BASE PROSPECTUS

BANCO SANTANDER, S.A.

(incorporated with limited liability in Spain)

€25,000,000,000 PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

This document (the "**Base Prospectus**") constitutes a base prospectus for the purposes of Article 8 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 (as amended, the "**Prospectus Regulation**") relating to instruments (the "**Instruments**") issued under the programme described herein (the "**Programme**") by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Issuer**" or the "**Bank**") and has been prepared in accordance with, and including the information required by Annexes 7 and 15 of Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation.

This Base Prospectus has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Regulation. This Base Prospectus has been approved on 16 March 2020, as a base prospectus issued in compliance with the Prospectus Regulation for the purpose of giving information with regard to the issue of Instruments under the Programme during the period of twelve months after the date of its approval. The Central Bank of Ireland assumes no responsibility as to the economistic and financial soundness of the transactions and the quality or solvency of the Issuer. The Central Bank of Ireland only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed under Irish and European Union ("**EU**") law pursuant to the Prospectus Regulation. Such approval by the Central Bank of Ireland should not be considered as an endorsement of the Issuer or the quality of the securities that are the subject of this Base Prospectus. Such approval relates only to the Instruments which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU, as amended ("**MiFID II**") and/or which are to be offered to the public in any member state ("**Member State**") of the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). Application has been made to The Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Instruments to be admitted to the official list (the "**Official List**") and trading on its regulated market. This Base Prospectus will be published on the website of Euronext Dublin (www.ise.ie) and the information incorporated by reference under Section titled "*Documents incorporated by Reference*" herein will be published on the website of Banco Santander (www.santander.com). The Programme also permits Instruments to be issued on the basis that they will be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further listing authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

For the purposes of the Directive 2004/109/EC (the "**Transparency Directive**") the Home Member State is Spain.

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

This Base Prospectus will be valid for a year from the date of its approval. The obligation to supplement the Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will not apply when the Prospectus is no longer valid.

There are certain risks related to any issue of Instruments under the Programme, which investors should ensure they fully understand (see "*Risk Factors*" on pages 15 to 44 of this Base Prospectus). Potential investors should note the statements regarding the tax treatment in Spain of income obtained in respect of the Instruments and the disclosure requirements imposed by Law 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time ("**Law 10/2014**") on the Issuer in relation to the Instruments. In particular, payments on the Instruments may be subject to Spanish withholding tax if certain information relating to the Instruments is not received by the Issuer in a timely manner.

The Instruments may be issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**"). Bearer Instruments may be issued in new global note ("**NGN**") form and Registered Instruments may be held under the new safekeeping structure ("**NSS**") to allow Eurosystem eligibility. Unless otherwise specified in the Final Terms, each Tranche of Bearer Instruments having an original maturity of more than one year will initially be represented by a temporary Global Instrument (each a "**Temporary Global Instrument**") and each Tranche of Bearer Instruments having an original maturity of one year or less will initially be represented by a permanent Global Instrument (each a "**Permanent Global Instrument**" and, together with a Temporary Global Instrument, each a "**Global Instrument**") which, in each case, will (i) if the Global Instruments are stated in the applicable Final Terms to be issued in NGN form, be delivered on or prior to the original issue date of the relevant Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"); or (ii) if the Global Instruments are not intended to be issued in NGN form ("**CGN**"), be delivered on or prior to the original issue date of the relevant Tranche to a common depositary ("**Common Depositary**") for, Euroclear and Clearstream, Luxembourg, or as otherwise agreed between the relevant Issuer and the relevant Dealer. Interests in Temporary Global Instruments will be exchangeable for interests in a Permanent Global Instrument or, if so stated in the relevant Final Terms, for definitive Bearer Instruments (the "**Definitive Instruments**") after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership. If specified in the relevant Final Terms, interests in Permanent Global Instruments will be exchangeable for Definitive Instruments. Registered Instruments will be represented by registered certificates (each an "**Individual Certificate**"), one Individual Certificate being issued in respect of each Holder's entire holding of Registered Instruments of one Series and may be represented by registered global certificates (each a "**Global Registered Instrument**"). Registered Instruments which are held in Euroclear and Clearstream, Luxembourg will be registered (i) if the Global Registered Instrument is not to be held under the NSS, in the name of nominees for Euroclear and Clearstream, Luxembourg or a common nominee for both or (ii) if the Global Registered Instrument is to be held under the NSS, in the name of a nominee of the Common Safekeeper and the relevant Individual Certificate(s) will be delivered to the appropriate depositary, a Common Depositary or Common Safekeeper, as the case may be. The provisions governing the exchange of interests in Global Instruments for other Global Instruments and Definitive Instruments are described in "*Summary of Provisions Relating to the Instruments while in Global Form*".

The Instruments have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and include Instruments in bearer form that are subject to U.S. tax law requirements. The Instruments may not be offered, sold or (in the case of Instruments in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**") and, in addition in the case of Instruments in bearer form, as defined in the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder) except in certain transactions exempt from or not subject to the registration requirements of the Securities Act, the securities laws of the

applicable state or other jurisdiction of the United States and applicable U.S. tax law requirements.

MIFID II product governance / target market – The Final Terms in respect of any Instruments will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Instruments and which channels for distribution of the Instruments are appropriate. Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Instruments is a manufacturer in respect of such Instruments, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PRIIPs / IMPORTANT – EEA AND UK RETAIL INVESTORS – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2016/97/EC (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014, as amended (the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA or in the UK will be prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Amounts payable under the Instruments may be calculated or otherwise determined by reference to an index or a combination of indices and amounts payable on Reset Instruments issued under the Programme may in certain circumstances be determined in part by reference to such indices. Any such index may constitute a benchmark for the purposes of the Benchmark Regulation (Regulation (EU) 2016/1011) (the "**BMR**"). If any such index does constitute such a benchmark the applicable final terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to article 36 of the BMR. Not every index will fall within the scope of the BMR.

Arrangers for the Programme

BARCLAYS

SANTANDER CORPORATE AND INVESTMENT BANKING (SCIB)

Dealers

BARCLAYS

BNP PARIBAS

BofA SECURITIES

CITIGROUP

COMMERZBANK

CRÉDIT AGRICOLE CIB

CREDIT SUISSE

DEUTSCHE BANK

GOLDMAN SACHS BANK EUROPE SE

HSBC

J.P. MORGAN

MIZUHO SECURITIES

MIZUHO SECURITIES EUROPE

MORGAN STANLEY

NATIXIS

NATWEST MARKETS

NOMURA

SANTANDER CORPORATE AND INVESTMENT BANKING (SCIB)

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

UBS INVESTMENT BANK

UNICREDIT BANK

16 March 2020

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Base Prospectus and any Final Terms (as defined below) and declares that, to the best of its knowledge, the information contained in this Base Prospectus is in accordance with the facts and makes no omission likely to affect its import.

Each Tranche (as defined herein) of Instruments will be issued on the terms set out herein under "*Terms and Conditions of the Instruments*" (the "**Terms and Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**").

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

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

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer and the companies whose financial statements are consolidated with those of the Issuer (together, the "**Group**" or "**Santander Group**") or the Instruments other than as contained or incorporated by reference in the Base Prospectus, in the Dealership Agreement (as defined in "*Subscription and Sale*"), in any other document prepared in connection with the Programme or any Final Terms or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Dealers or any of them.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates make any representation or warranty or accept any responsibility, as to the accuracy or completeness of the information contained in the Base Prospectus or any responsibility for any act or omission of the Issuer or any other person (other than the relevant Dealer) in connection with the issue and offering of the Instruments. Neither the delivery of the Base Prospectus or any Final Terms nor the offering, sale or delivery of any Instrument shall create, in any circumstances, any implication that there has been no adverse change in the financial situation the Issuer or the Group since the date hereof or, as the case may be, the date upon which the Base Prospectus has been most recently amended or supplemented or the balance sheet date of the most recent financial statements which are deemed to be incorporated into the Base Prospectus by reference.

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

Prospective investors should consider that the trading market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other Western and industrialised countries, that such market volatility could adversely affect the price of the Instruments and that the different economic and market conditions could have any other adverse effect.

Each potential investor in any of the Instruments should determine the suitability of such investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and professional advisers, whether it:

(i) has sufficient knowledge and expertise to make a meaningful evaluation of the relevant Instruments, the merits and risks of investing in the Instruments and the information contained or incorporated by reference in this Base Prospectus, taking into account that the Instruments may only be a suitable investment for professional or institutional investors;

(ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Instruments and the impact the Instruments will have on its overall investment portfolio;

(iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Instruments, including where the currency for payments in respect of the Instruments is different from the potential investor's currency;

(iv) understands thoroughly the terms of the Instruments, including the provisions relating to their status, and is familiar with the behaviour of financial markets; and

(v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear applicable risks.

A potential investor should not invest in the Instruments unless it has the knowledge and expertise (either alone or with its financial and professional advisers) to evaluate how the Instruments will perform under changing conditions, the resulting effects on the market value of the Instruments, and the impact of this investment on the potential investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) relevant Instruments are legal investments for it, (ii) the relevant Instruments can be used as collateral for various types of borrowing and (iii) other restrictions apply to the purchase of any Instruments. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Instruments under any applicable risk-based capital or similar rules. Neither the Issuer, the Dealers nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Instruments by a prospective investor of the relevant Instruments, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

The distribution of the Base Prospectus and any Final Terms and the offering, sale and delivery of the Instruments in certain jurisdictions may be restricted by law. Persons into whose possession the Base Prospectus or any Final Terms come are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Instruments and on the distribution of the Base Prospectus or any Final Terms and other offering material relating to the Instruments, see "*Subscription and Sale*". In particular, the Instruments have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Instruments in bearer form are subject to U.S. tax law requirements. The Instruments may not be offered, sold or (in the case of Instruments in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) and, in addition, in the case of Instruments in bearer form, as defined in the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder), except in certain transactions exempt from or not subject to the registration requirements of the Securities Act, the securities laws of the applicable state or other jurisdiction of the United States and applicable U.S. tax law requirements.

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

The Instruments will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Final Terms, save that the minimum denomination of each Instrument will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant specified currency indicated in the applicable Final Terms and save that, (i) in the case of any Instruments which are to be admitted to trading on a regulated market within the EEA or the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Instruments) and (ii) unless otherwise permitted by then current laws and regulations, Instruments (including Instruments denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Instruments and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any

Instruments. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Instruments outstanding at any one time under the Programme will not exceed €25,000,000,000 (and for this purpose, any Instruments denominated in another currency shall be translated into euro at the date of the agreement to issue such Instruments (calculated in accordance with the provisions of the Dealership Agreement)). The maximum aggregate principal amount of Instruments which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealership Agreement.

IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF INSTRUMENTS, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN THE APPLICABLE FINAL TERMS MAY OVER-ALLOT INSTRUMENTS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE INSTRUMENTS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF INSTRUMENTS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF INSTRUMENTS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF INSTRUMENTS. ANY STABILISING ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

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

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

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

This Base Prospectus (and the documents incorporated by reference in this Base Prospectus) contains certain management measures of performance or alternative performance measures ("**APMs**"), which are used by management to evaluate Issuer´s overall performance. These APMs are not audited, reviewed or subject to review by Issuer´s auditors and are not measurements required by, or presented in accordance with, International Financial Reporting Standards as adopted by the EU ("**IFRS-EU**"). Accordingly, these APMs should not be considered as alternatives to any performance measures prepared in accordance with IFRS-EU. Many of these APMs are based on Issuer´s internal estimates, assumptions, calculations, and expectations of future results and there can be no guarantee that these results will actually be achieved. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of Issuer´s profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to

review these APMs in conjunction with the audited consolidated annual financial statements and the unaudited quarterly business activity and results report incorporated by reference in this Base Prospectus.

The descriptions (including definitions, explanations and reconciliations) of all APMs are set out in Section 8 of the Group's 2019 Annual Report which is incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*").

The Issuer believes that the description of these management measures of performance in this Base Prospectus follows and complies with the ESMA Guidelines introduced on 3 July 2016 on Alternative Performance Measures.

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA") - Unless otherwise stated in the applicable Final Terms, all Instruments shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**")) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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OVERVIEW OF THE PROGRAMME

The following overview is qualified in its entirety by the remainder of this Base Prospectus.

Issuer:	Banco Santander, S.A.
LEI Code:	5493006QMFDDMYWIAM13
Risk Factors:	Investing in Instruments issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Instruments are discussed under "*Risk Factors*" above.
Description:	Programme for the issuance of debt instruments.
Size:	Up to €25,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Instruments outstanding at any one time.
Arrangers:	Banco Santander, S.A. and Barclays Bank PLC.
Dealers:	Banco Santander, S.A., Barclays Bank PLC, Barclays Bank Ireland PLC, BNP Paribas, BofA Securities Europe SA, Citigroup Global Markets Limited, Citigroup Global Markets Europe AG, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs Bank Europe SE, HSBC Bank plc, J.P. Morgan Securities plc, Merrill Lynch International, Mizuho International plc, Mizuho Securities Europe Gmbh, Morgan Stanley & Co. International plc, Natixis, NatWest Markets Plc, Nomura International plc, Société Générale, UBS Europe SE and UniCredit Bank AG. The Issuer may from time to time terminate the appointment of any Dealer under the Programme or appoint additional Dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Base Prospectus to "**Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as Dealers in respect of the whole Programme (and whose appointment has not been terminated) and all persons appointed as a Dealer in respect of one or more Tranches.
Issue and Paying Agent:	The Bank of New York Mellon, London Branch.
Method of Issue:	The Instruments will be issued on a syndicated or non-syndicated basis. The Instruments will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Instruments

	of each Series being intended to be interchangeable with all other Instruments of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms for such Tranche (the "**Final Terms**").
Issue Price:	Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant tranche of Instruments will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions.
Form of Instruments:	The Instruments may be Bearer Instruments or Registered Instruments. Bearer Instruments may be issued in NGN form and Registered Instruments may be held under the NSS, in each case, to allow Eurosystem eligibility. Unless otherwise specified in the Final Terms, each Tranche of Bearer Instruments having an original maturity of more than one year and that is being issued in compliance with the U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**") will initially be represented by a Temporary Global Instrument and each Tranche of Bearer Instruments having an original maturity of one year or less will initially be represented by a Permanent Global Instrument which, in each case, will (i) if the Global Instruments are stated in the applicable Final Terms to be issued in NGN form, be delivered on or prior to the original issue date of the relevant Tranche to a Common Safekeeper for Euroclear and Clearstream, Luxembourg; or (ii) if the Global Instruments are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the relevant Tranche to a Common Depositary for Euroclear and Clearstream, Luxembourg, or as otherwise agreed between the Issuer and the relevant Dealer. Interests in temporary Global Instruments will be exchangeable for interests in a permanent Global Instrument or, if so stated in the relevant Final Terms, for Definitive Instruments after the date falling 40 days after the issue date upon certification as to non-U.S. beneficial ownership. If specified in the

relevant Final Terms, interests in permanent Global Instruments will be exchangeable for Definitive Instruments.

Registered Instruments will be represented by Individual Certificates, one Individual Certificate being issued in respect of each Holder's entire holding of Registered Instruments of one Series and may be represented by a Global Registered Instrument. Registered Instruments which are held in Euroclear and Clearstream, Luxembourg will be registered (i) if the Global Registered Instrument is not to be held under the NSS, in the name of nominees for Euroclear and Clearstream, Luxembourg or a common nominee for both or (ii) if the Global Registered Instrument is to be held under the NSS, in the name of a nominee of the Common Safekeeper and the relevant Individual Certificate(s) will be delivered to the appropriate depositary, a Common Depositary or Common Safekeeper, as the case may be.

The provisions governing the exchange of interests in Global Instruments for other Global Instruments and Definitive Instruments are described in "*Summary of Provisions Relating to the Instruments while in Global Form*".

Clearing Systems: Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms.

Currencies: The Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements.

Maturities: Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Senior Non Preferred Instruments will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations. Tier 2 Subordinated Instruments will have a maturity of not less than five years in accordance with Applicable Banking Regulations.

Where Instruments have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the UK or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the UK, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only

	to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer.
Specified Denomination:	Instruments will be in such denominations as may be specified in the relevant Final Terms save that (i) in the case of any Instruments which are to be admitted to trading on a regulated market within the European Economic Area or in the UK or offered to the public in an EEA State or in the UK in circumstances which require the publication of a prospectus under the Prospectus Regulation, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Instruments); and (ii) unless otherwise permitted by then current laws and regulations, Instruments (including Instruments denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the UK or whose issue otherwise constitutes a contravention of section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Instruments:	Fixed Rate Instruments bear interest at the fixed rate(s) of interest specified in the relevant Final Terms. The rate of interest will remain constant or may be altered on certain reset dates specified in the relevant Final Terms.
Floating Rate Instruments:	Floating Rate Instruments bear interest at a variable rate either determined (a) on the basis of a floating rate set out in the 2006 ISDA Definitions, or (b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service, together with the (positive or negative) margin (if any).
Zero Coupon Instruments:	Zero Coupon Instruments will be offered and sold at a discount to, or at 100 per cent. of, their principal amount. Zero Coupon Instruments do not bear interest and an investor will not receive any return on the Instruments until redemption.
CMS-Linked Instruments:	CMS-Linked Instruments bear interest (if any) at a rate determined by reference to one or more swap rates.
Interest Periods and Interest Rates:	The length of interest periods for the Instruments and the applicable interest rate or its method of calculation may

	differ from time to time or be constant for any Series. Instruments may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Instruments to bear interest at different rates in the same interest period. All such information will be set out in the Final Terms.
Redemption:	Instruments may be redeemable at the redemption amount specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Early redemption will be permitted for taxation reasons or, in the case of Ordinary Senior Instruments if so specified in the relevant Final Terms, following an Event of Default or, in the case of Senior Subordinated Instruments, Senior Non Preferred Instruments and if so specified in the relevant Final Terms, the Ordinary Senior Instruments, upon the occurrence of a TLAC/MREL Disqualification Event, or, in the case of Tier 2 Subordinated Instruments, upon the occurrence of a Capital Disqualification Event, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms. Any early redemption of Subordinated Instruments, Senior Non Preferred Instruments or Ordinary Senior Instruments eligible to comply with the TLAC/MREL Requirements will be subject to the prior consent of the competent authorities and/or relevant resolution authorities, to the extent required, in accordance with applicable banking regulations.
Status of Instruments:	Instruments may be either Senior Instruments (in which case they will be Ordinary Senior Instruments or Senior Non Preferred Instruments) or Subordinated Instruments (in which case they will be Senior Subordinated Instruments or Tier 2 Subordinated Instruments) as more fully described in Condition 3 (*Status of the Instruments*).
Substitution and Variation:	If specified in the relevant Final Terms as being applicable to the Instruments and a TLAC/MREL Disqualification Event, a Capital Disqualification Event or a circumstance giving rise to the right of the Issuer to redeem the Instruments for taxation reasons, as applicable, occurs and is continuing, the Issuer may substitute all (but not some only) of the Instruments (as the case may be) or modify the terms of all (but not some only) of the Instruments, including, in the case of English Law Instruments by changing the governing law of the Instruments from English law to Spanish law, without any requirement for the consent or approval of

	the Holders, so that they are substituted for, or varied to, become, or remain Qualifying Instruments. See Condition 8 (*Substitution and Variation*).
Ratings:	Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Taxation:	All payments of principal and interest in respect of the Instruments will be made free and clear of withholding taxes of the Kingdom of Spain unless the withholding is required by law. In such event, the Issuer shall (subject to customary exceptions and, in respect of Tier 2 Subordinated Instruments, only in respect of the payment of interest) pay such additional amounts as shall result in receipt by the Holder of the relevant Instrument of such amounts as would have been received by it had no such withholding been required, all as described in "*Terms and Conditions of the Instruments – Taxation*". The Issuer considers that, according to Royal Decree 1065/2007, of 27 July, as amended by Royal Decree 1145/2011, of 29 July, it is not obliged to withhold taxes in Spain in relation to interest paid on the Instruments to any investor (whether tax resident in Spain or not) provided that the information procedures described in section "*Taxation*" below are fulfilled. According to the information procedures described in such section, it would no longer be necessary to provide the Issuer with information regarding the identity and tax residence of the Holders of the Instruments or the amount of interest payable to them, provided certain conditions are met. For further information on this matter, please refer to "*Risk Factors — Taxation in Spain*".
Governing Law:	English law or Spanish law, as specified in the relevant Final Terms. In the case of English law Instruments, Condition 3 (*Status of the Instruments*) and Condition 14 (*Syndicate of Holders of the Instruments and Modification*) will be governed, and construed in accordance with, Spanish law.

Listing and Admission to Trading:	This Base Prospectus has been approved by the CBI as competent authority under the Prospectus Regulation. The CBI only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed under Irish and EU law pursuant to the Prospectus Regulation. Such approval by the CBI should not be considered as an endorsement of the Issuer that is subject of this Base Prospectus. Application has been made to Euronext Dublin for the Instruments to be admitted to the Official List and trading on its regulated market, as specified in the relevant Final Terms. Each Series may be listed on the Official List of Euronext Dublin and traded on the regulated market of Euronext Dublin and/or any other listing authority, stock exchange and/or quotation system (as may be agreed between the Issuer and the relevant Dealer and specified in the relevant Final Terms) or may be unlisted. Under Spanish law, unlisted Instruments are subject to a different tax regime than that applicable to listed Instruments and, if issued under the Programme, such Instruments will be the subject of a supplement to the Base Prospectus.
Selling Restrictions:	The United States, the European Economic Area, the UK, Spain, Japan, Switzerland, Belgium, Singapore and Italy. See "*Subscription and Sale*". The Issuer is Category 2 for the purposes of Regulation S under the Securities Act, as defined above.

RISK FACTORS

An investment in the Instruments may involve a high degree of risk. In purchasing Instruments, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Instruments. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Instruments. It is not possible to identify all such factors, as the Issuer may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a number of factors which could materially adversely affect its businesses and ability to make payments due under the Instruments and are listed in order of decreasing materiality, taking into account both the probability that they might occur as well as the expected magnitude of their negative impact.

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

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

CONTENTS OF THE RISK FACTORS

1. Macro-Economic and Political Risks

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

Geographical exposure of the loan book

The Group's loan portfolio is concentrated mainly in Europe (in particular, Spain and the UK), North America (in particular the United States) and South America (in particular Brazil). At 31 December 2019, Europe accounted for 72 per cent. of our total loan portfolio (Spain accounted for 20 per cent. of our total loan portfolio and the UK, where the loan portfolio consists primarily of residential mortgages, 29 per cent.), North America accounted for 14 per cent. (of which the United States represents 10 per cent. of our total loan portfolio) and South America accounted for 13 per cent. (of which Brazil represents 8 per cent. of our total loan portfolio. 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 Europe (in particular, Spain and the UK), North America and South America.

Economic slowdown, recession or depression

A return to recessionary conditions in the economies of Europe (in particular, Spain and the UK), the United States or some of the South American countries in which the Group operates, would likely have a significant adverse impact on the Group’s loan portfolio and sovereign debt holdings and, as a result, on its financial condition, cash flows and results of operations.

Global economic conditions deteriorated significantly between 2007 and 2009, and some of the countries in which the Group operates fell into recession. Although most countries have recovered, this recovery may not be sustainable. A further recession could lead to major financial institutions suffering from major economic difficulties resulting in significant runs on deposits and therefore requiring government assistance and a reduction in the volume of funds such major financial institutions lend to their customers (including other financial institutions). If, as a result, capital market funding is no longer possible or becomes excessively onerous, the Group could be forced to raise the interest rates it pays on deposits, which could ultimately prevent it from meeting the maturities of some of its commitments. A significant increase in funding costs or greater difficulties in accessing capital markets or an increase in the rates the Group pays for deposits could have a material adverse effect on the Group's interest margins and liquidity.

The Group's results are also affected by other market conditions on a global and local scale. The increase in protectionism over the last few years could contribute to the debilitation of international trade, which could affect the Group's traditional business lines. In addition, any tension or uncertainty in the context of international commerce, such as was the case between the United States and China in 2018 and 2019, could have a negative impact on the Group's operations and results. Furthermore, the immigration policies of different countries, including the United States, could change as a result. Since December 2019, a new variety of coronavirus has spread in China and other countries, causing uncertainty in relation to the potential impact of the virus on the global and local economic activity. An increase in protectionism or trade tensions, higher barriers to immigration and the uncertainty caused by the effects of the coronavirus could have a negative impact on the economies of the countries in which the Group operates, which could affect its operating results, financial situation and business prospects.

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

(i) Reduced demand for our products and services.

(ii) Increased regulation of our industry. Compliance with such regulation will continue to increase the Group's costs and may affect the pricing for our products and services, increase its conduct and regulatory risks related to non-compliance and limit its ability to pursue business opportunities.

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

(iv) The process the Group uses 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 the Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of its loan loss allowances.

(v) The value and liquidity of the Group's portfolio of investment securities may be adversely affected.

The European Union

In the EU the principal concern today is the risk of a slowdown in the economic activity, because the tax and financial integration, although not completed, has limited an individual country's ability to address potential economic crises with its own fiscal and monetary policies. In the past, the ECB and European Council have taken actions with the aim of reducing the risk of contagion in the eurozone and beyond and improving economic and financial stability. However, these measures have not been normalised at this stage. A further economic downturn, in an environment where the ECB and the European Council have not standardised the measures implemented, limits the EU's ability to face it.

A further deterioration of the national economies could lead to an increase in the risk of non-payment of their corresponding sovereign debt. A significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by eurozone (and other) nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

The Group's net exposure to sovereign debt at 31 December 2019 amounted to €136,377 million (9 per cent. of its total assets at that date) of which the main exposures in the Eurozone relate to Spain and Portugal with net exposure of €35,366 million (of which €19,961 million were financial assets at fair value through other comprehensive income) and €8,689 million, respectively, (see notes 51.d) and 54.b) 4.3 to the 2018 Financial Statements).

The risk of returning to a fragile and volatile environment and to political tensions exists if current ECB policies in place are quickly reversed, the reforms aimed at improving productivity and competition do not progress, the closing of the banking union and other measures of integration is not deepened or anti-European groups succeed.

South America

The economies of some of the countries where the Group operates, particularly in South America, have experienced significant volatility in recent decades. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. In addition, some of the countries where the Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, could impact the Group's profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services. As of 31 December 2019, South America contributed 17 per cent. of the Group assets and 48 per cent. of the total operating areas' underlying profit attributable to the parent.

Political developments in the UK could have a material adverse effect on the Group.

On 23 June 2016, the UK held a referendum (the "**UK EU Referendum**") on its membership of the EU, in which a majority voted for the UK to leave the EU and the UK formally left the European Union on 31 January 2020. Following such exit the UK has entered into a transition period ending on 31 December 2020, for the purpose of negotiating its future relationship with the EU. During the transition period, for most practical intents and purposes, the UK is subject to EU rules.

Under the withdrawal agreement, which sets out the basic terms of the UK's departure, the UK and EU may agree before 1 July 2020 to extend the transition period for 1 or 2 years but the House of Common voted on 20 December 2019 against any further extension. In the event that no agreement is reached between the UK and EU in negotiations, nor any extension to the transition period is agreed, a no-deal exit will occur on 31 December 2020.

The continuing uncertainty surrounding the outcome of the UK's exit from the EU had an effect on the UK economy throughout 2019. The economy started to contract in 2019, with manufacturing in particular struggling. Consumer and business confidence indicators have continued to fall, for example, the GfK consumer confidence index still remains negative at -13 in June 2019. This has had a significant impact on consumer spending and investment, both of which are vital components of economic growth.

The outcome of the UK's exit from the EU remains unclear; however, an end to the transition period with no deal agreed continues to remain a possibility and the consensus view is that this would have a negative impact on the UK economy, affecting its growth prospects, based on scenarios put forward by such institutions as the Bank of England, the HM Government and other economic forecasters.

While the longer-term effects of the UK's departure from the EU are difficult to predict, there is short term political and economic uncertainty. The Governor of the Bank of England warned that a no-deal exit could lead to considerable financial instability, a very significant fall in property prices, rising unemployment, depressed economic growth, higher inflation and interest rates. The Governor also warned that the Bank would not be able to apply interest rate reductions. This could inevitably affect the UK's attractiveness as a global investment centre and would likely have a detrimental impact on UK economic growth.

If a no-deal exit did occur it would be likely that the UK's economic growth would slow significantly, and it would be possible that there would be severe adverse economic effects.

The UK's departure from the EU has also given rise to further calls for a second referendum on Scottish independence and raised questions over the future status of Northern Ireland. These developments, or the perception that they could occur, could have a material adverse effect on economic conditions and the stability of financial markets in the UK, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets.

Asset valuations, currency exchange rates and credit ratings have been subject to increased market volatility as the negotiation of the terms of the UK's exit from the EU continues. The major credit rating agencies changed their outlook to negative on the UK's sovereign credit rating following the UK EU Referendum, and that has not changed. In addition, Santander's business in the UK is subject to substantial EU-derived regulation and oversight. Although legislation has now been passed transferring the EU acquis into UK law, there remains significant uncertainty as to the respective legal and regulatory environments in which Santander UK and its subsidiaries will operate when the transition period ends and the basis on which cross-border financial business will take place.

Operationally, Santander UK and other financial institutions may no longer be able to rely on the European passporting framework for financial services, and it is unclear what alternative regime may be in place following the end of the transition period. This uncertainty, and any actions taken as a result of this uncertainty, as well as new or amended rules, may have a significant impact on the Group's operating results, financial condition and prospects.

Continued ambiguity relating to the UK's withdrawal from the EU, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which Santander UK operates and could have a material adverse effect on the Group, including its ability to access capital and liquidity on financial terms acceptable to the Group and, more generally, on its operations, financial condition and prospects.

As of 31 December 2019, Santander UK contributed 22 per cent. of the Group assets and 11 per cent. of the total operating areas´ underlying profit attributable to the parent.

2. Risks Relating to the Issuer and the Group Business

Risks deriving from the acquisition of Banco Popular Español, S.A.

Banco Santander's acquisition of the entire share capital of Banco Popular Español, S.A. could be the subject of appeals or claims of any kind, the result of which could be a material adverse change for the Group

On 7 June 2017, Banco Santander acquired the entire share capital of Banco Popular Español, S.A. ("**Banco Popular**") in execution of the resolution of the Steering Committee of the Spanish banking resolution authority ("**FROB**") on that same date (the "**FROB resolution**"). A more detailed explanation of the acquisition of Banco Popular is provided in note 3 of the 2019 Financial Statements.

Pursuant to the FROB resolution, (a) all of the ordinary shares of Banco Popular outstanding prior to the date of that decision were immediately cancelled to create a non-distributable voluntary reserve; (b) a capital increase was effected with no preemptive subscription rights, to convert all of Banco Popular's Additional Tier 1 capital instruments into shares of Banco Popular; (c) the share capital was reduced to zero euros through the cancellation of the shares derived from the conversion described in point (b) above to create a non-distributable voluntary reserve (d) a capital increase with no preemptive subscription rights was effected to convert all of Banco Popular's Tier 2 regulatory capital instruments into Banco Popular shares; and (e) all Banco Popular shares deriving from the conversion described in point (d) above were acquired by Banco Santander for a total consideration of €1.

Since Banco Popular's declaration of resolution, the cancellation and conversion of its capital instruments, and the subsequent transfer to Banco Santander of the shares resulting from that conversion through the resolution tool of selling the entity's business, all under the rules of the single resolution framework indicated above, have no precedent in Spain or in any other Member States, appeals against the FROB's decision cannot be ruled out, nor can claims against Banco Popular, Banco Santander or other entities of the Group derived from or related to the acquisition of Banco Popular. Various investors, advisors or financial institutions have announced their intention to explore, and, in some cases, have already filed various claims relating to the acquisition of Banco Popular. As to those possible appeals or claims, it is not possible to anticipate the specific demands that might be made, or their financial impact (particularly as any such claims may not quantify their demands, may make new legal interpretations or may involve a large number of parties). The success of those appeals or claims could affect the acquisition of Banco Popular, including the payment of indemnification or compensation or settlements, and in any of those events have a material adverse effect on the results and financial condition of the Group. The estimated cost of potential compensations to Banco Popular shareholders recorded in the 2017 financial statements amounted to €680 million, of which €535 million were applied to the fidelity action.

It is also possible that, as a result of the acquisition of Banco Popular, its directors, officers or employees and the entities controlled by Banco Popular may be the subject of claims, including, but not limited to, claims derived from investors' acquisition of Banco Popular shares or capital instruments prior to the FROB Resolution (including specifically, but also not limited to, shares acquired in the context of the capital increase with preemptive subscription rights effected in 2016), which could have a material adverse effect on the results and financial condition of the Group. In this regard, on 3 April 2017, Banco Popular submitted a material fact (*hecho relevante*) to the Comisión Nacional del Mercado de Valores (the "**CNMV**" or "**Spanish**

Securities Market Commission") reporting some corrections that its internal audit unit had identified in relation to several figures in its financial statements for the year ended 31 December 2016. The board of directors of Banco Popular, being responsible for said financial statements, considered that, following a report of the audit committee, the circumstances did not represent, on an individual basis or taken as a whole, a significant impact that would justify the restatement of Banco Popular's financial statements for the year ended 31 December 2016. Notwithstanding the foregoing, Banco Popular is exposed to possible claims derived from the isolated items identified in the aforesaid material fact or others of an analogous nature, which, if they were to materialise and be upheld, could have a material adverse effect on the results and financial condition of the Group.

At 31 December 2017, Banco Popular had a 9 per cent. share of the Group's total assets. Banco Popular was absorbed by Banco Santander in September 2018.

The integration of Banco Popular into the Group is complex and might fail to provide the expected results and synergies.

On 28 September 2018, the Banco Popular absorption merger took place by Banco Santander (more information can be found on the acquisition process of Banco Popular and the merger process with Banco Santander in note 3 to the 2019 Financial Statements). The integration of Banco Popular and its group of companies into the Group is difficult and complex and the costs, profits and synergies derived from that integration may not be in line with expectations. For example, Banco Santander is facing difficulties and obstacles as a result of, among other things, the integration of the operating and administrative systems, and the control and risk management systems at the two banks, or the integration and harmonizing of different procedures and specific business operating systems and financial, information and accounting systems or any other systems of the two groups; and is facing losses of customers or assuming contract terminations with various counterparties and for various reasons, which might result in costs or losses of income that are unexpected or in amounts higher than anticipated.

Similarly, the integration process is also causing changes or redundancies, especially in the Group's business in Spain and Portugal, as well as additional or extraordinary costs or losses of income that make it necessary to make adjustments in the business or in the resources of the entities. All these circumstances could have a material adverse effect on the results and financial condition of the Group.

A number of individual and class actions have been brought against Banco Popular in relation to floor clauses ("cláusulas suelo"). If the cost of these actions is higher than the provisions made, this could have material adverse impact on the Group's results and financial situation.

Floor clauses ("*cláusulas suelo*") are clauses whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate. Banco Popular has included floor clauses in certain asset transactions with customers.

The details of disputes related to floor clauses can be found in note 25 to the 2019 Financial Statements.

The estimates for these provisions and the estimate for maximum risk associated with the aforementioned floors clauses were made by Banco Popular based on the hypotheses, assumptions and premises it considered to be reasonable. On the basis of these estimates, Banco Popular made extraordinary provisions to cover the effect of the potential repayment of the excess interest charged by applying the floor clauses.

The Group estimated that the maximum risk associated with the floor clauses applied in its contracts with consumers, using a scenario that it considers to be more severe and not probable, would amount to approximately €900 million, as initially measured and without considering the returns performed.

However, the Group's estimates which were used as a basis for calculating provisions may not be complete, may not have taken into account the entire group of customers or former customers that could raise claims for this concept, or may have omitted other circumstances that may be relevant for the purposes of determining the impact of the floor clauses of Banco Popular and its group or the chances of success of claims in relation to floor clauses. Consequently, the provisions made by Banco Popular or the estimates of the maximum risk may be exceeded. An increase in the current level of provisions to reflect the impact of the different actions relating to floor clauses or to face additional liabilities would entail higher costs for the entity. This could have a material adverse impact on the Group's results and financial situation.

Legal, regulatory and compliance risks.

The Group is exposed to the risk of losses arising from legal and regulatory proceedings.

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject it to monetary judgments, regulatory enforcement actions, fines and penalties. The current regulatory and tax enforcement environment in the jurisdictions in which the Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Group is from time to time subject to regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of our business, including in connection with conflicts of interest, lending securities and derivatives 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 investigation or discovery, the Group cannot state accurately what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be.

The amount of the Group's reserves in respect of these matters is substantially less than the total amount of the claims asserted against 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 the Group. As a result, the outcome of a particular matter may be material to the Group's operating results for a particular period. As of 31 December 2019, the Group had provisions for taxes, other legal contingencies and other provisions for €5,508 million. See more information in note 25.d) to the 2019 Financial Statements.

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

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses.

In Spain and the other jurisdictions where the Group operates, there is continuing political, competitive and regulatory scrutiny of the banking industry. Political involvement in the regulatory process, in the behaviour and governance of the banking sector and in the major financial institutions in which the local governments have a direct financial interest and in their product and services, and the prices and other terms they apply to them, is likely to continue. Therefore, the statutes, regulations and policies to which the Group is subject may be therefore changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Group is subject may also change from time to time. Extensive legislation and implementing regulation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Group´s business, including Spain, the United States, the EU, the UK, Latin America and other jurisdictions, and further regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these regulations are implemented inconsistently in the various jurisdictions in which the Group operates, it may face higher compliance costs. Any legislative or regulatory actions and any required changes to its business operations resulting from such legislation and regulations, as well as any deficiencies in its compliance with such legislation and regulation, could result in significant loss of revenue, limit its ability to pursue business opportunities in which the Group might otherwise consider engaging and provide certain products and services, affect the value of assets that its hold, require the Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Group or otherwise adversely affect its businesses.

In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its bank subsidiaries and could limit the bank subsidiaries' ability to distribute capital and liquidity to the Bank, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, the Bank's regulatory and supervisory authorities, periodically review the Bank's allowance for loan losses. Such regulators may recommend the Bank to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as recommended by these regulatory agencies, whose views may differ from those of the Bank's management, could have an

adverse effect on the Bank's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

The wide range of regulations, actions and proposals which most significantly affect the Group, or which could most significantly affect the Group in the future, relate to capital requirements, funding and liquidity and development of a fiscal and banking union in the EU. Moreover, there is uncertainty regarding the future of financial reforms in the United States and the impact that potential financial reform changes to the U.S. banking system may have on ongoing international regulatory proposals. In general, regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Group's operating costs and negatively impact the Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such us that are deemed to be a global systemically important institution ("**G-SII**").

Increasingly stricter capital regulations and potential requirements could have an impact on the functioning of the Group and its businesses

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels.

In 2011, the framework known as Basel III, which is a full set of reform measures to strengthen the regulation, supervision and risk management of the banking sector, was introduced (see "*Regulation—Capital, liquidity and funding requirements*"). This aimed to boost the banking sector's ability to absorb impacts caused by financial and economic stress, improve risk management and corporate governance, and improve banking transparency and disclosures. Concerning capital, Basel III redefines available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), tightens the minimum capital requirements, compels financial institutions to operate permanently with surplus capital (capital "buffers"), and includes new requirements for the risks considered.

The amendments to the solvency requirements of credit institutions and various transparency regulations, from the practical standpoint, grant priority to high-quality capital (Common Equity Tier 1 or "**CET1**"), introducing stricter eligibility criteria and more stringent ratios, in a bid to guarantee higher standards of capital adequacy in the financial sector.

The ECB is required under Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**") to carry out a supervisory review and evaluation process (the "**SREP**") at least on an annual basis. In connection with this, the Issuer announced on 11 December 2019 that it had received from the ECB its decision regarding prudential minimum capital requirements as of 1 January 2020, following the results of SREP. The ECB decision requires the Bank to maintain a CET1 capital ratio of at least 9.7 per cent. on a consolidated basis. The 9.7 per cent. CET1 capital requirement includes: the minimum Pillar 1 requirement (4.5 per cent.); the Pillar 2 requirement (1.5 per cent.); the capital conservation buffer (2.5 per cent.); the requirement deriving from its consideration as a G-SII (1.0 per cent.) and the counter-cyclical buffer (0.2 per cent.). The ECB decision also requires that the Bank maintains a CET1 capital ratio of at least 8.6 per cent. on an individual basis. Taking into account the Bank's consolidated and individual current capital levels, these capital requirements do not imply any limitations on distributions in the form of dividends, variable remuneration and payments to holders of the Issuer's AT1 instruments. As of 31 December 2019, the Bank's total capital ratio was 15.05 per cent. on a consolidated basis and the Bank's CET1 capital ratio was 11.65 per cent. on a consolidated basis (data calculated using the IFRS 9 transitional arrangements. Had the IFRS 9 transitional arrangement not been applied, the total impact on the fully loaded CET1 at year end would have been -24 bps.).

In addition, the Bank shall compy with the TLAC/MREL Requirements (as defined in section "*Regulation – EU Banking Reforms")*. The Bank announced on 28 November 2019 that it had received formal notification from the Bank of Spain of its binding minimum TLAC/MREL Requirements, both total and subordinated, for the resolution group of Banco Santander at a sub-consolidated level, as determined by the SRB. The total TLAC/MREL Requirement has been set at 16.81 per cent. of the resolution group's total liabilities and own

funds, which as a reference of the resolution group's risk weighted assets at 31 December 2017 would be 28.60 per cent. and is equivalent to an amount at 31 December 2017 of EUR108,631.8 million. The subordination requirement has been set at 11.48 per cent. of the resolution group's total liabilities and own funds, which as a reference of this resolution group's risk weighted assets at 31 December 2017 would be 19.53 per cent. and is equivalent to an amount at 31 December 2017 of EUR74,187.57 million. These requirements apply since 1 January 2020. According to the Bank's estimates, the resolution group complies with this total TLAC/MREL Requirements and the subordination requirement. Future requirements are subject to ongoing review by the resolution authority.

In this regard, there can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Bank to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Group's business, results of operations and/or financial position.

Any failure by the Bank and/or the Group to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements could result in administrative actions or sanctions (including restrictions on Discretionary Payments, as defined in section *"Regulation – EU Banking Reforms"*), which, in turn, may have a material adverse impact on the Group's results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future.

All the applicable regulations and the approval of any other regulatory requirements could have an adverse effect on the Group's activities and operations, and most particularly affect the ability of the Bank to distribute dividends. Therefore, these regulations could have a material adverse effect on the Group's business, results of operations and/or financial position.

See "*Regulation—Capital, liquidity and funding requirements*" for additional information.

The Group is exposed to tax risks that could have a negative impact on it.

The preparation of the Group's tax statements and the process of establishing tax provisions involve the use of estimates and interpretations of laws and tax regulations, which are complex and subject to review by the tax authorities. Lengthy administrative or judicial proceedings by the tax authorities may have a material adverse effect on the Group's results.

In addition, governments in various jurisdictions seek to locate new tax spaces and have recently focused on the financial sector. In particular, (i) the increase in the tax rates required by several political forces at national and global level; (ii) the changes in the calculation of the tax bases — such as the proposal to limit the dividend exemption provided for in the proposal for the Spanish State Budget Law 2019, which would have led to the approval of 5 per cent. of the taxes distributed to the Group's Spanish companies and not exempted from corporate income tax; or (iii) the creation of new taxes — such as the Tax on financial institutions ' tax of the 16 December 2012 Law (FTT) Of the European Commission— may have material adverse effects on the Group's business, financial situation and operational performance.

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

The Group is required to comply with applicable anti-money laundering ("**AML**"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to us, both domestic and international. These regulations are becoming more complex and compliance with them requires automated systems, sophisticated monitoring and skilled compliance personnel.

The Group's ability to comply with the legal requirements depends on its ability to improve detection and reporting capabilities and reduce variation in control processes and oversight accountability. These require implementation and embedding within the Group's business effective controls and monitoring, which in turn requires on-going changes to systems and operational activities.

Even known threats can never be fully eliminated, and there will be instances where the Group may be used by other parties to engage in money laundering and other illegal or improper activities. In addition to the above, (i) financial crime is constantly evolving; (ii) emerging technologies, such as cryptocurrencies and

blockchain, could limit the Group's ability to track the movement of funds; and (iii) the Group relies heavily on its employees and external suppliers to mitigate any threat.

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

Any of the above actions, or the possibility or rumour that any of them may occur, even if not certain, could seriously harm the Santander brand and the Group´s reputation, which could have a material adverse effect on the Group's operating results, financial condition and prospects.

Liquidity and funding risks.

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

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

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

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

Historically, the Group's main source of funding has been customer deposits (demand, forward and prior notice). Customer deposits represent 58 per cent., 58 per cent. and 58 per cent. of the Group's total liabilities at year-end 2019, 2018 and 2017, respectively. Term deposits, including repos, accounted for 28.6 per cent., 29.7 per cent. and 32.5 per cent. of total customer deposits at year-end 2019, 2018 and 2017, respectively. Fixed-term deposits for significant amounts may be a less stable source of funding than others.

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

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

Moreover, if Santander is unable to maintain its funding levels or if there is a sudden or unexpected shortage of funds, or the market's perception that this may occur, it may generate episodes of high volatility or demand

for the Bank's securities, making it difficult or impossible to issue them by the Bank or sell them by investors, thus affecting their valuation and price in both cases.

In 2018, the liquidity coverage ratio ("**LCR**") was set at 100 per cent. At year-end 2019, the Group's LCR ratio stood at 147 per cent., comfortably exceeding the regulatory requirement. Although the requirement is only established at Group level, this minimum is also exceeded in the case of certain other subsidiaries, in particular, Banco Santander at 143 per cent., the UK at 145 per cent. and Brazil at 122 per cent.

As for the net stable funding ratio ("**NSFR**"), its final definition approved by the Basel Committee in October 2014 has not yet come into effect although it has been already introduced into CRR. The Group has defined a management limit of 100 per cent. for this metric at consolidated level and for almost all of its subsidiaries. In particular, at the end of 2019, the NSFR ratio for the Group was 112 per cent. while for the parent company it stood at 103 per cent., for the UK, 124 per cent., for Brazil, 112 per cent. and for the United States, 111 per cent.

For further information related to liquidity and funding risks, see note 54.c.3 to the financial statements for the year ended 31 December 2019.

A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect.

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

There is no certainty that the rating agencies will maintain their current ratings or their outlook.

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

The Santander Group has been assigned the following credit ratings by the following agencies:

Rating agency	Long	Short	Last report date	Outlook
Banco Santander				
Fitch Ratings [(1)]	A-	F2	**December 2019**	Stable
Moody's [(2)]	A2	P-1	December 2019	Stable
Standard & Poor's [(3)]	A	A-1	December 2019	Stable
DBRS [(4)]	A (High)	R-1 (Medium)	December 2019	Stable
Scope [(5)]	AA-	S-1+	December 2019	Stable
JCR Japan [(6)]	A+	-	December 2019	Stable

Rating agency	Long	Short	Last report date	Outlook
Banco Santander				
Fitch Ratings [1]	A-	F2	**December 2019**	Stable
GBB Rating [7]	AA-	.	May 2018	Stable
Axesor [8]	A+	.	December 2018	Stable
Santander UK, plc				
Fitch Ratings [1]	A+	F1	April 2019	Negative
Moody's [2]	Aa3	P-1	June 2019	Positive
Standard & Poor's [3]	A	A-1	June 2019	Stable
Banco Santander (Brasil), S.A.				
Moody's [2]	Ba3	-	February 2019	Stable
Standard & Poor's [3]	BB-	B	November 2018	Stable

(1) Fitch Ratings España, S.A.U. (Fitch Ratings).
(2) Moody's Investor Service Spain, S.A. (Moody's).
(3) S&P Global Ratings Europe Limited (Standard & Poor's).
(4) DBRS Ratings Limited (DBRS).
(5) Scope Ratings GmbH (Scope Ratings)
(6) Japan Credit Rating Agency, Ltd (JCR Japan).
(7) GBB-Rating Gesselschaft für Bonitätsbeurteilung mbH (GBB Rating).
(8) Axesor Risk Management S.L.U (Axesor).

The aforementioned rating agencies have been registered with the European Securities and Markets Authority ("**ESMA**") in accordance with the provisions of Regulation (EC) No. 1060/2009 of the European Parliament and of the European Council of 16 September 2009 on credit rating agencies.

The Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. Santander estimates that as of 31 December 2019, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch the Group would be required to post up to €90 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two-notch downgrade would result in a further requirement to post up to €249 million in additional collateral. Santander estimates that as of 31 December 2019, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in contractual outflows from Santander UK´s total liquid assets of GBP 1.5 billion of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two-notch downgrade would result in a further outflow of GBP 1.6 billion of cash and collateral under secured funding and derivatives contracts.

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

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

Credit risk.

Impairment of credit quality or insufficient provision for non-performing loans could have a material adverse effect on the Group.

Non-performing or low credit quality loans have in the past negatively impacted the Group's results of operations and could do so in the future. In particular, the amount of the Group's reported non-performing loans may increase in the future as a result of factors outside of its control, such as adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in economic conditions in the regions where the Group operates or in global economic and political conditions.

In line with these risks, the Bank makes accounting provisions annually. The Group's loan loss reserves are based on estimates that include factors outside the Group's control, and, therefore, it cannot assure that the Group's current or future loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of its total loan portfolio deteriorates, for any reason, or if the future actual losses exceed the Group's estimates of expected losses, the Group may be required to increase its loan loss reserves, which may adversely affect the Group.

At 31 December 2019, the gross amount of Group refinancing and restructuring operations was €32,475 million (3.4 per cent. of total gross loans and credits), of which €12,714 million have real estate collateral. At the same date, the net amount of non-current assets held for sale totaled €4,601 million, of which €4,485 million were foreclosed assets, with a coverage ratio of 48 per cent. on the gross amount of these assets.

For further information related to credit risk see note 54.b) to the financial statements for 2019.

The value of the collateral securing the Group's loans may fluctuate or decrease due to factors beyond its control, and the Group may be unable to realise the full value of the collateral securing its loan portfolio.

The value of the collateral securing the Group's loan portfolio may fluctuate or decline due to factors beyond its control, including macroeconomic factors or force majeure events, such as natural disasters, particularly in locations where a significant portion of the Group's loan portfolio is composed of real estate loans.

The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of its loans secured by such collateral.

If any of the above were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect the Group's results of operations and financial condition.

As of 31 December 2019, 66 per cent. of the Group's loans and advances to customers have collateral, and are therefore likely to be affected by an individual or widespread decrease in the value of these guarantees.

Market risk.

The Group is subject to fluctuations in interest rates and other market risks, which could have a material adverse effect.

Market risk refers to the probability of variations in the Group's interest income/ (charges) or in the market value of its assets and liabilities due to volatility of interest rate, inflation, exchange rate or equity price. Changes in interest rates affect the Group's interest income/ (charges), the volume of loans originated, credit spreads, the market value of our securities holdings, the value of the Group's loans and deposits and the value of its derivatives transactions.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on its assets and the interest paid on its borrowings, thereby affecting the Group's interest income/ (charges), which comprises the majority of its revenue (net interest income accounted for 71 per cent. of gross income at 31 December 2019), reducing the Group's

growth rate and potentially resulting in losses. In addition, costs the Group incurs as it implements strategies to reduce interest rate exposure could increase in the future (which, in turn, will impact its results).

Increases in interest rates may reduce the volume of loans the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of the Group's financial assets and may reduce gains or require the Group to record losses on sales of its loans or securities.

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

At the end of December 2019, one-year risk on net interest income, measured as sensitivity to parallel changes in the worst-case scenario of ± 100 basis points, was concentrated in the euro's curve with €479 million, GBP 69 million, the Polish zloty with €60 million, and USD 13 million. With regard to South America, the risk is concentrated in two countries: Brazil (€74 million) and in Chile.

Further information on structural balance sheet risks and sensitivity analysis can be obtained from note 54.c.2 to the 2019 Financial Statements while details of exposure to foreign currency risk can be obtained from note 2.a) v. to the aforementioned financial statements.

If any of these risks were to materialise, NII or the market value of the Group's assets and liabilities could suffer a material adverse impact.

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

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

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

At 31 December 2019, the notional value of the trading derivatives contracted by the Group amounted to €6,169,917 million (with a fair value of €63,397 million outstanding balance and €63,016 million payable balance). For further details of the type of inherent risk, see note 9 and note 11 to the 2019 Financial Statements.

At that date, the nominal value of the hedging derivatives contracted by the Group as part of its financial risk management strategy and with the aim of reducing asymmetries in the accounting treatment of its transactions amounted to €362,464 million (with a fair value of €7,216 million in assets and €6,048 million in liabilities). For further information on categories of hedging derivatives, maturities, more significant geographies or details by hedged items, see note 36 to the financial statements for the year ended 31 December 2019.

For further information related to market risk that the Group hedges through derivatives, see note 54.c to the 2019 Financial Statements.

Other business risks

Changes in the Group's pension obligations and obligations may have a material adverse effect.

The Group provides retirement benefits for many of its former and current employees through a number of defined benefit pension plans. The Group calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, and others. The accounting and disclosures are based on

IFRS-IASB and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of the Group's pension funds. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of the Group's defined benefit obligations and therefore on the amount of pension expense that the Group accrues.

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

At 31 December 2019, our provision for pensions and other obligations amounted to €7,740 million.

For further details of the Group's pension obligations and commitments, see note 25.c) to the financial statements for the year ended 31 December 2019.

The Group relies partly on dividends and other funds from its subsidiaries.

Some of the Group's operations are conducted through its financial services subsidiaries. As a result, the Group's ability to pay dividends, to the extent it decides to do so, depends in part on the ability of its subsidiaries to generate earnings and to pay dividends to the Group. Payment of dividends, distributions and advances by the Group's subsidiaries will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from the Group's Argentine subsidiaries have been subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Additionally, the Group's right to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganisation will be effectively subordinated to the claims of the Group's subsidiaries' creditors, including trade creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on discretionary payments including the payment of dividends and other distributions to the Group by its subsidiaries.

At 31 December 2019, dividend income for Banco Santander, S.A. represents 52 per cent. of its total income.

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

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

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

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

customers, could delay or prevent its access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business.

Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt the Group's existing products and services as the Group continues to grow its Internet and mobile banking capabilities. The Group customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Such new technologies and mobile banking platforms in recent years could negatively impact the Group's investments in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards Internet and mobile banking may necessitate changes to the Group's retail distribution strategy, which may include closing and/or selling certain branches and restructuring its remaining branches and work force. These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of the Group's remaining branches or to otherwise reform its retail distribution channel. Furthermore, the Group's failure to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect the Group's competitive position.

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

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

The Group may have to recognise goodwill impairments recognised for its acquired businesses.

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if the Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, or more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect our regulatory capital. While no material impairment of goodwill was recognized at Group level in 2018, in 2019 the Group recognized impairment of goodwill of €1,491 million in Santander UK. (See note 17 to the consolidated financial statements for the year ended 31 December 2019). There can be no assurances that the Group's will not have to write down the value attributed to goodwill in the future, which would adversely affect our results and net assets.

At 31 December 2019, the goodwill recognised by the Group amounted to €24,246 million, of which €7,147 million and €4,388 million were originated by Santander UK and Banco Santander (Brazil), respectively. For further details, see note 17 to the 2019 Financial Statements.

The Group may not effectively manage the risks arising from replacing benchmark market indices.

Interest rate, equity, foreign exchange rate and other types of indices which are deemed to be "benchmarks" are the subject of increased regulatory scrutiny.

These and other reforms may cause benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be fully anticipated which introduces a number of risks for the Group. These risks include:

(i) legal risks arising from potential changes required to documentation for new and existing transactions;

(ii) financial risks arising from changes in the valuation of financial instruments associated with benchmarks;

(iii) pricing risks arising from how changes to benchmark indices could impact pricing mechanisms on some instruments;

(iv) operational risks arising from the potential requirement to adapt IT systems, trade reporting infrastructure and operational processes; and

(v) conduct risks arising from the potential impact of communication with customers and engagement during the transition period.

The replacement benchmarks and their transition path have been defined, but the mechanisms for implementation are under development. Accordingly, it is not currently possible to determine whether, or to what extent, any such changes would affect the Group. However, the implementation of alternative benchmark rates may have a material adverse effect on our business, results of operations, financial condition and prospects.

Financial reporting and control risks. Changes in accounting standards could influence reported profits or have an impact on capital.

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

See details of the adoption of new standards and interpretations issued in note 1. b) to the 2019 financial statements.

3. Risks in relation to the Instruments

General risks relating to the Instruments

Risks related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities

The BRRD (which has been implemented in Spain through Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November, implementing Law 11/2015 ("**Royal Decree 1012/2015**") is designed to provide authorities with tools to intervene in unsound or failing credit institutions or investment firms ("**institutions**") to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system. The BRRD further provides that any extraordinary public financial support through additional financial stabilisation tools is only to be used by a Member State as a last resort, after having assessed the resolution tools set out below to the maximum extent possible while maintaining financial stability.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the Relevant Resolution Authority (as defined below) considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business - which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problematic assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual

sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in by which the Relevant Resolution Authority may exercise the Spanish Bail-in Power (as defined below). This includes the ability of the Relevant Resolution authority to write down (including to zero) and/or to convert into equity or other securities or obligations (which equity, securities or obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims (including Ordinary Senior Instruments and Senior Non Preferred Instruments) and subordinated obligations (including Subordinated Instruments).

The "**Spanish Bail-in Power**" is any write-down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD (including BRRD II), as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time (including SRM II), and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligations of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power, the sequence of any resulting write-down or conversion by the Relevant Resolution Authority shall be as follows: (i) CET1 instruments; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital instruments; and (v) the principal or outstanding amount of the eligible liabilities (*pasivos admisibles*) prescribed in Article 41 of Law 11/2015. Any application of the Spanish Bail-in Power under the BRRD shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by applicable banking regulations).

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for resolution authorities to have the further power to permanently write-down (including to zero) or convert into equity capital instruments such as the Subordinated Tier 2 Instruments at the point of non-viability ("**Non-Viability Loss Absorption**") of an institution or a group. The point of non-viability of an institution is the point at which the FROB, the Single Resolution Board established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of the Bail-in Power from time to time (each, a "**Relevant Resolution Authority**") as appropriate, determines that the institution meets the conditions for resolution, or that it will no longer be viable unless the relevant capital instruments are written down or converted into equity, or that extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met). In addition, pursuant to BRRD II and the SRM Regulation II eligible liabilities (including Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with the TLAC/MREL Requirements) may also be subject to Non-Viability Loss Absorption.

Condition 21 provides for the contractual recognition by the holders of the Instruments (the "**Holders**") of the Bail-in Power and the Non-Viability Loss Absorption.

Under Article 92 of Law 22/2003 dated 9 July 2003 (*Ley Concursal*) (the "**Insolvency Law**") read in conjunction with Additional Provision 14.3º of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities in respect of principal (firstly, those that do not qualify as Additional Tier 1 or Tier 2 capital; secondly, those that qualify as Tier 2 capital instruments and thirdly, those that qualify as Additional Tier 1 capital instruments); (iii) interest (including accrued and unpaid interest due on the Instruments); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in

Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Any application of the Spanish Bail-in Power and the Non-Viability Loss Absorption shall be in accordance with the hierarchy of claims in normal insolvency proceedings (unless otherwise provided by Applicable Banking Regulations (as defined in the Terms and Condition)). Accordingly, the impact of such application on Holders will depend on the ranking of the relevant Instruments in accordance with such hierarchy, including any priority given to other creditors such as depositors.

In accordance with Article 64.1.(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

The powers set out in the BRRD as implemented through Law 11/2015, Royal Decree 1012/2015 and the SRM Regulation impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of the Instruments may be subject to write-down (including to zero) or conversion into equity on any application of the Bail-in Power, which may result in such Holders losing some or all of their investment. The exercise of any power under Law 11/2015 or any suggestion of such exercise could, therefore, materially adversely affect the rights of Holders, the price or value of their investment in the Instruments and/or the ability of the Bank to satisfy its obligations under the Instruments.

There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in Power or the Non- Viability Loss Absorption of the Relevant Resolution Authority. Accordingly, Holders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its Spanish Bail-in Power or the Non- Viability Loss Absorption.

There remains uncertainty as to how or when the Spanish Bail-in Power and/or, in the case of Subordinated Tier 2 Instruments and, pursuant to BRRD II and the SRM Regulation II, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with the TLAC/MREL Requirements, the Non-Viability Loss Absorption may be exercised and how it would affect the Group and the Instruments. The determination that all or part of the principal amount of the Instruments will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Bank's control. Although there are proposed pre-conditions for the exercise of the Spanish Bail-in Power or the Non-Viability Loss Absorption, there remains uncertainty regarding the specific factors which the Relevant Resolution Authority would consider in deciding whether to exercise the Spanish Bail-in Power or the Non-Viability Loss Absorption with respect to the financial institution and/or securities issued or guaranteed by that institution. In addition, as the Relevant Resolution Authority will retain an element of discretion, Holders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such Spanish Bail-in Power and/or, in the case of Subordinated Tier 2 Instruments and, pursuant to BRRD II and the SRM Regulation II, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with the TLAC/MREL Requirements, the Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers may occur which would result in a principal amount write off or conversion to equity.

The uncertainty may adversely affect the value of Holders' investments in the Instruments and the price and trading behaviour of the Instruments may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Resolution Authority may exercise any such power without providing any advance notice to the Holders.

The Instruments may be redeemed prior to maturity at the option of the Issuer or for taxation reasons

If so specified in the Final Terms, the Instruments may be redeemed at the option of the Issuer, as further described in Condition 5.06. The Issuer may choose to redeem the Instruments at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Instruments.

In addition, the Issuer may, at its option, redeem all, but not some only, of the Instruments, at any time at their early redemption amount, together with accrued but unpaid interest up to (but excluding) the date of redemption, for taxation reasons as further described in Condition 5.02.

In the case of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with the TLAC/MREL Requirements, redemption at the option of the Issuer or for taxation reasons will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority (as these terms are defined in the Terms and Conditions) if and as required therefor under Applicable Banking Regulations (as defined in the Terms and Conditions) and may only take place in accordance with Applicable Banking Regulations in force at the relevant time. See more detail in "*–The Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event*" below.

Early redemption features (including any redemption of the Instruments at the option of the Issuer pursuant to Condition 5.06 or for taxation reasons pursuant to Condition 5.02) is likely to limit the market value of the Instruments. During any period when the Issuer may redeem Instruments, the market value of those Instruments generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period or at any time where there is any actual increase in the likelihood that the Issuer will be able to redeem the Instruments early.

It is not possible to predict whether or not a circumstance giving rise to the right to early redeem Instruments for taxation reasons will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Instruments, and if so whether or not the Issuer will elect to exercise such option to redeem the Instruments or any prior consent of the competent authority, if required, will be given. The Issuer may be expected to redeem the Instruments when its cost of borrowing is lower than the interest rate on the Instruments. At those times, as set out above, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The terms of the Instruments contain very limited covenants and there are no restrictions on the amount or type of further securities or indebtedness which the Bank may incur

There is no negative pledge in respect of the Instruments and the Terms and Conditions place no restrictions on the amount or type of debt that the Issuer may issue that ranks senior to the Instruments, or on the amount or type of securities it may issue that rank *pari passu* with the Instruments. The issue of any such debt or securities may reduce the amount recoverable by Holders upon liquidation, dissolution or winding-up of the Issuer and may limit the ability of the Bank to meet its obligations in respect of the Instruments, and result in a Holder losing all or some of its investment in the Instruments.

In addition, the Instruments do not require the Issuer to comply with financial ratios or otherwise limit its ability or that of its subsidiaries to incur additional debt, nor do they limit the Issuer's ability to use cash to make investments or acquisitions, or the ability of the Issuer or its subsidiaries to pay dividends, repurchase shares or otherwise distribute cash to shareholders. Such actions could potentially affect the Issuer's ability to service its debt obligations, including those under the Instruments.

The Subordinated Instruments, the Senior Non Preferred Instruments and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Instruments, provide for limited events of default. Holders of Instruments may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015

Holders have no ability to accelerate the maturity of their Subordinated Instruments, Senior Non Preferred Instruments and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Instruments. The terms and conditions of the Subordinated Instruments, the Senior Non Preferred Instruments and, to the extent so specified in the relevant Final Terms, the Ordinary Senior Instruments do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Issuer or for its winding up, liquidation or dissolution. Accordingly, in the event that any payment on the Subordinated Instruments, the Senior Non Preferred Instruments or, if applicable, the Ordinary Senior Instruments, as the case may be, is not made when due, each Holder will have a claim only for amounts then

due and payable on their Subordinated Instruments, the Senior Non Preferred Instruments and Ordinary Senior Instruments and as provided for in the Terms and Conditions, a right to institute proceedings for the winding up, liquidation or dissolution of the Issuer.

As mentioned above, the Issuer may be subject to a procedure of early intervention or resolution pursuant to the BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Issuer to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Holder of its rights under the Instruments upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD, Law 11/2015 and Royal Decree 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*—Risks related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities*").

Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and Royal Decree 1012/2015. There can be no assurance that the taking of any such action would not adversely affect the rights of Holders, the price or value of their investment in the Instruments and/or the ability of the Issuer to satisfy its obligations under the Instruments and the enforcement by a Holder of any rights it may otherwise have on the occurrence of any event of default may be limited in these circumstances.

The Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event

The Issuer may, at its option, redeem all, but not some only, of the Subordinated Instruments, the Senior Non Preferred Instruments or certain Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms, as applicable, at any time at their early redemption amount, together with accrued but unpaid interest up to (but excluding) the date of redemption, upon or following the occurrence of a Capital Disqualification Event (in the case of Tier 2 Subordinated Instruments only) or a TLAC/MREL Disqualification Event (as these terms are defined in the Terms and Conditions).

The early redemption of the Subordinated Instruments, the Senior Non Preferred Instruments or the Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event, as applicable, will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

The EU Banking Reforms provide that the redemption of eligible liabilities prior to the date of their contractual maturity is subject to the prior permission of the resolution authority. According to the EU Banking Reforms, such consent will be given only if one of the following conditions is met:

(i) earlier than or at the same time of such redemption, the institution replaces the eligible liabilities instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or

(ii) the institution has demonstrated to the satisfaction of the resolution authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the resolution authority in agreement with the competent authority considers necessary, or

(iii) the institution has demonstrated to the satisfaction of the resolution authority that the partial or full replacement of eligible liabilities with own funds instruments is necessary to ensure

compliance with the own funds requirements laid down in CRR and in CRD IV for continuing authorisation.

It is not possible to predict whether or not the Subordinated Instruments, the Senior Non Preferred Instruments or certain Ordinary Senior Instruments will or may qualify as TLAC/MREL-Eligible Instruments (see "*–The qualification of the Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments as TLAC/MREL-Eligible Instruments is subject to uncertainty*") or if any further change in the laws or regulations of Spain, Applicable Banking Regulations or in the application or official interpretation thereof, or any of the events referred to above, will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Subordinated Instruments, the Senior Non Preferred Instruments or certain Ordinary Senior Instruments, and if so whether or not the Issuer will elect to exercise such option to redeem such Instruments or any prior consent of the Regulator and/or the Relevant Resolution Authority, if required, will be given.

Early redemption features (including any redemption of the Instruments pursuant to Condition 5.03 or pursuant to Condition 5.04) are likely to limit the market value of the Instruments. During any period when the Issuer may redeem the Instruments, the market value of those Instruments generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period or at any time where there is any actual increase in the likelihood that the Issuer will be able to redeem the Instruments early. The Issuer may be expected to redeem the Instruments when its cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

The qualification of the Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments as TLAC/MREL-Eligible Instruments is subject to uncertainty

The Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments may be intended to be TLAC/MREL-Eligible Instruments (as defined in the Terms and Conditions) under the Applicable Banking Regulations. However, the implementation in the Kingdom of Spain of the EU Banking Reforms is pending and there is uncertainty as to how they will be interpreted and applied and the Issuer cannot provide any assurance that the Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments will or may be (or thereafter remain) TLAC/MREL-Eligible Instruments.

If for any reasons the Subordinated Instruments, the Senior Non Preferred Instruments and the Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms are not TLAC/MREL-Eligible Instruments or if they initially are TLAC/MREL-Eligible Instruments and subsequently become ineligible due to a change in Spanish law or Applicable Banking Regulations, then a TLAC/MREL Disqualification Event (as defined in the Terms and Conditions) will occur, with the consequences indicated in the Terms and Conditions. See "*—The Subordinated Instruments, the Senior Non Preferred Instruments and certain Ordinary Senior Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event*" and "*—The Instruments may be subject to substitution and/or variation without Holder consent*".

The Instruments may be subject to substitution and/or variation without Holder consent

Subject as provided herein, in particular to the provisions of Condition 8, if a Capital Disqualification Event, a TLAC/MREL Disqualification Event or a circumstance giving rise to the right to early redeem the Instruments for taxation reasons, occurs, the Issuer may, at its option, and without the consent or approval of the Holders, elect either (i) to substitute all (but not some only) of the Instruments or (ii) to modify the terms of all (but not some only) of such Instruments, in each case so that they are substituted for, or varied to, become, or remain Qualifying Instruments. While Qualifying Instruments generally must contain terms that are materially no less favourable to Holders as the original terms of the Instruments, there can be no assurance that the terms of any Qualifying Instruments will be viewed by the market as equally favourable, or that the Qualifying Instruments will trade at prices that are equal to the prices at which the Instruments would have traded on the basis of their original terms. In the case of Instruments where the relevant Final Terms specify English law as the governing law (the "**English law Instruments**"), any change in the governing law of such Instruments from English law to Spanish law, so that the Instruments become again or remain Qualifying

Instruments, shall be deemed not to be materially less favourable to the interests of the Holders of Instruments.

Further, prior to the making of any such substitution or variation, the Issuer shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Issue and Paying Agent, the Issuer, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders of Instruments.

The terms of the Instruments may contain a waiver of set-off rights

The Terms and Conditions provide that, if so specified in the Final Terms, Holders of Instruments waive any set-off, netting or compensation rights against any right, claim, or liability the Issuer has, may have or acquire against any Holder, directly or indirectly, howsoever arising. As a result, Holders will not at any time be entitled to set-off the Issuer's obligations under the Instruments against obligations owed by them to the Issuer.

Risks relating to the Commissioner

Prospective investors should note that the Commissioner (which owes certain obligations to the Syndicate of Holders of Instruments) will be appointed by the Issuer and that it may be an employee or officer of the Issuer.

Potential conflicts of interest between the investor and the Calculation Agent

Potential conflicts of interest may arise between the Calculation Agent, if any, for a Tranche of Instruments and the Holders (including where a Dealer acts as a calculation agent), including with respect to certain determinations that such Calculation Agent may make pursuant to the Terms and Conditions of the Instruments.

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

Instruments issued under the Programme may be represented by one or more Global Instruments or Global Registered Instruments, as applicable. Global Instruments will be deposited with a Common Depositary or Common Safekeeper, as applicable, for Euroclear and Clearstream, Luxembourg. Global Registered Instruments which are held in Euroclear and Clearstream, Luxembourg will be registered (i) if the Global Registered Instrument is not to be held under the NSS, in the name of nominees for Euroclear and Clearstream, Luxembourg or a common nominee for both or (ii) if the Global Registered Instrument is to be held under the NSS, in the name of a nominee of the Common Safekeeper. Except in the circumstances described in the relevant Global Instrument or Global Registered Instrument, as applicable, investors will not be entitled to receive Instruments in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Instruments or Global Registered Instruments, as applicable. While the Instruments are represented by one or more Global Instruments or Global Registered Instruments, as applicable, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Instruments are represented by one or more Global Instruments or Global Registered Instruments, as applicable, the Issuer will discharge its payment obligations under the Instruments by making payments to the Common Depositary or paying agent (in the case of a NGN) for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in a Global Instrument or Global Registered Instruments, as applicable, must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Instruments. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Instruments or Global Registered Instruments, as applicable.

Holders of beneficial interests in the Global Instruments or Global Registered Instruments, as applicable, will not have a direct right to vote in respect of the relevant Instruments. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Instruments or Global Registered Instruments,

as applicable, will not have a direct right under such Instruments to take enforcement action against the Issuer in the event of a default under the relevant Instruments but will have to rely upon Condition 22 of the Terms and Conditions and, in addition, (i) in the case of English law Instruments, upon their rights under the Deed of Covenant and, (ii) in the case of Spanish law Instruments, under the provisions of the Global Instruments or Global Registered Instruments, as applicable.

Credit ratings may not reflect all risks

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

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or in the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). Such general restriction will also apply in the case of credit ratings issued by non-EU/non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered or UK-registered credit rating agency or the relevant non-EU/non-UK rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the relevant Final Terms.

Taxation in Spain

Article 44 of Royal Decree 1065/2007 (as amended among others by Royal Decree 1145/2011 of 29 July) ("**Royal Decree 1065/2007**") sets out the reporting obligations applicable to preferred securities and debt instruments issued under Law 10/2014. The procedures apply to income deriving from preferred shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of Royal Decree 1065/2007, income derived from preferred shares or debt instruments to which Law 10/2014 applies originally registered with the entities that manage clearing systems located outside Spain, and are recognised by Spanish law or by the law of another Organisation for Economic Co-operation Development ("**OECD**") country (such as the Depository Trust Company, Euroclear or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Paying Agent appointed by the Bank submits, in a timely manner, a statement to the Bank, the form of which is attached as Exhibit I, with the following information:

(i) identification of the securities;

(ii) income payment date (or refund if the securities are issued at discount or are segregated);

(iii) total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated); and

(iv) total amount of the income corresponding to each clearing system located outside Spain.

These obligations refer to the total amount paid to investors through each foreign clearing house. For these purposes, "income" means interest and the difference, if any, between the aggregate amount payable on the redemption of the Instruments and the issue price of the Instruments. In accordance with Article 44 of Royal Decree 1065/2007, the Issuer and Paying Agent should provide the Bank with the statement reflecting the relevant position at the close of business on the business day immediately prior to each interest payment date. In the event that on such date, the entity(ies) obliged to provide the declaration fail to do so, the Bank or the Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. on the total amount of the return on the relevant Instruments otherwise payable to such entity. Notwithstanding the foregoing, the Bank has agreed that in the event that withholding tax were required by law due to the failure of the relevant Paying Agent to submit in a timely manner a duly executed and completed certificate pursuant to Law 10/2014 and Royal Decree 1065/2007 and any implementing legislation or regulation, the Bank will not pay any additional amounts with respect to any such withholding, as provided in Condition 10.

In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Bank will notify the Holders of such information procedures and their implications, as the Bank may be required to apply withholding tax on any payments made under the Instruments if the Holders do not comply with such information procedures.

The value of and return on any Instruments linked to a benchmark may be adversely affected by ongoing national and international regulatory reform in relation to benchmarks

Reference rates and indices such as Euro Interbank Offered Rate ("**EURIBOR**") LIBOR and other interest rate or other types of rates and indices which are deemed to be "benchmarks" (each a "**Benchmark**" and together, the "**Benchmarks**"), to which the interest on securities may be linked, have become the subject of regulatory scrutiny and recent national and international regulatory guidance and proposals for reform. This has resulted in regulatory reform and changes to existing Benchmarks, with further change anticipated. Such reform of Benchmarks includes the BMR which was published in the official journal on 29 June 2016. On 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021. In a further speech on 12 July 2018, the FCA emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021, which indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. In addition, the European Money Market Institute (EMMI) announced the discontinuation of EONIA (Euro Overnight Index Average) after 3 January 2022 and that from 2 October 2019 until its total discontinuation it will be replaced by the €STR plus a spread of 8.5 basis points.

The BMR applies to the provision of Benchmarks, the contribution of input data to a Benchmark and the use of a Benchmark within the EU. It, among other things, (i) requires Benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities such as the Issuer of Benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The potential elimination of the LIBOR benchmark or any other Benchmark, or changes in the manner of administration of any Benchmark, as a result of the BMR or otherwise, could require an adjustment to the Terms and Conditions, or result in other consequences, in respect of any Instruments linked to such Benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of Benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a Benchmark and complying with any such regulations or requirements. Such factors may have the following effects on certain Benchmarks including EURIBOR and LIBOR: (i) discourage market participants from continuing to administer or contribute to the Benchmark; (ii) trigger changes in the rules or methodologies used in the Benchmark; or (iii) lead to the disappearance of the Benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Instruments linked to or referencing to a Benchmark.

In relation to Reset Instruments and, where Screen Rate Determination is specified as the manner in which the Rate of Interest is to be determined, in relation to Floating Rate Instruments or CMS-Linked Instruments, the Terms and Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Terms and Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Reset Determination Date or Interest Determination Date, as the case may be, before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Reset Instruments, Floating Rate Instruments and CMS-Linked Instruments.

If a Benchmark Event (as defined in Condition 4F.07) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. After consulting with the Independent Adviser, the Issuer shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Instruments linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form.

Furthermore, if a Successor Rate or Alternative Rate for the Original Reference Rate is determined by the Issuer, the Terms and Conditions provide that the Issuer may vary the Terms and Conditions, as necessary to ensure the proper operation of such Successor Rate or Alternative Rate, without any requirement for consent or approval of the Holders.

If a Successor Rate or Alternative Rate is determined by the Issuer, the Terms and Conditions also provide that an Adjustment Spread may be determined by the Issuer and applied to such Successor Rate or Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in Instruments linked to or refencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would if the Original Reference Rate were to continue to apply in its current form.

The Issuer may not be able to determine a Successor Rate or Alternative Rate in accordance with the Terms and Conditions of the Instruments.

Where the Issuer is unable to appoint an Independent Adviser in a timely manner, or is unable to determine a Successor Rate or Alternative Rate before the next Reset Determination Date or Interest Determination Date, as the case may be, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Reset Determination Date or Interest Determination Date, respectively, before the occurrence of the Benchmark Event, or, where the Benchmark Event occurs before the first Reset Determination Date or Interest Determination Date, as the case may be, the Rate of Interest will be the Initial Rate of Interest.

Where the Issuer has been unable to appoint an Independent Adviser or has failed to determine a Successor Rate or Alternative Rate in respect of any given Reset Period or Interest Period, as the case may be, it will continue to attempt to appoint an Independent Adviser in a timely manner before the next succeeding Reset Determination Date or Interest Determination Date, respectively, and/or to determine a Successor Rate or Alternative Rate to apply the next succeeding and any subsequent Reset Periods or Interest Periods, respectively, as necessary.

Applying the Initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Reset Determination Date or Interest Determination Date before the occurrence of the Benchmark Event will result in Instruments linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a Successor Rate or Alternative Rate could be determined.

If the Issuer is unable to appoint an Independent Adviser or, fails to determine a Successor Rate or Alternative Rate for the life of the relevant Instruments, the Initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Reset Determination Date or Interest Determination Date before the occurrence of the Benchmark Event, will continue to apply to maturity. This will result in the Reset Instruments, Floating Rate Instruments or CMS-Linked Instruments, as the case may be, becoming, in effect, fixed rate Instruments.

No Successor Rate or Alternative Rate will be adopted, nor any Adjustment Spread applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Instruments as Tier 2 Subordinated Instruments or TLAC/MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations.

In the case of Senior Non-Preferred Instruments only, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and

to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Regulator treating the next Interest Payment Date or Reset Date, as the case may be, as the effective maturity date of the Instruments, rather than the relevant Maturity Date.

To the extent that no Successor Rate or Alternative Rate is adopted and the Calculation Agent is unable to determine a rate in relation to any Interest Period, the Conditions provide that the rate will be that which was last determined in relation to the Instruments in respect of a preceding Interest Period, which results in the Instruments becoming, in effect, fixed rate Instruments.

Where ISDA Determination is specified as the manner in which the Rate of Interest is to be determined, in respect of Floating Rate Instruments or CMS-Linked Instruments, the Terms and Conditions provide that the Rate of Interest in respect of the Instruments shall be determined by reference to the relevant Floating Rate Option in the 2006 Definitions of the International Swaps and Derivatives Association, Inc. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Instruments or CMS-Linked Instruments, as the case may be.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the BMR reforms in making any investment decision with respect to any Instruments linked to or referencing a Benchmark.

Partly-paid Instruments

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

Inverse Floating Rate Instruments

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

Zero Coupon Instruments

The Issuer may issue Zero Coupon Instruments. Such Instruments will bear no interest and an investor will receive no return on the Instruments until redemption. Any investors holding these Instruments will be subject to the risk that the amortised yield in respect of the Instruments may be less than market rates.

Instruments issued at a substantial discount or premium

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

Instruments issued as "Green Bonds", "Social Bonds" or "Sustainable Bonds", as described in "Use of Proceeds", may not meet investor expectations or be suitable for an investor's investment criteria

The Final Terms relating to any specific Tranche of Instruments may provide that it will be the Issuer's intention to apply an amount equal to the whole or a part of the net proceeds of the issue of those Instruments into Eligible Green Projects or Eligible Social Projects (such Instruments being Green Bonds, Social Bonds or Sustainable Bonds), as described in the Issuer's Global Sustainable Bond Framework and specific Bond Framework, in each case, published on the website of the Issuer (see "*Use of Proceeds*").

Prospective investors should have regard to the information set out in the Issuer's Global Sustainable Bond Framework, the Issuer's Green Bond Framework and the Final Terms regarding such use of proceeds and must determine for themselves the relevance of such information for the purpose of any investment in such Instruments together with any other investigation such investor deems necessary. In particular, no assurance is given by the Issuer that the use of such proceeds for any project will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, it should be noted that there is currently no clear definition of, nor market consensus as to what constitutes, a "green", "social" or "sustainable" or an equivalently-labelled project. In addition, the requirements of any such label may evolve from time to time, accordingly, no assurance is or can be given to investors that any project or use(s) the subject of, or related to, any project will meet any or all investor expectations regarding such "green", "social" or "sustainable" or other equivalently-labelled performance objectives.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of any Green Bonds, Social Bonds or Sustainable Bonds and in particular with any project, to fulfil any environmental, social and/or other criteria. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Instruments.

In the event that any Green Bonds, Social Bonds or Sustainable Bonds are listed or admitted to trading on any dedicated "green", "environmental", "social" or "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. Furthermore, the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Green Bonds, Social Bonds or Sustainable Bonds or, if obtained, that any such listing or admission to trading will be maintained during the life of the Instruments.

While it is the intention of the Issuer to apply an amount equal to the proceeds of any Green Bonds, Social Bonds or Sustainable Bonds so specified for the relevant project, in, or substantially in, the manner described in the Issuer's Global Sustainable Bond Framework, the Issuer's Green Bond Framework and the Final Terms, there can be no assurance that the relevant project or use(s) the subject of, or related to, any project, will be capable of being implemented in or substantially in such manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such project. Nor can there be any assurance that such project will be completed within any specified period or at all or with the results or outcome as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the relevant Instruments, or give rise to any other claim of a holder of such Green Bond, Social Bond or Sustainable Bond, as the case may be.

Any such event or failure to apply an amount equal to the proceeds of any issue of Green Bonds, Social Bonds or Sustainable Bonds for any project as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on may have a material adverse effect on the value of such Instruments and also potentially the value of any other similar Instruments and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose. For the avoidance of doubt, it is however specified that payments of principal and interest (as the case may be) on Green Bonds, Social Bonds and Sustainable Bonds shall not depend on the performance of the relevant project.

Risks relating to Subordinated Instruments and Senior Non Preferred Instruments

The risks factors relating to Subordinated Instruments and Senior Non Preferred Instruments described below should be read together with the general risks factors relating to the Instruments described above.

An investor in Subordinated Instruments assumes an enhanced risk of loss in the event of the Issuer's insolvency or resolution

The Issuer's obligations under the Subordinated Instruments (as defined in the Terms and Conditions) will be unsecured and subordinated obligations (*créditos subordinados*) of the Issuer and will rank junior to all unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities (as defined in the Terms and Conditions)). Although Subordinated Instruments may pay a higher rate of interest than comparable Instruments which are not subordinated, there is a greater risk that an investor in Subordinated Instruments will lose all or some of its investment should the Issuer become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and Royal Decree 1012/2015) and the Subordinated Instruments become subject to the application of the Spanish Bail-In Power (and, in case they constitute Tier 2 instruments, the Non-Viability Loss Absorption) or (ii) insolvent.

In the case of any exercise of the Spanish Bail-In Power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for the principal amount of Tier 2 instruments (such as the Tier 2 Subordinated Instruments if they qualify as such as it is expected) to be written-down or converted into equity or other securities or obligations prior to the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 instruments (which is expected to be the case of Senior Subordinated Instruments) in accordance with the hierarchy of claims provided in the Insolvency Law and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any other eligible liabilities (such as the Ordinary Senior Instruments and Senior Non Preferred Instruments), in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Subordinated Instruments which constitute Tier 2 instruments may be subject to Non-Viability Loss Absorption, which may be imposed prior to or in combination with any exercise of the Spanish Bail-In Power. See "*Risks Related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities*".

In the event of insolvency, after payment in full of unsubordinated claims, but before distributions to shareholders, under Article 92 of the Insolvency Law read in conjunction with Additional Provision 14.3º of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities in respect of principal (firstly, those that do not qualify as Additional Tier 1 or Tier 2 instruments under Additional Provision 14.3º(a) of Law 11/2015 -which is expected to be the case of Senior Subordinated Instruments-, secondly, those that qualify as Tier 2 instruments under Additional Provision 14.3º(b) of Law 11/2015 -which is expected to be the case of Tier 2 Subordinated Instruments- and thirdly, Additional Tier 1 instruments under Additional Provision 14.3º(c) of Law 11/2015); (iii) interest (including accrued and unpaid interest due on the Subordinated Instruments); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

Finally, certain provisions in the Insolvency Law may negatively affect holders of Instruments in general. Among other things, the Insolvency Law provides 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.

The Senior Non Preferred Instruments are senior non preferred obligations and are junior to certain obligations

The Senior Non Preferred Instruments constitute direct, unconditional, unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer in accordance with Additional Provision 14.2º of Law 11/2015, as amended by the Royal Decree-Law 11/2017 ("**RDL 11/2017**"). Upon the insolvency of the Issuer, the payment obligations of the Issuer in respect of principal under the Senior Non Preferred Instruments rank, subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92.1º or 92.3º to 92.7º of the Insolvency Law), (a) *pari passu* among themselves and with any Senior Non Preferred Liabilities (as defined in the Terms and Conditions), (b) junior to the Senior Higher Priority Liabilities (as defined in the Terms and Conditions) and, accordingly, upon the insolvency of the Issuer, the claims in respect of Senior Non Preferred Instruments will be met after payment in full of the Senior Higher Priority Liabilities, and (c) senior to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law.

The Issuer's Senior Higher Priority Liabilities would include, among other liabilities, its deposit obligations (other than the deposit obligations qualifying as preferred liabilities (*créditos con privilegio general*) under Additional Provision 14.1º of Law 11/2015 which will rank senior), its obligations in respect of derivatives and other financial contracts and its unsubordinated and unsecured debt securities other than the Senior Non Preferred Liabilities. If the Issuer were wound up, liquidated or dissolved, the liquidator would apply the assets which are available to satisfy all claims in respect of its unsubordinated and unsecured liabilities, first to satisfy claims of all other creditors ranking ahead of Holders, including holders of Senior Higher Priority Liabilities, and then to satisfy claims in respect of principal of the Senior Non Preferred Instruments (and other Senior Non Preferred Liabilities). If the Issuer does not have sufficient assets to settle the claims of higher ranking creditors in full, the claims of the Holders under the Senior Non Preferred Instruments will not be satisfied. Holders will share equally in any distribution of assets available to satisfy all claims in respect of its unsubordinated and unsecured liabilities with the creditors under any other Senior Parity Liabilities if the Issuer does not have sufficient funds to make full payment to all of them.

In addition, if the Issuer enters into resolution, its eligible liabilities (including the Senior Non Preferred Instruments) may be subject to bail-in, meaning potential write-down or conversion into equity securities or other instruments, and additionally, pursuant to BRRD II and the SRM Regulation II, may be subject to any Non-Viability Loss Absorption. The sequence of any resulting write-down or conversion of eligible instruments under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for claims to be written-down or converted into equity in accordance with the hierarchy of claims provided in the applicable insolvency legislation. Because the Senior Non Preferred Instruments are senior non preferred liabilities (*créditos ordinarios no preferentes*) the Issuer expects them to be written down or converted in full after any subordinated obligations of the Issuer under article 92 of the Insolvency Law and before any of the Issuer's Senior Higher Priority Liabilities are written down or converted. The Issuer expects that upon insolvency, the payment obligations in respect of principal under the Senior Non Preferred Instruments would rank *pari passu* with any obligations in respect of principal of any Senior Non Preferred Liabilities or any other securities with the same ranking issued by the Issuer. See "*—Risks related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities*".

As a consequence, Holders of the Senior Non Preferred Instruments would bear significantly more risk than creditors of the Issuer's Senior Higher Priority Liabilities and could lose all or a significant part of their investment if the Issuer were to become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and Royal Decree 1012/2015) and the Senior Non Preferred Instruments become subject to the application of the bail-in or (ii) insolvent.

Senior Non Preferred Instruments are new types of instruments for which there is little trading history

On 25 June 2017, RDL 11/2017 entered into force amending Additional Provision 14 of Law 11/2015, which paragraph 2 provides for the legal recognition of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. Although certain Spanish financial institutions have issued senior non-preferred securities or securities with similar features in the past, there is little trading history for securities of Spanish financial institutions with this ranking.

Market participants, including credit rating agencies, are in the initial stages of evaluating the risks associated with senior non preferred securities. The credit ratings assigned to senior non preferred securities such as the Senior Non Preferred Instruments may change as the rating agencies refine their approaches, and the value of such securities may be particularly volatile as the market becomes more familiar with them. It is possible that, over time, the credit ratings and value of senior non preferred securities such as the Senior Non Preferred Instruments will be lower than those expected by investors at the time of issuance of the Senior Non Preferred Instruments. If so, Holders may incur losses in respect of their investments in the Senior Non Preferred Instruments.

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

The Issuer will pay principal and interest on the Instruments in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency and/or the Specified Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Instruments, (ii) the Investor's Currency-equivalent value of the principal payable on the Instruments and (iii) the Investor's Currency-equivalent market value of the Instruments. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Instruments. As a result, investors may receive less interest or principal than expected, or no interest or principal.

DESCRIPTION OF THE ISSUER

The description of the Issuer is set out in certain sections of the 2019 Annual Report. These sections have been incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", which provides a table reconciling the content of this section with the corresponding page number(s) of the 2019 Annual Report containing such information).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated by reference in and to form part of, this Base Prospectus and will be published on the website of Banco Santander (www.santander.com):

1. The annual report of the Issuer prepared for the year ended 31 December 2019 (the "**2019 Annual Report**"), which contains the English language translation of the audited annual consolidated financial statements of the Issuer prepared under IFRS-EU for the year ended 31 December 2019 (the "**2019 Financial Statements**") in pages 479 to 733.

   https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019-annual-report-en.pdf

2. The English language translation of the audited annual consolidated financial statements of the Issuer prepared under IFRS-EU for the year ended 31 December 2018 (the "**2018 Financial Statements**").

   https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2018/IA-2018-Consolidated%20management%20report%20and%20consolidated%20annual%20accounts-30-en.pdf

3. The "Terms and Conditions of the Instruments" set out on pages 66 to 105 (inclusive) of the Base Prospectus of Banco Santander, S.A. dated 12 March 2019.

   https://www.santander.com/content/dam/santander-com/es/documentos/programas/documentos-programas/PR-Banco%20Santander%20EMTN%202019-es.pdf

4. The "Terms and Conditions of the Instruments" set out on pages 82 to 115 (inclusive) of the Base Prospectus of Banco Santander, S.A. dated 8 March 2018.

   https://www.santander.com/content/dam/santander-com/es/documentos/programas/documentos-programas/PR-EMTN%202018-Banco%20Santander%20EMTN%202018-es.pdf

5. The "Terms and Conditions of the Instruments" set out on pages 140 to 174 (inclusive) of the Base Prospectus of Banco Santander, S.A. dated 6 March 2017 and the Supplement to such Base Prospectus dated 7 July 2017 to the extent such Supplement amends such Terms and Conditions, each prepared by Banco Santander, S.A. in connection with the Programme.

   https://www.santander.com/content/dam/santander-com/es/documentos/programas/documentos-programas/PR-EMTN%202017-Banco%20Santander%20EMTN%202017-es.pdf

   https://www.santander.com/content/dam/santander-com/en/documentos/programas/documentos-programas/PR-EMTN%202017-Banco%20Santander%20EMTN%201st%20Suplement-en.pdf

   In relation to the 2019 Financial Statements, the 2018 Financial Statements and the 2019 Annual Report, any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference has been derived, is for information purposes only and is not incorporated by reference because Banco Santander considers that it is not relevant for the investor.

Issuer Annual Financial Information and Annual Report

The tables below set out the relevant page references in the 2019 Annual Report and the 2018 Financial Statements where the following information incorporated by reference in this Base Prospectus can be found:

	Information incorporated by reference in this Base Prospectus	**2019 Annual Report page reference[(1)]**
1.	Independent Auditor's report on consolidated annual accounts for the year ended 31 December 2019	469-478
2.	Audited consolidated balance sheets at 31 December 2019 and the comparative consolidated financial information of the Issuer at 31 December 2018 and 31 December 2017	480-483
3.	Audited consolidated income statements for the year ended 31 December 2019 and	484-485

Information incorporated by reference in this Base Prospectus		2019 Annual Report page reference[(1)]
	the comparative consolidated financial information of the Issuer for the years ended 31 December 2018 and 31 December 2017	
4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2019 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2018 and 31 December 2017	486
5.	Audited consolidated statements of changes in total equity for the year ended 31 December 2019 and the comparative for the years ended 31 December 2018 and 31 December 2017	487-492
6.	Audited consolidated statements of cash flow for the year ended 31 December 2019 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2018 and 31 December 2017	493-494
7.	Notes to the consolidated annual accounts for the year ended 31 December 2019	497-733
8.	2. Ownership structure	CG 154-158[(2)]
9.	4. Board of directors	CG 168-211[(2)]
10.	7. Group structure and internal governance	CG 236-238[(2)]
11.	4. Financial information by segments	EFR 328-371[(3)]
12.	8. Alternative Performance Measures (APMs)	EFR 381-386[(3)]
13.	Glossary	GL 460-465[(4)]
14.	General Information	GI 786-787 [(5)]

Notes:

(1) Not all the pages of the 2019 Annual Report are paginated continuously. See Notes below for detailed indications on where the relevant sections incorporated by reference in this Base Prospectus are located.

(2) "CG" corresponds to the section entitled "Corporate Governance" of the 2019 Annual Report located immediately after the section entitled "Responsible banking" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(3) "EFR" corresponds to the sub-section entitled "Economic Financial Review" of the 2019 Annual Report located immediately after the section entitled "Corporate governance" (see note (2) above) and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(4) "GL" corresponds to the sub-section entitled "Glossary" of the 2019 Annual Report located immediately after the section entitled "Strategic risk" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(5) "GI" corresponds to the section entitled "General Information" of the 2019 Annual Report located immediately after the Glossary and the page reference is to the page number appearing in the bottom left of such section.

Information incorporated by reference in this Base Prospectus		2018 Financial Statements page reference
1.	Independent Auditor's report on consolidated annual accounts for the year ended 31 December 2018	423-434
2.	Audited consolidated balance sheets at 31 December 2018 and the comparative consolidated financial information of the Issuer at 31 December 2017 and 31 December 2016	436-439
3.	Audited consolidated income statements for the year ended 31 December 2018 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2017 and 31 December 2016	440-441
4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2018 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2017 and 31	442

Information incorporated by reference in this Base Prospectus		2018 Financial Statements page reference
	December 2016	
5.	Audited consolidated statements of changes in total equity for the year ended 31 December 2018 and the comparative for the years ended 31 December 2017 and 31 December 2016	444-449
6.	Audited consolidated statements of cash flow for the year ended 31 December 2018 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2017 and 31 December 2016	450
7.	Notes to the consolidated annual accounts for the year ended 31 December 2018	451-658

The information on the corporate website of the Issuer does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus.

TERMS AND CONDITIONS OF THE INSTRUMENTS

*The following, except for paragraphs in italics, is the text of the terms and conditions (the "**Terms and Conditions**") that, subject to completion in accordance with the provisions of Part A of the relevant Final Terms, shall be applicable to the Instruments in definitive form (if any) issued in exchange for the Global Instruments(s) and Global Registered Instrument(s) representing each Series. Either (i) the full text of these Terms and Conditions together with the relevant provisions of Part A of the Final Terms or (ii) these Terms and Conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Instruments or on the Individual Certificates relating to such Registered Instruments. All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Instruments or Individual Certificates, as the case may be.*

The Instruments of each Tranche will be issued following the execution of a public deed (*escritura pública*) (the "**Public Deed of Issuance**") to be executed before a Spanish notary public and to be registered with the Mercantile Registry of Cantabria on, prior to or after the issue date of the relevant Tranche of Instruments specified in the relevant Final Terms (the "**Issue Date**"), and which shall contain, among other information, the Terms and Conditions. Instruments where the relevant Final Terms specify English law as the governing law (the "**English law Instruments**") and Instruments where the relevant Final Terms specify Spanish law as the governing law (the "**Spanish law Instruments**") will be issued in accordance with, and will have the benefit of, an amended and restated issue and paying agency agreement (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto) dated 12 March 2019 and made between Banco Santander, S.A. (the "**Issuer**"), The Bank of New York Mellon, London Branch in its capacity as issue and paying agent (the "**Issue and Paying Agent**" which expressions shall include any successor to The Bank of New York Mellon, London Branch in its capacity as such and together any substitute or additional paying agents appointed in accordance with the Issue and Paying Agency Agreement, the "**Paying Agent**") and The Bank of New York Mellon SA/NV, Luxembourg Branch in its capacity as registrar (the "**Registrar**", which expression shall include any successor to The Bank of New York Mellon SA/NV, Luxembourg Branch in its capacity as such). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Terms and Conditions of any Series of Instruments (as defined below), the Issuer may appoint a Calculation Agent (as defined under Condition 4E.05) for the purposes of such Instruments, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Calculation Agent shall be specified in the applicable Final Terms. In relation to English law Instruments only, the Issuer has executed and delivered a deed of covenant dated 16 March 2020 (the "**Deed of Covenant**"). Copies of the Issue and Paying Agency Agreement (to which the forms of the Global Instruments and the Global Registered Instruments are attached) and the Deed of Covenant are, or will be, available for inspection free of charge during normal business hours at the specified office of each of the Paying Agents and the Registrar. All persons from time to time entitled to the benefit of obligations under any Instruments shall be deemed to have notice of all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant (in relation to English law Instruments only) and the provisions of the Global Instrument (as defined in Condition 22) and the Global Registered Instrument (as defined in Condition 22) insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection free of charge during normal business hours at the specified office of the Issue and Paying Agent and the Registrar, as the case may be, and, in the case of a Tranche of Instruments listed on the regulated market of The Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") and if the rules of such market so require, shall be published on the website of Euronext Dublin (www.ise.ie). In the case of a Tranche of Instruments in relation to which application has not been made for admission for listing on any listing authority, stock exchange and/or quotation system, copies of the Final Terms will only be available for inspection by a Holder of or, as the case may be, an Account Holder, as defined in Condition 22 (and as defined in the Deed of Covenant in relation to English law Instruments and in the Global Instruments or the Global Registered Instruments, as applicable, in relation to Spanish law Instruments) in respect of, such Instruments.

References in these Terms and Conditions to "**Instruments**" are to Instruments of the relevant Series and any references to "**Coupons**" (as defined in Condition 1.02) and "**Receipts**" (as defined in Condition 1.02) are to Coupons and Receipts relating to Instruments of the relevant Series.

References in these Terms and Conditions to the "**Final Terms**" are to the Final Terms or Final Terms(s) prepared in relation to the Instruments of the relevant Tranche or Series.

In respect of any Instruments, references herein to these "**Terms and Conditions**" are to these terms and conditions as amended, modified or varied by the Final Terms.

1 Form, Denomination and Title

1.01 The Instruments are issued in bearer form ("**Bearer Instruments**") or in registered form ("**Registered Instruments**") in each case in the Specified Denomination(s) shown hereon.

1.02 Bearer Instruments are serially numbered and are issued with interest coupons ("**Coupons**"), and, where appropriate, talons for further Coupons (a "**Talon**") attached, save in the case of Zero Coupon Instruments in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Terms and Conditions are not applicable. Instalment Instruments are issued with one or more receipts for the payment of instalments of principal (the "**Receipts**") attached.

1.03 Registered Instruments are represented by registered certificates ("**Individual Certificates**") and, save as provided in Condition 2.03, each Individual Certificate shall represent the entire holding of Registered Instruments by the same Holder.

1.04 Title to the Bearer Instruments and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Instruments shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Issue and Paying Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder (as defined below) of any Instrument, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Individual Certificate representing it) or its theft or loss (or that of the related Individual Certificate) and no person shall be liable for so treating the Holder.

1.05 In these Terms and Conditions, "**Holder**" means the bearer of any Bearer Instruments, Receipt, Coupon or Talon or the person in whose name a Registered Instrument is registered (as the case may be), and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Instruments.

2 No Exchange of Instruments and Transfers of Registered Instruments

2.01 **No Exchange of Instruments**: Registered Instruments may not be exchanged for Bearer Instruments. Bearer Instruments of one Specified Denomination may not be exchanged for Bearer Instruments of another Specified Denomination. Bearer Instruments may not be exchanged for Registered Instruments.

2.02 **Transfer of Registered Instruments**: One or more Registered Instruments may be transferred upon the surrender (at the specified office of the Registrar) for registration of the Individual Certificate representing such Registered Instruments to be transferred, together with the form of transfer endorsed on such Individual Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed under the hand of the transferor or, where the transferor is a corporation, under its common seal or under the hand of two of its officers duly authorised in writing, and any other evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the persons who have executed the form of transfer. In particular, where the form of transfer is executed by an attorney or, in the case of a corporation, under seal or under the hand of two of its officers duly authorised in writing, a copy of the relevant power of attorney certified by a financial institution in good standing or a notary public or in such other manner as the Registrar may require or, as the case may be, copies certified in the manner aforesaid of the documents authorising such officers to sign and witness the affixing of the seal must be delivered with the form of transfer. In this Condition 2.02, "transferor" shall, where the context permits or requires, include joint transferors and shall be construed accordingly.

The executors or administrators of a deceased or bankrupt Holder of a Registered Instrument (not being one of several joint Holders) and, in the case of the death of one or more of several joint Holders, the survivor or survivors of such joint Holders, shall be the only persons recognised by the Issuer as having any title to such Registered Instrument. Any person becoming entitled to any Registered Instruments in consequence of the death or bankruptcy of the Holder of such Registered Instruments may, upon producing such evidence that he holds the position in respect of which he proposes to act under this paragraph or of his title as the Registrar may require (including legal opinions), become registered himself as the Holder of such Instruments or, subject to the provisions of these Regulations, the Instruments and the Terms and Conditions as to transfer, may transfer such Registered Instruments. The Issuer, the Registrar and the Paying Agents shall be at liberty to retain any amount payable upon the Registered Instruments to which any person is so entitled until such person is so registered or duly transfers such Instruments.

A Holder of Registered Instruments may transfer all or part only of his holding of Instruments provided that both the principal amount of the Instruments transferred, and the principal amount of the balance not transferred are a Specified Denomination (as defined in Condition 10C.03). In the case of a transfer of part only of a holding of Registered Instruments represented by one Individual Certificate, a new Individual Certificate shall be issued to the transferee in respect of the part transferred and a further new Individual Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. Where there is more than one transferee (to hold other than as joint Holders), separate forms of transfer (obtainable from the specified office of the Registrar) must be completed in respect of each new holding.

2.03 **Exercise of Options or Partial Redemption in Respect of Registered Instruments**: In the case of an exercise of an Issuer's or Holder's option in respect of, or a partial redemption of, a holding of Registered Instruments represented by a single Individual Certificate, a new Individual Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Instruments of the same holding having different terms, separate Individual Certificates shall be issued in respect of those Instruments of that holding that have the same terms. New Individual Certificates shall only be issued against surrender of the existing Individual Certificates to the Registrar. In the case of a transfer of Registered Instruments to a person who is already a Holder of Registered Instruments, a new Individual Certificate representing the enlarged holding shall only be issued against surrender of the Individual Certificate representing the existing holding.

2.04 **Delivery of New Individual Certificates**: Each new Individual Certificate to be issued pursuant to Conditions 2.02 or 2.03 shall be available for delivery within three business days of receipt of the form of transfer or redemption notice (under Conditions 5.06, 5.07 and 5.08) and surrender of the Individual Certificate for exchange. Delivery of the new Individual Certificate(s) in respect of which entries have been made in the Register, all formalities complied with and the name of the transferee completed by or on behalf of the Registrar, shall be made at the specified office of the Registrar to whom delivery or surrender of such form of transfer, redemption notice (under Conditions 5.06, 5.07 and 5.08) or Individual Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the form of transfer, redemption notice (under Conditions 5.06, 5.07 and 5.08) or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Individual Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Paying Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2.04, "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the Registrar to whom such request for exchange or form of transfer shall have been delivered. Unless otherwise required by him and agreed by the Issuer and the Registrar, the Holder of any Instruments shall be entitled to receive only one Individual Certificate in respect of his holding. The joint Holders of any Registered Instrument shall be entitled to one Individual Certificate only in respect of their joint holding which shall, except where they otherwise direct, be delivered to the joint Holder whose name appears first in the Register in respect of the joint holding.

2.05 **Transfer Free of Charge**: Transfers of Instruments and Individual Certificates on registration, transfer, partial redemption, issue of any Registered Instruments or delivery thereof at the specified office of the Registrar or by uninsured post to the address specified by the Holder, or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar, but shall be effected against such indemnity from the Holder or the transferee thereof as the Registrar may require in

respect of payment of any tax or other duty or governmental charges that may be levied or imposed in relation to it.

2.06 **Closed Periods**: No Holder may require the transfer of a Registered Instrument to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Instrument, (ii) during the period of 15 days before any date on which Instruments may be called for redemption by the Issuer at its option pursuant to Condition 5.05, (iii) after any such Instrument has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3 Status of the Instruments

Status of Senior Instruments

3.01 The payment obligations of the Issuer under Instruments which specify their status as Ordinary Senior Instruments ("**Ordinary Senior Instruments**") or as Senior Non Preferred Instruments ("**Senior Non Preferred Instruments**", together with the Ordinary Senior Instruments "**Senior Instruments**") in the relevant Final Terms constitute direct, unconditional, unsubordinated and unsecured obligations (*créditos ordinarios*) of the Issuer and, in accordance with Additional Provision 14.2º of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer (and unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Article 92.1º or 92.3º to 92.7º of Law 22/2003 dated 9 July 2003 (*Ley Concursal*) (the "**Insolvency Law**")), such payment obligations in respect of principal rank:

(i) in the case of Ordinary Senior Instruments:

(a) *pari passu* among themselves and with any Senior Higher Priority Liabilities; and

(b) senior to (i) Senior Non Preferred Liabilities and (ii) any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law; and

(ii) in the case of Senior Non Preferred Instruments:

(a) *pari passu* among themselves and with any Senior Non Preferred Liabilities;

(b) junior to the Senior Higher Priority Liabilities (and, accordingly, upon the insolvency of the Issuer the claims in respect of Senior Non Preferred Instruments will be met after payment in full of the Senior Higher Priority Liabilities); and

(c) senior to any present and future subordinated obligations (*créditos subordinados*) of the Issuer in accordance with Article 92 of the Insolvency Law.

Claims of Holders of Senior Instruments in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Issuer shall constitute subordinated claims (créditos subordinados) against the Issuer ranking in accordance with the provisions of Article 92.3º of the Insolvency Law and no further interest shall accrue from the date of the declaration of insolvency of the Issuer.

The obligations of the Issuer under the Senior Instruments are subject to the Bail-in Power.

For the purposes of the Terms and Conditions:

"**Law 11/2015**" means Law 11/2015 of 18 June on recovery and resolution of credit institutions and investment firms, as amended from time to time;

"**Senior Higher Priority Liabilities**" means any obligations in respect of principal of the Issuer under any Ordinary Senior Instruments and any other unsecured and unsubordinated obligations (*créditos ordinarios*) of the Issuer, other than the Senior Non Preferred Liabilities; and

"**Senior Non Preferred Liabilities**" means any unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) of the Issuer under Additional Provision 14.2º of Law 11/2015, as amended by Royal Decree-Law 11/2017, of 23 June, on urgent measures in financial matters, and as further amended from time to time, (including any Senior Non Preferred Instruments)

and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Liabilities.

The Issuer expects that upon insolvency, the payment obligations in respect of principal under the Senior Non Preferred Instruments would rank pari passu with any obligations in respect of principal of any second ranking senior instruments issued under the Programme or any other securities with the same ranking issued by the Issuer.

Status of the Subordinated Instruments

3.02 The payment obligations of the Issuer under Instruments which specify their status as Subordinated Instruments in the relevant Final Terms ("**Subordinated Instruments**", which may be, in turn, Senior Subordinated Instruments ("**Senior Subordinated Instruments**") or Tier 2 Subordinated Instruments ("**Tier 2 Subordinated Instruments**"), as specified in the relevant Final Terms) on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Issuer according to Article 92.2º of the Insolvency Law and, in accordance with Additional Provision 14.3º of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Issuer (unless they qualify as subordinated claims (*créditos subordinados*) pursuant to Articles 92.3º to 92.7º of the Insolvency Law) rank:

(i) for so long as the obligations of the Issuer in respect of the relevant Subordinated Instruments constitute Senior Subordinated Liabilities of the Issuer:

(a) *pari passu* among themselves and with (i) all other claims for principal in respect of Senior Subordinated Liabilities which are not subordinated obligations (*créditos subordinados*) under Articles 92.3º to 92.7º of the Insolvency Law, and (ii) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Instruments;

(b) junior to (i) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities), (ii) any subordinated obligations (*créditos subordinados*) of the Issuer which become subordinated pursuant to article 92.1º of the Insolvency Law and (iii) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Instruments; and

(c) senior to (i) any claims for principal in respect of Additional Tier 1 Instruments or Tier 2 Instruments, (ii) any subordinated obligations (*créditos subordinados*) under Articles 92.3º to 92.7º of the Insolvency Law, (iii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the obligations of the Issuer under the relevant Subordinated Instruments; and

This status is expected to apply if the Subordinated Instruments are specified as Senior Subordinated Instruments in the relevant Final Terms.

(ii) for so long as the obligations of the Issuer in respect of the relevant Subordinated Instruments constitute Tier 2 Instruments of the Issuer:

(a) *pari passu* among themselves and with (i) all other claims for principal in respect of Tier 2 Instruments which are not subordinated obligations under Articles 92.3º to 92.7º of the Insolvency Law, and (ii) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Issuer's obligations under the relevant Subordinated Instruments;

(b) junior to (i) any unsubordinated obligations (*créditos ordinarios*) of the Issuer (including any Senior Non Preferred Liabilities), (ii) any subordinated obligations (*créditos subordinados*) of the Issuer under Article 92.1º of the Insolvency Law, (iii) any claim for principal in respect of Senior Subordinated Liabilities which are not subordinated obligations under Articles 92.3º to 92.7º of the Insolvency Law and (iv) any other subordinated obligations (*créditos subordinados*) which by law and/or by their terms, to

the extent permitted by Spanish law, rank senior to the Issuer's obligations under the relevant Subordinated Instruments; and

(c) senior to (i) any claims for principal in respect of Additional Tier 1 Instruments of the Issuer, (ii) any subordinated obligations (*créditos subordinados*) under Articles 92.3º to 92.7º of the Insolvency Law and (iii) any other subordinated obligations (*créditos subordinados*) of the Issuer which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the obligations of the Issuer under the relevant Subordinated Instruments.

This status is expected to apply if the Subordinated Instruments are specified as Tier 2 Subordinated Instruments in the relevant Final Terms.

The obligations of the Issuer under the Subordinated Instruments are subject to the Bail-in Power.

For the purposes of the Terms and Conditions:

"**Additional Tier 1 Instrument**" means any contractually subordinated obligation (*créditos subordinados*) of the Issuer according to Article 92.2º of the Insolvency Law, ranking as an additional tier 1 instrument (*instrumentos de capital adicional de nivel 1*) under Additional Provision 14.3º(c) of Law 11/2015;

"**Bail-in Power**" means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) the SRM Regulation and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity);

"**Group**" means the Issuer and its consolidated subsidiaries;

"**Regulator**" means the European Central Bank, the Bank of Spain or such other or successor governmental authority exercising primary bank supervisory authority from time to time, in each case with respect to prudential matters in relation to the Issuer and/or the Group;

"**Senior Subordinated Liabilities**" means any contractually subordinated obligation (*créditos subordinados*) of the Issuer according to Article 92.2º of the Insolvency Law, ranking as subordinated debt which is not an Additional Tier 1 Instrument or a Tier 2 Instrument (*deuda subordinada que no sea capital adicional de nivel 1 o 2*) under Additional Provision 14.3º(a) of Law 11/2015; and

"**Tier 2 Instrument**" means any contractually subordinated obligation (*créditos subordinados*) of the Issuer according to Article 92.2º of the Insolvency Law, ranking as a tier 2 instrument (*instrumentos de capital de nivel 2*) under Additional Provision 14.3º(b) of Law 11/2015.

4 Interest

Instruments may be interest-bearing. The Final Terms in relation to each Tranche of Instruments shall specify which of Condition 4A, 4B, 4C or 4D shall be applicable and Condition 4E will be applicable to each Tranche of Instruments save for where Condition 4D applies, and further save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of Instruments, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

4A Interest — Fixed Rate

This Condition 4A applies to Fixed Rate Instruments only or Instruments which for any period in respect of which this Condition is applicable. The applicable Final Terms contain provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4A for full information on the manner in which interest is calculated on Fixed Rate Instruments.

Instruments in relation to which this Condition 4A applies and the relevant Final Terms specify as being applicable shall bear interest from (and including) their Issue Date or from such other Interest Commencement Date as may be specified in the relevant Final Terms at the rate or rates per annum equal to

the Rate of Interest specified in the relevant Final Terms (or otherwise, as specified in the relevant Final Terms). Such interest will be payable in arrear on each Interest Payment Date specified in the relevant Final Terms and on the date Maturity Date. Interest in respect of a period of less than one year will be calculated on such basis as may be specified in Condition 4E.02 and the relevant Final Terms.

4B **Interest — Reset Instruments**

This Condition 4B applies to Reset Instruments only or Instruments which for any period in respect of which this Condition is applicable. The applicable Final Terms contain provisions applicable to the determination of reset rate of interest and must be read in conjunction with this Condition 4B for full information on the manner in which interest is calculated on Reset Instruments.

Rates of Interest and Interest Payment Dates

4B.01 Instruments in relation to which this Condition 4B applies and the relevant Final Terms specify as being applicable shall bear interest:

(A) from (and including) their Issue Date or from such other date as may be specified in the relevant Final Terms until (but excluding) the First Reset Date at the rate per annum equal to the Initial Rate of Interest;

(B) from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date at the rate per annum equal to the First Reset Rate of Interest; and

(C) for each Subsequent Reset Period thereafter (if any), at the rate per annum equal to the relevant Subsequent Reset Rate of Interest,

the relevant Rate of Interest being payable, in each case, on each Interest Payment Date specified in the relevant Final Terms and on the Maturity Date. The Interest Amount in respect of a period of less than one year will be calculated on such basis as may be specified in Condition 4E.02 and the relevant Final Terms.

For the purposes of these Terms and Conditions:

"**First Margin**" means the margin specified as such in the applicable Final Terms;

"**First Reset Date**" means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

"**First Reset Period**" means the period from (and including) the First Reset Date until (but excluding) the Second Reset Date or, if no such Second Reset Date is specified in the applicable Final Terms, the Maturity Date;

"**First Reset Rate of Interest**" means, in respect of the First Reset Period and subject to Condition 4B.02, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate, as may be adjusted in the applicable Final Terms, and the First Margin;

"**Initial Rate of Interest**" has the meaning specified in the applicable Final Terms;

"**Mid-Swap Rate**" means, in relation to a Reset Determination Date and subject to Condition 4B.02, either:

(i) if Single Mid-Swap Rate is specified in the applicable Final Terms, the rate for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appears on the Relevant Screen Page (as defined in Condition 10C.03) or such replacement page on that service which displays the information; or

(ii) if Mean Mid-Swap Rate is specified in the applicable Final Terms, the arithmetic mean (expressed as a percentage rate per annum and rounded, if necessary, to the nearest 0.001 per

cent. (0.0005 per cent. being rounded upwards)), of the bid and offered swap rate quotations for swaps in the Specified Currency:

(A) with a term equal to the relevant Reset Period; and

(B) commencing on the relevant Reset Date,

which appear on the Relevant Screen Page (as defined in Condition 10C.03) or such replacement page on that service which displays the information,

in either case, as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on such Reset Determination Date, all as determined by the Calculation Agent;

"**Reset Business Day**" means a day on which commercial banks are open for business and foreign exchange markets settle payments in any Reset Business Centre specified in the relevant Final Terms;

"**Reset Date**" means the First Reset Date, the Second Reset Date and each Subsequent Reset Date (as applicable);

"**Reset Determination Date**" means, in respect of the First Reset Period, the second Reset Business Day prior to the First Reset Date, in respect of the first Subsequent Reset Period, the second Reset Business Day prior to the Second Reset Date and, in respect of each Subsequent Reset Period thereafter, the second Reset Business Day prior to the first day of each such Subsequent Reset Period;

"**Reset Period**" means the First Reset Period or a Subsequent Reset Period, as the case may be;

"**Second Reset Date**" means the date specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

"**Subsequent Margin**" means the margin specified as such in the applicable Final Terms;

"**Subsequent Reset Date**" means the date or dates specified in the applicable Final Terms as adjusted (if so specified in the applicable Final Terms) as if the relevant Reset Date was an Interest Payment Date;

"**Subsequent Reset Period**" means the period from (and including) the Second Reset Date to (but excluding) the next Subsequent Reset Date, and each successive period from (and including) a Subsequent Reset Date to (but excluding) the next succeeding Subsequent Reset Date; and

"**Subsequent Reset Rate of Interest**" means, in respect of any Subsequent Reset Period and subject to Condition 4B.02, the rate of interest determined by the Calculation Agent on the relevant Reset Determination Date as the sum of the relevant Mid-Swap Rate and the relevant Subsequent Margin.

4B.02 ***Fallbacks***

If on any Reset Determination Date, the Relevant Screen Page (as defined in Condition 10C.03) is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page (as defined in Condition 10C.03), the Calculation Agent shall request each of the Reference Banks to provide the Calculation Agent with its Mid-Market Swap Rate Quotation as at approximately 11.00 a.m. in the principal financial centre of the Specified Currency on the Reset Determination Date in question.

If two or more of the Reference Banks provide the Calculation Agent with Mid-Market Swap Rate Quotations, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) for the relevant Reset Period shall be the sum of the arithmetic mean (rounded, if necessary, to the nearest 0.001 per cent. (0.0005 per cent. being rounded upwards)) of the relevant Mid-Market Swap Rate Quotations and the First Margin or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date only one of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation as provided in the foregoing provisions of this paragraph, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be the sum of the relevant Mid-Market Swap Rate Quotation (rounded, if necessary, to the nearest 0.001 per cent (0.0005 per cent. being rounded upwards)) and the First or Subsequent Margin (as applicable), all as determined by the Calculation Agent.

If on any Reset Determination Date none of the Reference Banks provides the Calculation Agent with a Mid-Market Swap Rate Quotation, the First Reset Rate of Interest or the Subsequent Reset Rate of Interest (as applicable) shall be (i) the rate determined on the previous Reset Determination Date (if any) or (ii) if there is no such previous Reset Determination Date, the Initial Rate of Interest, in each case, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

For the purposes of this Condition 4B.02:

"**Mid-Market Swap Rate**" means for any Reset Period the mean of the bid and offered rates for the fixed leg payable with a frequency equivalent to the Fixed Leg Swap Duration specified in the relevant Final Terms (calculated on the day count basis customary for fixed rate payments in the Specified Currency as determined by the Calculation Agent) of a fixed-for-floating interest rate swap transaction in the Specified Currency which transaction (i) has a term equal to the relevant Reset Period and commencing on the relevant Reset Date, (ii) is in an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market and (iii) has a floating leg based on the Mid-Swap Floating Leg Benchmark Rate for the Mid-Swap Maturity (as specified in the applicable Final Terms) (calculated on the day count basis customary for floating rate payments in the Specified Currency as determined by the Calculation Agent);

"**Mid-Market Swap Rate Quotation**" means a quotation (expressed as a percentage rate per annum) for the relevant Mid-Market Swap Rate;

"**Mid-Swap Floating Leg Benchmark Rate**" means EURIBOR if the Specified Currency is euro or LIBOR if the Specified Currency is not euro; and

"**Reference Banks**" means the principal office in the principal financial centre of the Specified Currency of four major banks in the swap, money, securities or other market most closely connected with the relevant Mid-Swap Rate as selected by the Issuer on the advice of an investment bank of international repute.

4C **Interest — Floating Rate Instruments and CMS-Linked Instruments**

This Condition 4C applies to Floating Rate Instruments, CMS-Linked Instruments or Instruments which for any period in respect of which this Condition is applicable. The applicable Final Terms contain provisions applicable to the determination of interest in respect of such Instruments and must be read in conjunction with this Condition 4C for full information on the manner in which interest is calculated on Floating Rate Instruments and CMS-Linked Instruments.

4C.01 Instruments in relation to which this Condition 4C applies and the relevant Final Terms specify as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 4C. The Rate of Interest payable from time to time in respect of Floating Rate Instruments and CMS-Linked Instruments will be determined in the manner specified in the applicable Final Terms.

4C.02 Such Instruments shall bear interest from (and including) their Issue Date or from such other Interest Commencement Date as may be specified in the relevant Final Terms. Such interest will be payable in arrear on each Interest Payment Date and on the Maturity Date. The Interest Amount in respect of a period of less than one year will be calculated on such basis as may be specified in Condition 4E.02 and the relevant Final Terms.

4C.03 ***Screen Rate Determination***

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Rate of Interest (the "**Screen Rate**") is to be determined, the Rate of Interest applicable to such Instruments for each Interest Period will be determined by the Calculation Agent (as defined in Condition 4E.05) on the following basis:

(A) if the Reference Rate (as defined in Condition 10C.03) is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page (as defined in Condition 10C.03) as of the Relevant Time (as

defined in Condition 10C.03) on the relevant Interest Determination Date (as defined in Condition 10C.03);

(B) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

(C) if, in the case of (A) above, such rate does not appear on that page or, in the case of (B) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

(1) request the principal Relevant Financial Centre (as defined in Condition 10C.03) office of each of the Reference Banks (as defined in Condition 10C.03) to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date offered to leading banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

(2) determine the arithmetic mean of such quotations; and

(D) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Relevant Financial Centre (or in the case of Instruments denominated in euro, in such financial centre(s) as the Calculation Agent may select), selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Relevant Financial Centre or local time at such other financial centre(s) as aforesaid) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time and the Screen Rate for such Interest Period shall be the rate or (as the case may be) the arithmetic mean so determined,

provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Screen Rate will be the rate or (as the case may be) the arithmetic mean last determined in relation to the Instruments in respect of a preceding Interest Period, substituting, where a different margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the margin relating to the relevant Interest Period in place of the margin relating to that last preceding Interest Period.

4C.04 ***Screen Rate Determination – Compounded Daily SONIA***

If "Screen Rate Determination" is specified in the relevant Final Terms as the manner in which the Rate of Interest (the Screen Rate) is to be determined and the Final Terms specify that the Reference Rate is SONIA, the Rate of Interest for each Interest Period will as provided below, be Compounded Daily SONIA, where:

"**Compounded Daily SONIA**" means with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily Sterling Overnight Index Average (SONIA) as reference rate for the calculation of interest) and will be calculated by the Calculation Agent as at the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fourth decimal place, with 0.00005 being rounded up:

$$\left[\prod_{i=1}^{d_0}\left(1+\frac{SONIA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Observation Period;

"**d_0**" is the number of London Banking Days in the relevant Observation Period;

"**i**" is a series of whole numbers from one to d_0, each representing the relevant London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Observation Period;

"**London Banking Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n_i**", for any London Banking Day "i", means the number of calendar days from and including such London Banking Day "i" up to but excluding the following London Banking Day;

"**Observation Period**" means the period from and including the date falling "p" London Banking Days prior to the first day of the relevant Interest Period (and the first Interest Period shall begin on and include the Interest Commencement Date) and ending on, but excluding, the date falling "p" London Banking Days prior to the Interest Payment Date for such Interest Period (or the date falling "p" London Banking Days prior to such earlier date, in any, on which the Instruments become due and payable);

"**p**" means the number of London Banking Days by which an Observation Period precedes an Interest Period, as specified in the applicable Final Terms (or, if no such number is specified, five London Banking Days);

the "**SONIA reference rate**", means, in respect of any London Banking Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Banking Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (in each case on the London Banking Day immediately following such London Banking Day); and

"**SONIAi**" means, in respect of any London Banking Day "i", the SONIA reference rate for that day.

If, in respect of any London Business Day in the relevant Observation Period, the Calculation Agent determines that the SONIA reference rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA reference rate shall be:

(i) (A) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant London Banking Day; plus (B) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which the SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate, or

(ii) if such Bank Rate is not available, the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Business Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors).

If the relevant Series of Instruments become due and payable in accordance with Condition 6, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Instruments became due and payable and the Rate of Interest on such Instruments shall, for so long as any such Instrument remains outstanding, be that determined on such date and as if (solely for the purpose of such interest determination) the relevant Interest Period had been shortened accordingly.

4C.05 ***ISDA Determination:*** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest applicable to the Instruments for each Interest Period will be the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the 2006 Definitions of the International Swaps and Derivatives Association, Inc. as amended and updated as at the Issue Date of the first Tranche of Instruments of the relevant Series, including by the ISDA Benchmarks Supplement, as specified in the relevant Final Terms (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 either (A) if the relevant Floating Rate Option is based on the LIBOR for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

For the purposes of this Condition 4C.05, "**ISDA Benchmarks Supplement**" means the Benchmarks Supplement (as amended and updated as at the Issue Date of the first Tranche of Instruments of the relevant Series (as specified in the relevant Final Terms)) published by the International Swaps and Derivatives Association, Inc.

4C.06 ***Rate of Interest:*** The Rate of Interest in relation to the Instruments shall be determined as follows:

(A) If "Margin Plus Rate" is specified as applicable in the applicable Final Terms, the Rate of Interest will be equal to the Margin (as defined in Condition 10C.03) plus the Screen Rate or ISDA Rate, as applicable;

(B) If "Specified Percentage Multiplied by Rate" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage (as defined in Condition 10C.03) multiplied by the Screen Rate or ISDA Rate, as applicable; or

(C) If "Difference in Rates" is specified in the applicable Final Terms, the Rate of Interest will be equal to the Specified Percentage (as defined in Condition 10C.03) multiplied by the difference between Rate 1 and Rate 2, each of Rate 1 and Rate 2 to be determined in accordance with Condition 4C.03, Condition 4C.04 or with Condition 4C.05 as specified in the relevant Final Terms.

4C.07 ***Maximum or Minimum Rate of Interest:*** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then, subject to Condition 4E.01, the Rate of Interest shall in no event be greater than the Maximum Rate of Interest or be less than the Minimum Rate of Interest so specified. Where the Rate of Interest is determined to be higher than the Maximum Rate of Interest or lower than the Minimum Rate of Interest, such higher rate shall be deemed to be equal to such Maximum Rate of Interest and such lower rate shall be deemed to be equal to such Minimum Rate of Interest, as applicable.

4C.08 ***CMS Linked Interest Provisions:*** If the CMS-Linked Interest Instruments Provisions are specified in the relevant Final Terms as being applicable, the Rate of Interest applicable to the Instruments for each Interest Period will be calculated by reference to a constant maturity swap rate specified in the relevant Final Terms and the relevant provisions of this Condition 4C will apply as though references to Floating Rate Instruments were references to CMS-Linked Instruments where "Screen Rate Determination" and "Margin Plus Rate" are applicable.

4D Interest — Zero Coupon Instruments

This Condition 4D applies to Zero Coupon Instruments only. The applicable Final Terms contain provisions applicable to the determination of zero coupon interest and must be read in conjunction with this Condition 4D for full information on the manner in which interest is calculated on Zero Coupon Instruments.

Instruments in relation to which this Condition 4D applies and the relevant Final Terms specify as being applicable shall not bear interest. Where such Zero Coupon Instrument is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount (Zero Coupon) (as defined in Condition 5.05). As from the Maturity Date, the Rate of Interest for any overdue principal of such an Instrument shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 5.05).

4E **Interest — Supplemental Provision**

4E.01 ***Step Up Provisions:***

(a) This Condition 4E.01 applies to Ordinary Senior Instruments if the Step Up Provisions are specified in the relevant Final Terms as being applicable. If so applicable, the rate of interest payable on Ordinary Senior Instruments will be subject to adjustment from time to time, as follows:

(i) subject to paragraph (iii) below, from and including the first Interest Payment Date following the date a Step Down Rating Change occurs, the rate of interest payable on the Ordinary Senior Instruments shall be the Initial Interest Rate. For the avoidance of doubt, the rate of interest payable on the Ordinary Senior Instruments shall remain at the Initial Interest Rate notwithstanding any further increase in the rating assigned to the Senior Instruments above BBB-/Baa3 (or equivalent);

(ii) subject to paragraph (iii) below, from and including the first Interest Payment Date following the date a Step Up Rating Change occurs, the rate of interest payable on the Ordinary Senior Instruments shall be the Initial Interest Rate plus the applicable Step Up Margin specified in the relevant Final Terms (together, the "**Increased Rate of Interest**"). For the avoidance of doubt, the rate of interest payable on the Ordinary Senior Instrument shall remain at the Increased Rate of Interest notwithstanding any further decrease in the rating of the Senior Instruments below BB+/Ba1 (or equivalent); and

(iii) if, within the same Interest Period, at least one Step Up Rating Change and at least one Step Down Rating Change occurs (A) where the majority of Rating Agencies announce a Step Down Rating Change, paragraph (i) above shall apply, (B) where the majority of Rating Agencies announce a Step Up Rating Change, paragraph (ii) above shall apply and (C) otherwise, the rate of interest payable on the Ordinary Senior Instrument shall neither be increased nor decreased.

(b) Notwithstanding any other provision of this Condition 4E.01, there shall be no adjustment in the rate of interest applicable to the Ordinary Senior Instruments (1) on the basis of any rating assigned to the Senior Instrument by any rating agency other than on a basis solicited by or on behalf of the Issuer even if at the relevant time such rating is the only rating then assigned to the Ordinary Senior Instruments and (2) at any time after notice of redemption has been given pursuant to Conditions 5.06 or 5.07.

(c) There shall be no limit on the number of times that adjustments to the rate of interest payable on the Senior Instruments may be made pursuant to this Condition 4E.01 during the term of the Ordinary Senior Instruments, provided always that at no time during the term of the Ordinary Senior Instruments will the rate of interest payable on the Ordinary Senior Instruments be less than the Initial Interest Rate or more than the Increased Rate of Interest.

(d) In the event the rate of interest payable on the Ordinary Senior Instruments is the (ii) Increased Rate of Interest, any Maximum Rate of Interest or Minimum Rate of Interest specified hereon shall be increased by the Step Up Margin specified hereon and (ii) Initial Interest Rate as a result of a Step Down Rating Change, the Maximum Rate of Interest and the Minimum Rate of Interest shall be restored to the Maximum Rate of Interest and the Minimum Rate of Interest specified hereon.

(e) If the rating designations employed by any of Moody's, Fitch or S&P are changed from those which are described in this Condition 4E.01, or if a rating is procured from a Substitute Rating Agency, the Issuer shall determine, the rating designations of Moody's, Fitch or S&P or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's, Fitch or S&P and this Condition 4E.01 shall be read accordingly.

(f) The Issuer will cause the occurrence of an event giving rise to an adjustment in the rate of interest payable on the Ordinary Senior Instruments pursuant to this Condition 4E.01 to be notified to the Issue

and Paying Agent and notice thereof to be given in accordance with Condition 15 as soon as possible after the occurrence of the relevant event.

In these Terms and Conditions:

"**Initial Interest Rate**" means the initial Rate of Interest either specified or calculated in accordance with the provisions hereon;

''**Fitch**'' means Fitch Ratings Ltd. or any of its affiliates or successor;

''**Moody's**'' means Moody's Investors Service Limited or any of its affiliates or successor;

''**Rating Agencies**'' means Moody's, Fitch, S&P or any other rating agency selected by the Issuer from time to time to assign a credit rating to the relevant Ordinary Senior Instruments (a ''**Substitute Rating Agency''**) and ''**Rating Agency''** means any one of them;

''**S&P**'' means S&P Global Ratings Europe Limited, a division of The McGraw-Hill Companies, Inc. or any of its affiliates or successor;

''**Step Down Rating Change**'' means the public announcement by any Rating Agency assigning a credit rating to the Ordinary Senior Instruments of an increase in or a confirmation of the rating of the Ordinary Senior Instruments to or as BBB-/Baa3 (or equivalent) or better; and

''**Step Up Rating Change**'' means the public announcement by any Rating Agency assigning a credit rating to the Ordinary Senior Instruments of a decrease in or a confirmation of the rating of the Ordinary Senior Instruments to or as BB+/Ba1 (or equivalent) or below.

4E.02 The Calculation Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the Interest Amount. The Interest Amount payable per Calculation Amount in respect of any Instrument for any Interest Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Final Terms, and the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Period, in which case the amount of interest payable per Calculation Amount in respect of such Instrument for such Interest Period shall equal such Interest Amount (or be calculated in accordance with such formula). In respect of any period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

In this condition 4E.02:

"**Interest Amount**" means: (i) in respect of an Interest Period, the amount of interest payable per Calculation Amount for that Interest Period and which, in the case of Fixed Rate Instruments, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the relevant Interest Period; and (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period;

Interest Payment Date Conventions and other Calculations

4E.02(a) Business Day Convention: The Final Terms in relation to each Series of Instruments shall specify which of the following conventions shall be applicable, namely:

(i) the "**FRN Convention**", in which case interest shall be payable in arrear on each date (each an Interest Payment Date) which numerically corresponds to the date of issue or such other Interest Commencement Date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such Interest Commencement Date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred *provided that*:

(a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 10C.03) in that calendar month;

(b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;

(ii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on each Interest Payment Date specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;

(iii) the "**Following Business Day Convention**" in which case interest shall be payable in arrear on each Interest Payment Date specified in the relevant Final Terms *provided that*, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day; or

(iv) "**No Adjustment**" in which case the relevant date shall not be adjusted in accordance with any Business Day Convention.

4E.03(b) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (whether or not constituting an Interest Period, the "**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:

(i) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/Actual (ICMA)**" is so specified hereon,

if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

"**Determination Date**" means the date(s) specified in in the relevant Final Terms or, if none is so specified, the Interest Payment Date(s);

(iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D_2 will be 30.

(vii) if "**30E/360 (ISDA)**" is specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D_2 will be 30.

Each period beginning on (and including) the Issue Date or such Interest Commencement Date as aforesaid and ending on (but excluding) the first Interest Payment Date and each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "**Interest Period**".

Notification of Rates of Interest, Interest Amounts and Interest Payment Dates

4E.04 The Calculation Agent will cause each Rate of Interest, Interest Payment Date, final day of a Calculation Period, Interest Amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determinations or calculations to be notified to the other Paying Agents and, in the case of Registered Instruments, the Registrar (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 15 as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Issue and Paying Agent will cause all such determinations or calculations to be notified to Euronext Dublin no later than the first day of each Interest Period. The Calculation Agent will be entitled to amend any Interest Amount or Interest Payment Date or final day of a Calculation Period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or Calculation Period and such amendment will be notified in accordance with the first two sentences of this Condition 4E.04.

4E.05 The determination by the Calculation Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

"**Calculation Agent**" means the Issue and Paying Agent or such other person specified in the relevant Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount and such other amount(s) as may be specified in the relevant Final Terms.

Accrual of Interest

4E.06 Interest shall accrue on the principal amount of each Instrument or, in the case of an Instalment Instrument, on each instalment of principal, (in each case other than a Zero Coupon Instrument) on the paid up principal amount of such Instrument or otherwise as indicated in the Final Terms from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Instrument, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Instrument is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as before any demand or judgment) at the rate then applicable to the principal amount of the Instruments or such other rate as may be specified in the relevant Final Terms (the "**Default Rate**") until the earlier of (i) the date on which, upon due presentation of the relevant Instrument (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant

Instrument is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 15 that the Issue and Paying Agent or the Registrar (as the case may be) has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

4F **Interest - Benchmark discontinuation**

Independent Adviser

4F.01 If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, with a view to the Issuer determining a Successor Rate (subject to the terms of this Condition 4F), failing which an Alternative Rate (in accordance with Condition 4F.02) and, in either case, an Adjustment Spread if any (in accordance with Condition 4F.03) and any Benchmark Amendments (in accordance with Condition 4F.04).

An Independent Adviser appointed pursuant to this Condition 4F shall act in good faith and in a commercially reasonable manner. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, or the Holders for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4F.01.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4F.01 prior to the relevant Reset Determination Date or Interest Determination Date, as applicable, the Rate of Interest applicable to the next succeeding Reset Period or Interest Period, as applicable, shall be equal to the Rate of Interest last determined in relation to the Instruments in respect of the immediately preceding Reset Period or Interest Period, respectively. If there has not been a first Interest Payment Date, the Rate of Interest shall be the Initial Rate of Interest. Where a different First Margin, Subsequent Margin, Margin Plus Rate, Specified Percentage Multiplied by Rate, Difference in Rates or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Reset Period or Interest Period, as applicable, from that which applied to the last preceding Reset Period or Interest Period, respectively, the First Margin, Subsequent Margin, Margin Plus Rate, Specified Percentage Multiplied by Rate, Difference in Rates or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Reset Period or Interest Period, respectively, shall be substituted in place of the First Margin, Subsequent Margin, Margin Plus Rate, Specified Percentage Multiplied by Rate, Difference in Rates or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Reset Period or Interest Period, respectively. For the avoidance of doubt, this Condition 4F.01 shall apply to the relevant next succeeding Reset Period or Interest Period only and any subsequent Reset Periods or Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 4F.01.

Successor Rate or Alternative Rate

4F.02 If the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4F.03) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Instruments (subject to the operation of this Condition 4F); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4F.03) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof), as applicable, for all future payments of interest on the Instruments (subject to the operation of this Condition 4F).

Adjustment Spread

4F.03 The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), if any, shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Issuer, following consultation with the Independent Adviser is unable to determine the quantum of, or a

formula or methodology for determining, such Adjustment Spread, then the Successor Rate or the Alternative Rate (as applicable) will apply without an Adjustment Spread.

Benchmark Amendments

4F.04 If any Successor Rate, Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4F and the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines (i) that amendments to these Terms and Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4F.05, without any requirement for the consent or approval of Holders, vary these Terms and Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

Notwithstanding any other provision of this Condition 4F, the Calculation Agent or any Paying Agent is not obliged to concur with the Issuer or the Independent Adviser in respect of any changes or amendments as contemplated under this Condition 4F.04 to which, in the sole opinion of the Calculation Agent or the relevant Paying Agent, as the case may be, would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Calculation Agent or the relevant Paying Agent (as applicable) in the Issue and Paying Agency Agreement and/or these Conditions.

In connection with any such variation in accordance with this Condition 4F.04, the Issuer shall comply with the rules of any stock exchange on which the Instruments are for the time being listed or admitted to trading.

Notwithstanding any other provision of this Condition 4F, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Instruments as Tier 2 Subordinated Instruments or TLAC/MREL-Eligible Instruments for the purposes of the Applicable Banking Regulations.

Notwithstanding any other provision of this Condition 4F, in the case of Senior Non-Preferred Instruments and Ordinary Senior Instruments eligible to comply with TLAC/MREL Requirements only, no Successor Rate or Alternative Rate will be adopted, nor will the applicable Adjustment Spread be applied, nor will any Benchmark Amendments be made, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Regulator treating the next Interest Payment Date or Reset Date, as the case may be, as the effective maturity of the Instruments, rather than the relevant Maturity Date.

Notices, etc.

4F.05 Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4F will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 15, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Holders of the same, the Issuer shall deliver to the Issue and Paying Agent, the Calculation Agent and the Paying Agents a certificate signed by two authorised signatories of the Issuer:

(i) confirming (a) that a Benchmark Event has occurred, (ii) the Successor Rate or, as the case may be, the Alternative Rate, (iii) the applicable Adjustment Spread and (iv) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 4F; and

(ii) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Issue and Paying Agent shall display such certificate at its offices, for inspection by the Holders at all reasonable times during normal business hours.

Each of Issue and Paying Agent, the Calculation Agent and the Paying Agents shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Issue and Paying Agent's or the Calculation Agent's or the Paying Agents' ability to rely on such certificate as aforesaid) be binding on the Issuer, the Issue and Paying Agent, the Calculation Agent, the Paying Agents and the Holders.

Notwithstanding any other provision of this Condition 4F, if following the determination of any Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (if any), in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 4F, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable (other than due to its own gross negligence, willful default or fraud) to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, willful default or fraud) shall not incur any liability for not doing so.

Survival of Original Reference Rate

4F.06 Without prejudice to the obligations of the Issuer under Conditions 4F.01, 4F.02, 4F.03 and 4F.04, the Original Reference Rate and the fallback provisions provided for in Conditions 4B.02, 4C.03 and 4C.04 will continue to apply unless and until a Benchmark Event has occurred. Upon the occurrence of a Benchmark Event, this Condition 4F shall prevail.

Definitions:

4F.07 As used in this Condition 4F:

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate)

(ii) the Issuer, following consultation with the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Issuer determines that no such spread is customarily applied)

(iii) the Issuer, following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged)

(iv) if no such spread, formula or methodology can be determined in accordance with (i) to (iii) above, the Issuer, in its discretion, following consultation with the Independent Adviser, and acting in good faith and in a commercially reasonable manner, determines to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances and solely for the purposes of this subclause (iv) only, of reducing or eliminating any economic prejudice or benefit (as the case may be) to the Holders.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Issuer following consultation with the Independent Adviser and acting in good faith and in a commercially reasonable manner, determines in accordance with Condition 4F.02 is customarily applied in international debt

capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Instruments.

"**Benchmark Amendments**" has the meaning given to it in Condition 4F.02.

"**Benchmark Event**" means:

(i) the Original Reference Rate ceasing to exist or ceasing to be published for a period of at least 5 Business Days in relation to a Rate of Interest of Floating Rate Instruments or CMS-Linked Instruments or 5 Reset Business Days in relation to a Reset Instruments; or

(ii) a public statement by the administrator of the Original Reference Rate that it has ceased or it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Instruments; or

(v) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(vi) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Holder using the Original Reference Rate;

provided that the Benchmark Event shall be deemed to occur (a) in the case of sub-paragraphs (ii) and (iii) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of sub-paragraph (iv) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of sub-paragraph (v) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

The occurrence of a Benchmark Event shall be determined by the Issuer and promptly notified to the Issue and Paying Agent, the Calculation Agent and the Paying Agents. For the avoidance of doubt, neither the Issue and Paying Agent, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 4F.01.

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof), as applicable, on the Instruments.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5 Redemption and Purchase

Redemption at Maturity

5.01 Unless previously redeemed, or purchased and cancelled, each Instrument shall be finally redeemed at its maturity redemption amount (the "**Maturity Redemption Amount**") (which shall be its principal amount or such other Maturity Redemption Amount as may be specified in the relevant Final Terms or, in the case of Instalment Instruments, in such number of instalments and in such amounts as may be specified in the relevant Final Terms) on the Maturity Date specified in the relevant Final Terms.

Senior Non Preferred Instruments will have an original maturity of at least one year from their date of effective disbursement or such minimum or maximum maturity as may be permitted or required from time to time by Applicable Banking Regulations.

Tier 2 Subordinated Instruments will have a maturity of not less than five years or as otherwise permitted in accordance with Applicable Banking Regulations in force at the relevant time.

For the purposes of these Terms and Conditions:

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency including, among others, those giving effect to the MREL and the TLAC or any equivalent or successor principles, then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD, the SRM Regulation and those regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency of the Regulator and/or the Relevant Resolution Authority then applicable to the Issuer and/or the Group including, among others, those giving effect to the MREL and the TLAC or any equivalent or successor principles, in each case to the extent then in effect in the Kingdom of Spain (whether or not such regulations, requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and/or the Group);

"**BRRD**" means Directive 2014/59/EU of 15 May establishing the framework for the recovery and resolution of credit institutions and investment firms or such other directive as may amend or come into effect in place thereof (including the BRRD II), as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended or replaced from time to time and including any other relevant implementing regulatory provisions;

"**BRRD II**" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"**CRD IV**" means any, or any combination of, the CRD IV Directive, the CRR, and any CRD IV Implementing Measures;

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC or such other directive as may come into effect in place thereof, as amended or replaced from time to time (including by the CRD V Directive);

"**CRD IV Implementing Measures**" means any rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a stand alone basis) or the Group (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital or the minimum requirement for own funds and eligible liabilities, as the case may be, of the Issuer (on a stand alone basis) or the Group (on a consolidated basis);

"**CRD V Directive**" means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 or such other regulation as may come into effect in place thereof, as amended from time to time (including by CRR II);

"**CRR II**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;

"**RD 1012/2015**" means Royal Decree 1012/2015 of 6 November implementing Law 11/2015, as amended or replaced from time to time;

"**Regulated Entity**" means any entity to which BRRD, as implemented in the Kingdom of Spain (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) and as amended or superseded from time to time, or any other Spanish piece of legislation relating to the Bail-in Power, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

"**SRM Regulation**" means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time (including by the SRM Regulation II);and

"**SRM Regulation II**" means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms.

Early Redemption for Taxation Reasons

5.02 If, in relation to any Series of Instruments, as a result of a change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 10C.03), including any treaty to which such Relevant Jurisdiction is a party, or any change in the application or interpretation of any such laws or regulations, including a decision of any court or tribunal, which change or amendment becomes effective on or after the Issue Date of such Instruments, (a) in making any payments on the Instruments, the Issuer has paid or will or would be required to pay additional amounts as provided in Condition 10 or (b) in the case of Subordinated Instruments and Senior Non Preferred Instruments, the Issuer is no longer entitled to claim a deduction in respect of any payments in relation to the Subordinated Instruments or the Senior Non Preferred Instruments in computing its taxation liabilities or the value of such deduction to the Issuer would be materially reduced, or (c) in the case of Subordinated Instruments and Senior Non Preferred Instruments, the applicable tax treatment of the Subordinated Instruments or the Senior Non Preferred Instruments changes and such circumstances are evidenced by the delivery by the Issuer to the Issue and Paying Agent and the Commissioner of (x) a certificate signed by two Authorised Signatories stating that the relevant circumstances giving rise to the right to redeem prevail and describing the facts leading thereto, (y) an opinion of independent legal advisers of national recognised standing or other national tax adviser experienced in such matters to the effect that the relevant circumstances prevail and (z) in the case of Subordinated Instruments and Senior Non Preferred Instruments, a copy of the Regulator's and/or Relevant Resolution Authority's consent (if and as required therefor under Applicable Banking Regulations) to the redemption, to the extent required, the Issuer may, at its option and having given no less than 15 nor more than 60 calendar days' notice to the Registrar (in the case of Registered Instruments), the Issue and Paying Agent and, in accordance with Condition 15, the Holders of the Instruments (which notice shall be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the outstanding Instruments comprising the relevant Series at their early tax redemption amount (the "**Early Redemption Amount (Tax)**") (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in the relevant

Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to (but excluding) the date of redemption *provided, however*, that no such notice of redemption may be given earlier than 90 calendar days (or, in the case of Instruments which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current Interest Period applicable to the Instruments plus 60 days) prior to the earliest date on which the Issuer (i) would be obliged to pay additional amounts, (ii) would no longer be entitled to claim a deduction or the amount of such deduction would be materially reduced or (iii) would be obliged to apply the applicable tax treatment.

In the case of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with TLAC/MREL Requirements, redemption for taxation reasons will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

For the purposes of these Terms and Conditions, "**Relevant Resolution Authority**" means the *Fondo de Resolución Ordenada Bancaria* (FROB), the Single Resolution Board (SRB) or any other entity with the authority to exercise any of the resolutions tools and powers contained in the Applicable Banking Regulations.

Early Redemption due to Capital Disqualification Event

5.03 If, in the case of Tier 2 Subordinated Instruments only, a Capital Disqualification Event occurs as a result of a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law or Applicable Banking Regulations becoming effective on or after the Issue Date, the Issuer may, at its option and having given not less than 15 nor more than 60 calendar days' notice to the Registrar (in the case of Registered Instruments), the Issue and Paying Agent and, in accordance with Condition 15, the Holders of the Tier 2 Subordinated Instruments (which notice shall be irrevocable and shall specify the date fixed for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the Tier 2 Subordinated Instruments.

Tier 2 Subordinated Instruments redeemed pursuant to this Condition 5.03 will be redeemed at their early redemption amount (the "**Early Redemption Amount (Capital Disqualification Event)**") (which shall be their principal amount or a such other Early Redemption Amount (Capital Disqualification Event) as may be specified in the relevant Final Terms) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption of Tier 2 Subordinated Instruments for regulatory reasons pursuant to this Condition 5.03 is subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

For the purposes of these Terms and Conditions:

"**Capital Disqualification Event**" means the determination by the Issuer after consultation with the Regulator that the Tier 2 Subordinated Instruments are not eligible for inclusion in whole or, to the extent not prohibited by Applicable Banking Regulations, in part, in the Tier 2 Capital of the Issuer or the Group pursuant to Applicable Banking Regulations or any other regulations applicable in the Kingdom of Spain from time to time (other than as a result of any applicable limitation on the amount of such capital as applicable to the Issuer); and

"**Tier 2 Capital**" means tier 2 capital (*capital de nivel 2*) as provided under the Applicable Banking Regulations.

Early Redemption due to TLAC/MREL Disqualification Event

5.04 If, in the case of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms only, a TLAC/MREL Disqualification Event has occurred and is continuing, then the Issuer may, at its option and having given not less than 15 nor more than 60 days' notice to the Registrar (in the case of Registered Instruments), the Issue and Paying Agent and, in accordance with Condition 15, the Holders of the relevant Instruments (as applicable) (which notice shall be irrevocable

and shall specify the date for redemption), elect to redeem in accordance with these Conditions all, but not some only, of the relevant Instruments (as applicable). Upon the expiry of such notice, the Issuer shall redeem the relevant Instruments (as applicable).

Instruments redeemed pursuant to this Condition 5.04 will be redeemed at their early redemption amount (the "**Early Redemption Amount (TLAC/MREL Disqualification Event)**") (which shall be their principal amount or such other Early Redemption Amount (TLAC/MREL Disqualification Event) as may be specified in or determined in accordance with the relevant Final Terms) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

Redemption of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms, for regulatory reasons pursuant to this Condition 5.04 will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

For the purposes of these Terms and Conditions:

"**EU Banking Reforms**" means the CRD V Directive, BRRD II, CRR II and the SRM Regulation II;

"**MREL**" means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in the Kingdom of Spain), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities and any other Applicable Banking Regulations;

"**TLAC**" means the "total loss-absorbing capacity" requirement for global systemically important institutions under the CRR, set in accordance with Article 92a of the CRR and any other Applicable Banking Regulations;

"**TLAC/MREL Disqualification Event**" means at any time that all or part of the outstanding nominal amount of the Subordinated Instruments, the Senior Non Preferred Instruments or the Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms does not fully qualify as TLAC/MREL-Eligible Instruments of the Issuer and/or the Group, except where such non-qualification (i) is due solely to the remaining maturity of the relevant Instruments (as applicable) being less than any period prescribed for TLAC/MREL-Eligible Instruments by the Applicable Banking Regulations as at the Issue Date or (ii) is as a result of the relevant Instruments (as applicable) being bought back by or on behalf of the Issuer or a buy back of the relevant Instruments which is funded by or on behalf of the Issuer or (iii) in the case of Ordinary Senior Instruments where the TLAC/MREL Disqualification Event has been specified as applicable in the relevant Final Terms, is due to the relevant Ordinary Senior Instruments not meeting any requirement in connection to their ranking upon insolvency of the Issuer or any limitation on the amount of such Instruments that may be eligible for the inclusion in the amount of TLAC/MREL-Eligible Instruments of the Issuer and/or the Group.

A TLAC/MREL Disqualification Event shall, without limitation, be deemed to include where any non-qualification of the Subordinated Instruments, Senior Non Preferred Instruments or, as applicable, Ordinary Senior Instruments as TLAC/MREL-Eligible Instruments arises as a result of (a) any legislation which gives effect to the EU Banking Reforms in the Kingdom of Spain differing in any respect from the EU Banking Reforms (including if the EU Banking Reforms are not implemented in full in the Kingdom of Spain), or (b) the official interpretation or application of the EU Banking Reforms or the EU Banking Reforms as implemented in the Kingdom of Spain (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the EU Banking Reforms have been reflected in these Terms and Conditions;

"**TLAC/MREL-Eligible Instrument**" means an instrument that complies with the TLAC/MREL Requirements; and

"**TLAC/MREL Requirements**" means the total loss-absorbing capacity requirements and/or minimum requirement for own funds and eligible liabilities applicable to the Issuer and/or the Group under the Applicable Banking Regulations.

Early Redemption (Zero Coupon Instruments)

5.05

(a) The early redemption amount payable in respect of any Zero Coupon Instrument (the "**Early Redemption Amount (Zero Coupon)**") upon redemption of such Instrument pursuant to Condition 5.02, Condition 5.03, Condition 5.04, Condition 5.06 or Condition 5.08 or upon it becoming due and payable as provided in Condition 6 shall be the Amortised Face Amount (calculated as provided below) of such Instrument unless otherwise specified hereon.

(b) Subject to the provisions of sub-paragraph (c) below, the "**Amortised Face Amount**" of any such Instrument shall be the scheduled Maturity Redemption Amount of such Instrument on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is set out in the relevant Final Terms, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Instruments if they were discounted back to their issue price on the Issue Date) compounded annually.

(c) If the Early Redemption Amount (Zero Coupon) payable in respect of any such Instrument upon its redemption pursuant to Condition 5.02, Condition 5.03, Condition 5.04, Condition 5.06 or Condition 5.08 or upon it becoming due and payable as provided in Condition 6 is not paid when due, the Early Redemption Amount (Zero Coupon) due and payable in respect of such Instrument shall be the Amortised Face Amount of such Instrument as defined in sub-paragraph (b) above, except that such sub-paragraph shall have effect as though the date on which the Instrument becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Maturity Redemption Amount of such Instrument on the Maturity Date together with any interest that may accrue in accordance with Condition 4E.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

Optional Early Redemption (Call)

5.06 If Call Option is specified in the relevant Final Terms as being applicable, then the Issuer may, having given not less than 15 calendar days' notice (or such lesser period as may be specified in the relevant Final Terms) to the Registrar (in the case of Registered Instruments), the Issue and Paying Agent and, in accordance with Condition 15, the Holders of the Instruments (which notice shall be signed by two duly Authorised Signatories, shall be irrevocable and shall specify the date for redemption) and subject to such conditions as may be specified in the relevant Final Terms, redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Instruments of the relevant Series, on the Early Redemption Date(s) specified in the relevant Final Terms, at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to (but excluding) the date of redemption.

In the case of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with TLAC/MREL Requirements, redemption at the option of the Issuer pursuant to this Condition 5.06 will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

5.07 If the Instruments of a Series are to be redeemed in part only on any date in accordance with Condition 5.06:

(a) in the case of Bearer Instruments, the Instruments to be redeemed shall be drawn by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the

minutes, in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair; and

(b) in the case of Registered Instruments, the Instruments shall be redeemed (so far as may be practicable) pro rata to their principal amounts, subject always as aforesaid and provided always that the amount redeemed in respect of each Instrument shall be equal to the minimum denomination thereof or an integral multiple thereof,

subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments may be listed and/or quoted.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.02 to 2.06 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

Optional Early Redemption (Put)

5.08 If Put Option is specified as applicable in the relevant Final Terms, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the Early Redemption Date(s) specified in the relevant Final Terms at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Instrument under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to (but excluding) the date of redemption. In order to exercise such option, the Holder must, not more than 90 nor less than 60 calendar days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Instrument together with any unmatured Coupons appertaining thereto with, in the case of a Bearer Instrument, any Paying Agent or, in the case of a Registered Instrument, the Registrar together with a duly completed redemption notice in the form which is available from the specified office of any of the Paying Agents or, as the case may be, the Registrar specifying, in the case of a Registered Instrument, the aggregate principal amount in respect of which such option is exercised (which must be the minimum denomination specified in the Final Terms or an integral multiple thereof). No Instrument so deposited and option exercised may be withdrawn. Not less than 15 nor more than 45 days' notice of the commencement of the period for the deposit of the relevant Instrument for redemption pursuant to this Condition 5.08 shall be given to the Holders.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 2.02 to 2.09 which shall apply as in the case of a transfer of Registered Instruments as if such new Registered Instrument were in respect of the untransferred balance.

The Holder of an Instrument may not exercise such option in respect of any Instrument which is the subject of an exercise by the Issuer of its option to redeem such Instrument under Conditions 5.06.

Redemption by Instalments

5.09 Unless previously redeemed, purchased and cancelled as provided in this Condition 5, each Instrument which provides for Instalment Dates and Instalment Amounts in the relevant Final Terms will be partially redeemed on each Instalment Date at the Instalment Amount specified on it, whereupon the outstanding principal amount of such Instrument shall be reduced by the Instalment Amount for all purposes.

Cancellation of Redeemed Instruments

5.10 All unmatured Instruments and Coupons and unexchanged Talons redeemed (*amortizados*) will be cancelled forthwith and may not be reissued or resold.

Purchase of Instruments

5.11 The Issuer and any of its respective subsidiaries or any third party designated by it, may purchase Instruments in the open market or otherwise and at any price *provided that* all unmatured Coupons appertaining thereto are purchased therewith.

In the case of Subordinated Instruments, Senior Non Preferred Instruments and Ordinary Senior Instruments eligible to comply with TLAC/MREL Requirements, the purchase of the relevant Instruments by the Issuer or any of its subsidiaries shall take place in accordance with Applicable Banking Regulations in force at the relevant time and will be subject to the prior consent of the Regulator and/or the Relevant Resolution Authority, if and as required.

Further Provisions applicable to Redemption Amount and Instalment Amounts

5.12 The provisions of Condition 4E.04 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Calculation Agent.

5.13 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Capital Disqualification Event), Early Redemption Amount (TLAC/MREL Disqualification Event), Early Redemption Amount (Zero Coupon), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Final Terms.

Notices

5.14 Notices of early redemption (whether full or partial) of Instruments shall be given in accordance with Condition 15.

Notification to Euronext Dublin

5.15 The Issuer shall notify Euronext Dublin of any early redemption (whether full or partial) of Instruments.

6 Events of Default

Events of Default for Ordinary Senior Instruments

6.01 Unless otherwise specified in the relevant Final Terms, if, in the case of Ordinary Senior Instruments, any of the following events occurs and is continuing (each an "**Event of Default**" solely in respect of Ordinary Senior Instruments), such Event of Default shall be an acceleration event in relation to the Ordinary Senior Instruments of any Series, namely:

(i) *Non-payment:* if default is made in the payment of any interest or principal due in respect of the Ordinary Senior Instruments of the relevant Series and such default continues for a period of seven Business Days; or

(ii) *Breach of other obligations:* if the Issuer fails to perform or observe any of its other obligations under or in respect of the Ordinary Senior Instruments of the relevant Series, or the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days following the service by the relevant Commissioner (as defined in Condition 14 below) on the Issuer of a notice requiring the same to be remedied; or

(iii) *Winding up:* if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Ordinary Senior Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Ordinary Senior Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the Issuer at the time of such merger); or

(iv) *Cessation of business:* if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation (except in any such

case for the purpose of a reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Ordinary Senior Instruments or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Ordinary Senior Instruments, *provided that* any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the Issuer, as the case may be, at the time of such merger), or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class thereof) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(v) *Insolvency proceedings:* if (a) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or in relation to the whole or a part of its undertaking or assets, or an encumbrancer takes possession of the whole or a part of its undertaking or assets, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of its undertaking or assets and (b) in any case is not discharged within 14 days; or

(vi) *Arrangements with creditors:* if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors).

6.02 If any Event of Default shall occur in relation to any Series of Ordinary Senior Instruments, the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of the Ordinary Senior Instruments of the relevant Series, in respect of all the Ordinary Senior Instruments of a relevant Series, or any Holder of an Ordinary Senior Instrument of the relevant Series in respect of such Ordinary Senior Instrument and provided that such Holder does not contravene the resolution of the relevant Syndicate (if any) may, by written notice to the Issuer, at the specified office of the Issue and Paying Agent, declare that such Ordinary Senior Instrument or Instruments and all interest then accrued on such Ordinary Senior Instrument or Instruments shall (when permitted by applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its principal amount or such other Early Termination Amount as may be specified in or determined in accordance with the relevant Final Terms) less, in the case of any Instalment Instrument, the aggregate amount of all instalments that shall have become due and payable in respect of such Ordinary Senior Instruments under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with interest accrued to (but excluding) the date of redemption without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Ordinary Senior Instrument or Instruments to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Ordinary Senior Instruments of the relevant Series shall have been cured.

No Events of Default for Subordinated Instruments, Senior Non Preferred Instruments and certain Ordinary Senior Instruments

6.03 Save as provided below, there are no events of default under the Subordinated Instruments, the Senior Non Preferred Instruments and, to the extent Conditions 6.01 and 6.02 have been so specified in the relevant Final Terms as not applicable, the Ordinary Senior Instruments, which could lead to an acceleration of the relevant Subordinated Instruments, Senior Non Preferred Instruments or Ordinary Senior Instruments.

However, if an order is made by any competent court commencing insolvency proceedings against the Issuer or if any order is made by any competent court or resolution passed for the winding up, liquidation or dissolution of the Issuer (except in any such case for the purpose of a reconstruction, a merger or an amalgamation which has been previously approved by a resolution of the Syndicate of Holders of Instruments or a merger with another financial institution, whether or not approved by the Syndicate of Holders of Instruments, provided that any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then

current rating of the Issuer at the time of such merger) and such order is continuing, then any Instrument may, unless there has been a resolution to the contrary by the Syndicate of Holders of Instruments, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Issue and Paying Agent, be declared immediately due and payable, whereupon the principal amount of such Instruments together with any accrued and unpaid interest thereon to the date of payment shall become immediately due and payable without further action or formality.

Notwithstanding the above, if default is made in the payment of any interest or principal due in respect of the Instruments and such default continues for a period of seven days then, (i) the Commissioner, acting upon a resolution of the Syndicate of Holders of Instruments, in respect of all Subordinated Instruments, Senior Non Preferred Instruments or Ordinary Senior Instruments, as the case may be, or (ii) unless there has been a resolution to the contrary by the Syndicate of Holders of Instruments (which resolution shall be binding on all Holders), any Holder in respect of the Subordinated Instruments, Senior Non Preferred Instruments or Ordinary Senior Instruments, as the case may be, held by such Holder, may institute proceedings for the winding up, liquidation or dissolution of the Issuer but may take no further or other action in respect of such default.

In addition, (i) the Commissioner, acting upon a resolution of the Syndicate of Holders of Instruments, or (ii) unless there has been a resolution to the contrary by the Syndicate of Holders of Instruments (which resolution shall be binding on all Holders), any Holder in respect of the Instruments held by such Holder, may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Instruments, provided that the Issuer shall not as a consequence of such proceedings be obliged to pay any sum or sums representing or measured by reference to principal or interest in respect of the Instruments sooner than the same would otherwise have been payable by it or any damages.

Neither a cancellation of the Instruments, a reduction, in part or in full, of the principal amount of the Instruments or any accrued and unpaid interest on the Instruments, the conversion thereof into another security or obligation of the Issuer or another person, as a result of the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer, nor the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to the Instruments will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies), which are hereby expressly waived.

7 Waiver of Set-off

If this Condition 7 is specified in the relevant Final Terms as being applicable to the Instruments, no Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Issuer has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Instrument) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Issuer in respect of, or arising under or in connection with the Instruments is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Issuer and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Instrument but for this Condition.

For the purposes of these Terms and Conditions:

"**Waived Set-Off Rights**" means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Instrument.

8 Substitution and Variation

If this Condition 8 is specified in the relevant Final Terms as being applicable to the Instruments, and a Capital Disqualification Event, a TLAC/MREL Disqualification Event or a circumstance giving rise to the right of the Issuer to redeem the Instruments for taxation reasons under Condition 5.02 occurs and is continuing, the Issuer may substitute all (but not some only) of the Instruments (as the case may be) or modify the terms of all (but not some only) of the Instruments, without any requirement for the consent or approval of the Holders, so that they are substituted for, or varied to, become, or remain, Qualifying Instruments, subject to having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 15, the Registrar and the Issue and Paying Agent (which notice shall be irrevocable and shall specify the date for substitution or, as applicable, variation), and subject to obtaining the prior consent of the Regulator and/or the Relevant Resolution Authority if and as required therefor under Applicable Banking Regulations and in accordance with Applicable Banking Regulations in force at the relevant time.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Instruments. Such substitution or variation will be effected without any cost or charge to the Holders.

Holders shall, by virtue of subscribing and/or purchasing and holding any Instruments, be deemed to accept the substitution or variation of the terms of such Instruments and to grant to the Issuer full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Holders which is necessary or convenient to complete the substitution or variation of the terms of the Instruments.

In these Terms and Conditions:

"**Qualifying Instruments**" means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer, other than in respect of the effectiveness and enforceability of Condition 21, that have terms not otherwise materially less favourable to the Holders than the terms of the Instruments provided that the Issuer shall have delivered a certificate signed by two Authorised Signatories to that effect to the Issue and Paying Agent and the Commissioner not less than five Business Days prior to (x) in the case of a substitution of the Instruments pursuant to this Condition 8, the issue date of the relevant securities or (y) in the case of a variation of the Instruments pursuant to this Condition 8, the date such variation becomes effective, provided that such securities shall:

(i) (a) in the case of Instruments eligible to comply with TLAC/MREL Requirements, contain terms which comply with the then current requirements for TLAC/MREL-Eligible Instruments as embodied in the Applicable Banking Regulations, and (b) in the case of Tier 2 Subordinated Instruments, contain terms which comply with the then current requirements for their inclusion in the Tier 2 Capital of the Issuer; and

(ii) carry the same rate of interest as the Instruments prior to the relevant substitution or variation pursuant to this Condition 8; and

(iii) have the same denomination and aggregate outstanding principal amount as the Instruments prior to the relevant substitution or variation pursuant to this Condition 8; and

(iv) have the same date of maturity and the same dates for payment of interest as the Instruments prior to the relevant substitution or variation pursuant to this Condition 8; and

(v) have at least the same ranking as set out in Condition 3; and

(vi) not, immediately following such substitution or variation, be subject to a Capital Disqualification Event, a TLAC/MREL Disqualification Event and/or an early redemption right for taxation reasons according to Condition 5.02, as applicable; and

(vii) be listed or admitted to trading on any stock exchange as selected by the Issuer, if the Instruments were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation pursuant to this Condition 8.

For the avoidance of doubt, (i) any change in the governing law of the Instruments from English law to Spanish law so that the English Instruments become again or remain Qualifying Instruments shall not be subject to the requirement not to be materially less favourable to the interests of the Holders of the English law Instruments; and (ii) any variation in the ranking of the relevant Instruments as set out in

Condition 3 resulting from any such substitution or modification shall be deemed not to be materially less favourable to the interests of the Holders of the Instruments where the ranking of such Instruments following such substitution or modification is at least the same ranking as is applicable to such Instruments under Condition 3 on the issue date of such Instruments.

9 Taxation

9.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Instruments, the Receipts and the Coupons by the Issuer will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in Condition 10C.03), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts (in the case of Tier 2 Subordinated Instruments and/or Coupons of Tier 2 Subordinated Instruments, in respect of the payment of any interest in respect of such Tier 2 Subordinated Instrument and/or such Coupons of Tier 2 Subordinated Instruments only (but not in respect of the payment of any principal in respect of such Tier 2 Subordinated Instruments)) as will result in receipt by the Holder of any Instrument or Coupon of such amounts as would have been received by them had no such withholding or deduction been required.

9.02 The Issuer shall not be required to pay any additional amounts as referred to in Condition 9.01 in relation to any payment in respect of any Instrument or Coupon:

(i) to, or to a third party on behalf of, a Holder of an Instrument or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Instrument or Coupon by reason of his having some connection with the Relevant Jurisdiction (as defined in Condition 10C.03) other than the mere holding of such Instrument or Coupon; or

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

(iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or

(iv) to, or to a third party on behalf of, individuals resident for tax purposes in the Relevant Jurisdiction (as defined in Condition 10C.03); or

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

In addition, additional amounts will not be payable with respect to any taxes that are imposed in respect of any combination of the items set forth above.

Notwithstanding any other provision of these Terms and Conditions, any amounts to be paid on the Instruments by or on behalf of the Issuer, will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

10 Payments

10A Payments — Bearer Instruments

10A.01 This Condition 10A is applicable to Bearer Instruments.

10A.02 Payment of amounts (other than interest) due in respect of Bearer Instruments will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment) surrender of the relevant Bearer Instruments at the specified office of any of the Paying Agents

10A.03 Payment of amounts in respect of interest on Bearer Instruments will be made:

(i) in the case of Instruments without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Instruments at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States; and

(ii) in the case of Instruments delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Instruments, in either case at the specified office of any of the Paying Agents outside (unless Condition 10A.04 applies) the United States.

10A.04 Payments of amounts due in respect of interest on the Bearer Instruments and exchanges of Talons for Coupon sheets in accordance with Condition 10A.03 will not be made at the specified office of any Paying Agent in the United States (as defined in the Code and U.S. Treasury Regulations thereunder) unless (a) payment in full of amounts due in respect of interest on such Instruments when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions and (b) such payment or exchange is permitted by applicable United States law, without involving, in the opinion of the Issuer, any adverse tax, legal or regulatory consequence to the Issuer. If parts (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

10A.05 If the due date for payment of any amount due in respect of any Bearer Instrument is not a Relevant Financial Centre Day (as defined in Condition 10C.03) and a local banking day (as defined in Condition 10C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment on a Relevant Financial Centre Day and a local banking day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4E.06.

10A.06 Each Instrument initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Instrument, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

(i) in the case of Instruments which bear interest at a fixed rate or rates (other than Reset Instruments), the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;

(ii) in the case of Instruments which bear interest at, or at a margin above or below, a floating rate or which are Reset Instruments, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Instruments (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and

(iii) in the case of Instruments initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 10A.06 notwithstanding, if any Instruments which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates

such that, on the presentation for payment of any such Instrument without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Instrument, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to an Instrument to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

10A.07 In relation to Instruments initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 10A.04 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of this Condition 10. Each Talon shall, for the purpose of these Terms and Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

10A.08 For the purposes of these Terms and Conditions, the "United States" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

10B. **Payments — Registered Instruments**

10B.01 This Condition 10B is applicable to Registered Instruments.

10B.02 Payment of amounts (whether principal, a redemption amount or otherwise and including accrued interest) due in respect of Registered Instruments on the final redemption of Registered Instruments will be made against presentation and, save in the case of partial payment of the amount due upon final redemption by reason of insufficiency of funds, surrender of the relevant Registered Instruments at the specified office of the Registrar. If the due date for payment of the final redemption amount of any Registered Instrument is not both a Relevant Financial Centre Day (as defined in Condition 10C.03) and a local banking day (as defined in Condition 10C.03), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day and, thereafter will be entitled to receive payment by cheque on any local banking day, and, will be entitled to payment by transfer to a designated account on any day which is a local banking day, a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4E.06.

10B.03 Payment of amounts (whether principal, a redemption amount, interest or otherwise) due (other than in respect of the final redemption of Registered Instruments) in respect of Registered Instruments will be paid to the Holder thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at close of business (local time in the place of the specified office of the Registrar) on the business day (as defined in Condition 2.04) before the due date for such payment for the Instruments (the "**Record Date**").

10B.04 Notwithstanding the provisions of Condition 10C.02, payment of amounts (whether principal, a redemption amount, interest or otherwise) due (other than in respect of final redemption of Registered Instruments) in respect of Registered Instruments will be made by cheque and posted to the address (as recorded in the register held by the Registrar) of the Holder thereof (or, in the case of joint Holders, the first-named) on the business day (as defined in Condition 2.04) not later than the relevant date for payment unless prior to the relevant Record Date the Holder thereof (or, in the case of joint Holders, the first named) has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated account denominated in the relevant currency in which case payment shall be made on the relevant due date for payment by transfer to such account. In the case of payment by transfer to an account, if the due date for any such payment is not a Relevant Financial

Centre Day, then the Holder thereof will not be entitled to payment thereof until the first day thereafter which is a Relevant Financial Centre Day and a day on which commercial banks and foreign exchange markets settle payments in the relevant currency in the place where the relevant designated account is located and no further payment on account of interest or otherwise shall be due in respect of such postponed payment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4E.06.

10C **Payments — General Provisions**

10C.01 Save as otherwise specified herein, this Condition 10C is applicable in relation to both Bearer Instruments and Registered Instruments.

10C.02 Payments of amounts due (whether principal, a redemption amount, interest or otherwise) in respect of Instruments will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee. Payments will, without prejudice to the provisions of Condition 10, be subject in all cases to any applicable fiscal or other laws and regulations.

10C.03 For the purposes of these Terms and Conditions, save as otherwise defined, the following terms shall have the meaning set out below:

"**Authorised Signatory**" means any director of the Issuer (or any signatory authorised to act on its behalf);

"**Business Day**" means a day:

- in relation to Instruments denominated or payable in euro which is a TARGET Business Day; and
- in relation to Instruments payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
- on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the Relevant Financial Centre;

"**Calculation Amount**" has the meaning given in the relevant Final Terms;

"**CMS-Linked Instruments**" means Instruments the payment of interest of which is linked to a constant maturity swap rate as specified in the relevant Final Terms;

"**Instalment Amount**" has the meaning given in the relevant Final Terms;

"**Instalment Dates**" has the meaning given in the relevant Final Terms;

"**Interest Determination Date**" means, with respect to an interest rate and Interest Period, the date specified in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Period if the Relevant Currency is sterling (ii) or the day falling two London Banking Days prior to the first day of such Interest Period if the Relevant Currency is not sterling, or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Period if the Relevant Currency is Euro;

"**local banking day**" means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Instrument or, as the case may be, Coupon;

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

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

"**Maturity Date**" has the meaning given in the relevant Final Terms;

"**Maximum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**Minimum Rate of Interest**" has the meaning given in the relevant Final Terms;

"**person**" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"**principal amount**" means the Aggregate Principal Amount which has the meaning given in the relevant Final Terms;

"**Reference Banks**" means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate. The Reference Banks shall not include the Calculation Agent;

"**Reference Rate**" means one of (i) the London inter-bank offered rate ("**LIBOR**"), (ii) the Euro Interbank Offered Rate ("**EURIBOR**") and (iii) the Sterling Overnight Interbank Average Rate ("**SONIA**") or (iv) such other rate, in each case, as specified in the relevant Final Terms;

"**Relevant Financial Centre**" means such financial centre or centres as may be specified in the relevant Final Terms. If no financial centre or centres is specified in the relevant Final Terms, this term will have the meaning given to "**Financial Centre**" in Section 1.5 in the ISDA Definitions in respect of the Relevant Currency;

"**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne and which in the case of New Zealand dollars shall be Wellington) and in any other place specified in the relevant Final Terms and in the case of payment in euro, a day which is a TARGET Business Day;

"**Relevant Currency**" means the currency specified as Specified Currency in the relevant Final Terms or, if none is specified, the currency in which the Instruments are denominated;

"**Relevant Jurisdiction**" means the Kingdom of Spain or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and/or interest on the Instruments;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Final Terms;

"**Specified Denomination**" means, in relation to any Instruments, the denomination of such Instruments specified as such in the relevant Final Terms and expressed as a currency amount;

"**Specified Percentage**" has the meaning given in the relevant Final Terms;

"**TARGET Business Day**" means any day on which the TARGET2 System, or any successor thereto, is open for the settlement of payments in euro; and

"**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007.

10C.04 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent, or as the case may be, the Registrar on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Instruments and Coupons, notice to that effect shall have been duly given to the Holders of the Instruments of the relevant Series in accordance with Condition 15.

10C.05 Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of an Instrument, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and

Conditions and "interest" shall include all amounts payable pursuant to Condition 4 and any other amounts in the nature of interest payable to these Terms and Conditions.

11 Prescription

11.01 Claims against the Issuer for payment of principal and interest in respect of Instruments will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.

11.02 In relation to Instruments initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 10A.06 or the due date for the payment of which would fall after the due date for the redemption of the relevant Instrument or which would be void pursuant to this Condition 11 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Instrument.

12 The Paying Agents, the Registrars and the Calculation Agent

12.01 The initial Paying Agents and Registrars and their respective initial specified offices are specified in these Terms and Conditions. The Calculation Agent in respect of any Instruments shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Registrar or the Calculation Agent and to appoint additional or other Paying Agents or another Registrar or another Calculation Agent provided that it will at all times maintain (i) an Issue and Paying Agent, (ii) in the case of Registered Instruments, a Registrar, (iii) a Paying Agent (which may be the Issue and Paying Agent) with a specified office in a continental European city, (iv) so long as the Instruments are listed on any stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) and a Registrar each with a specified office in such place as may be required by the rules of such listing authority, stock exchange and/or quotation system, (v) in the circumstances described in Condition 10A.04, a Paying Agent with a specified office in New York City, and (vi) a Calculation Agent where required by the Terms and Conditions applicable to any Instruments with a specified office located in such place (if any) as may be required by the Terms and Conditions. The Paying Agents, the Registrar and the Calculation Agent reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents, the Registrar or the Calculation Agent will be given promptly by the Issuer to the Holders of the Instruments in accordance with Condition 15.

12.02 The Paying Agents, the Registrar and the Calculation Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Instrument or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

13 Replacement of Instruments

If any Instrument or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Issue and Paying Agent or such Paying Agent as may be specified in the relevant Final Terms (in the case of Bearer Instruments and Coupons) or of the Registrar (in the case of Registered Instruments), subject to all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Instruments are listed and/or quoted, upon payment by the claimant of all expenses incurred in connection with such replacement and upon such terms as to evidence, security, indemnity and otherwise as the Issuer and the Issue and Paying Agent, the relevant Paying Agent or, as the case may be, the Registrar may require. Mutilated or defaced Instruments and Coupons must be surrendered before replacements will be delivered therefor.

14 Syndicate of Holders of the Instruments and Modification

The Holders of the Instruments of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Instruments (the "**Regulations**"). The Regulations, which shall have

effect as if incorporated herein, contain the rules governing the functioning of each Syndicate of Holders of the Instruments, including the provisions for meetings of such Syndicate to take place, and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in this Base Prospectus and in the Issue and Paying Agency Agreement.

A Commissioner will be appointed for each Syndicate and will be specified in the relevant Final Terms.

The Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions, the Instruments, the Coupons, the Talons, the Deed of Covenant and the Issue and Paying Agency Agreement, insofar as they may apply to such Instruments to correct a manifest error or to make any modification that is of a minor, formal or technical nature or to comply with a mandatory provision of law. Subject as aforesaid, no other modification may be made to these Terms and Conditions, the Instruments, the Coupons, the Talons, the Deed of Covenant or the Issue and Paying Agency Agreement, except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments.

For the purposes of these Terms and Conditions,

"**Commissioner**" means the trustee (*comisario*) as this term is defined under the Spanish Corporations Law (*Ley de Sociedades de Capital*) of each Syndicate of Holders of the Instruments; and

"**Syndicate**" means the syndicate (*sindicato*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades de Capital*).

15 Notices

To Holders of Bearer Instruments

15.01 Notices to Holders of Bearer Instruments, will be valid if published in a leading English language daily newspaper of general circulation in London (which is expected to be the Financial Times) or on the website of Euronext Dublin (www.ise.ie) (so long as such Instruments are listed on Euronext Dublin and the rules of that exchange so require) or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe.

Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made). Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Instruments in accordance with this Condition.

To Holders of Registered Instruments

15.02 Notices to Holders of Registered Instruments will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the register kept by the Registrar, and will be deemed to have been validly given on the fourth day after the date of such mailing or, if posted from another country, on the fifth such day. With respect to Registered Instruments listed on Euronext Dublin, any notices to Holders must also be published on the website of Euronext Dublin (www.ise.ie) (so long as such Instruments are listed on Euronext Dublin and the rules of that exchange so require) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

Notice of a General Meeting of the Syndicate of Holders

15.03 Notice of a General Meeting of Holders of Instruments of the Relevant Series must be given in accordance with the Regulations.

To Commissioners

15.04 Copies of any notice given to any Holders of the Instruments will be also given to the Commissioner of the Syndicate of Holders of the Instruments of the relevant Series.

Notices by any Holder of Instruments

15.05 Notices to be given by any Holder of Instruments shall be in writing and given by lodging the same, together with the relative Instrument, with the Issue and Paying Agent.

16 Further Issues

The Issuer may, from time to time without the consent of the Holders of any Instruments or Coupons, create and issue further instruments, bonds or debentures having the same terms and conditions as such Instruments in all respects (or in all respects except for the first payment of interest, if any, on them and/or the denomination thereof) so as to form a single series with the Instruments of any particular Series.

17 Currency Indemnity

The currency in which the Instruments are denominated or, if different, payable, as specified in the relevant Final Terms (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Instruments, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of an Instrument or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge by the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of an Instrument or Coupon in respect of such Instrument or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of an Instrument or Coupon and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Instruments or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of an Instrument or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

18 Waiver and Remedies

No failure to exercise, and no delay in exercising, on the part of the Holder of any Instrument, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

19 Law and Jurisdiction

The governing law and jurisdiction of the Instruments will be specified in Part A of the relevant Final Terms.

19A **English law**

If English law is specified as the governing law of the Instruments in the relevant Final Terms, the provisions of this Condition 19A shall apply to the Instruments.

Governing Law

19A.01 Save as described below, the Instruments and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Conditions 3 and 14 shall be governed by, and shall be construed in accordance with, Spanish law.

Jurisdiction

19A.02 The Courts of England are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with any Instruments and accordingly any legal action or proceedings arising out of or in connection with any Instruments ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Holders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall

the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

Notwithstanding the above, the Courts of the city of Madrid (Spain) are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the exercise of the Bail-in Power by the Relevant Resolution Authority (a "**Bail-in Dispute**") and accordingly, each of the Issuer and any Holders in relation to any Bail-In Dispute submits to the exclusive jurisdiction of such Courts. Each of the Issuer and any Holders in relation to any Bail-In Dispute further waives any objection to the Courts of the city of Madrid (Spain) on the ground that they are an inconvenient or inappropriate forum to settle a Bail-in Dispute.

Service of Process

19A.03 The Issuer irrevocably appoints Banco Santander, S.A., London Branch at 2 Triton Square, Regent's Place, London, NW1 3AN as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Holders of such appointment in accordance with Condition 15. Nothing shall affect the right to serve process in any manner permitted by law.

19B **Spanish law**

If Spanish law is specified as the governing law of the Instruments in the relevant Final Terms, the provisions of this Condition 19B shall apply to the Instruments.

Governing Law

19B.01 The Instruments, any non-contractual obligations arising out of or in connection with the Instruments shall be governed by, and shall be construed in accordance with, Spanish law.

Jurisdiction

19B.02 The Issuer hereby irrevocably agrees for the benefit of each of the Holders that the Courts of the city of Madrid (Spain) are to have jurisdiction to settle any disputes which may arise out of or in connection with any Instruments (including a dispute relating to any non-contractual obligations arising out of or in connection with the Instruments) and that accordingly any suit, action or proceedings arising out of or in connection with the Instruments (together referred to as "**Proceedings**") may be brought in such courts. The Issuer irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid (Spain). To the extent permitted by law, nothing contained in this Condition 19B shall limit any rights of any Holders (other than in relation to a Bail-in Dispute) to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

In addition, the Courts of the city of Madrid (Spain) have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Issuer and any Holders in relation to any Bail-in Dispute submits to the exclusive jurisdiction of the Courts of the city of Madrid (Spain). Each of the Issuer and any Holders in relation to any Bail-in Dispute further waives any objection to the Courts of the city of Madrid (Spain) on the ground that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

20 Rights of Third Parties

In the case of Instruments specified in the Final Terms as being governed by English law, no person shall have any right to enforce any term or condition of any Series of Instruments under the Contracts (Rights of Third Parties) Act 1999.

21 Bail-in

Acknowledgement

21.01 Notwithstanding any other term of the Instruments or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Instruments, each Holder (which for the purposes of this Condition 21 includes each holder of a beneficial interest in the Instruments) acknowledges, accepts, consents to and agrees:

(i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:

- the reduction of all, or a portion, of the Amounts Due on a permanent basis;
- the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Instruments, in which case the Holder agrees to accept in lieu of its rights under the Instruments any such shares, other securities or other obligations of the Issuer or another person;
- the cancellation of the Instruments or Amounts Due;
- the amendment or alteration of the maturity of the Instruments or amendment of the Interest Amount payable on the Instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and

(ii) that the terms of the Instruments are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.

Payment of Interest and Other Outstanding Amounts Due

21.02 No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the European Union applicable to the Issuer or other members of the Group.

Notice to Holders

21.03 Upon the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to the Instruments, the Issuer will make available a written notice to the Holders as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes.

Duties of the Agents

21.04 Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Agents shall not be required to take any directions from Holders, and (b) the Issue and Paying Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

Proration

21.05 If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Instruments pursuant to the Bail-in Power will be made on a pro-rata basis.

Conditions Exhaustive

21.06 The matters set forth in this Condition 21 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of an Instrument.

For the purposes of the Terms and Conditions:

"**Amounts Due**" means the principal amount or outstanding amount, together with any accrued but unpaid interest, and Additional Amounts, if any, due on the Instruments. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority."

22 Direct Rights

Insofar as the Instruments are in global form, the Issuer and each Holder will have agreed that, when each Holder elects so, the relevant Account Holder will immediately acquire the right under this Condition 22 and the provisions of the Global Instruments or the Global Registered Instruments, as applicable, with regard to the Spanish law Instruments and of the Deed of Covenant with regard to the English law Instruments, to claim and receive all payments due at any time in respect of the relevant portion of the corresponding Instruments credited in the securities account of the Account Holder (the "**Direct Rights**") and, from that time, the said Holder will have no further rights under the Global Instruments or the Global Registered Instruments, as applicable, with respect to that relevant portion of the Instruments (but without prejudice to the rights which the Holder or any other person may have under the relevant Global Instrument or Global Registered Instrument, as applicable).

In this Condition 22:

"**Account Holder**" means a holder of a securities account, except for a Clearing System or a Custodian to the extent that any securities, or rights in respect of securities, credited to such Clearing System or Custodian's securities account are held by such Clearing System or Custodian for the account or benefit of a holder of a securities account with that Clearing System or Custodian;

"**Clearing System**" means Clearstream, Luxembourg, Euroclear or any other person who falls within the definition of "Alternative Clearing System" in these Terms and Conditions;

"**Custodian**" means a person who acknowledges to a Clearing System (or to a Custodian and therefore indirectly to a Clearing System) that it holds securities, or rights in respect of securities, for the account or benefit of that Clearing System (or Custodian);

"**Global Instrument**" means a Global Instrument (whether in temporary or permanent form) issued pursuant to the Issue and Paying Agency Agreement; and

"**Global Registered Instrument**" means a registered global certificate issued pursuant to the Issue and Paying Agency Agreement representing registered instruments of one or more Tranches of the same Series that are registered in the name of a nominee or a common nominee for one or more Clearing Systems or Custodians.

PRO FORMA REGULATIONS OF THE SYNDICATE OF THE HOLDERS OF THE INSTRUMENTS

Part 1
Pro Forma Regulations

The following is an English translation of the pro forma Regulations as attached to the relevant public deed of issuance in respect of each issue. In the event of any discrepancies between this translation and the Spanish language original, the Spanish version of these Regulations shall prevail.

REGULATIONS OF THE SYNDICATE OF HOLDERS FOR THE ISSUE OF INSTRUMENTS BY BANCO SANTANDER, S.A.

CHAPTER I

Article 1. Object. - The object of this Syndicate is to protect the legitimate interests of Holders of Instruments against BANCO SANTANDER, S.A. (the "**Issuer**"), in accordance with current law and these Regulations, by using and preserving such interests collectively and through the representation determined by these Regulations.

Article 2. Address. - The address of the Syndicate shall be Boadilla del Monte, Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Madrid. The General Meeting may, however, take place at any other location in Madrid for reasons of convenience and such location shall be specified in the relevant notice of meeting.

Article 3. Duration. - The Syndicate shall exist until the rights of Holders of Instruments to principal, interest and any other right shall have been fulfilled. The Syndicate shall be automatically dissolved upon the fulfilment of all such rights.

CHAPTER II
Governance of Syndicate

Article 4. Governance. - The governance of the Syndicate lies with the General Meeting and the Commissioner.

CHAPTER III
General Meeting

Article 5. Legal Nature. - A duly convened and constituted General Meeting is the body that expresses the will of the Syndicate and its resolutions, approved in accordance with these Regulations, will be binding on all Holders of Instruments in the manner established by current law.

Article 6. Convening General Meetings. - The General Meeting shall be convened by the Board of Directors of the Issuer or by the Commissioner, whenever they consider it appropriate. However, the Commissioner shall convene a General Meeting whenever the Holders of Instruments, representing at least one-twentieth of the Instruments outstanding, request a General Meeting in writing and specify in such request the aim of such a meeting. In this case, the General Meeting shall be held within thirty (30) days following the date on which the Commissioner receives such a request.

Article 7. Method of Convening General Meetings. - The General Meeting shall be convened (i) by publication in an English language newspaper in London (which is expected to be the Financial Times) and so long as any Instrument is listed on Euronext Dublin and if Euronext Dublin so requires, on the website of Euronext Dublin (www.ise.ie); (ii) by mail, or email, to Euroclear Bank SA/NV as operator of the Euroclear System and Clearstream Banking, S.A., or to any other relevant clearing system; and (iii) by publication in one of the daily newspapers of greatest circulation in the Madrid province; in each case not less than fifteen (15) days prior to the date on which the meeting is due to be held.

Notwithstanding this Article, the General Meeting shall be convened and validly constituted to deal with any matter, so long as all Instruments in circulation are in attendance or represented and the attendants and represented Holders of Instruments unanimously agree that the General Meeting be held.

Article 8. Right of Attendance. - All Holders of Instruments who have registered their name in the relevant securities account of at least one outstanding Instrument not less than five (5) days prior to the date

of the General Meeting shall be entitled to attend such meeting. The Directors of the Issuer shall be entitled to attend the General Meeting, even if they are not given notice.

The Commissioner or the Issuer may approve the attendance of such experts or other advisers as it may deem necessary.

The Commissioner will attend the General Meeting even though such meeting, had not previously been convened by the Commissioner.

Article 9. Proxies. - All Holders of Instruments with a right to attend the General Meeting shall be entitled to delegate their representation to any Holder of Instruments. Nevertheless, none of the Directors of the Issuer even though they might be also Holders of Instruments, shall be entitled to represent any other Holder of Instrument.

The right to represent shall be conferred in writing for each General Meeting.

Article 10. Adoption of Resolutions – The General Assembly shall approve valid resolutions by an absolute majority of affirmative votes in attendance and represented.

Nevertheless, in order to validly modify either the relevant maturity date, redemption, conversion or the exchange date, of the Instruments, two thirds of the affirmative votes corresponding to Instruments outstanding will be required.

The resolutions approved according to this article shall be binding on all Holders of Instruments, including those that do not attend or those that dissent.

Article 11. Chairman. - The General Meeting shall be chaired by the Commissioner, who shall direct debates, deem discussions to be ended, as he/she considers appropriate, and rule, in each case, whenever matters should be subject to a vote.

Article 12. Holding of the Sessions. - The General Meeting shall be held in Madrid, at the place and on the date set out in the announcement.

Article 13. Attendance List. - Before starting the agenda, the Commissioner shall make a list of attendees describing the nature or form of representation of each attendee and the number of Instruments owned or held on behalf of another in respect of each attendee, totalling at the end of the list the number of Instruments in attendance or represented, as well as the number of Instruments in circulation.

Article 14. Right to Vote. - Each Instrument represented shall confer on its Holder the right to vote proportionally to the outstanding amount of the Instrument's specified denomination.

Article 15. Powers of the General Meeting. - The General Meeting may approve resolutions necessary for the better protection of the legitimate interests of the Holders of Instruments as against the Issuer; modify, in agreement with the Issuer and with the relevant prior official authority, if necessary, the terms and conditions of the Instruments and adopt decisions on other similar matters; remove and appoint the Commissioner; exercise any corresponding judicial proceedings; and approve the expenses incurred in the protection of common interests.

Article 16. Challenges to Resolutions. - Resolutions of the General Meeting may be challenged by Holders of Instruments according to the Spanish Companies Law.

Article 17. Minutes. - Minutes of a General Meeting may be approved by the General Meeting itself immediately after the meeting, or otherwise within fifteen (15) days following the date of the General Meeting, by the Commissioner and two (2) Holders of Instruments assigned such responsibility by the General Meeting.

Article 18. Certification. - The certification of the minutes book shall be expedited by the Commissioner.

CHAPTER IV
The Commissioner

Article 19. Scope of competence of the Commissioner. - The Commissioner is concerned with the legal representation of the Syndicate and to act as the relationship body between the Syndicate and the Issuer.

Article 20. Appointment and Duration of Post. - The Commissioner shall be appointed by the Issuer once the issuance is agreed and shall exercise his post until substituted at a General Meeting.

Article 21. Powers. - The powers of the Commissioner shall be:

(a) Protecting the common interests of the Holders of the Instruments.

(b) Calling and chairing General Meetings.

(c) Ability to attend, with the right to speak but not vote, the deliberations and meetings of the General Shareholders' Meetings of the Issuer.

(d) Informing the Issuer of the resolutions of the Syndicate.

(e) Requiring from the Issuer the reports that either himself or the General Meeting determine to be of interest to the Holders of Instruments.

(f) Supervising the payment of interest and principal.

(g) Execution of resolutions of the General Meeting.

(h) When the Issuer, by a reason imputable to it, postpones for more than six (6) months the redemption of principal and payment of interest, the Commissioner shall have the power to propose to the Board of Directors of the Issuer, the suspension of any of the Directors and to call a General Shareholders' Meeting, if it has not already been called, when it considers that the Directors should be substituted.

Article 22. Responsibility. - The Commissioner shall be responsible to the Holders of Instruments and, as the case may be, the Issuer for carrying out his term of office out of the relevant professional diligence.

CHAPTER V
General Arrangements

Article 23. Syndicate Expenses. - Ordinary expenses resulting from the maintenance of the Syndicate shall be for the account of the Issuer, but they will not, in any case, exceed two per cent. of the gross annual interest accrued by the issued Instruments.

Article 24. Accounts. - The Commissioner shall be responsible for keeping the accounts of the Syndicate and will submit them for approval to the General Meeting and to the Board of Directors of the Issuer.

Article 25. Dissolution of the Syndicate. - If the Syndicate is dissolved for one of the reasons given in Article 3, the Commissioner in charge at the time shall continue with his duties until the dissolution of the Syndicate and shall produce final accounts of the Syndicate to the last General Meeting and to the Board of Directors of the Issuer.

Article 26. Jurisdiction. - For the purposes of any issues arising from these Regulations, the Holders of Instruments, by reason only of being such, expressly renounce their own jurisdiction for that of the courts of the city of Madrid.

Article 27. (Additional). - The current applicable legislation shall apply to matters for which no provision is made in these Regulations.

Part 2
Provisions for the General Meeting of Holders of Instruments

(a) (a) As used in this Section, the following expressions shall have the following meanings unless the context otherwise requires:

(i) "**voting certificate**" shall mean a certificate in the English language issued by any Paying Agent or, as the case may be, any Registrar and dated, in which it is stated:

(A) that on the date thereof outstanding Bearer Instruments of any Series (not being Bearer Instruments in respect of which a block voting instruction (as defined

below) has been issued and is outstanding in respect of the meeting specified in such voting certificate) bearing specified serial numbers have been deposited to the order of such Paying Agent and that no such Bearer Instruments will be released until the first to occur of:

I. the conclusion of the meeting specified in such certificate; and

II. the surrender of the certificate to such Paying Agent; or

(B) that on the date thereof Registered Instruments of any Series (not being Registered Instruments in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate) are registered in the books and records maintained by the Registrar in the names of specified registered Holders; and

(C) that the bearer thereof or his duly appointed representative is entitled to attend and vote at such meeting in respect of the Instruments represented by such certificate; and

(ii) "**block voting instruction**" shall mean a document in the English language issued by any Paying Agent or, as the case may be, any Registrar and dated, in which:

(A) it is certified that outstanding Bearer Instruments of any Series (not being Bearer Instruments in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction) have been deposited to the order of such Paying Agent and that no such Bearer Instruments will be released until the first to occur of:

I. the conclusion of the meeting specified in such document; and

II. the surrender, not less than five days before the time for which such meeting is convened, of the receipt for each such deposited Bearer Instrument which has been deposited to the order of such Paying Agent, coupled with notice thereof being given by such Paying Agent to the Issuer; or

(B) it is certified that Registered Instruments of any Series (not being Registered Instruments in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction) are registered in the books and records maintained by the Registrar in the names of specified registered Holders;

(C) it is certified that each depositor of such Instruments or registered Holder thereof or a duly authorised agent on his or its behalf has instructed the Paying Agent or, as the case may be, the Registrar that the vote(s) attributable to his or its Instruments so deposited or registered should be cast in a particular way in relation to the resolution or resolutions to be put to such meeting and that all such instructions are, during the period of five days prior to the time for which such meeting or adjourned meeting is convened, neither revocable nor subject to amendment;

(D) the total number, principal amount outstanding and the serial numbers (if any) and series numbers of the Instruments so deposited or registered are listed, distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and

(E) any Holder of Instruments named in such document (hereinafter called a "**proxy**") is authorised and instructed by the Paying Agent or, as the case may be, the Registrar to cast the votes attributable to the Instruments so listed in

accordance with the instructions referred to in (C) and (D) above as set out in such document.

(b) A registered Holder of a Registered Instrument may by an instrument in writing in the form for the time being available from the specified office of the Registrar in the English language (hereinafter called a "**form of proxy**") signed by the Holder or its duly appointed attorney or, in the case of a corporation, executed under its seal or signed on its behalf by its duly appointed attorney or a duly authorised officer of the corporation, appoint any Holder of Instruments (hereinafter also called a "**proxy**") to attend and act on his or its behalf in connection with any meeting or proposed meeting of the Holders of Instruments.

(c) Voting certificates, block voting instructions and forms of proxy shall be valid for so long as the relevant Instruments shall not have been released or, in the case of Registered Instruments, shall be duly registered in the name(s) of the registered Holder(s) certified in the relevant voting certificate or block voting instruction or, in the case of a form of proxy, in the name of the appointor but not otherwise and notwithstanding any other provision of this Section and during the validity thereof the Holder of any such voting certificate, block voting instruction or, as the case may be, the proxy shall, for all purposes in connection with any meeting of Holders of Instruments, be deemed to be the Holder of the Instruments of the relevant Series to which such voting certificate, block voting instructions or form of proxy relates and, in the case of Bearer Instruments, the Paying Agent to the order of whom such Instruments have been deposited and, in the case of Registered Instruments, the registered Holder(s) shall nevertheless be deemed for such purposes not to be the Holder of those Instruments.

(b) Whenever the Issuer or the relevant Commissioner is about to convene any such General Meeting of Holders it shall forthwith give notice in writing to the Issue and Paying Agent of the day, time and place thereof and of the nature of the business to be transacted thereat, subject to the regulations of the Syndicate Regulations. Every such General Meeting of Holders shall be held in Madrid at such time as the Issue and Paying Agent may approve, subject to the regulations of the Syndicate Regulations.

(c) A copy of the notice shall be given to the Issuer unless the General Meeting of Holders is convened by the Issuer and a copy shall be given to the Issue and Paying Agent and, in the case of Registered Instruments, the Registrar. Such notice shall be given in the manner provided in the Terms and Conditions and shall specify the terms of the resolutions to be proposed and shall include, inter alia, statements to the effect:

(a) that Bearer Instruments of the relevant Series may be deposited with (or to the order of) any Paying Agent for the purpose of obtaining voting certificates or appointing proxies until five days before the time fixed for the meeting but not thereafter;

(b) that (without prejudice to the provisions of paragraph 1(a)((i)(B)) registered Holders of Registered Instruments may obtain voting certificates or appoint proxies not later than (except in the case of a form of proxy) five days before the time fixed for the meeting but not thereafter.

(d) Subject to article 8 of the Syndicate Regulations, the Issue and Paying Agent, the Issuer and, in the case of Registered Instruments, the Registrar (through their respective representatives and save as permitted by the provisions of the Dealership Agreement) and their respective financial and legal advisers shall be entitled to attend and speak at any meeting of the Holders of Instruments. No person shall be entitled to attend (save as aforesaid) or vote at any General Meeting of Holders or to join with others in requesting the convening of such a meeting unless that person is the holder of an Instrument or a voting certificate or a proxy.

(e) Each block voting instruction and each form of proxy, together (if so required by the Issuer) with proof satisfactory to the Issuer of its due execution, shall be deposited at such place as the Issuer shall reasonably designate not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxy named in the block voting instruction or form of proxy proposes to vote and in default the block voting instruction or form of proxy shall not be treated as valid unless the Commissioner decides otherwise before such meeting or adjourned meeting proceeds to business. A certified copy of each such block voting instruction and form of proxy and satisfactory proof as aforesaid (if applicable) shall, if required by the Issuer, be produced by the proxy at the meeting or adjourned meeting but the Issuer shall not thereby be obliged to investigate or be concerned with the validity of, or the authority of the proxy named in, any such block voting instruction or form of proxy.

(f) Without prejudice to paragraph 1, any vote given in accordance with the terms of a block voting instruction or form of proxy shall be valid notwithstanding the previous revocation or amendment of the block voting instruction or form of proxy or of any of the Instrument Holders' instructions pursuant to which it was executed, provided that no intimation in writing of such revocation or amendment shall have been received by the Issuer or by the Commissioner, within 24 hours before the commencement of the meeting or adjourned meeting at which the block voting instruction or form of proxy is used.

(g) Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be made and duly entered in books to be from time to time provided for that purpose by the Issuer.

(h) Any Instruments which have been purchased or are held by (or on behalf of) the Issuer or any of its respective subsidiaries but which have not been cancelled shall, unless or until resold, be deemed not to be outstanding for the purposes of this Section .

(i) For the purposes of this Section, "**principal amount outstanding**" means, on any date, the principal amount of that Instrument on its date of issue (i) less, in respect of any Instalment Instrument any instalment of principal in respect of that Instrument that has become due and payable and either has been paid to the relevant Holder or in respect of which the Relevant Date (as defined in the Terms and Conditions) shall have occurred.

SUMMARY OF PROVISIONS RELATING TO THE INSTRUMENTS WHILE IN GLOBAL FORM

Bearer Instruments

Each Tranche of Instruments in bearer form (the "**Bearer Instruments**") will initially be in the form of either a temporary global instrument in bearer form (the "**Temporary Global Instrument**"), without interest coupons, or a permanent global instrument in bearer form (the "**Permanent Global Instrument**"), with or without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Instrument or, as the case may be, Permanent Global Instrument (each a "**Global Instrument**") 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 Tranche of the Instruments with a depositary or a Common Depositary for Euroclear and/or Clearstream Luxembourg and/or any other relevant clearing system and each Global Instrument 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 Tranche of the Instruments with a Common Safekeeper for Euroclear and/or Clearstream, Luxembourg.

In the case of each Tranche of Bearer Instruments, the relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) (the "**TEFRA D Rules**") are applicable in relation to the Instruments or, if the Instruments do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

Temporary Global Instrument exchangeable for Permanent Global Instruments

If the relevant Final Terms specifies the form of Instruments as being "**Temporary Global Instrument exchangeable for a Permanent Global Instrument**", then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole or in part, for interests in a Permanent Global Instrument, with or without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Instruments upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Instrument unless exchange for interests in the Permanent Global Instrument is improperly withheld or refused. In addition, interest payments in respect of the Instruments cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Instrument is to be exchanged for an interest in a Permanent Global Instrument, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Instrument, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Instrument or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Instrument in accordance with its terms against:

(i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Instrument to or to the order of the Issue and Paying Agent; and

(ii) receipt by the Issue and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Instruments represented by the Permanent Global Instrument shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership *provided, however*, that in no circumstances shall the principal amount of Instruments represented by the Permanent Global Instrument exceed the initial principal amount of Instruments represented by the Temporary Global Instrument.

If:

(a) the Permanent Global Instrument has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Instrument has requested exchange of an interest in the Temporary Global Instrument for an interest in a Permanent Global Instrument; or

(b) an Event of Default occurs in accordance with the Terms and Conditions,

the bearer of the Temporary Global Instrument may from time to time elect that Direct Rights under the provisions of (and as defined in) Condition 22 of the Terms and Conditions and, in addition (i) in the case of an English law Instrument, the Deed of Covenant (a copy of which is available for inspection at the specified office of the Issue and Paying Agent and which the Issuer acknowledges to apply to English law Instruments represented by the Temporary Global Instrument) and, (ii) in the case of a Spanish law Instrument, the Temporary Global Instrument, shall, in each case, come into effect in respect of a nominal amount of Instruments in respect of which the relevant event set out in (a) or (b) above has occurred. Such election shall be made by notice to the Issue and Paying Agent and presentation of this Temporary Global Instrument to or to the order of the Issue and Paying Agent. Upon each such notice being given, this Temporary Global Instrument shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

Permanent Global Instrument exchangeable for Definitive Instruments

If the relevant Final Terms specifies the form of Instruments as being "**Permanent Global Instrument exchangeable for Definitive Instruments**", then the Instruments will initially be in the form of a Permanent Global Instrument which will be exchangeable in whole, but not in part, for Bearer Instruments in definitive form (Definitive Instruments):

(i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or

(ii) at any time, if so specified in the relevant Final Terms; or

(iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Instrument", then if either of the following events occurs:

(A) Euroclear or Clearstream, Luxembourg 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 business or

(B) any of the circumstances described in Condition 6 occurs.

Whenever the Permanent Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of Instruments represented by the Permanent Global Instrument to the bearer of the Permanent Global Instrument against the surrender of the Permanent Global Instrument to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(a) Definitive Instruments have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Instrument for Definitive Instruments; or

(b) the Permanent Global Instrument was originally issued in exchange for part only of a Temporary Global Instrument representing the Instruments and such Temporary Global Instrument becomes void in accordance with its terms; or

(c) an Event of Default occurs in accordance with the Terms and Conditions,

the bearer of the Permanent Global Instrument may from time to time elect that Direct Rights under the provisions of (and as defined in) Condition 22 of the Terms and Conditions and, in addition (i) in the case of an English law Instrument, the Deed of Covenant (a copy of which is available for inspection at the specified office of the Issue and Paying Agent and which the Issuer acknowledges to apply to English law Instruments represented by the Permanent Global Instrument) and, (ii) in the case of a Spanish law Instrument, the Permanent Global Instrument, shall, in each case, come into effect in respect of a nominal amount of Instruments in respect of which the relevant event set out in (a), (b) or (c) above has occurred. Such election shall be made by notice to the Issue and Paying Agent and presentation of the Permanent Global Instrument to or to the order of the Issue and Paying Agent. Upon each such notice being given, the Permanent Global Instrument shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

Temporary Global Instrument exchangeable for Definitive Instruments

If the relevant Final Terms specifies the form of Instruments as being "**Temporary Global Instrument exchangeable for Definitive Instruments**" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole but not in part, for Definitive Instruments not earlier than 40 days after the issue date of the relevant Tranche of the Instruments.

If the relevant Final Terms specifies the form of Instruments as being "**Temporary Global Instrument exchangeable for Definitive Instruments**" and also specifies that the TEFRA D Rules are applicable, then the Instruments will initially be in the form of a Temporary Global Instrument which will be exchangeable, in whole or in part, for Definitive Instruments not earlier than 40 days after the issue date of the relevant Tranche of the Instruments upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Instruments cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Instrument is to be exchanged for Definitive Instruments, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Instruments, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Instrument to the bearer of the Temporary Global Instrument against the surrender of the Temporary Global Instrument to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

(i) Definitive Instruments have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Instrument for Definitive Instruments; or

(ii) an Event of Default occurs in accordance with the Terms and Conditions,

the bearer of the Temporary Global Instrument may from time to time elect that Direct Rights under the provisions of (and as defined in) Condition 22 of the Terms and Conditions and, in addition (i) in the case of an English law Instrument, the Deed of Covenant (a copy of which is available for inspection at the specified office of the Issue and Paying Agent and which the Issuer acknowledges to apply to English law Instruments represented by the Temporary Global Instrument) and, (ii) in the case of a Spanish law Instrument, the Temporary Global Instrument, shall in each case, come into effect in respect of a nominal amount of Instruments in respect of which the relevant event set out in (i) or (ii) above has occurred. Such election shall be made by notice to the Issue and Paying Agent and presentation of this Temporary Global Instrument to or to the order of the Issue and Paying Agent. Upon each such notice being given, this Temporary Global Instrument shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

Terms and Conditions applicable to the Instruments

The terms and conditions applicable to any Definitive Instrument will be endorsed on that Instrument and will consist of the terms and conditions set out under "Terms and Conditions of the Instruments" above and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Instrument will differ from those terms and conditions which would apply to the Instrument were it in definitive form to the extent described under "Summary of Provisions Relating to the Instruments while in Global Form" below.

Legend concerning United States persons

Where TEFRA D is specified in the applicable Final Terms, each Bearer Instrument (other than a Temporary Global Instrument) having a maturity of more than one year, Coupon, Receipt and Talon will bear the following legend:

> "ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE."

Registered Instruments

Each Tranche of Instruments in registered form (the "**Registered Instruments**") will be represented by either:

(i) individual certificates in registered form (Individual Certificates); or

(ii) one or more global certificates (Global Registered Instruments),

in each case as specified in the relevant Final Terms.

Each Global Registered Instrument will either be: (a) in the case of an Instrument which is not to be held under the NSS, registered in the name of a Common Depositary (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the Common Depositary and will be exchangeable for Individual Certificates in accordance with its terms; or (b) in the case of an Instrument to be held under the NSS, be registered in the name of a Common Safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Registered Instrument will be deposited on or about the issue date with the Common Safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Certificates in accordance with its terms.

If the relevant Final Terms specifies the form of Instruments as being "**Individual Certificates**", then the Instruments will at all times be represented by Individual Certificates issued to each Holder in respect of their respective holdings.

Global Registered Instrument exchangeable for Individual Certificates

If the relevant Final Terms specifies the form of Instruments as being "**Global Registered Instrument exchangeable for Individual Certificates**", then the Instruments will initially be represented by one or more Global Registered Instruments each of which will be exchangeable in whole, but not in part, for Individual Certificates

(i) if the relevant Final Terms specifies "in the limited circumstances described in the Global Registered Instrument", then if either of the following events occurs:

(A) Euroclear or Clearstream, Luxembourg 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 business or

(B) if any of the circumstances described in Condition 6 occurs.

Whenever a Global Registered Instrument is to be exchanged for Individual Certificates, each person having an interest in a Global Registered Instrument must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Certificates (including the name and address of each person in which the Instruments represented by the Individual Certificates are to be registered and the principal amount of each such person's holding).

Whenever a Global Registered Instrument is to be exchanged for Individual Certificates, the Issuer shall procure that Individual Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Instrument within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Instrument to the Registrar of such information as is required to complete and deliver such Individual Certificates against the surrender of the Global Registered Instrument at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Issue and Paying Agency Agreement and the regulations concerning the transfer and registration of Instruments scheduled to the Issue and Paying Agency Agreement and, in particular, shall be effected without charge to any Holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

(a) Individual Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Instrument; or

(b) an Event of Default occurs in accordance with the Terms and Conditions,

the Holder of the Instruments represented by the Global Registered Instrument may (subject as provided below) from time to time elect that Direct Rights under the provisions of (and as defined in) Condition 22 of the Terms and Conditions and, in addition (i) in the case of an English law Instrument, the Deed of Covenant

(a copy of which is available for inspection at the specified office of the Issue and Paying Agent and which the Issuer acknowledges to apply to English law Instruments represented by the Global Registered Instrument) and, (ii) in the case of a Spanish law Instrument, the Global Registered Instrument, shall, in each case, come into effect in respect of a nominal amount of Instruments in respect of which the relevant event set out in (a) or (b) above has occurred. Such election shall be made by notice to the Issue and Paying Agent by the Holder of the Instruments represented by the Global Registered Instrument specifying the nominal amount of Instruments represented by the Global Registered Instrument in respect of which Direct Rights shall arise under the Deed of Covenant or the Global Registered Instrument, as applicable. Upon each such notice being given, the Global Registered Instrument and the corresponding entry in the Register shall become void to the extent of the nominal amount stated in such notice, save to the extent that the appropriate Direct Rights shall fail to take effect, for whatever reason.

Terms and Conditions applicable to the Instruments

The terms and conditions applicable to any Individual Certificate will be endorsed on that Individual Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Instruments" above and the provisions of the relevant Final Terms which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Instrument will differ from those terms and conditions which would apply to the Instrument were it in Individual Certificate form to the extent described under "*Summary of Provisions Relating to the Instruments while in Global Form*" below.

Summary of Provisions relating to the Instruments while in Global Form

Clearing System Account Holders

In relation to any Tranche of Instruments represented by a Global Instrument, references in the Terms and Conditions of the Instruments to "Holder" are references to the bearer of the relevant Global Instrument which, for so long as the Global Instrument is held by a depositary or a Common Depositary, in the case of a CGN, or a Common Safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or Common Depositary or, as the case may be, Common Safekeeper.

In relation to any Tranche of Instruments represented by one or more Global Registered Instruments, references in the Terms and Conditions of the Instruments to "Holder" are references to the person in whose name the relevant Global Registered Instrument is for the time being registered in the Register which, for so long as the Global Registered Instrument is held by or on behalf of a depositary or a Common Depositary or a Common Safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or Common Depositary or Common Safekeeper or a nominee for that depositary or Common Depositary or Common Safekeeper. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Instrument or a Global Registered Instrument (each an "**Account Holder**") must look solely to Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Account Holder's share of each payment made by the Issuer to the holder of such Global Instrument or Global Registered Instrument and in relation to all other rights arising under such Global Instrument or Global Registered Instrument. The extent to which, and the manner in which, Account Holders may exercise any rights arising under a Global Instrument or Global Registered Instrument will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Instruments are represented by a Global Instrument or Global Registered Instrument, Account Holders shall have no claim directly against the Issuer in respect of payments due under the Instruments and such obligations of the Issuer will be discharged by payment to the holder of such Global Instrument or Global Registered Instrument.

Conditions applicable to Global Instruments

Each Global Instrument and Global Registered Instrument will contain provisions which modify the Terms and Conditions of the Instruments as they apply to the Global Instrument or Global Registered Instrument. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Instrument or Global Registered Instrument which, according to the Terms and Conditions of the Instruments, require presentation and/or surrender of an Instrument, certificate or Coupon will be made against presentation and (in the case of payment of principal in

full with all interest accrued thereon) surrender of the Global Instrument or Global Registered Instrument to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Instruments. On each occasion on which a payment of principal or interest is made in respect of the (i) Global Instrument, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg and (ii) Global Registered Instrument, the Issuer shall procure that if such Instrument is held under the NSS, the payment is entered into pro rata in the records of Euroclear and Clearstream Luxembourg.

Payment Business Day: In the case of a Global Instrument or a Global Registered Instrument, the requirement under the Terms and Conditions for a day of payment to be a local banking day shall not apply.

Payment Record Date: Each payment in respect of a Global Registered Instrument will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Registered Instrument is being held is open for business.

Exercise of put option: In order to exercise the option contained in Condition 5.08 the bearer of a Permanent Global Instrument or the holder of a Global Registered Instrument must, within the period specified in the Terms and Conditions for the deposit of the relevant Instrument and put notice, give written notice of such exercise to the Issue and Paying Agent specifying the principal amount of Instruments in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 5.06 in relation to some only of the Instruments, the Permanent Global Instrument or Global Registered Instrument may be redeemed in part in the principal amount specified by the Issuer in accordance with the Terms and Conditions and the Instruments to be redeemed will not be selected as provided in the Terms and Conditions but in accordance with the rules and procedures of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

Notices: notwithstanding Condition 16, while all the instruments are represented by a Permanent Global Instrument (or by a Permanent Global Instrument and/or a Temporary Global Instrument) or a Global Registered Instrument and the Permanent Global Instrument is (or the Permanent Global Instrument and/or the Temporary Global Instrument are), or the Global Registered Instrument is deposited with a depositary or a Common Depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a Common Safekeeper, notices to Holders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Holders in accordance with Condition 16 on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

USE OF PROCEEDS

The net proceeds of the issue of each Tranche of Instruments will be used:

(a) for the general funding purposes of the Group;

(b) to finance, refinance or invest in, in whole or in part, Eligible Green Projects meeting the Eligibility Criteria, in which case the relevant Instruments will be identified as "Green Bonds" in the applicable Final Terms ("**Green Bonds**");

(c) to finance, refinance or invest in, in whole or in part, Eligible Social Projects meeting the Eligibility Criteria, in which case the relevant Instruments will be identified as "Social Bonds" in the applicable Final Terms ("**Social Bonds**"); or

(d) to finance, refinance or invest in, in whole or in part, a combination of Eligible Green Projects and Eligible Social Projects, in each case, meeting the Eligibility Criteria, in which case the relevant Instruments will be identified as "Sustainable Bonds" in the applicable Final Terms ("**Sustainable Bonds**").

"**Eligibility Criteria**" means the criteria prepared by the Bank as set out in the Bank's Global Sustainable Bond Framework, Green Bond Framework and Social Bond Framework, as the case may be.

"**Eligible Green Projects**" means projects falling under the "Green eligible categories" of energy efficiency, renewable energy, sustainable water management or sustainable waste management, each as further described in the Bank's Global Sustainable Bond Framework and Green Bond Framework, and any other "green" projects set out in the ICMA Green Bond Principles from time to time.

"**Eligible Social Projects**" means projects falling under the "Social eligible categories" of healthcare, education, SME financing or affordable housing, each as further described in the Banks's Global Sustainable Bond Framework and Social Bond Framework, and any other "social" projects set out in the ICMA Social Bond Principles from time to time.

"**Global Sustainable Bond Framework**" means the Global Sustainable Bond Framework published by Banco Santander, S.A., available at www.santander.com.

"**Green Bond Framework**" means the Green Bond Framework published by Banco Santander, S.A., available at www.santander.com.

"**ICMA Green Bond Principles**" means the Green Bond Principles published by the International Capital Markets Association, as updated from time to time.

"**ICMA Social Bond Principles**" means the Social Bond Principles published by the International Capital Markets Association, as updated from time to time.

"**Social Bond Framework**" means any Social Bond Framework published by Banco Santander, S.A., to be available at www.santander.com.

The Global Sustainable Bond Framework, the Green Bond Framework, any Social Bond Framework and any Tranche of Green Bonds, Social Bonds or Sustainable Bonds are or will be subject to external review and a second party opinion available at www.santander.com.

None of the Global Sustainable Bond Framework, Green Bond Framework or any Social Bond Framework, nor any of the above reports, opinions or contents of any of the above websites are incorporated in or form part of this Base Prospectus.

REGULATION

The following is a summary of the most relevant aspects of the regulatory framework applicable to the Santander Group, as well as the main factors that have directly or indirectly affected or are currently affecting its operations in a significant way.

In addition, see "Risk Factors", which includes the specific and significant factors that the Group believes could significantly affect its operations.

MiFID II/MiFIR

On 3 January 2018, the regulatory framework for markets and financial instruments saw the implementation of MiFID II and Regulation (EU) 600/2014 of the European Parliament and of the Council of 15 May 2014 ("**MiFIR**"). The MiFID II/MiFIR framework introduces a substantial number of regulations, basically intended to strengthen the system with stricter requirements for transparency and protection of investment service clients.

The transposition of MiFID II into Spanish law was completed in 2018 by Royal Decree Law 14/2018 of 28 September 2018 and Royal Decree 1464/2018 of 21 December 2018, although the provisions of the latter entered into force in April 2019. In this regard, the Bank has completed its adaptation to the investment service regulations of the transposed MiFID II.

In addition, the Bank has adapted to the regulatory framework of information transparency of banking services, especially in relation to real estate credit and Directive 2015/849 on the prevention of money laundering and the financing of terrorism and its most recent implementing regulations, which were established by Royal Legislative Decree 11/2018 of 31 August 2018.

The Group must also continue to adapt to the framework resulting from the transposition of Directive 2017/828 as regards the encouragement of long-term shareholder engagement and to the fifth EU Directive 2018/43 on the prevention of money laundering and terrorist financing although, in both cases, their transposition into Spanish law is still pending.

Capital, liquidity and funding requirements

As a Spanish financial institution, the Bank is subject to the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**") and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"), through which the EU began implementing the Basel III capital reforms from 1 January 2014. While the CRD IV required national transposition, the CRR was directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures either. The implementation of the CRD IV into Spanish law has taken place through Royal Decree Law 14/2013 and Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016.

Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8 per cent. of risk weighted assets (of which at least 4.5 per cent. must be CET1 capital and at least 6 per cent. must be Tier 1 capital). In addition to the minimum regulatory capital requirements, the CRD IV also introduced five new capital buffer requirements that must be met with CET1 capital: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of 2.5 per cent. of total risk weighted assets; (2) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may require as much as additional CET1 capital of 2.5 per cent. of total risk weighted assets or higher pursuant to the requirements set by the competent authority; (3) the G-SIIs buffer requiring additional CET1 of between 1 per cent. and 3.5 per cent. of risk weighted assets; (4) the other systemically important institutions buffer, which may be as much as 2 per cent. of risk weighted assets; and (5) the CET1 systemic risk buffer to prevent systemic or macro prudential risks of at least 1 per cent. of risk weighted assets (to be set by the competent authority). Entities are required to comply with the "combined buffer requirement" (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SIIs

buffer and the other systemically important institutions ("**O-SII**") buffer, in each case as applicable to the institution).

As of the date of this Base Prospectus, the Bank is required to maintain a capital conservation buffer of additional CET1 capital of 2.5 per cent. of risk weighted assets, a G-SII buffer of additional CET1 capital of 1 per cent. of risk weighted assets and a counter-cyclical capital buffer of additional CET1 capital of 0.2 per cent. of risk weighted assets.

Article 104 of the CRD IV, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of MREL, also contemplate that in addition to the minimum Pillar 1 capital requirements and any applicable capital buffer, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those risks incurred by the individual institutions due to their activities not considered to be fully captured by the minimum capital requirements under the CRD IV and CRR. This may result in the imposition of additional capital requirements on the Bank and/or the Group pursuant to this Pillar 2 framework.

The ECB clarified in its "Frequently asked questions on the 2016 EU-wide stress test" (July 2016) that the institutions specific Pillar 2 capital will consist of two parts: Pillar 2 requirement and Pillar 2 guidance. Pillar 2 requirements are binding and breaches can have direct legal consequences for banks, while Pillar 2 guidance is not directly binding and a failure to meet Pillar 2 guidance does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 guidance. Following this clarification and the ones contained in the "EBA Pillar 2 Roadmap" (April 2017) and the EU Banking Reforms, the Pillar 2 guidance is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount but, in addition to certain other measures, competent authorities will be entitled to impose further Pillar 2 capital requirements where an institution repeatedly fails to follow the Pillar 2 capital guidance previously imposed.

In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of its SREP. Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar 2 capital requirements implemented on 1 January 2016. Under these guidelines (and until CRDV (as defined below) is implemented in Spain), national supervisors must set a composition requirement for the Pillar 2 additional capital requirements to cover certain specified risks of at least 56 per cent. CET1 capital and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macro-prudential requirements; and, accordingly, the above "combined buffer requirement" is in addition to the minimum Pillar 1 capital requirement and to the additional Pillar 2 capital requirement. Therefore capital buffers would be the first layer of capital to be eroded pursuant to the applicable stacking order, as set out in the "Opinion of the EBA on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the "combined buffer requirement" or the Pillar 2 capital requirements described above, will be prohibited from paying any "discretionary payments" (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and payments on Additional Tier 1 capital instruments), until it calculates its applicable restrictions and communicates them to the regulator and, once completed, such institution will be subject to restricted "discretionary payments". The restrictions will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no "discretionary distributions" will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular, Article 48 of Law 10/2014 and Articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. Furthermore, pursuant to the EU Banking Reforms (as defined below), the calculation of the Maximum Distributable Amount, as well as consequences of, and pending, such calculation could also take place as a result of the breach of MREL and a breach of the minimum leverage ratio buffer requirement.

In addition to the above, the CRR also includes a requirement for institutions to calculate a leverage ratio ("**LR**"), report it to their supervisors and to disclose it publicly from 1 January 2015 onwards. More precisely, Article 429 of the CRR requires institutions to calculate their LR in accordance with the methodology laid down in that article. In January 2014, the Basel Committee finalised a definition of how the LR should be prepared and set an indicative benchmark (namely 3 per cent. of Tier 1 capital). Such 3 per cent. Tier 1 LR

has been tested during a monitoring period until the end of 2017 although the Basel Committee had already proposed the final calibration at 3 per cent. Tier 1 LR. Accordingly, the CRR (as amended by the EU Banking Reforms) contains a binding 3 per cent. Tier 1 LR requirement, and which institutions must meet in addition and separately to their risk-based requirements from June 2021 onwards. Moreover, the EU Banking Reforms include a leverage ratio buffer for G-SIIs to be met with Tier 1 capital and set at 50 per cent. of the applicable risk weighted G-SIIs buffer. Any breach of this leverage ratio buffer would also result in a requirement to determine the Maximum Distributable Amount and restrict discretionary payments to such Maximum Distributable Amount, as well as the consequences of such calculation as specified above.

On 9 November 2015, the Financial Stability Board (the "**FSB**") published its final principles and term sheet containing an international standard to enhance the loss absorbing capacity of G-SIIs such as the Bank. The final standard consists of an elaboration of the principles on loss absorbing and recapitalisation capacity of G-SIIs in resolution and a term sheet setting out a proposal for the implementation of these proposals in the form of an internationally agreed standard on total loss absorbing capacity ("**TLAC**") for G-SIIs. Once implemented in the relevant jurisdictions, these principles and terms will form a new minimum TLAC standard for G-SIIs, and in the case of G-SIIs with more than one resolution group, each resolution group within the G-SII. The FSB did a review of the technical implementation of the TLAC principles and term sheet in June 2019. The TLAC principles and term sheet established a minimum TLAC requirement to be determined individually for each G-SII at the greater of (a) 16 per cent. of risk weighted assets as of 1 January 2019 and 18 per cent. as of 1 January 2022, and (b) 6 per cent. of the Basel III Tier 1 leverage ratio exposure measure as of 1 January 2019, and 6.75 per cent. as of 1 January 2022. Under the FSB TLAC standard, capital buffers stack on top of the 16 per cent. risk weighted assets TLAC requirement.

Furthermore, Article 45 of the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**") provides that Member States shall ensure that institutions meet, at all times, the MREL. The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. The EBA was in charge of drafting regulatory technical standards on the criteria for determining MREL (the "**MREL RTS**"). On 3 July 2015 the EBA published the final draft MREL RTS. In application of Article 45(2) of the BRRD, the current version of the MREL RTS is set out in a Commission Delegated Regulation (EU) No. 2016/1450 that was adopted by the Commission on 23 May 2016 (the "**MREL Delegated Regulation**").

The MREL requirement was scheduled to come into force by January 2016. However, article 8 of the MREL Delegated Regulation gave discretion to resolution authorities to determine appropriate transitional periods to each institution.

The European Commission committed to review the existing MREL rules with a view to provide full consistency with the TLAC standard by considering the findings of a report that the EBA was required to provide to the European Commission under Article 45(19) of the BRRD. On 14 December 2016, the EBA published its final report on the implementation and design of the MREL framework where it stated that, although there was no need to change the key principles underlying the MREL Delegated Regulation, certain changes would be necessary with a view to improve the technical soundness of the MREL framework and implement the TLAC standard as an integral component of the MREL framework. On 16 January 2019, the SRB published its policy statement on MREL for the second wave of resolution plans of the 2018 cycle, which will serve as a basis for setting binding MREL targets.

Loss absorbing powers by the Relevant Resolution Authority

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with tools to intervene sufficiently early and quickly in unsound or failing institutions so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

See "*Risk Factors – Risks General risks relating to the Instruments – Risks related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities*" for additional information.

EU Banking Reforms

On 23 November 2016, the European Commission published, among others, a proposal for a European Regulation amending CRR, two European Directives amending the CRD IV and the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 of the European Parliament and of the

Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a SRM and a SRF and amending Regulation (EU) No 1093/2010 (the "**SRM Regulation**"). On 27 June 2019, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending CRD IV as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**"); Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**"); Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012 ("**CRR II**"); and Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRMR II**", and, together with CRD V, BRRD II and CRR II, the "**EU Banking Reforms**") entered into force. However, most of the provisions of CRR II are not applicable until 28 June 2021 and SRMR II is not applicable until 28 December 2020. The deadline for transposing into local laws both CRD V and BRRD II is 18 months since their entry into force. Until CRD V and BRRD II are transposed into Spanish law, it is uncertain how they will affect the Bank or the investors. In addition, there is also uncertainty as to how CRD V, BRRD II, CRR II and SRMR II will be implemented by the relevant authorities.

The EU Banking Reforms cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 and Additional Tier 1 instruments, the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above.

Additionally, with regard to the European Commission's proposal to create a new asset class of "non-preferred" senior debt, on 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union which sets forth a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of senior "non-preferred" instruments. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**") created in Spain the new asset class of senior-non preferred debt.

One of the main objectives of the EU Banking Reforms is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules (the "**TLAC/MREL Requirements**") thereby avoiding duplication from the application of two parallel requirements. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. The EU Banking Reforms integrate the TLAC standard into the existing MREL rules and to ensure that both requirements are met with largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority. Under the EU Banking Reforms, institutions such as the Bank would continue to be subject to an institution-specific MREL requirement, which may be higher than the Pillar 1 TLAC/MREL Requirements for G-SIIs contained in the EU Banking Reforms.

Although the specific MREL requirements may vary depending on the specific characteristics of the credit entity (its application falls on resolution institution or resolution group, being entities subject to resolution following a Single Point of Entry or Multiple Point of Entry resolution strategy) and the resolution process, BRRD II together with CRR II introduce a relevant change for complying with MREL which now includes two different ratios (i) a risk ratio (percentage of total risk weighted assets of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure), as well as empower the relevant resolution authority to authorise or require (a) complying with additional CET1, Additional Tier 1 or Tier 2 capital ratios (which was not foreseen in the previous MREL rules) and (b) that certain level of senior liabilities issued by the resolution entity can be subject to Bail-in.

MREL application is also subject to a diferent regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (which are not G-SIIs with aggregated asset volume of over €100 billion), O-SIIs (which are institutions that, due to their systemic importance, are more likely to create risks to financial stability) and the

rest of the resolution institutions. In particular, G-SIIs, "top tier" banks and O-SIIs are subject to Pillar 1 requirements: 18 per cent. (including the combined buffer requirements under CRD IV), and 13 per cent. of risk weighted assets and 6.75 per cent. and 5 per cent. of leverage exposure, respectively for G-SIIs and "top tier" banks and O-SIIs. These requirements are complemented by further Pillar 2 requirements, which would be determined on a case-by-case basis for the rest of the resolution institutions.

The EU Banking Reforms have introduced limited adjustments to the existing MREL rules ensuring technical consistency with the structure of any requirements for G-SIIs. Implementation of the TLAC/MREL Requirements will be phased-in from 1 January 2019 (a 16 per cent. minimum TLAC requirement) to 1 January 2022 (a 18 per cent. minimum TLAC requirement).

The EU Banking Reforms provide that a bank's failure to comply with its TLAC/MREL Requirements should be addressed by the relevant authorities on the basis of their powers to address or remove impediments to resolution, the exercise of their supervisory powers and their power to impose early intervention measures, administrative penalties and other administrative measures. If there is any shortfall in an institution's level of eligible liabilities and own funds, and the own funds of such institution are otherwise contributing to the "combined buffer requirement", those own funds will automatically be used instead to meet that institution's MREL requirement and will no longer count towards its "combined buffer requirement", which may lead the institution to fail to meet its "combined buffer requirement". Failure to meet the "conbined buffer requirements" when consider in addition to the TLAC/MREL Requirements would require such institution to calculate its Maximum Distributable Amount, and the relevant resolution authority shall impose (but subject to a potential 9 months grace period) restrictions to make (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 instruments ("**Discretionary Payments**") above the Maximum Distributable Amount. As a result of the above, upon the entry into force of the EU Banking Reforms, the Bank must fully comply with its "combined buffer requirement" in addition to its TLAC/MREL Requirements in order to make sure that it is able to make Discretionary Payments.

The Bank announced on 28 November 2019 that it had received formal notification from the Bank of Spain of its binding minimum TLAC/MREL Requirements, both total and subordinated, for the resolution group of Banco Santander at a sub-consolidated level, as determined by the SRB. The total MREL requirement has been set at 16.81 per cent. of the resolution group's total liabilities and own funds, which as a reference of the resolution group's risk weighted assets at 31 December 2017 would be 28.60 per cent. and is equivalent to an amount at 31 December 2017 of EUR108,631.8 million. The subordination requirement has been set at 11.48 per cent. of the resolution group's total liabilities and own funds, which as a reference of this resolution group's risk weighted assets at 31 December 2017 would be 19.53 per cent. and is equivalent to an amount at 31 December 2017 of EUR74,187.57 million. These requirements apply since 1 January 2020. According to the Bank's estimates, the resolution group complies with this total MREL requirement and the subordination requirement. Future requirements are subject to ongoing review by the resolution authority.

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

On 7 December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**") published the finalisation of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework covers credit, operational and credit valuation adjustment ("**CVA**") risks, introduces a floor to the consumption of capital by internal ratings-based methods ("**IRB**") and the revision of the calculation of the leverage ratio. The main features of the reform are: (i) a revised standard method for credit risk, which will improve the soundness and sensitivity to risk of the current method; (ii) modifications to the IRB methods for credit risk, including input floors to ensure a minimum level of conservatism in model parameters and limitations to its use for portfolios with low levels of non-compliance; (iii) regarding the CVA risk, and in connection with the above, the removal of any internally modelled method and the inclusion of a standardised and basic method; (iv) regarding the operations risk, the revision of the standard method, which will replace the current standard methods and the advanced measurement approaches (AMA); (v) the introduction of a leverage ratio buffer for G-SIIs; and (vi) regarding capital consumption, it establishes a minimum limit on the aggregate results (output floor), which prevents the risk weighted assets of the banks generated by internal models from being lower than the 72.5 per cent. of the risk weighted assets that are calculated with the standard methods of the Basel III framework. In August 2019 the EBA advised the European Commission on the introduction of the output floor and concluded that the

revised framework should be implemented by using the floored risk weighted assets as a basis for all the capital layers, including the systemic risk buffer and the Pillar 2 capital requirement.

The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks.

Deposit Guarantee Fund ("DGF") and Single Resolution Fund ("SRF")

The Group belongs to the DGF, which is aimed at guaranteeing the return of guaranteed deposits when the depository institution has been declared bankrupt (*concurso de acreedores*) or when deposits are not returned, provided an agreement has not been reached to commence a resolution process of the institution up to the limit contemplated in Royal Decree-Law 16/2011, of 14 October 2011, creating the Deposit Guarantee Fund for Credit Institutions. The standard annual contribution to be made by institutions to the fund is determined by the DGF Management Committee, pursuant to the provisions of Bank of Spain Circular 5/2016 of 27 May on the calculation method to ensure that the contributions by member institutions of the Deposit Guarantee Fund are proportional to their risk profile, as amended by Circular 1/2018 of 31 January 2018.

In addition, in March 2014, the European Parliament and the Council reached a political agreement on the creation of the second pillar of the banking union, the Single Resolution Mechanism ("**SRM**"). The main objective of the SRM is to ensure that all possible bankruptcies that occur in the future in the banking union are managed efficiently, at a minimum cost to taxpayers and the actual economy. The SRM's scope of activity is identical to that of the SSM, being a central authority.

The regulations governing the banking union are aimed at ensuring that the banks and their shareholders (primarily) and, if required, the bank's creditors (partly), are those that finance resolutions. Nevertheless, another source of finance must also be available, if the contributions by shareholders and bank creditors are insufficient. This is the Single Resolution Fund ("**SRF**"), administered by the Single Resolution Board ("**SRB**"), which is the ultimate entity responsible for deciding whether or not the resolution of the bank should be initiated, while the operating decisions are made in conjunction with the national resolution authorities. The regulations establish that banks must contribute to the SRF for eight years.

The SRB calculates the contributions to be made by each entity to the SRF, in accordance with the provisions of Regulation (EU) 806/2014 of the European Parliament and of the Council of 15 July 2014. The calculation is based on:

(a) contributions that are calculated in proportion to the individual entity's liabilities, excluding net worth and guaranteed deposits, with respect to the total liabilities minus net worth and guaranteed deposits of all the authorised entities in the participating Member States («annual base contribution»); and

(b) contributions that are calculated according the entity's risk profile («risk-adjusted contribution»).

The expense accounted for in financial years 2019 and 2018 for contributions by the Bank to the Deposit Guarantee Fund and the SRF amounted to €911 million and €895 million, respectively.

Non-performing exposures

On 15 March 2018, the ECB published its supervisory expectations on prudent levels of provision for non-performing loans ("**NPLs**"). The document was published as a subsequent addendum (the "**Addendum**") to the ECB's guidance on non-performing loans for credit institutions of 20 March 2017, which clarified the ECB's supervisory expectations with regard to the identification, measurement, management and write-off of NPLs. The ECB states that the Addendum sets out what it considers to be prudential provisioning of non-performing exposures, in order to avoid an excessive build-up of non-covered aged NPLs on banks' balance sheets in the future, which would require specific supervisory measures.

In this respect, the ECB states that it will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually and will link the supervisory expectations in this Addendum to new NPLs classified as such from 1 April 2018 onwards. In addition, banks will therefore be asked to inform the ECB of any differences between their practices and the prudential provisioning expectations, as part of the SREP supervisory dialogue, as from early 2021. This could ultimately result in the ECB requiring banks to apply specific adjustments to their net worth calculations when the accounting treatment applied by the bank is not considered prudent from a supervisory perspective which, in turn, could have an impact on the banks' capital position.

New rules on real estate loans

Law 5/2019 of 15 March 2019 regulating real estate credit agreements and Royal Decree 309/2019 of 26 April 2019 ("**Real Estate Credit Regulations**") implemented Directive 2014/17/EU of the European Parliament and of the Council of 4 February 2014, with the aim of strengthening the legal protection, transparency and prudential regime of real estate credit agreements.

In short, the protection regime of the Real Estate Credit Regulations extends to all natural persons, regardless of whether they are consumers or not, in conjunction with the current regulations on transparency in mortgage credit established by Order EHA/2899/2011, of 28 October, on the transparency and protection of customer banking services and Bank of Spain Circular 5/2012 and related regulations, in three areas: (i) establishment of rules of transparency and conduct that impose obligations upon lenders and credit intermediaries, as well as upon their appointed representatives; (ii) establishment of the legal regime governing real estate credit intermediaries and real estate lenders; and (iii) establishment of the penalty regime applicable in the event of a breach of the obligations contained therein.

The protection regime of the Real Estate Credit Regulations exceeds the level of protection established by Directive 2014/47/EU and has a direct impact on the granting and intermediation of real estate credit, imposing additional operating requirements that must be fulfilled by lenders (mainly to produce documents, such as the European Standardised Information Sheet, considered a binding offer during the agreed term until the signing of the agreement with at least 10 days' notice, the Standardised Warning Sheet, which contains relevant clauses or elements, the Separate Document (*Documento Separado*) and a copy of the draft agreement with a breakdown of all the costs), protective measures (limitation of default interest, in-depth assessment of the borrower's capacity, definition of financial concepts, determining of the regime governing related practices and cross-practices, accuracy of the content of the basic information that must appear in advertising materials) and the redistribution of the financial costs between lender and borrower (including the payment of stamp duty (*Actos Jurídicos Documentados*) by the lender, the cost of the property valuation and payment of the copies of the deed requested by the borrower).

The foreclosure regime is regulated by Article 24, which establishes the cumulative requirements for foreclosure:

(i) Absolute Requirement – refers to the borrower's default on payment of part of the loan principal or interest;

(ii) Quantitative requirement – taking into account the life of the loan (first or second half of the repayment period) the amount of instalments due and not paid shall be (i) in the first half of the loan (a) 3 per cent. of the principal granted or (b) 12 instalments (or the equivalent amount); or (ii) in the second half of the loan (a) 7 per cent. or (b) 15 instalments (or the equivalent amount);

(iii) Subjective requirement – the lender has claimed payment from the borrower, granting the borrower at least one month to comply and stating that if the borrower fails to comply, the lender will demand full repayment of the outstanding amount of the loan.

This mandatory regime differs from the regime established by the Spanish Law of Civil Procedure ("*Ley de Enjuiciamiento Civil*") (the "**Law of Civil Procedure**"), which required default of at least three monthly instalments to enable early termination of the loan by the lender, although this requirement has been extensively qualified by a number of court judgments, until the entry into force of Law 5/2019 on 16 June 2019. The Supreme Court ruling of 11 September 2019 on the effects of the annulment of an early maturity clause in mortgage loans clarified the regime, stating that (a) the annulment of a certain early maturity clause of a mortgage loan agreement does not imply the automatic annulment of the agreement; and (b) the early maturity clause annulled is replaced by Article 24 (which is mandatory).

In addition to the above, a limit on default interest is established in Article 25, which is also mandatory, as the interest of the loan plus three percentage points during the term of repayment of the loan and accrued only on the principal due and payable, without the possibility of capitalization (except in the case of Article 579.2.a) of the Law of Civil Procedure). This mandatory regime thus differs from the previous regime, in which there was margin of choice, subject to a maximum limit (mainly determined by case law and ranging from 2 points above the loan interest rate to 2.5 times the statutory interest rate).

Furthermore, the Supreme Court judgment of 11 September 2019 on the effects of the annulment of early maturity clauses in mortgage loans amended the conditions of early maturity, stating that (a) the annulment of a certain early maturity clause in a mortgage loan does not imply the automatic annulment of the loan

agreement; (b) alternatively, the early maturity clause annulled must be replaced by Article 24 of Law 5/2019 (mandatory), which imposes minimum terms that must be respected by the lending institution for foreclosure of the mortgage, referenced to percentages of the capital (3% and 7%).

Financial Transactions Tax

The draft Bill of of the law to set up a financial transactions tax ("**Financial Transactions Tax**") in Spain (which was published in the Official Gazette of the Spanish Parliament/121/000002 on 28 February 2020) envisages imposing an indirect tax on the acquisition of shares in Spanish companies that are admitted to trading on a Spanish market, or that of another European Union State subject to regulation pursuant to the MiFID II or on a market considered as equivalent by such Directive in a third country (as well as on purchases for consideration of negotiable securities constituted by certificates of deposit representing such shares) with a market capitalisation value greater than €1,000 million.

The taxable base, as a general rule, is comprised of the amount of consideration of the taxable transaction, excluding certain transaction costs (arising from market infrastructure prices, brokerage commissions and other associated expenses) and the tax is accrued on the date the transaction is performed (at a trading venue) or against a registry entry (for transactions that do not take place at a trading venue). When the acquisition of shares is the result of the execution or settlement of convertible bonds or debentures, the calculation of the taxable base is subject to special rules. The rate applicable to the taxable base would be a fixed rate of 0.2 per cent.

The main purpose of the tax is to contribute to funding the growing structural imbalance of the pension system, through an expected revenue of approximately €850 million per year.

The taxpayer is the purchaser of the securities. However, the taxable person (regardless of the location of the establishment) is the financial intermediary that transmits or executes the acquisition order, either when acting on its own behalf (credit institution or investment services firm) or on behalf of third parties. In the former case, it will be liable for the tax in its capacity as the taxpayer; and in the latter, the person liable as the substitute of the taxpayer will be:

- the member of the market executing the acquisition, if the transaction takes place at a trading venue;
- the systematic internaliser, if the acquisition takes place within the scope of its activity (outside a trading venue);
- the financial intermediary receiving the order from the purchaser or that makes delivery by virtue of the execution or settlement of a financial instrument/contract, if the acquisition does not involve either a trading venue or systematic internaliser; and
- the institution providing the securities depository service on behalf of the purchaser, if the acquisition does not involve a trading venue or any of the persons or entities referred to above.

The entry into force of the Financial Transactions Tax is within three months of its publication in the Official State Gazette and, if the Bill of Law on the Financial Transactions Tax is confirmed and passed by the Spanish Parliament, it could potentially have a major impact on credit institutions and investment service companies in scenarios in which they acquire assets on their own account or on behalf of third parties (as a financial intermediary). On the other hand, the divergence of the implementation of this regime in the European Union is seen as likely to create disadvantageous regimes, depending on the final characteristics of the Financial Transactions Tax, which will have an impact on both market operations (e.g. relocation of trading venues affected, decrease in liquidity) and on the very dynamics of the financial instruments affected (e.g. replacement by non-taxed financial instruments).

PSD2

Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market (the "**PSD2 Directive**") has been fully transposed into Spanish law, which took place after the deadline for PSD2 transposition (13 January 2018); notwithstanding the additional transitional period until 31 December 2020 in relation to the requirements on security measures (mainly due to their potential negative impact on electronic commerce)) by means of Royal Decree-Law 19/2018 of 23 November 2018 on payment services and other urgent measures in financial matters, Royal Decree 736/2019 of 20 December 2019 on the legal regime for payment services and payment institutions and Order ECE/1263/2019 of 26 December 2019 on transparency of conditions and information requirements applicable to payment services. The PSD2 Directive essentially regulates (a) transparency conditions and (b) the rights and

obligations in contracts between payment service providers and users, applying its regime to the objective scope of payment services provided by credit institutions, payment service entities and electronic money institutions. In addition, it provides for a set of precautionary measures (prohibition of surcharges for the use of payment instruments at commercial establishments or online, unconditional right to the return for direct debits in euros, reduction of liability for unauthorised payments), security requirements (protection of consumer financial data and enhanced security requirements for electronic payments).

In particular, the new payment services introduced by PSD2 feature the services of (a) payment initiation; and (b) account information. Both services involve access by third parties (suppliers to third parties) to payment service users' accounts held with credit institutions. This means the opening up of the payment market to these new competitors (“third-party providers”), who can operate directly through the payment service user's account at their credit institution, without having to open an account themselves to operate. This PSD2 Directive regime and the operational and technological efforts made to adapt it, together with the introduction of the so-called "open banking", will have a substantial impact on the business model for payment services offered by credit institutions, by allowing third parties not related to credit institutions to access their infrastructure, for the purposes of obtaining account information and initiating payment services with bank customers/potential new users of third-party payment services, subject to specific limitations under Articles 66, 67 et seq. In essence, this leads to an increase in the regulatory cost of adaptation of credit institutions, a strengthening of their technological systems for operational and integration purposes and an intensification of competition in the payment services sector, represented mainly by non-credit institution providers subject to a less onerous regulatory regime or, directly, not subject to a prudential supervision regime.

New accounting framework

The Bank of Spain Circular 4/2017 of 27 November 2017 to credit institutions on public and confidential financial reporting rules and standard financial statements ("**Circular 4/2017**"), which repealed the former Bank of Spain Circular 4/2004 of 22 December 2004, after successive amendments, adapts the accounting system of Spanish credit institutions to the changes resulting from the adoption of International Financial Reporting Standards (IFRS) - IFRS 9 and IFRS 15, applicable as from 1 January 2018, in relation to the accounting criteria applicable to financial instruments and ordinary revenue.

Annex IX of Circular 4/2017 ("**Annex IX**") develops the general framework for credit risk management in accounting terms, essentially maintaining the amendments introduced by Circular 4/2016, of 27 April 2016 and mainly regulates the policies for the granting, modifying, evaluating, monitoring and controlling of transactions, which include their accounting and the estimation of credit risk loss hedging. In addition, a generally stricter regime is introduced for revaluation, mainly with respect to the general procedures of valuation and monitoring of real estate collateral and the valuation of properties used as collateral for mortgage loans (supplemented by the application of automatic methods to obtain Automated Valuation Model valuations and specific criteria applicable to valuations performed by valuation companies, with strict requirements).

Adaptation to the accounting criteria of IFRS 9 and IFRS 15 since 2018 has had a substantial influence on the accounting plans of credit institutions, mainly due to the effects of the impairment of financial assets, which are subject to new classification criteria and the move from the "incurred losses" model to the "expected credit losses" model, applicable to financial assets measured at amortised cost and to financial assets valued at fair value, with changes in other overall results. This has had a significant impact on credit institutions' provisioning models, leading to accounting adjustments/reduced reserves, in addition to the major regulatory costs that credit institutions had to bear in 2018.

IFRS 9

International Financial Reporting Standard 9 ("**IFRS 9**") addresses the classification, measurement and recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014 and replaces guideline IAS 39 on classification and measurement of financial instruments. IFRS 9 maintains, although it simplifies, the mixed measurement model and establishes three main measurement categories for financial assets: amortised cost, at fair value with changes in profit and loss and fair value with changes in other comprehensive income. The basis of classification depends on the entity's business model and the characteristics of the financial asset's contractual cash flows. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other non-recyclable comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

In relation to financial liabilities, there have been no changes with respect to classification and valuation, except for the recognition of changes in the entity's own credit risk in other comprehensive income for liabilities designated at fair value through profit or loss. Under IFRS 9, there is a new model for losses resulting from impaired value, the expected credit loss model, which replaces the incurred loss model of IAS 39 and will result in recognition of losses earlier than under IAS 39.

IFRS 9 relaxes the requirements for effective hedging. Under IAS 39, hedging must be highly effective, both prospectively and retrospectively. IFRS 9 replaces this process by requiring an economic relationship between the hedged item and the hedging instrument and that the hedged ratio is the same as that actually used by the entity for its risk management. Contemporaneous documentation is still required, but is different from that prepared under IAS 39. Finally, extensive information is required, including a reconciliation between the initial and final amounts of the provision for expected credit losses, assumptions and data, and a reconciliation on transition between the categories of the original classification under IAS 39 and the new classification categories under IFRS 9.

IFRS 9 is effective for annual periods that commence as of 1 January 2018. IFRS 9 is applied retrospectively, although the comparative figures do not have to be re-stated.

For more information on IFRS 9, see note 1.d to the 2019 Financial Statements.

TAXATION

The following is a general description of certain tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Instruments and receiving any payments under the Instruments. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

The proposed Financial Transactions Tax

On 14 February 2013, the European Commission published the Commission's Proposal for a Directive for an Financial Transactions Tax in the Participating Member States. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, impose a tax at generally not less than 0.1 per cent., generally determined by reference to the amount of consideration paid, on certain dealings in Instruments (including secondary market transactions) in certain circumstances. The issuance and subscription of Instruments should, however, be exempt. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Instruments would be subject to higher costs, and the liquidity of the market for the Instruments may be diminished.

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

The Financial Transactions Tax proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw. Prospective Holders are advised to seek their own professional advice in relation to the consequences of the Financial Transactions Tax associated with subscribing for, purchasing, holding and disposing of the Instruments.

In addition to the above, a draft Bill on the Spanish Financial Transactions Tax was published in the Official Gazette of the Spanish Parliament. For more information on the Spanish Financial Transactions Tax, see "*Regulation – Financial Transactions Tax*".

Taxation in Spain

The following is a general description of certain Spanish tax considerations relating to the Instruments. It does not purport to be a complete analysis of all tax considerations relating to the Instruments. Prospective purchasers of Instruments should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Instruments and receiving any payments under the Instruments. The information contained within this section is based upon the law as in effect on the date of this document and is subject to any change in law that may take effect after such date.

In the event of an issue of unlisted Instruments, the applicable tax regime will be set out in the relevant Final Terms.

Introduction

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

(a) of general application**,** First Additional Provision of Law 10/2014 and Royal Decree 1065/2007;

(b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended, and Royal Decree 439/2007, of 30 March, promulgating the IIT Regulations, along with Law 19/1991, of 6 June, on Net Wealth Tax, as amended and Law 29/1987, of 18 December on the Inheritance and Gift Tax;

(c) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Law 27/2014, of 27 November, on CIT and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations; and

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004 of 30 July promulgating the NRIT Regulations, along with Law 19/1991, of 6 June, on Net Wealth Tax as amended and Law 29/1987, of 18 December, on the Inheritance and Gift Tax.

Whatever the nature and residence of the beneficial owner, the acquisition and transfer of Instruments will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24 September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

Individuals with Tax Residency in Spain

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

Both interest payments periodically received and income derived from the transfer, redemption or repayments of the Instruments obtained by individuals who are resident in Spain constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the IIT Law, and therefore must be included in the investor's IIT savings taxable base pursuant to the provisions of the aforementioned law and generally taxed at a flat rate of (i) 19 per cent. on the first €6,000; (ii) 21 per cent. from €6,001 up to €50,000; and (iii) 23 per cent. for any amount in excess of €50,000.

According to Section 44.5 of Royal Decree 1065/2007, and in the opinion of the Issuer, the Issuer will pay interest without withholding to individual Holders who are resident for tax purposes in Spain provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer, redemption or exchange of the Instruments may also be paid without withholding.

Notwithstanding the above withholding tax at the applicable tax rate of 19 per cent. may have to be deducted by other entities (such as depositaries, custodians or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spain.

Amounts withheld may be credited against the final IIT liability.

Reporting Obligations

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders of the Instruments who are individuals resident in Spain for tax purposes.

Net Wealth Tax (Impuesto sobre el Patrimonio)

Individuals with tax residency in Spain are subject to Wealth Tax to the extent that their net worth exceeds EUR700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (Comunidad Autónoma). Therefore, they should take into account the value of the Instruments which they hold as of 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

In accordance with Second section of article 1 of Royal Decree 13/2011, of 16 September, as amended by Article 3 of Royal Decree-Law, 18/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked again.

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Instruments by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The effective tax rates currently may range between 7.65 per cent. and 81.6 per cent. depending on relevant factors (such as previous net wealth or family relationship between the transferor and transferee), and depending on any applicable regional tax laws.

Legal Entities with Tax Residency in Spain

Corporate Income Tax (Impuesto sobre Sociedades)

Both interest received periodically and income derived from the transfer, redemption or repayment of the Instruments are subject to CIT at the current general tax rate of 25 per cent. in accordance with the rules for this tax. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

In accordance with Section 44.5 of Royal Decree 1065/2007, and in the opinion of the Issuer, 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 income payments to Spanish CIT taxpayers provided that the information about the Instruments required by Exhibit I is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation.

However, in the case of Instruments held by a Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Instruments or income obtained upon the transfer, redemption or repayment of the Instruments, may be subject to withholding tax at the generally applicable rate of 19 per cent., if the Instruments do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 in which case the required withholding will be made by the depositary or custodian.

Notwithstanding the above, amounts withheld, if any, may be credited by the relevant investors against its final CIT liability.

Reporting Obligations

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are legal persons or entities resident in Spain for tax purposes.

Net Wealth Tax (Impuesto sobre el Patrimonio)

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

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

Individuals and Legal Entities with no tax residency in Spain

Non-resident Income Tax (Impuesto sobre la renta de No Residentes)

(a) *With permanent establishment in Spain*

If the Instruments form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Instruments are, generally, the same as those previously set out for Spanish CIT taxpayers. See "*Taxation in Spain-Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*". Ownership of the Instruments by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) *With no permanent establishment in Spain*

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

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Instruments, in the manner detailed under "*—Information about the Instruments in Connection with Payments*" as laid down in section 44 of Royal Decree 1065/2007. If these information obligations are not complied within the manner indicated, the Issuer will withhold at the general rate of 19 per cent. 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 timely receive the information about the Instruments in accordance with the procedure described in detail as set forth in Exhibit I hereto would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

Reporting Obligations

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to Holders who are individuals or legal entities not resident in Spain for tax purposes who act with respect to the Instruments through a permanent establishment in Spain.

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 during the tax year 2019 to Net Wealth Tax, the applicable rates ranging between 0.2 per cent. and 2.5 per cent..

However, non-Spanish resident individuals will be exempt from Net Wealth Tax in respect of the Instruments which income is exempt from NRIT as described above.

In accordance with Second section of Article 1 of Royal Decree 13/2011, of 16 September, as amended by Article 3 of Royal Decree-Law, 18/2019, of 27 December, a full exemption on Wealth Tax will apply in 2021 unless such exemption is revoked again.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or European Economic Area Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

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

Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)

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

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish legislation.

However, if the deceased, heir or the donee are resident in an EU or European Economic Area Member State, depending on the specific situation, the applicable rules will be those corresponding to the relevant autonomous regions according to the law.

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

Tax Rules for Instruments not listed on a Multilateral Trading Facility, Regulated Market or any Organised Market in an OECD Country

Withholding on Account of IIT, CIT and NRIT

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

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)*".

Information about the Instruments in Connection with Payments

As described above, interest and other income paid with respect to the Instruments will not be subject to Spanish withholding tax unless the procedures for delivering to the Issuer the information described in Exhibit I of this Base Prospectus 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**").

In accordance with Section 44, the following information with respect to the Instruments must be submitted to the Issuer before the close of business on the Business Day (as defined in the Terms and Conditions) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Instruments (each, a "**Payment Date**") is due.

Such information comprises:

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

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

(c) the total amount of the relevant payment;

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

In particular, the Issue and Paying Agent must certify the information above about the Instruments by means of a certificate in the Spanish language, an English language form of which is attached as Exhibit I of this Base Prospectus.

In light of the above, the Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Instruments by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, such Issuer will withhold tax at the then-applicable rate, generally 19 per cent. from any payment in respect of the relevant Instruments. The Issuer will not 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, will reimburse the amounts withheld.

Prospective Holders of Instruments should note that neither the Issuer nor any of the Dealers accepts any responsibility relating to the procedures established for the collection of information concerning the Instruments. Accordingly, neither the Issuer nor any of 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, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors - Risks in relation to the Instruments - Taxation*".

Set out below is Exhibit I. The information set out in Exhibit I has been translated from the original Spanish and has been presented in this document in English only as the language of this Base Prospectus is English. However, only the Spanish language text of Exhibit I is recognised under Spanish law. In the event of any discrepancy between the English language translation of the information in Exhibit I appearing herein, and the Spanish language information appearing in the corresponding certificate provided by the Issue and Paying Agent to the Issuer, the Spanish language information shall prevail.

EXHIBIT I

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

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

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

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

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

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

(d) Paying Agent appointed by the issuer.

Makes the following statement, according to its own records:

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

1.1 Identification of the securities……

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

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

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

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

2 In relation to paragraph 5 of Article 44.

2.1 Identification of the securities……..

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

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

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

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

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

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

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

Irish Taxation

The following is a summary of the Irish withholding tax treatment of the Instruments. It is based on the laws and practice of the Revenue Commissioners currently in force in Ireland as at the date of this Base Prospectus and may be subject to change. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Instruments. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular Holder of Instruments. Prospective investors in the Instruments should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Instruments and the receipt of payments thereon under any laws applicable to them.

Withholding Tax

Irish withholding tax applies to certain payments including payments of:

- Irish source yearly interest (yearly interest is interest that is capable of arising for a period in excess of one year);
- Irish source annual payments (annual payments are payments that are capable of being made for a period in excess of one year and are pure income-profit in the hands of the recipient); and
- Distributions (including interest that is treated as a distribution under Irish law) made by companies that are resident in Ireland for the purposes of Irish tax;

at the standard rate of income tax (currently 20 per cent).

On the basis that the Issuer is not resident in Ireland for the purposes of Irish tax, nor does the Issuer operate in Ireland through a branch or agency with which the issue of the Instruments is connected, nor are the Instruments held in Ireland through a depository or otherwise located in Ireland, then to the extent that payments of interest or annual payments arise on the Instruments, such payments should not be regarded as payments having an Irish source for the purposes of Irish taxation. In addition, the mere offering of Instruments to Irish investors will not cause any payments to have an Irish source.

Accordingly, the Issuer or any paying agent acting on behalf of the Issuer should not be obliged to deduct any amount on account of these Irish withholding taxes from payments made in connection with the Instruments.

Separately, for as long as the Instruments are quoted on a stock exchange, a purchaser of the Instruments should not be obliged to deduct any amount on account of Irish tax from a payment made by it in connection with the purchase of the Instruments.

Encashment Tax

Payments on any Instruments paid by a paying agent in Ireland or collected or realised by an agent in Ireland acting on behalf of the beneficial owner of Instruments will be subject to Irish encashment tax at the standard rate of Irish tax (currently 20 per cent), unless it is proved, on a claim made in the required manner to the Revenue Commissioners of Ireland, that the beneficial owner of the Instruments entitled to the interest or distribution is not resident in Ireland for the purposes of Irish tax and such interest or distribution is not deemed, under the provisions of Irish tax legislation, to be income of another person that is resident in Ireland.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Instruments, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Instruments, such withholding would not apply to foreign passthru payments prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Instruments that have a fixed term and are not treated as equity for U.S. federal income tax purposes, issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding on foreign passthru payments unless materially modified after such date. However, if additional instruments (as described under "*Terms and Conditions—Further Issues*") that are not distinguishable from previously issued Instruments are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Instruments, including the Instruments offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Instruments, no person will be required to pay additional amounts as a result of the withholding. Prospective purchasers should consult their own tax advisors regarding how these rules may apply to their investment in the Instruments.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in an amended and restated dealership agreement dated 16 March 2020 (the "**Dealership Agreement**") between the Issuer, the Dealers (the "**Permanent Dealers**") and the Arrangers, the Instruments will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Instruments directly on its own behalf to Dealers that are not Permanent Dealers but are appointed under the Dealership Agreement. The Instruments may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Instruments may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealership Agreement also provides for Instruments to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Instruments subscribed by it. The Issuer has agreed to reimburse the Arrangers for their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Instruments. The Dealership Agreement entitles the Dealers to terminate any agreement that they make to subscribe Instruments in certain circumstances prior to payment for such Instruments being made to the Issuer.

Selling Restrictions

European Economic Area and the UK

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Instruments which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area and the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

  (ii) a customer within the meaning the Insurance Distribution Directive (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe for the Instruments.

United States of America

Regulation S Category 2; TEFRA.

The Instruments 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 except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Instruments are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and U.S. Treasury regulations promulgated thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealership Agreement, it will not offer, sell or (in the case of Bearer Instruments)

deliver the Instruments of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of such Tranche, within the United States or to or for the account or benefit of U.S. persons, and only in accordance with Rule 903 of Regulation S (the "**distribution compliance period**"). Each Dealer has further agreed that it will have sent to each dealer to which it sells Instruments during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Instruments within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

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

The Instruments are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Instruments outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Instruments, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Base Prospectus by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

UK

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

(a) *Financial promotion*: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in *connection* with the issue or sale of any Instruments in circumstances in which Section 21(1) of the FSMA would not, if the Issuer were not an authorised person, apply to the Issuer; and

(b) *General compliance*: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Instruments in, from or otherwise involving the UK.

Spain

The Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not require the registration of a prospectus in Spain or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments.

Neither the Instruments nor the Base Prospectus have been registered with the CNMV and therefore the Base Prospectus is not intended for any offer of the Instruments in Spain that would require the registration of a prospectus with the CNMV.

Japan

The Instruments have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**") and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Instruments, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), 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 and regulations of Japan.

Switzerland

The offering of the Instruments in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**"). This Base Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Instruments.

Belgium

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available, and will not sell, offer or otherwise make available, any Instruments to any consumer (*consument/consommateur*) within the meaning of the Belgian Code of Economic Law (*Wetboek van economisch recht/Code de droit économique*), as amended, in Belgium.

Singapore

This Base Prospectus has not been registered as a prospectus with the MAS, and the Instruments will be offered pursuant to exemptions under the SFA. Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Instruments or caused the Instruments to be made the subject of an invitation for subscription or purchase and will not offer or sell any Instruments or cause the Instruments to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Instruments, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA pursuant to Section 275(1) of the SFA), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Instruments are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Instruments pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the SFA - Unless otherwise stated in the applicable Final Terms, all Instruments shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Product and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Italy

The offering of the Instruments has not been registered pursuant to Italian securities legislation and, accordingly, no Instruments may be offered, sold or delivered, nor may copies of this Base Prospectus (including, without limitation, any supplement to the Base Prospectus) or any other document relating to the Instruments be distributed in the Republic of Italy ("**Italy**"), except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Instruments or distribute any copy of this Base Prospectus or any other document relating to the Instruments in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and/or Italian CONSOB regulations; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Instruments or distribution of copies of the Base Prospectus (including, without limitation, any supplement to the Base Prospectus) or any other document relating to the Instruments in Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

The above restrictions are in addition to those set-out under the heading "*Selling Restrictions – European Economic Area and the UK*".

General

No action has been taken in any jurisdiction that would permit an offering of any of the Instruments or possession or distribution of the Base Prospectus or any other offering material or any Final Terms in any country or jurisdiction where action for that purpose is required.

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, to the best of its knowledge and belief, it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Instruments or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Instruments or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) after the date hereof in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

PRO FORMA FINAL TERMS

Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Instruments has led to the conclusion that: (i) the target market for the Instruments is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU, as amended ("**MiFID II**"); and (ii) all channels for distribution of the Instruments to eligible counterparties and professional clients are appropriate. [*Consider any negative market*] Any person subsequently offering, selling or recommending the Instruments (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Instruments (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

PRIIPs Regulation / PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – The Instruments are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Instruments or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time** (the "**SFA**") – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined the classification of the Instruments to be [capital markets products other than] prescribed capital markets products (as defined in the CMP Regulations 2018) and ［Excluded]/ [Specified] Investment Products (as defined in the Monetary Authority of Singapore (the "**MAS**") Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][1]

[Amounts payable under the Instruments may be calculated by reference to [*specify benchmark (as this term is [defined in the Benchmark Regulation*)] which is provided by [*legal name of the benchmark administrator*]. As at the date of this Final Terms, [*legal name of the benchmark administrator*] [appears / does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) ("**BMR**").]

Final Terms dated [ ]

Banco Santander, S.A.
Issue of [*Aggregate Nominal Amount of Tranche*] [*Title of Instruments*]
under the €25,000,000,000 Programme for the Issuance of Debt Instruments

PART A — CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Terms and Conditions**") set forth in the Base Prospectus dated 16 March 2020 [and the Supplement[s] to the Base Prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation. [This document constitutes the Final Terms of the Instruments described herein for the

[1] Legend to be included on front of the Final Terms if the Instruments do not constitute prescribed capital markets products as defined under the CMP Regulations 2018.

purposes of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented]][2] in order to obtain all the relevant information. [The Base Prospectus [and the Supplement[s] to the Base Prospectus] [is] [are] available for viewing at the head office of the Issuer (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain), the offices of the Issue and Paying Agent, The Bank of New York Mellon, London Branch at One Canada Square, London E14 5AL and at the offices of each Paying Agent and copies may be obtained from the addresses specified above. The Base Prospectus has been published on the website of Euronext Dublin (www.ise.ie).]]

(*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*)

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the "**Terms and Conditions**") set forth in the Base Prospectus dated [12 March 2019][8 March 2018][6 March 2017, and the Supplement to it dated 7 July 2017] which [is/are] incorporated by reference in the Base Prospectus dated 16 March 2020. This document constitutes the Final Terms of the Instruments described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 16 March 2020 [and the Supplement[s] to the Base Prospectus dated [ ]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the "**Base Prospectus**") in order to obtain all the relevant information, save in respect of the Terms and Conditions which are extracted from the Base Prospectus dated [12 March 2019][8 March 2018][6 March 2017, and the Supplement to it dated 7 July 2017]. The Base Prospectus has been published on the websites of the Issuer (www.santander.com), Euronext Dublin (www.ise.ie) and the Central Bank of Ireland (http://www.centralbank.ie).]

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

1	Issuer:		Banco Santander, S.A.
2	(i)	Series Number:	[ ]
	[(ii)]	Tranche Number:	[ ]
	[(If fungible with an existing Series, details of that Series, including the date on which the Instruments become fungible).]		
3	Specified Currency:		[ ]
4	Aggregate Principal Amount:		[ ]
	[(i)	Series:	[ ]
	(ii)	Tranche:	[ ]]
5	Issue Price:		[ ] per cent. of the Aggregate Principal Amount [plus accrued interest from [*date*] (if applicable)] / [ ] per cent per Instrument of [ ] Specified Denomination
6	Specified Denominations:		[ ]
7	Calculation Amount:		[*the Specified Denomination*]
8	(i)	Issue Date:	[ ]
	(ii)	Interest Commencement Date:	[ ] [Issue Date]
9	Maturity Date:		[*Date or (for Floating Rate — Instruments) Interest Payment Date falling in the relevant month and year*]
10	Interest Basis:		[[ ] per cent. Fixed Rate]
			[Reset Instruments]

[2] [In the case of listing the Instruments on an unregulated market or unlisted Instruments, this language will be removed.]

			[Floating Rate: [difference between] [LIBOR] [and] [EURIBOR] [and] [SONIA] [and] [*insert Floating Rate Option*] [+/-] [multiplied by] [ ] per cent]
			[Zero Coupon]
			[CMS-Linked: [*constant maturity swap rate appearing on the Relevant Screen Page*] +/- [ ] per cent]
11	Redemption/Payment Basis:		[Redemption at par]
			[Instalment]
12	Put/Call Options:		[Not Applicable]
			[Call Option]
			[Put Option]
			[(further particulars specified below)]
13	[(i)]	Status of the Instruments:	[Ordinary Senior Instruments/ Senior Non Preferred Instruments/ Subordinated Instruments-Senior Subordinated Instruments/Subordinated Instruments-Tier 2 Subordinated Instruments]
			[*The Subordinated Instruments-Tier 2 Subordinated Instruments are intended to constitute Tier 2 Instruments of the Issuer*]
	[(ii)]	Ordinary Senior Instruments – Events of Default	[Conditions 6.01 and 6.02 are [not] applicable]
	[[(iii)]	[Date [Executive Committee] approval for issuance of Instruments obtained:	
14	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Instrument Provisions		[Applicable/ Applicable (in respect of period from (and including) [ ] to (but excluding ([ ])/Not Applicable] (*If applicable, Condition 4A of the Terms and Conditions of the Instruments will apply*) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [for the [ ] Interest Period][*repeat information if necessary*]
			[ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[ ] [in each year] [adjusted in accordance with [*Business Day Convention*]]
	(iii)	Fixed Coupon Amount[(s)]:	[ ] per [ ] Specified Denomination [for the [ ] Interest Period] [*repeat information if necessary*]
	(iv)	Day Count Fraction:	[30/360]/[360/360]/[Bond Basis]
			[30E/360]/ [EuroBond Basis]
			[Actual/Actual]/ [Actual/Actual (ISDA)]
			[Actual/365 (Fixed)][
			[Actual/Actual (ICMA)]
			[Actual/360]

			[30E/360 (ISDA)]
	[(v)	Determination Dates:	[ ] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*). *(N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vi)	Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the [Issue and Paying Agent])	[ ]
	(vii)	Step Up Provisions:	[Applicable/Not Applicable]
		— Step Up Margin:	[ ] per cent.
16	Reset Instrument Provisions		[Applicable/Applicable (in respect of period from (and including) [ ] to (but excluding ([ ])/Not Applicable] (*If applicable, Condition 4B of the Terms and Conditions of the Instruments will apply*) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Initial Rate of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]
	(ii)	First Margin:	[+/-][ ] per cent. per annum
	(iii)	Subsequent Margin:	[[+/-][ ] per cent. per annum] [Not Applicable]
	(iv)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*Business Day Convention*]/[not adjusted].
	(v)	Fixed Coupon Amount up to (but excluding) the First Reset Date:	[ ] per [ ] specified denomination [for the [ ] Interest Period] [*repeat information if necessary*]
	(vi)	First Reset Date:	[ ] [adjusted in accordance with [*Business Day Convention*]/[not adjusted].
	(vii)	Second Reset Date:	[ ]/[Not Applicable] [adjusted in accordance with [*Business Day Convention*]/[not adjusted].
	(viii)	Subsequent Reset Date(s):	[ ] [and [ ]] [adjusted in accordance with [*Business Day Convention*]/[not adjusted].
	(ix)	Relevant Screen Page:	[ ]
	(x)	Mid-Swap Rate:	[Single Mid-Swap Rate/Mean Mid-Swap Rate]
	(xi)	Mid-Swap Maturity:	[ ]
	(xii)	Fixed Leg Swap Duration:	[ ]
	(xiii)	Day Count Fraction:	[30/360]/[360/360]/[Bond Basis] [30E/360]/ [EuroBond Basis] [Actual/Actual]/ [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/Actual (ICMA)] [Actual/360] [30E/360 (ISDA)]
	(xiv)	[Determination	[ ] in each year (*insert regular interest payment dates, ignoring*

		Dates:	*issue date or maturity date in the case of a long or short first or last coupon).*
	(xv)	Reset Business Centre:	[ ]
	(xvi)	Party responsible for calculating the Rate of Interest and/or Interest Amount (if not the [Issue and Paying Agent])	
	(xvii)	Step Up Provisions:	[Applicable/Not Applicable]
		— Step Up Margin:	[ ] per cent.
17	Floating Rate and CMS-Linked Instrument Provisions		[Applicable/ Applicable (in respect of period from (and including) [ ] to (but excluding ([ ])/Not Applicable] (*If applicable, Condition 4C of the Terms and Conditions of the Instruments will apply*) (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Payment Date(s):	[ ] in each year [adjusted in accordance with [*Business Day Convention*]
	(ii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
	(iii)	Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Issue and Paying Agent]):	[ ]
	(iv)	Margin Plus Rate:	[Applicable] [Not Applicable]
	(v)	Specified Percentage Multiplied by Rate:	[Applicable] [Not Applicable]
	(vi)	Difference in Rates:	[Applicable] [Not Applicable]
		— Rate 1:	[Screen Rate Determination] [ISDA Determination]
		— Rate 2:	[Screen Rate Determination] [ISDA Determination]
	(vii)	Screen Rate Determination	
		— Reference Rate:	[LIBOR][EURIBOR][SONIA][constant maturity swap rate]
		— Interest Determination Date(s):	[ ]
		— Relevant Screen Page:	[*For example, Reuters LIBOR 01/ EURIBOR 01*]
		— Relevant Time:	[*For example, 11.00 a.m. London time/Brussels time*]
	(viii)	ISDA Determination:	
		— Floating Rate Option:	[ ]

		— Designated Maturity:	[ ]
		— Reset Date:	[ ]
		[— ISDA Benchmarks Supplement:	[Applicable/Not Applicable]]
	(ix)	Margin(s):	[+/-] [ ] per cent. per annum
	(x)	Minimum Rate of Interest:	[ ] per cent. per annum
	(xi)	Maximum Rate of Interest:	[ ] per cent. per annum
	(xii)	Day Count Fraction:	[30/360]/[360/360]/[Bond Basis] [30E/360]/ [EuroBond Basis] [Actual/Actual]/ [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/Actual (ICMA)] [Actual/360] [30E/360 (ISDA)]
	(xiii)	Specified Percentage:	[ ] per cent.
	(xiv)	Constant maturity swap rate:	[ ]
	(xv)	Step Up Provisions:	[Applicable/Not Applicable]
		— Step Up Margin:	[ ] per cent.
18	Zero Coupon Instrument Provisions		[Applicable/Not Applicable] *(If applicable, Condition 4D of the Terms and Conditions of the Instruments will apply)* *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[ ] per cent per annum
	(ii)	Day Count Fraction relating to Early Redemption Amounts:	[30/360]/[360/360]/[Bond Basis] [30E/360]/ [EuroBond Basis] [Actual/Actual]/ [Actual/Actual (ISDA)] [Actual/365 (Fixed)] [Actual/Actual (ICMA)] [Actual/360] [30E/360 (ISDA)]

PROVISIONS RELATING TO REDEMPTION

19	Call Option:		[Applicable/Not Applicable] (*The clearing systems require a minimum of 5 business days' notice if such an option is to be exercised*)
	(i)	Early Redemption Amount (Call) of each Instrument:	[ ] per Instrument of [ ] specified denomination
	(iii)	Notice period	[ ] days
	(iv)	Early Redemption Date(s):	[ ]

20	Put Option		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Early Redemption Date(s):	[ ]
	(ii)	Early Redemption Amount (Put) of each Instrument:	[ ] per Instrument of [ ] specified denomination
	(iii)	Notice period	[ ]
21	Maturity Redemption Amount of each Instrument		[[ ] per Instrument of [ ] Specified Denomination]
22	Early Redemption Amount, Early Redemption Amount (Tax), Early Redemption Amount (Capital Disqualification Event) and Early Redemption Amount (TLAC/MREL Disqualification Event)		
	TLAC/MREL Disqualification Event		[Applicable/Not Applicable]
	Early Redemption Amount(s) of each Instrument payable on redemption for (1) taxation reasons, [(2) on a Capital Disqualification Event], [(3) on a TLAC/MREL Disqualification Event] or (4) on event of default:		[ ]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

23	Form of Instruments:	Bearer Instruments: [Temporary Global Instrument exchangeable for a Permanent Global Instrument which is exchangeable for Definitive Instruments on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument] [Temporary Global Instrument exchangeable for Definitive Instruments] [Permanent Global Instrument exchangeable for Definitive Instruments on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Instrument] [Instruments shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian law of 14th December, 2005[3]] Registered Instruments: [Global Registered Instrument exchangeable for Individual Certificates in the limited circumstances specified in the Global Registered Instrument] [Global Registered Instrument (US$/€[ ] nominal amount) registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]]

[3] Include for Instruments that are to be offered in Belgium.

		[Individual Certificates]
24	New Global Note:	[Yes] [No]
25	Talons for future Coupons or Receipts to be attached to Definitive Instruments (and dates on which such Talons mature):	[Yes] [No] [ ]
26	Relevant Financial Centre:	[ ]
27	Relevant Financial Centre Day:	[ ]
28	Amount of each instalment (Instalment Amount), date on which each payment is to be made (Instalment Date):	[Not Applicable] [ ]
29	Commissioner:	[ ]
30	Waiver of Set-off:	[Applicable/Not Applicable]
31	Substitution and Variation:	[Applicable/Not Applicable]
32	Governing law	[English law/Spanish law]

DISTRIBUTION

33	If syndicated, names of Managers:	[Not Applicable] [ ]
34	If non-syndicated, name of Dealer/Manager:	[Not Applicable] / [ ]
35	Stabilisation Manager(s):	[Not Applicable] [ ]
36	US Selling Restrictions: (Categories of potential investors to which the Instruments are offered)	Reg. S Compliance Category 2; [TEFRA C/TEFRA D/ TEFRA not applicable]

THIRD PARTY INFORMATION

[[*Relevant third party information*] has been extracted from [*source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [*source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

CONFIRMED

BANCO SANTANDER, S.A.

By:

_____

Authorised Signatory

Date

PART B — OTHER INFORMATION

1 LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on [the Official List of Euronext Dublin]/[*any other regulated market*][4]/[*any unregulated market]/[any other listing authority] [any other stock exchange] [any other quotation system*] and application is expected to be made by the Issuer (or on its behalf) for the Instruments to be admitted to trading on [the Regulated Market of Euronext Dublin] [*any other regulated market] [any other unregulated market] [any other listing authority] [any other stock exchange] [any other quotation system*] with effect from [ ].][5] [Not Applicable.]

Estimate of total expenses related to admissions to trading: [●]

(*Where documenting a fungible issue, indicate that the original Instruments are already admitted to trading.*)

2 [RATINGS

The Instruments to be issued have been rated:

[S&P:[ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[[Other]: [ ]]

[These credit ratings have been issued by [S&P Global Ratings Limited], [Moody's Investor Services España, S.A.] [and Fitch Ratings España, S.A.U.] [*other*].

Each of [S&P Global Ratings Limited], [Moody's Investor Services España, S.A.] [,][and] [Fitch Ratings España, S.A.U.] [and] [Specify Other] is established in the European Union or in the United Kingdom and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such each of [S&P Global Ratings Limited], [Moody's Investor Services España, S.A.] [,][and] [Fitch Ratings España, S.A.U.] [and] [Specify Other] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation.

[A list of rating agencies registered under the CRA Regulation can be found at http://www.esma.europa.eu/page/List-registerd-and-certified-CRAs.]

[[*Insert the legal name of the relevant credit rating agency entity*] is not established [in the European Union] and is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). [*Insert the legal name of relevant credit rating agency entity*] is therefore not included in the list of credit rating agencies published by the European Securities and Market Authority on its website in accordance with such Regulation.][6]

(*Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider*)

(*The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

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[4] [In the case of listing the Instruments on an unregulated market, this language and any references to the Prospectus Regulation will be removed.]

[5] [In the case of unlisted Instruments, this language and any references to the Prospectus Regulation will be removed.]

[6] [For Instruments that receive ratings only.]

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

(Need to include a description of any interest, including a conflict of interest, 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 statement below.)

[Save as discussed in paragraph 5.4 (*Placing and Underwriting*) of the Base Prospectus for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (*Amend as appropriate if there are other interests*)]

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation.)]

4 REASONS FOR THE OFFER AND ESTIMATED NET PROCEEDS

[Reasons for the offer:	(*Use of proceeds if other than for general funding purposes of the Group*.) The Instruments are specified as being ["Green Bonds"]["Social Bonds"]["Sustainable Bonds"] and the net proceeds from the issuance of the Instruments will be used as described in "*Use of Proceeds*" in the Base Prospectus.]
Estimated net proceeds:	[●]

5 [Fixed Rate Instruments only— YIELD

Indication of yield:	[ ] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

7 OPERATIONAL INFORMATION

ISIN:	[ ]
Common Code:	[ ]
CUSIP number:	[ ]
WKN:	[ ] [Not applicable]
Any other clearing system other than Euroclear and Clearstream Banking, *société anonyme* and the relevant identification numbers:	[Clearstream Banking AG] [ ] [Not applicable]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]
Intended to be held in a manner which would allow Eurosystem eligibility:	[Yes. Note that the designation "yes" simply means that the Instruments are intended upon issue to be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered Instruments*] and does not necessarily mean that the Instruments will be recognised as eligible collateral for Eurosystem monetary policy and intraday 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.][if "yes" selected and the Instruments are deposited with an ICSD, the Instruments must be issued in NGN form]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Instruments are capable of meeting them the Instruments may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,][*include this text for registered Instruments*]. Note that this does not necessarily mean that the Instruments will then be recognised as eligible collateral for Eurosystem monetary policy and intraday credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

GENERAL INFORMATION

Application for Listing

1. Application has been made to Euronext Dublin ("**Euronext Dublin**") for the Instruments issued under the Programme to be admitted to the Official List and for such Instruments to be admitted to trading on Euronext Dublin's regulated market.

Authorisation

2. The update of the Programme was authorised by means of the resolutions adopted by the executive committee of the Issuer on 2 March 2020.

3. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Instruments, including the resolutions adopted by (i) the general shareholders' meeting of the Issuer on 12 April 2019, (ii) the board of directors of the Issuer on 12 April 2019 and (iii) the executive committee of the Issuer on 2 March 2020.

Legal and Arbitration Proceedings

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

Significant/Material Change

5. Since 31 December 2019 there has been no material adverse change in the prospects of the Issuer or the Group, nor any significant change in the financial position of the Issuer or the Group.

Auditors

6. The non-consolidated and consolidated annual financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018 were audited by PricewaterhouseCoopers Auditores, S.L., the Group's current independent auditors. PricewaterhouseCoopers Auditores S.L is registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) and is a member of the *Instituto de Censores Jurados de Cuentas de España*. The registered office of PricewaterhouseCoopers Auditores S.L is Torre PwC, Paseo de la Castellana 259 B, 28046, Madrid, Spain.

Documents on Display

7. For so long as any of the Instruments are outstanding, the following documents may be inspected free of charge by physical or electronic means at the registered office of the Issuer, at the offices of each of the Issue and Paying Agent and of the Paying Agents specified at the end of this Base Prospectus:

    (i) the by-laws (*estatutos*) of the Issuer, as the same may be updated from time to time; and

    (ii) the information incorporated by reference herein under "*Documents Incorporated by Reference*".

8. The documents listed in (i) and (ii) above shall be published in electronic form (pdf copies) on the website of Banco Santander (www.santander.com). Each of the Final Terms shall be published in electronic form (pdf copies) on the website of Euronext Dublin (www.ise.ie).

Address of the member of the Board of Directors

9. For this sole purpose, the business address of each of the members of the Board of Directors is: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid.

Registration Number and Incorporation information

10. The Issuer was incorporated on 3 March 1856 and it is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519.

Conflicts of interest

11. There are no actual or potential conflicts of interest between the duties to Banco Santander of any of its directors and their respective private interests and/or other duties.

Material Contracts

12. No contracts had been entered into that were not in the ordinary course of business of the Issuer and which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to the Holders.

Third Party Information

13. Where information in this Base Prospectus has been sourced from third parties, this information has been accurately reproduced and as far as the Issuer is aware and is able to ascertain from the information published by such third parties no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.

Clearing of the Instruments

14. The Instruments have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code, the International Securities Identification Number (ISIN), CUSIP number and/or (where applicable) the identification number for any other relevant clearing system in relation to the Instruments of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Instruments for clearance together with any further appropriate information.

15. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the applicable Final Terms.

Issue Price and Yield

16. Instruments may be issued at any price. The issue price of each Tranche of Instruments to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions and the issue price of the relevant Instruments or the method of determining the price and the process for its disclosure will be set out in the applicable Final Terms. In case of different Tranches of a Series of Instruments, the issue price may include accrued interest in respect of the period from the interest commencement date of the relevant Tranche (which may be the issue date of the first Tranche of the Series or, if interest payment dates have already passed, the most recent interest payment in respect of the Series) to the issue date of the relevant Tranche.

    The yield of each Tranche of Instruments set out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or semi-annual basis using the relevant issue price. It is not an indication of future yield.

    The Issuer does not intend to provide any post-issuance information in relation to the Instruments.

Dealers transacting with the Issuer

17. Certain of the Dealers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their

own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their respective affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Instruments issued under the Programme. Any such short positions could adversely affect future trading prices of Instruments issued under the Programme. The Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

REGISTERED OFFICE OF THE ISSUER

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HEAD OFFICE OF THE ISSUER

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Germany

UniCredit Bank AG
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D-81925 Munich
Germany

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REGISTRAR
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IRISH LISTING AGENT
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As to English law and Spanish Law
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