 2013	EUR 1,000,000,000 Fixed Rate Instruments due 24 January 2020, Series 240
29 January 2013	USD 110,128,500 Fixed Rate Instruments due 29 January 2016, Series 239
6 February 2013	EUR 190,000,000 Floating Rate Instruments due 6 February 2014, Series 241
14 February 2013	USD 31,507,500 Fixed Rate Instruments due 14 February 2015, Series 242
28 February 2013	EUR 35,348,000 Fixed to Floating Rate Instruments due 28 November 2016, Series 238
1 March 2013	EUR 210,000,000 Fixed Rate Instruments due 24 January 2020, Series 240 Tranche 2
1 March 2013	EUR 270,000,000 Fixed Rate Instruments due 1 January 2023, Series 245

Issue Date	Description
5 March 2013	EUR 55,000,000 Floating Rate Instruments due 6 February 2014, Series 241 Tranche 2
14 March 2013	USD 122,113,500 Fixed Rate Instruments due 14 March 2015, Series 244
14 March 2013	USD 385,779,000 Fixed Rate Instruments due 14 March 2016, Series 248
15 March 2013	USD 15,913,500 Index Rate Instruments due 15 March 2016, Series 247
25 March 2013	EUR 300,000,000 Floating Rate Instruments due 25 March 2015, Series 253
28 March 2013	GBP 100,000,000 Fixed Rate Instruments due 28 March 28 March 2015, Series 251
28 March 2013	EUR 40,000,000 Floating Rate Instruments due 28 September 2015, Series 252
8 April 2013	USD 43,416,000 Fixed Rate Instruments due 8 April 2015, Series 250
9 April 2013	USD 39,006,000 Index Rate Instruments due 11 April 2016, Series 257
16 April 2013	EUR 25,557,000 Floating to Fixed Rate Instruments due 16 July 2017, Series 243
6 May 2013	USD 13,882,500 Index Rate Instruments due 6 May 2016, Series 258
13 May 2013	USD 67,614,000 Fixed Rate Instruments due 13 May 2015, Series 259
20 May 2013	EUR 200,000,000 Floating Rate Instruments due 20 May 2014, Series 260
28 May 2013	EUR 24,180,000 Fixed Rate Instruments due 28 February 2017, Series 255
30 May 2013	EUR 200,000,000 Floating Rate Instruments due 30 May 2014, Series 261
30 May 2013	GBP 20,000,000 Fixed Rate Instruments due 31 August 2015, Series 246
30 May 2013	NOK 800,000,000 Fixed Rate Instruments due 30 August 2018, Series 262
3 June 2013	EUR 5,204,000 Index Linked Rate Interest Instruments due 3 June 2025, Series 249
14 June 2013	USD 62,278,500 Fixed Rate Instruments due 14 June 2015, Series 256
14 June 2013	USD 14,151,000 Index Linked Rate Interest Instruments due 14 June 2016, Series 264
14 June 2013	GBP 15,000,000 Fixed Rate Instruments due 14 June 2017, Series 263

Since 22 June 2012, Santander Issuances, S.A. Unipersonal has not made any debt securities issues.

14. **ADDITIONAL INFORMATION**

14.1 **Share Capital**

- 14.1.1 ***The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.***

The share capital of Santander International Debt, S.A. Unipersonal is €180,600 divided into 1,806 ordinary shares with a par value of €100 each and the share capital of Santander Issuances, S.A. Unipersonal is €60,200 divided into 602 ordinary shares with a par value of €100 each. All of the shares are issued and fully paid-up and constitute a single class.

14.2 **Memorandum and Articles of Association.**

- 14.2.1 ***The register and the entry number therein, if applicable, and a description of the issuer's objects and purposes and where they can be found in the memorandum and articles of association.***

The exclusive object of Santander International Debt, S.A. Unipersonal is to issue ordinary or senior debt with the guarantee of Banco Santander, S.A., as set out in Article 2 of the Estatutos of Santander International Debt, S.A. Unipersonal.

The exclusive object of Santander Issuances, S.A. Unipersonal is to issue subordinated debt with the guarantee of Banco Santander, S.A., as set out in Article 2 of the Estatutos of Santander Issuances, S.A. Unipersonal.

15. **MATERIAL CONTRACTS**

- 15.1 ***A brief summary of all material contracts that are not entered into in the ordinary course of the issuer's business, which could result in any group member being under an obligation or entitlement that is material to the issuer's ability to meet its obligation to security holders in respect of the securities being issued.***

There are no such material contracts.

16. **THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

- 16.1 ***Where a statement or report attributed to a person as an expert is included in the Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Base Prospectus.***

Not applicable.

- 16.2 ***Where information has been sourced from a third-party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the issuer shall identify the source(s) of the information.***

No such information is included.

17. **DOCUMENTS ON DISPLAY**

17.1 *A statement that for the life of the base prospectus the following documents (or copies thereof), where applicable, may be inspected:*

- (a) *the memorandum and articles of association of the issuer;*
- (b) *all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the base prospectus;*
- (c) *the historical financial information of the issuer or, in the case of a group, the historical financial information of the issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.*

An indication of where the documents on display may be inspected, by physical or electronic means.

The following documents may be inspected by physical or electronic means at the registered office of each of the Issuers, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the *estatutos* (by-laws) of each of the Issuers; and
- (ii) the information incorporated by reference herein under "Terms and Conditions Incorporated by Reference" and under "the Description of the Issuer - Financial Information concerning the Issuer's Assets and Liabilities, Financial Position and Profit and Losses".

The documents listed in (i) and (ii) above and each of the Final Terms shall be published on electronic form (pdf copies) on the Irish Stock Exchange website (www.ise.ie).

DESCRIPTION OF THE GUARANTOR

INFORMATION TO BE DISCLOSED ABOUT THE GUARANTOR

The guarantor must disclose information about itself as if it were the issuer of that same type of security that is the subject of the guarantee.

1. PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in this Base Prospectus relating to the guarantor and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Banco Santander, S.A. (the "**Guarantor**", the "**Bank**" or "**Banco Santander**") accepts responsibility for the information contained in this Base Prospectus relating to the Guarantor.

Banco Santander is the Guarantor under this Base Prospectus and assumes responsibility for the guarantee.

- 1.2 *A declaration by those responsible for this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus relating to the guarantor is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of this Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the part of this Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Bank confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. STATUTORY AUDITORS

- 2.1 *Names and addresses of the guarantor's auditors for the period covered by the historical financial information (together with their membership in a professional body).*

The non-consolidated and consolidated annual financial statements of Banco Santander, S.A. for the years ended 31 December 2012 and 31 December 2011 were audited by the external auditors, Deloitte, S.L. of Plaza Pablo Ruiz Picasso, 1, Madrid, registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

- 2.2 *If auditors have resigned, been removed or not been re-appointed during the period covered by the historical financial information, details if material.*

The Bank's auditors have not resigned nor been removed, and were last re-appointed by the Bank on 22 March 2013 to audit the annual financial statements for the financial year ended 31 December 2012.

3. SELECTED FINANCIAL INFORMATION

- 3.1 *Selected historical financial information regarding the guarantor, presented, for each financial year for the period covered by the historical financial information, and any subsequent interim financial period, in the same currency as the financial information. The selected historical financial information must provide key figures that summarise the financial condition of the guarantor.*

Balance Sheet and Income Statement	31 December 2012	31 December 2011	Var. (%)
	<i>(Million euro)</i>		
Total assets	1,269,628	1,251,525	1.4
Customer loans (net)	720,482	750,100	(3.9)
Customer deposits	626,639	632,533	(0.9)
Customer funds under management	968,987	984,353	(1.6)
Shareholders' Equity	80,821	80,400	0.5
Total managed funds	1,387,769	1,382,980	0.3
Net interest income	30,147	29,110	3.6
Gross income	43,675	42,754	2.2
Net operating income	23,559	23,195	1.6
Profit from continuing operations	6,148	7,812	(21.3)
Attributable profit to the Group	2,205	5,351	(58.8)

- 3.2 *If selected financial information for interim periods is provided, comparative data from the same period in the prior financial year must also be provided, except that the requirement for comparative balance sheet data is satisfied by presenting the year end balance sheet information.*

Balance sheet (million euro)	As at and for the three months ended 31 March 2013	31 March 2012	Variation (%)
Total assets	1,281,698	1,282,838	(0.1)
Net customer loans	723,814	744,950	(2.8)
Customer deposits	653,228	642,786	1.6
Customer funds under management	996,678	1,007,804	(1.1)
Shareholders' equity	82,158	80,717	1.8
Total managed funds	1,406,578	1,418,018	(0.8)
Income statement			
Net Interest income	6,652	7,763	(14.3)
Gross income	10,290	11,287	(8.8)
Pre-provision profit	5,294	6,244	(15.2)
Profit from continuing operations	1,508	1,836	(17.9)
Attributable profit to the Group	1,205	1,627	(25.9)

4. RISK FACTORS

- 4.1 *Prominent disclosure of risk factors that may affect the guarantor's ability to fulfil its obligations under the securities to investors in a section headed "Risk Factors" in the Base Prospectus.*

See "Risk Factors" on pages 16-34 of this Base Prospectus.

5. INFORMATION ABOUT THE GUARANTOR

5.1 *History and development of the guarantor.*

5.1.1 *Legal and trading name of the guarantor*

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

5.1.2 *The place of registration of the guarantor and its registration number.*

The Bank 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, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current By laws, which have been adapted to the current *Ley de Sociedades de Capital* (**Spanish Corporations Law**), were approved by the shareholders at the General Shareholders' Meeting held on 30 March 2012 and filed with the Office of the Mercantile Registry on 27 August 2012. However, Article 5 of such By-laws, which relates to the current authorised share capital, was last amended by the share increase carried on 2 May 2013.

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully issued and paid up of €5,404,800,290.50 divided into 10,809,600,581 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

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

5.1.3 *The date of incorporation and the length of life of the guarantor, except where indefinite.*

The Bank 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 Articles of Association it will remain in existence for an indefinite period.

5.1.4 *The domicile and legal form of the guarantor, the legislation under which the guarantor operates, its country of incorporation, and the address and telephone number of its registered office (or principal place of business if different from its registered office).*

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

The Bank was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. 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.

5.1.5 *Any recent events particular to the guarantor which are to a material extent relevant to the evaluation of the guarantor's solvency.*

Participation in SAREB

On 13 December 2012, Banco Santander announced that it has signed, together with the Fund for Orderly Bank Restructuring ("FROB"), CaixaBank, Banco Sabadell, Banco Popular and

Kutxabank, an investment agreement in the Management Company of assets from Restructuring Banking Corporation ("SAREB"). On 17 December 2012 other credit institutions and a group of private insurers were incorporated as additional shareholders through the subscription and payment of a capital increase in SAREB. Under the investment agreement, Banco Santander has committed an investment in SAREB up to €840 million (25% equity and 75% in subordinated debt), representing a 17.15% shareholding of SAREB, having already paid for such investment through: (i) the subscription and payment, on 12 December 2012, a capital increase amounting to €164 million to SAREB and by subscription and payment, on 31 December 2012, convertible subordinated debentures amounting to €490 million (in relation to asset transfers to SAREB, in a first phase, and entities controlled by the FROB, Finance and Savings Bank-included Bankia, Catalunya Banc, NCG Banco and Banco de Valencia) and (ii) by the subscription and payment dated 13 February 2013, a capital increase amounting to SAREB €43.4 million and by the subscription and payment, on 26 February 2013, of convertible subordinated debentures amounting to 108.2 million euros (in relation to asset transfers to SAREB, in a second phase, incursas entities in restructuring processes, Cajatres Bank group, Liberbank, Banco Safe Investment Spain, Salamanca and Soria, SA - Banco CEISS - and Banco Mare Nostrum).

Merger by absorption of Banco Español de Crédito, S.A. ("Banesto") and Banco Banif

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

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

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

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

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

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

On the 3rd of May, 2013, the public deed formalizing the merger by absorption of Banesto by Santander has been registered with the Commercial Registry of Cantabria, and consequently, Banesto has disappeared. Besides, on the 7th of May, 2013, the public deed formalizing the merger by absorption of Banco Banif, S.A., Unipersonal by Santander has been registered with the Commercial Registry of Cantabria, and consequently, Banco Banif, S.A., Unipersonal has disappeared.

Dividends for the 2012 financial year

On 26 November 2012, pursuant to the *Santander Dividendo Elección* shareholder remuneration program, the Group announced that it would offer shareholders the option of receiving an amount equal to the 2012 third interim dividend in cash or in new shares. From 1 February 2013, the Bank paid €0.15 per share in cash to shareholders who opted for this method of receiving their remuneration.

On 31 January 2013, pursuant to the *Santander Dividendo Elección* shareholder remuneration program, the Group announced that it would offer shareholders the option of receiving an amount equal to the 2012 final interim dividend in cash or in new shares. From 2 May 2013, the Bank will pay approximately €0.146 per share in cash to shareholders who opt for this method of receiving their remuneration. Therefore, the total envisaged shareholder remuneration in respect of the 2012 financial year will amount to approximately €0.60 per share.

Provisions of real estate assets Decree – Law 18/2012

The regulatory changes introduced by Royal Decree-Laws 2/2012, 24/2012 and Law 9/2012, of 14 November, on reorganization and sale of real estate assets of the financial sector, are the main drivers of changes that could potentially affect both the Issuers and the Bank. In this respect, the Bank has made all the necessary provisions required by Royal Decree-Laws 2/2012 and 24/2012, which approximately amounted to a gross amount of 6,140 million euros (4,110 net million euros). The Bank has also complied with all the legal solvency requirements, generating, despite of these provisions, a net result of 2,205 million euros during 2012.

On 13 December 2012, the Bank jointly agreed with the Fund for Orderly Bank Restructuring (Fondo de Reestructuración Ordenada Bancaria) ("FROB"), Caixabank, Banco Sabadell, Banco Popular and Kutxabank its participation in the Spanish "Bad Bank" (Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A.) ("SAREB"), for a maximum amount of 840 million euros (25% in share capital and 75% in subordinated debt). The Bank's participation in the share capital of SAREB amounts to a percentage of 17.15%.

The analysis made on the financial entities solvency, which was made public last September, indicated that the Bank is part of the Group of entities without capital shortfall in adverse scenarios. Therefore, the Bank is not obliged to file with the Bank of Spain any recapitalization plan, as per the conditions set out in Spanish Royal Decree-Law 24/2012.

Following the Bank of Spain' recommendations regarding limitations on the maximum remuneration on client's deposits, a progressive improvement on the interest margin of the Guarantor is expected during 2013.

Invitation to tender American Securities for purchase

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

The amount in cash to be paid for each American Security will be equal to the sum of the purchase price (expressed as a percentage of the outstanding principal amount as of the settlement date) plus the interest accrued and unpaid from (and including) the last interest payment date to (but excluding) the settlement date of the tender offers. The purchase price has been established as a fixed amount for each USD100,000 outstanding principal amount as of the settlement date of the American Securities and is specified in the annex hereto.

Banco Santander will obtain the funds needed to fulfil its payment obligations arising from the Invitation from its ordinary available liquidity and reserves its right to amend the terms and conditions of the Invitation as well as to extend, reopen, amend, revoke or terminate the Invitation at any moment.

Banco Santander announced on 14 March 2013 the final aggregate principal amount accepted for purchase (USD 26.6 million) and the final purchase prices as a consequence of the Tender Offers.

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

Invitation to tender European Securities for purchase

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

The Invitation regarding the European Securities is only addressed to those holders of European Securities that are not located in, or are not resident of, the United States of America and to those holders of European Securities that are not acting in the name of or on behalf of persons that are located in, or are resident of, the United States of America.

The amount in cash to be paid for each European Security will be equal to the sum of the purchase price (expressed as a percentage of the outstanding principal amount as of the settlement date) of each series of European Securities plus the interest accrued and unpaid from (and including) the last interest payment date to (but excluding) the settlement date of the tender offers. The purchase price has been established as a fixed amount for each €1 or GBP1 outstanding principal amount as of the settlement date of the European Securities.

We will obtain the funds needed to fulfil our payment obligations arising from the Invitation from our ordinary available liquidity and we reserve our right to amend the terms and conditions of the Invitation as well as to extend, reopen, amend, revoke or terminate the Invitation at any moment.

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

The Invitation is being undertaken as a part of the Group's active management of liabilities and capital, and is focused on core capital generation as well as the optimisation of the future interest expense. The Invitation is also designed to provide liquidity in the market and to offer the holders of the European Securities the possibility to exit their investment in the European Securities.

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

On 18 March 2013, KBC and Banco Santander announced a secondary offering of up to 19,978,913 shares in Bank Zachodni WBK ("BZ WBK") by way of a fully marketed follow-on offering (the "Offering"). Through the Offering, KBC plans to sell 15,125,964 shares (constituting 16.17% of BZ WBK shares outstanding at that date) and Santander is expected to sell not less than 195,216 but up to 4,852,949 shares (constituting between 0.21% and 5.19% of BZ WBK shares outstanding at that date). Assuming the Offering is completed in full, the free float of BZ WBK following the Offering would be 30%.

The placement of these shares would allow Banco Santander to fulfill its commitment towards the Polish regulator that at least 30% of the capital of BZ WBK is in hands of other minority investors before the end of 2014. Banco Santander will continue to be the controlling shareholder in BZ WBK with a stake of no less than 70% following this transaction.

KBC and Banco Santander, as Selling Shareholders, will grant the underwriters a reverse greenshoe option in relation to up to 10% of the final Offering size. KBC and Santander will each commit to be locked-up for a period of 90 days, and BZ WBK for a period of 180 days, following the closing of the Offering.

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

On 22 March 2013, we announced that Banco Santander and KBC Bank had completed the placement of 19,978,913 shares of BZ WBK at a final price of 245 zlotys per share, amounting to a total of €1,171 million. Santander sold 4,852,949 shares, equal to 5.2% of BZ WBK's capital, for €285 million, while KBC obtained €887 million for its 16.17% stake in BZ WBK.

The placement of these shares will enable Banco Santander to meet its commitment to the Polish regulator that the free float of the Polish unit would be at least 30% by the end of 2014. Moreover, the transaction has allowed KBC to divest the stake in BZ WBK it had obtained as a result of the merger of its Polish subsidiary, Kredyt Bank, with Banco Santander's unit, BZ WBK. The remaining 70% of the capital will be held by Santander, the controlling shareholder.

This transaction values BZ WBK's total share capital at €5.48 billion. This valuation means that the investment made by Banco Santander in April, 2011, in BZ WBK has risen in value by 18%, taking into account the initial investment plus dividends received during the intervening two years. The impact of this transaction on our capital is immaterial.

Santander reaches agreement with Warburg Pincus and General Atlantic to grow its Global Asset Management Business

On May 30th, 2013, it was announced that Santander has entered into a definitive agreement with affiliates of leading global private equity firms Warburg Pincus and General Atlantic to boost the global growth of its asset management unit, Santander Asset Management (SAM). Under the agreement, which is conditioned upon regulatory and corporate approvals, Warburg Pincus and General Atlantic will jointly hold a 50% stake in a holding company that will integrate SAM's eleven asset management companies in the countries in which it operates, primarily in Europe and Latin America. The remaining 50% will be owned by Santander Group. The transaction is expected to improve SAM's ability to compete with the leading international independent asset managers and is also expected to double its business volume in five years. The transaction values SAM at EUR 2.047 billion and will generate a net capital gain for the Santander Group of EUR 700 million.

5.2 Investments

5.2.1 A description of the principal investments made since the date of the last published financial statements.

Not applicable.

5.2.2 Information concerning the issuer's principal future investments, on which its management bodies have already made firm commitments.

At the date of this Base Prospectus the Group does not have any other firm investment commitments.

5.2.3 Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.2.2.

Not applicable.

6. BUSINESS OVERVIEW

6.1 Principal activities.

6.1.1 A brief description of the guarantor's principal activities stating the main categories of products sold and/or services performed.

Business Overview

At 31 December 2012, the Group had a market capitalisation of €63.0 billion, stockholders' equity of €74.65 billion and total assets of €1,269.6 billion. The Group had an additional €118.1 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December 2012, the Group had 58,074 employees and 6,437 branch offices in Continental Europe, 26,186 employees and 1,189 branches in the United Kingdom, 90,576 employees and 6,044 branches in

Latin America, 9,525 employees and 722 branches in the United States and 2,402 employees in other geographic regions.

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, Puerto Rico and Uruguay.

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

In accordance with the criteria established by the IFRS-IASB, the structure of the 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 (including Banif, the specialised private bank), wholesale banking and asset management and insurance conducted in this region. This segment includes the following units: the Santander Branch network, Banesto, Santander Consumer Finance, Portugal and BZ WBK.
- **United Kingdom.** This includes retail and wholesale banking, asset management and insurance conducted by the various units and branches of the Group in the country.
- **Latin America.** This embraces all the Group's financial activities conducted via the subsidiary banks and subsidiaries. It also includes the specialised units of Santander private Banking, as an independent and globally managed unit, and New York's business.
- **United States.** Includes the businesses of Sovereign Bank and Santander Consumer USA (consolidated by the equity accounted method).

Second (or business) Level.

This segments the activity of the Group's operating units by type of business. The reported segments are:

- **Retail Banking.** This area covers all customer banking businesses, including private banking (except those of Corporate Banking, managed through the Global Customer Relationship Model).
- **Global Wholesale Banking.** This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (always after the appropriate distribution with Retail Banking Customers), as well as equities business.
- **Asset Management and Insurance.** This includes the Group's units that design and manage mutual and pension funds and insurance.

In addition to these operating units, which cover everything by geographic area and business, the Group continues to maintain a separate Corporate Activities area. This area incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position and of the parent Bank's structural interest rate risk, as well as

management of liquidity and of stockholders' equity through issues and securitisations. As the Group's holding entity, it manages all capital and reserves and allocations of capital and liquidity. It also incorporates amortisation of goodwill but not the costs related to the Group's central services except for corporate and institutional expenses related to the Group's functioning.

In 2012 the consumer credit business relating to the United Kingdom was incorporated in the United Kingdom and that relating to the United States was incorporated in the US, in both cases after an exit from Continental Europe. As a result, the segment reporting figures for 2011 and 2010 have been recalculated in order to facilitate their comparison with the figures for 2012

In 2012, Santander Group maintains the same primary and secondary operating segments as it had in 2011.

For purposes of our financial statements and this annual report on Form 20-F, we have 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

This area covers the banking activities of the different networks and specialised units in Europe, principally with individual clients and Small and Medium Enterprises ("SMEs"), as well as private and public institutions. During 2012, there were five main units within this area: the Santander Branch Network, Banesto, Santander Consumer Finance, Portugal and BZ WBK which was incorporated in April 2011, including (including Banif, the specialised private bank), wholesale banking and asset management and insurance conducted in this region. Santander Consumer USA exits this geographical area as part of Santander Consumer Finance and incorporated to United States. Furthermore, the consumer business in the UK has been incorporated into Santander UK and exits Continental Europe (and within it, Santander Consumer Finance in which it was integrated).

Continental Europe is the largest business area of Santander Group by assets. At the end of 2012, it accounted for 37.8% of total customer funds under management, 39.8% of total loans and credits and 26.8% of profit attributed to the Parent bank of the Group's main business areas.

The area had 6,437 branches and 58,074 employees (direct and assigned) at the end of 2012.

In 2012, this segment obtained attributable profit of €2,305 million, an increase of 0.8% on the previous year, heavily affected by the booking of 17.0% higher loan-loss provisions than 2011. Return on equity ("ROE") in 2012 was 7.4%, as compared to 7.7% in 2011.

The Santander Branch Network

The retail banking activity in Spain is carried out mainly through the branch network Santander, with support from an increasing number of automated cash dispensers, savings books updaters, telephone banking services, electronic and internet banking.

At the end of 2012, the Santander Branch Network had 2,894 branches and a total of 17,880 employees (direct and assigned), of which 10 were hired on a temporary basis, dedicated to retail banking in Spain. Compared to 2011, there was a net decrease of 21 branches and 824 employees.

In 2012, profit attributable to the Parent bank from the Santander Branch Network was €790 million, 7.4% more than in 2011, while the ROE reached 11.0% (as compared to 9.6% in 2011). This increase was mainly due by an increase in net interest income of 10.2% and cost control which remained flat +0.1% in 2012. The increase in operating income was partially offset by an increase in credit loss provision of 7.8% due to higher non-performing loans ("NPL"). In line with the Group's policy, these provisions do not include those derived from implementing royal decree laws 2 and 18 of 2012 to lift coverage of real estate exposure, which were recorded by the area of corporate activities. The corporate activities area manages the Group's entire exposure to the property development and construction industry in Spain (including loans and non-current assets held for sale) which are no longer considered attributable to the segment that gave rise to it. This

area reports to Group senior management. These results were obtained in a still difficult environment, with insufficient signs of an economic recovery, strong competition for liquidity and low demand for loans.

These results were obtained in a still difficult environment which was characterised by contractions of GDP, domestic demand and consumption, rising unemployment rates, interest rates that fell to all-time lows, with the consequent impact on spreads, and non-performing loans reaching record highs. All combined with strong progress in the process of restructuring the Spanish financial system.

In 2012, the Santander Branch Network lending decreased by approximately 7.3%, customer funds under management increased by 18.4%, deposits rose 21.7%, mutual funds fell 11.2% and pension funds increased 3.9%. The activity reflected the scant demand for loans and a strategy which focused on customer funds in order to gain market share and narrow the commercial. The ratio of NPL for Santander Branch Network and Banco Santander, S.A. grew to 9.65% and 7.29%, from 8.5% and 6.0%, in 2011, respectively, as a result of the weak situation in Spain.

Banesto

At the end of 2012, Banesto had 1,647 branches and 9,136 employees (direct and assigned), of which 53 employees were temporary, a decrease of 67 branches and 412 employees as compared to the end of 2011.

In 2012, profit attributable to the Parent bank from Banesto was €94 million, a 28.1% decrease from 2011, while the ROE reached 2.0% as compared to 2.8% in 2011. These results were produced in a very complicated scenario of recession, low business volumes and interest rates and the system's NPLs reaching historic highs.

The balance sheet management and the improved customer spread to a large extent offset the impact of the decrease in business activity and the low interest rates, making it possible to increase the net interest income by 7.6% to €1,454 million. Higher credit loss provisions which amounted to €943 million in 2012, compared with €661million in 2011, offset the increase in net interest income.

At the end of 2012, the balance of loans was 10.4% lower than a year earlier, deposits decreased 4.9%, customer funds under management diminished by 7.5%, mutual funds fell 7.0% and pension funds increased 1.6%. Spain's recession is pushing up NPL entries, largely in the real estate sector, although the recoveries and sale of portfolios are containing the rise in the balance of bad loans. At the end of 2012 the NPL ratio was 6.28% compared to 5.0% in 2011.

Santander Consumer Finance

The Group's consumer financing activities are conducted through the Group's 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. The Group also conducts business in Portugal, Austria and the Netherlands, among others. Santander Consumer USA and the consumer business in the UK has been incorporated to the United States and Santander UK segments, respectively, and exited SCF in which it were integrated.

At the end of 2012, this unit had 629 branches (as compared to 647 at the end of 2011) and 12,279 employees (direct and assigned) (as compared to 15,610 employees at the end of 2011), of which 1,292 employees were temporary.

In 2012, this unit generated €727 million in profit attributable to the Parent Bank, a 9.0% increase from 2011, while the ROE reached 6.7% (as compared to 7% in 2011). The increase in profit attributable to the Parent bank is mainly explained by an 11.7% decrease in credit loss provisions due to improved credit quality.

Customer loans stood still at €57 billion, deposits decreased 3.9%, and customer funds under management fell by 1.8%. The NPL ratio improved for the third year running and ended 2012 at 3.90% (3.97% in 2011).

Portugal

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

At the end of 2012, Santander Totta operated 667 branches (as compared to 716 branches at the end of 2011) and had 5,709 employees (direct and assigned) (as compared to 6,091 employees at the end of 2011), of which 158 employees were temporary.

In 2012, profit attributable to the Parent bank was €124 million, a 28.7% decrease from 2011, due to the impact of the contraction of activity in Portugal and the strengthening of the credit loss provisions. Before provisions the net operating income was up by 20.4%. There was a 90.5% rise in credit loss provisions due to the increase in non-performing loans as a result of the economic cycle that was partially offset by the high gains obtained on financial assets and liabilities.

At year end 2012 the NPL ratio stood at 6.56% compared to a 4.1% a year earlier. The ROE was 4.9%, as compared to 7.0% in 2011.

Business is still affected by the adjustment plan and the restructuring of the Portuguese banking system agreed with international institutions. In this very difficult economic and financial environment, Santander Totta has focused on strengthening its balance sheet. Lending reflected the deterioration of economic conditions and dropped 8.6% to €25,960 million. Deposits increased 2.2%, customer funds under management declined 4.2%, mutual funds decreased 17.3% and pension funds increased 3.5%.

Retail Poland ("Bank Zachodni WBK")

On 1 April 2011, the Group completed the acquisition of 96% of BZ WBK along with the 50% of BZ WBK Asset Management. The BZ WBK Group is now integrated into Santander Group, consolidating its results and business as of the second quarter of 2011. In February 2012 Banco Santander, S.A. and KBC Bank NV (KBC) reached an investment agreement for the merger of their subsidiaries in Poland, Bank Zachodni WBK S.A. and Kredyt Bank S.A., which was put into effect in early 2013, after the necessary approval was received from the Polish financial supervisor (KNF).

At the end of 2012, this unit had 519 branches (as compared to 526 at the end of 2011) and 8,849 employees (direct and assigned) (as compared to 9,383 employees at the end of 2011), of which 641 employees were temporary.

BZ WBK posted profit attributable to the Parent in its first consolidated year of €330 million, 42.0% more than in 2011 when it consolidated three quarters. On a like-for-like basis (considering four quarters in both 2011 and 2012) growth was 21.1% due to higher revenues and lower costs which comfortably absorb the increase in provisions. The ROE stood at 19.0% an increase of 1.04 percentage points from 17.9% in 2011.

Others

The other businesses of Continental Europe (Global Banking and Markets, asset management, insurance and Banif) obtained attributable profit of €321 million in 2012, which was 24.2% less than in 2011, with the performance of the global businesses very affected by the economic situation.

United Kingdom

In 2012 the consumer business in the UK has been incorporated into Santander UK segment and exits Continental Europe.

As of 31 December 2012, the United Kingdom accounted for 32.1% for the total customer funds under management, of the Group's operation areas. Furthermore it also accounted for 34.9% of total loans and credits and 13.7% of profit attributed to the Parent bank of the Group's main business areas.

Santander UK remained firmly focused on the UK, around 85% of customer assets consist of prime UK residential mortgages. The mortgage portfolio is of a good quality, with no exposure to self-certified or subprime mortgages and buy to let loans around 1% of assets.

At the end of 2012, we had 1,189 branches and a total of 26,186 employees (direct and assigned) of which 1,580 employees were temporary, in the United Kingdom. Compared to 2011, there was a net decrease of 190 branches and 109 employees.

In 2012, Santander UK contributed €1,175 million profit attributable to the Parent bank (a 3.9% decrease from 2011). ROE was 8.2% (as compared to 9.6% in 2011). This was mainly due to low interest rates and the higher cost of funds, together with the maturity of interest rate hedges made in previous years. Credit loss provisions were 31.5% higher than in 2011, and slowed down in the second half of the year.

The NPL ratio at the end of 2012 increased to 2.1% from 1.8% at the end of 2011. Loans and advances to customers decreased by 2.0% and customer funds under management decreased 0.5% during the same period.

Latin America

At 31 December 2012, the Group had 6,044 offices and 90,576 employees (direct and assigned) in Latin America (as compared to 6,046 offices and 91,887 employees, respectively, at 31 December 2011), of which 1,867 were temporary employees. At that date, Latin America accounted for 25.6% of the total customer funds under management, 19.5% of total loans and credits and 50.6% of profit attributed to the Parent bank of the Group's main business areas.

Profit attributable to the Parent bank from Latin America was €4,305 million in 2012, a 7.7% decrease from 2011, while the ROE reached 19.4% (as compared to 21.8% in 2011).

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

	Percentage held at 31 December 2012
Banco Santander (Brasil), S.A.....	75.21
Banco Santander Chile	67.01
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander	75.11
Banco Santander Río, S.A. (Argentina)	99.30
Banco Santander, S.A. (Uruguay)	100.00
Banco Santander Puerto Rico	100.00
Banco Santander Perú, S.A.	100.00

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 the Group's financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of the Group's franchise.

Profit attributable to the Parent obtained in Latin America by Santander Group in 2012 was €4,305 million, a decrease of 7.7%. Excluding the effect of the changes in the scope of consolidation (the

sale in Colombia, the sale of insurance and the increase of non-controlling interests in Brazil, Mexico and Chile), profit attributable to the Parent would have risen by 3.7%.

Detailed below are the performance highlights of the main Latin American countries in which the Group operates¹:

Brazil. Santander Brazil is one of the third largest private sector bank in terms of assets, and the leading foreign bank, with a market share of 10% in loans. At the end of 2012, the institution had 3,788 branches, 53,707 employees and 27.3 million customers.

The following variations are in local currency. During 2012, total loans rose 6%, mainly backed by growth in the retail segment. Particularly noteworthy was lending to individuals and SMEs and companies, which grew by around 12% and 14%, respectively. Deposits excluding repos rose 3%. Letras financieras, an instrument that gives greater stability to the capturing of funds, increased 27%. Total deposits and letras combined were 6% higher.

Profit attributable to the Parent bank from Brazil in 2012 was €2,212 million, a 15.2% decrease as compared to 2011 (-8.8% in local currency). Net interest income grew soundly by 6.4% (14.5% in local currency). This, however, did not feed through to profits mainly because of higher credit loss provisions which increased 35.9% (due to the growth in lending and the rise in NPLs) and the increase in non-controlling interests. ROE was 17.9% (as compared to 23.2% in 2011). The NPLs ratio stood at 6.86% (5.38% in December 2011).

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, with a market share in loans of 13.9% and 13.7% in deposits. As of 31 December 2012, we had a network of 1,170 branches, 13,954 employees and 10 million customers in Mexico. Banco Santander Mexico went to the international markets in November for the first time with a \$1 billion senior bond issue, the largest, with the longest maturity (10 years) and the lowest funding cost of a Mexican bank in the country's history.

In 2012, lending rose 12.1%, mainly due to growth in consumer credit and mortgage loans. In addition, bank savings increased 15.3% and customer funds under management up by 15.1%.

Profit attributable to the Parent bank from Mexico in 2012 increased 8.5% to €1,015 million (6.2% in local currency). Disregarding non-controlling interests, that were affected by the sale of 24.9% of the capital in September 2012, there was a 12.2% increase in net profit. The growth was founded on net interest income and net commissions which more than covered the rising in costs. The number of branches for Select customers was doubled to over 70 specialised branches to serve the high income segment. There is also an expansion plan for 200 branches over the next three years in order to strengthen the distribution network and take advantage of the growth expected in the market.

For 2012, ROE was 25.1% (as compared to 21.2% in 2011) and at the end of 2012, the NPL ratio slightly increased by 12 percentage points to 1.9% and the NPL coverage ratio was 157%.

Chile. Banco Santander Chile is the principal component of the largest financial group in Chile in terms of assets. As of 31 December 2012, we had 504 branches, 12,355 employees and more than 3.5 million customers and market shares of 19.1% in loans and 16.5% in savings.

In 2012, and in local currency, savings rose 3%, with deposits excluding repos growing 6% (demand deposits: +10% and time deposits: +4%), while mutual funds declined 11%. Customer loans increased 9%, with credit cards up 12%, commercial credit 11%, consumer credit 4% and mortgages 3%.

Profit attributable to the Parent bank from Chile decreased 18.5% in 2012 to €498 million (a 24.2% decrease as compared to 2011 in local currency). On a like-for-like basis, excluding the effect of the change in the scope of consolidation as a result of the placement made at the end of 2011, the reduction in local currency was 9.9% and was heavily impacted by the credit loss provisions. For

¹ When we indicate "variations in local currency", we calculate the variation of the balance sheet data in the currency of the country that is being described, eliminating the effect of exchange rates from the local currency to euros.

2012 the ROE was 22.1% the NPL ratio increased to 5.2% compared to 3.9% in 2011 and the NPL coverage ratio was 57.7%

Argentina. Santander Río is one of the country's leading banks, with market shares of 8.6% in lending and 9.3% in savings. It has 370 branches, 6,805 employees and 2.4 million customers.

During the year, lending (+27%) continued to grow strongly. Demand deposits rose 19%, time deposits increased 30% and mutual funds were up by 7%, all variations in local currency.

Profit attributable to the Parent bank was €329 million, 14.5% higher (16.1% in local currency). At the end of 2012, the ROE was 45.4%, NPL ratio was 1.7% and the NPL coverage ratio was 143%.

Uruguay. Santander is the largest private sector bank in the country in terms of the number of branches (84) and business (market share of 18.2% in lending and 15.6% in deposits). As of 31 December 2012, we had 1,217 employees and 266,000 customers.

Profit attributable to the Parent bank was €47 million in 2012, 134.8% higher than in 2011 (a 127.9% increase in local currency) following the purchase of Creditel and the NPL ratio was 0.88% as of 31 December 2012.

Puerto Rico. As of 31 December 2012, Banco Santander Puerto Rico, S.A. had 118 branches, 1,654 employees and 526,000 million banking customers.

Profit attributable to the Parent bank from Puerto Rico in 2012 was €57 million, a 69.4% increase as compared to 2011 (a 56.4% increase in dollars). At the end of 2011, the NPL ratio stood at 7.1% and the NPL coverage ratio was 62%.

Peru. As of 31 December 2012, Banco Santander Perú, S.A. had 1 branch and 60 employees. The unit's activity is focused on companies and on Group's global customers. At the end of 2012, and together with a front rank international partner with wide experience in Latin America, we began to operate a new entity specialised in auto finance that will work with all producers and dealers in the country.

Profit attributable to the Parent bank from Peru was €16 million in 2012, 48.8 % higher than in 2011 (a 31.7 % increase in local currency).

United States

The perimeter of Santander US corresponds to Santander Holdings USA (SHUSA), a bank holding company with two distinct lines of business: retail banking, via its subsidiary Sovereign Bank, and consumer finance business through its stake in Santander Consumer USA Inc. (SCUSA).

Sovereign Bank, with 722 branches, 2,268 ATMs and more than 1.7 million customer-households, at 31 December 2012, is developing a business model focused on retail customers and companies. At that date, United States had 9,525 employees (direct and assigned), of which 5 were temporary. United States accounted for 4.5% of the total customer funds under management, 5.8% of total loans and credits and 9.4% of profit attributed to the Parent bank of the Group's main business areas.

Santander US obtained attributable profit of €811 million in 2012, which was 19.7% less than in 2011 (25.8% less in local currency). For 2012, ROE was 15.5% and the NPL ratio was 2.3%, which represents a 9.2 and 0.6 percentage points reduction from 2011. At 31 December 2011, SCUSA increased its capital by admitting new shareholders, with the result that the Santander Group stake in the company went from 91.5% to approximately 65%. In addition, the earnings were affected by the impact in the third quarter of the charge booked for Trust Piers due to the settlement reached in court to remunerate an investment at a higher rate of interest than it was earning.

At Sovereign Bank the profit attributable to the Parent bank in 2012 was €470 million as compared to €526 million a year earlier. The decrease was mainly due to a 36.0% reduction in total income, which reflects the fall in long-term interest rates, the reduction in the non-strategic portfolio and the increased regulatory pressure. In addition, an extraordinary charge was booked after the Trust Piers

settlement. Lastly, a strong reduction of impairment losses on financial assets, due to a further reduction in the non-performing loans, partially offset the above mentioned impacts.

At SCUSA, in a consolidated level, the contribution to the Group was \$436 million, lower than in 2011 for two reasons: the reduction in the stake to 65%, around \$50 million each quarter, and the use of loan-loss provisions in the first quarter of 2011, due to a better than expected evolution of the portfolios acquired at the time of the purchase. Excluding these factors, the contribution was similar to that of 2011.

Second or Business Level

Retail Banking

Profit attributable to the Parent bank of the retail banking sector in 2012 was 7.6% lower as compared to 2011 at €6,385 million. This reduction was mainly due to higher loan-loss provisions and the impact of higher minority interests on Latin American units. In comparison with 2011, the performance of earnings was affected by a 6 percentage point negative impact due to the change in the scope of consolidation (equity-method accounting of SCUSA and insurance in Latin America, and increased non-controlling interests). The effect of interest rate variations was near zero.

Retail Banking generated 87.8% of the operating areas' total income and 74.3% of profit attributable to the Parent bank. This segment had 176,714 employees as of 31 December 2012, of which 4,360 were temporary.

The performance by geographic areas reflects the varying economic environments, with lower growth in developed economies and a better macroeconomic environment in emerging countries.

- The attributable profit of retail banking in Continental Europe rose (+1.7%). This increase is the result of positive evolution of income thanks to the resilience of revenues in the current phase of the cycle (favoured by the incorporation of BZ WBK in Poland and SEB's business in Germany) and control of costs.
- Attributable profit in retail banking in UK was (10.8% lower in sterling), largely due to lower net interest income (higher cost of funding and low interest rates).
- Retail Banking in Latin America (constant currency) provided the best performance in total income with more stabilised costs. After considering higher loan-loss provisions, profit before tax increased 0.7%. The higher impact of minority interests following the sale of shares in the banks in Brazil, Mexico and Chile reduced attributable profit by 4.5%.
- Retail Banking earnings in the US were (26.5% lower in dollars), determined by the lower amount recorded by the equity accounted method, reflecting the reduced stake in SCUSA and the one-off at Sovereign Bank.

Global Private Banking includes institutions that specialise in financial advisory and asset management for high-income clients (mainly Banif in Spain, and Santander Private Banking in the United Kingdom, Italy and Latin America), as well as the units of domestic private banking in Portugal and Latin America, jointly managed with local retail banks. Attributable profit was €209 million, very similar to that registered in 2011 (+0.7%).

Global Wholesale Banking

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

This segment, managed by Santander Global Banking & Markets, contributed 10.1% of the operating areas' total income and 21.2% of profit attributable to the Parent Bank in 2012. Profit attributable the Parent bank in 2012 by Global Wholesale Banking was flat with a variation of - 0.7%, when compared to 2011, at €1,827 million. After a good start, the year experienced

significant levels of volatility and uncertainty in the face of the worsening euro zone crisis. This conditioned business activity to a large extent. This segment had 5,890 employees as of 31 December 2012, of which 2 were temporary.

Santander Global Banking & Markets maintained the main drivers of its business model: client-focused, global reach of the division and interconnection with local units. At the strategic level, the area focused on strengthening the results of its client franchise and maintaining active management of risk, capital and liquidity. This management intensified in the second part of the year, with an adjustment of exposures and limits by sectors and clients.

The division continued to accompany the Group in its international development in Poland and the northeast of the US in order to capture the revenues synergies derived from the new units and manage the commercial flows of current and potential clients where the Group has strong retail units.

Santander is present in global transaction banking (which includes cash management, trade finance and basic financing), in corporate finance (comprising mergers and acquisitions and asset and capital structuring), in credit markets (which include origination activities, risk management, distribution of structured products and debt), in rates (comprised of structuring and trading activities in financial markets of interest rate and exchange rate instruments) and in global equities (activities relating to the equity markets).

Asset Management and Insurance

This segment comprises all of the Group's companies whose activity is the management of mutual and pension funds and insurance. At 31 December 2012, this segment accounted for 1.9% of total income and 4.5% of profit attributable to the Parent bank. Profit attributable to the Parent bank by Asset Management and Insurance was €383 million in 2012 or 11.5% lower than in 2011. This segment had 1,756 employees at the end of 2012, of which 21 were temporary.

In July an agreement was reached with Abbey Life Insurance Ltd., a subsidiary of Deutsche Bank AG, to reinsure all of the individual life risk portfolio of the insurance companies in Spain and Portugal. This transaction generated estimated extraordinary gross results of €435 million.

In December, Santander agreed a strategic alliance with the insurer Aegon to boost its bancassurance business in Spain through commercial networks. The operation valued Santander's insurance business in the transaction at €431 million. The agreement does not affect savings, auto and health insurance, which Santander continues to manage.

Asset Management

Santander Asset Management obtained profit attributable to the Parent bank of €69 million, a 2.9% increase as compared to 2011. This was mainly due to a decline in income partially offset by reduction in costs and lower needs for provisions.

The total volume of managed funds was €153,700 million, 11% more than at the end of 2011. This includes the incorporation of the insurance mandate of the Group in Spain in the fourth quarter (-1% without it). Of this, around €99,000 million were mutual and pension funds, €8,000 million in client portfolios other than mutual funds included institutional mandates and €46,000 million of management mandates on behalf of other Group units.

Insurance

Santander insurance posted an profit attributable to the Parent of €314 million, 14.1% less than in 2011. Results were impacted by the sale of 51% of the insurers in Latin America and by the reinsurance agreement of its life portfolio in Spain and Portugal, which reduced their contribution by €131 million. Eliminating these effects, profit was 19.0% higher.

Insurance business generated for the Group total revenues (including fee income paid to the commercial networks) of €2,784 million (-4.1%). on a like-for-like basis, revenues were 2.3% higher. the total results for the Group (income before taxes of insurers and brokers plus fee income

received by the networks) amounted to €2,653 million (-3.7%), although on a like-for-like basis they increased 3.0%.

Corporate Activities

At the end of 2012, this area had 2,402 employees (direct and assigned) of which 9 were temporary. At the end of 2011, this area had 2,333 employees, of which 901 were temporary.

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

The Corporate Activities area had a loss of €6,391 million in 2012, a 66.7% increase as compared to 2011. This area assumed the provisions derived from implementing royal decree laws 2 and 18 of 2012 to lift coverage of real estate exposure. Results include property writedowns in Spain of €4,110 million net of taxes and capital gains of €983 million net of taxes.

After deducting the net figure for capital gains and writedowns, the area sustained a loss of €3,263 million compared to a loss of €2,163 million in 2011. This variation was mainly due to the decrease in income as a result of the liquidity buffer and the higher cost of funding, the decrease in the share of results of entities accounted for using the equity method (due to Metrovacesa) and the increase in writedowns, which included the amortisation of goodwill in Italy, the writedown of the value of real estate investment fund and the results from real estate asset management.

With respect to the area's activities:

- **Interest rate management** is conducted on a coordinated basis by all the units, but this business only registers the part relative to the balance sheet of the Parent bank, via the ALCO portfolios (at the volume levels and duration considered optimum at each moment).
- **Management of the exposure to exchange-rate movements**, both from investments in the shareholders' equity of units in currencies other than the euro as well as from the results generated for the Group by each of the units, also in various currencies, is also conducted on a centralised basis. This management (dynamic) is carried out by exchange-rate derivative instruments, minimising at each moment the financial cost of hedging.
- **Management of structural liquidity** aims to finance the Group's recurrent activity in optimum conditions of maturity and cost. The decisions whether to go to the wholesale markets to capture funds and cover stable and permanent liquidity needs, the type of instrument used, the maturity date structure and management of the associated risks of interest rates and exchange rates of the various financing sources, are also conducted on a centralised basis.
- **The Financial management unit** uses financial derivatives to cover the interest rate and exchange rate risks from new issuances. The net impact of this hedging is recorded in the gains/losses on financial transactions in corporate activities. The financial management area also analyzes the strategies for structural management of credit risk, aiming to reduce concentrations by sectors, which naturally occur as a result of commercial activity. Derivative transactions achieve an effect similar to selling some assets and acquiring others enabling the Group to diversify the credit portfolio as a whole.

In addition, the area of Corporate Activities acts as the Group's holding entity. It manages all capital and reserves and allocations of capital to each of the business units as well as provides liquidity that some of the business units might need (mainly the Santander Branch Network and corporate in Spain). The price at which these operations are carried out is the market rate (Euribor or swap without liquidity premium for their duration) for each of the maturities of repricing operations.

Lastly, the **equity stakes** that the Group takes within its policy of optimising investments is reflected in corporate activities.

The condensed balance sheets and income statements of the various **geographical segments** as at and for the years ended 31 December 2012 and 2011 are as follows:

(Condensed) balance sheet	Millions of euro						
	2012						
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Intra-Group eliminations	Total
Loans and advances to customers	285,146	250,527	140,090	41,331	3,388	-	720,482
Financial assets held for trading (excluding loans and advances)	87,451	38,177	28,403	275	4,606	-	158,912
Available-for-sale financial assets	21,595	6,718	23,499	14,791	25,663	-	92,266
Loans and advances to credit institutions	54,889	18,123	25,799	714	45,752	(71,377)	73,900
Non-current assets	5,857	2,561	4,490	560	3,828	-	17,296
Other asset accounts	51,735	43,620	46,753	5,265	154,312	(94,913)	206,772
Total assets / liabilities	506,673	359,726	269,034	62,936	237,549	(166,290)	1,269,628
Customer deposits	258,691	194,452	134,765	38,116	615	-	626,639
Marketable debt securities	37,049	73,919	28,107	820	66,074	-	205,969
Subordinated liabilities	293	5,534	5,733	1,986	4,692	-	18,238
Liabilities under insurance contracts	1,425	-	-	-	-	-	1,425
Deposits from central banks and credit institutions	85,297	29,253	32,089	14,214	63,490	(71,377)	152,966
Other liability accounts	92,636	43,416	47,931	2,621	22,989	(24,891)	184,702
Equity (share capital + reserves)	31,282	13,152	20,409	5,179	79,689	(70,022)	79,689
Other customer funds under management	43,391	13,919	60,831	-	-	-	118,141
Investment funds	27,079	13,919	48,178	-	-	-	89,176
Pension funds	10,076	-	-	-	-	-	10,076
Assets under management	6,236	-	12,653	-	-	-	18,889
Customer funds under management	339,424	287,823	229,437	40,922	71,381	-	968,987

(Condensed) balance sheet	Millions of euro*						
	2011*						
	Continental Europe	United Kingdom	Latin America	Sovereign	Corporate activities	Intra-Group eliminations	Total
Loans and advances to customers	315,082	252,154	139,867	40,194	2,803	-	750,100
Financial assets held for trading (excluding loans and advances)	78,802	41,441	31,705	271	7,727	-	159,946
Available-for-sale financial assets	24,640	55	26,186	12,435	23,297	-	86,613
Loans and advances to credit institutions	51,638	19,672	19,181	677	59,583	(99,025)	51,726
Non-current assets	5,045	2,288	4,312	480	4,715	-	16,840
Other asset accounts	28,586	39,833	53,594	3,643	138,783	(78,138)	186,301
Total assets / liabilities	503,793	355,443	274,845	57,700	236,908	(177,163)	1,251,526
Customer deposits	247,582	194,318	134,078	36,884	19,671	-	632,533
Marketable debt securities	39,709	70,505	23,253	1,653	62,252	-	197,372
Subordinated liabilities	965	8,260	6,015	2,275	5,477	-	22,992
Liabilities under insurance contracts	517	-	-	-	-	-	517
Deposits from central banks and credit institutions	88,143	31,178	46,813	9,934	66,094	(99,025)	143,137
Other liability accounts	96,088	38,330	45,170	2,412	6,299	(10,439)	177,860
Equity (share capital + reserves)	30,789	12,852	19,516	4,542	77,115	(67,699)	77,115
Other customer funds under management	45,809	15,744	69,902	1	-	-	131,456
Investment funds	31,038	15,744	55,829	-	-	-	102,611
Pension funds	9,645	-	-	-	-	-	9,645
Assets under management	5,126	-	14,073	1	-	-	19,200
Savings insurance	334,064	288,826	233,248	40,812	87,403	-	984,353
Customer funds under management	503,793	355,443	274,845	57,700	236,908	(177,163)	1,251,526

* The figures for 2011 have been recalculated in order to facilitate their comparison with the figures for 2012.

(Condensed) income statement	Millions of euro					
	2012					
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Total
NET INTEREST INCOME	9,470	3,559	17,881	1,695	(2,458)	30,147
Dividends	289	1	60	20	53	423
Share of results of entities accounted for using the equity method	27	(5)	183	341	(119)	427
Net fee and commission income/(expense)	3,626	1,238	5,097	378	(31)	10,308
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	461	1,231	1,071	244	133	3,140
Other operating income/(expenses)	(17)	22	(357)	(74)	534	108
GROSS INCOME	13,856	6,046	23,935	2,604	(1,888)	44,553
General administrative expenses	(5,640)	(2,356)	(8,198)	(1,029)	(705)	(17,928)
Staff costs	(3,496)	(1,475)	(4,617)	(566)	(169)	(10,323)
Other general administrative expenses	(2,144)	(881)	(3,581)	(463)	(536)	(7,605)
Depreciation and amortisation charge	(662)	(385)	(865)	(145)	(132)	(2,189)
Provisions (net)	(38)	(522)	(1,027)	(170)	135	(1,622)
Impairment losses	(4,127)	(1,246)	(7,381)	(265)	(5,887)	(18,906)
PROFIT (LOSS) FROM OPERATIONS	3,389	1,537	6,464	995	(8,477)	3,908
Impairment losses on non-financial assets	(131)	-	(17)	(24)	(336)	(508)
Other income and charges	(153)	(1)	226	8	69	149
PROFIT (LOSS) BEFORE TAX	3,105	1,536	6,673	979	(8,744)	3,549
Income tax	(736)	(361)	(1,502)	(168)	2,192	(575)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	2,369	1,175	5,171	811	(6,552)	2,974
Loss from discontinued operations	(7)	-	-	-	-	(7)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	2,362	1,175	5,171	811	(6,552)	2,967
Attributable to non-controlling interests	57	-	866	-	(161)	762
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	2,305	1,175	4,305	811	(6,391)	2,205

(Condensed) income statement	Millions of euro*					
	2011					
	Continental Europe	United Kingdom	Latin America	United States	Corporate activities	Total
NET INTEREST INCOME	8,875	4,356	16,473	3,289	(2,172)	30,821
Dividends	264	1	71	1	57	394
Share of results of entities accounted for using the equity method	14	1	37	-	5	57
Net fee and commission income (expense)	3,774	1,079	4,992	643	(16)	10,472
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	232	405	1,067	192	420	2,316
Other operating income/(expenses)	119	25	(199)	(56)	129	18
GROSS INCOME	13,278	5,867	22,441	4,069	(1,577)	44,078
General administrative expenses	(5,660)	(2,243)	(7,983)	(1,162)	(733)	(17,781)
Staff costs	(3,531)	(1,415)	(4,455)	(640)	(285)	(10,326)
Other general administrative expenses	(2,129)	(828)	(3,528)	(522)	(448)	(7,455)
Depreciation and amortisation charge	(600)	(352)	(926)	(126)	(105)	(2,109)
Provisions (net)	(142)	(964)	(1,232)	(43)	(220)	(2,601)
Impairment losses	(3,528)	(634)	(5,447)	(1,005)	(1,254)	(11,868)
PROFIT (LOSS) FROM OPERATIONS	3,348	1,674	6,853	1,733	(3,889)	9,719
Impairment losses on non-financial assets	53	-	(38)	(118)	(1,414)	(1,517)
Other income and charges	(303)	(3)	241	-	(198)	(263)
PROFIT (LOSS) BEFORE TAX	3,098	1,671	7,056	1,615	(5,501)	7,939
Income tax	(718)	(448)	(1,653)	(557)	1,600	(1,776)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	2,380	1,223	5,403	1,058	(3,901)	6,163
Loss from discontinued operations	(24)	-	-	-	-	(24)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	2,356	1,223	5,403	1,058	(3,901)	6,139
Attributable to non-controlling interests	69	-	739	48	(68)	788
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	2,287	1,223	4,664	1,010	(3,833)	5,351

* Presented for comparison purposes only

The following table sets out the detail of revenue by the geographical segments used by the Group. For the purposes of the table below, revenue is deemed to be that recognised under "Interest and similar income", "Income from equity instruments", "Fee and commission income", "Gains/losses on financial assets and liabilities (net)" and "Other operating income" in the accompanying consolidated income statements for 2012 and 2011:

Segment	Revenue (millions of euro)					
	Revenue from external customers		Inter-segment revenue		Total revenue	
	2012	2011	2012	2011	2012	2011
Continental Europe	27,012	30,585	893	565	27,905	31,150
United Kingdom	12,582	10,674	72	176	12,654	10,850
Latin America	37,287	40,046	200	(176)	37,487	39,870
Sovereign	3,004	2,865	(23)	(40)	2,981	2,825
Corporate activities	2,411	717	4,462	2,400	6,873	3,117
Inter-segment revenue adjustments and eliminations	-	-	(5,604)	(2,925)	(5,604)	(2,925)
	82,296	84,887	-	-	82,296	84,887

At the secondary level of segment reporting, the Group is structured into Commercial Banking, Global Wholesale Banking and Asset Management and Insurance. The sum of these three segments is equal to that of the three primary operating geographical segments. Total figures for the Group are obtained by adding to the business segments the data for the corporate activities segment. At this level of segment reporting, the condensed income statements and other significant data by Business segments are as follows:

(Condensed) income statement	Millions of euro									
	2012					2011*				
	Commercial banking	Global wholesale banking	Asset management and insurance	Corporate activities	Total	Commercial banking	Global wholesale banking	Asset management and insurance	Corporate activities	Total
NET INTEREST INCOME	29,986	2,501	118	(2,458)	30,147	30,319	2,416	258	(2,172)	30,821
Income from equity instruments	121	249	-	53	423	95	242	-	57	394
Share of results of entities accounted for using the equity method	399	-	147	(119)	427	23	-	29	5	57
Net fee and commission income (expense)	8,804	1,162	373	(31)	10,308	8,929	1,149	410	(16)	10,472
Gains/losses on financial assets and liabilities (net) and exchange differences (net)	2,215	785	7	133	3,140	1,103	788	5	420	2,316
Other operating income/(expenses)	(655)	7	222	534	108	(556)	12	433	129	18
GROSS INCOME	40,870	4,704	867	(1,888)	44,553	39,913	4,607	1,135	(1,577)	44,078
General administrative expenses	(15,494)	(1,455)	(274)	(705)	(17,928)	(15,242)	(1,488)	(318)	(733)	(17,781)
Staff costs	(9,055)	(943)	(156)	(169)	(10,323)	(8,877)	(987)	(177)	(285)	(10,326)
Other general administrative expenses	(6,439)	(512)	(118)	(536)	(7,605)	(6,365)	(501)	(141)	(448)	(7,455)
Depreciation and amortisation charge	(1,867)	(155)	(35)	(132)	(2,189)	(1,827)	(134)	(43)	(105)	(2,109)
Provisions (net)	(1,718)	(25)	(14)	135	(1,622)	(2,321)	(14)	(46)	(220)	(2,601)
Impairment losses	(12,756)	(262)	(1)	(5,887)	(18,906)	(10,469)	(144)	(1)	(1,254)	(11,868)
PROFIT (LOSS) FROM OPERATIONS	9,035	2,807	543	(8,477)	3,908	10,054	2,827	727	(3,889)	9,719
Net impairment losses on non-financial assets	(147)	(25)	-	(336)	(508)	(82)	(21)	-	(1,414)	(1,517)
Other non-financial gains/(losses)	71	2	7	69	149	(56)	-	(9)	(198)	(263)
PROFIT (LOSS) BEFORE TAX	8,959	2,784	550	(8,744)	3,549	9,916	2,806	718	(5,501)	7,939
Income tax	(1,869)	(750)	(148)	2,192	(575)	(2,392)	(753)	(231)	1,600	(1,776)
PROFIT (LOSS) FROM ORDINARY ACTIVITIES	7,090	2,034	402	(6,552)	2,974	7,524	2,053	487	(3,901)	6,163
Loss from discontinued operations	(7)	-	-	-	(7)	(24)	-	-	-	(24)
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	7,083	2,034	402	(6,552)	2,967	7,500	2,053	487	(3,901)	6,139
Attributable to non-controlling interests	697	207	19	(161)	762	591	214	51	(68)	788
PROFIT (LOSS) ATTRIBUTABLE TO THE PARENT	6,386	1,827	383	(6,391)	2,205	6,909	1,839	436	(3,833)	5,351

6.1.2 An indication of any significant new products and/or activities.

Significant New Products and/or Activities

New Products and/or Activities

Corporate marketing committee

The corporate marketing committee ("CCC") is the Group's decision-making body regarding the approval and monitoring of products and services. Chaired by the Group's general secretary, it is composed of representatives of the following divisions: risk, financial management, technology and operations, general secretary's division, the controller's unit, internal audit, commercial banking, Santander Global Banking & Markets, private banking, asset management and insurance.

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

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

Also, local marketing committees are created at local level to channel proposals for the approval of new products to the CCC after issuing a favourable opinion, since initially they do not have any delegated powers- and to approve products that are not new and the related marketing campaigns.

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

The CCC held 44 meetings in 2012 (42 in 2011 and 46 in 2010) at which incidents were resolved and information analysed on the monitoring of products and services, at both the local level as well as the Group's units abroad.

Global consultative committee

The global consultative committee ("GCC") is the advisory body of the corporate marketing committee and consists of area representatives who provide an insight into risks, regulation and markets. The GCC, which meets on an estimated quarterly basis, may recommend the review of products affected by market changes, impaired solvency (country, sectors or companies) or changes in the Group's market perception at medium and long term. The GCC held three meetings in 2012 (3 in 2011, and 3 in 2010).

Corporate monitoring committee

Since 2009 the corporate monitoring committee ("GCS") has met on a weekly basis to monitor products. Chaired by the general secretary, it involves the participation of internal audit, legal advisory, compliance, customer care and the business areas concerned (with the ongoing representation of the commercial network). GCS meetings raise and resolve specific issues relating to the marketing of products and services.

Corporate reputational risk management office

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

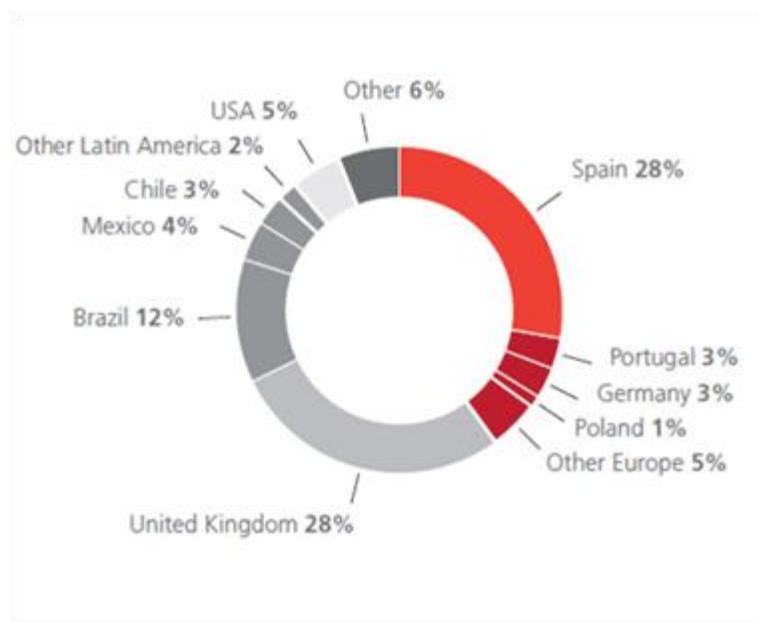
At a local level, the Group creates the corresponding reputational risk management offices, which are responsible for promoting corporate culture and for ensuring that products are approved and monitored in the respective local spheres in keeping with corporate guidelines.

During 2012, the committee met 14 times (19 times during 2011, and 21 times during 2010) and analysed 140 new products/services. The corporate office of reputational risk was presented with 61 products/services considered not new for approval and resolved 171 consultations from areas and countries. The products approved by the corporate office of reputational risk management were successive issues of products that had been previously approved by the CCC or the local marketing committees, after being given this power.

6.2 *Principal Markets: A brief description of the principal markets in which the Guarantor competes*

The Group has a geographic diversification balanced between mature and emerging markets (46% and 54% of profits, respectively, in 2012). The Bank concentrates on 10 core markets: Spain, Germany, Poland, Portugal, the UK, Brazil, Mexico, Chile, Argentina and the US. The global areas also develop products that are distributed in the Group's commercial networks and tend to global sphere clients.

The following chart illustrates the Group's attributable profit broken down by operative geographical areas for the 2012 financial year:



6.3 *The basis for any statements made by the Guarantor regarding its competitive position*

Not applicable.

7. ORGANISATIONAL STRUCTURE

7.1 *If the guarantor is part of a group, a brief description of the group and of the guarantor's position within it.*

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2012 of 740 companies that consolidate by the global integration method. In addition, there are 131 companies that are accounted for by the equity method.

The Guarantor is not dependent upon any other entity within the Group.

7.2 *If the guarantor is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence.*

The Guarantor is not dependent upon any other entity in the Group.

8. TREND INFORMATION

- 8.1 ***Include a statement that there has been no material adverse change in the prospects of the guarantor since the date of its last published audited financial statements. In the event that the guarantor is unable to make such a statement, provide details of this material adverse change.***

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2012.

- 8.2 ***Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the guarantor's prospects for at least the current financial year.***

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 we expect 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 our future operating results or our financial condition:

- a continued downturn in the Spanish and the United Kingdom real estate markets, and a corresponding increase in mortgage defaults, which could impact our NPL and decrease consumer confidence and disposable income;
- uncertainties relating to economic growth expectations and interest rates cycles, especially in the United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates;
- the continued effect of the global economic slowdown on Europe and the US and fluctuations in local interest and exchange rates;
- continued changes in the macroeconomic environment, such as sustained unemployment above historical levels, could further deteriorate the quality of our customers' credit;
- increases in our cost of funding, partially as a result of the fragility of the Spanish, Portuguese, Irish and Greek economies, could adversely affect our net interest margin as a consequence of timing differences in the repricing of our assets and liabilities;
- the effects of withdrawal of significant monetary and fiscal stimulus programs and uncertainty over government responses to growing public deficits;
- continued instability and volatility in the financial markets;
- a drop in the value of the euro relative to the US dollar, the sterling pound or Latin American currencies;
- inflationary pressures, particularly in Latin America, because of the effect they may have in relation to increases of interest rates and decreases of growth;
- increased consolidation of the global financial services sector, which could further reduce our spreads;
- although it is foreseeable that entry barriers to domestic markets in Europe will eventually be lowered, our possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries;

- acquisitions or restructurings of businesses that do not perform in accordance with our expectations or that subject us to previously unknown risks;
- increased regulation, government intervention and new laws prompted by the financial crisis which could change our industry and require us to modify our businesses or operations; and
- the risk of further reductions in liquidity and increases of credit spreads as a consequence of the crisis in the financial markets, which could affect not only our cost of funding but also the value of our proprietary portfolios and our assets under management.

9. **PROFIT FORECASTS OR ESTIMATES**

If a guarantor chooses to include a profit forecast or a profit estimate this Base Prospectus must contain the information items 9.1 and 9.2.

The Guarantor has not included a profit forecast or profit estimate in this Base Prospectus.

- 9.1 ***A statement setting out the principal assumptions upon which the guarantor has based its forecast, or estimate. There must be a clear distinction between assumptions about factors which the members of the administrative, management or supervisory bodies can influence and assumptions about factors which are exclusively outside the influence of the members of the administrative, management or supervisory bodies; be readily understandable by investors; be specific and precise; and not relate to the general accuracy of the estimates underlying the forecast.***

Not applicable.

- 9.2 ***A report prepared by independent accountants or auditors stating that in the opinion of the independent accountants or auditors the forecast or estimate has been properly compiled on the basis stated and that the basis of accounting used for the profit forecast or estimate is consistent with the accounting policies of the guarantor.***

Not applicable.

- 9.3 ***The profit forecast or estimate must be prepared on a basis comparable with the historical financial information.***

Not applicable.

10. **ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES**

- 10.1 ***Names, business addresses and functions in the guarantor of the following persons, and an indication of the principal activities performed by them outside the guarantor where these are significant with respect to the guarantor:***

- (a) ***members of the administrative, management or supervisory bodies;***
- (b) ***partners with unlimited liability, in the case of a limited partnership with a share capital.***

The Bylaws of the Guarantor (Article 41) provide that the maximum number of Directors is 22 and the minimum number 14.

The Board of Directors of the Guarantor is presently made up of 16 directors.

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

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

Board of directors	Executive committee	Risk committee	Audit and compliance committee	Appointments and remuneration committee	International committee	Technology, productivity and quality committee	Executive	External
Chairman Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos	C				C	C		
First Deputy Chairman Mr. Fernando de Asúa Álvarez (2)		V		C				I
Second Deputy Chairman Mr. Matías Rodríguez Inciarte		C						
Third Deputy Chairman Mr. Guillermo de la Dehesa Romero (2)			C					I
Chief Executive Officer Mr. Javier Marín Romano								
Members								
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea								
Mr. Javier Botín-Sanz de Sautuola y O'Shea (1)								P
Lord Burns (Terence)								E
Mr. Vittorio Corbo Lioi								E
Mr. Rodrigo Echenique Gordillo								I
Ms. Esther Giménez-Salinas i Colomer								I
Mr. Ángel Jado Becerro de Bengoa								I
Mr. Abel Matutes Juan (2)								I
Mr. Juan Rodríguez Inciarte								
Ms. Isabel Tocino Biscarolasaga								I
Mr. Juan Miguel Villar Mir								I
General Secretary and of the Board Mr. Ignacio Benjumea Cabeza de Vaca (2) (3)								

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

- (1) External proprietary director who represents in the board of directors the capital stock corresponding to the Marcelino Botín Foundation, Bafimar, S.L., Cronje, S.L., Puente San Miguel, S.A., Inversiones Zulú, S.L. Latimer Inversiones, S.L., Jardín Histórico Puente San Miguel, S.A., Nueva Azil, S.L., Leugim Bridge, S.L., Apecaño, S.L., Bright Sky 2012, S.L., Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Ms. Carmen Botín-Sanz de Sautuola y O'Shea, Ms. Paloma Botín-Sanz de Sautuola y O'Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Mr. Jorge Botín-Sanz de Sautuola Ríos, Mr. Francisco Javier Botín-Sanz de Sautuola Ríos, Ms. Marta Botín-Sanz de Sautuola Ríos and his own.
- (2) The members of the audit and compliance committee are Mr. Rodrigo Echenique Gordillo, Mr. Fernando de Asúa Álvarez, Mr. Abel Matutes Juan, and its chairman is Mr. Guillermo de la Dehesa Romero. The secretary (non member) is Mr. Ignacio Benjumea Cabeza de Vaca.
- (3) Not director.

Principal Activities Outside the Guarantor

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

Directors	Company Name	Functions
Mr. Emilio Botín Sanz de Sautuola y García de los Ríos	Santander Investment, S.A.	Chairman
	Universia Holding, S.L.	Chairman
	Portal Universia, S.A.	Chairman
Mr. Fernando de Asúa Álvarez	Técnicas Reunidas, S.A.	Vice Chairman
	Constructora Inmobiliaria Urbanizadora Vasco-Aragonesa, S.A	Director
Mr. Matías Rodríguez Inciarte	UCI, S.A.	Chairman
	Financiera Ponferrada, S.A., SICAV	Director
	Operador del Mercado Ibérico de Energía Polo Español, S.A.	Director
	Sanitas, Sociedad Anónima de Seguros	Director
	Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Director
Mr. Guillermo de la Dehesa Romero	Aviva Vida y Pensiones, S.A. de Seguros y Reaseguros	Chairman
	Aviva Grupo Corporativo, S.L.	Chairman
	Campofrío Food Group, S.A.	Director
	Amadeus IT Holding, S.A.	Vice Chairman
	Grupo Empresarial San José, S.A.	Director
Mr. José Javier Marín Romano	Santander Private Banking, S.P.A	Vice Chairman
	Allfunds Bank, S.A.	Director
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea	Santander UK plc	Chief Executive Officer
	Ingeniería de Software Bancario, S.L.	Chairwoman
	Santander Investment, S.A.	Director
	New York Stock Exchange	Member of the advisory committee
	Alliance & Leicester Plc	Director
Mr. Javier Botín-Sanz de Sautuola y O'Shea	JB Capital Markets, S.V., S.A.	Chairman and Chief Executive Officer
	Lord Burns (Terence)	Chairman
Mr. Vittorio Corbo Lioi	Santander UK PLC	Chairman
	Santander UK Foundation Limited	Chairman
	Channel Four Television Corporation	Chairman
	Banco Santander Chile, S.A. - Chile	Director
	Empresa Nacional de Electricidad, S.A. - Chile	Director
	Grupo Financiero Santander-Mexico	Director

Directors	Company Name	Functions
Mr. Rodrigo Echenique Gordillo	Compañía de Seguros Sura-Chile, S.A.	Chairman
	Banco Santander (Mexico), S.A.	Director
	CCU, S.A.	Director
	Santander Private Real Estate Advisory, S.A.	Chairman
	Allfunds Bank, S.A	Chairman
	Santander Investment, S.A.	Director
	Banco Santander International	Director
	Universia Holding, S.L.	Director
Ms. Esther Giménez-Salinas i Colomer	Vocento, S.A.	Director
	NH Hoteles, S.A.	Chairman (non executive)
Mr. Abel Matutes Juan	Gawa Capital Partners, S.L.	Director
	Portal Universia	Director
	Fiesta Hotels Group & Resorts, S.L.	Chairman
	FST Hotels, S.L.	Chairman
Mr. Juan Rodríguez Inciarte	FCC Construcción, S.A.	Director
	Balearia Eurolíneas Marítimas, S.A.	Director
	Santander UK PLC	Vice Chairman
	Santander Consumer Finance, S.A.	Director
	JCF Services, Co LLC	Member of the External Advisory Committee
	Saarema Inversiones, S.A.	Director
Ms. Isabel Tocino Biscarolasaga	Vista Capital de Expansión, S.A., SGEGR	Director
	ENCE Energía y Celulosa, S.A.	Director
Mr. Juan Miguel Villar Mir	Grupo OHL	Chairman

10.2 Administrative, management, and supervisory bodies conflicts of interests. Potential conflicts of interests between any duties to the issuing entity of the persons referred to in item 10.1 and their private interests and or other duties must be clearly stated. In the event that there are no such conflicts, make a statement to that effect.

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

During the 2012 fiscal year there have been 74 cases where directors, including those in senior management, have abstained from participating in meetings or voting in resolutions of the board of directors or its committees, in compliance with Article 229 of the Spanish Corporate Enterprises and thus avoiding potential conflicts of interest.

The breakdown of the 74 cases is as follows: 18 times were due to proposals for appointment or re-election of directors, in 38 cases it was due to approvals in relation to salary conditions and other terms of the contracts of directors, on 9 occasions as a result of funding proposals being discussed in relation to related companies or entities of various directors or with themselves; 5 times because

of annual verification of the status of the directors that, under Article 6.3 of the Council Regulation, made the appointments and remuneration committee, on 2 occasions respect to valuation that Article 17.4 k) Council Regulation mandates the appointments and remuneration of the professional obligations of directors to assess whether these may interfere with the dedication that is required for them to effectively carry out its work; once to approve a contribution on behalf of a foundation headed by a director, and on another occasion to place on record the appreciation of the Board for the work done by counsel.

11. BOARD PRACTICES

11.1 *Details relating to the guarantor's audit committee, including the names of committee members and a summary of the terms of reference under which the committee operates.*

The Audit and Compliance Committee was created primarily in order to evaluate the systems in place for information control and accounts oversight, to safeguard the independence of the accounts auditor and to review the control and compliance systems of the Guarantor 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 (at the date of this Base Prospectus there are four (4) members: Fernando de Asúa Álvarez, Rodrigo Echenique Gordillo, Abel Matutes Juan and its chairman is Guillermo de la Dehesa Romero; the secretary (not a member) is Ignacio Benjumea Cabeza de Vaca). Members of the Audit and Compliance Committee are selected by the Board with reference to their knowledge, aptitude and experience in accounting, auditing and risk management matters. The Audit and Compliance Committee must be chaired by an independent member of the Board who must have knowledge and experience in accounting, auditing and risk management, currently it is Mr. Guillermo de la Dehesa Romero. All the current members of the committee are external and independent.

11.2 *A statement as to whether or not the guarantor complies with its country of incorporation's corporate governance regime(s). In the event that the guarantor does not comply with such a regime a statement to that effect must be included together with an explanation regarding why the issuer does not comply with such regime.*

Banco Santander, S.A. complies with the Spanish corporate governance regime. The Guarantor has included in its annual corporate governance report, which can be found on the website of the *Comisión Nacional del Mercado de Valores* (www.CNMV.es), a detailed explanation of its compliance with the various recommendations on corporate governance.

12. MAJOR SHAREHOLDERS

12.1 *To the extent known to the guarantor, state whether the guarantor is directly or indirectly owned or controlled and by whom, and describe the nature of such control, and describe the measures in place to ensure that such control is not abused.*

At 31 December 2012, 1.922% 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 4 of Ley 24/1988, de 28 de julio, del Mercado de Valores (Law 24/1988 of 28 July of the Securities Market).

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

12.2 *A description of any arrangements, known to the guarantor, the operation of which may at a subsequent date result in a change in control of the guarantor.*

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

13. **FINANCIAL INFORMATION CONCERNING THE GUARANTOR'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**

- 13.1 ***Historical Financial Information: Audited historical financial information covering the latest 2 financial years (or such shorter period that the guarantor has been in operation), and the audit report in respect of each year. Such financial information must be prepared according to Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards for issuers from the Community. For third country issuers, such financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. If such financial information is not equivalent to these standards, it must be presented in the form of restated financial statements.***

The most recent year's audited historical financial information must be presented and prepared in a form consistent with that which will be adopted in the guarantor's next published annual financial statements having regard to accounting standards and policies and legislation applicable to such annual financial statements.

If the guarantor has been operating in its current sphere of economic activity for less than one year, the audited historical financial information covering that period must be prepared in accordance with the standards applicable to annual financial statements under Regulation (EC) No 1606/2002, or if not applicable to a Member State national accounting standards where the guarantor is a guarantor from the Community. For third country guarantors, the historical financial information must be prepared according to the international accounting standards adopted pursuant to the procedure of Article 3 of Regulation (EC) No 1606/2002 or to a third country's national accounting standards equivalent to these standards. This historical financial information must be audited. If the audited financial information is prepared according to national accounting standards, the financial information required under this heading must include at least the following:

- (a) the balance sheet;
- (b) the income statement;
- (c) in the case of an admission of securities to trading on a regulated market only, a cash flow statement;
- (d) the accounting policies and explanatory notes.

The historical annual financial information must be independently audited or reported on as to whether or not, for the purposes of this Base Prospectus, it gives a true and fair view, in accordance with auditing standards applicable in a Member State or an equivalent standard.

- 13.2 ***Financial statements: If the guarantor prepares both own and consolidated financial statements, include at least the consolidated financial statements in this Base Prospectus.***

The Guarantor prepares audited consolidated and non-consolidated annual financial statements, the English translations of which are incorporated by reference under paragraphs 2 and 3 of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2012 and 2011 financial years were audited by the external audit firm Deloitte, S.L. There are no reservations or qualifications of the auditors in relation to the individual and consolidated annual financial statements of the Guarantor for the 2012 and 2011 financial years.

The Guarantor also prepares consolidated interim financial statements. The unaudited consolidated Income Statement and Balance Sheet of the Guarantor as at and for the three months ended 31 March 2013 have been incorporated by reference under paragraph 1 of "Documents Incorporated by Reference". Such financial statements were extracted from the internal accounting records of the Guarantor.

13.3 Auditing of historical annual financial information.

- 13.3.1 A statement that the historical financial information has been audited. If audit reports on the historical financial information have been refused by the statutory auditors or if they contain qualifications or disclaimers, such refusal or such qualifications or disclaimers must be reproduced in full and the reasons given.**

The individual and consolidated annual financial statements of Banco Santander, S.A. for the 2011 and 2012 financial years were audited by the external audit firm Deloitte, S.L. (formerly Deloitte & Touche España, S.L.).

There are no reservations or qualifications of the auditors in relation to the individual and consolidated 2011 and 2012 annual Financial Statements referred to above.

- 13.3.2 An indication of other information relating to the guarantor in this Base Prospectus which has been audited by the auditors.**

The information contained in "Business Overview" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which, with respect to the year 2012, have been audited and were obtained from the Guarantor's 2012 Annual Report.

- 13.3.3 Where financial data in this Base Prospectus is not extracted from the guarantor's audited financial statements state the source of the data and state that the data is unaudited.**

The information relating to the Group contained in paragraph 6.1.3. above is not audited and was obtained from the Guarantor's 2012 Annual Report.

No other information relating to the Guarantor in this Base Prospectus has been audited by Deloitte S.L.

The date of the most recent audited annual consolidated financial information of the Guarantor is 31 December 2012.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2012 and 31 December 2011 have been filed with the Spanish securities market regulator.

13.4 Age of latest financial information.

- 13.4.1 The last year of audited financial information may not be older than 18 months from the date of this Base Prospectus.**

The date of the most recent annual consolidated audited financial information of the Bank is 31 December 2012.

13.5 Interim and other financial information.

- 13.5.1 If the guarantor has published quarterly or half yearly financial information since the date of its last audited financial statements, these must be included in this Base Prospectus. If the quarterly or half yearly financial information has been reviewed or audited the audit or review report must also be included. If the quarterly or half yearly financial information is unaudited or has not been reviewed state that fact.**

See "Documents Incorporated by Reference – Guarantor Interim Financial Information".

13.5.2 ***If this Base Prospectus is dated more than nine months after the end of the last audited financial year, it must contain interim financial information, covering at least the first six months of the financial year. If the interim financial information is unaudited state that fact.***

The interim financial information must include comparative statements for the same period in the prior financial year, except that the requirement for comparative balance sheet information may be satisfied by presenting the years end balance sheet.

See paragraph 13.5.1 above.

13.6 ***Legal and arbitration proceedings: Information on any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the guarantor is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the guarantor and/or group's financial position or profitability, or provide an appropriate negative statement.***

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

The following is a summary of certain legal proceedings affecting the Group: The Guarantor 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 the Guarantor and/or the Group's financial position or profitability.

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

The main tax-related proceedings concerning the Group are as follows:

- "Mandados de Segurança" filed by Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) and certain Group companies in Brazil challenging the increase in the rate of Brazilian social contribution tax on net income from 9% to 15% stipulated by Interim Measure 413/2008, ratified by Law 11,727/2008. As of the date of this report, the estimated loss related to this proceeding is fully provisioned.
- "Mandados de Segurança" filed by certain Group companies in Brazil claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8% and 10% from 1994 to 1998. As of the date of this report, the estimated loss related to this proceeding is fully provisioned.
- "Mandados de Segurança" filed by Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander Brasil, S.A., the "Mandado de Segurança" was declared unwarranted and an appeal was filed at the Federal Regional Court. In September 2007 the Federal Regional Court found in favor of Banco Santander Brasil, S.A., but the Brazilian authorities appealed against the judgment at the Federal Supreme Court. In the case of Banco ABN AMRO Real, S.A. (currently Banco Santander (Brasil), S.A.), in March 2007 the court found in its favor, but the Brazilian authorities appealed against the judgment at the Federal Regional Court, which handed down a decision partly upholding the appeal in September 2009. Banco Santander (Brasil), S.A. filed an appeal at the Federal Supreme Court. As of the date of this report, the estimated loss related to this proceeding is fully provisioned.

- Banco Santander (Brasil), S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (IRPJ and CSLL) on the ground that the relevant requirements under the applicable legislation were not met. As of the date of this report, there is no provision in connection with this claim as it is considered as a contingent liability.
- Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. As of the date of this report, the estimated loss related to these proceedings is fully provisioned.
- In addition, Banco Santander (Brasil), S.A. and other Group companies in Brazil are involved in several administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration. As of the date of this report, the estimated loss related to these proceedings is fully provisioned.
- In December 2008 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to income tax (IRPJ and CSLL) for 2002 to 2004. The tax authorities took the view that the bank did not meet the necessary legal requirements to be able to deduct the goodwill arising on the acquisition of Banespa (currently Banco Santander (Brasil), S.A.). Banco Santander (Brasil) S.A. filed an appeal against the infringement notice at Conselho Administrativo de Recursos Fiscais (CARF), which on 21 October 2011 unanimously decided to render the infringement notice null and void. The tax authorities have appealed against this decision at a higher administrative level. In June 2010, the Brazilian tax authorities issued infringement notices on this same issue in respect of 2005 to 2007, which were appealed against at CARF. Based on the advice of its external legal counsel and in view of the recent decision by CARF, the Group considers that the stance taken by the Brazilian tax authorities is incorrect and that there are sound defense arguments to appeal against the infringement notice. Accordingly, the risk of incurring a loss is remote. Consequently, no provisions have been recognised in connection with these proceedings because this matter should not affect the consolidated financial statements.
- In May 2003 the Brazilian Tax Authorities issued two infringement notices one against Santander Distribuidora de Títulos e Valores Mobiliários Ltda. (DTVM) and the other against Banco Santander Brasil, S.A. (currently Banco Santander (Brasil), S.A.) in connection with the Provisional Contribution on Financial Transactions (CPMF) relating to certain transactions conducted by Santander DTVM in the management of its customers' funds and clearance services provided by Banco Santander Brasil to DTVM in 2000, 2001 and the first two months of 2002. Both entities appealed the infringement notices before the CARF whose resolution was favorable in the case of DTVM and adverse in case of Santander Brasil. Both CARF resolutions were appealed by the respective losing party before the Board of Tax Appeals of the CARF and while the appeal from Santander Brasil is pending final judgment, the appeal of DTVM was adversely resolved on 24 August 2012. DTVM has further appealed against the same Board of Tax Appeals of the CARF on 29 August 2012. According to the valuation of the Group legal advisors the tax treatment applied to these transactions was accurate and accordingly in our 30 June 2012 financial statements there is no provision in connection with this proceeding as it is considered a contingent liability.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros, S.A., as the successor by merger to ABN AMRO Brazil 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 bank filed an appeal for reconsideration against this infringement notice. As the former parent of Santander Seguros, S.A. (Brasil), Banco Santander (Brasil), S.A. is liable in the event of any adverse outcome of this proceeding. As of the date of this

report, there is no provision in connection with this proceeding as it is considered as a contingent liability. Also, the Brazilian tax authorities issued infringement notices against Banco Santander (Brasil) S.A. in connection with income tax (IRPJ and CSLL), questioning the tax treatment applied to the economic compensation received under the contractual guarantees provided by the sellers of the former Banco Meridional. The bank filed an appeal for reconsideration against this infringement notice. On 23 November 2011, CARF unanimously decided to render null and void an infringement notice relating to 2002 with regard to the same matter. In February 2012 this decision was declared final in respect of 2002. The proceedings relating to the 2003 to 2006 fiscal years are still in progress. As of the date of this report, there is no provision in connection with this claim as it is considered as a contingent liability.

- A claim was filed against Abbey National Treasury Services plc by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. A favorable judgment at first instance was handed down in September 2006, although the judgment was appealed against by the tax authorities in January 2007 and the court found in favor of the latter in June 2010. Abbey National Treasury Services plc appealed against this decision at a higher court and in December 2011 the tax authorities confirmed their intention to file the related pleadings. The hearing took place in April 2012 and the court found for the tax authorities, upholding their appeal. There is no recourse for further appeal of this judgment by Abbey National Treasury Services plc, however it is not expected to have an adverse impact on the financial statements because of the provisions recognised in connection with this litigation.
- Legal action brought by Sovereign Bancorp, Inc. (currently Santander Holdings USA, Inc.) claiming its right to take a foreign tax credit in connection with taxes paid outside the United States in fiscal years 2003 to 2005 in relation to financing transactions carried out with an international bank. Santander Holdings USA, Inc. continues to believe that it is entitled to claim these foreign tax credits taken with respect to the transactions and also continues to believe that Santander Holdings USA, Inc. is entitled to tax deductions for the related issuance costs and interest deductions based on tax laws. In addition, if the outcome of this legal action is favorable to the interests of Santander Holdings USA, Inc., the amounts paid over by the entity in relation to this matter with respect to 2006 and 2007 would have to be refunded. During the first quarter of 2013, the U.S. Tax Court issued an adverse opinion in a case between a US taxpayer and the IRS involving a transaction with a structure similar to Santander Holdings USA, Inc.'s financing transactions. The US taxpayer has indicated it intends to appeal the decision. Santander Holdings USA, Inc. has confidence in its position because, among other reasons, Santander Holdings USA, Inc. will raise arguments and issues in its case that were not considered by the Tax Court. The trial of this litigation is expected to take place in the last quarter of 2013. As of the date of this Prospectus, the estimated loss related to this proceeding is provisioned.

At the date of approval of these interim financial statements, the Bank and the other Group companies were subject to claims and, therefore, are party to certain other less significant tax-related proceedings incidental to the normal course of their business

Non-tax-related proceedings

The main non-tax-related proceedings concerning the Group were as follows:

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

Payment protection insurance is a UK insurance product offering payment protection on unsecured personal loans (and credit cards). The product was sold by all the UK banks. The mis-selling problems relate mainly to business written before 2009. The nature and profitability of the product has changed materially since 2008, in part due to customer and regulatory pressure.

On 1 July 2008, the UK Financial Ombudsman Service ("**FOS**") referred concerns regarding the handling of PPI complaints to the UK Financial Services Authority ("**FSA**").

On 29 September 2009 and 9 March 2010, the FSA issued consultation papers on PPI complaints handling as an issue of wider implication. The FSA published its Policy Statement on 10 August 2010, setting out the evidence and guidance on the fair assessment of a complaint and the calculation of redress, as well as a requirement for firms to reassess historically rejected complaints which had to be implemented by 1 December 2010.

On 8 October 2010, the British Bankers' Association ("**BBA**"), the principal trade association for the UK banking and financial services sector, filed on behalf of certain financial institutions (which did not include Santander UK plc) an application for permission to seek judicial review against the FSA and the FOS. The BBA sought an order quashing the FSA Policy Statement and an order quashing the decision of the FOS to treat PPI sales in accordance with the guidance published on its website in November 2008. The Judicial Review hearing took place in January 2011 and on 20 April 2011 judgment was handed down by the High Court dismissing the BBA's application.

Santander UK did not participate in the legal action undertaken by other UK banks and has been consistently making a provision and settling claims with regards to PPI complaints liabilities since they began to increase in recent years. The provisions recognised by Santander UK in this respect were calculated on the basis of the estimate of customer remediation comprising the estimated cost of making redress payments with respect to the past sales of the product.

A detailed review of the provision was performed by Santander UK in the first half of 2011 in light of the new situation, including the High Court judgment of April 2011, the BBA's subsequent decision not to appeal that judgment and the consequent increase in actual claims levels. As a result, the provision has been revised to reflect the new situation.

In this context, in the first half of 2011 the Group recognised a provision, with a net effect on results of €620 million (£538 million), which was calculated on the basis of the estimate of the number of claims that will be received, of the number of claims that will be upheld and of the estimated average amount of compensation in each case.

Currently there is still some uncertainty as to the potential redress costs, given the inherent difficulties of assessing the impact of detailed implementation of the FSA Policy Statement for all PPI claims, the recent rise in the number of claims, the availability of evidence supporting them and the actions taken by claims management companies, all of which could significantly affect the volume of claims, the rate of accepted claims and the redress costs.

- Lanetro, S.A. (currently Zed Worldwide, S.A.): claim (ordinary lawsuit no. 558/2002) filed by Lanetro, S.A. against Banco Santander, S.A. at Madrid Court of First Instance no. 34, requesting that the Bank comply with the obligation to subscribe to €30.05 million of a capital increase at the plaintiff.

On 16 December 2003, a judgment was handed down dismissing the plaintiff's request. The subsequent appeal filed by Lanetro, S.A. was upheld by a decision of the Madrid Provincial Appellate Court on 27 October 2006.

In a decision handed down on 30 March 2010, the Supreme Court dismissed an extraordinary appeal against procedural infringements and partly upheld a cassation appeal filed in both cases by the Bank against the decision of the Madrid Provincial Appellate Court.

Zed Worldwide, S.A. requested the court ordered enforcement of the decision. On 25 January 2011, the court issued an order to enforce the decision handed down by the Madrid Provincial Appellate Court, whereby the Bank has to subscribe to 75.1 million shares at their par value of €0.4 per share, totalling €30.05 million. Zed Worldwide, S.A. filed an appeal for reconsideration of the order enforcing the decision, which the Bank opposed. On 23 May 2011, the Bank was served notice of the decision of 6 May 2011, dismissing the appeal for reconsideration and upholding the order of 25 January 2011. On

14 July 2011, Zed Worldwide filed an appeal against the decision dismissing the previous appeal for reconsideration; in this regard, the Bank has duly appeared and filed a notice of opposition. As of the date of this report the estimated loss related to this claim is fully provisioned.

- Proceeding under Criminal Procedure Law filed by Galesa de Promociones, S.A. against the Bank at Elche Court of First Instance no. 5, Alicante (case no. 1946/2008). The claim sought damages amounting to €51,396,971.43 as a result of a judgment handed down by the Supreme Court on 24 November 2004 setting aside a summary mortgage proceeding filed by the Bank against the plaintiff company, which concluded in the foreclosure by the Bank of the mortgaged properties and their subsequent sale by the Bank to third-party buyers. The judgment of the Supreme Court ordered the reversal of the court foreclosure proceeding to prior to the date on which the auctions were held, a circumstance impossible to comply with due to the sale of the properties by the Bank to the aforementioned third parties, which prevented the reincorporation of the properties to the debtor company's assets and their re-auction.

The damages claimed are broken down as follows: (i) €18,428,076.43 relating to the value of the property auctioned; (ii) €32,608,895 relating to the loss of profit on the properties lost by the plaintiff, which was prevented from continuing its business activity as a property developer; and (iii) €360,000 relating to loss of rental income.

On 2 March 2010, the court of first instance handed down a decision partly upholding both the claim filed against the Bank and the counterclaim, ordering the Bank to pay the plaintiff €4,458,960.61, and Galesa de Promociones, S.A. to pay the Bank €1,428,075.70, which resulted in a net loss of €3,030,874.91 for the Bank. Two appeals against this decision were filed on 31 May 2010, one by Galesa and the other by the Bank. On 11 November 2010, the Alicante Provincial Appellate Court handed down a decision upholding the appeal filed by the Bank and dismissing the appeal brought by Galesa de Promociones S.A., as a result of which and by way of offsetting the indemnity obligations payable by each party, the Bank became a creditor of Galesa in the amount €400,000.

Galesa de Promociones S.A. filed a cassation appeal with the Supreme Court against this decision, which was given leave to proceed in an order dated 11 October 2011, and the Bank submitted a notice of opposition. As of the date of this report, the estimated loss related to this proceeding is fully provisioned.

- Declaratory large claims action brought at Madrid Court of First Instance no. 19 (case no. 87/2001) in connection with a claim filed by Inversión Hogar, S.A. against the Bank. This claim sought the termination of a settlement agreement entered into between the Bank and the plaintiff on 11 December 1992.

On 19 May 2006, a judgment was handed down at first instance, whereby the agreement was declared to be terminated and the Bank was ordered to pay €1.8 million, plus the related legal interest since February 1997, to return a property that was given in payment under the aforementioned agreement, to pay an additional €72.9 million relating to the replacement value of the assets foreclosed, and subsequently sold, by the Bank, and to pay all the related court costs. The Bank and Inversión Hogar, S.A. filed appeals against the judgment.

On 30 July 2007, the Madrid Provincial Appellate Court handed down a decision upholding in full the appeal filed by the Bank, reversing the judgment issued at first instance and dismissing the appeal filed by Inversión Hogar, S.A. On completion of the clarification procedure, Inversión Hogar, S.A. and subsidiaries filed a cassation appeal against the aforementioned decision and an extraordinary appeal for procedural infringements at the Civil Division of the Supreme Court, which issued an order on 1 December 2009, admitting for consideration the appeals filed by Inversión Hogar S.A. and subsidiaries. On 18 October 2011, a judgment was handed down declaring that the appeals filed were not admissible. The appellants filed new successive challenges, clarification, complementary and rectification applications, motions for annulment and appeals for

reconsideration against various judgments which have been dismissed by the Court. As of the date of this report, there is no provision in connection with this claim as it is considered as a contingent liability.

- Claim in an ordinary proceeding heard by Madrid Court of First Instance no. 13 (proceeding 928/2007) brought by Ms Inés Arias Domínguez and 17 others against Santander Investment, S.A., seeking damages of approximately 43 million, plus interest and costs. The plaintiffs, who were former shareholders of Yesocentro, S.A. (Yesos y Prefabricados del Centro, S.A.), alleged that Santander Investment, S.A. breached the advisory services agreement entered into on October 19, 1989 between the former Banco Santander de Negocios, S.A. and the plaintiffs, in relation to the sale of shares owned by the plaintiffs to another company called Invercámara, S.A. This claim was contested by Santander Investment, S.A. on 5 November 2007.

In an order issued by Madrid Court of First Instance no. 13 on 11 September 2008, which was ratified by an order issued by Madrid Provincial Appellate Court on 24 March 2010, the proceeding was stayed on preliminary civil ruling grounds because another proceeding based on the same events had been initiated by other shareholders of Yesocentro at Madrid Court of First Instance no. 47 (proceeding no. 1051/2004) and, therefore, the former proceeding was stayed until a final decision had been handed down on the latter. In the proceeding filed at Court no. 47, a first instance judgment was handed down partly upholding the claim, as well as an appeal judgment partly upholding the appeals filed by the plaintiffs and the Bank. On 10 January 2011, the Bank filed a cassation appeal and an extraordinary appeal against procedural infringements which were refused leave to proceed by virtue of an order of the Civil Division of the Supreme Court dated 17 January 2012.

After this proceeding was concluded, the first proceeding was resumed, with the pre-trial hearing taking place on 31 May 2012 and the trial scheduled for 28 May 2013. The parties reached an agreement on 27 July 2012, pursuant to which Banco Santander made a payment of €3.3 million to the plaintiffs who renounced all claims or actions in connection with the aforementioned services agreement. Consequently the proceeding is over and there is no provision applicable.

- After the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, on 8 September 2011, Banco Santander S.A. filed a new request for arbitration with the Secretary of the Spanish Arbitration Court against the business entity DELFORCA 2008, Sociedad de Valores, S.A. (formerly Gaesco Bolsa Sociedad de Valores S.A.), claiming €66,418,077.27 that the latter owes Banco Santander, S.A. as a result of the early termination of the financial transaction framework agreement entered into by the aforementioned company and Banco Santander, S.A. and of the financial transactions performed under the agreement. This arbitration proceeding is currently in progress.

On 3 August 2012, DELFORCA 2008, S.A. was declared in concurso (provisional insolvency) by the Commercial Court no. 10 of Barcelona (proceedings no. 543/2012).

Prior to the above, on 30 April 2009, Mobiliaria Monesa, S.A. (parent company of the former DELFORCA 2008, S.A.) had filed a claim against Banco Santander, S.A. before the Court of First Instance no. 5 of Santander (proceedings nº. 844/2009) claiming an undetermined sum for damages caused by Banco Santander, S.A. with regards to the declaration of the early termination of Financial Transaction Framework Agreement entered into between DELFORCA 2008, S.A. and the Bank, as well as the financial transactions between the latter under the agreement. This proceeding was stayed by the Court on 14 May 2009 due to *lis pendens* claimed by the Bank with regards to the first arbitration proceedings. This decision was later confirmed by the Santander Provincial Appellate Court on 20 December 2010. After the aforementioned arbitration commenced on 8 September 2011, the above decision to stay the proceedings continues to be in place due to an order of the court of 11 October 2011, based on the new arbitration proceedings brought by Banco Santander, S.A. An appeal was filed against this order by DELFORCA

2008, S.A. before the Santander Provincial Appellate Court. Banco Santander, S.A. filed its opposition to said appeal, the decision of which is pending.

In addition to the above, after the Madrid Provincial Appellate Court had rendered null and void the award handed down in the previous arbitration proceeding, DELFORCA 2008, S.A. filed suit against Banco Santander S.A. before the Court of First Instance no. 21 of Madrid (proceedings no. 398/2012). DELFORCA 2008, S.A. reproduces the claims discussed and resolved in the previous arbitration proceedings, but now claims an undetermined sum for the damages caused by Banco Santander, S.A. with regards to the declaration of the early termination of Financial Transaction Framework Agreement entered into between DELFORCA 2008, S.A. and the Bank, as well as the financial transactions between the latter under the agreement. By an order dated July 2012 the Court declared its lack of jurisdiction at the request of Banco Santander, S.A. DELFORCA 2008, S.A. filed an appeal against this order, and Banco Santander, S.A. filed its opposition to said appeal, the decision of which is pending.

The Group considers that the risk of loss arising as a result of these matters is remote and, accordingly, it has not recognised any provisions in connection with these proceedings.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: a claim was filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's Bylaws in the event that the entity obtained a profit and that the distribution of this profit, in the form of this bonus, 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 in variable percentages as agreed by the board of directors, and the relevant clause was eliminated from the Bylaws in 2001. In September 2005 the Regional Labour Court ordered Banco Santander Banespa, Cia. de Arrendamiento Mercantil (currently Banco Santander (Brasil), S.A.) to pay the half-yearly bonus and the bank subsequently lodged an appeal at the High Labour Court. A decision was handed down on 25 June 2008 which ordered the bank to pay the half-yearly bonus from 1996 onwards for a maximum amount equivalent to the share in the profits. Appeals against this decision were filed at the High Labour Court and the Supreme Federal Court. The High Labour Court ordered the aforementioned half-yearly bonus to be paid. The Supreme Federal Court ratified the order issued against the Bank, basically upholding in full the most recent decision of the High Labour Court (highest Brazilian employment court), which ordered the Group to pay the half-yearly bonus with certain restrictions, i.e. applying it only in the case of those retirees who were members of the association in 1998 and hence excluding those who joined after that date. This appeal meant that the Court in question had to resolve on whether or not the association had standing to litigate in this case. A further appeal may be filed against this decision, which was adopted on a unilateral basis by the presiding judge, claiming that it should be submitted to the decision of the plenary chamber, composed of five members in this case. This appeal has already been filed and will foreseeably delay the resolution of this case until approximately the first half of 2013. As of the date of this report, the amount of the litigation loss risk deemed likely is provisioned.
- "Planos económicos": Like the rest of the banking system, Santander Brasil has been the subject of claims from customers, mostly depositors, and of class actions brought for a common reason by consumer protection associations and the public prosecutor's office, among others, in connection with the possible effects of certain legislative changes relating to differences in the monetary adjustments to interest on bank deposits and other inflation-linked contracts (planos económicos). The plaintiffs considered that their vested rights in relation to the inflationary adjustments had been impaired due to the immediate application of these adjustments. In April 2010, the High Court of Justice set the statute of limitations period for these class actions at five years, as claimed by the banks, rather than twenty years, as sought by the plaintiffs, which will significantly reduce the number of actions of this kind 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 some proceedings have been brought at the High Court of Justice and the Supreme Federal 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 claimed amount, and confirming the five-year statute of limitations period for these class actions. Shortly thereafter, the Supreme Federal Court issued an injunctive relief order whereby all the proceedings in progress in this connection were stayed until this court issues a final decision on the matter. Consequently, enforcement of the aforementioned decision handed down by the High Court of Justice was also stayed. As of the date of this report, the amount of the litigation loss risk deemed likely is provisioned.

- Civil Ordinary Proceedings (case no. 1043/2009) conducted at Madrid Court of First Instance no. 26, following a claim brought by Banco Occidental de Descuento, Banco Universal, C.A. against the Bank for \$150,000,000 in principal plus \$4,656,164 in interest, upon alleged termination of an escrow contract. On 7 October 2010, the Bank was served notice of a decision dated 1 October 2010 which upheld the claim filed by Banco Occidental de Descuento, Banco Universal, C.A. without a ruling being issued in relation to court costs. Both the plaintiff and the defendant filed appeals to a superior court: the plaintiff in connection with the decision not to award costs and the Bank in connection with the other decisions. Both parties also filed notices of opposition against the appeal filed by the other party, and appeared at the Provincial Appellate Court.

On 19 October 2012, the Bank was served notice of the decision of the Provincial Appellate Court dated 9 October 2012, which upheld in full the Bank's appeal and fully dismissed the appeal filed by the plaintiff, thus reversing the first instance judgment and dismissing the claim. The decision may be appealed by the plaintiff before the Supreme Court.

Also, on 29 March 2011 the Bank filed a notice of opposition against the specific measures provisionally enforcing the judgment. The Bank's opposition to the aforementioned measures was upheld in a decision dated 5 September 2011.

As of the date of this report, the estimated loss related to this claim is fully provisioned.

- On 26 January 2011, notice was served on the Bank of an ancillary insolvency claim to annul acts detrimental to the assets available to creditors as part of the voluntary insolvency proceedings of Mediterráneo Hispa Group S.A. at Murcia Commercial Court no. 2. The aim of the principal action is to request annulment of the application of the proceeds obtained by the company undergoing insolvency from an asset sale and purchase transaction involving €31,704,000 in principal and €2,711,567.02 in interest. On 24 November 2011, the hearing was held with the examination of the proposed evidence. This concluded with an official notice of findings, which was issued on 29 February 2012. Following the issue of the final notice of findings, judgment is pending on this matter. There is no provision recorded for this claim as it is considered as a contingent liability.
- The bankruptcy of various Lehman Group companies was made public on 15 September 2008. Various customers of Santander Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

On 12 November 2008, the Group announced the implementation of a solution (which was of a strictly commercial, exceptional nature and did not imply any admission of mis-selling) for holders of one of the products sold -Seguro Banif Estructurado- issued by the insurance company Axa Aurora Vida, which had as its underlying a bond issued and guaranteed by Lehman.

The solution involved replacing the Lehman issuer risk with the issuer risk of Santander Group subsidiaries. The exchange period ended on 23 December 2008. As a result of the exchange, at 2008 year-end a loss of €46 million was recognised in the consolidated income statement (€33 million after tax).

In February 2009 the Group offered a similar solution to other customers affected by the Lehman bankruptcy. The cost of this transaction, before tax, was €143 million (€100 million after tax), which were recognised in the consolidated income statement for 2008.

At the date of this Base Prospectus, 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.

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

On 27 January 2009, the Group announced its decision to offer a solution to those of its private banking customers who had invested in Optimal Strategic and had been affected by the alleged fraud. This solution, which was applied to the principal amount invested, net of redemptions, totaled €1,380 million. It consisted of a replacement of assets whereby the private banking customers could exchange their investments in Optimal Strategic US for preference shares to be issued by the Group for the aforementioned amount, with an annual coupon of 2% and a call option that could be exercised by the issuer in year ten. At 31 December 2008, the Group determined that these events had to be considered to be adjusting events after the reporting period, as defined in IAS 10.3, because they provided evidence of conditions that existed at the end of the reporting period and, therefore, taking into account IAS 37.14, it recognised the pre-tax cost of this transaction for the Group (€500 million -€350 million after tax-) under Gains/Losses on financial assets and liabilities in the consolidated income statement for 2008.

The Group has at all times exercised due diligence in the management of its customers' investments in the Optimal Strategic fund. These products have always been sold in a transparent way pursuant to applicable legislation and established procedures and, accordingly, the decision to offer a solution was taken in view of the exceptional circumstances attaching to this case and based on solely commercial reasons, due to the interest the Group has in maintaining its business relationship with these customers.

At the time of its intervention, Madoff Securities was an authorised broker dealer, registered and overseen by the SEC and was also authorised as an investment advisor by the US Financial Industry Regulatory Authority (FINRA). As the SEC itself stated, Madoff Securities had been inspected regularly by the supervisor in recent years and at no time was its reputation or solvency questioned either by the market or by the US supervisory authorities.

On 18 March 2009, the Group issued the preference shares earmarked for the replacement of assets offered to the private banking customers affected by the intervention of Madoff Securities. The preference shares have been listed on the London Stock Exchange since 23 March 2009. The level of acceptance of the exchange proposal was close to 97%.

On 26 May 2009, two funds managed by Optimal Investment Services, S.A. ("**OIS**"), an indirect subsidiary of Banco Santander, S.A., announced that they had entered into an agreement with Irving H. Picard, the court-appointed trustee for the liquidation of Madoff Securities. Under the agreement, the trustee allowed the funds' claims in the liquidation proceeding and reduced his clawback demands on the funds by the amounts withdrawn by the latter from Madoff Securities, in the 90 days prior to bankruptcy, which US legislation allows him to claim, in exchange for the partial payment of those demands by the funds. The funds are Optimal Strategic U.S. Equity Limited and Optimal Arbitrage Limited. These are the only Optimal funds that had accounts at Madoff Securities.

Pursuant to the agreement, the funds' claims against Madoff Securities' estate were allowed in their full amounts, calculated on a cash-in, cash-out basis, of \$1,540,141,277.60 and \$9,807,768.40, respectively, and the funds were entitled to Securities Investor Protection Corporation advances of \$500,000 each. The funds paid 85% of the clawback claims asserted by the trustee. Total payments amounted to \$129,057,094.60 for Strategic U.S. Equity and \$106,323,953.40 for Arbitrage.

The funds agreed not to file any other claims against Madoff Securities' estate (in liquidation). The agreement also contains an "equal treatment" provision, so that if the trustee settled similar clawback claims for less than 85%, the funds would receive a rebate of a portion of their payments to make the percentages applied to the funds equal to those applied to other investors in comparable situations.

The agreement was reached following an analysis by the trustee of how Optimal had managed its investments with Madoff Securities, including a review of Optimal's documents relating to the due diligence review, from which the trustee concluded that there were no grounds in Optimal's conduct for bringing claims against the Optimal companies or against any other entity in the Santander Group (other than the claims for rebates mentioned previously, which were not related to any improper management by the funds).

The agreement contains releases of all clawback and other claims the trustee may have against the funds for any matters arising out of the funds' investments with Madoff Securities. The trustee's release applies to all potential claims against other Optimal companies, Santander Group companies and their investors, directors, agents and employees who agree to release the trustee and the Madoff Securities estate (in liquidation), to the extent the claims arise out of the funds' dealings with Madoff Securities. It also releases the funds from potential clawback liability for any other withdrawals made by them from Madoff Securities.

The agreement between the trustee and the aforementioned Optimal funds was approved by the United States Bankruptcy Court in New York on 16 June 2009.

Madoff Securities is currently in liquidation in accordance with the Securities Investor Protection Act of 1970 at the United States Bankruptcy Court in New York. Bernard L. Madoff, the chief executive of Madoff Securities, pleaded guilty to perpetrating what was probably the greatest pyramid fraud in history and was sentenced to 150 years' imprisonment.

In April 2011, by means of a corporate operation, the funds Optimal Strategic US Equity Series de Optimal Multiadvisors Ltd de Bahamas, Optimal Strategic US Equity Ireland Euro Fund de Optimal Multiadvisors Ireland Plc and Optimal Strategic US Equity Ireland US Dollar Fund de Optimal Multiadvisors Ireland Plc offered unitholders the possibility of voluntarily liquidating their units in the funds in exchange for shares in a special purpose entity (SPV Optimal SUS Ltd.) to which Optimal Strategic US Equity Ltd., the company through which the aforementioned funds' assets are held, transferred the full amount of the claim recognised by the trustee for the liquidation of Madoff Securities mentioned above, the nominal amount of which was \$1,540,141,277.60.

This arrangement enabled the investors who so wished to take direct control of their proportional part of the claim against the insolvency estate of Madoff Securities and also afforded them the chance of being able to sell it directly or by means of a sales procedure through a private auction organised by OIS.

The corporate operation meant that 1,021 million shares of the 1,539 million issued by the SPV are now directly owned by the unitholders of the three aforementioned Optimal Strategic US Equity funds that accepted the exchange of their units in the fund for shares of the SPV. Furthermore, 991 million shares of those 1,021 million were sold in the subsequent private auction organised by OIS, while 30 million opted not to participate in the auction. The remaining fund unitholders decided to maintain their units in the funds and not participate in the corporate operation.

The price reached in the auction of the SPV shares was equal to 72.14% of the amount of the claim against BLMIS, which meant that those unitholders were able to recover approximately 35% of the value of their investment in the Optimal Strategic US Equity funds at 30 October 2008.

The Santander Group, as unitholder of the Optimal Strategic US Equity funds, opted to accept the exchange and subsequent partial sale of a portion of its units in the funds, for which it recognised under results for the first half of 2011 a recovery of the initial loss of approximately €249 million, due to the receipt of the cash proceeds from the sale.

At of the date hereof, certain claims had been filed in relation to this matter. The Group is currently assessing the appropriate legal action to be taken. As indicated above, the Group considers that it has at all times exercised due diligence and that these products have always been sold in a transparent way pursuant to applicable legislation and established procedures. Therefore, except for the three cases in which the decisions handed down partially upheld the claim based on the particular circumstances of these cases (which have been appealed against by the Bank), no provisions were recognised for the other claims since the risk of loss is considered remote.

Subsequently, in March 2012 the Optimal Strategic US Equity Series de Optimal Multiadvisors Ltd de Bahamas, Optimal Strategic US Equity Ireland Euro Fund de Optimal Multiadvisors Ireland Plc and Optimal Strategic US Equity Ireland US Dollar Fund de Optimal Multiadvisors Ireland Plc funds once again offered a similar corporate operation to that performed in April 2011.

The Santander Group has a 5.4% ownership interest in the SPV.

- On 17 December 2010, the Bank of New York Mellon Trust Company, National Association (the "**Trustee**") filed a claim against Santander Holdings USA, Inc. (formerly Sovereign Bancorp, Inc.) ("**Sovereign**") at the US District Court for the Southern District of New York (the "**Court**") as the trustee of the Trust PIERS (Preferred Income Equity Redeemable Securities) under an indenture dated September 1, 1999 (the version in force at that date).

The claim alleged that the acquisition of Sovereign by Banco Santander on 31 January 2009 constituted a "change of control" under the Trust PIERS.

If the acquisition constituted a "change of control" in accordance with the definitions applicable to the Trust PIERS, Sovereign would be obliged to pay a considerably higher interest rate on the Sovereign subordinated debentures deposited in trust on behalf of the Trust PIERS holders, and the principal amount of the debentures would increase to \$50 per debenture at the date on which the "change of control" took place.

The increased rate in the event of a "change of control" is defined in the indenture as the greater of (i) 7.41% per annum; and (ii) the rate determined by a reference agent in accordance with a process established in the indenture.

There is no "change of control" under the Trust PIERS indenture, among other reasons, if the consideration for the acquisition consisted of shares of common stock listed on a national securities market. Banco Santander issued American Depositary Shares (ADSs) in relation to the acquisition that are traded and continue to be traded on the New York Stock Exchange.

Under the claim, the Court was asked to declare that the acquisition of Sovereign constituted a "change of control" under the indenture and to order payment of damages equal to the interest which, according to the claim, should have been paid by Sovereign to the Trust PIERS holders.

On 13 December 2011, the Court handed down a decision, granting the Trustee's motion for summary judgment and denying the cross-motion filed by Sovereign. The Court ruled that the term "common stock" used in the "change of control" provision of the indenture did not include the ADSs and, accordingly, a "change of control" had occurred. The Court

referred the matter of the assessment of damages to a magistrate judge for an inquest and on 12 September 2012, the magistrate judge issued a recommendation that the interest on the PIERS be reset at 13.61% per annum for all periods subsequent to 31 January 2009, and that the damages due to the holders of the Trust PIERS should be \$305,626,022.00, costs and attorneys' fees in the amount of \$3,160,012.31, and accrued prejudgment interest on the unpaid fees and costs in the amount of \$130,150.23.

On 26 September 2012, Sovereign filed objections to the magistrate judge's recommendation on damages. The Trustee filed its opposition to Sovereign's objections on October 10. A final judgment that may be appealed will not be handed down until the payment of damages has been determined.

The Group continues to assert that the acquisition of Sovereign by Banco Santander did not constitute a "change of control" under the Trust PIERS indenture and that the Trustee's damages are exaggerated. Accordingly, the Group intends to appeal the Court's decision which states that the acquisition by Banco Santander did constitute a "change of control" and against the assessment of the damages (if necessary) once the court has determined damages and, as the case may be, a final judgment handed down against Sovereign.

In any event, the contingency for the Group would be 40.53% of the total claim. This percentage represents the contingency with respect to third parties. AS of the date of this report, the Group has recognised a provision for an estimated contingency of \$271 million, including the interest at 13.61% accumulated from 31 January 2009 to 30 September 2012 and the amount resulting from increasing the bonds to par (\$50).

The Bank and its subsidiaries are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of its business, including in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters.

Uncertainties exist about what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery.

Considering all available information, the Bank believes that at 30 June 2012 the Group had reliably estimated the obligation related to each proceeding and had recognised adequate provisions, when required, that reasonably cover the liabilities that might arise from these tax-related and non-tax-related proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations.

The total amount of payments made by the Group arising from litigation in the six months ended 30 June 2012 was not material with respect to these consolidated financial statements.

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

Other Litigation

In addition to the matters described above, the Guarantor and its subsidiaries are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of the Group's business, including in connection with the Group's 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 early stages of discovery, the Guarantor cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be.

The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations. However, 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 Guarantor; as a result, the outcome of a particular matter may be material to the Guarantor's operating results for a particular period, depending upon, amongst other factors, the size of the loss or liability imposed and the level of the Guarantor's income for that period.

As of the date of this Base Prospectus, the Group has recorded provisions that it believes that reasonably cover any contingencies that might arise from these tax-related and non-tax-related proceedings.

- 13.7 ***Significant change in the guarantor's financial position: A description of any significant change in the financial position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published, or an appropriate negative statement.***

There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 March 2013 (being the date of the most recently published consolidated financial statements of the Guarantor). Therefore, there has been no material adverse change in the prospects of the Guarantor since 31 March 2013.

14. ADDITIONAL INFORMATION

14.1 Share Capital

- 14.1.1 ***The amount of the issued capital, the number and classes of the shares of which it is composed with details of their principal characteristics, the part of the issued capital still to be paid up, with an indication of the number, or total nominal value, and the type of the shares not yet fully paid up, broken down where applicable according to the extent to which they have been paid up.***

As at the date of this Base Prospectus, the Guarantor has a total share capital which is fully-issued and paid up of €5,404,800,290.50, divided into 10,809,606,581 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

14.2 Memorandum and Articles of Association.

- 14.2.1 ***The register and the entry number therein, if applicable, and a description of the guarantor's objects and purposes and where they can be found in the memorandum and articles of association.***

The Guarantor'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 *Estatutos* of Banco Santander, S.A.

15. **MATERIAL CONTRACTS**

- 15.1 *A brief summary of all material contracts that are not entered into in the ordinary course of the guarantor's business, which could result in any group member being under an obligation or entitlement that is material to the guarantor's ability to meet its obligation to security holders in respect of the securities being issued.*

During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which were material to the Group as a whole.

16. **THIRD-PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

- 16.1 *Where a statement or report attributed to a person as an expert is included in this Base Prospectus, provide such person's name, business address, qualifications and material interest if any in the guarantor. If the report has been produced at the guarantor's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of this Base Prospectus.*

Not Applicable.

- 16.2 *Where information has been sourced from a third-party, provide a confirmation that this information has been accurately reproduced and that as far as the guarantor is aware and is able to ascertain from information published by that third-party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, the guarantor shall identify the source(s) of the information.*

Not Applicable.

17. **DOCUMENTS ON DISPLAY**

- 17.1 *A statement that for the life of the Base Prospectus the following documents (or copies thereof), where applicable, may be inspected:*

- (a) *the memorandum and articles of association of the guarantor;*
- (b) *all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the guarantor's request any part of which is included or referred to in the base prospectus;*
- (c) *the historical financial information of the guarantor or, in the case of a group, the historical financial information of the guarantor and its subsidiary undertakings for each of the two financial years preceding the publication of the base prospectus.*

An indication of where the documents on display may be inspected, by physical or electronic means.

The following documents may be inspected by physical or electronic means at the registered office of the Guarantor, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of the Base Prospectus:

- (i) the *estatutos* (by-laws) of the Guarantor; and
- (ii) the information incorporated by reference herein under "Terms and Conditions Incorporated by Reference" and under "The Description of the Guarantor — Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses".

The documents listed in (i) and (ii) above and each of the Final Terms shall be published on electronic form (pdf copies) on the Irish Stock Exchange website (www.ise.ie).

DOCUMENTS INCORPORATED BY REFERENCE

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

1. the terms and conditions set out on pages 109 to 185 of the base prospectus dated 22 June 2012 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
2. the terms and conditions set out on pages 101 to 166 of the base prospectus dated 8 November 2011 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
3. the terms and conditions set out on pages 111 to 172 of the base prospectus dated 12 November 2010 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
4. the terms and conditions set out on pages 110 to 170 of the base prospectus dated 11 November 2009 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
5. the terms and conditions set out on pages 101 to 165 of the base prospectus dated 14 November 2008 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
6. the terms and conditions set out on pages 178 to 243 of the base prospectus dated 16 November 2007 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
7. the terms and conditions set out on pages 165 to 227 of the base prospectus dated 16 November 2006 relating to the programme for the issuance of up to EUR 32,000,000,000 in debt instruments by Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A., under the heading "Terms and Conditions of the Instruments";
8. the audited annual consolidated accounts and auditors' report for the Guarantor for the years ended 31 December 2012 and 31 December 2011 (available at http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informe-anual.html);
9. Form 20-F of the Guarantor for the years ended 31 December 2012 and 31 December 2011 (available at <http://www.sec.gov/Archives/edgar/data/891478/000119312513170544/0001193125-13-170544-index.htm>);
10. the complete audited financial statements and directors' reports for Santander International Debt, S.A. and Santander Issuances, S.A. for the years ended 31 December 2012 and 31 December 2011 together with the auditors' reports (available at http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Santander-Internacional-Debt-SA-Unipersonal.html and

http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Santander-Issuances-SA-Unipersonal.html respectively; and

11. the complete interim financial statements and interim directors' report for the Guarantor for the three month period ended 31 March 2013 (available at http://www.santander.com/csgs/Satellite/CFWCSancomQP01/es_ES/Corporativo/Relacion-con-Inversores/Informes-Trimestrales.html).

Any information contained in the pages of the Base Prospectuses referred to above which are not incorporated by reference is for information purposes only and is not incorporated by reference because it is not relevant for the investor.

Any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference has been derived, is for information purposes only (except for the Spanish pages found in the Form 20F 2012 (as defined below) of the Guarantor (Exhibit 1.1) and is not incorporated by reference because it is not relevant for the investor.

Santander Issuances Annual Financial Information

The tables below set out the relevant page references in the English language translations of the annual reports of Santander Issuances for the years ended 31 December 2012 and 31 December 2011 (the "**SI 2012 Financial Statements**" and the "**SI 2011 Financial Statements**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

Information Incorporated by Reference in this Base Prospectus	SI 2012 Financial Statements (page references are to the electronic .pdf version of the document)
1. Auditor's report.....	A-1
2. Audited Balance Sheets at 31 December 2012 and the comparative financial information of Santander Issuances, S.A. Unipersonal at 31 December 2011.....	A-3
3. Audited Statements of Income for the year ended 31 December 2012 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2011.....	A-4
4. Audited Statements of Changes in Equity for the year ended 31 December 2012 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2011.....	A-5 and A-6
5. Statements of Cash Flow for the year ended 31 December 2012 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2011.....	A-7
6. Notes to the Financial Statements.....	B-1 to B-20

Information Incorporated by Reference in this Base Prospectus	SID 2011 Financial Statements (page references are to the electronic .pdf version of the document)
1. Auditor's report.....	A-1
2. Audited Balance Sheets at 31 December 2011 and the comparative financial information of Santander Issuances, S.A. Unipersonal at 31 December 2010	A-3
3. Audited Statements of Income for the year ended 31 December 2011 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2010	A-4
4. Audited Statements of Changes in Equity for the year ended 31 December 2011 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2010	A-5 and A-6
5. Statements of Cash Flow for the year ended 31 December 2011 and the comparative financial information of Santander Issuances, S.A. Unipersonal for the year ended 31 December 2010	A-7
6. Notes to the Financial Statements	B-1 to B-19

Santander International Debt Annual Financial Information

The tables below set out the relevant page references in the English language translations of the annual reports of Santander International for the years ended 31 December 2012 and 31 December 2011 (the "**SID 2012 Financial Statements**" and the "**SID 2011 Financial Statements**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

Information Incorporated by Reference in this Base Prospectus	SID 2012 Financial Statements (page references are to the electronic .pdf version of the document)
1. Auditor's report.....	A-1
2. Audited Balance Sheets at 31 December 2012 and the comparative financial information of Santander International Debt, S.A. Unipersonal at 31 December 2011.....	A-3
3. Audited Statements of Income for the year ended 31 December 2012 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2011	A-4
4. Audited Statements of changes in Equity for the year ended 31 December 2012 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2011.....	A-5 and A-6
5. Statements of Cash Flow for the year ended 31 December 2012 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2011	A-7

Information Incorporated by Reference in this Base Prospectus	SID 2012 Financial Statements (page references are to the electronic .pdf version of the document)
6. Notes to the Financial Statements	B-1 to B-34

Information Incorporated by Reference in this Base Prospectus	SID 2011 Financial Statements (page references are to the electronic .pdf version of the document)
1. Auditor's report.....	A-1
2. Audited Balance Sheets at 31 December 2011 and the comparative financial information of Santander International Debt, S.A. Unipersonal at 31 December 2010.....	A-3
3. Audited Statements of Income for the year ended 31 December 2011 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2010.....	A-4
4. Audited Statements of changes in Equity for the year ended 31 December 2011 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2010.....	A-5 and A-6
5. Statements of Cash Flow for the year ended 31 December 2011 and the comparative financial information of Santander International Debt, S.A. Unipersonal for the year ended 31 December 2010.....	A-7
6. Notes to the Financial Statements.....	B-1 to B-34

Guarantor Annual Financial Information and Form 20-F

The tables below set out the relevant page references in the English language translations of the annual reports of the Guarantor for the years ended 31 December 2012 and 31 December 2011 (the "**2012 Annual Report**" and the "**2011 Annual Report**", respectively) where the following information incorporated by reference in this Base Prospectus can be found:

Information Incorporated by Reference in this Base Prospectus	2012 Annual Report Page Reference
1. Auditor's report on Consolidated Financial Statements for the year ended 31 December 2012.....	9
2. Audited Consolidated Balance Sheets at 31 December 2012 and the comparative consolidated financial information of the Guarantor at 31 December 2011 and 31 December 2010	14-15
3. Audited Consolidated Statements of Income for the year ended 31 December 2012 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2011 and 31	16

Information Incorporated by Reference in this Base Prospectus	2012 Annual Report Page Reference
December 2010.....	
4. Audited Consolidated Statements of recognised income and expense for the year ended 31 December 2012 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2011 and 31 December 2010.....	17
5. Audited Consolidated Statements of changes in total equity for the year ended 31 December 2012 and the comparative for the years ended 31 December 2011 and 31 December 2010.....	18-19
6. Audited Consolidated Cash Flow Statements for the year ended 31 December 2012 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2011 and 31 December 2010.....	20
7. Notes to the Consolidated Financial Statements for the year ended 31 December 2012	21-221

Information Incorporated by Reference in this Base Prospectus	2011 Annual Report Page Reference
1. Auditor's report on Consolidated Financial Statements for the year ended 31 December 2011	7
2. Audited Consolidated Balance Sheets for the year ended 31 December 2011 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2010 and 31 December 2009..	10-11
3. Audited Consolidated Statements of Income for the year ended 31 December 2011 and the comparative consolidated financial information of the Guarantor for the years ended 31 December 2010 and 31 December 2009	12
4. Audited Consolidated Statements of recognised income and expense for the year ended 31 December 2011 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2010 and 31 December 2009	13
5. Audited Consolidated Statements of changes in equity for the year ended 31 December 2011 and the comparative consolidated cash flow statement of the Guarantor for the year ended 31 December 2010 and 31 December 2009	14-15
6. Audited Consolidated Cash Flow Statements for the year ended 31 December 2011 and the comparative consolidated cash flow statement of the Guarantor for the years ended 31 December 2010 and 31 December 2009	16
7. Notes to the Consolidated Financial Statements for the year ended 31 December 2011	17-172

The tables below set out the relevant page references in Form 20-F of the Guarantor for the year ended 31 December 2012 ("**2012 Form 20-F**") and Form 20-F of the Guarantor for the year ended 31 December 2011 ("**2011 Form 20-F**") where the following information incorporated by reference in this Base Prospectus can be found:

Information Incorporated by Reference in this Base Prospectus	2012 Form 20-F Page Reference
Report of Deloitte, S.L.	F-1
Consolidated Balance Sheets as of 31 December 2012, 2011 and 2010	F-2
Consolidated Statements of Income for the years ended 31 December 2012, 2011 and 2010	F-3
Consolidated Statements of recognised income and expense for the years ended 31 December 2012, 2011 and 2010	F-4
Consolidated Statements of Changes in Total Equity for the years ended 31 December 2012, 2011 and 2010	F-5 to F-7
Consolidated Statement of Cash Flows for the years ended 31 December 2012, 2011 and 2010	F-8
Notes to the Consolidated Financial Statements	F-9 to F-337

Information Incorporated by Reference in this Base Prospectus	2011 Form 20-F Page Reference
Report of Deloitte, S.L.	F-1
Consolidated Balance Sheets as of 31 December 2011, 2010 and 2009	F-2
Consolidated Statements of Income for the Years ended 31 December 2011, 2010 and 2009	F-3
Consolidated Statements of recognised income and expense for the years ended 31 December 2011, 2010 and 2009	F-4
Consolidated Statements of Changes in Total Equity for the Years Ended 31 December 2011, 2010 and 2009	F-5 to F-7
Consolidated Statement of Cash Flows for the Years Ended 31 December 2011, 2010 and 2009	F-8
Notes to the Consolidated Financial Statements	F-9 to F-297

Guarantor Interim Financial Information

The table below sets out the relevant page references of the English translation of the unaudited consolidated financial report for the Guarantor for the three months ended 31 March 2013 (the "**Financial Report March 2013**") where the following information incorporated by reference in this Base Prospectus can be found:

Information Incorporated by Reference in this Base Prospectus	Financial Report March 2013 Page Reference
1. Unaudited Consolidated Income Statement for the 3 months period ended 31 March 2013	7 to 10
2. Unaudited Consolidated Balance Sheet as at 31 March 2013	11 to 17

GENERAL DESCRIPTION OF THE PROGRAMME

The Programme is a programme for the issuance of debt instruments up to an aggregate principal amount of EUR 32,000,000,000 to be issued on a continuing basis and will be placed by one or more Dealers appointed under the Programme from time to time by the Issuers, which appointment may be for a specific issue or on an ongoing basis. Under the Programme, the Issuers may issue fixed or floating rate Instruments, CMS-Linked Instruments, Variable Interest Rate Instruments, Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments. Santander International Debt, S.A. Unipersonal will issue unsubordinated Instruments and Santander Issuances, S.A. Unipersonal will issue subordinated Instruments under the Programme, in each case guaranteed by Banco Santander, S.A. Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Citibank, N.A., London Branch will act as Issue and Paying Agent, Citigroup Global Markets Deutschland AG will act as Registrar, BNP Paribas Securities Services, Luxembourg Branch will act as Irish Listing Agent and Citigroup Global Markets Deutschland AG will act as Paying Agent in relation to the Instruments.

THE INSTRUMENTS

1. PERSONS RESPONSIBLE

- 1.1 *All persons responsible for the information given in the Base Prospectus and, as the case may be, for certain parts of it, with, in the latter case, an indication of such parts. In the case of natural persons including members of the issuer's administrative, management or supervisory bodies indicate the name and function of the person; in case of legal persons indicate the name and registered office.*

Each of Santander International Debt, S.A. Unipersonal ("**Santander International**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**") (each an "**Issuer**" and together, the "**Issuers**") and Banco Santander S.A. (the "**Guarantor**" or the "**Bank**") accepts responsibility for the information contained in the sections headed "The Instruments" and "The Guarantee".

- 1.2 *A declaration by those responsible for the Base Prospectus that, having taken all reasonable care to ensure that such is the case, the information contained in the Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import. As the case may be, declaration by those responsible for certain parts of the Base Prospectus that the information contained in the part of the Base Prospectus for which they are responsible is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.*

The Issuers and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in the sections headed "The Instruments" and "The Guarantee" is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

2. RISK FACTORS

- 2.1 *Prominent disclosure of risk factors that are material to the securities being offered and/or admitted to trading in order to assess the market risk associated with these securities in a section headed "Risk Factors" in the Base Prospectus.*

See "Risk Factors".

3. KEY INFORMATION

- 3.1 *Interest of natural and legal persons involved in the issue/offer*

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.

Save as described in paragraph 5.4.3, so far as each of the Issuers and the Guarantor are aware, no person involved in the offer of the Instruments has an interest material to the offer.

- 3.2 *Reasons for the offer and use of proceeds*

Reasons for the offer if different from making profit and/or hedging certain risks. Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed.

The net proceeds of the issue of each Tranche of Instruments will be used for the general funding purposes of the Group.

4. **INFORMATION CONCERNING THE SECURITIES TO BE OFFERED/ADMITTED TO TRADING**

4.1 ***A description of the type and the class of the securities being offered and/or admitted to trading, including the ISIN (International Security Identification Number) or other such security identification code.***

See "Terms and Conditions of the Instruments — Introduction".

The maximum aggregate principal amount of Instruments which may be outstanding at any one time is €32,000,000,000 (or its equivalent in other currencies).

No Instruments may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

The ISIN and common codes will be included in the Final Terms.

4.2 ***Legislation under which the securities have been created***

The issue of the Instruments, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions, when required the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.

4.3 ***An indication of whether the securities are in registered form or bearer form and whether the securities are in certificated form or book-entry form. In the latter case, name and address of the entity in charge of keeping the records***

Instruments may be issued in registered form, without interest coupons ("**Registered Instruments**"), or in bearer form, with or without interest coupons ("**Bearer Instruments**"). Bearer Instruments will, unless otherwise specified, only be sold outside the United States to non-U.S. persons in reliance on Regulation S and will, unless otherwise specified in the applicable Final Terms, initially be represented by a Temporary Global Instruments without interest coupons attached, deposited: (a) in the case of a global instrument 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, with or on behalf of a Common Depositary located outside the United States for Euroclear and Clearstream, Luxembourg; or (b) in the case of a global instrument which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Interests in a Temporary Global Instrument will be exchangeable (i) for interests in a permanent global Instrument in bearer form, without coupons (a "**Permanent Global Instrument**"), or (ii) in whole but not in part for definitive Instruments in bearer form (each, a "**Definitive Instrument**"), following certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. Bearer Instruments may be exchangeable for Registered Instruments. Registered Instruments will not be exchangeable for Bearer Instruments.

4.4 ***Currency of the securities issue***

Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements.

4.5 ***Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer***

Senior Instruments and the guarantee in respect of them will constitute unsubordinated and unsecured obligations of Santander International and the Guarantor, respectively, and Subordinated Instruments and the guarantee in respect of them will constitute subordinated and unsecured obligations of Santander Issuances and the Guarantor, respectively, all as described in "Terms and Conditions of the Instruments — Condition 3 (*Status of the Instruments and the Guarantee*)".

Law 22/2003 (*Ley Concursal*) dated 9 July 2003 ("**Law 22/2003**") regulating all insolvency procedures in Spain, which came into force on 1 September 2004, supersedes all Spanish prior provisions which regulated bankruptcy, insolvency (including suspension of payments) and processes affecting creditors' rights generally, including the ranking of credits.

In the event of insolvency (*concurso*) of the Issuer, under Law 22/2003, claims relating to the Subordinated Instruments will fall within the category of "subordinated debts" (as defined in Law 22/2003). The obligations of the Issuer under the Subordinated Instruments, whether on account of principal, interest or otherwise, are subordinated to all other unsecured and unsubordinated obligations of the Issuer. After payment in full of unsubordinated debts but before distributions to shareholders and creditors of the Issuer which are characterised as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), under article 92 of Law 22/2003, the Issuer will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the Subordinated Instruments); (iii) interest (such as interest due on the Subordinated Instruments accrued and unpaid until the commencement of the insolvency proceedings (*concurso*)); (iv) fines; (v) claims of creditors which are related to the Issuer; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 61, 62, 68 and 69 of Law 22/2003, whenever the court rules, following to the administrators' report of insolvency (*administración concursal*), that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the insolvency proceedings.

Subordinated Instruments may be computed by the Guarantor as regulatory capital (*recursos propios*) of the Guarantor pursuant to the relevant provisions in current Spanish law relating to equity and consolidated groups of financial institutions: Law 13/1985 of 25 May, Law 13/1992 of 1 June, Royal Decree 216/2008 of 15 February and *Banco de España* Circular 3/2008 of 22 May, all the above as amended and restated (or such provisions as may replace, supplement or implement the foregoing in the future).

4.6 ***A description of the rights attached to the securities, including any limitations of those rights, and procedure for the exercise of those rights.***

Each Tranche will be the subject of Final Terms which, for the purposes of that Tranche only, supplements the Terms and Conditions of the Instruments as set out in "Terms and Conditions of the Instruments" and must be read in conjunction with the Base Prospectus. The Terms and Conditions applicable to any particular Tranche of Instruments are the Terms and Conditions of the Instruments as amended and/or replaced by the relevant Final Terms. See "Pro Forma Final Terms". Senior Instruments will have the benefit of Events of Default as described in Condition 6 (*Events of Default*).

4.7 ***The nominal interest rate and provisions relating to interest payable.***

Instruments will be interest bearing. Interest may accrue at a fixed rate or a floating rate (including, amongst others, pursuant to a Share Index or Inflation Index). See Condition 4 (*Interest*).

The reference rates could be (i) the London inter-bank offered rate (**LIBOR**), (ii) the London Interbank Bid Rate (**LIBID**), (iii) the mid-market rate in the London Interbank market, which is calculated by averaging the offer rate (LIBOR) and the bid rate (LIBID) (**LIMEAN**) and (iv) the Euro Interbank Offered Rate (**EURIBOR**).

- ***The date from which interest becomes payable and the due dates for interest.***

Unless specified otherwise in the Final Terms, interest will accrue from the relevant Issue Date.

- ***The time limit on the validity of claims to interest and repayment of principal***

Claims for payment of principal will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years. See Condition 9 (Prescription).

Where the rate is not fixed, description of the underlying on which it is based and of the method used to relate the two and an indication where information about the past and the further performance of the underlying and its volatility can be obtained.

In the case of Floating Rate Instruments, the relevant rates will be determined by Citibank, N.A., London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Determination Agent by reference to a page on an information vending service (if Screen Rate Determination is specified in the Final Terms) in accordance with Condition 4B.03 (*Screen Rate Determination*), or if ISDA Determination is specified in the Final Terms, in accordance with Condition 4B.04 (*ISDA Determination*).

In the case of Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments, the relevant rates will be determined by Citibank, N.A., London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Determination Agent in accordance with the provisions of the Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex, as applicable.

In the case of CMS-Linked Instruments, the relevant rates will be determined by Citibank, N.A., London Branch or such other persons as may be specified in the relevant Final Terms in its capacity as Determination Agent by reference to the constant maturity swap rate specified in the relevant Final Terms.

- ***A description of any market disruption or settlement disruption events that affect the underlying-Adjustment rules with relation to events concerning the underlying***

Any such events are specified in the Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex, as applicable.

- ***Name of the calculation agent***

Citibank N.A., London Branch or such other calculation agent as may be specified as Determination Agent in the relevant Final Terms.

If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident.

As indicated above, the Issuers may issue Instruments with interest determined by reference to a Share Index or Inflation Index.

- 4.8 ***Maturity date and arrangements for the amortisation of the loan, including the repayment procedures. Where advance amortisation is contemplated, on the initiative of the issuer or of the holder, it shall be described, stipulating amortisation terms and conditions.***

Instruments may be redeemable at par or at such other redemption amount as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. See Condition 5 (*Redemption and Purchase*) and Condition 8 (*Payments*).

Subordinated Instruments (other than Short Term Subordinated Instruments) qualifying as regulatory capital (*recursos propios*) in accordance with the Bank of Spain requirements will have a maturity of not less than five years or as otherwise permitted by the Bank of Spain. Short Term

Subordinated Instruments will have a maturity of not less than two years or as otherwise permitted by the Bank of Spain.

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the relevant Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the relevant Issuer.

4.9 An indication of yield. Describe the method whereby that yield is calculated in summary form

The yield will be calculated as follows:

The expected interest for the investor of each issue of Instruments shall be calculated in accordance to the provisions of this Base Prospectus and the relevant Annex and shall be specified in the relevant Final Terms.

There is a wide range of methods to calculate the internal rate of return. In this regard, and as an example, below it is provided the formula for calculating the internal rate of return with explicit interest issued under this Base Prospectus, which shall be calculated in accordance with the following formula:

$$P_0 = \sum_{j=1}^n \frac{F_j}{\left(1 + \left(\frac{i}{100}\right)\right)^{\frac{d}{Base}}}$$

whereby:

P0 = Price of the Instrument.

Fj = Cash-flows along the Instrument's life.

i = Annual Effective Interest Rate (annual IRR) for the investor.

d = Number of days between the date of payment and the time where each cash-flow is generated.

n = Number of cash-flows of the Issuance.

Base = shall be the calculation basis for each Issuance, and shall provide the number of days in which the year is divided for the purpose of calculating the interest rate on an annual basis.

4.10 Representation of debt security holders including an identification of the organisation representing the investors and provisions applying to such representation. Indication of where the public may have access to the contracts relating to these forms of representation

The Holders of the Instruments of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Instruments (the "**Regulations**"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the relevant Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in the Issue and Paying Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Instruments, the Commissioner will call a general meeting to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Instruments will be contained in the Regulations and the Issue and Paying Agency Agreement. Such provisions shall have effect as if incorporated herein.

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend the Terms and Conditions of the Instruments and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to the Terms and Conditions of the Instruments or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments. See Condition 12 (*Syndicate of Holders of the Instruments and Modification*).

The Issue and Paying Agency Agreement, together with the Dealership Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee may be inspected at the registered office of the Guarantor and at the offices of the Irish Listing Agent, in each case at the address specified at the end of this Base Prospectus.

4.11 *In the case of new issues, a statement of the resolutions, authorisations and approvals by virtue of which the securities have been or will be created and/or issued.*

The Programme was authorised by resolutions of the shareholders of Santander Issuances, S.A. Unipersonal on 3 June 2013, the Board of Directors of Santander Issuances, S.A. Unipersonal on 3 June 2013, the Shareholders of Santander International Debt, S.A. Unipersonal on 3 June 2013, the Board of Directors of Santander International Debt, S.A. Unipersonal on 3 June 2013, and the Executive Committee of the Board of Directors of the Guarantor on 3 June 2013.

4.12 *In the case of new issues, the expected issue date of the securities*

The relevant Issue Date shall be specified in the relevant Final Terms.

4.13 *A description of any restrictions on the free transferability of the securities*

See "*The Instruments — paragraph 5.2 (Plan of Distribution and Allotment)*".

4.14 *In respect of the country of registered office of the issuer and the country(ies) where the offer being made or admission to trading is being sought:*

- Information on taxes on the income from the securities withheld at source;

TAXATION AND INFORMATION ABOUT THE INSTRUMENTS IN CONNECTION WITH PAYMENTS

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its interest to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. Investors who are in any doubt as to their position should consult their professional advisers.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

The proposed financial transactions tax ("FTT")

The European Commission recently published a proposal for a Directive for a common financial transaction tax in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). The tax would be applicable from 1 January 2014.

The proposed FTT has very broad, potentially extraterritorial scope. Generally, it would apply to financial transactions where at least one party is a financial institution, and (a) one party is established in a participating Member State or (b) the financial instrument which is subject to the transaction is issued by an issuer having its registered seat 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 by merely transacting with a person established in a participating Member State.

Each Issuer has its registered seat in Spain which is a participating Member State and therefore financial institutions worldwide would be subject to the FTT when dealing in Instruments as described in (b) above, unless an exemption applies.

In relation to many secondary market transactions in bonds and shares, the proposed FTT would be charged at a minimum rate of 0.1% on each financial institution which is party to the transaction. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt. There are no broad exemptions for financial intermediaries or market makers. Therefore, the effective cumulative rate applicable to some dealings in bonds or shares (for instance, cleared transactions) could be in excess of 0.1%.

A person transacting with a financial institution which fails to account for FTT would be jointly and severally liable for that tax.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation. Additional Member States may decide to participate. Prospective holders of Instruments are strongly advised to seek their own professional advice in relation to the FTT.

Taxation in Spain

The following is a general description of certain Spanish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Instruments and receiving any payments under the Instruments. The information contained within this section is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.

In the event of an issue of unlisted Instruments, the applicable tax regime will be set out in the relevant Final Terms.

Introduction

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

- (a) of general application, Additional Provision Two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 6/2011, of 11 April which modifies Law 13/1985, Law 24/1988 on Securities Exchange and Royal Decree 1298/1986, on the adaption of the current law of financial entities to European Union Law ("**Law 13/1985**"), as well as Royal Decree 1065/2007 of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July;
- (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, and Royal Decree 439/2007 of 30 March promulgating the IIT Regulations, along with Law 19/1991, of 6 June on Wealth Tax, as amended, and 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**"), Royal Legislative Decree 4/2004, of 5 March promulgating the Consolidated Text of the CIT Law, as amended, and Royal Decree 1777/2004, of 30 July promulgating the CIT Regulations; and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 19/1991, of 6 June on Wealth Tax as amended and Law 29/1987, of 18 December on the Inheritance and Gift Tax.

Whatever the nature and residence of the Beneficial Owner, the acquisition and transfer of Instruments will be exempt from indirect taxes in Spain, i.e., 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

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

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Instruments 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 IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions

of the aforementioned law and generally taxed at a flat rate of 19% on the first EUR 6,000 and 21% for any amount in excess of EUR 6,000.

Exceptionally during the tax period 2013, each investor's savings income tax base will be taxed at the following rates: (i) 21% up to EUR 6,000; (ii) 25% from EUR 6,001 up to EUR 24,000; and (iii) 27% on any amount exceeding EUR 24,000.

Please note that it has been unofficially announced that this reduction of tax rates may be postponed to 2015.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July as amended by Royal Decree 1145/2011, of 29 July, and in the opinion of each Issuer and the Guarantor, the relevant Issuer will pay interest without withholding to individual Holders who are resident for tax purposes in Spain provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of each Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer, redemption or exchange of the Instruments may also be paid without withholding.

However, in the case of Instruments held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Instruments may be subject to withholding tax at the general rate of 19% which will be made by the depositary or custodian. Exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%. Please note that it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014. Please note that it has been unofficially announced that this reduction of tax rates may be postponed to 2015.

Amounts withheld may be credited against the final IIT liability.

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

Individuals with tax residency in Spain are subject to Wealth Tax during the tax year 2013 to the extent that their net worth exceeds EUR 700,000. Therefore, they should take into account the value of the Instruments which they hold as at 31 December 2013, the applicable rates ranging between 0.2% and 2.5%. The Autonomous Communities may have different provisions on this respect.

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

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Instruments 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. The applicable tax rates currently range between 7.65% and 81.6% depending on relevant factors.

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

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

Both interest received periodically and income derived from the transfer, redemption or repayment of the Instruments are subject to CIT (at the current general tax rate of 30%) in accordance with the rules for this tax.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July as amended by Royal Decree 1145/2011, of 29 July, and in the opinion of the Issuers and the Guarantor, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, neither of the Issuers will withhold tax on interest payments to Spanish CIT taxpayers provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of each Issuer under general provisions of Spanish tax legislation.

However, in the case of Instruments held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Instruments may be

subject to withholding tax at the generally applicable rate of 19%, if the Instruments 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 in which case the required withholding will be made by the depositary or custodian. Exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%. Please note that it has been unofficially announced that this reduction of tax rates may be postponed to 2015.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

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

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

2.3 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 Instruments by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Instruments in their taxable income for Spanish CIT purposes.

3. Individuals and Legal Entities with no tax residency in Spain

3.1 Non-resident Income Tax (*Impuesto sobre la renta de No Residentes*)

(a) With permanent establishment in Spain

If the Instruments 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 Instruments are, generally, 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*)". Ownership of the Instruments by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) With no permanent establishment in Spain

Both interest payments received periodically and income derived from the transfer, redemption or repayment of the Instruments, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Instruments, 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 Instruments, in the manner detailed under " - Information about the Instruments in Connection with Payments" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate of 19% and the Issuer will not pay additional amounts. Exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%. Please note that it has been unofficially announced that this reduction of tax rates may be postponed to 2015.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer or the Guarantor does not timely receive the information about the Instruments 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.

3.2 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 EUR700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5%.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Instruments which income is exempt from NRIT as described above.

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

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

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over Instruments 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 Instruments 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 Instruments not Listed on an Organized Market in an OECD Country

4.1 *Withholding on Account of CIT and NRIT*

If the Instruments are not listed on an organized market in an OECD country on any Payment Date, payments to Holders in respect of the Instruments will be subject to withholding tax at the general rate of 19% (exceptionally, during the tax period 2013, the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014), 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 Instruments 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 in Spain Individuals with Tax Residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)" and "Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (*Impuesto sobre el Patrimonio*)".

5. Tax Rules for payments made by the Guarantor

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

6. Information about the Instruments in Connection with Payments

As described above, interest and other income paid with respect to the Instruments will not be subject to Spanish withholding tax unless the procedures for delivering to the relevant Issuer and/or the Guarantor the information described in Exhibit I of this Base Prospectus are not complied with.

In this regard, Law 4/2008, of 23 December has modified section 3 of the second additional provision of Law 13/1985, reducing the scope of the information that must be submitted by the Guarantor to the Spanish tax authorities.

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 ("**Section 44**").

In accordance with Section 44, the following information with respect to the Instruments must be submitted to the Issuer and the Guarantor before the close of business on the Business Day (as defined in the Terms and Conditions of the Instruments) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Instruments (each, a "**Payment Date**") is due.

Such information comprises:

- (a) the identification of the Instruments 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 Instruments by means of a certificate in the Spanish language, an English language form of which is attached as Exhibit I of this Base Prospectus.

In light of the above, the Issuers, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Instruments by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the relevant Issuer or, as the case may be, the Guarantor on each Payment Date, such Issuer or, as the case may be, the Guarantor will withhold tax at the then-applicable rate, generally 19% (exceptionally, during the tax period 2013 the withholding tax rate applicable is 21%, although it has been unofficially announced that the increased withholding tax rate of 21% may also apply during the tax period 2014) from any payment in respect of the relevant Instruments. None of the Issuers or the Guarantor will pay any additional amounts with respect to any such withholding.

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

Prospective Holders of Instruments should note that none of the Issuers, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Instruments. Accordingly, none the Issuers, the Guarantor or the Dealers will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, none of the Issuers or the Guarantor will pay any additional amounts with respect to any such withholding. See "Risk Factors - Risks in relation to the Instruments - Taxation".

Set out below is Exhibit I. The information set out in Exhibit I has been translated from the original Spanish and has been presented in this document in English only as the language of this Base Prospectus is English. However, only the Spanish language text of Exhibit I is recognised under Spanish law. In the event of any discrepancy between the English language translation of the information in Exhibit I appearing herein, and the Spanish language information appearing in the corresponding certificate provided by the Issue and Paying Agent to the relevant Issuer and/or the Guarantor, the Spanish language information shall prevail.

EXHIBIT I

Annex to Royal Decree 1065/2007, of 27 July, 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

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) Management Entity of the Public Debt Market in book entry form.
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Paying Agent appointed by the issuer.

Makes the following statement, according to its own records:

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

1.1 Identification of the securities.....

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

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 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 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. In relation to paragraph 5 of Article 44.

2.1 Identification of the securities.....

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

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

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

⁽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.

Hiring Incentives to Restore Employment Act

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the U.S. Internal Revenue Code of 1986 (the "**Code**") which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30% U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the U.S. Internal Revenue Service (the "**IRS**"). A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) and (ii). Proposed U.S. Treasury regulations expand the definition of "specified notional principal contract" beginning 1 January 2014.

While significant aspects of the application of Section 871(m) to the Instruments are uncertain, if the Issuers or any withholding agent determines that withholding is required, neither the Issuers nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Instruments.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a "**Recalcitrant Holder**"). The Issuers are classified as FFIS.

The new withholding regime will be phased in beginning 1 January 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Instruments characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued on or after the "**grandfathering date**", which is the later of (a) 1 January 2014 and (b) the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified on or after the grandfathering date and (ii) any Instruments characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Instruments are issued before the grandfathering date, and additional Instruments of the same series are issued on or after that date, the additional Instruments may not be treated as grandfathered, which may have negative consequences for the existing Instruments, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS.

The United States and Spain have entered into an agreement (the “**US-Spanish IGA**”) based largely on the Model 1 IGA.

The Issuers expect to be treated as Reporting FIs pursuant to the US-Spanish IGA and do not anticipate being obliged to deduct any FATCA Withholding on payments they make, except in relation to foreign passthru payments, which regime has not been published on the date hereof. There can be no assurance, however, that the Issuers will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuers and financial institutions through which payments on the Instruments are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Instruments is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld either from amounts due to the Issuers or from interest, principal or other payments made in respect of the Instruments, neither the Issuers nor any paying agent nor any other person would, pursuant to the terms and conditions of the Instruments, be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

Whilst the Instruments are in global form, listed in an established security market and held within the clearing systems it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Instruments by the Issuers, the Guarantor, any paying agent and the Common Depositary, given that each of the entities in the payment chain beginning with the Issuers and ending with the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Instruments. The documentation expressly contemplates the possibility that the Instruments may go into definitive form and therefore that they may be no longer listed in an established security market and taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

TO ENSURE COMPLIANCE WITH IRS CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Taxation in Luxembourg

Luxembourg taxation

The following is a general description of certain Luxembourg tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments, whether in Luxembourg or elsewhere. Prospective purchasers of the Instruments should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Instruments and receiving payments of interest, principal and/or other amounts under the Instruments and the consequences of such actions under the tax laws of Luxembourg. The information contained within this section is based upon the law as in effect on the date of this Base Prospectus. The information contained within this section is limited to taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Instruments.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature or to any other concepts, refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

(A) Withholding Tax

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Instruments can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to:

- (i) the application of the Luxembourg laws of 21 June 2005 implementing the EU savings directive (Council Directive 2003/48/EC, the "**EU Savings Directive**") and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax on interest paid to certain Luxembourg non-resident investors (individuals and certain types of entities called "residual entities" as defined in article 4-2 of the EU Savings Directive) in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the EU Savings Directive (see section "*EU Savings Directive*" above) or agreements.

Payments of interest under the Instruments coming within the scope of the laws of 21 June 2005 will be subject to a withholding tax of 35% unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her/its country of residence or establishment, or, in the case of a beneficial owner, has provided a tax certificate issued by the fiscal authorities of his/her country of residence in the required format to the relevant paying agent;

- (ii) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10% withholding tax on savings income paid by a Luxembourg paying agent (within the meaning of the EU Savings Tax Directive) (i.e. with certain exemptions, savings income within the meaning of the Luxembourg law of 21 June 2005 implementing the European Union Savings Directive).

Furthermore, pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a 10% tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income.

The withholding tax of 10% as described above are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the abovementioned Luxembourg laws of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the Issuer.

(B) Taxes on Income and Capital Gains

A holder of an Instrument who derives income from such Instrument or who realises a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains (subject to the application of the laws of 21 June 2005 and 23 December 2005 referred to above) unless:

- (i) such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or
- (ii) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

(C) Net Wealth Tax

Luxembourg net wealth tax will not be levied on a holder of an Instrument unless:

- (i) such holder is a company subject to wealth tax that is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions; or any other specific exemption
- (ii) such Instrument is attributable to an enterprise or part thereof which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

(D) Inheritance and Gift Tax

Where the Instruments are transferred for no consideration, note in particular:

- (i) No Luxembourg inheritance tax is levied on the transfer of the Instruments upon death of a holder of an Instrument in cases where the deceased holder was not a resident of Luxembourg for inheritance tax purposes; and
- (ii) Luxembourg gift tax will be levied in the event that the gift is made pursuant to a notarial deed signed before a Luxembourg notary or is registered in Luxembourg.

(E) Value Added Tax

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Instruments or in respect of the payment of interest or principal under the Instruments or the transfer of Instruments. Luxembourg value-added tax may, however, be payable in respect of fees charged for certain services rendered to the Issuers, if for Luxembourg value-added tax purposes such services are rendered, or are deemed to be rendered in Luxembourg and an exemption from value-added tax does not apply with respect to such services.

(F) Other Taxes and Duties

It is not compulsory that the Instruments be filed, recorded or enrolled with any court or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty (other than court fees and contributions for the registration with the Chamber of Commerce) be paid in respect of or in connection with the execution, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Instruments in accordance therewith, except that in case of court proceedings before a Luxembourg court (including but not limited to a Luxembourg insolvency proceeding), registration of the Instruments may be ordered by the court, in which case the Instruments will be subject to a fixed or *ad valorem* duty depending on the exact nature of the Instruments. Registration would in principle further be ordered, and the same registration duties could be due, when the Instruments are produced, either directly or by way of reference, before an official authority ("*autorité constituée*") in Luxembourg, or if the Instruments are registered in Luxembourg on a voluntary basis.

(G) Residence

A holder of an Instrument will not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of such Instrument or the execution, performance, delivery and/or enforcement of that or any other Instrument.

Taxation in the Federal Republic of Germany ("Germany")

The following is a general discussion of certain tax consequences under the tax laws of the Federal Republic of Germany of the acquisition, ownership and disposal of the Instruments. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Instruments. As each Tranche of Instruments may be subject to a different tax treatment due to the specific terms of such Tranche of Instruments as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. The information contained within this section is based on the laws of the Federal Republic of Germany currently in force and as applied on the date of this Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE INSTRUMENTS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSAL OF THE INSTRUMENTS, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES UNDER THE TAX LAWS APPLICABLE IN THE FEDERAL REPUBLIC OF GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

1. Tax Residents

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, statutory seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Instruments) and, in general, capital gains.

1.1 Instruments held as private assets (*Privatvermögen*)

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Instruments as private assets (*Privatvermögen*), the following applies:

(a) Income

The Instruments should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*).

Accordingly, payments of interest on the Instruments should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains/capital losses realised upon sale of the Instruments, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Instruments are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Instruments are assigned, redeemed, repaid or contributed into a corporation by way of a hidden capital contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Instruments can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 9 October 2012 (BMF, IV C 1 – S 2252/10/10013), a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden

capital contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible.

Further, pursuant to said tax decree, where notes provide for instalment payments (e.g. Instalment Instruments), such instalment payments shall always qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) in the sense of section 20 para 1 no 7 ITA, unless the terms and conditions of the notes provide explicit information regarding redemption or partial redemption during the term of the notes and the contractual parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of notes with instalment payments, there is no final payment at maturity, the expiry of such notes shall not qualify as a sale-like transaction, which means that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of notes with instalment payments shall not be tax-deductible if the notes do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although this tax decree only refers to notes with instalment payments, it cannot be excluded that the tax authorities apply the above principles also to other kinds of full risk notes.

If the Instruments provide for a physical delivery of bonds, shares, interests in investment funds or other securities, the Instruments may qualify as convertible, exchangeable or similar instruments, subject to the relevant Terms and Conditions of the Instruments (e. g. whether the Issuer or the investor has the right to opt for a physical delivery). In such a case, the sales proceeds from the Instruments and the acquisition costs of the received securities may be deemed to be equal to the initial acquisition costs of the Instruments (section 20 para 4a sentence 3 ITA) so that no taxable capital gains would be achieved due to the conversion. However, capital gains realised upon an on-sale of the received securities generally qualify as taxable income.

It cannot be excluded that Instruments where the redemption amount and/or the interest is linked to a reference value qualify as contracts for difference (*Termingeschäfte*) in terms of section 20 para 2 sentence 1 no 3 ITA rather than as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 ITA. In such a case, in principle also all income from the Instruments including capital gains should be taxed as savings income. However, if the Instruments expire worthless, any loss suffered by an investor might not be tax-deductible.

The deduction of the actual income related expenses (other than expenses directly and factually related to sales), if any, is excluded.

If the Instruments are allocated to an activity of letting and leasing of property, the income from the Instruments qualifies, deviating from the above, as income from letting and leasing of property. In such a case, the taxable income is calculated as the difference between the income and income-related expenses (*Werbungskosten*).

(b) *Taxation of income*

Savings income is taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*), which is 26.375% (including solidarity surcharge (*Solidaritätszuschlag*)) plus, if applicable, church tax. When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife) will be deducted.

The taxation of savings income shall take place mainly by way of levying withholding tax (please see (c) below). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and satisfy the investor's income tax liability. If no or not enough withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return and the savings income will then be taxed within the assessment procedure. However, the separate tax rate for savings income applies in most cases also within the assessment procedure. In certain cases, the investor

may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate.

If the income from the Instruments qualifies as income from letting and leasing of property, the investor has to report income and income-related expenses (*Werbungskosten*) in its annual tax return and the balance will be taxed at the investor's individual income tax rate of up to 47.475% (including solidarity surcharge) plus, if applicable, church tax.

(c) *German withholding tax (Kapitalertragsteuer)*

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Instruments are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading company or a German securities trading bank (each a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings. If the Instruments are not held in a custodial account with a German Disbursing Agent, German withholding tax will nevertheless be levied if the Instruments are issued as definitive securities and the savings earnings are paid by a German Disbursing Agent or the Issuer against presentation of the Instruments or interest coupons (so-called over-the-counter transaction – *Tafelgeschäft*).

The tax base is, in principle, equal to the taxable gross income as set out in (a) above (i.e. prior to withholding). However, in the case that the Instruments have not been kept in a custodial account with the same German Disbursing Agent since the time of their acquisition and the acquisition costs of the Instruments are not proven to the German Disbursing Agent in the form required by law (e.g. in the case of over-the-counter transactions or if the Instruments are transferred from a non-EU custodial account), withholding tax on capital gains is applied to 30% of the proceeds from the redemption or sale of the Instruments. When computing for withholding tax, the German Disbursing Agent may, subject to certain requirements and restrictions, credit foreign withholding taxes and deduct any negative savings income or accrued interest paid of the same calendar year or of previous calendar years with the same German Disbursing Agent.

The Issuer is, in general, not obliged to levy German withholding tax in respect of payments on the Instruments. If, however, the Issuer is deemed to be resident in Germany for tax purposes and if, further, the Instruments qualify as hybrid instruments (e. g. silent partnership, profit participating rights, jouissance rights (*Genussrechte*)), German withholding tax has to be imposed by the Issuer, unless the Instruments are held in German collective custody or jacket custody.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge).

Individuals who are subject to church tax may apply in writing for this tax to be withheld as a surcharge to the withholding tax. Individuals subject to church tax but declining to apply have to include their savings income in their tax return and will then be assessed to church tax. For German credit institutions an electronic information system as regards church withholding tax will be introduced as of 2014, with the effect that a written application for church withholding tax is no longer necessary. Generally the information required for church withholding tax will be submitted by the tax authorities to the credit institution on request. However, the individual may object to such submission on an optional basis. Accordingly, the obligation to include savings income in the tax return for church tax purposes will further apply in case of such an objection to the submission of data.

No German withholding tax will be levied if the investor filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the maximum exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife). Similarly, no withholding tax will be levied if the investor has submitted to the German Disbursing

Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

1.2 **Instruments held as business assets (*Betriebsvermögen*)**

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Instruments as business assets (*Betriebsvermögen*), interest payments and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied.

Generally the deductibility of capital losses from Instruments which qualify for tax purposes as contracts for difference is limited. These losses may only be applied against profits from other contracts for difference derived in the same or, subject to certain restrictions, the previous year. Otherwise these losses can be carried forward indefinitely and applied against profits from contracts for difference in subsequent years. If instead of a cash-settlement at maturity of an Instrument, a physical delivery of bonds, shares, interests in investment funds takes place, such delivery would be deemed to be a taxable sale of the Instrument and the corresponding capital gain will be taxable. Special limitations may apply to losses from the sale of an underlying which is a share in a corporation.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out in section 1.1 (c) above. However, investors holding the Instruments as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Instruments if, for example, (a) the Instruments are held by a company satisfying the requirements of section 43 para 2 sentence 3 no 1 ITA or (b) the proceeds from the Instruments qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form or (c) the Instruments are held by an investor satisfying the requirements of section 44a para 5 sentence 1 ITA.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the assessed (corporate) income tax liability, the difference will be refunded within the tax assessment procedure.

2. **Non-residents**

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Instruments unless (i) the Instruments are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Instruments qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Instruments, in principle, similar rules apply as set out above with regard to German tax resident persons (please see 1 above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty if the withholding tax exceeds the tax liability of the investor, subject to further requirements.

3. **Taxation if the Instruments qualify as equity or equity-like**

If an Instrument qualifies as equity or as equity instrument-like from a German tax perspective, in addition to the rules set out above, deemed income may be subject to income taxation and trade tax.

Further, capital gains achieved by an investor holding the Instruments as private assets might be re-qualified as business income and, thus, taxable at the investor's individual income tax rate.

Capital gains and dividend income which is not taxed on the basis of the separate tax rate for savings income might be partly tax-exempt according to section 8b German Corporate Income Tax

Act (*Körperschaftsteuergesetz*) and section 3 no 40 ITA respectively and the deductibility of capital losses might be restricted, subject to further requirements.

4. **Application of the provisions of the German Investment Tax Act**

The application of the German Investment Tax Act (*Investmentsteuergesetz*) requires the holding of an interest in an investment fund (*Investmentanteile*).

According to a tax decree issued by the Federal Ministry of Finance dated 18 August 2009 (BMF, IV C 1 – S 1980 – 1/08/10019) concerning the application of the German Investment Tax Act in the case of foreign investment funds, an interest in an investment fund requires, amongst others, that there exists a direct legal relationship between the holder and the legal entity owning the foreign fund assets which, however, does not need to be a membership-like relationship.

According to this tax decree, a security being issued by a third party and only reflecting the economic results of a foreign investment fund or several foreign investment funds will not be regarded as a unit in a foreign investment fund.

In certain cases, e.g. if the Instruments provide for a physical delivery of interests in investment funds, the Investment Tax Act may apply to the Instruments, in which case investors may be subject to tax with fictitious income. Furthermore, following the physical delivery of interests in entities which qualify as foreign investment funds, the holder of such instruments will be subject to the provisions of the Investment Tax Act and may be subject to tax with fictitious income.

In the context of the implementation of the directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers into German law also the German investment taxation rules are expected to be amended. Such future amendments might result in a taxation of purchase, ownership and disposal of Instruments, which might significantly deviate from the one summarised above.

5. **Inheritance and Gift Tax**

Inheritance or gift taxes with respect to any Instrument will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Instrument is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed. In addition, certain German expatriates will be subject to inheritance and gift tax.

6. **Other Taxes**

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Instruments. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

7. **EU Savings Directive**

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the EU Savings Directive into German law. These provisions apply from 1 July 2005.

5. TERMS AND CONDITIONS OF THE OFFER

5.1 *Conditions, offer statistics, expected timetable and action required to apply for the offer*

5.1.1 *Conditions to which the offer is subject.*

See – “*Terms and Conditions of the Instruments*”.

Under this Base Prospectus, different type of Instruments can be issued (Senior Instruments and Subordinated Instruments). These issuances shall be made within the following twelve months since the date of approval of the Base Prospectus by the Central Bank of Ireland.

If so specified in the relevant Final Terms, the Instruments may be offered to the public in a non-exempt offer in one or more specified Public Offer Jurisdictions.

The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms.

5.1.2 *Total amount of the issue/offer; if the amount is not fixed, description of the arrangements and time for announcing to the public the definitive amount of the offer.*

The total amount of the issue/offer will be specified in the Final Terms. The issuances of Instruments under this Base Prospectus could be underwritten by one or more Dealers, which will be specified in the relevant Final Terms for each issue. In case a certain issue is underwritten by one or more Dealers, the amount not subscribed at the end of the subscription period shall be underwritten on the last day by the Dealers. If the issuance is not underwritten, the outstanding total amount shall be reduced to the amount effectively requested by the investors.

5.1.3 *The time period, including any possible amendments, during which the offer will be open and description of the application process.*

To be specified in the Final Terms.

5.1.4 *A description of the possibility to reduce subscriptions and the manner for refunding excess amount paid by applicants.*

If an issue contemplates the possibility to reduce subscriptions, this will be specified in the Final Terms.

5.1.5 *Details of the minimum and/or maximum amount of application, (whether in number of securities or aggregate amount to invest).*

In case of issuances exclusively addressed for qualified investors, the minimum denomination amount will be 100,000 euros or its equivalent in another currency. The minimum denomination amount for retail investors will amount to 1,000 euros or its equivalent in another currency, unless otherwise provided in the relevant Annex of this Base Prospectus and in the relevant Final Terms.

5.1.6 *Method and time limits for paying up the securities and for delivery of the securities.*

To be specified in the Final Terms.

5.1.7 *A full description of the manner and date in which results of the offer are to be made public.*

If applicable with respect to a Non-Exempt Offers, the total number of Instruments to be issued and the final level of subscription will be determined based on market demand for the Instruments during the relevant offering period of such Instruments and will be notified to investors by way of publication on the Guarantor’s website, filed with the Irish Central Bank and be made available at the registered office of the Issuer, the Guarantor and such other entities as specified in the Final Terms, on or prior to the Issue Date.

- 5.1.8 *The procedure for the exercise of any right of pre-emption, the negotiability of subscription rights and the treatment of subscription rights not exercised.*

Not applicable.

5.2 *Plan of distribution and allotment*

- 5.2.1 *The various categories of potential investors to which the securities are offered. If the offer is being made simultaneously in the markets of two or more countries and if a tranche has been or is being reserved for certain of these, indicate any such tranche.*

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Instruments which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus (as defined in the Dealership Agreement, as defined below), as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

- (a) if the Final Terms or Drawdown Prospectus in relation to the Instruments specify that an offer of those Instruments may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, *provided that* any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the relevant Issuer, or the Guarantor on its behalf, has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer(s) or, as the case may be, the Guarantor for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

provided that no such offer of Instruments referred to in (b) to (d) above shall require the Issuers, the Guarantor or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive;

For the purposes of this provision, the expression an "**offer of Instruments to the public**" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU (to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in

the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United States of America

Regulation S Category 2; TEFRA.

Neither the Instruments nor the Guarantee have been or will be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and the Instruments may not be offered or sold within the United States or to or for the account or benefit of U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in the preceding sentence have the meanings given to them by Regulation S under the Securities Act.

Instruments in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Dealer has agreed that, except as permitted by the Dealership Agreement, it will not offer, sell or deliver Instruments, (i) as part of their distribution at any time or (ii) otherwise until forty days after the completion of the distribution of the Instruments comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Instruments to or through more than one Dealer, by each of such Dealers as to Instruments of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to or for the account or benefit of U.S. persons (the "**distribution compliance period**"), and such Dealer will have sent to each dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to or for the account or benefit of U.S. persons. In addition, until forty days after the commencement of the offering of Instruments comprising any Tranche, any offer or sale of Instruments within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Each Tranche of Instruments will also be subject to such further United States selling restrictions as the Issuer and the relevant Dealer(s) may agree and as indicated in the relevant Final Terms.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) **No deposit-taking:** in relation to any Instruments which have a maturity of less than one year, (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 Instruments other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as 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 Instruments would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (as amended, "**FSMA**") by the relevant Issuer;
- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 Instruments in circumstances in which Section 21(1) of the FSMA does not, or in the case of the Guarantor, would not if it was not an authorised person, apply to the relevant Issuer or the Guarantor; and

- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the United Kingdom.

Spain

The Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (*Law 24/1988 of 28 July of the Securities Market*), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.

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

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Instruments, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Switzerland

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, the Instruments may not be offered, sold or advertised, directly or indirectly, in, into or from Switzerland, except (i) in case of Instruments that constitute structured products within the meaning of the Swiss Collective Investment Schemes Act to qualified investors as defined in the Swiss Collective Investment Schemes Act and (ii) in case of any other Instruments, to a finite number of hand-picked and individually approached potential investors and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Instruments have been prepared with regard to the standards for prospectuses under article 652a or 1156 CO or for a simplified prospectus or prospectus under the Swiss Collective Investment Schemes Act, and therefore does not constitute a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations (**CO**) or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Base Prospectus nor any other offering or marketing material relating to the Instruments may be publicly distributed or otherwise made publicly available in, into or from Switzerland.

Italy

The offering of the Instruments has not been registered with the Commissione Nazionale per le Società e la Borsa ("CONSOB") pursuant to Italian securities legislation. The Dealers have represented and agreed that there may be no offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus (including, without limitation, any supplement to the Prospectus) or any other document relating to the Instruments in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any such offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus (including, without limitation, any supplement to the Base Prospectus) or any other document relating to the Instruments in the Republic of Italy under (a) or (b) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Act"); and

(b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

General

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, to the best of its knowledge and belief, it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by each Issuer, the Guarantor and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) after the date hereof in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Issuer and the Guarantor. Any such supplement or modification may be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Instruments) or in a supplement to this Base Prospectus.

5.2.2 *Process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made.*

If applicable with respect to Non-Exempt Offers, prospective Noteholders will be notified by the relevant Dealer(s) and or if applicable the Authorised Offeror in accordance with the arrangements in place between such Dealer(s) or Authorised Offeror and its customers.

5.3 *Pricing*

5.3.1 *An indication of the expected price at which the securities will be offered or the method of determining the price and the process for its disclosure. Indicate the amount of any expenses and taxes specifically charged to the subscriber or purchaser.*

Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis. If applicable with respect to Non-Exempt Offers, and unless otherwise specified in the Final Terms, the Issuer will offer and sell the Instruments to the Dealer(s) (and no one else) at the relevant issue price of the Instruments less, if applicable, a total commission. The Dealer(s) and Authorised Offerors will offer and sell the Instruments to their customers in accordance with the arrangements in place between each such Dealer and its customers (including the Authorised Offerors) or each such Authorised Offeror and its customers by reference to the issue price and the

market conditions prevailing at the time. The amount of expenses and taxes specifically charged to the subscriber or purchaser will be specified in the Final Terms.

5.4 ***Placing and Underwriting***

5.4.1 ***Name and address of the co-ordinator(s) of the global offer and of single parts of the offer and, to the extent known to the issuer or to the offeror, of the placers in the various countries where the offer takes place.***

See paragraph 5.4.3.

5.4.2 ***Name and address of any paying agents and depository agents in each country.***

The names and addresses of each of the Paying Agents and of the Registrar is specified at the end of this Base Prospectus.

5.4.3 ***Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Indication of the material features of the agreements, including the quotas. Where not all of the issue is underwritten, a statement of the portion not covered. Indication of the overall amount of the underwriting commission and of the placing commission.***

Instruments may be sold from time to time by the relevant Issuer to any one or more of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities Ltd., Merrill Lynch International, Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and Crédit Agricole (the "**Dealers**"). Instruments may also be sold by the Issuer direct to institutions who are not Dealers. The arrangements under which Instruments may from time to time be agreed to be sold by the relevant Issuer to, and purchased by, Dealers are set out in a dealership agreement dated 21 June 2013 (as amended or supplemented from time to time, the "**Dealership Agreement**") and made between the Issuers, the Guarantor and the Dealers.

Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Instruments, the price at which such Instruments will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the relevant Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Instruments. The addresses of each of the Dealers is specified at the end of this Base Prospectus. The names and addresses of the Manager(s) of any particular issue of Instruments shall be specified in the relevant Final Terms.

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for the Guarantor or the Issuers and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Guarantor, Issuers or their affiliates. Certain of the Dealers or their affiliates which have a lending relationship with the Guarantor or Issuers routinely hedge their credit exposure to the Guarantor or the relevant Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such short positions could adversely affect future trading prices of Instruments issued under the Programme. Certain of the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities

or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

5.4.4 When the underwriting agreement has been or will be reached.

To be specified in the Final Terms.

5.5 Additional Disclosure Requirements for Derivative Securities (Annex XII)

5.5.1 A clear and comprehensive explanation to help investors understand how the value of their investment is affected by the value of the underlying instrument(s), especially under the circumstances when the risks are most evident unless the securities have a denomination per unit of at least EUR 100,000 or can only be acquired for at least EUR 100,000 per security.

As indicated above, the Issuers may issue Instruments with interest determined by reference to a Share Index or Inflation Index.

5.5.2 The exercise price or the final reference price of the underlying.

To be specified in the Final Terms.

5.5.3 A statement setting out the type of the underlying and details of where information on the underlying can be obtained:

- **an indication where information about the past and the further performance of the underlying and its volatility can be obtained.**
- **where the underlying is a security.**
- **the name of the issuer of the security.**
- **where the underlying is an index.**
- **the name of the index and a description of the index if it is composed by the issuer. If the index is not composed by the issuer, where information about the index can be obtained.**
- **where the underlying is an interest rate.**
- **a description of the interest rate**
- **others:**
 - **where the underlying does not fall within the categories specified above the securities note shall contain equivalent information.**
 - **where the underlying is a basket of underlyings.**
 - **disclosure of the relevant weightings of each underlying in the basket.**

The value of the principal invested by Holders will not be affected by the Share Index or Inflation Index as applicable. Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

The Share Index or the Inflation Index that may be used as reference to calculate the interest payment under the Instruments will not be composed, published or announced by the Issuer, the Guarantor, or any legal entity belonging to the Guarantor's group or by someone acting in association with or on behalf of the Issuer or the Guarantor. However, the relevant Share Index may be composed by shares of the Guarantor or of entities belonging to the Guarantor's group or of someone acting in association with or on behalf of the Issuer or the Guarantor.

5.5.4 A description of any market disruption or settlement disruption events that affect the underlying.

Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

5.5.5 ***Adjustment rules with relation to events concerning the underlying.***

Please see Equity Index-Linked Interest Instruments Annex and Inflation-Linked Interest Instruments Annex of this Base Prospectus as applicable.

5.5.6 ***Name and address of a calculation agent.***

Citibank N.A., London Branch or such other calculation agent as may be specified as Determination Agent in the relevant Final Terms.

5.5.7 ***An indication in the Base Prospectus whether or not the issuer intends to provide post-issuance information. Where the issue has indicated that it intends to report such information, the issuer shall specify in the Base Prospectus what information will be reported and where such information can be obtained.***

Save as set out in the applicable Final Terms, the Issuers does not intend to provide any post-issuance information in relation to any issue of Instruments.

6. **ADMISSION TO TRADING AND DEALING ARRANGEMENTS**

6.1 ***An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question. This circumstance must be mentioned, without creating the impression that the admission to trading will necessarily be approved. If known, give the earliest dates on which the securities will be admitted to trading.***

Instruments may be:

- (a) listed on the Official List of the Irish Stock Exchange (the "**Official List**") and admitted to trading on the regulated market of the Irish Stock Exchange;
- (b) listed or admitted, as the case may be, on other or further stock exchange(s) or markets as indicated in the applicable Final Terms in relation to each Series; or
- (c) neither listed nor admitted to trading on any market.

It is expected that each Tranche of Instruments which is to be admitted to listing on the Official List of the Irish Stock Exchange and to trading on the Irish Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a Global Instrument initially representing the Instruments of such Tranche.

Application will be made to the Irish Stock Exchange for Instruments issued under the Programme to be admitted to the Official List and for such Instruments to be admitted to trading on the Irish Stock Exchange's regulated market.

The Base Prospectus will be passported to Germany.

In accordance with Article 18 of the Prospectus Directive, the Central Bank of Ireland has been requested to provide the competent authority of Germany, the *Bundesanstalt für Finanzdienstleistungsaufsicht*, with a certificate of approval attesting that the Base Prospectus of each of the Issuers and the Guarantor has been drawn up in accordance with the Prospectus Directive.

- 6.2 ***All the regulated markets or equivalent markets on which, to the knowledge of the issuer, securities of the same class of the securities to be offered or admitted to trading are already admitted to trading.***

Santander International has Instruments admitted to trading on the Luxembourg Stock Exchange, on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange (Scoach) and one issuance that is admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (Bolsa Mexicana de Valores). Santander Issuances apart from having Instruments admitted to trading on the Luxembourg Stock Exchange, has two issuances admitted to trading on the London Stock Exchange and two issuances admitted to trading on the Luxembourg Stock Exchange and in the Mexican Stock Exchange (Bolsa Mexicana de Valores).

- 6.3 ***Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading, providing liquidity through bid and offer rates and description of the main terms of their commitment.***

To be specified in the Final Terms.

7. **ADDITIONAL INFORMATION**

- 7.1 ***If advisors connected with an issue are mentioned in the Base Prospectus, a statement of the capacity in which the advisors have acted.***

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

- 7.2 ***An indication of other information in the Base Prospectus which has been audited or reviewed by statutory auditors and where auditors have produced a report. Reproduction of the report or, with permission of the competent authority, a summary of the report.***

No such information is included.

- 7.3 ***Where a statement or report attributed to a person as an expert is included in the Base Prospectus, provide such persons' name, business address, qualifications and material interest if any in the issuer. If the report has been produced at the issuer's request a statement to that effect that such statement or report is included, in the form and context in which it is included, with the consent of that person who has authorised the contents of that part of the Base Prospectus.***

No such statement or report is included.

- 7.4 ***Where information has been sourced from a third party, provide a confirmation that this information has been accurately reproduced and that as far as the issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. In addition, identify the source(s) of the information.***

No such information is included.

- 7.5 ***Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.***

Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. 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 European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms.

The long term debt rating categories used by Moody's, Standard & Poors, Fitch Ratings and DBRS are as follows:

Credit Rating Agency	Moody's	Standard & Poors	Fitch	DBRS
Investment Category	Aaa Aa A Baa	AAA AA A BBB	AAA AA A BBB	AAA AA A BBB
Esperulative Category	Ba B Caa Ca C	BB B CCC CC C	BB B CCC CC C	BB B CCC CC C

Moody's assigns numeric modifiers 1, 2 and 3 to each generic ratings classification from Aa through B. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Fitch and Standard & Poor's applies a plus (+) or minus (-) sign in categories AA through CCC to show relative standing within the major rating categories.

DBRS applies the terms “High” and “Low”, respectively, in the categories AA and B which shows the relevant position in each category.

The short term debt rating categories used by these agencies are as follows:

Moody's	Standard & Poors	Fitch	DBRS
Prime-1	A-1	F1	R-1
Prime-2	A-2	F2	R-2
Prime-3	A-3	F3	R-3
	B	B	R-4
	C	C	R-5

Standard & Poor's and Fitch both apply a plus sign (+) within the categories A-1 and F1.

DBRS applies the terms “High” and “Low”, respectively, in the categories R-1 and R-2 which shows the relevant position in each category.

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

TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following general terms and conditions of the Instruments (the “**General Terms and Conditions**”), together with the Annex(es) (if applicable), which will include the additional terms and conditions contained in the Equity Index-Linked Interest Instruments Annex in the case of Equity Index-Linked Interest Instruments and Inflation-Linked Interest Instruments Annex in the case of Inflation-Linked Interest Instruments, in each case subject to the additional terms and conditions for payouts as set out in the Payout Annex are the terms and conditions (collectively, the “**Terms and Conditions**”) of the Instruments; and in each case subject to completion in the applicable Final Terms. The Terms and Conditions will be incorporated by reference into each Temporary Global Instrument or Permanent Global Instrument (as defined below) and each Definitive Instrument, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuers and the Dealer at the time of issue but, if not so permitted and agreed, such Definitive Instrument will have endorsed thereon or attached thereto such Terms and Conditions.*

The Instruments of each Tranche will be constituted by virtue of a public deed of issuance (the “**Public Deed of Issuance**”) to be executed before a Spanish notary public and to be registered with the Mercantile Registry of Madrid on or prior to the Issue Date, and which shall contain, among other information the Terms and Conditions. The Instruments will be issued in accordance with an issue and paying agency agreement (the “**Issue and Paying Agency Agreement**”, which expression shall include any amendments or supplements thereto) dated 21 June 2013 and made between Santander International Debt, S.A. Unipersonal (“**Santander International**”) and Santander Issuances, S.A. Unipersonal (“**Santander Issuances**”) (each an “**Issuer**” and together, the “**Issuers**”), Banco Santander, S.A. (the “**Guarantor**”), Citibank, N.A. London Branch in its capacity as issue and paying agent (the “**Issue and Paying Agent**” which expressions shall include any successor to Citibank, N.A. London Branch in its capacity as such), Citigroup Global Markets Deutschland AG in its capacity as registrar (the “**Registrar**”, which expression shall include any successor to Citigroup Global Markets Deutschland AG in its capacity as such) and Citigroup Global Markets Deutschland AG (together, the “**Paying Agents**”, which expression shall include the Issue and Paying Agent, and any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Terms and Conditions of any Series of Instruments (as defined below), the Issuer may appoint a Determination Agent (as defined under Condition 5D.03) for the purposes of such Instruments, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Determination Agent shall be specified in the applicable Final Terms. The Issuers have executed and delivered a deed of covenant dated 21 June 2013 (the “**Deed of Covenant**”). The Guarantor has, for the benefit of the Holders of the Senior Instruments from time to time, executed and delivered a deed of guarantee (the “**Senior Guarantee**”) dated 21 June 2013 under which it has guaranteed the due and punctual payments of all amounts due by Santander International under the Senior Instruments issued in or after the date thereof as and when the same shall become due and payable. The Guarantor shall, on an issue by issue basis, on or before the Issue Date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a deed of guarantee (the “**Subordinated Guarantee**”), under which it shall guarantee the due and punctual payment of all amounts due by Santander Issuances under the relevant Subordinated Instruments as and when the same shall become due and payable. Copies of the Issue and Paying Agency Agreement, the Deed of Covenant, the Senior Guarantee and the relevant Subordinated Guarantee are, or will be, available for inspection during normal business hours at the specified office of each of the Paying Agents, the Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a “**Series**”), and each Series may comprise one or more tranches (“**Tranches**” and each, a “**Tranche**”) of Instruments. Each Tranche will be the subject of a Final Terms (each, a “**Final Terms**”), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or the Registrar (as defined in Condition 2.02), as the case may be, and, in the case of a Tranche of Instruments listed on the regulated market of the Irish Stock Exchange and if the rules of such market so require, shall be published on the website of the Irish Stock Exchange. In the case of a Tranche of Instruments in relation to which application has not been made for admission for listing on any listing authority, stock exchange and/or quotation system, copies of the Final

Terms will only be available for inspection by a Holder of or, as the case may be, an Accountholder (as defined in the Deed of Covenant) in respect of, such Instruments.

References in these Terms and Conditions to "Instruments" are to Instruments of the relevant Series and any references to "Coupons" (as defined in Condition 1.05) and "Receipts" (as defined in Condition 1.06) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the "Final Terms" are to the Final Terms or Final Terms(s) prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these "Terms and Conditions" are to these terms and conditions (which term shall include one or more Annex(es) in the form annexed hereto, if specified as applicable in the relevant Final Terms) as modified or (to the extent thereof) replaced by the Final Terms.

1. **Form and Denomination**

1.01 Instruments are issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**"), as specified in the Final Terms and are serially numbered. Registered Instruments are not exchangeable for Bearer Instruments.

Form of Bearer Instruments

1.02 Each Tranche of Bearer Instruments will be represented upon issue by a temporary global instrument (a "**Temporary Global Instrument**") in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. In the case of an exchange for Registered Instruments at any time and without any requirement for certification, but otherwise on or after the date (the "**Exchange Date**") which is forty days after the completion of the distribution of the Instruments of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations in a form as is customarily issued in such circumstances by the relevant clearing systems) has been received, interests in the Temporary Global Instrument may be exchanged for:

- (i) interests in a permanent global instrument (a "**Permanent Global Instrument**") representing the Instruments of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement; or
- (ii) if so specified in the relevant Final Terms, serially numbered definitive instruments ("**Definitive Instruments**") and/or (in the case of a Series comprising both Bearer Instruments and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement.

1.03 If any date on which a payment of interest is due on the Instruments of a Tranche occurs whilst any of the Instruments of that Tranche are represented by a Temporary Global Instrument, the related interest payment will be made on the Temporary Global Instrument only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations in a form as is customarily issued in such circumstances by the relevant clearing systems) has been received by Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Instrument will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.

1.04 Interests in a Permanent Global Instrument will be exchanged by the Issuer in whole (but not in part only), at the option of the Holder of such Permanent Global Instrument, for serially numbered Definitive Instruments and/or (in the case of a Series comprising both Bearer and Registered Instruments and if so specified in the relevant Final Terms) Registered Instruments, (a) if any Instrument of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Instruments for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of such Permanent Global Instrument upon such Holder's request, in all cases at the cost

and expense of the Issuer, unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in part (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Instruments and/or Registered Instruments is required, deposit the relevant Permanent Global Instrument with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Instruments and/or Registered Instruments and such default is continuing at 6.00 p.m. (Luxembourg time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Instrument becomes so exchangeable, such Permanent Global Instrument will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

1.05 Definitive Instruments will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Definitive Instruments will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "**Coupons**" shall, where the context so requires, include Talons.

1.06 Bearer Instruments, the principal amount of which is repayable by instalments ("**Instalment Instruments**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

Form of Registered Instruments

1.07 All Registered Instruments will be in individual form. There will be no global Registered Instruments. Registered Instruments will be in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. Registered Instruments will not be exchangeable for Bearer Instruments.

Denomination of Bearer Instruments

1.08 Bearer Instruments are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Instruments of one denomination will not be exchangeable, after their initial delivery, for Bearer Instruments of any other denominations. No Instruments may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

US Tax Legend

1.09 Each Instrument in bearer form with an original maturity of more than 1 year will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Denomination of Registered Instruments

1.10 Registered Instruments will be in the minimum denomination specified in the relevant Final Terms or integral multiples thereof. No Instruments may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

Currency of Instruments

1.11 Instruments may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.

1.12 For the purposes of these Terms and Conditions, references to Instruments shall, as the context may require, be deemed to be to Temporary Global Instruments, Permanent Global Instruments, Definitive Instruments or, as the case may be, Registered Instruments.

2. Title

2.01 Title to Bearer Instruments and Coupons passes by delivery. References herein to the "**Holders**" of Bearer Instruments or of Coupons are to the bearers of such Bearer Instruments or such Coupons.

2.02 Title to Registered Instruments passes by registration in the register which is kept by the Registrar. References herein to the "**Holders**" of Registered Instruments are to the persons in whose names such Registered Instruments are so registered in the relevant register.

2.03 The Holder of any Bearer Instrument, Coupon or Registered Instrument will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

Transfer of Registered Instruments and exchange of Bearer Instruments for Registered Instruments

2.04 A Registered Instrument may, upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement, be transferred in whole or in part only (*provided that* such part is, or is an integral multiple of, the minimum denomination specified in the relevant Final Terms) upon the surrender of the Registered Instrument to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. A new Registered Instrument will be issued to the transferee and, in the case of a transfer of part only of a Registered Instrument, a new Registered Instrument in respect of the balance not transferred will be issued to the transferor.

2.05 If so specified in the relevant Final Terms, the Holder of Bearer Instruments may exchange the same for the same aggregate principal amount of Registered Instruments upon the terms and subject to the conditions set forth in the Issue and Paying Agency Agreement. In order to exchange a Bearer Instrument for a Registered Instrument, the Holder thereof shall surrender such Bearer Instrument at the specified office outside the United States of the Issue and Paying Agent or of the Registrar together with a written request for the exchange. Each Bearer Instrument so surrendered must be accompanied by all unmatured Coupons appertaining thereto other than the Coupon in respect of the next payment of interest falling due after the exchange date (as defined in Condition 2.06) where the exchange date would, but for the provisions of Condition 2.06, occur between the Record Date (as defined in Condition 9B.03) for such payment of interest and the date on which such payment of interest falls due.

2.06 Each new Registered Instrument to be issued upon the transfer of a Registered Instrument or the exchange of a Bearer Instrument for a Registered Instrument will be available, within three Relevant Banking Days of the transfer date or the exchange date, as the case may be, for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer, be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer or request for exchange received by the Registrar or the Issue and Paying Agent after the Record Date in respect of any payment due in respect of Registered Instruments shall be deemed not to be effectively received by the Registrar or the Issue and Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions,

- (i) "Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located and, in the case only of an exchange of a Bearer Instrument for a Registered Instrument, where such request for exchange is made to the Issue and Paying Agent, in the place where the specified office of the Issue and Paying Agent is located;
- (ii) the "**exchange date**" shall be the Relevant Banking Day following the day on which the relevant Bearer Instrument shall have been surrendered for exchange in accordance with Condition 2.05; and
- (iii) the "**transfer date**" shall be the Relevant Banking Day following the day on which the relevant Registered Instrument shall have been surrendered for transfer in accordance with Condition 2.04 and all reasonable requirements of the Issuer and the Registrar shall have been satisfied in respect of such transfer.

2.07 The issue of new Registered Instruments on transfer or on the exchange of Bearer Instruments for Registered Instruments will be effected without charge by or on behalf of the relevant Issuer, the Issue and Paying Agent or the Registrar, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the relevant Issuer, the Issue and Paying Agent or the Registrar may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

3. Status of the Instruments and the Guarantee

Status of Senior Instruments

This Condition 3.01 is applicable to Instruments issued by Santander International only

3.01 The Senior Instruments (being those Instruments which specify their status as Senior), and the Receipts and Coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of Santander International and, upon the insolvency of Santander International (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (*Ley Concursal*) of 9 July 2003 (the "**Insolvency Law**" or "**Law 22/2003**") 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 preference among themselves and the payment obligations of Santander International under the Senior Instruments, Receipts and Coupons related to them rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of Santander International, present or future.

By purchasing the Senior Instruments, holders of any Senior Instruments expressly waive any preference or priority that may be conferred upon them by any existing or future law over the holders of any other Senior Instruments and any other unsecured and unsubordinated debt securities issued by Santander International (the "**Senior Securities**"), so that no Senior Instruments shall rank in any circumstances ahead of any such other Senior Instruments and any Senior Securities (provided, however, that no such waiver shall apply in respect of any other Senior Instruments and Senior Securities which qualify as subordinated claims pursuant to Article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future).

Senior Guarantee

This Condition 3.02 is applicable to Instruments issued by Santander International only

3.02 The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, Receipts and Coupons on an unsubordinated basis.

The obligations of the Guarantor in respect of Senior Instruments under the Senior Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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 preference among such obligations of the Guarantor in respect of Senior Instruments and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Senior Guarantee.

Status of Subordinated Instruments

This Condition 3.03 is applicable to Instruments issued by Santander Issuances only

3.03 **Status of Subordinated Instruments:** The Subordinated Instruments (being Instruments which specify their status as Subordinated) constitute direct, unconditional, subordinated and unsecured obligations of Santander Issuances and, upon the insolvency of Santander Issuances (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank without preference or priority among themselves together with all other subordinated obligations of Santander Issuances other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law or which are expressed to rank junior to the Subordinated Instruments. By purchasing the Subordinated Instruments, holders of any Subordinated Instruments expressly waive any preference or priority that may be

conferred upon them by any existing or future law over the holders of any other Subordinated Instruments and any other subordinated debt securities issued by Santander Issuances (the "**Subordinated Securities**"), so that no Subordinated Instruments shall rank in any circumstances ahead of any other Subordinated Instruments and any Subordinated Securities (provided, however, that no such waiver shall apply in respect of any other Subordinated Instruments and Subordinated Securities which are subordinated by operation of Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law or which are expressed to rank junior to the Subordinated Instruments or other Subordinated Securities).

Subordinated Guarantee

This Condition 3.04 is applicable to Instruments issued by Santander Issuances only

3.04 The Guarantor shall, on or before the date of issue (as specified in the relevant Final Terms) of any Subordinated Instruments, execute a guarantee in the form scheduled to the Base Prospectus dated 21 June 2013 (each, a "**Subordinated Guarantee**").

Pursuant to each Subordinated Guarantee, the Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments.

The obligations of the Guarantor under the Subordinated Guarantees in respect of the relevant Subordinated Instruments constitute direct, unconditional, subordinated and unsecured obligations of the Guarantor which, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, and subject to any applicable legal and statutory exceptions) shall rank *pari passu* with all other present and future subordinated obligations of the Guarantor other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, other subordinated obligations of the Guarantor prescribed by law or which are expressed to rank junior to the Guarantor's obligations under the Subordinated Guarantees. In the event of insolvency (*concurso*) of the Guarantor, under Law 22/2003, claims relating to the Subordinated Guarantees will fall within the category of "subordinated debts" (as defined in Law 22/2003). After payment in full of unsubordinated debts but before distributions to shareholders and creditors of the Guarantor which are characterised as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), under article 92 of Law 22/2003, the Guarantor will meet such subordinated debts in the following order and pro rata within each class: (i) claims lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) contractually subordinated debt (such as the claims under the Subordinated Guarantees); (iii) interest; (iv) fines; (v) claims of creditors which are related to the Guarantor; (vi) debt arising from transactions set aside by Spanish courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) credits arising from agreements with reciprocal obligations, as referred to in articles 61, 62, 68 and 69 of Law 22/2003, whenever the court rules, following the administrators' report of insolvency (*administración concursal*), that the creditor has, on a repetitive basis, impeded the performance of the agreement to the detriment of the insolvency proceedings.

4. Interest

Instruments will be interest-bearing. The Final Terms in relation to each Tranche of Instruments shall specify which of Condition 4A, 4B and/or 4C shall be applicable and Condition 4D will be applicable to each Tranche of Instruments as specified therein save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of Instruments, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

4A Interest — Fixed Rate

This Condition 4A applies to Fixed Rate Instruments only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4A and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Fixed Rate Instruments.

Instruments in relation to which this Condition 4A is specified in the relevant Final Terms as being applicable shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such

other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on such basis as may be specified in the relevant Final Terms.

4B Interest — Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments

This Condition 4B applies to Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments. The applicable Final Terms contains provisions applicable to the determination of interest in respect of such Instruments and must be read in conjunction with this Condition 4B and/or the relevant provisions of the Payout Annex for full information on the manner in which interest is calculated on Floating Rate Instruments, CMS-Linked Instruments and Variable Interest Rate Instruments. In particular in respect of Variable Interest Instruments, the applicable Final Terms will identify those items specified in the applicable paragraph of the Payout Annex.

4B.01 Instruments in relation to which this Condition 4B is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 4B. Condition 4D.01 shall apply to Instruments to which this Condition 4B applies. The Rate of Interest payable from time to time in respect of Floating Rate Instruments and CMS-Linked Instruments will be determined in the manner specified in the applicable Final Terms. The Rate of Interest payable from time to time in respect of Variable Interest Instruments will be determined in accordance with the relevant paragraph of the Payout Annex.

4B.02 Such Instruments shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms. Such interest will be payable in arrear on each Interest Payment Date (as defined in Condition 4D.01) and on the maturity date.

4B.03 Screen Rate Determination

If “**Screen Rate Determination**” is specified in the relevant Final Terms as the manner in which the rate(s) of interest (the “**Rate of Interest**”) is/are to be determined, the Rate of Interest applicable to such Instruments for each Interest Period will be determined by the Determination Agent (as defined in Condition 4D.03) on the following basis:

- (A) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Determination Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date.
- (B) in any other case, the Determination Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Determination Agent will:
 - (1) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (2) determine the arithmetic mean of such quotations; and
- (D) if fewer than two such quotations are provided as requested, the Determination Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Determination Agent) quoted by major banks in the Relevant Financial Centre (or in the case of Instruments denominated in Euro, in such financial centre(s) as the Determination Agent may select), selected by the Determination Agent, at approximately 11.00 a.m. (local time in the Relevant Financial Centre or local time at such other financial centre(s) as aforesaid) on the first

day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time;

and the Rate for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Determination Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Instruments in respect of a preceding Interest Period.

4B.04 ISDA Determination: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate applicable to the Instruments for each Interest Period will be 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 2006 Definitions of the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") (as amended and updated as at the date specified in the relevant Final Terms) that would be determined by the Determination Agent under an interest rate swap transaction if the Determination Agent were acting as Determination 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 either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

4B.05 Rate of Interest: The Rate of Interest in relation to the Instruments shall be determined as follows:

- (A) If "Margin Plus Rate" is specified as applicable in the applicable Final Terms, the Rate of Interest will be equal to the Margin plus the Rate;
- (B) If "Specified Percentage Multiplied by Rate" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by the Rate; or
- (C) If "Difference in Rates" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage multiplied by (Rate– Rate 2), each of Rate and Rate 2 to be determined in accordance with Condition 4B.03 or with Condition 4B.04 as applicable.

4B.06 Maximum or Minimum Rate of Interest: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the Maximum Rate of Interest or be less than the Minimum Rate of Interest so specified.

4B.07 CMS Linked Interest Provisions: If the CMS-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) applicable to the Instruments for each Interest Period will be the constant maturity swap rate specified in the relevant Final Terms.

4B.08 Step-up Provisions: If the Step-up Provisions are specified in the relevant Final Terms as being applicable, if the Barrier Condition is met, the interest rate applicable to Senior Instruments will be increased by the relevant percentage (the "**Step-up**") as specified in the applicable Final Terms with effect from, and including, the Interest Payment Date immediately following the date the Barrier Condition was met provided that, if the Barrier Condition ceases to apply, the Step-up shall no longer apply from, and including, the Interest Payment Date immediately following the date the Barrier Condition ceased to apply.

If as described in the paragraph above a Step-up comes into effect or subsequently no longer applies, then the Issuer shall, without undue delay, after becoming aware thereof, give notice of the Step-up or dissipation thereof, to the Holders in accordance with Condition 13 (Notices).

In the case of Subordinated Instruments which qualify as regulatory capital (*recursos propios*), the Step-up shall take place in accordance with the requirements of Spanish law (including for this purpose Bank of

Spain's regulations in so far as the relevant Issuer seeks to maintain eligibility of such instruments as regulatory capital).

4B.09 The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Instruments specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Instruments denominated in Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Instruments are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

4C ***Equity Index-Linked Interest Instruments Provisions and Inflation-Linked Interest Instruments Provisions***

4C.01 ***Equity Index-Linked Interest Instruments Provisions***: If the Equity Index-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Instruments for each Interest Period will be determined in the manner specified in the Equity Index-Linked Interest Instruments Annex.

4C.02 ***Inflation-Linked Interest Instruments Provisions***: If the Inflation-Linked Interest Provisions are specified in the relevant Final Terms as being applicable, the Rate(s) of Interest applicable to the Instruments for each Interest Period will be determined in the manner specified in the Inflation-Linked Interest Instruments Annex.

4D ***Interest — Supplemental Provision***

Interest Payment Date Conventions and other Calculations

4D.01(a) ***Business Day Convention***: The Final Terms in relation to each Series of Instruments in relation to which this Condition 4D.01 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the "**FRN Convention**", in which case interest shall be payable in arrear on each date (each an "**Interest Payment Date**") which numerically corresponds to their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred *provided that*:
 - (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 8C.03) in that calendar month;
 - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;

- (ii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;
 - (iii) the "**Following Business Day Convention**" in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day; or
 - (iv) "**No Adjustment**" in which case the relevant date shall not be adjusted in accordance with any Business Day Convention.
- (b) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:
- (i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
 - (ii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is so specified, means the actual number of days in the Calculation Period divided by 365;
 - (iii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is so specified, means a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non U.S. dollars denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;
 - (iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
 - (v) if "**30/360**" "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "30E/360" or "Eurobond Basis" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30.

- (vii) if "30E/360 (ISDA)" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{DayCountFraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D₂ will be 30.

Each period beginning on (and including) such date of issue or such other date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an **"Interest Period"**.

Notification of Rates of Interest, Interest Amounts and Interest Payment Dates

4D.02 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 13 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Issue and Paying Agent will cause all such determinations or calculations to be notified to the Irish Stock Exchange no later than the first day of each Interest Period. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 4D.02.

4D.03 The determination by the Determination Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

"Determination Agent" means the Issue and Paying Agent or such other person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms.

Accrual of Interest

4D.04 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal, on the paid up principal amount of such Instrument or otherwise as indicated in the Final Terms from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Instruments or such other rate as may be specified in the relevant Final Terms (the **"Default Rate"**) until the earlier of (i) the date on which, upon due presentation of the relevant Instrument (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 13 that the Issue and Paying Agent or the Registrar (as the case may be) has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

Temporary suspension to payments of Principal and Interest (Short Term Subordinated Instruments)

4D.05 In the event of a shortage in the consolidated own funds of the Guarantor (as defined in Chapter 3 of Circular 3/2008, of 22 May (*Circular 3/2008, de 22 de mayo, del Banco de España*) Santander Issuances, S.A. Unipersonal will be obliged to suspend payments of principal and interest in respect of Subordinated Instruments with a maturity of not less than two years (**"Short Term Subordinated Instruments"**). Following an increase in the consolidated own funds of the Guarantor so that there is no longer a shortage of

such funds, Santander Issuances, S.A. Unipersonal must give the Bank of Spain (*Banco de España*) one month's notice prior to payment of any interest or principal.

5. **Redemption and Purchase**

Redemption at Maturity

5.01 Unless previously redeemed, or purchased and cancelled, each Instrument shall be redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its principal amount or such other Maturity Redemption Amount as may be specified in or determined in accordance with the relevant Final Terms) (or, in the case of Instalment Instruments, in such number of instalments and in such amounts as may be specified in the relevant Final Terms) on the date or dates (or, in the case of Instruments which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms. Subordinated Instruments (other than Short Term Subordinated Instruments) qualifying as regulatory capital (*recursos propios*) in accordance with Banco de España requirements will have a maturity of not less than five years or as otherwise permitted by Banco de España. Short Term Subordinated Instruments will have a maturity of not less than two years or as otherwise permitted by Banco de España.

Early Redemption for Taxation Reasons

5.02 If, in relation to any Series of Instruments, (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Instruments or any earlier date specified in the relevant Final Terms, the relevant Issuer (or, if either the Senior Guarantee or the Subordinated Guarantee was called, the Guarantor) would be required to pay additional amounts as provided in Condition 7 and (ii) such circumstances are evidenced by the delivery by the relevant Issuer or (as the case may be) the Guarantor to the Issue and Paying Agent of a certificate signed by two directors of the relevant Issuer or (as the case may be) the Guarantor stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), a copy of the Banco de España consent to the redemption, the relevant Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Instruments which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Instruments in accordance with Condition 13 (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Instruments (in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) in accordance with the requirements of Banco de España) comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon *provided, however*, that (i) no such notice of redemption may be given earlier than 90 days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Instruments plus 60 days) prior to the earliest date on which the relevant Issuer or (as the case may be) the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Instruments then due and (ii) in the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), that the Banco de España consents to redemption of the Subordinated Instruments.

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), redemption for taxation reasons is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Instruments, two years) from their date of issue or as otherwise permitted by Banco de España.

Optional Early Redemption (Call)

5.03 If this Condition 5.03 is specified in the relevant Final Terms as being applicable, then the relevant Issuer may, upon the expiry of the appropriate notice and subject to such conditions as may be specified in the relevant Final Terms (and subject, in the case of Subordinated Instruments qualifying as regulatory

capital (*recursos propios*), in accordance with the requirements of Banco de España, to the prior consent of Banco de España redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Instruments of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*), redemption at the option of the relevant Issuer is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Instruments, two years) from their date of issue or as otherwise permitted by Banco de España.

5.04 The appropriate notice referred to in Condition 5.03 is a notice given by the relevant Issuer to the Issue and Paying Agent, the Registrar (in the case of Registered Instruments) and the Holders of the Instruments of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Instruments subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Instruments of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day, which shall be not less than thirty days (or such lesser period as may be specified in the relevant Final Terms) after the date on which such notice is validly given and which is, in the case of Instruments which bear interest at a floating rate, a date upon which interest is payable; and
- the Early Redemption Amount (Call) at which such Instruments are to be redeemed.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the relevant Issuer to make the redemption therein specified.

Partial Redemption

5.05 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 5.03:

- in the case of Bearer Instruments, the Instruments to be redeemed shall be drawn by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes, in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair; and
- in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) pro rata to their principal amounts, subject always as aforesaid and provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments may be listed and/or quoted.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 1.04 to 1.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

In connection with an exercise of the option contained in Condition 5.03 (*Optional Early Redemption (Call)*) in relation to some only of the Instruments, the Permanent Global Instrument may be redeemed in part in the principal amount specified by the Issuer in accordance with the Terms and Conditions and the Instruments to be redeemed will not be selected as provided in the Terms and Conditions but in accordance with the rules

and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

In the case of Subordinated Instruments qualifying as regulatory capital (*recursos propios*) partial redemption is subject to the prior consent of Banco de España and may not take place within a period of five years (or, in the case of Short Term Subordinated Instruments, two years) from which their date of issue or as otherwise permitted by Banco de España.

Optional Early Redemption (Put)

5.06 If this Condition 5.06 is specified in the relevant Final Terms as being applicable to the Senior Instruments, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the date or the dates specified in the relevant Final Terms at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than sixty days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Instrument (together, in the case of a Definitive Instrument, with any unmatured Coupons appertaining thereto) with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

The Early Redemption (Put) shall not apply in the case of Subordinated Instruments and holders of Subordinated Instruments may not redeem such Subordinated Instruments prior to the Maturity Date.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 1.04 to 1.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The Holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under either Condition 5.02 or 5.03.

Redemption by Instalments

5.07 Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Instrument which provides for Instalment Dates and Instalment Amounts in the relevant Final Terms will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Instrument shall be reduced by the Instalment Amount for all purposes.

Cancellation of Redeemed Instruments

5.08 All unmatured Instruments and Coupons and unexchanged Talons redeemed (*amortizados*) will be cancelled forthwith and may not be reissued or resold.

Purchase of Instruments

5.09 The Issuers and the Guarantor and any of their respective subsidiaries or any third party designated by any of them, may at any time purchase Instruments in the open market or otherwise and at any price *provided that*, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

In the case of Subordinated Instruments which qualify as regulatory capital (*recursos propios*), the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance with the

requirements of Spanish law (including for this purpose Bank of Spain's regulations in so far as the Issuers seek to maintain eligibility of such instruments as regulatory capital).

Further Provisions applicable to Redemption Amount and Instalment Amounts

5.10 The provisions of Condition 4D.02 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Determination Agent.

5.11 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

Notices

5.12 Notices of early redemption (whether full or partial) of Instruments shall be given in accordance with Condition 13 (*Notices*).

Notification of Irish Stock Exchange

5.13 The relevant Issuer shall notify the Irish Stock Exchange of any early redemption (whether full or partial) of Instruments.

6. Events of Default

6.01 Unless otherwise specified in the relevant Final Terms, if, in the case of Subordinated Instruments, any of the events set out in paragraphs (ii), (iv), (v), (vi), (vii) or (viii) occurs and is continuing or, in the case of Senior Instruments, any of the following events occurs and is continuing (each an "**Event of Default**"), such Event of Default shall be an acceleration event in relation to the Instruments of any Series, namely:

- (i) *Non-payment*: if default is made in the payment of any interest or principal due in respect of the Instruments of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms); or
- (ii) *Breach of other obligations*: if the relevant Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of the Instruments of the relevant Series, the relevant Guarantee or the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days next following the service by the relevant Commissioner (as defined in Condition 12 below) on the relevant Issuer of a notice requiring the same to be remedied; or
- (iii) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the relevant Issuer or the Guarantor (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at the time of such merger); or
- (iv) *Cessation of business*: if the relevant Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the relevant Issuer or the Guarantor, as the case may be, at

the time of such merger), or the relevant Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

- (v) *Insolvency proceedings*: if (a) proceedings are initiated against the relevant Issuer or the Guarantor under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the relevant Issuer or the Guarantor or in relation to the whole or a part of the undertaking or assets of either of them, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets or any of them and (b) in any case is not discharged within 14 days; or
- (vi) *Arrangements with creditors*: if the relevant Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors); or
- (vii) *Guarantee*: if any of the Senior Guarantee or the Subordinated Guarantee ceases to be a valid and binding obligation of the Guarantor or it becomes unlawful for the Guarantor to perform its obligations under either the Senior Guarantee or the Subordinated Guarantee or either the Senior Guarantee or the Subordinated Guarantee is claimed by the relevant Issuer or the Guarantor not to be in full force and effect.

6.02 As used herein "**Indebtedness for Borrowed Money**" means (i) money borrowed and premiums and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or acceptance credit and (iii) the principal and premium (if any) and accrued interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash.

6.03 If any Event of Default shall occur in relation to any Series of Instruments, the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of the Instruments of the relevant Series, in respect of all the Instruments of a relevant Series, or any Holder of an Instrument in respect of such Instrument and *provided that* such Holder does not contravene the resolution of the relevant Syndicate (if any) may, by written notice to the relevant Issuer, at the specified office of the Issue and Paying Agent, declare that such Instrument or Instruments and all interest then accrued on such Instrument or Instruments shall (when permitted by applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instruments under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the relevant Issuer will expressly waive, anything contained in such Instrument or Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Instruments of the relevant Series shall have been cured.

7. **Taxation**

7.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Instruments, the Receipts and the Coupons, the Senior Guarantee and the Subordinated Guarantee by an Issuer or the Guarantor (as the case may be) will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the

relevant Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Holder of any Instrument or Coupon of such amounts as would have been received by them had no such withholding or deduction been required.

7.02 Neither the relevant Issuer nor the Guarantor shall be required to pay any additional amounts as referred to in Condition 7.01 in relation to any payment in respect of any Instrument or Coupon:

- (i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with Spain other than the mere holding of such Instrument or Coupon; or
- (ii) to, or to a third party on behalf of, a Holder in respect of whose Instruments the relevant 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) presented for payment more than thirty days after the Relevant Date, 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 thirty days; or
- (iv) where the withholding or deduction referred to in Condition 7.01 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or
- (v) presented for payment by or on behalf of a Holder of an Instrument or Coupon who would have been able to avoid such withholding or deduction by presenting the relevant Instrument or Coupon to another Paying Agent in a Member State of the European Union; or
- (vi) to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain; or
- (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Instruments 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.

All payments in respect of the Instruments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7, (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto and, accordingly, neither the Issuer nor the Guarantor shall be required to pay any additional amounts under 7.01 above, or (iii) any withholding or deduction required pursuant to Section 871(m) of the Code.

7.03 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Instruments and Coupons, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 13.

7.04 Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable to these Terms and Conditions.

8. Payments

8A Payments — Bearer Instruments

8A.01 This Condition 8A is applicable in relation to Instruments in bearer form.

8A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents.

8A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

- (i) in the case of a Temporary Global Instrument or Permanent Global Instrument, against presentation of the relevant Temporary Global Instrument or Permanent Global Instrument at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States and, in the case of a Temporary Global Instrument, upon due certification as required therein;
- (ii) in the case of Definitive Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Instruments at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States; and
- (iii) in the case of Definitive Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States.

8A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 8A.04 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law. If parts (a) and (b) of the previous sentence apply, the relevant Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

8A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day (as defined in Condition 8C.03) and (in the case of Definitive Instruments only) a local banking day (as defined in Condition 8C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment on a Relevant Financial Centre Day and (in the case of Definitive Instruments only) a local banking day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4D.04.

8A.06 Each Definitive Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

- (i) in the case of Definitive Instruments which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;
- (ii) in the case of Definitive Instruments which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to

paragraph (iii) below, Talons) relating to such Definitive Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

- (iii) in the case of Definitive Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 8A.06 notwithstanding, if any Definitive Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

8A.07 In relation to Definitive Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 8A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 9 below. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

8A.08 For the purposes of these Terms and Conditions, the "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

8B. Payments — Registered Instruments

8B.01 This Condition 8B is applicable in relation to Instruments in registered form.

8B.02 Payment of amounts (whether principal, redemption amount or otherwise and including accrued interest) due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of any Registered Instrument is not both a Relevant Financial Centre Day (as defined in Condition 8C.03) and a local banking day (as defined in Condition 8C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4D.04.

8B.03 Payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (local time in the place of the specified office of the Registrar) on the fifteenth Relevant Banking Day (as defined in Condition 2.06) before the due date for such payment for the Definitive Instruments or the day before if in global form (the "**Record Date**").

8B.04 Notwithstanding the provisions of Condition 8C.02, payment of amounts (whether principal, redemption amount, interest or otherwise) due (other than in respect of final redemption of Registered

Instruments) in respect of Registered Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the Relevant Banking Day (as defined in Condition 2.06) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4D.04.

8C **Payments — General Provisions**

8C.01 Save as otherwise specified herein, this Condition 8C is applicable in relation to Instruments whether in bearer or in registered form.

8C.02 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 7, be subject in all cases to any applicable fiscal or other laws and regulations.

8C.03 For the purposes of these Terms and Conditions, save as otherwise defined, the following terms shall have the meaning set out below:

- (i) **"Business Day"** means a day:
 - in relation to Instruments denominated or payable in euro which is a TARGET Business Day; and
 - in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
 - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;
- (ii) **"CMS-Linked Instruments"** means Instruments the payment of interest of which is linked to a constant maturity swap rate.
- (iii) **"Equity Index-Linked Interest Instruments"** means Single Share Index Linked Instruments and Share Index Basket Linked Instruments, each as defined in the Equity Index-Linked Interest Instruments Annex.
- (iv) **"Inflation-Linked Interest Instruments"** means Instruments the payment of interest of which is linked to one or more Inflation Index or Indices as defined in the Inflation-Linked Interest Instruments Annex.
- (v) **"Instalment Amount"** has the meaning given in the relevant Final Terms;
- (vi) **"Instalment Dates"** has the meaning given in the relevant Final Terms;
- (vii) **"Interest Determination Date"** means, with respect to an interest rate and Interest Period, the date specified in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Period if the Relevant Currency is sterling (ii) or the day falling two London Banking Days prior to the first day of such Interest Period if the Relevant Currency is not sterling, or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Period if the Relevant Currency is Euro;

- (viii) "**local banking day**" means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon;
- (ix) "**London Banking Day**" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.
- (x) "**Margin**" has the meaning given in the relevant Final Terms;
- (xi) "**Maturity Date**" has the meaning given in the relevant Final Terms;
- (xii) "**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;
- (xiii) "**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;
- (xiv) "**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;
- (xv) "**Reference Banks**" means four major banks selected by the Determination Agent in the market that is most closely connected with the Reference Rate. The Reference Banks shall not include the Determination Agent;
- (xvi) "**Reference Rate**" means one of (i) the London inter-bank offered rate (**LIBOR**), (ii) the London Interbank Bid Rate (**LIBID**), (iii) the mid-market rate in the London Interbank market, which is calculated by averaging the offer rate (**LIBOR**) and the bid rate (**LIBID**) (**LIMEAN**) and (iv) the Euro Interbank Offered Rate (**EURIBOR**), as specified in the relevant Final Terms;
- (xvii) "**Relevant Financial Centre**" means such financial centre or centres as may be specified in the relevant Final Terms. If no financial centre or centres is specified in the relevant Final Terms, this term will have the meaning given in the ISDA Definitions;
- (xviii) "**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in euro, a day which is a TARGET Business Day;
- (xix) "**Relevant Currency**" means the currency specified as Specified Currency in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated;
- (xx) "**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;
- (xxi) "**Relevant Time**" has the meaning given in the relevant Final Terms;
- (xxii) "**Specified Denomination**" means, in relation to any Instruments, the denomination of such Instruments specified as such in the relevant Final Terms and expressed as a currency amount;
- (xxiii) "**Specified Percentage**" has the meaning given in the relevant Final Terms;
- (xxiv) "**TARGET Business Day**" means any day on which the TARGET2 System, or any successor thereto, is open for the settlement of payments in euro; and
- (xxv) "**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007.

and, in the case of any of paragraphs (i) to (iv) of this Condition 8C.03, as the same may be modified in the relevant Final Terms.

9. Prescription

9.01 Claims against the relevant Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.

9.02 In relation to Definitive Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

10. The Paying Agents, the Registrars and the Determination Agent

10.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified below. The Determination Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Registrar or the Determination Agent and to appoint additional or other Paying Agents or another Registrar or another Determination Agent *provided that* it will at all times maintain (i) an Issue and Paying Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the an Issue and Paying Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on any stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) and a Registrar each with a specified office in such place as may be required by the rules of such listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 8A.04, a Paying Agent with a specified office in New York City, (vi) a Paying Agent in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, this Directive, and (vii) a Determination Agent where required by the Terms and Conditions applicable to any Instruments (in the case of (i), (ii), (iii) and (vii) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents, the Registrar and the Determination Agent reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents, the Registrar or the Determination Agent will be given promptly by the Issuer to the Holders of the Instruments in accordance with Condition 13.

10.02 The Paying Agents, the Registrar and the Determination Agent act solely as agents of the relevant Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

11. Replacement of Instruments

If any Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent or such Paying Agent or Paying Agents as may be specified for such purpose in the relevant Final Terms (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments), subject to all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments are listed and/or quoted, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the relevant Issuer and the Issue and Paying Agent, the relevant Paying Agent or, as the case may be, the Registrar may require. Mutilated or defaced Instruments and Coupons must be surrendered before replacements will be delivered therefor.

12. Syndicate of Holders of the Instruments and Modification

The Holders of the Instruments of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Instruments (the "**Regulations**"). The Regulations shall

contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the relevant Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in the Issue and Paying Agency Agreement.

A temporary Commissioner will be appointed for each Syndicate. Upon the subscription of the Instruments, the Commissioner will call a general meeting of the Syndicate to ratify or oppose the acts of the temporary Commissioner, confirm his appointment or appoint a substitute and to ratify the Regulations.

Provisions for meetings of the Syndicate of Holders of the Instruments will be contained in the Regulations and the Issue and Paying Agency Agreement. Such provisions shall have effect as if incorporated herein.

The relevant Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments.

For the purposes of these Terms and Conditions,

- (i) **"Commissioner"** means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades de Capital*) of each Syndicate of Holders of the Instruments; and
- (ii) **"Syndicate"** means the syndicate (*sindicato*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades de Capital*).

13. Notices

To Holders of Bearer Instruments

13.01 Notices to Holders of Bearer Instruments will, save where another means of effective communication has been specified herein, be deemed to be validly given if published in an English language daily newspaper of general circulation in London (which is expected to be the *Financial Times*) or on the website of the Irish Stock Exchange (www.ise.ie) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, in the case of a Temporary Global Instrument or Permanent Global Instrument, if delivered to Euroclear and Clearstream, Luxembourg and any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein *provided that*, in the case of Instruments admitted to listing on any listing authority, stock exchange and/or quotation system, the requirements of such listing authority, stock exchange and/or quotation system, have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg and any other relevant clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

To Holders of Registered Instruments

13.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on the Irish Stock Exchange, any notices to Holders must also be published on the website of the Irish Stock Exchange (www.ise.ie) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

Notice of a General Meeting of the Syndicate of Holders

13.03 Notice of a General Meeting of Holders of Instruments of the Relevant Series must be given in accordance with the Regulations.

To Commissioners

13.04 Copies of any notice given to any Holders of the Instruments will be also given to the Commissioner of the Syndicate of Holders of the Instruments of the relevant Series.

Notices by any Holder of Instruments

13.05 Notices to be given by any Holder of Instruments shall be in writing and given by lodging the same, together (in the case of Definitive Instruments) with the relative Instrument, with the Issue and Paying Agent. Whilst any of the Instruments are represented by a Global Instrument, such notice may be given by any Holder of a Instrument to the Issue and Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Issue and Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. Further Issues

The relevant Issuer may, from time to time without the consent of the Holders of any Instruments or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

15. Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the relevant Final Terms (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the relevant Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the relevant Issuer shall only constitute a discharge to the relevant Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the relevant Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the relevant Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the relevant Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the relevant Issuer.

16. Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

17. Law and Jurisdiction

17.01 The issue of the Instruments, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuers, the relevant corporate resolutions, when required the appointment of

the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law. The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant, the Deed of Senior Guarantee and any Deed of Subordinated Guarantee, are governed by English law.

17.02 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with the Instruments.

17.03 The Issuers and the Guarantor irrevocably waive any objection which they might now or hereafter have to the courts of England being nominated as the forum to hear and determine any proceedings and to settle any Disputes and agree not to claim that any such court is not a convenient or appropriate forum.

17.04 Without prejudice to any other mode of service allowed under any relevant law, the Issuers and the Guarantor irrevocably (a) appoint Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as their agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on them and (b) agree that failure by an agent for service of process to notify the Issuers and the Guarantor of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Condition 17.04 ceases to be effective, the Issuers and the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Issuers and the Guarantor and delivered to the Issuers and the Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.

17.05 The submission to the exclusive jurisdiction of the courts of England is for the benefit of the Holders of the Instruments only and therefore shall not (and shall not be construed so as to) limit the right of the Holders of the Instruments or any of them to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

18. **Rights of Third Parties**

Other than or provided for in Condition 2.09, no person shall have any right to enforce any term or condition of any Series of Instruments under the Contracts (Rights of Third Parties) Act 1999.

PAYOUT ANNEX

ADDITIONAL TERMS AND CONDITIONS FOR PAYOUTS

*The terms and conditions applicable to payouts shall comprise the General Terms and Conditions of the Instruments and the additional Terms and Conditions for payouts set out below (the "**Payout Conditions**"), together with any Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "**Terms and Conditions**") and, in each case subject to completion in the applicable Final Terms. In particular, certain sections of the Payout Conditions will be set out and completed in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions and the Payout Conditions, the Payout Conditions shall prevail. In the event of any inconsistency between (i) the Terms and Conditions, and/or the Payout Conditions and (ii) the Final Terms, the Final Terms shall prevail. Defined terms used in this Payout Annex where the same term may be used in another Annex shall have the meanings given in this Payout Annex notwithstanding the same terms being used in another Annex.*

1. VARIABLE INTEREST RATE INSTRUMENTS

1.1 Use of Payout Conditions

These Payout Conditions set out the methodology for determining payouts in respect of Variable Interest Rate Instruments. For Variable Interest Rate Instruments, applicable text (including, where appropriate, section headings and on the basis that inapplicable text need not be included) from, Payout Condition 2, (derived from the relevant Coupon Payout) and Product Definitions will be set out as indicated in the applicable Final Terms.

The Rate of Interest payable from time to time in respect of Variable Interest Rate Instruments will be determined in accordance with the relevant paragraph of this Payout Annex

1.2 Instruments types

The applicable Final Terms will specify whether an Instrument is an Equity Index-Linked Interest Instrument or an Inflation-Linked Interest Instrument.

1.3 Use of *n*, *t* and *i*

Terms used in these Payout Conditions may be attributed a numerical suffix value when included in the applicable Final Terms. The suffix can be denoted as "n", "t" or "i" and the term will be completed on the basis of the number or numbers represented by n, t or i, as chosen at the time of an issue of Instruments. For example, if n is 1, Barrier_{n=1} will appear as "Barrier 1" when set out in the applicable Final Terms. A term from the Product Definitions may be included in the applicable Final Terms section more than once if there is more than one number represented by the term n, t or i.

1.4 Definitions and Interpretation

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**Calculation Date**" has the meaning given in the relevant Final Terms;

"**Coupon Payout**" means any payout specified in Payout Condition 2, in each case as extracted, included and completed in the applicable Final Terms.

"**Product Definitions**" means each of the defined terms in Payout Condition 3 below.

"**Specified Interest Payment Date**" has the meaning given in the relevant Final Terms;

"**Variable Interest Rate Instruments**" means Instruments using a Coupon Payout.

2. INTEREST BEARING INSTRUMENTS

2.1 Operative paragraph of the Final Terms

(a) **Paragraph 16 (Fixed Rate Instruments Provisions)**

Subject to any prior purchase and cancellation or early redemption, the Rate of Interest shall be as set out below:

(b) **Paragraph 17 (Floating Rate Instruments Provisions)**

Subject to any prior purchase and cancellation or early redemption, the Interest Amount payable in respect of each Instrument on the relevant Specified Interest Payment Date shall be determined by the Determination Agent in accordance with the methodology set out below:

2.2 Interest Payment Options

(a) **Interest Payment Option 1**

Calculation Amount * Rate of Interest

(b) **Interest Payment Option 2**

(1) If the Barrier Condition is satisfied:

Calculation Amount * Rate of Interest_{n=1}; or

(2) If the Barrier Condition is not satisfied:

Calculation Amount * Rate of Interest_{n=2}

3. PRODUCT DEFINITIONS

The Product Definitions below, where incomplete, will be set out and completed in the applicable Final Terms as described in Payout Condition 1 above. Where a table is referred to, the relevant table will be set out in the section of the applicable Final Terms referred to in the relevant Product Definition as completed in the applicable Final Terms. Complete Product Definitions may also be set out in the applicable Final Terms.

For these purposes:

"**Asset**" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset, in each case as specified or determined as provided in the applicable Final Terms.

"**Asset Class**" means one or more of Equity Index(ices) or Inflation Index(ices), as specified in the applicable Final Terms.

"**Asset Early**" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table in [this] paragraph [●] of these Final Terms] [,] [Barrier].

"**Asset Early Performance**" means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of the [Asset] [Early Laggard] [Early Outperformer].

"**Asset Final**" means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].

"**Asset Final Performance**" means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of the [Asset] [Final Laggard] [Final Outperformer].

"**Asset Initial**" means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].

"**Asset Level**" means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.

"**Asset Lookback**" [means the] [Asset Level [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level], [is as specified in the table in [this] paragraph [●] of these Final Terms].

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Determination Agent on each Averaging Date.

"**Averaging Date**" means each date specified as such in the applicable Final Terms.

"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].

"**Barrier (Early)**" means:

- (a) where Barrier Condition Early (European) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
- (b) where Barrier Condition Early (Bermudan) is applicable:
[[●] per cent.] [n * [●] per cent.]; or
- (c) where Barrier Condition Early (American) is applicable:
[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].

"**Barrier (Final)**" means:

- (a) where Barrier Condition Final (European) is applicable, [●] per cent.; or
- (b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.

"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

"**Barrier Condition Early (American)**" shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (Bermudan)**" shall be deemed satisfied if the Determination Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Early (European)**" shall be deemed satisfied if the Determination Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

"**Barrier Condition Final**" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

"**Barrier Condition Final (American)**" shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

"**Barrier Condition Final (European)**" shall be deemed satisfied if the Determination Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).

"Barrier Early Calculation Date" means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

"Barrier Return" shall mean an amount determined by the Determination Agent in accordance with the following methodology:-

- (a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

- (b) if Asset Final Performance is less than [or equal to] the Barrier:

Max [(Cap +/-) (Participation * Asset Final Performance)), Floor]

"Basket Asset" means an Asset that is a constituent of a basket of Assets, as specified or determined as provided in the applicable Final Terms.

"Cap" means [●] per cent.

"Closing Level" means the Closing Level as defined in the Equity Index-Linked Interest Instruments Conditions of the relevant Asset.

"Downside Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetInitial} - \text{AssetFinal}}{\text{AssetInitial}}$$

"Early Laggard" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Determination Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.

"Early Outperformer" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Determination Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.

"Early Performance" means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetEarly}}{\text{AssetInitial}}$$

"Early Performance (Call Spread)" means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetEarly}}{\text{AssetInitial}} - 1$$

"Early Performance (Rolling Lookback)" means [, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetEarly}}{\text{AssetLookback}} - 1$$

"Early Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{AssetEarly} - \text{AssetInitial}}{\text{AssetInitial}}$$

"Enhanced Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Upside Performance}$$

"Final Laggard" shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.

"Final Outperformer" shall mean the Asset with the highest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.

"Final Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetFinal}}{\text{AssetInitial}}$$

"Final Performance (Call Spread)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetFinal}}{\text{AssetInitial}} - 1$$

"Final Performance (Lookback)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetFinal}}{\text{Max}[(\text{Participation} \times \text{AssetInitial}), \text{Observation Level}]}$$

"Final Performance (Temporis)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetFinal} - \text{AssetLookback}}{\text{AssetInitial}}$$

"Final Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{AssetFinal} - \text{AssetInitial}}{\text{AssetInitial}}$$

"**Floor**" means [●] per cent.

"**i**" shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

"**Intraday Level**" means the level of a Share Index observed by the Determination Agent at any time during the regular trading session hours of the relevant Exchange, without regard to after hours or any other trading outside of the regular trading session hours.

"**Max**" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

"**Min**" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

"**n**" shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

"**Observation Days**" means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].

"**Observation Level**" shall have the meaning expressed in the applicable Annex for the relevant Asset.

"**Opening Level**" means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official opening level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official opening level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Determination Agent.

"**Paid Interest**" means, in respect of an Instrument, the sum of all interest paid in respect of that Instrument from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

"**Participation**" means [●] per cent.

"**Range Condition**" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Determination Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum].

"**Range Days**" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

"**Rate of Interest**" shall mean in connection with the relevant Coupon Payout specified in these Final Terms: *[Insert one of:]*

[[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

(n * [●] per cent.);

[(n * [●] per cent.)] – Paid Interest;

Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];

$$\left([\bullet] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}} \right); \text{ or}$$

[the applicable percentage rate specified in the table in [this] paragraph [●] of these Final Terms]].

"Scheduled Observation Date(s)" means [the date(s) specified as such in these Final Terms] [each Scheduled Trading Day in the Observation Period].

"Single Asset" means a single Asset, as specified or determined as provided in the applicable Final Terms.

"t" shall mean the corresponding number related to a defined term within the Terms and Conditions as specified in the applicable Final Terms.

"Upside Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{AssetFinal} - (\text{Barrier} * \text{AssetInitial})}{\text{AssetInitial}}$$

"Valuation Date" means [the date(s) specified as such in these Final Terms] [each Scheduled Trading Day in the Observation Period] [and as further described in the applicable Annex for the relevant Asset].

"W" means the weighting in respect of the relevant Basket Asset, as specified in the table in [this] paragraph [●] of these Final Terms:

"Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Final Performance}$$

EQUITY INDEX-LINKED INTEREST INSTRUMENTS ANNEX

*The terms and conditions applicable to Equity Index-Linked Interest Instruments shall comprise the General Terms and Conditions of the Instruments; and the additional terms and conditions set out below (the "**Equity Index-Linked Interest Instruments Conditions**"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "**Terms and Conditions**") and, in each case subject to completion in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Conditions, the Equity Index-Linked Interest Instruments Conditions shall prevail. In the event of any inconsistency between (i) the General Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Conditions and (ii) the Final Terms, the Final Terms shall prevail.*

Defined terms used in this Equity Index-Linked Interest Instruments Annex or the related section of the Final Terms, where the same term may be used in another Annex shall have the meanings given in this Equity Index-Linked Interest Instruments Annex or in the section of the Final Terms relating to Equity Index-Linked Interest Instruments notwithstanding the same terms being used in another Annex or section of the Final Terms.

1. PAYMENT PROVISIONS

Part 1 – European Call

If Structure 1 is specified as applicable in the Final Terms the following terms will apply:

1. Single Share Index Linked Instruments

Single Share Index Linked Instruments means Instruments the payment of interest on which is linked to a single index of Shares not prepared by entities affiliated with the Issuer.

In relation to Single Share Index Linked Instruments only, the following terms will apply.

1.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$$

- (b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).

1.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

1.3 Definitions

"Coupon B" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"Coupon B Percentage" has the meaning given in the relevant Final Terms.

"Final Price" means the Official Closing Level of the Share Index on the Final Price Date.

"Final Price Date" has the meaning given in the relevant Final Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" has the meaning given in the relevant Final Terms.

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Strike Price**" means a percentage of the Initial Price as specified in the relevant Final Terms.

2. Share Index Basket Linked Instruments (Worst of European Call)

Share Index Basket Linked Instruments means Instruments the payment of interest on which is linked to a basket of indices of Shares not prepared by entities affiliated with the Issuer.

In relation to Share Index Basket Linked Instruments only, the following terms will apply.

2.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{FinalPrice}_{(a)} - \text{StrikePrice}_{(a)}}{\text{InitialPrice}_{(a)}} \right)$$

Where:

"**Final Price_(a)**" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price_(a)**" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price_(a)**" is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means $\left(\frac{\text{FinalPrice}}{\text{InitialPrice}} \right)$

- (b) Otherwise, Coupon B (which may be zero).

2.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

2.3 Definitions

"**Basket**" means each and every Share Index specified in the Final Terms.

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" has the meaning given in the Final Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

"Final Price Date" has the meaning given in the Final Terms.

"Initial Price" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

"Initial Price Date" has the meaning given in the Final Terms.

"Official Closing Level" means, on any day, the official closing level of the Share.

"Strike Price" means a percentage of the Initial Price as specified in the Final Terms.

Part 2 – European Call Up & Out

If Structure 2 is specified as applicable in the Final Terms the following terms will apply:

3. Single Share Index Linked Instruments

In relation to Single Share Index Linked Instruments only, the following terms will apply.

3.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:

- (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

3.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

3.3 Definitions

"Barrier A" means a percentage of the Initial Price as specified in the Final Terms.

"Coupon A Percentage" has the meaning given in the applicable Final Terms.

"Coupon A" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"Coupon C Percentage" has the meaning given in the applicable Final Terms.

"Coupon C" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

"Final Price Date" has the meaning given in the applicable Final Terms.

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Initial Price Date**" has the meaning given in the applicable Final Terms.

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Official Closing Level**" means, on any day, the official closing price of the Index.

Part 3 – Call Spread

If Structure 3 is specified as applicable in the Final Terms the following terms will apply:

4. Share Index Basket Linked Instruments

In relation to Share Index Basket Linked Instruments only, the following terms will apply.

4.1 Interest Amount

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \text{Min} \left(\text{Cap Level}; \frac{\sum_{i=1}^J \frac{\text{FinalPrice}_i - \text{InitialPrice}_i}{\text{InitialPrice}_i}}{J} \right)$$

Where:

"**Final Price_i**" is the Final Price of the Share Index_i.

"**Initial Price_i**" is the Initial Price of the Share Index_i.

"**J**" is the total number of Shares comprised in the Basket.

4.2 Redemption

On the Maturity Date, the Instruments will be redeemed at par and the Holders of the Instruments will receive, per Calculation Amount, an amount equal to the Calculation Amount.

4.3 Definitions

"**Basket**" means each and every Share Index specified in the applicable Final Terms.

"**Cap Level**" has the meaning given to it in the applicable Final Terms.

"**Final Price**" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"**Final Price Date**" has the meaning given to it in the applicable Final Terms.

"**Initial Price**" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"**Initial Price Determination Period**" has the meaning given to it in the applicable Final Terms.

"**Official Closing Level**" means on any day, the official closing level of a Share Index.

2. DISRUPTION, ADJUSTMENTS AND EXTRAORDINARY EVENTS

Part 1

Single Share Index Linked Instruments

This Part 1 (*Single Share Index Linked Instruments*) is applicable only in relation to Instruments specified in the applicable Final Terms as being Single Share Index Linked Instruments.

1. Definitions

Composite Index means any Share Index in respect of which the securities comprising such Share Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Determination Agent and provided that, notwithstanding this definition, the Determination Agent may elect to treat a Share Index as a Non-Composite Index if it determines this is appropriate.

Closing Level means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official closing level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Determination Agent.

Exchange: means (a) In the case of a Composite Index in respect of each component security of the Share Index (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Determination Agent; and (b) in the case of any Non-Composite Index, the relevant exchange or quotation system specified for such Share Index in the applicable Final Terms or if no such exchange or quotation system is specified for such Share Index in the Final Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Share Index Sponsor for the purposes of valuing the relevant price of such Component Security).

Exchange Business Day: means any Scheduled Trading Day on which: (a) in respect of a Non-Composite Index, the relevant Exchange and each relevant Related Exchange (if any) in respect of such Share Index is open for trading during its regular trading session, notwithstanding any such relevant Exchange or relevant Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Composite Index (i) the Share Index Sponsor publishes the level of the Share Index; and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day Convention: means any of the following, as specified in the applicable Final Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the applicable Final Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day.
- **Modified Following Business Day Convention:** if the date specified as Valuation Date in the applicable Final Terms is not an Exchange Business Day, the Valuation Date will be the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date will be the first preceding day that is an Exchange Business Day.

Final Valuation Date means the date specified as the Final Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

Initial Valuation Date means the date specified as the Initial Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

Non-Composite Index means a Share Index that is not a Composite Index (together "Non-Composite Indices").

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Related Exchange: means in respect of a Share Index, each exchange or quotation system specified as such in the Applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such temporary substitute exchange or quotation system as on the original Related Exchange).

Scheduled Closing Time: means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day: means any day on which: (a) in respect of a Share Index other than a Composite Index, the relevant Exchange and each Related Exchange (if any) is scheduled to be open for trading during its regular trading session, and (b) in respect of a Composite Index (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Share Index has the meaning set out in the applicable Final Terms.

Share Index Sponsor: means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

Trade Date means the date specified as such in relation to Equity Index-Linked Interest Instruments in the applicable Final Terms.

Valuation Date: the Initial Price Date, the Final Price Date and any other valuation date set out in the relevant Final Terms.

Valuation Time: means the Relevant Time specified in the applicable Final Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Share Index:
 - (i) for the purposes of determining whether a Market Disruption Event has occurred:
 - (A) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and
 - (B) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and
 - (ii) in all other circumstances, the time at which the Official Closing Level of the Share Index is calculated and published by the Share Index Sponsor; and
- (b) in the case of any Non-Composite Index, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the

specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

2. Market Disruption Events

2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for the Share Index shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

2.2 **"Market Disruption Events"** means either:

- (i) (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Share Index Sponsor as part of the market "opening data".

2.3 **"Trading Disruption"** means:

- (a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (i) relating to any Component Security on the Exchange in respect of such Component Security; or

- (ii) in futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (i) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index on any relevant Exchange(s); or
 - (ii) in futures or options contracts relating to such Share Index on any relevant Related Exchange.

2.4 **"Exchange Disruption"** means:

- (a) in case of a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for:
 - (i) any Component Security on the Exchange in respect of such Component Security; or
 - (ii) futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general:
 - (i) to effect transactions in, or obtain market values on any relevant Exchange(s) in Component Securities that comprise 20 per cent. or more of the level of the relevant Share Index, or
 - (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share Index on any relevant Related Exchange.

2.5 **"Early Closure"** means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of:
 - (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and
 - (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index, the closure on any Exchange Business Day with respect to such Share Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of:
 - (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day; and

- (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

2.6 **"Disrupted Day"** means:

- (a) In the case of a Composite Index, any Scheduled Trading Day on which:
 - (i) the Share Index Sponsor fails to publish the level of the Share Index;
 - (ii) the Related Exchange fails to open for trading during its regular trading session; or
 - (iii) a Market Disruption Event has occurred; and
- (b) In the case of any Non-Composite Index, any Scheduled Trading Day on which:
 - (i) the Exchange or the Related Exchange fails to open for trading during their regular trading session; or
 - (ii) a Market Disruption Event has occurred.

The Determination Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Determination Agent to notify the Issuer as set forth in the preceding sentence, failure by the Determination Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Instruments.

2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **Adjustments**

- 3.1 If the Share Index is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Determination Agent, or (ii) replaced by a successor sponsor acceptable to the Determination Agent, or (ii) replaced by a successor index using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the **"Successor Share Index"**) will be deemed to be the Share Index.
- 3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalisation and other routine events) (a **"Share Index Modification"**) or permanently cancels the Share Index and no Successor Share Index exists (a **"Share Index Cancellation"**) or (ii) on any Valuation Date in respect of this Instrument, the Share Index Sponsor fails to calculate and announce a relevant Share Index (a **"Share Index Disruption"**) and together with a Share Index Modification and a Share Index Cancellation, each a **"Share Index Adjustment Event"**), then the Determination Agent shall determine if such Share Index Adjustment Event has a material effect on the Instruments and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Final Price(s) and Barrier(s) and any other variable relevant to the payment of the coupon amount or other terms of the Instruments as the Determination Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Valuation Date as determined by the Determination Agent in accordance with the formula for and method of calculating that Share Index last in effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event.
- 3.3 Correction of Share Index

In the event that any price or level published on the Exchange or by the Share Index Sponsor and which is utilised for any calculation or determination made under the Instruments is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Holder of the Instruments of that correction and the Determination Agent will determine the amount that is payable or deliverable as a result of that correction.

"Settlement Cycle" means, in respect of the Share Index, the number of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Settlement Disruption Event" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. Additional Disruption Events

4.1 Definitions:

"Additional Disruption Event" means a Change in Law, Insolvency Filing or Hedging Disruption.

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

"Early Redemption Amount" is the result of dividing (i) the aggregate fair market value of the outstanding Instruments on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Instruments), by (ii) the number of outstanding Instruments.

"Hedging Disruption" means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realize, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

"Hedging Party(ies)" means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

"Insolvency Filing" means that the issuer of a Component Security institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the issuer of the Component Security shall not be deemed an Insolvency Filing.

4.2 Consequences: upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Instruments and therefore pay to the Holders the Early Redemption Amount calculated by the Determination Agent per each of the outstanding Instruments.

Part 2

Share Index Basket Linked Instruments

This Part 2 (*Share Index Basket Linked Instruments*) is applicable only in the applicable Final Terms as being Share Index Basket Linked Instruments.

1. Definitions

Composite Index means any Share Index in respect of which the securities comprising such Share Index are listed, traded or quoted on more than one exchange or quotation system as determined by the Determination Agent and provided that, notwithstanding this definition, the Determination Agent may elect to treat a Share Index as a Non-Composite Index if it determines this is appropriate.

Closing Level means, in relation to:

- (a) a Non-Composite Index, an amount equal to the official closing level of the Share Index as published by the relevant Share Index Sponsor;
- (b) a Composite Index, the official closing level of such Share Index as published by the relevant Share Index Sponsor; or

in each case as determined by the Determination Agent.

Exchange: means (a) in the case of a Composite Index, in respect of each component security of each of the Share Indices (each, a "**Component Security**"), the principal stock exchange on which such Component Security is principally traded, as determined by the Determination Agent; and (b) in the case of a Non-Composite Index, the relevant exchange or quotation system specified for such Share Index in the applicable Final Terms or if no such exchange or quotation system is specified for such Share Index in the Final Terms, the exchange or quotation system on which all or substantially all relevant Component Securities are listed (being for the avoidance of doubt, where any Component Security has more than one listing, the exchange or quotation system used by the relevant Share Index Sponsor for the purposes of valuing the relevant price of such Component Security).

Exchange Business Day: means, in respect of a basket of Share Indices any Scheduled Trading Day on which (a) in the case of any Composite Index: (i) the Share Index Sponsor publishes the level of such Composite Share Index; and (ii) each Exchange and each Related Exchange (if any) in respect of each Composite Index in the basket is open for trading during its regular trading session, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) in respect of a Non-Composite Index, each relevant Exchange and each Related Exchange (if any) is open for trading during its regular trading session in respect of all indices comprised in the basket, notwithstanding any such relevant Exchange or Related Exchange closing prior to its Scheduled Closing Time.

Exchange Business Day Convention: means any of the following, as specified in the applicable Final Terms:

- **Following Business Day Convention:** if the date specified as Valuation Date in the Applicable Final Terms is not an Exchange Business Day for any of the Indices, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day.
- **Modified Following Business Day Convention:** (in case the date specified as Valuation Date in the Applicable Final Terms is not an Exchange Business Day for any of the Share Indices comprised in the Basket, the Valuation Date will be deemed to be, only for that Share Index, the first succeeding Exchange Business Day unless that day falls in the next calendar month, in which case the Valuation Date for that Share Index will be the first preceding day that is an Exchange Business Day).

Final Valuation Date means the date specified as the Final Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

Initial Valuation Date means the date specified as the Initial Valuation Date in the applicable Final Terms, which shall be deemed to be a Valuation Date for the purposes of determining the consequences of any such day not being a Scheduled Trading Day or a Disrupted Day occurring on any such day in accordance with these Equity Index-Linked Interest Instruments Conditions.

Non-Composite Index means a Share Index that is not a Composite Index (together "Non-Composite Indices").

Observation Period means the period specified as the Observation Period in the applicable Final Terms.

Related Exchange: means in respect of each Share Index, each exchange or quotation system specified as such in the Applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share Index has temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to the futures options contracts relating to such Share Index or such temporary substitute exchange or quotation system as on the original Related Exchange).

Scheduled Closing Time: means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after hours or any other trading outside of the regular trading session hours.

Scheduled Trading Day: means (a) in respect of a Non-Composite Index, any day on which the relevant Exchange and each Related Exchange (if any) in respect of such Share Index is scheduled to be open for trading for its regular trading session, and (b) in respect of a Composite Index any day on which: (i) the Share Index Sponsor is scheduled to publish the level of the Share Index; and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session.

Share Index has the meaning set out in the applicable Final Terms.

Share Index Sponsor: means the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and the methods of calculation and adjustments, if any, related to the relevant Share Index and (b) announces (directly or through an agent) the level of the relevant Share Index on a regulated basis during each Scheduled Trading Day.

Trade Date means the date specified as such in relation to Equity Index-Linked Interest Instruments in the applicable Final Terms.

Valuation Date: the Initial Price Date, the Final Price Date and any other valuation date on the relevant Applicable Final Terms.

Valuation Time: means the Relevant Time specified in the applicable Final Terms or if not so specified:

- (a) in the case of a Composite Index, in respect of such Share Index:
 - (i) for the purposes of determining whether a Market Disruption Event has occurred:
 - (A) in respect of any Component Security, the Scheduled Closing Time on the Exchange in respect of such Component Security, and
 - (B) in respect of any options contracts or future contracts on the Share Index, the close of trading on the Related Exchange; and

- (ii) in all other circumstances, the time at which the Official Closing Level of the Share Index is calculated and published by the Share Index Sponsor; and
- (b) in the case of any Non-Composite Index, the Scheduled Closing Time on the Exchange on the relevant date. If the Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time shall be such actual closing time.

2. **Market Disruption Events**

- 2.1 If any Valuation Date is a Disrupted Day, then the Valuation Date for each Share Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and the Valuation Date for each Share Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day. In that case (i) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (ii) the Determination Agent shall determine the level of the Share Index as of the Valuation Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Share Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Valuation Time on that eighth Scheduled Trading Day of each security comprised in the Share Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Valuation Time on that eighth Scheduled Trading Day).

2.2 **Market Disruption Events:** means either:

- (i) (a) the occurrence or existence, in respect of any Component Security, of:
 - (1) a Trading Disruption in respect of such Component Security, which the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded;
 - (2) an Exchange Disruption in respect of such Component Security, which the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Valuation Time in respect of the Exchange on which such Component Security is principally traded; or
 - (3) an Early Closure in respect of such Component Security; and
- (b) the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists and comprises 20 per cent. or more of the level of the Share Index; or
- (ii) the occurrence or existence, in respect of futures or options contracts relating to the Share Index, of: (a) a Trading Disruption Event; (b) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the Valuation Time in respect of the Related Exchange; or (c) an Early Closure, in each case in respect of such futures or options contracts.

For the purposes of determining whether a Market Disruption Event exists in respect of a Component Security at any time, if a Market Disruption Event occurs in respect of such Component Security at that time, then the relevant percentage contribution of that Component Security to the level of the Share Index shall be based on a comparison of (x) the portion of the level of the Share Index attributable to that Component Security to (y) the overall level of the Share Index, in each case using the official opening weightings as published by the Sponsor as part of the market "opening data".

2.3 **"Trading Disruption"** means:

- (a) in the case of a Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (i) relating to any Component Security on the Exchange in respect of such Component Security, or
 - (ii) in futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of a Non-Composite Index, any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise:
 - (i) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Share Index on any relevant Exchange(s); or
 - (ii) in futures or options contracts relating to such Share Index on any relevant Related Exchange.

2.4 "Exchange Disruption" means:

- (a) in the case of a Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for:
 - (i) any Component Security on the Exchange in respect of such Component Security; or
 - (ii) futures or options contracts relating to the Share Index on the Related Exchange; and
- (b) in the case of any Non-Composite Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general:
 - (i) to effect transactions in, or obtain market values on any relevant Exchange(s) in Component Securities that comprise 20 per cent. or more of the level of the relevant Share Index, or
 - (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the relevant Share Index on any relevant Related Exchange.

2.5 "Early Closure" means:

- (a) in the case of a Composite Index, the closure on any Exchange Business Day of the Exchange in respect of any Component Security or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of:
 - (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and
 - (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the relevant Valuation Time on such Exchange Business Day; and
- (b) in the case of any Non-Composite Index, the closure on any Exchange Business Day with respect to such Share Index of any relevant Exchange(s) relating to Component Securities that comprise 20.00 per cent. or more of the level of such Index or any Related

Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of:

- (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day; and
- (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time on such Exchange Business Day.

2.6 **"Disrupted Day"** means:

- (a) In the case of a Composite Index, any Scheduled Trading Day on which:
 - (i) the Share Index Sponsor fails to publish the level of the Share Index;
 - (ii) the Related Exchange fails to open for trading during its regular trading session; or
 - (iii) a Market Disruption Event has occurred; and
- (b) In the case of any Non-Composite Index, any Scheduled Trading Day on which:
 - (i) the Exchange or the Related Exchange fails to open for trading during their regular trading session; or
 - (ii) a Market Disruption Event has occurred.

The Determination Agent shall as soon as reasonably practicable under the circumstances notify the Issuer of the occurrence of a Disrupted Day on any day that, but for the occurrence of a Disrupted Day, would have been a Valuation Date. Without limiting the obligation of the Determination Agent to notify the Issuer as set forth in the preceding sentence, failure by the Determination Agent to notify the Issuer of the occurrence of a Disrupted Day shall not affect the validity of the occurrence and effect of such Disrupted Day on the Instruments.

2.7 **"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

3. **Adjustments**

3.1 If any of the Share Indices is (i) not calculated and announced by the Share Index Sponsor but is calculated and announced by a successor sponsor acceptable to the Determination Agent, or (ii) replaced by a successor sponsor acceptable to the Determination Agent, or (ii) replaced by a successor index using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of that Share Index, then in each case that index (the "**Successor Share Index**") will be deemed to be the Share Index.

3.2 If (i) on or prior to any Valuation Date, the Share Index Sponsor of any of the Share Indices announces that it will make a material change in the formula for or the method of calculating that Share Index or in any other way materially modifies that Share Index (other than a modification prescribed in that formula or method to maintain that Share Index in the event of changes in constituent stock and capitalization and other routine events) (a "**Share Index Modification**") or permanently cancels the Share Index and no Successor Share Index exists (an "**Share Index Cancellation**") or (ii) on any Valuation Date respect of this Instrument, the Share Index Sponsor of any of the Indices fails to calculate and announce a relevant Share Index (an "**Share Index Disruption**") and together with a Share Index Modifications and a Share Index Cancellation, each an "**Share Index Adjustment Event**"), then the Determination Agent shall determine if such Share Index Adjustment Event has a material effect on the Instruments and, if so, shall calculate the relevant Strike Price(s), Initial Price(s), Final Price, Barrier, and any other variable relevant to the payment of the coupon amount or other terms of the Instruments as the Determination Agent determines appropriate to account for that Share Index Adjustment Event, using, in lieu of a published level for that Share Index, the level for that Share Index as at that Valuation Date as

determined by the Determination Agent in accordance with the formula for and method of calculating that Share Index last effect prior to the change, failure or cancellation, but using only those securities that comprised that Share Index immediately prior to that Share Index Adjustment Event;

3.3 Correction of Share Index

In the event that any price or level published on the Exchange or by the Share Index Sponsor of any of the Indices and which is utilized for any calculation or determination made under the Instruments is subsequently corrected and the correction is published by the Exchange or the Share Index Sponsor within one Settlement Cycle after the original publication, the Issuer may notify the Holder of the Instrument of that correction and the Determination Agent will determine the amount that is payable or deliverable as a result of that correction.

"Settlement Cycle" means, in respect of any the Indices, the period of Clearance System Business Days following a trade in such shares on the Exchange in which settlement will customarily occur according to the rules of the Exchange (if there are multiple Exchanges in respect of the Share Index, the longest such period).

"Clearance System Business Day" means, in respect of a clearance system, any day on which such clearance system is (but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions.

"Settlement Disruption Event" means, in respect of a Component Security, an event beyond the control of the Hedging Party(ies) as a result of which the relevant clearance system cannot clear the transfer of such Component Security.

4. Additional Disruption Events

4.1 Definitions:

"Additional Disruption Event" means any of the following events:

Change in Law: means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Hedging Party(ies) determine(s) in good faith that (X) it has become illegal to hold, acquire or dispose of Shares relating to the Hedging Transaction(s), or (Y) it will incur a materially increased cost in performing its obligations (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position).

Early Redemption Amount: is the result of dividing (i) the aggregate fair market value of the outstanding Instruments on such day as is selected by the Determination Agent in its sole and absolute discretion (provided that such day is not more than 15 days before the date fixed for redemption of the Instruments), by (ii) the number of outstanding Instruments.

Hedging Disruption: means that the Hedging Party(ies) is/are unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the equity price risk of entering into and performing its obligations, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), being both transaction(s) and asset(s) the Hedging Transaction(s).

Hedging Party(ies): means the Issuer and, if any, the entity with which the Issuer agrees the Hedging Transaction(s).

Insolvency Filing: means that the Share Issuer institutes or has instituted against it by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organization or the jurisdiction of its head or home office, or it consents to proceedings seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar

official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Issuer shall not be deemed an Insolvency Filing.

- 4.2 **Consequences:** upon becoming aware of the occurrence of an Additional Disruption Event, the Issuer may early redeem the Instruments and therefore pay to the Holders of the Instruments the Early Redemption Amount calculated by the Determination Agent for each of the outstanding Instruments.

INFLATION-LINKED INTEREST INSTRUMENTS ANNEX

The terms and conditions applicable to Inflation-Linked Interest Instruments shall comprise the General Terms and Conditions of the Instruments; and the additional terms and conditions set out below (the "**Inflation -Linked Interest Instruments Conditions**"), together with the Terms and Conditions as set out in each other Annex which is specified as applicable in the applicable Final Terms (together with the General Terms and Conditions, the "**Terms and Conditions**") and, in each case subject to completion in the applicable Final Terms. In the event of any inconsistency between the General Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Conditions, the Inflation-Linked Interest Instruments Conditions shall prevail. In the event of any inconsistency between (i) the General Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Conditions and (ii) the Final Terms, the Final Terms shall prevail.

Defined terms used in this Inflation-Linked Interest Instruments Annex or the related section of the Final Terms where the same term may be used in another Annex shall have the meanings given in this Inflation-Linked Interest Instruments Annex or in the Section of the Final Terms relating to Inflation Index Linked Instruments notwithstanding the same terms being used in another Annex or section of the Final Terms.

1. PAYMENT PROVISIONS

1.1 Formula for Rate of Interest and other optional provisions relating to Inflation-Linked Interest Instruments potentially to be included in the relevant Final Terms

Interest Rate

Unless previously redeemed or repurchased in accordance with the Terms and Conditions and the applicable Final Terms, the Rate of Interest for any Interest Period shall be an amount determined by the Determination Agent in accordance with the applicable formula, as follows, either:

- (1) If an Inflation Linked interest payment based on a fixed rate of interest is specified in the applicable Final Terms:

$$\text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]$$

OR

- (2) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate is specified in the applicable Final Terms:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

OR

- (3) If an Inflation Linked interest payment plus a Margin is specified in the applicable Final Terms:

$$(I_T/I_0) + \text{Margin}$$

OR

- (4) If an Inflation Linked interest payment plus a Margin subject to a minimum interest rate is specified in the applicable Final Terms:

$$\text{Max}[\text{Floor}; (I_T/I_0) + \text{Margin}]$$

OR

- (5) If an Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate is specified in the applicable Final Terms:

$$\text{Min}[\text{Cap}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

OR

- (6) If an Inflation Linked interest payment plus a Margin subject to a maximum interest rate is specified in the applicable Final Terms:

$$\text{Min}[\text{Cap}; (I_T/I_0) + \text{Margin}]$$

where:

"**Cap**" has the meaning given to it in the applicable Final Terms;

"**Fixed Rate of Interest**" has the meaning given to it in the applicable Final Terms;

"**I₀**" means Inflation Index observation level for Reference Month T_{start};

"**I_T**" means Inflation Index observation level for Reference Month T;

"**Floor**" has the meaning given to it in the applicable Final Terms;

"**Margin**" has the meaning given to it in the applicable Final Terms;

"**T**" has the meaning given to it in the applicable Final Terms; and

"**T_{start}**" has the meaning given to it in the applicable Final Terms.

2. INFLATION INDEX DESCRIPTION AND DISRUPTION PROVISIONS

2.1 Delay of Publication

If any level of an Inflation Index for a Reference Month which is relevant to the calculation of a payment under the Instruments (a "**Relevant Level**") has not been published or announced by the day that is five Business Days prior to the next Interest Payment Date or other relevant payment date under the Instruments or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, the Determination Agent shall determine a Substitute Inflation Index Level (in place of such Relevant Level) as follows:

- (a) if Related Bond is specified as applicable in the relevant Final Terms, the Determination Agent shall determine the Substitute Inflation Index Level by reference to the corresponding index level determined under the terms and conditions of the Related Bond; or
- (b) if (i) Related Bond is specified as not applicable in the relevant Final Terms, or (ii) the Determination Agent is not able to determine a Substitute Inflation Index Level under (a) above, the Determination Agent shall determine the Substitute Inflation Index Level by reference to the following formula:

$$[\text{Substitute Inflation Index Level} = \text{Base Level} \times (\text{Latest Level}/\text{Reference Level})]; \text{ or}$$

- (c) otherwise in accordance with any formula specified in the relevant Final Terms, where:

"**Base Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Inflation Index Level is being determined.

"**Latest Level**" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Inflation Index Level is being determined.

"Reference Level" means the level of the relevant Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, such Relevant Level will not be used in any calculations. The Substitute Inflation Index Level so determined pursuant to this Paragraph 1 (*Delay of Publication*), will be the definitive level for that Reference Month.

2.2 Cessation of Publication

If a level for the Inflation Index has not been published or announced for two consecutive months or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index then the Determination Agent shall determine a Successor Inflation Index (in lieu of any previously applicable Inflation Index) for the purposes of the Instruments by using the following methodology:

- (a) If at any time a Successor Inflation Index has been designated by the Determination Agent pursuant to the terms and conditions of the Related Bond, such Successor Inflation Index shall be designated a "Successor Inflation Index" for the purposes of all subsequent Specified Interest Payment Dates or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments, notwithstanding that any other Successor Inflation Index may previously have been determined under Paragraph 2.2(b), 2.2(c) or 2.2(d) below; or
- (b) If a Successor Inflation Index has not been determined under Paragraph 2.2(a) above and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement index specified by the Inflation Index Sponsor, and the Determination Agent determines that such replacement index is calculated using the same or a substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Instruments from the date that such replacement index comes into effect; or
- (c) If a Successor Inflation Index has not been determined under Paragraph 2.2(a), 2.2(b) above, the Determination Agent shall ask five leading independent dealers to state what the replacement Inflation Index for the Inflation Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If three responses are received, and two or more leading independent dealers state the same Inflation Index, this Inflation Index will be deemed the "Successor Inflation Index". If fewer than three responses are received, the Determination Agent will proceed to Paragraph 2.2(d) below; or
- (d) If no Successor Inflation Index has been deemed under Paragraph 2.2(a), 2.2(b) or 2.2(c) above by the fifth Business Day prior to the next Affected Payment Date the Determination Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed a "Successor Inflation Index"; the Determination Agent shall determine the method of determining the Relevant Level if no such alternative Inflation Index is available.

2.3 Rebasing of the Inflation Index

If the Determination Agent determines that an Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the **"Rebased Inflation Index"**) will be used for purposes of determining the level of such Inflation Index from the date of such rebasing; **provided, however, that** the Determination Agent shall make such adjustments as are made by the Determination Agent pursuant to the terms and conditions of the Related Bond, if any, to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as

the Inflation Index before it was rebased. If there is no Related Bond, the Determination Agent shall make adjustments to the levels of the Rebased Inflation Index so that the Rebased Inflation Index levels reflect the same rate of inflation as the Inflation Index before it was rebased. Any such rebasing shall not affect any prior payments made under the Instruments.

2.4 Material Modification Prior to Payment Date

If, on or prior to the day that is five Business Days before an Interest Payment Date or other relevant payment date in relation to the Instruments, an Inflation Index Sponsor announces that it will make a material change to an Inflation Index then the Determination Agent shall make any such adjustments to the Inflation Index consistent with adjustments made to the Related Bond, or, if there is no Related Bond, only those adjustments necessary for the modified Inflation Index to continue as the Inflation Index.

2.5 Manifest Error in Publication

If, within thirty days of publication and prior to the redemption of the Instruments or payments in respect of any relevant Interest Payment Date or other relevant payment date in relation to the Instruments, the Determination Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Determination Agent will notify the holders of the Instruments in accordance with Condition 13 of (i) that correction, (ii) the adjusted amount that is then payable under the Instruments as a result of that correction and (iii) take such other action as it may deem necessary to give effect to such correction, **provided that** any amount payable pursuant to sub-paragraph (ii) above shall be paid (with no interest accruing thereon) (a) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Instruments has occurred, within five Business Days after notice of such amount payable by the Determination Agent, (b) in connection with an Inflation Index Sponsor's correction to remedy a manifest error in the level of an Inflation Index for a Reference Month for which the Interest Payment Date or other relevant payment date in relation to the Instruments has not occurred, as an adjustment to the payment obligation on the next Specified Interest Payment Date or (c) if there is no further Interest Payment Date or other relevant payment date in relation to the Instruments, within five Business Days after notice of such amount payable by the Determination Agent.

2.6 Inflation Index Level Adjustment Correction

In relation to any Inflation Index, unless otherwise specified in the definition of the relevant Inflation Index set out in Section 5 (*Inflation Indices*) of this Inflation-Linked Interest Instruments Annex, as specified in the applicable Final Terms, either (i) the first publication or announcement of the level of the Inflation Index (disregarding estimates) by the relevant Inflation Index Sponsor for any Reference Month shall be final and conclusive and, subject to this Condition 2.6, later revisions to the level of the Inflation Index for such Reference Month will not be used in any calculations; or (ii) the first publication or announcement of a level of the Inflation Index (disregarding estimates) published by the relevant Inflation Index Sponsor or, if revised, any subsequent revision of such level for a Reference Month shall be final and conclusive for such Reference Month, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date, Maturity Date or any other payment in respect of the Instruments.

3. ADDITIONAL DISRUPTION EVENTS

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Instruments shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Instruments shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to any variable relevant to the redemption or

payment terms of the relevant Instruments and/or any other adjustment which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (c) If the Issuer determines that the relevant Instruments shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Instruments and the Issuer's obligations under the Instruments shall be satisfied in full upon payment in respect of each Instrument of an amount equal to the fair market value of such Instrument, on such day as is selected by the Determination Agent in its sole and absolute discretion (**provided that** such day is not more than 15 days before the date fixed for redemption of the Instrument), less the proportion attributable to that Instrument of the reasonable cost to the Issuer and/or any affiliate of, or the loss realised by the Issuer and/or any affiliate on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Determination Agent of the occurrence of an Additional Disruption Event.

4. DEFINITIONS

4.1 Definitions Applicable to Inflation-Linked Interest Instruments

In relation to Inflation-Linked Interest Instruments, the following expressions have the meanings set out below:

"Affected Payment Date" means each specified Interest Payment Date or other relevant payment date as may be specified in the applicable Final Terms in relation to the Instruments in respect of which an Inflation Index has not been published or announced;

"Additional Disruption Event" means, with respect to any Series of Instruments, a Change in Law or Hedging Disruption

"Change in Law" means that, on or after the Issue Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x) it has become illegal to hold, acquire or dispose of Hedge Positions or (y) it will incur a materially increased cost in performing its obligations with respect to the Instruments (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

"Fallback Bond" means a bond selected by the Determination Agent and issued by the government of the country to whose level of inflation the Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to the Inflation Index, with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Determination Agent. If the Inflation Index relates to the level of inflation across the European Monetary Union, the Determination Agent will select an inflation linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Determination Agent will select the Fallback Bond from those inflation linked bonds issued on or before the Issue Date and, if there is more than one inflation linked bond maturing on the same date, the Fallback Bond shall be selected by the Determination Agent from those bonds. If the Fallback Bond redeems the Determination Agent will select a new Fallback Bond on the same basis, but selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged);

"Hedge Positions" means any purchase, sale, entry into or maintenance of one or more (i) positions or contracts in securities, commodities, options, futures, derivatives or foreign

exchange, (ii) stock loan transactions or (iii) other instruments or arrangements (howsoever described) by a party in order to hedge, individually or on a portfolio basis, the Instruments;

"Hedging Disruption" means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Instruments, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

"Inflation Index" means any index specified as such in the applicable Final Terms which may be specified using the Inflation Indices described in Section 5 (*Inflation Indices*) of this Inflation-Linked Interest Instruments Annex;

"Inflation Index Sponsor" means, in respect of an Inflation Index, the entity specified as such in the relevant Final Terms or, if no entity is specified, the entity that publishes or announces (directly or through an agent) the level of the relevant Inflation Index;

"Reference Month" means the calendar month for which the level of the relevant Inflation Index was reported, regardless of when this information is published or announced. If the period for which the Inflation Index level was reported is a period other than a month, the Reference Month will be the period for which the Inflation Index level was reported;

"Related Bond" means the bond specified in the relevant Final Terms, or if no bond is so specified, the Fallback Bond. If the Related Bond is "Fallback Bond", then for any Related Bond determination under these Conditions, the Determination Agent shall use the Fallback Bond (as that is defined in this Section 4 (*Definitions*) hereof). If no bond is specified in the relevant Final Terms as the Related Bond and "Fallback Bond: Not applicable" is specified in the relevant Final Terms there will be no Related Bond. If a bond is selected as the Related Bond in the relevant Final Terms, and that bond redeems or matures before the relevant Maturity Date, unless "Fallback Bond: Not applicable" is specified in the relevant Final Terms, the Determination Agent shall use the Fallback Bond for any Related Bond determination;

"Substitute Inflation Index Level" means an Inflation Index level, determined by the Determination Agent pursuant to the provisions of Paragraph 1 (*Delay of Publication*) of this Section 4 (*Definitions*) of this Inflation-Linked Interest Instruments Annex, in respect of an Affected Payment Date; and

"Successor Inflation Index" has the meaning specified in Paragraph 2 (*Cessation of Publication*) of this Section 4 (*Definitions*) of this Inflation-Linked Interest Instruments Annex.

5. INFLATION INDICES

European Union

- (a) **"EUR – Excluding Tobacco-Non-revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"EUR – All Items-Non-revised Consumer Price Index"** means the "Non-revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"EUR – All Items-Revised Consumer Price Index"** means the "Revised Harmonised Index of Consumer Prices All Items", or relevant Successor Inflation Index, measuring the rate of inflation in the European Monetary Union expressed as an index and published by the relevant Inflation Index

Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to any relevant Interest Payment Date.

France

- (a) **"FRC – Excluding Tobacco-Non-Revised Consumer Price Index"** means the "Non-revised Index of Consumer Prices excluding Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in France excluding tobacco expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"FRC – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in France, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Spain

- (a) **"ESP – National-Revised Consumer Price Index (CPI)"** means the "Year on Year Revised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in Spain, expressed as an annual percentage and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (b) **"ESP – National-Non-revised Consumer Price Index (CPI)"** means the "Non-revised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ESP – Harmonised-Revised Consumer Price Index (HICP)"** means the "Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index, or, if revised, any subsequent revisions of such level for a Reference Month shall be final and conclusive, provided that such revisions are published or announced up to and including the day that is two Business Days prior to the relevant Interest Payment Date.
- (d) **"ESP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices including Tobacco", or relevant Successor Inflation Index, measuring the rate of inflation in Spain expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United Kingdom

- (a) **"GBP – Non-revised Retail Price Index (UKRPI)"** means the "Non-revised Retail Price Index All Items in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

- (b) **"GBP – Harmonised-Non-revised Consumer Price Index (HICP)"** means the "Non-revised Harmonised Index of Consumer Prices", or relevant Successor Inflation Index, measuring the rate of inflation in the United Kingdom, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"GBP – Non-revised Retail Price Index Excluding Mortgage Interest Payments (UKRPIX)"** means the "Non-revised Retail Price Index Excluding Mortgage Interest Payments in the United Kingdom", or relevant Successor Inflation Index, measuring the all items rate of inflation in the United Kingdom expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

United States

"USA – Non-revised Consumer Price Index – Urban (CPI-U)" means the "Non-revised index of Consumer Prices for All Urban Consumers (CPI-U) before seasonal adjustment", or relevant Successor Inflation Index, measuring the rate of inflation in the United States expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for such Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

Italy

- (a) **"ITL – Whole Community –Excluding Tobacco Consumer Price Index"** means the -Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) senza tabacchil, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (b) **"ITL – Whole Community –Including Tobacco Consumer Price Index"** means the -Indice nazionale dei prezzi al consumo per l'intera collettività (NIC) con tabacchil, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (c) **"ITL – Inflation for Blue Collar Workers and Employees–Excluding Tobacco Consumer Price Index"** means the -Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) senza tabacchil, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (d) **"ITL – Inflation for Blue Collar Workers and Employees–Including Tobacco Consumer Price Index"** means the -Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI) con tabacchil, or relevant Successor Inflation Index, measuring the rate of inflation in Italy expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.
- (e) **"ITL – Non-revised Harmonised Consumer Price Index (HICP)"** means the -Non-revised Harmonised Index of Consumer Prices, or relevant Successor Inflation Index, measuring the rate of inflation in Italy, expressed as an index and published by the relevant Inflation Index Sponsor. The first publication or announcement of a level of such index for a Reference Month shall be

final and conclusive and later revisions to the level for such Reference Month will not be used in any calculations.

PRO FORMA FINAL TERMS

The Final Terms in respect of each Tranche of Instruments will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Instruments and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated []

**[Santander International Debt, S.A. Unipersonal
Santander Issuances, S.A. Unipersonal]**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Instruments]

Guaranteed by Banco Santander, S.A.

under the **€32,000,000,000 Programme for the Issuance of Debt Instruments
guaranteed by Banco Santander, S.A.**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Instruments in Ireland, Germany or any other Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer of the Instruments may only do so in:

- (i) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) those Public Offer Jurisdictions mentioned in Paragraph 39 of Part A below, provided such person is one of the persons mentioned in Paragraph 39 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.]²

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in Ireland, Germany or any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a **Relevant Member State**) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances].^{3*}

The Base Prospectus together with the relevant Final Terms have been published on the websites on the Irish Stock Exchange (www.ise.ie) and the Central Bank of Ireland (<http://www.centralbank.ie>) in an agreed electronic format.

² Include this legend where a non-exempt offer of Instruments is anticipated.

³ Include this legend only where an exempt offer of Instruments is anticipated.

* Applicable only to securities with a denomination of less than EUR 100,000.

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the “**General Terms and Conditions**” and together with the applicable Annex(es) the “**Terms and Conditions**”) set forth in the Base Prospectus dated 21 June 2013 [and the Supplement[s] to the Base Prospectus dated [] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area)) (the **Prospectus Directive**). This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. [A summary of the individual issue is annexed to this Final Terms.]⁴ Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 21 June 2013 [as so supplemented]. [The Base Prospectus [and the Supplement[s] to the Base Prospectus] [is] [are] available for viewing at the registered office of each of the Issuers and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB and at the offices of each Paying Agent and copies may be obtained from the addresses specified above. The Base Prospectus has been published on the websites on the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (<http://www.centralbank.ie>).]

The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the General Terms and Conditions (the “**General Terms and Conditions**” and, together with the applicable Annex(es) the “**Terms and Conditions**”) set forth in the Base Prospectus dated []. This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area)), as amended (the **Prospectus Directive**) and must be read in conjunction with the Base Prospectus dated 21 June 2013 [and the supplement to the Base Prospectus dated []], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive, save in respect of the Conditions which are extracted from the Base Prospectus dated [] and are attached hereto. Full information on the Issuer, the Guarantor and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [] and [] [and the Supplement[s] to the Base Prospectus dated [] and []]. [The Base Prospectuses [and the Supplement[s] to the Base Prospectuses] are available for viewing at the registered office of each of the Issuers and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, Citibank, N.A., London Branch at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, the offices of the Irish Listing Agent, BNP Paribas Securities Services, Luxembourg Branch at 33, rue de Gasperich, Howald, Hesperange L-2085 Luxembourg and at the offices of each Paying Agent. The Base Prospectus has been published on the websites on the Irish Stock Exchange (www.ise.ie), the Central Bank of Ireland (<http://www.centralbank.ie>).]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

- | | | | |
|----|------|-------------|---|
| 1. | (i) | Issuer: | [Santander International Debt, S.A. Unipersonal/Santander Issuances, S.A. Unipersonal]. |
| | (ii) | Guarantor : | Banco Santander, S.A. |

⁴ Applicable only to securities with a denomination of less than EUR 100,000.

2. (i) Series Number: []
- [(ii)] Tranche Number: []
- [(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible).]
3. Applicable Annex(es) [Payout Annex] [Equity Index-Linked Interest Instruments Annex] [Inflation-Linked Interest Instruments Annex] [Not applicable]
4. Specified Currency: []
5. Aggregate Principal Amount: []
- (i) Series: []
- (ii) Tranche: []
6. Issue Price: [] per cent. of the Aggregate Principal Amount [plus accrued interest from [date] (if applicable)] / [] per cent per Instrument of [] specified denomination (the **Issue Price**)
7. Specified Denominations: []
8. Calculation Amount: [the Specified Denomination]
9. [(i)] Issue Date: []
- [(ii)] Interest Commencement Date: [] [Not Applicable]
10. Maturity Date: [Date or (for Floating Rate — Instruments) Interest Payment Date falling in the relevant month and year]
11. Interest Basis: [●% Fixed Rate]
[[reference rate] ●% Floating Rate]
[Equity Index-Linked Interest]
[Inflation-Linked Interest]
[CMS-Linked: [reference rate] +/- [] per cent]]
[Variable interest rate]
12. Redemption/Payment Basis: [Redemption at par]
[Partly Paid]
[Instalment]
13. Put/Call Options: [Investor Put]⁵
[Issuer Call]
[(further particulars specified below)]
14. [(i)] Status of the Instruments: [Senior/Subordinated]
- [(ii)] Status of the Guarantee: [Senior/Subordinated]
- [[(iii)] [Date [Board] approval for issuance of Instruments [and (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Instruments or related Guarantee)]*

⁵ Not applicable in the case of Subordinated Instruments.

Guarantee] obtained:

15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. **Fixed Rate Instrument Provisions** [Applicable/Not Applicable]
- (If applicable, Condition 4A of the Terms and Conditions of the Instruments will apply)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [] in each year [adjusted in accordance with [Business Day Convention]/[not adjusted].
- (iii) Fixed Coupon Amount[(s)]: [] per [] Nominal Amount
- (iv) Day Count Fraction: [30/360]/[360/360]/[Bond Basis]
- [30E/360]/ [EuroBond Basis]
- [Actual/Actual]/ [Actual/Actual (ISDA)]/[Act/Act]/[Act/Act(ISDA)]
- [Actual/365 (Fixed)]/ [Act/365 (Fixed)]/[A/365(Fixed)]/[A/365F]
- [Actual/Actual (ICMA)]/[Act/Act (ICMA)]
- [Actual/360]/[Act/360]/[A/360]
- [30E/360(ISDA)]
- (v) Determination Dates: [] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
(N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]) []
17. **Floating Rate and CMS-Linked Instrument Provisions** [Applicable/Not Applicable]
- (If applicable, Condition 4B of the Terms and Conditions of the Instruments will apply)*
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*

* Applicable only to securities with a denomination of less than EUR 100,000.

- (i) Interest Period(s): []
- (iii) Interest Payment Dates: []
- (iv) First Interest Payment Date: []
- (v) Business Day Convention: [FRN Convention/ Following Business Day Convention/ Modified Following Business Day Convention/No Adjustment]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): []
- (viii) Margin Plus Rate: [Applicable] [Not Applicable]
- (ix) Specified Percentage Multiplied by Rate: [Applicable] [Not Applicable]
- (x) Difference in Rates: [Applicable] [Not Applicable]
- (xi) [Screen Rate Determination of Rate] or [Screen Rate Determination of Rate 2 (in relation to Difference in Rates only)]:
- Reference Rate: [LIBOR][LIBID][LIMEAN][EURIBOR]
- Interest Determination Date(s): []
- Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
- Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
- (xii) ISDA Determination:
- Floating Rate Option: []
- Designated Maturity: []
- Reset Date: []
- (xiii) Margin(s): [+/-] [] per cent. per annum
- (xiv) Minimum Rate of Interest: [] per cent. per annum
- (xv) Maximum Rate of Interest: [] per cent. per annum

(xvi)	Day Count Fraction:	[Actual/Actual] [Actual/Actual(ISDA)] [Act/Act] [Act/Act(ISDA)] [Actual/365(Fixed)] [Act/365 (Fixed)] [A/365 (Fixed)] [A/365F] [Actual/Actual(ICMA)] [Act/Act(ICMA)] [Actual/360] [Act/360] [A/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360(ISDA)]
(xvii)	Step-up Provisions	[Applicable] [Not applicable]
18.	Equity Index-Linked Interest Instruments Provisions	[Applicable/Not Applicable] <i>(If applicable, Condition 4C of the Terms and Conditions of the Instruments and the Equity Index-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments will apply)</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
18. A	Structure 1	[Applicable/Not Applicable] <i>(If applicable, Part 1 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply)</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Type of Instruments:	[Single Share Index Linked Instruments] [Share Index Basket Linked Instruments] <i>[Delete as applicable]</i>
(ii)	Strike Price:	[] per cent. of Initial Price
(iii)	Coupon B Percentage:	[] per cent.
(iv)	Final Price Date:	[]
(v)	Initial Price Date:	[]
(vi)	Initial Price(s):	[] [as set out in the applicable part of the Equity Index-Linked Interest Instruments Annex]
(vii)	Share Index/Indices: <i>(in relation to Single Share Index Linked Notes and Share Index Basket Linked Notes only)</i>	<i>[(Share Index for Single Share Index Linked Instruments and each of the Share Indices for Share Index Basket Linked Instruments)]</i> [Not applicable]
18. B	Structure 2	[Applicable/Not Applicable] <i>(If applicable, Part 2 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply)</i> <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i>
(i)	Type of Instruments:	[Single Share Index Linked Instruments]
(ii)	Barrier A:	[] per cent. of Initial Price

- (iii) Coupon A Percentage: [] per cent.
- (iv) Coupon C Percentage: [] per cent.
- (v) Final Price Date: []
- (vi) Initial Price Date: []
- (vii) Initial Price: []
- (viii) Share Index/Indices: [Index]/[Not applicable]
- (ix) Share Index Sponsor(s): [Name of Share Index Sponsor(s)] [Not applicable]
- 18. Structure 3** [Applicable/Not Applicable]
C *(If applicable Part 3 of Section 1 Payment Provisions of the Equity Index-Linked Interest Instruments Annex will apply) (in relation to Share Index Basket Linked Instruments only)*
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Type of Instruments: [Share Index Basket Linked Instruments]
- (ii) Cap Level: []
- (iii) Final Price Date: []
- (iv) Initial Price Determination Period: []
- (v) Initial Price(s): [As set out in the applicable part of the Equity Index-Linked Interest Instruments Annex]
- (vi) Share Indices: [(Each of the Share Indices for Share Index Basket Linked Instruments)] [Not applicable]
- (vii) Share Index Sponsor(s): [Name of Share Index Sponsor(s)] [Not applicable]
- 19. Additional provisions applicable to Equity Index-Linked Interest Instruments** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Interest Payment Dates: []
- (ii) Interest Period: []
- (iii) Observation Period: []
- (iv) Determination Agent: []
- (v) Exchange(s): []
- (vi) Exchange Business Day Convention: [Following Business Day Convention] [Modified Following Business Day Convention] [No Adjustment]
- (vii) Related Exchange(s): []
- (viii) Valuation Time: [] [as set out in the Equity Index-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments] *[Delete as applicable]*
- (ix) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/No

		Adjustment]
(x)	Additional Financial Centre(s):	[Not applicable] [<i>Additional Financial Centre(s)</i>]
(xi)	Whether the Instruments relate to a single Index or a basket containing one or more Indices and identify each of the relevant Index(ices):	[Single Share Index/basket containing one or more Indices]
(xii)	Equity Index:	[Applicable] / [Not Applicable] <i>(If not applicable, delete the remaining sub-paragraphs of this paragraph)</i> (a) [<i>Name of Index (Composite Index or Non-Composite Index/Basket Index)</i>] (b) The relevant Index Sponsor is [<i>Name of Index Sponsor</i>] (c) Bloomberg Screen: [] <i>(In case of more than one Index repeat the prompts of this point set out in (xii) to (xvi) below.)</i>
(xiii)	Index Level:	[Opening Level] / [Intraday Level] / [Observation Level] / [Closing Level] <i>(NB:- If Observation Level is elected please include one of (a) the [lowest] [highest] Closing Level observed by the Determination Agent on the Scheduled Observation Dates or (b) the level of the [Index] observed by the Determination Agent in accordance with the definition of Index Level at or about the Relevant Time on the [Initial Valuation Date] [Scheduled Observation Date]).</i>
(xiv)	Exchange:	[The relevant Exchange(s)] [is/are] []
(xv)	Related Exchange:	[] / [All Exchanges]
(xvi)	Relevant Time:	[Scheduled Closing Time] / [The relevant time is [], being the time specified on the [Valuation Date/Averaging Date/Scheduled Observation Date] for the calculation of the Index.]
(xvii)	Scheduled Trading Day:	[] [as set out in the Equity Index-Linked Instruments Annex]
(xviii)	Market Disruption Events:	[Trading Disruption] / [Exchange Disruption] / [Early Closure] [Delete as applicable]
(xix)	Adjustments:	[Successor Share Index] / [Share Index Modification] / [Share Index Cancellation] / [Share Index Disruption] / [Share Index Adjustment Event] / [Delete as applicable]
(xx)	Additional Disruption Events:	[Applicable]/[Not applicable] (if not applicable, delete remaining parts of this item 26(xviii)) [The following Additional Disruption Events apply: [Change in Law] [Insolvency Filing] and/or [Hedging Disruption]]
(xxi)	Observation Level:	[Applicable / Not Applicable] <i>(N.B: if applicable please specify one of (a) the lowest Closing Level, (b) the highest Closing Level or (c) the level of the Index observed by the Determination Agent)</i>

20. **Inflation-Linked Instruments Provisions** **Interest** [Applicable/Not Applicable]
(If applicable, Condition 4C of the Terms and Conditions of the Instruments and the Inflation-Linked Interest Instruments Annex of the Terms and Conditions of the Instruments will apply)

(If not applicable, delete the remaining sub-paragraphs of this paragraph)

- (i) Interest Payment Dates: []
- (ii) Affected Payment Date: []
- (iii) Interest Period: []
- (iv) Determination Agent: []
- (v) (A) Rate of Interest: [Inflation Linked interest payment based on a fixed rate of interest] [Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate] [Inflation Linked interest payment plus Margin] [Inflation Linked interest payment plus a Margin subject to a minimum interest rate] [Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate] [Inflation Linked interest payment plus a Margin subject to a maximum interest rate] *[Delete as applicable]*

- (B) Fixed Rate of Interest: [] [Not applicable]

(C) T:	Interest Payment Date	T
	[day] [month] 20[●]	[day] [month] 20[●]
	[day] [month] 20[●]	[day] [month] 20[●]
	[day] [month] 20[●]	[day] [month] 20[●]

(D) T _{START} :	Interest Payment Date	T _{START}
	[day] [month] 20[●]	[day] [month] 20[●]
	[day] [month] 20[●]	[day] [month] 20[●]
	[day] [month] 20[●]	[day] [month] 20[●]

- (E) Cap: [] [Not applicable]
- (F) Floor: [] [Not applicable]
- (G) Margin: [] [Not applicable]
- (H) Reference Month: [] [Not applicable]
- (I) Reference Month T_{start}: [] [Not applicable]
- (J) Reference [] [Not applicable]

Month T:

- (vi) Inflation Index: []
- (vii) Inflation Index Sponsor: []
- (viii) Related Bond: *[Name and ISIN or other security identification code of Related Bond]* [Not applicable] [Fallback Bond] *[Delete as applicable]*
- (ix) Fallback Bond: [Applicable] [Not applicable]
- (x) Inflation Index Level Adjustment: *[See details in Section 4 of Inflation Index Linked Interest Instruments Annex to Terms and Conditions]* *[Option (i) as specified in Section 2.6 of Inflation Index Linked Interest Instruments Annex to the Terms and Conditions]* *[Option (ii) as specified in Section 2.6 of Inflation Index Linked Interest Instruments Annex to the Terms and Conditions]* *[Delete as applicable]*
- (xi) Business Day Convention: [FRN Convention/Following Business Day Convention/Modified Following Business Day Convention/No Adjustment] *[Delete as applicable]*
- (xii) Additional Financial Centre(s): [Name(s) of Additional Financial Centre(s)] [Not applicable]
- (xiii) Relevant Level: []

21. Key Dates relating to Variable Interest Rate Instruments (and if so specified applicable to other kind of Instruments)

- (i) Trade Date []
- (ii) Valuation Date(s): []/[Not applicable]
- (iii) Initial Valuation Date: []/[Not applicable]
- (iv) Final Valuation Date: []/[Not applicable]
- (v) Scheduled Observation Date(s): []/[Not applicable]
- (vi) Calculation Date(s): []/[Not applicable]
- (vii) Observation Date(s): []/[Not applicable]
- (viii) Averaging Dates: *[Averaging [applies/does not apply] to the Instruments.] [The Averaging Dates are []]*
[In the event than an Averaging Date is a Disrupted Day [Omission/Postponement/Modified Postponement] will apply]
- (ix) Specified Maximum Days of Disruption: *[[number] Scheduled Trading Days]/[Not applicable]*

PROVISIONS RELATING TO REDEMPTION

22. **Call Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(The clearing systems require a minimum of 5 business days notice if such an option is to be exercised)
- (i) Optional Early Redemption Date(s) (Call): []
- (ii) Optional Early Redemption Amount (Call) of each Instrument: [] per Instrument of [] specified denomination
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: []
- (b) Maximum Redemption Amount: []
- (iv) Notice period []
23. **Put Option** [Applicable/Not Applicable]⁶
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
(The clearing systems require a minimum of 15 business days notice if such an option is to be exercised)
- (i) Optional Early Redemption Date(s): []
- (ii) Optional Early Redemption Amount (Put) of each Instrument: [] per Instrument of [] specified denomination
- (iii) Notice period []
24. **Maturity Redemption Amount of each Instrument** [[] per Instrument of [] specified denomination/see Appendix]
25. **Early Redemption Amount (Tax)**
- Early Redemption Amount(s) of each Instrument payable on redemption for taxation reasons or on event of default: []

⁶ Not applicable in the case of Subordinated Instruments.

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

26. Form of Instruments:

Bearer/Registered.

[Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]

[Temporary Global Instrument exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice]

[Permanent Global Instrument exchangeable for Definitive Instruments [or Registered Instruments] on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument]

[Definitive Instruments may be exchanged for Registered Instruments]

27. New Global Note: ☐ [Yes] ☐ [No]
28. Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature): ☐ [Yes] ☐ [No] ☐ []
29. Details relating to Partly Paid Instruments: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Instruments and interest due on late payment]: ☐ [Yes] ☐ [No]
30. Business Day: ☐ [] *[Additional financial centres necessary for the purposes of Condition 8C.03 or any modification required.]*
31. Relevant Financial Centre: ☐ []
32. Relevant Financial Centre Day: *[Additional financial centres necessary for the purposes of Condition 8C.03, or 8A.05 (Bearer Instruments) or 8B.02 (Registered Instruments).]*
33. Amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"): ☐ [Not Applicable] ☐ []
34. Temporary Commissioner: ☐ []

DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and underwriting commitments: (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)
- (ii) Date of [Subscription Agreement] ☐ []⁷
36. If non-syndicated, name and address of Dealer/Manager: ☐ []
37. [Total commission and concession: ☒ [●] per cent. of the Aggregate Nominal Amount]
38. US Selling Restrictions: [Reg. S Compliance Category 2; TEFRA C/TEFRA D/ TEFRA not applicable]
39. Public Offer: ☐ [Not Applicable] / ☐ [An offer of the Instruments may be made by the relevant Dealer(s) appointed in the Final Terms [and/or *specify names of the financial intermediaries/placers receiving specific consent*] (each an "**Authorised Offeror**") other than

⁷ Applicable only to securities with a denomination of less than EUR 100,000.

pursuant to Article 3(2) of the Prospectus Directive in [*specify Ireland, Germany or any relevant Member State(s) where the Issuer intends to make the Public Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdictions**") during the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [●] Business Days thereafter"*] (the "**Offer Period**"). Copies of these Final Terms will be provided to the competent authorities in the Public Offer Jurisdictions.

(Consider walk-away rights if extending Offer Period beyond the Issue Date)

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] and admission to trading on [*regulated market*] of the Instruments described herein] pursuant to the €32,000,000,000 Programme for the Issuance of Debt Instruments of Santander International Debt, S.A. Unipersonal and Santander Issuances, S.A. Unipersonal guaranteed by Banco Santander, S.A.

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [*Relevant third party information*] has been extracted from [*source*]. [Each of the] [The] Issuers [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

CONFIRMED

[SANTANDER INTERNATIONAL DEBT, S.A. UNIPERSONAL/SANTANDER ISSUANCES, S.A. UNIPERSONAL]

By:

Authorised Signatory

Date

BANCO SANTANDER, S.A.

By:

Authorised Signatory

Date

PART B — OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on *[the Official List of the Irish Stock Exchange]* and admitted to trading on *[the Regulated Market of the Irish Stock Exchange]* with effect from [].]

[Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on *[the Official List of the Irish Stock Exchange]* and application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on *[the Regulated Market of the Irish Stock Exchange]* with effect from [].] [Not Applicable.]

(Where documenting a fungible issue need to indicate that original Instruments are already listed and admitted to trading.)

2. RATINGS

The Instruments to be issued have been rated:

[S&P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

[These credit ratings have been issued by Standard & Poor's Credit Market Services Europe Limited, [Moody's Investor Services España, S.A.] [and Fitch Ratings España, S.A.U.] [other].]

Each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.], [Fitch Ratings España, S.A.U.] and [Specify Other] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.], [Fitch Ratings España, S.A.U.] and [Specify Other] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

[[Insert the legal name of the relevant credit rating agency entity] is not established [in the European Union] and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). [Insert the legal name of relevant credit rating agency entity] is therefore not included in the list of credit rating agencies published by the European Securities and Market Authority on its website in accordance with such Regulation].

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. [INTERESTS 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 5.4 ("*Placing and Underwriting*") of the Base Prospectus, so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer."

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]]**

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i)]	Reasons for the offer	[]
		(See ["Use of Proceeds"] wording in Base Prospectus, if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)
		<i>(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*</i>
[(ii)]	Estimated net proceeds:	[]
[(iii)]	Estimated total ⁸ expenses :	[]
		[Include breakdown of expenses.]
		<i>(If the Instruments are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and</i>
		<i>(iii) above where disclosure is included at (i) above.)**</i>

5. [[Fixed Rate Instruments only— YIELD

Indication of yield:	[]
	As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]*

6. [Floating Rate Instruments only — HISTORIC INTEREST RATES

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

** [Required for derivative securities to which Annex XII to the Prospectus Directive Regulation applies. See footnote 2 above.]

* [Applicable only to securities with a denomination of less than EUR 100,000.]

⁸ For securities of at least EUR 100,000 only the estimated total expenses related to admission to trading should be included.

7. **[CMS Linked Notes Only – HISTORIC RATES**

Details of historic swap rates can be obtained from [Reuters].]

8. **[Inflation Linked Instruments, Equity Linked Instruments only — PERFORMANCE OF INDEX/OTHER VARIABLE, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the index/other variable can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident. [Where the underlying is an Inflation index or other index need to include the name of the index and insert a link or give other indication as to where further information about the Inflation Index or other index can be found] [Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]***

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive.)]

9. **OPERATIONAL INFORMATION**

ISIN: []

Common Code: []

WKN: [] [Not applicable]

Any other Clearing System other than Euroclear and Clearstream Banking, société anonyme and the relevant identification numbers: [Clearstream Banking AG for our German public offerings]
[Not applicable]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): []

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]
[Note that the designation "yes" simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Instruments 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 Instruments must be issued in NGN form]

10. **TERMS AND CONDITIONS OF THE OFFER***

[Applicable]/[Not applicable] (If *not applicable*, delete the remaining sub-paragraphs of this paragraph) [The Instruments will be offered to the public in each Public Offer Jurisdiction in accordance with the arrangements listed below]

* Applicable only to securities with a denomination of less than EUR 100,000.

Offer Price:	[Issue Price]
Offer Period:	[]
Conditions to which the offer is subject:	[]
Description of the application process:	[]
Possibility to reduce subscriptions:	[Applicable] [Not Applicable]
Details of the minimum and/or maximum amount of application:	Minimum amount of application: [] [Not Applicable] Maximum amount of application: [] [Not Applicable]
Details of the method and time limits for paying up and delivering the Instruments:	[]
Manner in and date on which results of the offer are to be made public:	[]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable] [According to Terms and Conditions's Section 5.1.8]
Categories of potential investors to which the Instruments are offered and whether tranche(s) have been reserved for certain countries:	This is disclosed in the Base Prospectus.
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[] [Not Applicable]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[] [Not Applicable]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/give details] [The Authorised Offerors are identified in Part A-39 above]

FORM OF ISSUE SPECIFIC SUMMARY

[Insert completed summary for the Instruments, unless minimum denomination is equal or greater than 100,000 Euro (or its equivalent in another currency)]

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	This summary should be read as an introduction to the Base Prospectus and the Final Terms. Any decision to invest in the Instruments should be based on a consideration of the Base Prospectus as a whole, including any documents incorporated by reference and the Final Terms. Where a claim relating to information contained in the Base Prospectus and the Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the Final Terms before the legal proceedings are initiated. No civil liability will attach to the Issuer or the Guarantor in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and the Final Terms or, if following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of the Base Prospectus and the Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Instruments.
A.2	Certain Tranches of Securities with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a “Public Offer”. <i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Instruments by the relevant Dealer(s) specified in the Final Terms [and/or] [names of specific financial intermediaries listed in final terms] (each an “Authorised Offeror”) and that publishes on its website the following statement (with the information in square brackets being completed with the relevant information): <i>"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Instruments] (the "Instruments") described in the Final Terms dated [insert date] (the "Final Terms") published by [Santander International Debt, S.A.U./Santander Issuances, S.A.U.] (the "Issuer"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland, Germany or any other relevant Member State] (the "Offer") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".</i> <i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Instruments during [offer period for the Instruments to be specified here] (the "Offer Period"). <i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in [specify Ireland, Germany or each Relevant Member State in which the particular Tranche of Instruments can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms].

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NONE OF THE ISSUER, THE GUARANTOR AND ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

SECTION B – ISSUER AND GUARANTOR

Element	
B.1	Legal and commercial name of the Issuer <i>[Santander International Debt, S.A.U./Santander Issuances, S.A.U.]</i>
B.2	Domicile / legal form / legislation / country of incorporation The registered office address of the Issuer is Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain. The Issuer was incorporated in Spain as a limited liability company (<i>sociedad anónima</i>) for an unlimited duration and is subject to the Consolidated Text of Law on Limited Liability Companies 1/2010 dated 2 July (<i>Texto Refundido de la Ley de Sociedades de Capital</i>) ("Spanish Corporations Law"). The Issuer is a wholly-owned subsidiary of Banco Santander, S.A. (the "Guarantor"). <i>[Santander International Debt, S.A.U. was incorporated in Spain by a public deed on 21 April 2004 and registered in the Mercantile Registry of Madrid on 5 May 2004] / [Santander Issuances, S.A.U. was incorporated in Spain by a public deed executed on 27 February 2004 and registered in the Mercantile Registry of Madrid on 2 March 2004].</i>
B.4b	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 we expect 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 Santander Group or that would cause the disclosed financial information not to be indicative of its future operating results or its financial condition: • a continued downturn in the Spanish and the United Kingdom real estate markets, and a corresponding increase in mortgage defaults, which could impact the Group's non performing loans and decrease consumer confidence and disposable income; • uncertainties relating to economic growth expectations and interest rates cycles, especially in the

	United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates; • the continued effect of the global economic slowdown on Europe and the US and fluctuations in local interest and exchange rates; • continued changes in the macroeconomic environment, such as sustained unemployment above historical levels, could further deteriorate the quality of the Group's customers' credit; • increases in the Group's cost of funding, partially as a result of the fragility of the Spanish, Portuguese, Irish and Greek economies, could adversely affect the Group's net interest margin as a consequence of timing differences in the repricing of the Group's assets and liabilities; • the effects of withdrawal of significant monetary and fiscal stimulus programs and uncertainty over government responses to growing public deficits; • continued instability and volatility in the financial markets; • a drop in the value of the euro relative to the US dollar, the sterling pound or Latin American currencies; • inflationary pressures, particularly in Latin America, because of the effect they may have in relation to increases of interest rates and decreases of growth; • increased consolidation of the global financial services sector, which could further reduce the Group's spreads; • although it is foreseeable that entry barriers to domestic markets in Europe will eventually be lowered, the Group's possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries; • acquisitions or restructurings of businesses that do not perform in accordance with the Group's expectations or that subject the Group to previously unknown risks; • increased regulation, government intervention and new laws prompted by the financial crisis which could change the Group's industry and require it to modify its businesses or operations; and • the risk of further reductions in liquidity and increases of credit spreads as a consequence of the crisis in the financial markets, which could affect not only the Group's cost of funding but also the value of its proprietary portfolios and the assets under the management of the Group.
B.5	Description of the Group Both the Issuer and the Guarantor are part of Santander Group (or, the “Group”). The Issuer is an instrumental company of the Guarantor which is the parent entity of the Santander Group. As of 31 December 2012, the Group was made up of 740 companies that consolidate by the global integration method. In addition, another 131 companies are either affiliate, multi-group or listed companies in which the Group has more than 5% of its share capital. From these 131 companies, the following are remarkable because of the results they have obtained: Attijariwafa Bank Société Anonyme, Federal Home Loan Bank of Pittsburg, Federal Reserve Bank of Boston, Metrovacesa, S.A., Santander Consumer USA Inc., and Saudi Hollandi Bank.

B.9	Profit forecast or estimate Not Applicable – no profit forecasts or estimates have been made in the Base Prospectus																																																
B.10	Audit report qualifications Not Applicable – no qualifications are contained in any audit report included in the Base Prospectus																																																
B.12	Selected historical key financial information The summarised financial statements of the Issuers as of, and for each of the years ended, 31 December 2011 and 31 December 2012 has been extracted without any adjustment from, and is qualified by reference to and should be read in conjunction with, the Issuers’ financial statements in respect of those dates and periods: <table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td></td><td>31 December 2012</td><td>31 December 2011</td></tr><tr><td>Santander International Debt</td><td></td><td></td></tr><tr><td>Total Assets</td><td>27,744,214</td><td>27,089,064</td></tr><tr><td>Deposits at Banco Santander</td><td>27,335,692</td><td>26,694,785</td></tr><tr><td>Debt instruments.....</td><td>27,379,905</td><td>26,713,716</td></tr><tr><td>Share Capital</td><td>180</td><td>180</td></tr><tr><td>Profit/(Loss).....</td><td>865</td><td>524</td></tr></table> <table><tr><td></td><td colspan="2">As at and for the year ended (in thousand euro)</td></tr><tr><td></td><td>31 December 2012</td><td>31 December 2011</td></tr><tr><td>Santander Issuances</td><td></td><td></td></tr><tr><td>Total Assets</td><td>9,873,939</td><td>9,830,541</td></tr><tr><td>Deposits at Banco Santander</td><td>9,755,947</td><td>9,688,753</td></tr><tr><td>Subordinated debt instruments</td><td>9,767,669</td><td>9,698,291</td></tr><tr><td>Share Capital</td><td>60</td><td>60</td></tr><tr><td>Profit/(Loss).....</td><td>561</td><td>170</td></tr></table>		As at and for the year ended (in thousand euro)			31 December 2012	31 December 2011	Santander International Debt			Total Assets	27,744,214	27,089,064	Deposits at Banco Santander	27,335,692	26,694,785	Debt instruments.....	27,379,905	26,713,716	Share Capital	180	180	Profit/(Loss).....	865	524		As at and for the year ended (in thousand euro)			31 December 2012	31 December 2011	Santander Issuances			Total Assets	9,873,939	9,830,541	Deposits at Banco Santander	9,755,947	9,688,753	Subordinated debt instruments	9,767,669	9,698,291	Share Capital	60	60	Profit/(Loss).....	561	170
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	Statements of no significant or material adverse change There has been no significant change in the financial position of the Issuer since 31 December 2012 and there has been no material adverse change in the prospects of the Issuer since 31 December 2012.																																																
B.13	Events impacting the Issuer’s solvency Not Applicable – There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer’s solvency																																																
B.14	Dependence upon other group entities The Issuer is an instrumental company of the Guarantor which is the parent entity of the Santander Group. Each Issuer’s sole business is raising debt to be on-lent to the Guarantor and other members of the Group on an arm’s length basis. Each Issuer is accordingly dependent upon the Guarantor and other members of the Group servicing such loans.																																																
B.15	Principal activities The Issuer’s business consists on the following: <i>[Santander International Debt, S.A.U.: the exclusive object of the company is to issue ordinary or senior debt with the guarantee of the Guarantor] / [Santander Issuances, S.A.U.: the exclusive object of the company is to issue subordinated debt with the guarantee of the Guarantor].</i>																																																

B.16	Controlling shareholders The Issuer is a wholly and directly owned subsidiary of the Guarantor.
B.17	Credit ratings Credit ratings have been carried by the following rating agencies in relation to the Instruments: <i>[describe ratings]</i>
B.18	Description of the Guarantee The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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 <i>pari passu</i> and rateably without preference among such obligations of the Guarantor in respect of Senior Instruments and at least <i>pari passu</i> with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee. The Guarantor will unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon de insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions), shall rank <i>pari passu</i> with all other present and future subordinated obligations of the Guarantor other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, other subordinated obligations of the Guarantor prescribed by law or which are expressed to rank junior to the Guarantor's obligations under the subordinated guarantee.
B.19	Information about the Guarantor
	B.1 Legal and commercial name of the Guarantor The legal name of the Guarantor is Banco Santander, S.A. and operates under the trading name of "Santander".
	B.2 Domicile / legal form / legislation / country of incorporation The Guarantor is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Guarantor are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Bank is +34 91 259 6520. The Guarantor was incorporated in Spain and has the legal form of a public limited liability company (<i>sociedad anónima</i>) and is subject to the Spanish Corporations Law. Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the Bank of Spain in particular.
	B.4b Trend information See Element B.4b above.

	B.5 Description of the Group See Element B.5 above.																																																																																																																																																																																																																																				
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positions</td><td>15,181</td><td>10,187</td></tr><tr><td>Equity instruments</td><td>5,492</td><td>4,744</td><td>Other financial liabilities</td><td>-</td><td>-</td></tr><tr><td>Trading derivatives</td><td>110,319</td><td>102,498</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>OTHER FINANCIAL LIABILITIES AT FAIR VALUE</td><td></td><td></td></tr><tr><td>OTHER FINANCIAL ASSETS AT FAIR VALUE</td><td></td><td></td><td>THROUGH PROFIT OR LOSS:</td><td>45,418</td><td>44,909</td></tr><tr><td>THROUGH PROFIT OR LOSS:</td><td>28,356</td><td>19,563</td><td>Deposits from central banks</td><td>1,014</td><td>1,510</td></tr><tr><td>Loans and advances to credit institutions</td><td>10,272</td><td>4,701</td><td>Deposits from credit institutions</td><td>10,862</td><td>8,232</td></tr><tr><td>Loans and advances to customers</td><td>13,936</td><td>11,748</td><td>Customer deposits</td><td>28,638</td><td>26,982</td></tr><tr><td>Debt 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advances to credit institutions</td><td>53,785</td><td>42,389</td><td>Subordinated liabilities</td><td>18,238</td><td>22,992</td></tr><tr><td>Loans and advances to customers</td><td>697,384</td><td>730,296</td><td>Other financial liabilities</td><td>19,245</td><td>18,221</td></tr><tr><td>Debt instruments</td><td>7,059</td><td>6,840</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</td><td>598</td><td>876</td></tr><tr><td></td><td></td><td></td><td>HEDGING DERIVATIVES</td><td>6,444</td><td>6,444</td></tr><tr><td>HELD-TO-MATURITY INVESTMENTS</td><td>-</td><td>-</td><td>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</td><td>1</td><td>42</td></tr><tr><td>CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</td><td>2,274</td><td>2,024</td><td>LIABILITIES UNDER INSURANCE CONTRACTS</td><td>1,425</td><td>517</td></tr><tr><td>HEDGING 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Debt instruments	43,101	52,704	Short positions	15,181	10,187																																																																																																																																																																																																																																
Equity instruments	5,492	4,744	Other financial liabilities	-	-																																																																																																																																																																																																																																
Trading derivatives	110,319	102,498																																																																																																																																																																																																																																			
			OTHER FINANCIAL LIABILITIES AT FAIR VALUE																																																																																																																																																																																																																																		
OTHER FINANCIAL ASSETS AT FAIR VALUE			THROUGH PROFIT OR LOSS:	45,418	44,909																																																																																																																																																																																																																																
THROUGH PROFIT OR LOSS:	28,356	19,563	Deposits from central banks	1,014	1,510																																																																																																																																																																																																																																
Loans and advances to credit institutions	10,272	4,701	Deposits from credit institutions	10,862	8,232																																																																																																																																																																																																																																
Loans and advances to customers	13,936	11,748	Customer deposits	28,638	26,982																																																																																																																																																																																																																																
Debt instruments	3,460	2,649	Marketable debt securities	4,904	8,185																																																																																																																																																																																																																																
Equity instruments	688	465	Subordinated liabilities	-	-																																																																																																																																																																																																																																
			Other financial liabilities	-	-																																																																																																																																																																																																																																
AVAILABLE-FOR-SALE FINANCIAL ASSETS:	92,266	86,613	FINANCIAL LIABILITIES AT AMORTISED COST:	959,321	935,669																																																																																																																																																																																																																																
Debt instruments	87,724	81,589	Deposits from central banks	50,938	34,996																																																																																																																																																																																																																																
Equity instruments	4,542	5,024	Deposits from credit institutions	80,732	81,373																																																																																																																																																																																																																																
			Customer deposits	589,104	588,977																																																																																																																																																																																																																																
LOANS AND RECEIVABLES:	758,228	779,525	Marketable debt securities	201,064	189,110																																																																																																																																																																																																																																
Loans and advances to credit institutions	53,785	42,389	Subordinated liabilities	18,238	22,992																																																																																																																																																																																																																																
Loans and advances to customers	697,384	730,296	Other financial liabilities	19,245	18,221																																																																																																																																																																																																																																
Debt instruments	7,059	6,840																																																																																																																																																																																																																																			
			CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	598	876																																																																																																																																																																																																																																
			HEDGING DERIVATIVES	6,444	6,444																																																																																																																																																																																																																																
HELD-TO-MATURITY INVESTMENTS	-	-	LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	1	42																																																																																																																																																																																																																																
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	2,274	2,024	LIABILITIES UNDER INSURANCE CONTRACTS	1,425	517																																																																																																																																																																																																																																
HEDGING DERIVATIVES	7,936	9,898	PROVISIONS:	12,872	15,572																																																																																																																																																																																																																																
			Provision for pensions and similar obligations	7,077	9,045																																																																																																																																																																																																																																
NON-CURRENT ASSETS HELD FOR SALE	4,330	5,338	Provisions for taxes and other legal contingencies	3,100	3,663																																																																																																																																																																																																																																
			Provisions for contingent liabilities and commitments	617	659																																																																																																																																																																																																																																
			Other provisions	2,078	2,205																																																																																																																																																																																																																																
INVESTMENTS:	4,454	4,155																																																																																																																																																																																																																																			
Associates	1,957	2,082	TAX LIABILITIES:	8,019	8,174																																																																																																																																																																																																																																
Jointly controlled entities	2,497	2,073	Current	5,162	5,101																																																																																																																																																																																																																																

			Deferred	2,857	3,073
INSURANCE CONTRACTS LINKED TO PENSIONS	405	2,146	OTHER LIABILITIES	7,962	9,516
			TOTAL LIABILITIES	1,185,302	1,168,667
REINSURANCE ASSETS	424	254	EQUITY		
TANGIBLE ASSETS:	13,860	13,846	SHAREHOLDERS' EQUITY:	81,244	80,896
Property, plant and equipment-	10,315	9,995	Share capital	5,161	4,455
For own use	8,136	7,797	Registered	5,161	4,455
Leased out under an operating lease	2,179	2,198	Less: Uncalled capital	-	-
Investment property	3,545	3,851	Share premium	37,412	31,223
			Reserves	37,153	32,980
			Accumulated reserves (losses)	36,898	32,921
INTANGIBLE ASSETS:	28,062	28,083	Reserves (losses) of entities accounted for using the equity method	255	59
Goodwill	24,626	25,089	Other equity instruments	250	8,708
Other intangible assets	3,436	2,994	Equity component of compound financial instruments	-	1,668
			Other	250	7,040
TAX ASSETS:	25,868	22,901	Less: Treasury shares	(287)	(251)
Current	6,111	5,140	Profit for the year attributable to the Parent	2,205	5,351
Deferred	19,757	17,761	Less: Dividends and remuneration	(650)	(1,570)
OTHER ASSETS	6,760	8,018	VALUATION ADJUSTMENTS	(6,590)	(4,482)
Inventories	173	319	Available-for-sale financial assets	(249)	(977)
Other	6,587	7,699	Cash flow hedges	(219)	(202)
			Hedges of net investments in foreign operations	(2,957)	(1,850)
			Exchange differences	(3,013)	(1,358)
			Non-current assets held for sale	-	-
			Entities accounted for using the equity method	(152)	(95)
			Other valuation adjustments	-	-
			NON-CONTROLLING INTERESTS	9,672	6,445
			Valuation adjustments	(46)	435
			Other	9,718	6,010
			TOTAL EQUITY	84,326	82,859
TOTAL ASSETS	1,269,628	1,251,526	TOTAL LIABILITIES AND EQUITY	1,269,628	1,251,526

(b) **Summarised Consolidated Balance Sheet for the three month periods ended 31 March 2013 and 2012**

Balance sheet

EUR million

			Variation	
	31.03.13	31.03.12	Amount	%
Assets				
Cash on hand and deposits at central banks	79,202	111,943	(32,741)	(29.2)
Trading portfolio	184,803	174,223	10,580	6.1
Debt securities	49,703	53,235	(3,532)	(6.6)
Customer loans	13,089	13,300	(211)	(1.6)
Equities	5,294	5,304	(9)	(0.2)
Trading derivatives	105,391	95,495	9,896	10.4
Deposits from credit institutions	11,326	6,889	4,437	64.4
Other financial assets at fair value	44,972	20,358	24,614	120.9
Customer loans	13,821	12,116	1,705	14.1
Other (deposits at credit institutions, debt securities and e	31,151	8,242	22,909	278.0
Available-for-sale financial assets	107,125	99,165	7,960	8.0
Debt securities	102,511	94,349	8,162	8.7
Equities	4,614	4,816	(202)	(4.2)
Loans	766,319	779,331	(13,012)	(1.7)
Deposits at credit institutions	61,898	52,924	8,974	17.0
Customer loans	696,904	719,533	(22,629)	(3.1)
Debt securities	7,517	6,874	644	9.4
Investments	4,729	4,685	43	0.9
Intangible assets and property and equipment	17,227	16,816	411	2.4
Goodwill	25,070	25,200	(131)	(0.5)
Other	52,253	51,117	1,136	2.2
Total assets	1,281,698	1,282,838	(1,140)	(0.1)
Liabilities and shareholders' equity				
Trading portfolio	154,089	149,125	4,964	3.3
Customer deposits	13,200	16,085	(2,885)	(17.9)
Marketable debt securities	1	74	(73)	(98.8)
Trading derivatives	105,624	96,889	8,734	9.0
Other	35,264	36,077	(813)	(2.3)
Other financial liabilities at fair value	59,422	47,490	11,932	25.1
Customer deposits	31,473	32,068	(595)	(1.9)
Marketable debt securities	5,650	5,247	403	7.7
Due to central banks and credit institutions	22,298	10,174	12,124	119.2
Financial liabilities at amortized cost	943,057	964,252	(21,195)	(2.2)
Due to central banks and credit institutions	103,375	124,780	(21,405)	(17.2)
Customer deposits	608,555	594,633	13,922	2.3
Marketable debt securities	195,091	201,697	(6,607)	(3.3)
Subordinated debt	17,828	22,821	(4,992)	(21.9)
Other financial liabilities	18,208	20,321	(2,113)	(10.4)
Insurance liabilities	1,263	717	545	76.0
Provisions	16,021	17,206	(1,185)	(6.9)
Other liability accounts	23,305	21,914	1,391	6.3
Total liabilities	1,197,157	1,200,705	(3,548)	(0.3)
Shareholders' equity	82,158	80,717	1,440	1.8
Capital stock	5,269	4,538	731	16.1
Reserves	75,683	74,552	1,131	1.5
Attributable profit to the Group	1,205	1,627	(422)	(25.9)
<i>Less: dividends</i>	—	—	—	—
Equity adjustments by valuation	(9,013)	(6,831)	(2,182)	31.9
Minority interests	11,397	8,247	3,150	38.2
Total equity	84,542	82,134	2,408	2.9
Total liabilities and equity	1,281,698	1,282,838	(1,140)	(0.1)

(c) Condensed Consolidated Income Statement of the Group for the years ended 31 December 2012 and 31 December 2011

	(Debit) Credit	
	2012	2011 (*)
Interest and similar income	59,024	60,856
Interest expense and similar charges	(28,877)	(30,035)
NET INTEREST INCOME	30,147	30,821
Income from equity instruments	423	394
Share of results of entities accounted for using the equity method	427	57
Fee and commission income	12,827	12,749
Fee and commission expense	(2,519)	(2,277)
Gains/losses on financial assets and liabilities (net)	3,329	2,838
<i>Held for trading</i>	1,460	2,113
<i>Other financial instruments at fair value through profit or loss</i>	159	21
<i>Financial instruments not measured at fair value through profit or loss</i>	1,789	803
<i>Other</i>	(79)	(99)
Exchange differences (net)	(189)	(522)
Other operating income	6,693	8,050
<i>Income from insurance and reinsurance contracts issued</i>	5,541	6,748
<i>Sales and income from the provision of non-financial services</i>	369	400
<i>Other</i>	783	902
Other operating expenses	(6,585)	(8,032)
<i>Expenses of insurance and reinsurance contracts</i>	(4,948)	(6,356)
<i>Changes in inventories</i>	(232)	(249)
<i>Other</i>	(1,405)	(1,427)
GROSS INCOME	44,553	44,078
Administrative expenses	(17,928)	(17,781)
<i>Staff costs</i>	(10,323)	(10,326)
<i>Other general administrative expenses</i>	(7,605)	(7,455)
Depreciation and amortisation charge	(2,189)	(2,109)
Provisions (net)	(1,622)	(2,601)
Impairment losses on financial assets (net)	(18,906)	(11,868)
<i>Loans and receivables</i>	(18,549)	(11,040)
<i>Other financial instruments not measured at fair value through profit or loss</i>	(357)	(828)
PROFIT FROM OPERATIONS	3,908	9,719
Impairment losses on other assets (net)	(508)	(1,517)
<i>Goodwill and other intangible assets</i>	(151)	(1,161)
<i>Other assets</i>	(357)	(356)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	906	1,846
Gains from bargain purchases arising in business combinations	-	-
Gains/(losses) on non-current assets held for sale not classified as discontinued operations	(757)	(2,109)
PROFIT BEFORE TAX	3,549	7,939
Income tax	(575)	(1,776)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	2,974	6,163
LOSS FROM DISCONTINUED OPERATIONS (Net)	(7)	(24)
CONSOLIDATED PROFIT FOR THE YEAR	2,967	6,139
Profit attributable to the Parent	2,205	5,351
Profit attributable to non-controlling interests	762	788

(d) Condensed Consolidated Income Statement of the Group for the periods ended 31 March 2013 and 2012

Income statement				
EUR million				
			Variation	
	Q1 '13	Q1 '12	Amount	%
Net interest income	6,652	7,763	(1,111)	(14.3)
Net fees	2,516	2,612	(96)	(3.7)
Gains (losses) on financial transactions	969	797	171	21.5
Other operating income	154	114	39	34.4
Dividends	59	61	(2)	(4.0)
Income from equity-accounted method	154	136	18	13.6
Other operating income/expenses	(59)	(83)	23	(28.3)
Gross income	10,290	11,287	(997)	(8.8)
Operating expenses	(4,996)	(5,043)	46	(0.9)
General administrative expenses	(4,428)	(4,519)	91	(2.0)
Personnel	(2,582)	(2,634)	52	(2.0)
Other general administrative expenses	(1,846)	(1,885)	40	(2.1)
Depreciation and amortisation	(569)	(524)	(45)	8.6
Net operating income	5,294	6,244	(950)	(15.2)
Net loan-loss provisions	(2,919)	(3,118)	199	(6.4)
Impairment losses on other assets	(110)	(83)	(27)	33.2
Other income	(261)	(487)	226	(46.4)
Ordinary profit before taxes	2,003	2,556	(553)	(21.6)
Tax on profit	(496)	(720)	224	(31.2)
Ordinary profit from continuing operations	1,508	1,836	(328)	(17.9)
Net profit from discontinued operations	—	17	(17)	(100.0)
Ordinary consolidated profit	1,508	1,853	(346)	(18.6)
Minority interests	303	227	76	33.7
Ordinary attributable profit to the Group	1,205	1,627	(422)	(25.9)
Net capital gains and provisions	—	—	—	—
Attributable profit to the Group	1,205	1,627	(422)	(25.9)
Statements of no significant or material adverse change				
There has been no significant change in the financial position of the Santander Group (including the Guarantor) since 31 December 2012 and there has been no material adverse change in the prospects of the Guarantor since 31 March 2013.				
B.13 Events impacting the Guarantor's solvency				
Not Applicable - There are no recent events particular to the Guarantor which are to a material extent relevant to an evaluation of its solvency				
B.14 Dependence upon other Group entities				
The Guarantor is the Parent Company of the Santander Group. The Guarantor is not dependent upon any other entity in the Group.				
B.15 The Guarantor's Principal activities				
The Guarantor and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the United Kingdom and other European countries, Brazil and other Latin American countries and the US, offering wide range of financial products.				
At 31 December 2012, the Santander Group operated through 6,437 branch offices in Continental Europe, 1,189 branches in the United Kingdom, 6,044 branches in Latin America and 722 branches in the United States.				

SECTION C – SECURITIES

Element	
C.1	Type and class of the Securities • [Title of Securities] • [Senior Instruments / Subordinated Instruments] • [Fixed / Floating rate interest / CMS Linked] • Variable Interest Rate • [Equity Index-Linked/ Inflation-Linked Interest] • Tranche:[...] • Series: [] • [Bearer / Registered Instruments] • ISIN Code: [...] / Common Code [...] / WKN Code [...]
C.2	Currency of the Securities [Euro / US Dollar / any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements.]
C.5	Restrictions on free transferability The Instruments may not be transferred prior to the issue date. Selling restrictions apply to offers, sales or transfers of the Instruments under the applicable laws in various jurisdictions. A purchaser

	of the Instruments is required to make certain agreements and representations as a condition to purchasing the Instruments. Minimum tradeable amount: [●] / [not applicable] With regards to Spain, the Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law (<i>Law 24/1988 of 28 July of the Securities Market</i>), as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.
C.8	Description of the rights attaching to the Securities Status: <i>[The Senior Instruments, issued by Santander International, and the receipts and coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of Santander International and, upon the insolvency of Santander International (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (Ley Concursal) of 9 July 2003 (the "Insolvency Law" or "Law 22/2003") 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 preference among themselves and the payment obligations of Santander International under the Senior Instruments, receipts and coupons related to them rank at least pari passu with all other unsecured and unsubordinated indebtedness and monetary obligations involving or otherwise related to borrowed money of Santander International, present or future.] / [The Subordinated Instruments, issued by Santander Issuances, constitute direct, unconditional, subordinated and unsecured obligations of Santander Issuances and, upon the insolvency of Santander Issuances (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank without preference or priority among themselves together with all other subordinated obligations of Santander Issuances other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, other subordinated obligations prescribed by law or which are expressed to rank junior to the Subordinated Instruments.]</i> Guarantees: <i>[The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by Santander International under the Senior Instruments, receipts and coupons on an unsubordinated basis. Such obligations constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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 preference among such obligations of the Guarantor in respect of Senior Instruments and at least pari passu with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the senior guarantee. / The Guarantor has unconditionally and irrevocably guarantee, on a subordinated basis, the due and punctual payment of all the sums expressed to be payable by Santander Issuances under the relevant Subordinated Instruments. Such obligations of the Guarantor constitute direct, unconditional, subordinated and unsecured obligations which, upon de insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions</i>

which replace them in the future, and subject to any applicable legal and statutory exceptions), shall rank *pari passu* with all other present and future subordinated obligations of the Guarantor other than those subordinated obligations pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provision which replace them in the future, other subordinated obligations of the Guarantor prescribed by law or which are expressed to rank junior to the Guarantor's obligations under the subordinated guarantee.]

Deed of covenant: The Instruments have the benefit of a deed of covenant dated 21 June 2013.

Taxation: All amounts payable in respect of the Instruments, the receipts and coupons, the senior guarantee and the subordinated guarantee by the Issuer or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the holder of any Instrument or coupon of such amounts as would have been received by them had no such withholding or deduction been required.

Under Spanish Law 13/1985 and Royal Decree 1065/2007, each as amended, the Issuer and the Guarantor is required to provide to the Spanish tax authorities certain information relating to the Instruments. If Citibank, N.A., London Branch. (the "**Issue and Paying Agent**") fails to provide the Issuer or, as the case may be, the Guarantor with the required information, the Issuer or the Guarantor (as the case may be) will be required to withhold tax and may pay income in respect of the relevant Instruments net of the Spanish withholding tax applicable to such payments.

None of the Issuer, the Guarantor, [●], [●], [●] (the **Dealers**) assumes any responsibility therefor.

Events of Default:

[Applicable in case of Senior Instruments]: [Non-payment, breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of the Issuer or the Guarantor and if the senior guarantee ceases to be a valid and binding obligation of the Guarantor.] /

[Applicable in case of Subordinated Instruments]: [Breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of Santander Issuances or the Guarantor and if the subordinated guarantee ceases to be a valid and binding obligation of the Guarantor.]

Governing law:

The issue of the Instruments, including their legal nature (*obligaciones u otros valores que reconozcan o creen deuda*), the status of the Instruments, the status of the guarantee in respect of the Instruments, the capacity of the Issuer, the relevant corporate resolutions and, when required, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Instruments will be governed by Spanish law.

The terms and conditions of the Instruments, the Issue and Paying Agency Agreement, the Deed of Covenant and, save for, in each case, the status of the guarantee, the *[Deed of Senior Guarantee] / [Deed of Subordinated Guarantee]* and all non-contractual obligations arising out of or in connection with the terms and conditions of the Instruments, the Issue and Paying Agency

	Agreement, the Deed of Covenant, the [Deed of Senior Guarantee] / [Deed of Subordinated Guarantee], are governed by English law.								
C.9	Payment Features								
[Issue specific summary: <table> <tr> <td>Issue Price:</td><td>[[●] per cent of the Aggregate Nominal Amount/[●] per Instrument]</td></tr> <tr> <td>Issue Date:</td><td>[●]</td></tr> <tr> <td>Calculation Amount:</td><td>[●]</td></tr> <tr> <td>Maturity Date :</td><td>[●]</td></tr> </table>		Issue Price:	[[●] per cent of the Aggregate Nominal Amount/[●] per Instrument]	Issue Date:	[●]	Calculation Amount:	[●]	Maturity Date :	[●]
Issue Price:	[[●] per cent of the Aggregate Nominal Amount/[●] per Instrument]								
Issue Date:	[●]								
Calculation Amount:	[●]								
Maturity Date :	[●]								
Set out relevant payment features below, completing or, where not relevant, deleting the following provisions:									
A. For variable interest rate Instruments, the following Interest Payment Options apply: [Interest Payment Option 1 Calculation Amount * Rate of Interest] [Interest Payment Option 2 (1) If the Barrier Condition is satisfied: Calculation Amount * Rate of Interest _{n=1}; or (2) If the Barrier Condition is not satisfied: Calculation Amount * Rate of Interest _{n=2}] Interest amounts if any become due on the relevant Interest Payment Date(s) specified below. [The yield of the Instruments is [●]. The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.(insert if Fixed Rate Instruments only)]									
Set out the relevant definitions from the below, completing or, where not relevant, deleting the following provisions:									
For these purposes: "Asset" means in relation to the relevant Asset Class, a Single Asset or a constituent of a Basket Asset. "Asset Class" means [equity index(ices)] [and]/inflation index(ices). "Asset Early" [means the] [Max] [Min] [Asset Level] [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level] [Observation Level] [is as specified in the table below: insert table] [,] [Barrier]. "Asset Early Performance" means the [Early Performance] [Early Performance (Call Spread)] [Early Performance (Rolling Lookback)] [Early Weighted Performance] of the [Asset] [Early Laggard] [Early Outperformer].									

"**Asset Final**" means [the] [Max] [Min] [Asset Level on the Final Valuation Date] [Average Level] [,] [Observation Level].

"**Asset Final Performance**" means the [Final Performance] [Final Performance (Call Spread)] [Final Performance (Lookback)] [Final Performance (Temporis)] [Final Weighted Performance] [Enhanced Weighted Performance] [Upside Performance] [Downside Performance] [Weighted Performance] of the [Asset] [Final Laggard] [Final Outperformer].

"**Asset Initial**" means [the] [Max] [Min] [Asset Level on the Initial Valuation Date] [Average Level] [Observation Level] [,] [Barrier].

"**Asset Level**" means the [Opening Level] [Closing Level] [Intraday Level] [Observation Level] of the relevant Asset.

"**Asset Lookback**" [means the] [Asset Level [on the relevant [Scheduled Observation Date] [Valuation Date] [Calculation Date]] [Average Level], [is as specified in the table below: insert table].

"**Average Level**" means the arithmetic average of each [Opening Level] [Closing Level] [Intraday Level] [Observation Level] observed by the Determination Agent on each Averaging Date.

"**Averaging Date**" means each of [●].

"**Barrier**" means [[●] per cent.] [n * [●] per cent.] [Asset Initial * [●] per cent.] [Asset Initial * n * [●] per cent.] [Asset Early * [●] per cent.] [Asset Early * n * [●] per cent.] [Asset Lookback * [●] per cent.] [Asset Lookback * n * [●] per cent.].

"**Barrier (Early)**" means:

(a) where Barrier Condition Early (European) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

(b) where Barrier Condition Early (Bermudan) is applicable:

[[●] per cent.] [n * [●] per cent.]; or

(c) where Barrier Condition Early (American) is applicable:

[Asset Initial * [●] per cent.] / [Asset Initial * [●] per cent. * n].

"**Barrier (Final)**" means:

(a) where Barrier Condition Final (European) is applicable, [●] per cent.; or

(b) where Barrier Condition Final (American) is applicable, Asset Initial * [●] per cent.

"**Barrier Condition**" shall mean [Barrier Condition Early] [Barrier Condition Final].

"**Barrier Condition Early**" shall mean [Barrier Condition Early (European)] [Barrier Condition Early (Bermudan)] [Barrier Condition Early (American)].

"Barrier Condition Early (American)" shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] [related to the relevant Barrier Early Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is at [all] [the] [any] time[s] greater than [or equal to] Barrier (Early).

"Barrier Condition Early (Bermudan)" shall be deemed satisfied if the Determination Agent determines that on any [Scheduled Observation Date] [Valuation Date] [Calculation Date] [during the Observation Period], Asset Early Performance is greater than [or equal to] Barrier (Early).

"Barrier Condition Early (European)" shall be deemed satisfied if the Determination Agent determines that on [the relevant] [each] [Scheduled Observation Date] [Valuation Date] [Calculation Date], Asset Early Performance is greater than [or equal to] Barrier (Early).

"Barrier Condition Final" shall mean [Barrier Condition Final (European)] [Barrier Condition Final (American)].

"Barrier Condition Final (American)" shall be deemed satisfied if the Determination Agent determines that on [each] [any] [Scheduled Observation Date] [Valuation Date] [Calculation Date] the Asset Level of [each] [any] [the] [Basket] Asset is [at] [all] [any] [time[s]] greater than [or equal to] Barrier (Final).

"Barrier Condition Final (European)" shall be deemed satisfied if the Determination Agent determines that on the Final Valuation Date the Asset Final Performance is greater than [or equal to] Barrier (Final).

"Barrier Early Calculation Date" means [date to be specified] [each Scheduled Observation Date] [Valuation Date] [Calculation Date].

"Barrier Return" shall mean an amount determined by the Determination Agent in accordance with the following methodology:-

(a) if Asset Final Performance is greater than [or equal to] the Barrier,

[●] per cent.

(b) if Asset Final Performance is less than [or equal to] the Barrier:

Max[(Cap [+/-] (Participation * Asset Final Performance)), Floor]

"Basket Asset" means an Asset that is a constituent of a basket of Assets.

"Cap" means [●] per cent.

"Closing Level" means, the closing level of the relevant Asset.

"Downside Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Initial} - \text{Asset Final}}{\text{Asset Initial}}$$

"Early Laggard" shall mean in relation to the [Scheduled Observation Date],[Valuation Date],[Calculation Date], the Asset with the lowest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the

Determination Agent shall select any such [Basket] Asset as the Early Laggard acting in good faith and in a commercially reasonable manner.

"Early Outperformer" shall mean in relation to the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Asset with the highest calculated Early Performance, as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more [Basket] Assets have the same Early Performance as of the [Scheduled Observation Date] [Valuation Date] [Calculation Date], the Determination Agent shall select any such [Basket] Asset as the Early Outperformer acting in good faith and in a commercially reasonable manner.

"Early Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}}$$

"Early Performance (Call Spread)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Initial}} - 1$$

"Early Performance (Rolling Lookback)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Early}}{\text{Asset Lookback}} - 1$$

"Early Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Early} - \text{Asset Initial}}{\text{Asset Initial}}$$

"Enhanced Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Upside Performance}$$

"Final Laggard" shall mean the Asset with the lowest [calculated Downside Performance] [calculated Final Performance] [calculated Upside Performance] [Observation Level] as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Laggard acting in good faith and in a commercially reasonable manner.

"Final Outperformer" shall mean the Asset with the highest [calculated Downside Performance]

[calculated Final Performance] [calculated Upside Performance] [Observation Level], as determined by the Determination Agent in respect of the relevant date. For the avoidance of doubt, if two or more Assets in the Basket have the same [Downside Performance as of the Final Valuation Date] [Final Performance as of the Final Valuation Date] [Upside Performance as of the Final Valuation Date] [Observation Level], the Determination Agent shall select any such Asset as the Final Outperformer acting in good faith and in a commercially reasonable manner.

"Final Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}}$$

"Final Performance (Call Spread)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Asset Initial}} - 1$$

"Final Performance (Lookback)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Final}}{\text{Max}[(\text{Participation} \times \text{Asset Initial}), \text{Observation Level}]}$$

"Final Performance (Temporis)" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Final} - \text{Asset Lookback}}{\text{Asset Initial}}$$

"Final Valuation Date" means [●].

"Final Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W \times \frac{\text{Asset Final} - \text{Asset Initial}}{\text{Asset Initial}}$$

"Floor" means [●] per cent.

"i" shall mean the corresponding number related to a defined term within the Conditions as specified herein.

"Initial Valuation Date" means [●].

"Interest Payment Date(s)" means [●].

"Intraday Level" means the intraday level of the relevant Asset.

"Max" followed by a series of amounts inside brackets, means whichever is the greater of the amounts separated by a comma inside those brackets.

"Min" followed by a series of amounts inside brackets, means whichever is the lesser of the amounts separated by a comma inside those brackets.

"n" shall mean the corresponding number related to a defined term within the Conditions as specified herein.

"Observation Days" means the total number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period].

"Observation Level" means [the Opening Level] [the lowest Closing Level observed on each Scheduled Observation Date] [the highest Closing Level observed on each Scheduled Observation Date] [the level of the Asset] [the Rate of Interest] observed by the Determination Agent on the relevant [Initial Valuation Date] [Scheduled Observation Date] at [insert time] [the level of the relevant Asset scheduled to be published by the Inflation Index Sponsor for the Reference Month of [●] where the relevant Asset Class is an Inflation Index]

"Observation Period" means [●].

"Opening Level" means the opening level of the relevant Asset.

"Paid Interest" means, in respect of an Instrument, the sum of all interest paid in respect of that Instrument from (and including) the Issue Date to (and including) the immediately preceding Specified Interest Payment Date, if any.

"Participation" means [●] per cent.

"Range Condition" shall be deemed satisfied in respect of any day if the Asset Level for such day observed by the Determination Agent is greater than [or equal to] [●] [per cent.] per annum and less than [or equal to] [●] [per cent.] [per annum].

"Range Days" means the actual number of [calendar days] [Business Days] [Scheduled Observation Dates] [Valuation Dates] [Calculation Dates] in the [Interest Period] [Observation Period] on which the Range Condition is satisfied.

"Rate of Interest" shall mean in connection with the relevant Coupon Payout [Insert one of:]

[[●] per cent.] [per annum];

Screen Rate Determination;

ISDA Determination;

(n * [●] per cent.);

[(n * [●] per cent.)] – Paid Interest;

Max(Floor, Min(Cap, Participation * Asset Early [Performance] + [●] per cent.)) [+/- Barrier Return];

$$\left([\bullet] \text{ per cent} \times \frac{\text{Range Days}}{\text{Observation Days}} \right); \text{ or}$$

[the applicable percentage rate specified in the table below: insert table.]

"Scheduled Observation Date" means [insert date(s)] [each Scheduled Trading Day in the Observation Period].

"Single Asset" means a single Asset.

"t" shall mean the corresponding number related to a defined term within the Conditions as specified herein.

"Trade Date" means [●].

"Upside Performance" means[, in respect of the relevant Asset,] an amount expressed as a percentage, calculated and determined by the Determination Agent in accordance with the following formula:

$$\frac{\text{Asset Final} - (\text{Barrier} * \text{Asset Initial})}{\text{Asset Initial}}$$

"Valuation Date" means [specify date(s)] [each Scheduled Trading Day in the Observation Period] [subject to adjustment].

"W" means the weighting in respect of the relevant Basket Asset, as specified in the table below: insert table:

"Weighted Performance" means an amount (expressed as a percentage) determined by the Determination Agent being the sum of the values obtained by applying the following formula to each Basket Asset:

$$W * \text{Final Performance}$$

The above provisions are subject to adjustment as provided in the Terms and Conditions of the Instruments to take into account events in relation to the Asset(s) or the Instruments. This may lead to adjustments being made to the Instruments or in some cases the Instruments being terminated early at an early redemption or cancellation amount.

B. Equity Index-Linked Interest Instruments:

The below provisions are subject to adjustment as provided in the Terms and Conditions of the Instruments:

PART 1 – European Call

[Structure 1:

Single Share Index Linked Instruments:

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

(a) if the Final Price of the Share Index is higher than Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Strike Price}}{\text{Initial Price}} \right)$$

(b) if the Final Price of the Share Index is equal to or lower than the Strike Price, Coupon B (which may be zero).

Definitions:

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B Percentage.

"**Coupon B Percentage**" means [●].

"**Final Price**" means the Official Closing Level of the Share Index on the Final Price Date.

"**Final Price Date**" means [●].

"**Initial Price**" means the Official Closing Level of the Share Index on Initial Price Date.

"**Initial Price Date**" means [●].

"**Official Closing Level**" means, on any day, the official closing level of the Share Index.

"**Strike Price**" means [● percentage] of the Initial Price.]

[Share Index Basket Linked Instruments:

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

(a) If the Final Price of all the Indices comprised in the Basket is higher than the relevant Strike Price, the following Coupon A:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price}_{(a)} - \text{Strike Price}_{(a)}}{\text{Initial Price}_{(a)}} \right)$$

Where:

"**Final Price_(a)**" is the Final Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Initial Price_(a)**" is the Initial Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Strike Price_(a)**" is the Strike Price of the Share Index of the Basket with the lowest Depreciation Ratio.

"**Depreciation Ratio**" means

$$\left(\frac{\text{Final Price}}{\text{Initial Price}} \right)$$

(b) Otherwise, Coupon B (which may be zero).

Definitions:

"**Basket**" means [Share Index(es)].

"**Coupon B**" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon B

Percentage.

"Coupon B Percentage" means [●] %.

"Final Price" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on the Final Price Date.

"Final Price Date" means [●].

"Initial Price" means, for each Share Index comprised in the Basket, the Official Closing Level of the Share Index on Initial Price Date.

"Initial Price Date" means [●].

"Official Closing Level" means, on any day, the official closing level of the Share.

"Strike Price" means [● percentage] of the Initial Price.]

PART 2 – European Call Up & Out

[Structure 2:

Single Share Index Linked Instruments:

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

- (a) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index is at any point equal to or higher than Barrier A, Coupon A; or
- (b) if, from the Initial Price Date, included, to the Final Price Date, included, the Official Closing Level of the Share Index has never been equal to or higher than Barrier A:
 - (i) if the Final Price of the Share Index is higher than the Initial Price, the following Coupon B:

$$\text{Calculation Amount} \times \left(\frac{\text{Final Price} - \text{Initial Price}}{\text{Initial Price}} \right)$$

- (ii) if the Final Price of the Share Index is equal to or lower than the Initial Price, Coupon C (which may be zero).

Definitions:

"Barrier A" means [● percentage] of the Initial Price.].

"Coupon A Percentage" means [●] %.

"Coupon A" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon A Percentage.

"Coupon C Percentage" means [●] %.

"Coupon C" means an amount equal to the product of (i) Calculation Amount and (ii) the Coupon C Percentage.

"Final Price Date" means [●].

"Final Price" means the Official Closing Level of the Share Index on the Final Price Date.

"Initial Price Date" means [●].

"Initial Price" means the Official Closing Level of the Share Index on Initial Price Date.

"Official Closing Level" means, on any day, the official closing price of the Index.]

PART 3 – Call Spread

[Structure 3:

Share Index Basket Linked Instruments

The following Interest Amount per Calculation Amount will be payable on the Interest Payment Date:

$$\text{Calculation Amount} \times \min \left(\text{Cap Level}; \left(\frac{\sum_{i=1}^J \frac{\text{Final Price}_i - \text{Initial Price}_i}{\text{Initial Price}_i}}{J} \right) \right)$$

Where:

"Final Price_i" is the Final Price of the Share Index_i.

"Initial Price_i" is the Initial Price of the Share Index_i.

"J" is the total number of Shares comprised in the Basket.

Definitions:

"Basket" means [Share Index(es)].

"Cap Level" means [●].

"Final Price" means, for each Share Index comprised in the Basket, the Official Closing Level on the Final Price Date.

"Final Price Date" means [●].

"Initial Price" means the maximum Official Closing Level of all the Share Indices comprised in the Basket during the Initial Price Determination Period.

"Initial Price Determination Period" means [●].

"Official Closing Level" means on any day, the official closing level of a Share Index.]

C. Inflation-Linked Interest Instruments:

The below provisions are subject to adjustment as provided in the Terms and Conditions of the Instruments:

Inflation Linked interest payment based on a fixed rate of interest:

$$\text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a minimum interest rate:

$$\text{Max} [\text{Floor}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin:

$$(I_T/I_0) + \text{Margin}$$

Inflation Linked interest payment plus a Margin subject to a minimum interest rate:

$$\text{Max}[\text{Floor}; (I_T/I_0) + \text{Margin}]$$

Inflation Linked interest payment based on a fixed rate of interest and subject to a maximum interest rate:

$$\text{Min}[\text{Cap}; \text{Fixed Rate of Interest} \times [(I_T/I_0) + \text{Margin}]]$$

Inflation Linked interest payment plus a Margin subject to a maximum interest rate:

$$\text{Min}[\text{Cap}; (I_T/I_0) + \text{Margin}]$$

Definitions:

"Cap" means [●];

"Fixed Rate of Interest" means [●];

"I₀" means Inflation Index observation level for Reference Month T_{start};

"I_T" means Inflation Index observation level for Reference Month T;

"Floor" means [●];

"Margin" means [●];

"Reference Month T_{start}" means [●];

"Reference Month T" means [●];

"T" means [●]; and

"T_{start}" means [●].

C.10 Derivative component on interest

[Not applicable – The Instruments do not have a derivative component in the interest payment] /
[The Instruments are determined by reference [to an Equity or Inflation index].

[The Share Index or the Inflation Index that may be used as reference to calculate the interest

	payment under the Instruments will not be composed, published or announced by the Issuer, the Guarantor, or any legal entity belonging to the Guarantor's group or by someone acting in association with or on behalf of the Issuer or the Guarantor. However, the relevant Share Index may be composed by shares of the Guarantor or of entities belonging to the Guarantor's group or of someone acting in association with or on behalf of the Issuer or the Guarantor.]
C.11	Listing and Admission to trading <i>[The Instruments will be listed on the official list of the Irish Stock Exchange and traded on the regulated market of the Irish Stock Exchange and/or any other listing authority, stock exchange and/or quotation system] / [The Instruments are unlisted⁹].</i>
C.15	Description of how the value of the Instruments is affected by the value of the Underlying Asset. <i>[insert table]</i> <i>These Instruments are derivative securities and their value may go down as well as up.</i>
C.16	Expiration Date or Maturity Date of the Instruments <i>[This Element C.16 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:</i> <i>[The Maturity Date of the Securities is [●], subject to adjustment] [or, if earlier the date on which the [Call] [Put] Option is exercised], subject to adjustment.]</i>
C.17	Settlement procedures of the Instruments <i>[This Element C.17 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]</i> The Instruments will be settled on the applicable Maturity Date at the relevant amount per Instrument.
C.18	Description of how the return on derivative securities takes place <i>[This Element C.18 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]</i> Clearing Systems: <i>[Euroclear], [Clearstream, Luxembourg] [and /or [*] [indicate any other applicable clearing system].</i> The Paying Agent: Citibank N.A. London Branch (the Issue and Paying Agent) <i>[and Citigroup Global Markets Deutschland AG]</i>
C.19	The exercise price or the final reference price of the underlying <i>[Not applicable]</i>
C.20	A description of the type of the underlying and where the information of the underlying can be found Equity index(ices) and inflation index(ices). <i>[This Element C.20 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)]:</i>

⁹ Under Spanish law, unlisted Instruments are subject to a different tax regime than that applicable to listed Instruments and, if issued under the Programme, such Instruments will be the subject of a supplement to the Base Prospectus.

SECTION D – RISKS

Element	
D.2	Key risks regarding the Issuer and the Guarantor The Issuer is a finance vehicle established by the Guarantor for the purpose of issuing Instruments under the Programme and on-lending the proceeds within the Santander Group. The Issuer is therefore dependent upon other members of the Group paying interest on and repaying their loans in a timely fashion. Should any Group member fail to pay interest on or repay any loan in a timely fashion this could have a material adverse effect on the ability of the Issuer to fulfil its obligations under Instruments issued. The main risks relating to the Santander Group operation are, amongst others: • Since the Group's loan portfolio is concentrated in Continental Europe, the United Kingdom and Latin America, adverse changes affecting the economies of Continental Europe, the United Kingdom or certain Latin American countries could adversely affect our financial condition. • The Group is vulnerable to the current disruptions and volatility in the global financial markets. • We may suffer adverse effects as a result of the ongoing economic and sovereign debt tensions in the eurozone. • Our financial results are constantly exposed to market risk. We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect us. • Market conditions have, and could result, in material changes to the estimated fair values of our financial assets. Negative fair value adjustments could have a material adverse effect on our operating results, financial condition and prospects. • If we are unable to effectively control the level of non-performing or poor credit quality loans in the future, or if our loan loss reserves are insufficient to cover future loan losses, this could have a material adverse effect on us. • Failure to successfully implement and continue to improve our risk management policies, procedures and methods, including our credit risk management system could materially and adversely affect us and we may be exposed to unidentified or unanticipated risks. • Our loan and investment portfolios are subject to risk of prepayment, which could have a material adverse effect on us. • We may generate lower revenues from fee and commission based businesses. • Our financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of our operations and financial position. • Competition with other financial institutions could adversely affect us. • We are exposed to risks faced by other financial institutions. • The financial problems faced by our customers could adversely affect us. • Liquidity and funding risks are inherent in our business and could have a material adverse effect on us. • Credit, market and liquidity risk may have an adverse effect on our credit ratings and our cost of funds. Any downgrading in our credit rating would likely increase our cost of funding, require us to post additional collateral or take other actions under some of our derivative contracts and adversely affect our interest margins and results of operations. • We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.

	• Our ability to maintain our competitive position depends, in part, on the success of new products and services we offer our clients and our ability to continue offering products and services from third parties, and we may not be able to manage various risks we face as we expand our range of products and services that could have a material adverse effect on us. • Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on us. • We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and could have a material adverse effect on us. • If we are unable to manage the growth of our operations, this could have an adverse impact on our profitability. • We are exposed to risk of loss from legal and regulatory proceedings. • We are subject to substantial regulation which could adversely affect our business and operations. • Operational risks, including risks relating to data collection, processing and storage systems are inherent in our business. • We rely on recruiting, retaining and developing appropriate senior management and skilled personnel. • Damage to our reputation could cause harm to our business prospects. • Changes in accounting standards could impact reported earnings. • We rely on third parties for important products and services. • We engage in transactions with our subsidiaries or affiliates that others may not consider to be on an arm's-length basis. • Our business could be affected if its capital is not managed effectively or if changes limiting our ability to manage our capital position are adopted. • Portions of our loan portfolio are subject to risks relating to force majeure events and any such event could materially adversely affect our operating results. • Our growth, asset quality and profitability in Latin America may be adversely affected by volatile macroeconomic and political conditions. • Changes in our pension liabilities and obligations could have a material adverse effect on us. • Changes in taxes and other assessments may adversely affect us. • Exposure to sovereign debt could have a material adverse effect on us. • We depend in part upon dividends and other funds from subsidiaries. • Our corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States.
D.3	Key risks regarding the Securities
	There are also risks associated with the Instruments and with the markets. These risks may include, amongst others: • Taxation in Spain: Under Spanish Law, payments of income in respect of the Instruments will not be subject to Spanish withholding tax provided that the relevant Issuer or the Guarantor receives certain information concerning the Instruments. If such information is not received by the Issuer or the Guarantor, as the case may, it will be required to apply Spanish withholding tax to any payment of interest in respect of the Instruments, <i>[or income arising from the payment of Instruments issued below par]</i>; • In certain circumstances a portion of payments made on or with respect to the Instruments may be subject to US reporting obligations which, if not satisfied, may require US tax to be withheld; • Withholding under the EU Savings Directive. • <i>[Applicable in case of Subordinated Instruments]: [Reforms to Spanish banking legislation</i>

that result from the Basel III proposals could lead to Subordinated Instruments being used to absorb losses of Santander Issuances or the Guarantor in certain circumstances];

- The temporary Commissioner (which owes certain obligations to the Syndicate of Holders (as described in the Issue and Paying Agency Agreement) will be appointed by the Issuer and may also be an employee or officer of such Issuer or of the Guarantor;
- The Spanish 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 a certain period, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. In addition, recent amendments to the Insolvency Law have been implemented which, in certain instances, have the effect of modifying or impairing creditors' rights;
- Prospective investors should make their own evaluations to determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers accordingly;
- The Instruments are new securities which may not be widely distributed and for which there is currently no active trading market;
- *[The Instruments may be redeemable at the Issuer's option in certain circumstances. This feature is likely to limit their market value. If such option is exercised, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments];*
- Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor;
- *[Applicable in case of Subordinated Instruments]: [In accordance with applicable Spanish Bank of Spain regulations, the Subordinated Instruments may not be early redeemed due to the non-payment of the Subordinated Instruments, or of other debts of the Issuer or of any members of its group].*
- *[Applicable to Equity or Inflation Index Linked Instruments] [The Issuer may issue Instruments with interest determined by reference to an inflation or equity index (each, a Relevant Index). Potential investors should be aware that the market price of such Instruments may be volatile and that they may receive no interest. In addition, potential investors should be aware that: (i) a Relevant Index may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices; (ii) if a Relevant Index is applied to Instruments in conjunction with a multiplier greater than one (or contains some other leverage factor) the effect of changes in the Relevant Index on interest payable likely will be magnified; and (iii) the timing of changes in a Relevant Index may affect the actual yield to investors.]*
- *[Applicable in case of Instruments where the issue price is payable in more than one instalment.] [Failure to pay any subsequent instalment could result in an investor losing all of their investment.]*
- *[Applicable in case of Inverse Floating Rate Instruments]: [Inverse Floating Rate Instruments have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms).]*
- *[Applicable in case of Fixed/Floating Rate Instruments]: [The Issuer issues [Fixed/Floating Rate] Instruments. The Instruments may bear interest at a rate that may convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where*

	<i>the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Instruments since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing.]</i> • <i>[Instruments that are issued at a substantial discount or premium from their principal amount.] [The market values of such Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.]</i> • <i>[Applicable in case of Subordinated Instruments]: [Santander Issuances' obligations under Subordinated Instruments will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of Santander Issuances. The Guarantor's obligations under the Subordinated Guarantee will be unsecured and subordinated and will rank junior in priority of payment to all unsubordinated obligations of the Guarantor. Payments of principal and interest in respect of Short Term Subordinated Instruments may be suspended in certain circumstances.]</i> • One or more independent credit rating agencies have assigned certain credit ratings to the Instruments. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Instruments. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. Additionally, the risks relating to investment in the Instruments depend on their features and may include, <i>inter alia</i>, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Instruments, including with respect to certain underlying, no claim against the reference item(s) to which the Instruments relate, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption or exercise, settlement risk, possible illiquidity of Instruments, equity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption, a requirement to hold a minimum amount of Instruments, transfer restrictions and exchange, listing and legal regulation risk.
D.6	Risk Warning [Issue Specific Summary: This Element D.6 only to be included where the Instruments are derivative securities for the purpose of Commission Regulation (EC) No. 809/2004 (as amended)] • the Instruments issued under this Base Prospectus, including Structured Instruments, cannot have a negative yield for the investor. The Structured Instruments return is linked to the performance of one or more underlying (such as indices, or baskets of indices); • the Issue Price of the Instruments may be more than the market value of such Instruments as at the Issue Date, and the price of the Instruments in secondary market transactions; and • if the relevant Instruments include leverage, potential holders of such Instruments should note that these Instruments will involve a higher level of risk. Investors should therefore only invest in leveraged Instruments if they fully understand the effects of leverage.

SECTION E – OFFER

Element	
E.2b	Use of proceeds The net proceeds of the issue of the Instruments will be used for the general funding purposes of the Group.

E.3**Terms and conditions of the offer:****Denomination**

[€1,000 (or, if the Instruments are denominated in a currency other than euro, the equivalent in another currency at the date of issue)] / [Higher than €1,000 (or, if the Instruments are denominated in a currency other than euro, the equivalent in another currency at the date of issue)].

Minimum tradeable amount: [●] / [not applicable]

Interest

Instruments will bear an interest of [].

Issue Price

[[●] per cent or the nominal amount of the instruments / at par / at a discount to par / a premium over par / on a fully paid basis].

Maturity

[Any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements].

*[Subordinated Instruments qualifying as regulatory capital (recursos propios) in accordance with Bank of Spain requirements will have a maturity of not less than five years or, in the case of any Instrument that has been issued pursuant to the requirements of Bank of Spain Circular 3/2008 of 22 May (Circular 3/2008, de 22 de mayo, del Banco de España) for Subordinated Instruments having a maturity of not less than two years (the "**Short Term Subordinated Instruments**"), two years from their date of issue or as otherwise permitted by Bank of Spain.]*

Redemption

[At par / other redemption amount].

Early redemption will be permitted for taxation reasons. *[Indicate if early redemption / other reasons applies]*

*[Any early redemption of Subordinated Instruments qualifying as regulatory capital (recursos propios) is subject to the prior consent of the Bank of Spain and may not take place within a period of five years from their date of issue or as otherwise permitted by the Bank of Spain and they may not be redeemed at the option of the holder of the relevant Instruments (the "**Holder**") prior to their stated maturity.*

Short Term Subordinated Instruments may not be redeemed until two years after the issue date (or otherwise as permitted by applicable law) and such redemption is subject to the prior consent of the Bank of Spain.

Subordinated Instruments may not be redeemed at the option of the Holder prior to their stated maturity.]

Purchase

The Issuer and the Guarantor and any of their respective subsidiaries or any third party designated by any of them, may at any time purchase Instruments in the open market or otherwise and at any price provided that, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith.

[In the case of Subordinated Instruments which qualify as regulatory capital (recursos propios), the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance

	with the requirements of Spanish law (including for this purpose Bank of Spain's regulations in so far as the Issuer seeks to maintain eligibility of such instruments as regulatory capital).] Clearing Systems [Euroclear, Clearstream, Luxembourg and/or [●]] [indicate any other applicable clearing system]. Terms and conditions of the offer: The Instruments [are/ are not] being offered to the public in a Public Offer. [Summarise the terms of any Public Offer as set out in Part A Paragraph 39 [Public Offer] and Part B Section 10 [Terms and Conditions of the Offer] of the Final Terms].
E.4	Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests The relevant Dealers may be paid fees in relation to any issue of Instruments under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and the Guarantor and their affiliates in the ordinary course of business. [Other than as mentioned above, [and save for [any fees payable to the Dealer [and any other Authorised Offeror]] [●], so far as the Issuer is aware, no person involved in the Issue of the Instruments has an interest material to the offer, including conflicting interests].
E.7	Expenses charged to the investor by the Issuer or an Offeror [No expenses are being charged to an investor by the Issuer [or any Offeror]. [For this specific issue, however, expenses may be charged by an Authorised Offeror (as defined above) in the range between [●] per cent. and [●] per cent. of the nominal amount of the Instruments to be purchased by the relevant investor.]]

GUARANTEE BUILDING BLOCK

1. NATURE OF THE GUARANTEE

- 1.1 *A description of any arrangement intended to ensure that any obligation material to the issue will be duly serviced, whether in the form of guarantee, surety, Keep well Agreement, Mono-line Insurance policy or other equivalent commitment (hereafter referred to generically as "guarantees" and their provider as "guarantor" for convenience).*

Without prejudice to the generality of the foregoing, such arrangements encompass commitments to ensure obligations to repay debt securities and/or the payment of interest and the description shall set out how the arrangement is intended to ensure that the guaranteed payments will be duly serviced.

Banco Santander, S.A. (the "**Guarantor**" or the "**Bank**") has executed and delivered a Deed of Guarantee (the "**Senior Guarantee**") dated 21 June 2013 for the benefit of the Holders of Senior Instruments from time to time. The Guarantor shall, on an Issue by Issue basis, on or before the Issue Date of any Subordinated Instruments, for the benefit of Holders of Subordinated Instruments from time to time, execute and deliver a Deed of Guarantee (a "**Subordinated Guarantee**"). See the forms of the Guarantees under "Scope of the Guarantee" below.

2. SCOPE OF THE GUARANTEE

- 2.1 *Details shall be disclosed about the terms and conditions and scope of the guarantee. Without prejudice to the generality of the foregoing, these details should cover any conditionality on the application of the guarantee in the event of any default under the terms of the security and the material terms of any Mono-line Insurance or Keep well Agreement between the issuer and the guarantor. Details must also be disclosed of any guarantor's power of veto in relation to changes to the security holder's rights, such as is often found in Mono-line Insurance.*

The forms of Senior Guarantee and Subordinated Guarantee are as follows:

FORM OF SENIOR GUARANTEE

THIS DEED OF SENIOR GUARANTEE is made on 21 June 2013

BY

BANCO SANTANDER, S.A. (the "**Guarantor**")

IN FAVOUR OF the Holders of the Senior Instruments referred to below and the Accountholders (as defined in the Deed of Covenant) in respect of the Senior Instruments (the "**Senior Accountholders**").

WHEREAS:

- (A) Santander International Debt, S.A. Unipersonal ("**Santander International**" or the "**Issuer**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**" and together with Santander International the "**Issuers**") have established a programme (the "**Programme**") for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding EUR 32,000,000,000 (the "**Instruments**"), in connection with which they have entered into a dealership agreement (the "**Dealership Agreement**") dated 21 June 2013 and made between the Issuers, the Guarantor and the Dealers named therein, and an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated 21 June 2013 and made between, *inter alia*, the Issuers, the Guarantor and Citibank, N.A., London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**") and have executed a deed of covenant (the "**Deed of Covenant**") in respect of English law governed Instruments dated 21 June 2013.
- (B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander International under the English law governed Instruments issued by Santander International on or after the date of this Deed of Senior Guarantee (the "**Senior Instruments**") and the Deed of Covenant and (ii) on an issue by issue basis, by Santander Issuances under the English law governed Instruments issued by Santander Issuances (the "**Subordinated Instruments**") and the Deed of Covenant.

NOW THIS DEED WITNESSES as follows:

1. INTERPRETATION

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions of the Instruments or the Deed of Covenant have the same meanings in this Deed of Senior Guarantee.

2. GUARANTEE AND INDEMNITY

2.1 The Guarantor hereby unconditionally and irrevocably guarantees:

- (a) to the Holder of each Senior Instrument the due and punctual payment of all sums expressed to be payable from time to time by the Issuer in respect of such Senior Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, forthwith in the manner and currency prescribed by the relevant Senior Instrument for payments by the Issuer in respect thereof, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Senior Instrument and which the Issuer has failed to pay; and
- (b) to each Senior Accountholder the due and punctual payment of all sums expressed to be payable from time to time by the Issuer to such Senior Accountholder under the Deed of Covenant as and when the same become due and payable and accordingly undertakes to pay to such Senior Accountholder, in the manner and currency prescribed by the Deed of Covenant for payments by the Issuer in respect of the Senior Instruments, any and every sum or sums which the Issuer is at any time liable to pay under the Deed of Covenant in respect of the Senior Instruments and which the Issuer has failed to pay.

- 2.2 The Guarantor undertakes to the Holder of each Senior Instrument and to each Senior Accountholder that, if any sum referred to in Clause 2.1 is not recoverable from the Guarantor thereunder for any reason whatsoever (including, without limitation, by reason of any Senior Instrument or Deed of Covenant (or any provision thereof) being or becoming void, unenforceable or otherwise invalid under any applicable law), then, notwithstanding that the same may have been known to such Holder or Accountholder, the Guarantor will, forthwith upon demand by such Holder or Accountholder, pay such sum by way of a full indemnity in the manner and currency prescribed by such Senior Instrument or (as the case may be) the Deed of Covenant. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Senior Guarantee and shall give rise to a separate and independent cause of action.

3. **PRESERVATION OF RIGHTS**

- 3.1 The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.
- 3.2 The obligations of the Guarantor hereunder shall be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and, in particular but without limitation, shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Senior Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Senior Instruments and under the Deed of Covenant have been paid, and all other obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.
- 3.3 Neither the obligations expressed to be assumed by the Guarantor herein nor the rights, powers and remedies conferred upon the Holders of Instruments and the Accountholders by this Deed of Senior Guarantee or by law shall be discharged, impaired or otherwise affected by:
- (a) the winding up or dissolution of the Issuer or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership;
 - (b) any of the obligations of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant being or becoming illegal, invalid or unenforceable;
 - (c) time or other indulgence being granted or agreed to be granted to the Issuer in respect of its obligations under or in respect of any of the Senior Instruments or the Deed of Covenant;
 - (d) any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of any of the Senior Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
 - (e) any other act, event or omission which, but for this Clause 3.3, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Holders of the Senior Instruments, the Accountholders or any of them by this Deed of Senior Guarantee or by law.
- 3.4 Any settlement or discharge between the Guarantor and the Holders of the Senior Instruments, the Senior Accountholders or any of them shall be conditional upon no payment to the Holders of the Senior Instruments, the Senior Accountholders or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency or liquidation for the time being in force and, in the event of any such payment being so avoided or reduced, the Holders of the Senior Instruments and the Senior Accountholders shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.
- 3.5 The obligations of the Guarantor are independent of those of the Issuer. The Guarantor shall remain liable as the principal and sole debtor hereunder pursuant to the terms of this Guarantee, and

shall not be able to demand that the Holders of the Senior Instruments exhaust any of their rights or take any legal action against the Issuer prior to taking action against the Guarantor.

3.6 No Holder of a Senior Instrument or Senior Accountholder shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Senior Guarantee or by law:

- (a) to make any demand of the Issuer, other than the presentation of the relevant Senior Instrument;
- (b) to take any action or obtain judgment in any court against the Issuer; or
- (c) to make or file any claim or proof in a winding up or dissolution of the Issuer,

and, save as aforesaid, the Guarantor hereby expressly waives, in respect of each Senior Instrument, presentment, demand, protest and notice of dishonour.

3.7 The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Senior Instruments or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any right which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

- (a) to be indemnified by the Issuer;
- (b) to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Senior Instruments or the Deed of Covenant;
- (c) to take the benefit (in whole or in part) of any security enjoyed in connection with any of the Senior Instruments or the Deed of Covenant by any Holder of a Senior Instrument or Senior Accountholder; or
- (d) to be subrogated to the rights of any Holder of a Senior Instrument or Senior Accountholder against the Issuer in respect of amounts paid by the Guarantor under this Deed of Senior Guarantee.

4. **STATUS**

The Guarantor undertakes that its obligations in respect of Senior Instruments hereunder will at all times constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and, upon the insolvency of the Guarantor (and unless they qualify as subordinated claims pursuant to 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), will rank *pari passu* and rateably without preference among such obligations of the Guarantor in respect of the Senior Instruments of the same Series and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future.

5. **DELIVERY**

A duly executed original of this Deed of Senior Guarantee shall be delivered promptly after execution to the Issue and Paying Agent and such originals shall be held to the exclusion of the Guarantor until the date on which complete performance by the Guarantor of the obligations contained in this Deed of Senior Guarantee and in all Senior Instruments then outstanding from time to time occurs and no further Senior Instruments can be issued under the Programme. A certified copy of this Deed of Senior Guarantee may be obtained by the relevant Commissioner, any Holder of a Senior Instrument or any Senior Accountholder from the Issue and Paying Agent at its specified office at the expense of the relevant Commissioner or such Holder or Accountholder. Any Holder of a Senior Instrument or Senior Accountholder may protect and enforce his rights under this Deed of Senior Guarantee (in the courts specified in Clause 11 below) upon the basis described in the Deed of Covenant (in the case of an Accountholder) and a copy of this Deed of

Senior Guarantee certified as being a true copy by a duly authorised officer of the Issue and Paying Agent without the need for production in any court of the actual records described in the Deed of Covenant or this Deed of Senior Guarantee. Any such certification shall be binding, except in the case of manifest error or as may be ordered by any court of competent jurisdiction, upon the Guarantor and all Holders of Senior Instruments and Senior Accountholders. This Clause shall not limit any right of any Holder of a Senior Instrument or Senior Accountholder to the production of the originals of such records or documents or this Deed of Senior Guarantee in evidence.

6. CONTRACTUAL CURRENCY

The currency in which the relevant Senior Instrument, Coupons and Direct Rights are denominated or, if different, payable (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor in respect of such Senior Instruments, Coupons and Direct Rights, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Senior Instrument or Coupon or any Senior Accountholder in respect of any sum expressed to be due to it from the Guarantor hereunder shall only constitute a discharge to the Guarantor to the extent of the amount in the Contractual Currency which such Holder or Accountholder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Senior Instrument or Coupon or any Accountholder in respect of the relevant Senior Instrument, Coupon or Direct Rights the Guarantor shall indemnify such Holder or Accountholder against any loss sustained by such Holder or Accountholder as a result. In any event, the Guarantor shall indemnify each such holder or Accountholder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate independent obligation from the Guarantor's other obligations hereunder, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Senior Instrument or Accountholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Senior Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the Holder of a Senior Instrument or Accountholder and no proof or evidence of any actual loss will be required by the Guarantor.

7. TERMS AND CONDITIONS OF THE INSTRUMENTS

The Guarantor hereby undertakes to comply with and be bound by those provisions of the terms and conditions of the Instruments which relate to it.

8. BENEFIT OF DEED OF SENIOR GUARANTEE

- 8.1 This Deed of Senior Guarantee shall take effect as a deed poll for the benefit of the Holders of the Senior Instruments and the Senior Accountholders from time to time.
- 8.2 The obligations expressed to be assumed by the Guarantor herein shall ensure for the benefit of each Holder of a Senior Instrument and Senior Accountholder, and each Holder of a Senior Instrument and Senior Accountholder shall be entitled severally to enforce such obligations against the Guarantor upon the basis described in the Deed of Covenant.
- 8.3 The Guarantor may not assign or transfer all or any of its rights, benefits or obligations hereunder, provided, however, that the foregoing shall not preclude the Guarantor from merging or consolidating with, or transferring or otherwise assigning all or substantially all of its assets to, a banking organisation or any other entity permitted by applicable laws without obtaining any approval of such Holders of Senior Instruments.
- 8.4 This Guarantee is solely for the benefit of the Holders of Senior Instruments and is not separately transferable from the Instruments.

8.5 Except for those changes (a) which do not adversely affect the rights of Holders of Senior Instruments or (b) which are necessary or desirable to give effect to any one or more transactions referred to in the proviso to Clause 8.3 (in any of which cases no agreements will be required), this Guarantee shall be changed only by agreement in writing signed by the Guarantor with the prior approval of a resolution of each Syndicate of Holders of the Instruments.

8.6 Any Senior Instruments issued under the Programme on or after the date of this Deed of Senior Guarantee shall have the benefit of this Deed of Senior Guarantee but shall not have the benefit of any subsequent guarantee relating to the Programme (unless expressly so provided in any such subsequent guarantee).

9. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

10. **NOTICES**

10.1 All communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Amazonia, Planta 2ª
Avenida de Cantabria, s/n
28660 Boadilla del Monte
Madrid
Spain

Fax: +34 91 257 1473
Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders of the Senior Instruments in the manner prescribed for the giving of notices in connection with the Senior Instruments.

10.2 Every communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor *provided that* any such notice or communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

11. **LAW AND JURISDICTION**

11.1 Save for Clause 4 (*Status*) which shall be governed by Spanish law, this Deed of Senior Guarantee and all non-contractual obligations arising out of or in connection with it are governed by English law.

11.2 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**"), arising from or in connection with this Deed of Senior Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Senior Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Senior Guarantee) or the consequences of its nullity.

11.3 The Guarantor 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.

11.4 Clause 11.2 is for the benefit of the Holders of the Senior Instruments and the Senior Accountholders only. As a result, nothing in this Clause 11 (*Law and Jurisdiction*) prevents the Holders of the Senior Instruments and the Senior Accountholders from taking proceedings relating

to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Holders of the Senior Instruments and the Senior Accountholders may take concurrent Proceedings in any number of jurisdictions.

- 11.5 Without prejudice to any other mode of service allowed under any relevant law, the Guarantor irrevocably (a) appoints Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Guarantor of the process will not invalidate the Proceedings concerned. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Guarantor, the Guarantor shall, on the written demand of any Holder of a Senior Instrument or Senior Accountholder addressed and delivered to the Guarantor appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Holder of a Senior Instrument or Senior Accountholder shall be entitled to appoint such a person by written notice addressed and delivered to the Guarantor. Nothing in this paragraph shall affect the right of any Holder of a Senior Instrument or Senior Accountholder to serve process in any other manner permitted by law. This Clause applies to Proceedings in England and to Proceedings elsewhere.

IN WITNESS whereof this Deed of Senior Guarantee has been executed as a deed by a duly authorised attorney on behalf of the Guarantor and is intended to be and is hereby delivered on the date first above written.

EXECUTED AS A DEED by)
BANCO SANTANDER, S.A.)
acting by *[INSERT NAME OF SIGNATORY]*)

acting under the authority)
of that company,)
in the presence of:)
[INSERT NAME OF WITNESS]

Witness:

Name:

Address:

FORM OF SUBORDINATED GUARANTEE

THIS DEED OF SUBORDINATED GUARANTEE is made on [on or before relevant Issue Date]

BY

(1) **BANCO SANTANDER, S.A.** (the "**Guarantor**")

IN FAVOUR OF

- (2) THE HOLDERS for the time being and from time to time of the Subordinated Instruments referred to below (each a "*Holder*" of a Subordinated Instrument); and
- (3) **THE ACCOUNTHOLDERS** (as defined in the Deed of Covenant described below) (together with the Holders, the "**Beneficiaries**").

WHEREAS:

- (A) Santander International Debt, S.A. Unipersonal ("**Santander International**") and Santander Issuances, S.A. Unipersonal ("**Santander Issuances**") (each, an "**Issuer**" and together, the "**Issuers**") have established a programme (the "**Programme**") for the continuous issuance of debt instruments in an aggregate principal amount outstanding at any one time not exceeding EUR 32,000,000,000 (the "**Instruments**"), in connection with which they have entered into a dealership agreement (the "**Dealership Agreement**") dated 21 June 2013 and made between the Issuers, the Guarantor and the Dealers named therein, and an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**") dated [●] and made between, inter alia, the Issuers and Citibank, N.A., London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**") and have executed a deed of covenant (the "**Deed of Covenant**") in respect of English law governed Instruments dated 21 June 2013.
- (B) The Guarantor has agreed to guarantee irrevocably the payment of principal and interest together with all other sums payable by (i) Santander Issuances under the [[*currency*][*amount*]] Subordinated Instruments due [*date*] issued by Santander Issuances (the "**Subordinated Instruments**") and, on an issue by issue basis any other subordinated instruments issued by Santander Issuances under the Programme, and the Deed of Covenant and (ii) by Santander International under the English law governed Instruments issued by Santander International on or after the date of the Deed of Senior Guarantee executed by the Guarantor on 21 June 2013 (the "**Senior Instruments**") and the Deed of Covenant.

NOW THIS DEED OF SUBORDINATED GUARANTEE WITNESSES as follows:

1. INTERPRETATION

1.1 *Definitions:*

In this Deed of Subordinated Guarantee the following expressions have the following meanings:

"**Terms and Conditions**" means the terms and conditions of the Subordinated Instruments, and any reference to a numbered "**Condition**" is to the correspondingly numbered provision thereof;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

1.2 *Other defined terms*

Unless otherwise defined herein or unless the context requires otherwise, expressions defined in the Terms and Conditions or the Deed of Covenant have the same meanings in this Deed of Subordinated Guarantee.

1.3 **Clauses**

Any reference in this Deed of Subordinated Guarantee to a Clause is, unless otherwise stated, to a clause hereof.

1.4 **Headings**

Headings and sub-headings are for ease of reference only and shall not affect the construction of this Deed of Subordinated Guarantee.

2. **SUBORDINATED GUARANTEE AND INDEMNITY**

2.1 **Subordinated Guarantee**

The Guarantor hereby unconditionally and irrevocably guarantees:

2.1.1 to the Holder of each Subordinated Instrument the due and punctual payment of all sums from time to time payable by the Issuer in respect of such Subordinated Instrument as and when the same become due and payable and accordingly undertakes to pay to such Holder, in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay in respect of such Subordinated Instrument and which the Issuer has failed to pay, subject to the provisions of Clause 4.7; and

2.1.2 to each Accountholder the due and punctual payment of all sums from time to time payable by the Issuer to such Accountholder in respect of the Direct Rights as and when the same become due and payable and accordingly undertakes to pay to such Accountholder, in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, any and every sum or sums which the Issuer is at any time liable to pay to such Accountholder in respect of the Subordinated Instruments and which the Issuer has failed to pay, subject to the provisions of Clause 4.7.

2.2 **Indemnity**

The Guarantor irrevocably and unconditionally agrees as a primary obligation to indemnify each Beneficiary from time to time from and against any loss incurred by such Beneficiary as a result of any of the obligations of the Issuer under or pursuant to any Subordinated Instrument, the Deed of Covenant or any provision thereof being or becoming void, voidable, unenforceable or ineffective for any reason whatsoever, whether or not known to such Beneficiary or any other person, the amount of such loss being the amount which such Beneficiary would otherwise have been entitled to recover from the Issuer. Any amount payable pursuant to this indemnity shall be payable in the manner and currency prescribed by the Terms and Conditions for payments by the Issuer in respect of the Subordinated Instruments, but subject always to the provisions of Clause 4.7. This indemnity constitutes a separate and independent obligation from the other obligations under this Deed of Subordinated Guarantee and shall give rise to a separate and independent cause of action.

3. **COMPLIANCE WITH CONDITIONS**

The Guarantor covenants in favour of each Beneficiary that it will duly perform and comply with the obligations expressed to be undertaken by it in the Terms and Conditions.

4. **PRESERVATION OF RIGHTS**

4.1 **Principal obligor**

The obligations of the Guarantor hereunder shall be deemed to be undertaken as principal obligor and not merely as surety.

4.2 Continuing obligations

The obligations of the Guarantor herein contained shall constitute and be continuing obligations notwithstanding any settlement of account or other matter or thing whatsoever and shall not be considered satisfied by any intermediate payment or satisfaction of all or any of the Issuer's obligations under or in respect of any Subordinated Instrument or the Deed of Covenant and shall continue in full force and effect until all sums due from the Issuer in respect of the Subordinated Instruments and under the Deed of Covenant have been paid, and all other actual or contingent obligations of the Issuer thereunder or in respect thereof have been satisfied, in full.

4.3 Obligations not discharged

Neither the obligations of the Guarantor herein contained nor the rights, powers and remedies conferred upon the Beneficiaries by this Deed of Subordinated Guarantee or by law shall be discharged, impaired or otherwise affected by:

- 4.3.1 the winding up, dissolution, administration or re-organisation of the Issuer or any change in its status, function, control or ownership;
- 4.3.2 any of the obligations of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant being or becoming illegal, invalid, unenforceable or ineffective in any respect;
- 4.3.3 time or other indulgence being granted or agreed to be granted to the Issuer in respect of any of its obligations under or in respect of the Subordinated Instruments or the Deed of Covenant;
- 4.3.4 any amendment to, or any variation, waiver or release of, any obligation of the Issuer under or in respect of the Subordinated Instruments or the Deed of Covenant or any security or other guarantee or indemnity in respect thereof; or
- 4.3.5 any other act, event or omission which, but for this sub-clause, might operate to discharge, impair or otherwise affect the obligations expressed to be assumed by the Guarantor herein or any of the rights, powers or remedies conferred upon the Beneficiaries or any of them by this Deed of Subordinated Guarantee or by law.

4.4 Settlement conditional

Any settlement or discharge between the Guarantor and the Beneficiaries or any of them shall be conditional upon no payment to the Beneficiaries or any of them by the Issuer or any other person on the Issuer's behalf being avoided or reduced by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and, in the event of any such payment being so avoided or reduced, the Beneficiaries shall be entitled to recover the amount by which such payment is so avoided or reduced from the Guarantor subsequently as if such settlement or discharge had not occurred.

4.5 Exercise of Rights

No Beneficiary shall be obliged before exercising any of the rights, powers or remedies conferred upon it by this Deed of Subordinated Guarantee or by law:

- 4.5.1 to make any demand of the Issuer, save for the presentation of the relevant Subordinated Instrument;
- 4.5.2 to take any action or obtain judgment in any court against the Issuer; or
- 4.5.3 to make or file any claim or proof in a winding up or dissolution of the Issuer, and (save as aforesaid) the Guarantor hereby expressly waives presentment, demand, protest and notice of dishonour in respect of each Subordinated Instrument.

4.6 ***Deferral of Guarantor's Rights***

The Guarantor agrees that, so long as any sums are or may be owed by the Issuer in respect of the Subordinated Instruments or under the Deed of Covenant or the Issuer is under any other actual or contingent obligation thereunder or in respect thereof, the Guarantor will not exercise any rights which the Guarantor may at any time have by reason of the performance by the Guarantor of its obligations hereunder:

- 4.6.1 to be indemnified by the Issuer;
- 4.6.2 to claim any contribution from any other guarantor of the Issuer's obligations under or in respect of the Subordinated Instruments or the Deed of Covenant; or
- 4.6.3 to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of any Beneficiary against the Issuer in respect of amounts paid by the Guarantor under this Deed of Subordinated Guarantee or any security enjoyed in connection with the Subordinated Instruments or the Deed of Covenant by any Beneficiary.

4.7 ***Status and Covenants***

- 4.7.1 This Deed of Subordinated Guarantee constitutes direct, unconditional subordinated and unsecured obligations of the Guarantor.
- 4.7.2 The Guarantor undertakes that its obligations hereunder will at all times rank (in relation to the Subordinated Instruments) as described in Condition 3.04.

5. **DEPOSIT OF DEED OF SUBORDINATED GUARANTEE**

This Deed of Subordinated Guarantee shall be deposited with and held by the Issue and Paying Agent until after all the obligations of the Issuer under or in respect of the Subordinated Instruments and the Deed of Covenant have been discharged in full. The Guarantor hereby acknowledges the right of every Beneficiary and the relevant Commissioner to the production of this Deed of Subordinated Guarantee.

6. **CONTRACTUAL CURRENCY**

The currency in which the relevant Subordinated Instrument is denominated or, if different, payable (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Guarantor in respect of the Subordinated Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Beneficiary in respect of any sum expressed to be due to it from the Guarantor hereunder shall only constitute a discharge to the Guarantor to the extent of the amount in the Contractual Currency which such Beneficiary is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Beneficiary in respect of the relevant Subordinated Instrument the Guarantor shall indemnify such Beneficiary against any loss sustained by such Beneficiary as a result. In any event, the Guarantor shall indemnify each such Beneficiary against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate independent obligation from the Guarantor's other obligations hereunder, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Beneficiary and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Subordinated Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the Beneficiary and no proof or evidence of any actual loss will be required by the Guarantor.

7. **STAMP DUTIES**

The Guarantor shall pay all stamp, registration and other taxes and duties (including any interest and penalties thereon or in connection therewith) which are payable upon or in connection with the execution and delivery of this Deed of Subordinated Guarantee, and shall indemnify each Beneficiary against any claim, demand, action, liability, damages, cost, loss or expense (including, without limitation, legal fees and any applicable value added tax) which it incurs as a result or arising out of or in relation to any failure to pay or delay in paying any of the same.

8. **BENEFIT OF DEED OF SUBORDINATED GUARANTEE**

8.1 ***Deed poll***

This Deed of Subordinated Guarantee shall take effect as a deed poll for the benefit of the Beneficiaries from time to time.

8.2 ***Benefit***

This Deed of Subordinated Guarantee shall enure to the benefit of each Beneficiary and its (and any subsequent) successors and assigns, each of which shall be entitled severally to enforce this Deed of Subordinated Guarantee against the Guarantor upon the basis described in the Deed of Covenant.

8.3 ***Assignment***

The Guarantor shall not be entitled to assign or transfer all or any of its rights, benefits and obligations hereunder. Each Beneficiary shall be entitled to assign all or any of its rights and benefits hereunder, however the Subordinated Guarantee is not separately transferable from the Subordinated Instruments.

9. **PARTIAL INVALIDITY**

If at any time any provision hereof is or becomes illegal, invalid or unenforceable in any respect under the laws of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions hereof nor the legality, validity or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

10. **NOTICES**

10.1 ***Address for notices***

All notices and other communications to the Guarantor hereunder shall be made in writing (by letter, telex or fax) and shall be sent to the Guarantor at:

Ciudad Grupo Santander
Edificio Amazonia, Planta 2^a
Avenida de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

Fax: +34 91 257 1473
Attention: Emisiones Corporativas

or to such other address or fax number or for the attention of such other person or department as the Guarantor has notified to the Holders in the manner prescribed for the giving of notices in connection with the Subordinated Instruments.

10.2 ***Effectiveness***

Every notice or other communication sent in accordance with Clause 10.1 shall be effective upon receipt by the Guarantor *provided that* any such notice or other communication which would otherwise take effect after 4.00 p.m. on any particular day shall not take effect until 10.00 a.m. on the immediately succeeding business day in the place of the Guarantor.

11. **LAW AND JURISDICTION**

11.1 ***Governing law***

This Deed of Subordinated Guarantee and all non-contractual obligations arising out of or in connection with it are governed by English law save for Clause 4.7 (*Status and Covenants*) which shall be governed by Spanish law.

11.2 ***English courts***

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with this Deed of Subordinated Guarantee (including a dispute relating to the existence, validity or termination of this Deed of Subordinated Guarantee or any non-contractual obligation arising out of or in connection with this Deed of Subordinated Guarantee) or the consequences of its nullity.

11.3 ***Appropriate forum***

The Guarantor 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.

11.4 ***Rights of the Beneficiaries to take proceedings outside England***

Clause 11.2 is for the benefit of the Beneficiaries only. As a result, nothing in this Clause 11 prevents any Beneficiary from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Beneficiaries may take concurrent Proceedings in any number of jurisdictions.

11.5 ***Service of process***

Without prejudice to any other mode of service allowed under any relevant law, the Guarantor irrevocably (a) appoints Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Guarantor in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Issuer and the Guarantor of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Clause 11.5 ceases to be effective, the Guarantor shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of an Instrument shall be entitled to appoint such a person by written notice addressed to the Guarantor and delivered to the Guarantor or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of an Instrument to serve process in any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.

12. **MODIFICATION**

Any modification of any provision of this Deed of Subordinated Guarantee may be made by supplemental deed poll if sanctioned by a resolution of the Syndicate of Holders of the Instruments.

IN WITNESS whereof this Deed of Subordinated Guarantee has been executed by the Guarantor and is intended to be and is hereby delivered on the date first before written.

EXECUTED AS A DEED by)
BANCO SANTANDER, S.A.)
acting by *[INSERT NAME OF SIGNATORY]*)

acting under the authority)
of that company,)
in the presence of:)
[INSERT NAME OF WITNESS]

Witness:

Name:

Address:

REGISTERED OFFICES OF THE ISSUERS

Santander International Debt, S.A. Unipersonal

Ciudad Grupo Santander
Avenida de Cantabria, s/n
28660 Boadilla del Monte
Madrid
Spain

Santander Issuances, S.A. Unipersonal

Ciudad Grupo Santander
Avenida de Cantabria, s/n
28660 Boadilla del Monte
Madrid
Spain

REGISTERED OFFICE OF THE GUARANTOR

Banco Santander, S.A.

Paseo de Pereda 9-12
39004 Santander
Spain

HEAD OFFICE OF THE GUARANTOR

Banco Santander, S.A.

Ciudad Grupo Santander
Avda de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

ARRANGERS

Morgan Stanley & Co. International plc

25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Banco Santander, S.A.

Ciudad Grupo Santander
Avda. de Cantabria, s/n
28660 Boadilla del Monte
Madrid
Spain

DEALERS

Banco Santander, S.A.
Santander Global Banking & Markets
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria
28660 Boadilla del Monte
Madrid
Spain

BNP PARIBAS
10 Harewood Avenue
London NW1 6AA
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

Crédit Agricole
9, Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

J.P. Morgan Securities Ltd.
125 London Wall
London EC2Y 5AJ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Société Générale
29 Boulevard Haussman
75009 Paris
France

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

AUDITORS OF THE ISSUERS AND THE GUARANTOR

Deloitte S.L.

Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain

ISSUE AND PAYING AGENT

Citibank, N.A., London Branch

Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB

REGISTRAR

Citigroup Global Markets Deutschland AG

Reuterweg 16
60323 Frankfurt
Germany

GERMAN PAYING AGENT

Citigroup Global Markets Deutschland AG

Reuterweg 16

60323 – Frankfurt
Germany

IRISH LISTING AGENT

BNP Paribas Securities Services, Luxembourg Branch

33, rue de Gasperich
Howald-Hesperange
L-2085 Luxembourg
Luxembourg

LEGAL ADVISERS

To the Issuers and the Guarantor

As to Spanish Law

Natalia Butragueño

Ciudad Grupo Santander
Edificio Encinar
Avda de Cantabria s/n
28660 Boadilla del Monte
Madrid
Spain

To the Dealers

As to English law and Spanish law

Allen&Overy

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Madrid 28006
Spain