INFORMATION MEMORANDUM DATED 29 APRIL 2013

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

€25,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.

Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for Euro-commercial paper notes (the "**Notes**") issued during the twelve months after the date of this document under the €25,000,000,000 Euro-commercial paper programme (the "**Programme**") of Santander Commercial Paper, S.A. Unipersonal guaranteed by Banco Santander, S.A. described in this document to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market.

There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "Risk Factors" on pages 6-33 of this Information Memorandum).

Potential purchasers should note the statements on pages 124-130 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 13/1985 of 25 May 1985, as amended, on the Issuer and the Guarantor relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information is not received by the Issuer and the Guarantor in a timely manner.

Arranger

Morgan Stanley

Dealers

Barclays	BofA Merrill Lynch
Citigroup	Commerzbank
Crédit Agricole CIB	Credit Suisse
Deutsche Bank	Goldman Sachs International
ING	Morgan Stanley
Nomura	Rabobank International
Santander Global Banking & Markets	Société Générale
The Royal Bank of Scotland	UBS Investment Bank

IMPORTANT NOTICE

This Information Memorandum (together with any supplementary information memorandum and any documents incorporated by reference, the "**Information Memorandum**") contains summary information provided by Santander Commercial Paper, S.A. Unipersonal (the "**Issuer**") and by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Bank**", the "**Guarantor**" or the "**Parent**") in connection with a euro-commercial paper programme (the "**Programme**") under which the Issuer may issue and have outstanding at any time euro-commercial paper notes (the "**Notes**") up to a maximum aggregate amount of €25,000,000,000 or its equivalent in alternative currencies, in each case with the benefit of a guarantee by the Guarantor. Under the Programme, the Issuer may issue Notes outside the United States pursuant to Regulation S ("**Regulation S**") of the United States Securities Act of 1933, as amended (the "**Securities Act**"). Each of the Issuer and the Guarantor has, pursuant to an amended and restated dealer agreement dated 29 April 2013 (the "**Dealer Agreement**"), appointed Morgan Stanley & Co. International plc as arranger for the Programme (the "**Arranger**"), appointed Banc of America Securities Limited, Banco Santander, S.A., Barclays Bank PLC, Citibank International plc, Commerzbank Aktiengesellschaft, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc and UBS Limited as dealers for the Notes (together with the Arranger, the "**Dealers**"), and authorised and requested the Dealers to circulate the Information Memorandum in connection with the Programme on their behalf to purchasers or potential purchasers of the Notes.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Information Memorandum. To the best of the knowledge of the Issuer and the Guarantor (who have each taken all reasonable care to ensure that such is the case), the information contained in this Information Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor and the companies whose accounts are consolidated with those of the Guarantor (together, the "**Group**") or the Notes other than as contained or incorporated by reference in this Information Memorandum, in the Dealer Agreement (as defined herein), in any other document prepared in connection with the Programme or in any Final Terms or as approved for such purpose by the Issuer or the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor, the Arranger, the Dealers or any of them.

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

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

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

Neither the Arranger nor any of the Dealers accepts any liability in relation to this Information Memorandum or any Final Terms or its or their distribution by any other person. This Information Memorandum does not, and is not intended to, constitute (nor will any Final Terms constitute, or be intended to constitute) an offer or invitation to any person to purchase Notes. The distribution of this Information Memorandum and any Final Terms and the offering for sale of Notes or any interest in such Notes or any rights in respect of such Notes, in certain jurisdictions, may be restricted by law.

Persons obtaining this Information Memorandum, any Final Terms or any Notes or any interest in such Notes or any rights in respect of such Notes are required by the Issuer, the Guarantor, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. In particular, but without limitation, such persons are required to comply with the restrictions on offers or sales of Notes and on distribution of this Information Memorandum and other information in relation to the Notes, the Issuer and the Guarantor set out under "Subscription and Sale" below.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND, SUBJECT TO CERTAIN EXCEPTIONS, MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S).

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

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

Interpretation

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

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

TABLE OF CONTENTS

Page

RISK FACTORS

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its respective obligations under Notes issued under the Programme and under the deed of guarantee dated 29 April 2013 (the "**Deed of Guarantee**"). Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below. Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay any amounts due on or in connection with any Notes or the Deed of Covenant, or of the Guarantor to pay any amounts due on or in connection with the Deed of Guarantee, may occur for other reasons and neither the Issuer nor the Guarantor represents that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the information set out elsewhere in this Information Memorandum and reach their own view prior to making any investment decision.

Risk relating to the Issuer and the Guarantor

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

Risks in relation to Group operations

Because our 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.

We are 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, including the United States, 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.

Some uncertainty remains concerning the future economic environment and there is no assurance when such conditions will improve. While certain segments of the global economy are currently experiencing a moderate recovery, we expect these conditions to continue to have an ongoing 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 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 indicate continued doubts about some governments' ability to fund themselves and affect 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 are 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 credit risk management system could materially and adversely affect us.

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, such as affiliated entities and group 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.

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.

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.

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 our total liquid assets of £2.0 billion of cash and £6.6bn in additional collateral that we would be required to post under the terms of our 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 our 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). Any downgrade in our 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.

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.

Despite our risk management policies, procedures and methods, we may nonetheless 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. Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behavior. 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 modeling 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 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. In addition, the personnel we employ in supervising these activities may not have experience that is comparable to the level of sophistication of criminal organisations. 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. In Spain, the Bank of Spain issued Circular 9/2010 on 22 December 2010, which amends certain rules in order to establish more restrictive conditions regarding capital requirements for credit risk, credit risk mitigation techniques, securitisation and treatment of counterparty and trading book risk. This Circular has not had and is not expected to have a quantifiable material impact on our business. The Circular was issued following the passage of two EU Directives on risk management (Directive 2009/27/CE and Directive 2009/83/CE).

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 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/CRR**") legislative package. In early 2013 the draft legislation remains under discussion between the European Parliament, the European Commission and the Council of Ministers. The final capital framework to be established in the EU under CRDIV/CRR is likely to differ from Basel III in certain areas and the implementation date is still subject to uncertainty.

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.

During the last few months of 2011 the European Banking Authority ("**EBA**") established new requirements to strengthen capital ratios. These requirements were part of a series of measures adopted by the European Council in the second half of 2011, which aim to restore stability and confidence in the European markets. These capital requirements are expected to be exceptional and temporary.

The selected banks were required to have a core capital Tier 1 ratio of at least 9% by 30 June 2012, in accordance with the EBA's rules. Each bank was required to present by 20 January 2012 their capitalisation plan to reach the requirement by 30 June 2012. In December 2011, the EBA disclosed its capital requirements for the main European banks. According to the EBA, our additional capital needs amounted to €15,302 million. During the last few months of 2011 we carried out a series of measures which allowed us, at the beginning of 2012, to achieve a core capital ratio of 9%, ahead of the EBA deadline of 30 June 2012.

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 2011.

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 and this Decision was adopted by the EU's Council of Finance Ministers at its committee meeting on 22 January 2013. The formal Directive was published on 14 February 2013, under which participating Member States may charge a FTT on all financial transactions with effect from 1 January 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.

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 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 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.

The retail banking market is exposed to macroeconomic shocks that may negatively impact household income, and a downturn in the economy could result in increased loan losses.

One of our main strategies is to focus on the retail banking sector and to grow our retail loan portfolio. The recoverability of retail loans in particular and our ability to increase the amount of loans outstanding, and our results of operations and financial condition in general, may become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and result in increased loan losses that could have a material adverse effect on us.

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

The economies of some of the Latin American countries where we operate have experienced significant volatility in recent decades, characterised, 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 our 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 us 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, our revenues are subject to risk of loss from unfavorable political and diplomatic developments, social instability, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, interest-rate caps and tax policies.

No assurance can be given that our 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 Spanish government debt could have a material adverse effect on us.

Like many other Spanish banks, we invest in debt securities of the Spanish government. As of 31 December 2012, approximately 3% of our total assets, and 26% of our securities portfolio, was comprised of debt securities issued by the Spanish government which are in our books at fair value. Losses in the trading portfolio are reflected in the income statement and losses in the available for sale portfolio impact our total equity. Any failure by the Spanish 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.

Risks in relation to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon the market for similar securities, general economic conditions and the financial condition of the Issuer and the Guarantor. Although applications have been made for Notes issued under the Programme to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange, there is no assurance that such applications will be accepted, that any particular issue of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular issue of Notes.

Global Notes held in a clearing system

Because the Global Notes are held by or on behalf of Euroclear and/or Clearstream, Luxembourg and possibly other clearing systems including Euroclear, France, investors will have to rely on their procedures for transfer, payment and communication with the Issuer and/or the Guarantor.

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

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under such Notes by making payments to the common depositary (in the case of Global Notes which are not in the New Global Note form) or, as the case may be, the common service provider (in the case of Global Notes in New Global Note form) for Euroclear and/or Clearstream, Luxembourg and/or any other clearing system, including Euroclear, France, for distribution to their account holders for onward transmission to the Beneficial Owners. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg and/or any other clearing system, including Euroclear, France and their relevant participants, to receive payments

under their relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to take enforcement action against the Issuer under the relevant Notes but will have to rely upon their rights under the Deed of Covenant dated 29 April 2013 (the "**Deed of Covenant**").

The Issuer may redeem the Notes for tax reasons

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

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

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

Risks in Relation to Spanish Taxation

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

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

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

The Issuer, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes. If, despite these procedures, the relevant information is not received by the Issuer or, as the case may be, the Guarantor on each Payment Date, the Issuer or, as the case may be, the Guarantor will withhold tax at the then-applicable rate (currently 21%) from any payment in respect of the relevant Notes. Neither the Issuer or the Guarantor will pay any additional amounts with respect to any such withholding.

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

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

Royal Decree 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 Notes is received by the Issuer. In the opinion of the Issuer and the Guarantor, payments in respect of the Notes will be made without deduction or withholding of taxes in Spain provided that the relevant information about the Notes is submitted by the Issue and Paying Agent to them, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

Notwithstanding the above, in the case of Notes held by Spanish resident individuals (and, under certain circumstances, by Spanish entities subject to Corporate Income Tax) and deposited with a Spanish resident entity acting as depositary or custodian, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 21%.

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

Risks Relating to the Insolvency Law

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

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

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

There are restrictions on the ability to resell Notes.

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

DOCUMENTS INCORPORATED BY REFERENCE

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

1. an English language translation of the Guarantor's unaudited consolidated Income Statement and Balance Sheet contained on pages 7-11 and 12-17, respectively, of the Financial Report of the Guarantor for the 3 months ended 31 March 2013;

2. an English language translation of the Guarantor's audited consolidated and non-consolidated financial statements, together with the notes thereto and auditors' report thereon, included in the section entitled "Auditor's report and Annual Consolidated Accounts" of the Guarantor's Annual Report for the year ended 31 December 2012 and 31 December 2011; and

3. an English language translation of the financial statements of Santander Commercial Paper, S.A. Unipersonal for the years ended 31 December 2012 and 31 December 2011.

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

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

RECENT DEVELOPMENTS

Invitation to tender certain securitisation bonds for cash

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

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

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

Agreement with Abbey Life Assurance

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

This reinsurance transaction is unique in the Spanish and Portuguese insurance markets and will enable us to monetise our life risk insurance portfolio, generating a result of €467 million gross.

The policies ceded to Abbey Life Assurance Ltd consist of the portfolio as of 30 June 2012. This reinsurance agreement does not involve any changes for our customers as services will continue to be provided by Santander's insurance companies.

Our branches in Spain and Portugal will continue to offer products designed by our insurance companies as the agreement reached with Abbey Life Assurance Ltd does not involve any commitment on future distribution and is limited to the portfolio existing at 30 June 2012.

Placement of shares of Grupo Financiero Santander, S.A.B. de C.V. on the secondary market

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

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

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

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

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

The IPO of our unit in Mexico was an important step in our strategy of having market listings for all of our significant subsidiaries.

Invitation to tender offer

On 22 August 2012, the Bank and Santander Financial Exchanges Limited (each an Offeror and, jointly, the Offerors) invited holders of 21 specific series of subordinated debt and preferred securities to sell them to the Offerors. The nominal amount of the securities traded in euros and sterling amounted to €7,201 million and £3,373 million, respectively.

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

On 31 August 2012 the Offerors announced that the holders had accepted to sell a total nominal amount of €755 for the securities traded in euros and £311 million for the securities traded in sterling.

Agreement to purchase Royal Bank of Scotland branch offices

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

The agreement reached in August 2010 between Santander UK and RBS for Santander UK to acquire the Business was originally scheduled to complete by end 2011. In August 2011, this was extended to a new target completion date of the fourth quarter of 2012.

Santander UK's guiding principle has been to ensure a seamless journey for the customers of the Business. However, given the delays, Santander UK has concluded that it is not possible to complete this within a reasonable period.

Santander and Elavon agreement

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

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

The agreement values the transferred business at €165.8 million and will generate a result of approximately €86.6 million after tax.

The transaction is subject to obtaining the authorisation from the Spanish General Directorate of the Treasury and Public Finance to incorporate the joint company as a payment services entity and to the approval of the EU competition authorities. The transaction is expected to close before year end.

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 €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 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.

The effectiveness of the merger is subject to the following conditions precedent:

i. The authorisation of the Minister of Economy and Competitiveness for the absorption of Banesto by the Bank.

ii. The obtainment of the other authorisations that, by reason of the business activities of Banesto or its subsidiaries, must be obtained from the Bank of Spain, the CNMV or any other administrative or supervisory body.

iii. The approval of the shareholders at the general meetings of the Bank and Banesto within the six months following the date of the draft terms of merger.

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.

The merger is scheduled to be completed on or around the first week of May 2013.

Insurance business in Spain

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

The transaction is subject to the obtainment of the relevant authorisations from the Directorate-General of Insurance and Pension Funds and the European competition authorities and, therefore, it is scheduled to be completed by the first half of 2013.

Scrip dividend

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.

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.

Assuming that the reverse greenshoe option is not exercised, 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 the our capital is immaterial.

KEY FEATURES OF THE PROGRAMME

Issuer:	Santander Commercial Paper, S.A. Unipersonal
Guarantor:	Banco Santander, S.A.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer and the Guarantor to fulfil their respective obligations under the Notes are discussed under "Risk Factors", above.
Arranger:	Morgan Stanley & Co. International plc
Dealers:	Banc of America Securities Limited, Banco Santander, S.A., Barclays Bank PLC, Citibank International plc, Commerzbank Aktiengesellschaft, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International), Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, ING Bank N.V., Morgan Stanley & Co. International plc, Nomura International plc, Société Générale, The Royal Bank of Scotland plc, UBS Limited and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular issue of Notes.
Issuing and Paying Agent:	Citibank, N.A.
Listing Agent:	A&L Listing Limited
Programme Amount:	The aggregate principal amount of Notes outstanding and guaranteed at any time will not exceed €25,000,000,000 or its equivalent in alternative currencies subject to applicable legal and regulatory requirements. The Programme Amount may be increased from time to time in accordance with the Dealer Agreement.
Currencies:	Notes may be issued in Australian Dollars, Canadian Dollars, Euro, Japanese Yen, New Zealand Dollars, Sterling, Swiss Francs and United States Dollars and such other currencies as may be agreed between the Issuer and the relevant Dealer(s) from time to time and subject to the necessary regulatory requirements having been satisfied.
Denominations:	Global Notes shall be issued (and interests therein exchanged for Definitive Notes, if applicable) in the following minimum denominations (or integral multiples thereof): (a) for U.S.$ Notes, U.S.$500,000; (b) for euro Notes, €500,000; (c) for Sterling Notes, £100,000;

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

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

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

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

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

or such other conventionally accepted denominations in those currencies (including, in addition to those listed above, Danish kroner, Swedish kroner and Norwegian kroner) as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements.

Maturity of the Notes: Not less than 1 nor more than 364 days, subject to legal and regulatory requirements.

Tax Redemption: Early redemption will only be permitted for tax reasons as described in the terms of the Notes.

Redemption on Maturity: The Notes may be redeemed at par.

Issue Price: The Issue Price of each issue of interest bearing Notes (and, in the case of discount Notes, the discount rate) will be as set out in the relevant Final Terms.

Status of the Notes: The payment obligations of the Issuer pursuant to the Notes constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among themselves and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.

Status of the Deed of Guarantee: The obligations of the Guarantor in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and upon the insolvency of the Guarantor (and unless they qualify as subordinated debts under article 92 of the Insolvency Law (as defined below) or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least *pari passu* with all other

	unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Deed of Guarantee.
Taxation:	All payments under the Notes and the Deed of Guarantee will be made without deduction or withholding for or on account of any present or future Spanish withholding taxes, except as stated in the Notes and the Deed of Guarantee and as stated under the heading "Taxation - Taxation in Spain".
Information requirements under Spanish Tax Law:	Under Spanish Law 13/1985 and Royal Decree 1065/2007, each as amended, the Issuer is required to receive certain information relating to the Notes. If the Issue and Paying Agent fails to provide the Issuer with the required information described under "Taxation in Spain—Information about the Notes in Connection with Payments", the Issuer will be required to withhold tax and may pay income in respect of the relevant Notes net of the Spanish withholding tax applicable to such payments (currently at the rate of 21 per cent.). None of the Issuer, the Guarantor, the Arranger, the Dealers or the European clearing systems assumes any responsibility therefor.
Form of the Notes:	The Notes will be in bearer form. Each issue of Notes will initially be represented by one or more global notes (each a "**Global Note**", and together the "**Global Notes**"). Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or Euroclear France and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Global Notes will be exchangeable for Definitive Notes in whole, but not in part, in the limited circumstances set out in the Global Notes (see "Certain Information in Respect of the Notes - Forms of Notes").
Listing and Trading:	Each issue of Notes may be admitted to the Official List and admitted to trading on the regulated market of the Irish Stock Exchange and/or listed, traded and/or quoted on any other listing authority, stock exchange and/or quotation system as may be agreed between the Issuer and the relevant Dealer. No Notes may be issued on an unlisted basis.

Delivery:	The Notes will be available in London for delivery to Euroclear or Clearstream, Luxembourg or Euroclear France or to any other recognised clearing system (as its nominee or depositary) in which the Notes may from time to time be held.
Selling Restrictions:	The offering and sale of the Notes is subject to all applicable selling restrictions including, without limitation, those of the United States of America, the United Kingdom, Japan, Spain and France (see "Subscription and Sale").
Governing Law:	The status of the Notes and the status of the Deed of Guarantee, the capacity of the Issuer and the Guarantor and the relevant corporate resolutions shall be governed by Spanish law. Any non-contractual obligations arising out of or in connection with the Notes, the Terms and Conditions of the Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Use of Proceeds:	The net proceeds of the issue of the Notes will be deposited on a permanent basis with the Guarantor by the Issuer and will be used for the general funding purposes of the Group.

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

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

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

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

The Issuer did not have any outstanding secured or unsecured indebtedness other than €2,260 million of Euro-commercial paper notes, £110 million Euro-commercial paper notes, CHF120 million Euro-commercial paper notes and U.S.$81 million of U.S. commercial paper notes outstanding as of 10 April 2013 under the Programme.

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

There has been no material adverse change in the prospects of the Issuer, nor any significant change in its financial or trading position, since 31 December 2012.

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

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

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

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

During the 12 months prior to the date of this Information Memorandum, the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which

are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The financial statements for the year ended 31 December 2012 and 31 December 2011, of Santander Commercial Paper, S.A. Unipersonal, prepared in accordance with the *Texto Refundido de la Ley de Sociedades de Capital* (Spanish Corporations Law), were audited by the external auditors, Deloitte, S.L. of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

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

BANCO SANTANDER, S.A.

Information about the Guarantor

Banco Santander, S.A. 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.

As at the date of this Information Memorandum, the Guarantor has a total share capital which is fully issued and paid up of €5,269,341,572.50 divided into 10,538,683,145 shares with a nominal value of €0.50. All shares are of the same class and issue with the same rights attached.

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 31 January 2013.

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

The Guarantor was founded in the city of Santander by notarised document executed on 3 March 1856 before court official Mr José Dou Martínez, ratified and partially amended by a further document dated 21 March 1857 before the court official of Santander Mr José María Olarán, and commenced trading on 20 August 1857. The Guarantor was transformed to a Credit Company (*Sociedad Anónima de Crédito*) by a public deed executed on 14 January 1875 which was recorded with the Mercantile Registry of the Government of the Province of Santander.

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

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

The Guarantor was incorporated in Spain and has its registered office at Paseo de Pereda, numbers 9 to 12, Santander. The principal operating headquarters of the Guarantor is located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, in the province of Madrid. The telephone number of the principal operating headquarters of the Guarantor is +34 91 259 65 20.

The non-consolidated and consolidated annual financial statements of the Guarantor 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, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the *Instituto de Censores Jurados de Cuentas de España*.

The Guarantor's auditors have not resigned nor been removed, and were last re-appointed by the Bank on 23 March 2013 the annual financial statements for the financial year ending 31 December 2013.

Business overview

At 31 December 2012, we had a market capitalisation of €63.0 billion, stockholders' equity of €74.47 billion and total assets of €1,269.6 billion. We had an additional €118.1 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December 2012, we 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 (for a full breakdown of employees by country, see Item 6 of Part I, "Directors, Senior Management and Employees—D. Employees" herein).

We are 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, we have majority shareholdings in banks in Argentina, Brazil, Chile, 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 our operating business areas has been segmented into two levels:

First (or geographic) level.

The activity of our operating units is segmented by geographical areas. This coincides with our first level of management and reflects our 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 its 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 our 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 our 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, we continue 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, Grupo Santander 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 Grupo Santander by assets. At the end of 2012, it accounted for 37.8% of total customer funds under management, 39.6% 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 20.8% 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

Our retail banking activity in Spain is carried out mainly through the branch network of 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, we 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 (see Item 11 for more detailed information).

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 rised 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

Our consumer financing activities are conducted through our subsidiary Santander Consumer Finance (SCF) 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. We also conduct 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 7.0% 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

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

At the end of 2012, Portugal 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 (BZ WBK)

On 1 April 2011, we 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 Grupo Santander, 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, we 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).

Our Latin American banking business is principally conducted by the following banking subsidiaries:

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

We engage in a full range of retail banking activities in Latin America, although the range of our activities varies from country to country. We seek to take advantage of whatever particular business opportunities local conditions present.

Our significant position in Latin America is attributable to our financial strength, high degree of diversification (by countries, businesses, products, etc.), and the breadth and depth of our franchise.

Profit attributable to the Parent obtained in Latin America by Santander Group in 2012 was €4,305 million, a decrease of 5.6%. 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 we operate:[1]

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.

---

[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.

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 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 had 118 branches, 1,654 employees and 526,000 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 4.6% of the total customer funds under management, 5.8% of total loans and credits and 9.5% 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 €427 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 16.7% 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 32.2% 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 UK, 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 our corporate banking, treasury and investment banking activities throughout the world.

This segment, managed by Santander Global Banking & Markets, contributed 10.3% of the operating areas' total income and 21.5% of profit attributable to the Parent bank in 2012. Profit attributable to 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 our 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 Deustche 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% decrease 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 our 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 us 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 sheet and income statements of the various **geographical segments** as at and for the years ended 31 December 2012 are as follows:

(Condensed) balance sheet	Millions of euros 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 and equity	**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 and 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**

The Corporate Activities segment acts as the Group's holding company. Therefore, it manages all equity (share capital and reserves of all the units) and determines the allocation thereof to each unit. The Group's equity (€79,689 million) is initially assigned to this segment, and is then allocated in accordance with corporate policies to the business units (€70,022 million). This allocation is shown as an asset of the Corporate Activities segment (included in Other asset accounts) and as a liability of each business unit (included in Equity (share capital and reserves)). Therefore, the allocation is reflected in the intra-Group elimination adjustment balance sheet in order not to duplicate the balances and obtain the total consolidated balance sheet for the Group.

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 analyzed 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.

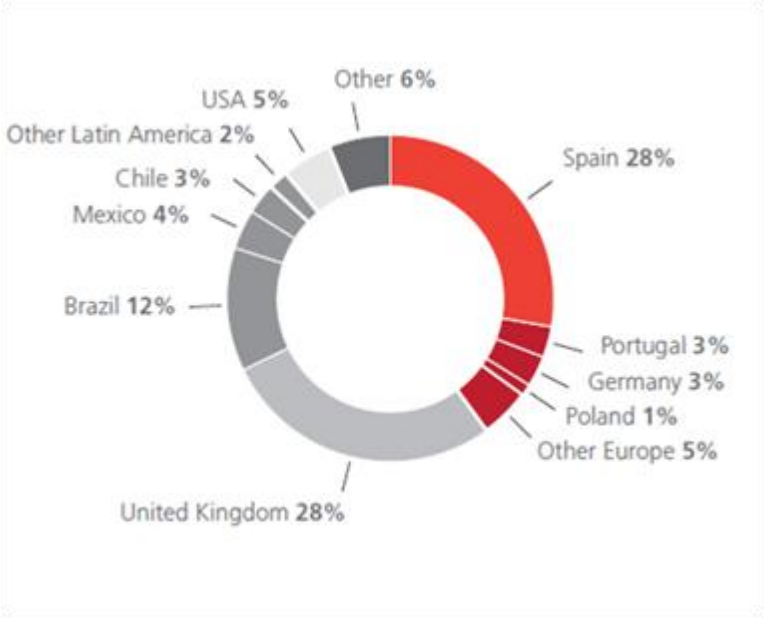
During 2012, the committee met 14 times (19 times during 2011, and 21 times during 2010) and analyzed 140 new products/services. The corporate office of reputational risk was presented with 61 products/services considered not new for approval and resolved 171 consultations from areas and countries. The 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.

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 2011). 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.



Organisational Structure

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

Trend Information

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

The following is a description of certain factors which, if produced could have a material adverse effect on the Guarantor or that would cause the disclosed financial information not to be indicative of the Group's future operating results or of its financial condition:

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.

Administrative, Management and Supervisory Bodies

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 and Chief Executive Officer Mr. Alfredo Sáenz Abad								
Third Deputy Chairman Mr. Matías Rodríguez Inciarte		C						
Fourth Deputy Chairman Mr. Manuel Soto Serrano (2)			C					I
Members								
Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea								
Mr. Javier Botín-Sanz de Sautuola y O'Shea (1)								P
Mr. Vittorio Corbo Lioi								E
Ms. Esther Giménez-Salinas i Colomer								I
Lord Burns (Terence)								E
Mr. Guillermo de la Dehesa Romero								I
Mr. Rodrigo Echenique Gordillo								I
Mr. Ángel Jado Becerro de Bengoa								I
Mr. Abel Matutes Juan (2)								I
Mr. Juan Rodríguez Inciarte								
Ms. Isabel Tocino Biscarolasaga								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, 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, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano 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. Manuel Soto Serrano. 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. Alfredo Sáenz Abad	Banco Banif, S.A.	Chairman
	Santander Private Banking, S.A.	Chairman
	Santander Investment, S.A.	Vice Chairman
Mr. Matías Rodríguez Inciarte	UCI, S.A.	Chairman
	Banco Santander Totta, S.A.	Chairman
	Santander Totta, SGPS, S.A.	Chairman
	Banco Español de Crédito, S.A.	Director
	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. Manuel Soto Serrano	Mercapital, S.L.	Chairman of the Advisory Committee
	Cartera Industrial Rea, SA	Vice Chairman

Directors	Company Name	Functions
	Grupo Lar Inversiones Inmobiliarias, 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
	Georgetown University	Director
	Santander Investment, S.A.	Director
	New York Stock Exchange	Member of the advisory committee
Mr. Javier Botín-Sanz de Sautuola y O'Shea	JB Capital Markets, S.V., S.A.	Chairman and Chief Executive Officer
Lord Burns (Terence)	Santander UK PLC	Chairman
	Alliance & Leicester Plc	Chairman
	Santander UK Foundation Limited	Chairman
	Channel Four Television Corporation	Chairman
Mr. Vittorio Corbo Lioi	Vittorio Corbo y Asociados LTDA.	Chairman
	ING Seguros de Vida, S.A. - Chile	Chairman of the Board
	Banco Santander Chile, S.A. - Chile	Director
	Empresa Nacional de Electricidad, S.A. - Chile	Director
	Grupo Financiero Santander-Mexico	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
Mr. Rodrigo Echenique Gordillo	Santander Private Real Estate Advisory, S.A.	Chairman
	Allfunds Bank, S.A	Chairman
	Banco Banif, S.A.	Vice Chairman
	Santander Investment, S.A.	Director

Directors	Company Name	Functions
	Banco Santander International	Director
	Universia Holding, S.L.	Director
	Vocento, S.A.	Director
Ms. Esther Giménez-Salinas i Colomer	Amber & CoCapital Microfinanzas, S.L.	Director
	Portal Universia	Director
Mr. Ángel Jado Becerro de Bengoa	Banco Banif, S.A.	Director
Mr. Abel Matutes Juan	Fiesta Hotels Group & Resorts, S.L.	Chairman
	FST Hotels, S.L.	Chairman
	FCC Construcción, S.A.	Director
	Balearia Eurolíneas Marítimas, S.A.	Director
Mr. Juan Rodríguez Inciarte	Santander UK PLC	Vice Chairman
	Santander Consumer Finance, S.A.	Director
	Banco Banif, S.A.	Director
	JCF Services, Co LLC	Member of the External Advisory Committee
	Saarema Inversiones, S.A.	Director
	Vista Capital de Expansión, S.A., SGECR	Director
	Alliance & Leicester Plc	Director
Ms. Isabel Tocino Biscarolasaga	Accenture España	Member of the Supervisory Board
	Diagonal Gest, S.L.	Director

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

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 on resolutions of the board of directors or its committees, in compliance with article 229 of the Spanish Corporate Enterprises Act 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 at its meeting on 17 February 2012, 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.

Major Shareholders

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.

Financial Information concerning the Guarantor's assets and liabilities, financial position and profits and losses

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.

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.

The information relating to the Group contained in the table of "Business Overview—Principal Markets in which the Guarantor competes" above is not audited and was obtained from the Guarantor's 2012 Annual Report.

No other information relating to the Guarantor in this Information Memorandum 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.

Litigation and General Information

LEGAL PROCEEDINGS

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 Mobiliarios 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 Participacoes, 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 an international double taxation 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. 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. As of the date of this report, the estimated loss related to this proceeding is provisioned.

At of 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, totaling €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, S.A. 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 December 11, 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, Mobilaria 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 economicos": 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 these half-yearly financial statements, certain claims had been filed in relation to this matter. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability for it in relation to the insolvency of Lehman. Accordingly, the risk of loss is considered to be remote.

- 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 Information Memorandum, 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.

SIGNIFICANT CHANGE

There has been no significant change in the financial or trading position of the Group since 31 March 2013, being the date of the most recently published consolidated financial statements of the Guarantor.

INTEREST OF NATURAL AND LEGAL PERSONS

So far as the Issuer and the Guarantor are aware, no person involved in the issue of the Notes has an interest material to the issue.

MATERIAL CONTRACTS

During the past two years, the Guarantor has not been a party to any contracts that were not entered into in the ordinary course of business of the Guarantor, and which were material to the Group as a whole.

CERTAIN INFORMATION IN RESPECT OF THE NOTES

Key Information

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

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

Information Concerning the Securities to be admitted to Trading

Total amount of Notes Admitted to Trading

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

The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time is €25,000,000,000 (or its equivalent in other currencies). Such amount may be increased from time to time in accordance with the Dealer Agreement.

Type and Class of Notes

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

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

(b) for euro Notes, €500,000;

(c) for Sterling Notes, £100,000;

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

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

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

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

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

or such other conventionally accepted denominations in those currencies (including, in addition to those listed above, Danish kroner, Swedish kroner and Norwegian kroner) as may be agreed between the Issuer and the relevant Dealer from time to time, subject in each case to compliance with all applicable legal and regulatory requirements.

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

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

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

Form of the Notes

The Notes will be in bearer form. Each issue of Notes will initially be represented by a Global Note and, in the case of a Global Note which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Notes with a depositary or common depositary for Euroclear and/or Clearstream, Luxembourg and/or Euroclear France and/or any other relevant clearing system. Each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Global Note may, if so specified in the relevant Final Terms, be exchangeable for Notes in definitive bearer form in the limited circumstances specified in the relevant Global Note.

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

Currency of the Notes

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

Status of the Notes

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

*In the event of insolvency (concurso) of the Issuer, under Law 22/2003 (Ley Concursal) dated 9 July 2003 (the "**Insolvency Law**"), claims relating to the Notes (unless they qualify as subordinated credits under the limited events regulated by Article 92 of the Insolvency Law) will be ordinary credits*

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

Status of the Deed of Guarantee

The Guarantor has by way of a deed of guarantee dated 29 April 2013 (the "**Deed of Guarantee**") unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer on an unsubordinated basis. The obligations of the Guarantor in respect of the guarantee of the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and upon the insolvency of the Guarantor (and unless they qualify as subordinated debts under article 92 of the Insolvency Law or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among such obligations of the Guarantor in respect of the Notes of the same issue and at least *pari passu* with all other unsubordinated and unsecured indebtedness and monetary obligations involving or otherwise related to borrowed money of the Guarantor, present and future. Its obligations in that respect are contained in the Deed of Guarantee.

Rights attaching to the Notes

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

Maturity of the Notes

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

Optional Redemption for Tax Reasons

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

Prescription

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

Yield Basis

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

Authorisations and approvals

The establishment of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the sole shareholder of the Issuer passed on 21 January 2008 and of the Board of Directors of the Issuer passed on 21 January 2008, and the giving of the guarantee of the Notes was authorised by a resolution of the Executive Committee of the Guarantor passed on 21 January 2008 (as amended by the resolution of the Executive Committee of the Guarantor passed on 26 May 2008). The update of the Programme and the issuance of Notes pursuant thereto was authorised by resolutions of the sole shareholder and of the Board of Directors of the Issuer passed on 9 April 2013, and the giving of the guarantee of the Notes was authorised by a resolution of the Executive Committee of the Guarantor passed on 5 April 2013.

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

Admission to Trading and Dealing Arrangements

Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of twelve months after the date of this Information Memorandum to be admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange. Notes may be listed, traded and/or quoted on any other listing authority, stock exchange and/or quotations system, as may be agreed between the Issuer and the relevant Dealer. No Notes may be issued on an unlisted basis.

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

Expense of the Admission to Trading

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

Additional Information

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

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

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

FORMS OF NOTES

Part A – Form of Multicurrency Global Note

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

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

(Incorporated with limited liability in the Kingdom of Spain)

€25,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

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

   All such payments shall be made in accordance with an issuing and paying agency agreement (the "**Agency Agreement**") dated 29 April 2013 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and Citibank, N.A. as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Global Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, in the case of a Global Note denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system. The Issuer further undertakes that it will ensure that it maintains a paying agent in a member state of the European Union that is not obliged to withhold or deduct tax pursuant to

European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive.

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

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

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

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

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

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

(iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or

(iv) where the withholding or deduction referred to in this paragraph 3 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or

(v) in respect of any Note presented for payment by or on behalf of a holder of a Note who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

(vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or

(vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

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

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

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

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

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

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

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

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

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

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

7. On each occasion on which:

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

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

the Issuer shall procure that:

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

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

8. The payment obligations of the Issuer represented by this Global Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify by law as subordinated debts under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal

provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among themselves and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.

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

As used in this Global Note:

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

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

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

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

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

    (a) if Euroclear Bank S.A./N.V. ("**Euroclear**") or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**", together with Euroclear, the international central securities depositaries or "**ICSDs**") or (if applicable and if the relevant Final Terms specify that the New Global Note form is not applicable) Euroclear France S.A. ("**Euroclear France**") or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease to do business or does so in fact; or

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

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

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

12. If, upon any such default and following such surrender, definitive Notes are not issued in full exchange for this Global Note before 5.00 p.m. (London time) on the thirtieth day after surrender, this Global Note (including the obligation hereunder to issue definitive notes) will become void and the bearer will have no further rights under this Global Note (but without prejudice to the rights which the bearer or any other person may have under a Deed of Covenant dated 29 April 2013, entered into by the Issuer).

13. This Global Note has the benefit of a deed of guarantee issued by the Guarantor on 29 April 2013, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.

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

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

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

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

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

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

(a) interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, Australian Dollars or Canadian Dollars, 365 days at

the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest amount of the Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards); and

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

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

(a) in the case of a Global Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days or, if this Global Note is denominated in Sterling, 365 days.

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

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

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

(b) in the case of a Global Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. Interest shall be payable on the aggregate Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the

Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

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

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

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

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

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

(d) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on each LIBOR Interest Determination Date; 11.00 a.m. (Brussels time) on each EURIBOR Interest Determination Date; or, in the case of ISDA Determination, at the time and on the Reset Date specified in the relevant Final Terms, determine the Rate of Interest and calculate the amount of interest payable (the "**Amount of Interest**") for the relevant Interest Period. "**Rate of Interest**" means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph 16(a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 16(b); and (C) in the case of a Global Note which specifies ISDA Determination in the Final Terms, the rate which is determined in accordance with the provisions of paragraph 16(c). The Amount of Interest shall be calculated by applying the Rate of Interest to the Nominal Amount of one Note of each Denomination, multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 or, if this Global Note is denominated in Sterling, by 365 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with

halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) *Rights of the bearer to take proceedings outside England*: Paragraph 21(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 21 prevents the bearer from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

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

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

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

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

AUTHENTICATED by

CITIBANK, N.A.

without recourse, warranty or liability and for authentication purposes only

By:
(Authorised Signatory)

Signed on behalf of:

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

By:
(Authorised Signatory)

By:
(Authorised Signatory)

EFFECTUATED for and on behalf of

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

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

SCHEDULE[2]

PAYMENTS OF INTEREST, DELIVERY OF DEFINITIVE NOTES AND CANCELLATION OF NOTES

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

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

FINAL TERMS

[Completed Final Terms to be attached]

Part B – Form of Multicurrency Definitive Note

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

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

(Incorporated with limited liability in the Kingdom of Spain)

€25,000,000,000

EURO-COMMERCIAL PAPER PROGRAMME

guaranteed by

BANCO SANTANDER, S.A.

(Incorporated with limited liability in the Kingdom of Spain)

Nominal Amount of this Note: ……

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

   All such payments shall be made in accordance with an issuing and paying agency agreement (the "**Agency Agreement**") dated 29 April 2013 (as amended and restated or supplemented from time to time) between the Issuer, Banco Santander, S.A. (the "**Guarantor**") and Citibank, N.A. as issue agent and as principal paying agent (the "**Issuing and Paying Agent**"), a copy of which is available for inspection at the offices of the Issuing and Paying Agent at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England, and subject to and in accordance with the terms and conditions set forth below. All such payments shall be made upon presentation and surrender of this Note at the office of the Issuing and Paying Agent referred to above by transfer to an account denominated in the Specified Currency set out in the Final Terms maintained by the bearer in the principal financial centre in the country of that currency or, if this Note is denominated in Euro, by Euro cheque drawn on, or by transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any member state of the European Union. The Issuer undertakes that, so long as the Notes are listed, traded and/or quoted on any listing authority, stock exchange and/or quotation system, there will at all times be a paying agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system. The Issuer further undertakes that it will ensure that it maintains a paying agent in a member state of the European

Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive.

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

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

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

   (iii) in respect of any Note presented for payment more than fifteen days after the Maturity Date (or, as the case may be, the Relevant Date) or, if applicable, the relevant Interest Payment Date or (in either case) the date on which the payment hereof is duly provided for, whichever occurs later, except to the extent that the relevant holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of fifteen days; or

   (iv) where the withholding or deduction referred to in this paragraph 2 is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, this Directive; or

   (v) in respect of any Note presented for payment by or on behalf of a holder of a Note who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or

   (vi) to, or to a third party on behalf of, individuals resident for tax purposes in The Kingdom of Spain; or

   (vii) to, or to a third party on behalf of, a Spanish-resident legal entity subject to the Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

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

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

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

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

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

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

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

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

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

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

6. The payment obligations of the Issuer represented by this Note constitute and at all times shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon insolvency of the Issuer (and unless they qualify by law as subordinated debts under article 92 of the Law 22/2003 (*Ley Concursal*) dated 9 July 2003 or equivalent legal provision which replaces it in the future, and subject to any applicable legal and statutory exceptions), rank *pari passu* and rateably without any preference among other Notes of the same Series (as

specified in the Final Terms) and the payment obligations of the Issuer under the Notes rank at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.

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

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

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

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

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

9. This Note has the benefit of a guarantee issued by the Guarantor on 29 April 2013, copies of which are available for inspection during normal business hours at the office of the Issuing and Paying Agent referred to above.

10. [3][If this is an interest bearing Note, then:

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

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

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

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

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

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

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

(a) in the case of a Note which specifies LIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

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

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

were the number of months specified in the Final Terms in relation to the Reference Rate; and

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

(b) in the case of a Note which specifies EURIBOR as the Reference Rate in the Final Terms, the Rate of Interest will be the aggregate of EURIBOR and the Margin specified in the Final Terms (if any) above or below EURIBOR. Interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the Day Count Convention specified in the Final Terms or, if none is specified, on the basis of the actual number of days in such Interest Period and a year of 360 days.

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

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

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

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

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

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

"**Amount of Interest**") for the relevant Interest Period. "**Rate of Interest**" means (A) if the Reference Rate is LIBOR, the rate which is determined in accordance with the provisions of paragraph 12(a); (B) if the Reference Rate is EURIBOR, the rate which is determined in accordance with the provisions of paragraph 12(b); and (C) in the case of a Global Note which specifies ISDA Determination in the Final Terms, the rate which is determined in accordance with the provisions of paragraph 12(c). The Amount of Interest shall be calculated by applying the Rate of Interest to the above mentioned Nominal Amount, multiplying such product by the Day Count Convention specified in the Final Terms or, if none is specified, by the actual number of days in the Interest Period concerned divided by 360 and rounding the resulting figure to the nearest amount of the above-mentioned Specified Currency which is available as legal tender in the country or countries (in the case of the Euro) of the Specified Currency (with halves being rounded upwards). The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(c) *Rights of the bearer to take proceedings outside England:* Paragraph 15(a) (*English courts*) is for the benefit of the bearer only. As a result, nothing in this paragraph 15 prevents the bearer from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the bearer may take concurrent Proceedings in any number of jurisdictions.

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

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

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

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

AUTHENTICATED by

CITIBANK, N.A.

without recourse, warranty or liability and for authentication purposes only

By:
(Authorised Signatory)

[By:
(Authorised Signatory)][4]

Signed on behalf of:

SANTANDER COMMERCIAL PAPER, S.A. UNIPERSONAL

By:
(Authorised Signatory)

By:
(Authorised Signatory)

[4] Include second authentication block if the currency of this Note is Sterling.

[On the Reverse]

[(A) If this is an interest bearing Note, then:

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

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

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

(a) interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days at the Rate of Interest specified in the Final Terms with the resulting figure being rounded to the nearest penny (with halves being rounded upwards); and

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

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

(a) the Rate of Interest will be the aggregate of LIBOR and the Margin specified in the Final Terms (if any) above or below LIBOR. Interest shall be payable on the above-mentioned Nominal Amount in respect of each successive Interest Period (as defined below) from (and including) the Issue Date to (but excluding) the Maturity Date (or, as the case may be, to the Relevant Date), in arrears on the relevant Interest Payment Date, on the basis of the actual number of days in such Interest Period and a year of 365 days.

As used in this Note (and unless otherwise specified in the Final Terms), "**LIBOR**" shall be equal to the rate defined as "**LIBOR-BBA**" in respect of Sterling (as defined in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced as at the date of this Note (the "**ISDA Definitions**")) as at 11.00 a.m. (London time) or as near thereto as practicable on the first day of the relevant Interest Period (the "**LIBOR Interest Determination Date**"), as if the Reset Date (as defined in the ISDA Definitions) were the first day of such Interest Period and the Designated Maturity (as defined in the ISDA Definitions)

were the number of months specified in the Final Terms in relation to the Reference Rate;

(b) the Calculation Agent specified in the Final Terms will, as soon as practicable after 11.00 a.m. (London time) on the LIBOR Interest Determination Date, determine the Rate of Interest and calculate the amount of interest payable (the "**Amount of Interest**") for the relevant Interest Period. "**Rate of Interest**" means the rate which is determined in accordance with the provisions of sub-paragraph (a) above. The Amount of Interest shall be calculated by applying the Rate of Interest to the above-mentioned Nominal Amount, multiplying such product by the Day Count Fraction specified in the Final Terms or, if none is specified, the actual number of days in the Interest Period concerned divided by 365 and rounding the resulting figure to the nearest penny. The determination of the Rate of Interest and the Amount of Interest by the Calculation Agent named above shall (in the absence of manifest error) be final and binding upon all parties;

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

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

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

SCHEDULE

PAYMENTS OF INTEREST

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

Date Made	Payment From	Payment To	Gross Amount Payable	Withholding at 21%	Net Amount Paid	Notation on behalf of Issuing and Paying Agent
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____

FINAL TERMS

[Completed Final Terms to be attached]

FORM OF FINAL TERMS

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

Santander Commercial Paper, S.A. Unipersonal

€25,000,000,000 Euro-Commercial Paper Programme (the "Programme")

guaranteed by

Banco Santander, S.A.

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

PART A – CONTRACTUAL TERMS

This document constitutes the Final Terms (as referred to in the Information Memorandum dated 29 April 2013 (as amended, updated or supplemented from time to time, the "**Information Memorandum**") in relation to the Programme) in relation to the issue of Notes referred to above (the "**Notes**"). Terms defined in the Information Memorandum, unless indicated to the contrary, have the same meanings where used in these Final Terms. Reference is made to the Information Memorandum for a description of the Issuer, the Guarantor, the Programme and certain other matters. These Final Terms are supplemented to and must be read in conjunction with the full terms and conditions of the Notes. These Final Terms are also a summary of the terms and conditions of the Notes for the purpose of listing.

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

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

[*Include whichever of the following apply or specify as "Not applicable" (N/A). Note that the numbering should remain as set out below, even if "Not applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.*]

1.	(i) Issuer:	Santander Commercial Paper, S.A. Unipersonal
	(ii) Guarantor:	Banco Santander, S.A.
2.	Type of Note:	Euro commercial paper
3.	Series No:	[ ]
4.	Dealer(s)	[ ]

5.	Specified Currency:	[ ]
6.	Aggregate Nominal Amount:	[ ]
7.	Issue Date:	[ ]
8.	Maturity Date:	[ ] [May not be less than 1 day nor more than 364 days]
9.	Issue Price (for interest bearing Notes) or discount rate (for discount Notes):	[ ]
10.	Denomination:	[ ]
11.	Redemption Amount:	[Redemption at par][[ ] per Note of [ ] Denomination][*other*]
12.	Delivery:	[Free of/against] payment

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13.	**Fixed Rate Note Provisions**	[Applicable/Not applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i) Rate[(s)] of Interest:	[ ] [per cent. per annum]
	(ii) Interest Payment Date(s):	[ ]
	(iii) Day Count Convention (if different from that specified in the terms and conditions of the Notes):	[Not applicable/*other*] [The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.][5]
	(iv) Other terms relating to the method of calculating interest for Fixed Rate Notes (if different from those specified in the terms and conditions of the Notes):	[Not applicable/*give details*]
14.	**Floating Rate Note Provisions**	[Applicable/Not applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)

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

(i) Interest Payment Dates:	[ ]
(ii) Calculation Agent (party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s):	[[the Issuing and Paying Agent]/[*Name*] shall be the Calculation Agent]
(iii) Reference Rate:	[ ] months [LIBOR/EURIBOR] [Not applicable]
(iv) ISDA Determination:	[Not applicable]
• Floating Rate Option:	[ ]
• Designated Maturity:	[ ]
• Reset Date and time:	[ ] [Not applicable] [*in the case of self-compounding overnight interest rate commercial paper, the Reset Date will be the date prior to each Interest Payment Date*]°
(v) Margin(s):	[+/-][ ] per cent. per annum
(vi) Day Count Convention if different from that specified in the terms and conditions of the Notes:	[Not applicable/*other*] [The above-mentioned Day Count Convention shall have the meaning given to it in the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc., as amended, updated or replaced at the Issue Date.][6]
(vii) Any other terms relating to the method of calculating interest on floating rate Notes, if different from those set out in the terms and conditions of the Notes:	[ ]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

15.	Listing and admission to trading:	[Dublin (the Irish Stock Exchange Limited). Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the regulated market of the Irish Stock Exchange Limited with effect from [ ].][other]
16.	Ratings:	The Notes to be issued under the Programme have been rated:

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

		[Standard & Poor's: [ ]] [Fitch Ratings: [ ]] [Moody's Investors Service España, S.A.: [ ]] [*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*.]
17.	Clearing System(s):	Euroclear[,/and] Clearstream, Luxembourg [and Euroclear France]
18.	Issuing and Paying Agent:	Citibank, N.A.
19.	Listing Agent:	[[A&L Listing Limited]/[Not applicable]/[*Give name*]]
20.	ISIN:	[ ]
21.	Common code:	[ ]
22.	Any clearing system(s) other than or in addition to Euroclear Bank, S.A./N.V., Clearstream Banking, société anonyme [and, if applicable, Euroclear France, S.A.] and the relevant identification number(s):	[Not applicable/*give name(s) and number(s)*]
23.	New Global Note:	[Yes][No]
24.	Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes.][No.][Not applicable.][Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.][*include this text if "yes" selected in which case the Notes must be issued in NGN form*]

LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the €25,000,000,000 Euro-Commercial Paper Programme of Santander Commercial Paper, S.A. Unipersonal guaranteed by Banco Santander, S.A.

RESPONSIBILITY

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

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

By: .....
(duly authorised)

By: .....
(duly authorised)

Dated:

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

By: .....
(duly authorised)

By: .....
(duly authorised)

Dated:

PART B – OTHER INFORMATION

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

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

["Save as discussed in paragraph 1 of "Subscription and Sale", so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Notes has an interest material to the offer."]

2. ESTIMATED TOTAL EXPENSES RELATED TO THE ADMISSION TO TRADING

Estimated total expenses: [ ]

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

Indication of yield: [ ]]

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

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

TAXATION

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

EU Savings Tax Directive

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

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

Taxation in Spain

Introduction

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

(a) of general application, Additional Provision Two of Law 13/1985, of 25 May on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003, of 4 July on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005, of 18 November on certain tax measures to promote productivity, and Law 4/2008, of 23 December, that abolishes the Net Wealth Tax, generalises the VAT monthly refund system and introduces other tax measures, 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 and Royal Decree-Law 13/2011, of 16 September, on the temporary reinstatement of wealth tax;

(b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, and Royal Decree 439/2007 of 30 March promulgating the IIT Regulations, along with Law 29/1987, of 18 December on the Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Royal Legislative Decree 4/2004, of 5 March, promulgating the Consolidated Text of the CIT Law, and Royal Decree 1777/2004, of 30 July, promulgating the CIT Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, along with Law 29/1987, of 18 December, on the Inheritance and Gift Tax.

Whatever the nature and residence of the Beneficial Owner (as defined in the Notes), the acquisition and transfer of the Notes will be exempt from indirect taxes in Spain, for example, exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December, regulating such tax.

1. **Individuals with Tax Residency in Spain**

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

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law, and taxed according to the then-applicable rate. According to Additional Provision Thirty five of the PIT Law, introduced by Royal Decree-Law 20/2011, the savings taxable base of tax year 2013 will be taxed at the rate of 21 per cent. up to €6,000, 25 per cent. for taxable income between €6,001 and €24,000, and 27 per cent. for taxable income exceeding €24,000.

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 the Issuer and the Guarantor, the Issuer will pay interest without withholding to individual Holders who are resident for tax purposes in Spain provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of each Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 21% which will be made by the depositary or custodian.

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

Individuals with tax residency in Spain are subject to Wealth Tax on the 2013 tax year to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2013. Therefore, they should take into account the value of the Notes 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.

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

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Inheritance and Gift Tax in accordance with the applicable Spanish regional or State rules. The applicable tax rates currently range between 7.65% and 34%. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that currently range between 0% and 81.6%.

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

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

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general tax rate of 30 per cent.) 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 Issuer and the Guarantor, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers provided that the information about the Notes required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 21%, withholding that will be made by the depositary or custodian, if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (Dirección General de Tributos) dated 27 July 2004 and require a withholding to be made.

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

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

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

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

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

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

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

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

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

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

(ii) *With no permanent establishment in Spain*

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

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under "—Information about the Notes in Connection with Payments" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 21% and the Issuer will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not receive the information about the Notes in a timely fashion in accordance with the procedure described in detail as set forth in Exhibit I hereto would have to apply directly to the Spanish tax authorities for any refund to

which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

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

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

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

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

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

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

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

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

If the Notes are not listed on an organised market in an OECD country on any Payment Date, payments to Holders in respect of the Notes will be subject to withholding tax at the current rate of 21%, except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, provided that such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

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

See "Taxation 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 Issuer.

6. **Information about the Notes in Connection with Payments**

As described above, interest and other income paid with respect to the Notes will not be subject to Spanish withholding tax unless the procedures for delivering to the Issuer and/or the Guarantor the information described in Exhibit I of this Information Memorandum are not complied with.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007 ("**Section 44**"), as amended by Royal decree 1145/2011 of 29 July.

In accordance with Section 44 paragraph 5, before the close of business on the Business Day (as defined in the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "**Payment Date**") is due, the Issuer must receive from the Issue and Paying Agent the following information about the Notes:

(a) the identification of the Notes with respect to which the relevant payment is made;

(b) the date on which the relevant payment is made;

(c) the total amount of the relevant payment;

(d) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain.

In particular, the Issue and Paying Agent must certify the information above about the Notes by means of a certificate, the form of which is attached as Exhibit I of this Information Memorandum.

In light of the above, the Issuer, the Guarantor and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (currently 21%) from any payment in respect of the relevant Notes. Neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding.

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

Prospective Holders of Notes should note that none of the Issuer, the Guarantor or the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Notes. Accordingly, none the Issuer, the Guarantor or the Dealers

will be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, neither the Issuer nor the Guarantor will pay any additional amounts with respect to any such withholding. See "Risk Factors - Risks in relation to the Notes - Taxation".

Set out below is Exhibit I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Exhibit I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

Any foreign language text included in this Information Memorandum is for convenience purposes only and does not form part of this Information Memorandum.

EXHIBIT 1

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal (…)[(1)], en nombre y representación de (entidad declarante), con número de identificación fiscal (….)[(1)] y domicilio en (…) en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number (...)[(1)], in the name and on behalf of (entity), with tax identification number (....)[(1)] and address in (...) as (function - mark as applicable):

(a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.

(a) Management Entity of the Public Debt Market in book entry form.

(b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.

(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.

(c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.

(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.

(d) Agente de pagos designado por el emisor.

(d) Issuing and Paying Agent appointed by the issuer.

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

Makes the following statement, according to its own records:

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

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

1.1 Identificación de los valores……

1.1 Identification of the securities……

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

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

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

1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)

1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora .....

1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....

1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).

1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).

2. En relación con el apartado 5 del artículo 44.

2. In relation to paragraph 5 of Article 44.

2.1 Identificación de los valores……

2.1 Identification of the securities……..

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

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

2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados .....……..

2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.

2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.

2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en .....….a …. de .....…de ….

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

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

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

SUBSCRIPTION AND SALE

1. **General**

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

2. **United States of America**

The Notes and the Deed of Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has represented and agreed that it has offered and sold, and will offer and sell, Notes and the Deed of Guarantee only outside the United States to non-U.S. persons in accordance with Rule 903 of Regulation S. Accordingly, each Dealer has represented and agreed that neither it, nor its affiliates nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the Notes and the Deed of Guarantee, and that it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer has also agreed that, at or prior to confirmation of sale of Notes and the Deed of Guarantee, it will have sent to each distributor, dealer or person receiving a selling commission, fee or other remuneration that purchases Notes from it a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons. Terms used above have the meanings given to them by Regulation S under the Securities Act."

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

3. **Selling Restrictions addressing additional United Kingdom Securities Laws**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or, in the case of the Guarantor, would not apply to the Guarantor if it was not an authorised person; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

4. **Japan**

Each Dealer has acknowledged that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and, accordingly, each Dealer has undertaken that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws of Japan.

5. **Kingdom of Spain**

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

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

6. **Republic of France**

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

GENERAL INFORMATION.

Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and may from time to time be made eligible via other clearing systems, including Euroclear France. The appropriate common code (if held at Euroclear and Clearstream, Luxembourg) and International Securities Identification Number in relation to each issue of Notes and any other clearing system as shall have accepted the relevant Notes for clearance will be specified in the Final Terms relating thereto.

Admission to Listing and Trading

It is expected that Notes issued under the Programme may be admitted to listing on the Official List and to trading on the regulated market of the Irish Stock Exchange after 29 April 2013. The admission of the Notes to trading on the regulated market of the Irish Stock Exchange will be expressed as a percentage of their principal amount. Any Notes intended to be admitted to listing on the Official List and admitted to trading on the regulated market of the Irish Stock Exchange will be so admitted to listing and trading upon submission to the Irish Stock Exchange of the relevant Final Terms and any other information required by the Irish Stock Exchange, subject in each case to the issue of the relevant Notes.

However, Notes may be issued pursuant to the Programme which will be admitted to listing, trading and or quotation by such other listing authority, stock exchange and/or quotation system as the Issuer and the relevant Dealer(s) may agree. No Notes may be issued pursuant to the Programme on an unlisted basis.

Significant Change

There has been no significant change in the financial or trading position of the Guarantor or the Group since 31 March 2013.

Material Contracts

During the past two years, neither the Issuer nor the Guarantor has been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and the Guarantor and which was material to the Group as a whole.

Documents on Display

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

1. the *estatutos* (constitutive documents) of each of the Issuer and of the Guarantor;
2. the audited and unaudited financial statements incorporated by reference herein;
3. this Information Memorandum, together with any supplements thereto;

4. the Agency Agreement;

5. the Dealer Agreement;

6. the Deed of Covenant;

7. the Deed of Guarantee; and

8. the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form).

REGISTERED OFFICE OF THE ISSUER

Santander Commercial Paper, S.A. Unipersonal
Ciudad Grupo Santander
Edificio Amazonia
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

ARRANGER

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

DEALERS

Banc of America Securities Limited
2 King Edward Street
London EC1A 1HQ
United Kingdom

Banco Santander, S.A.
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660, Boadilla de Monte
Madrid
Spain

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Citibank International plc
Short Term Fixed Income Desk
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Commerzbank Aktiengesellschaft
Kaiserstraße 16 (Kaiserplatz)
60311 Frankfurt am Main
Federal Republic of Germany

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International)
Croeselaan
18, 3521 CB Utrecht
The Netherlands

Crédit Agricole Corporate and Investment Bank
9 Quai du Président Paul Doumer
92920 Paris La Défense Cedex
France

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

ING Bank N.V.
Foppingadreef 7
1102 BD Amsterdam
The Netherlands

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale
29 Boulevard Haussman
75009 Paris
France

The Royal Bank of Scotland plc
135 Bishopsgate
London EC2M 3UR
United Kingdom

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

THE ISSUING AND PAYING AGENT
Citibank, N.A.
Citigroup Centre
Canada Square
London E14 5LB
United Kingdom

THE LISTING AGENT
A&L Listing Limited
International Financial Services Centre
North Wall Quay
Dublin 1
Ireland

LEGAL ADVISERS

To the Issuer and the Guarantor as to Spanish law
Natalia Butragueño
Ciudad Grupo Santander
Edificio Encinar
Avenida de Cantabria s/n
28660, Boadilla del Monte
Madrid
Spain

To the Dealers as to English and Spanish law
Clifford Chance, S.L.
Paseo de la Castellana, 110
28046 Madrid
Spain

AUDITORS OF THE ISSUER AND THE GUARANTOR
Deloitte S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
Spain