SUPPLEMENT DATED 7 JULY 2017 TO THE BASE PROSPECTUS DATED 6 MARCH 2017

BANCO SANTANDER, S.A.

(incorporated with limited liability in Spain)

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

This supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with the base prospectus dated 6 March 2017 (the "**Base Prospectus**"), prepared by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Issuer**" or the "**Bank**") in connection with its programme (the "**Programme**") for the issuance of up to €25,000,000,000 in aggregate principal amount of debt instruments (the "**Instruments**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement constitutes a supplement to the Base Prospectus for the purposes of Article 16 of Directive 2003/71/EC and amendments thereto including Directive 2010/73/EU (the "**Prospectus Directive**"), and has been approved by the Central Bank of Ireland (the "**Central Bank**") as competent authority for the purpose of the Prospectus Directive. The Central Bank only approves this Supplement as meeting the requirements imposed under EU and Irish law pursuant to the Prospectus Directive.

This Supplement has been prepared for the purpose of:

(i) informing investors of certain developments including the acquisition of Banco Popular Español, S.A. ("**Banco Popular Español**" or "**Banco Popular**") by Banco Santander by supplementing the sections of the Base Prospectus entitled "Summary of the Programme", "Risk Factors" and "Description of the Issuer"; and

(ii) amending the Terms and Conditions of the Instruments in order to align them to the features of the new statutory category of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) approved by Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**"), which entered into force on 25 June 2017. The following sections of the Base Prospectus are being supplemented "Summary of the Programme", "Risk Factors", "Instruments", "Terms and Conditions of the Instruments" and "Pro Forma Final Terms".

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Instruments issued under the Programme has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

In accordance with Article 16, paragraph 2, of the Prospectus Directive, investors who have already agreed to purchase or subscribe for securities before this Supplement is published have the right, exercisable within a time limit of two working days after the publication of this Supplement, that is, until 11 July 2017, to withdraw their acceptances.

SUMMARY OF THE PROGRAMME

The text set out below shall replace, in its entirety, the text in the section of the Base Prospectus entitled "Summary of the Programme" on pages 8 to 29 of the Base Prospectus:

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

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	This summary of the €25,000,000,000 programme for the issuance of debt instruments (the "**Programme**") should be read as an introduction to the base prospectus (the "**Base Prospectus**"). Any decision to invest in any instruments issued under the Programme (the "**Instruments**") should be based on consideration of this Base Prospectus as a whole by the investor, including any documents incorporated by reference. Where a claim relating to information contained in the Base Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member State where the claim is brought, have to bear the costs of translating the Base Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus or it does not provide, when read together with the other parts of this Base Prospectus, key information (as defined in Article 2.1(s) of the Directive 2003/71/EC (as amended, the "**Prospectus Directive**")) in order to aid investors when considering whether to invest in the Instruments.
A.2	***Programme summary:*** Certain Tranches of Instruments with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a "**Public Offer**". ***Issue specific summary:*** **Consent**: Subject to the conditions set out below, the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Instruments by the relevant Dealer(s) specified in the Final Terms [and/or] [*names and addresses of specific financial intermediaries listed in Final Terms*] (each an "**Authorised Offeror**") and that publishes on its website the following statement (with the information in square brackets being completed with the relevant information): *"We, [insert legal name and address of financial intermediary], refer to the [insert title of relevant Instruments] (the "**Instruments**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Banco Santander, S.A. (the "**Issuer**"). We hereby accept the offer by the Issuer of its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Instruments in [insert Ireland or any other relevant Member State] (the "**Public Offer**") subject to the conditions to such consent, as specified in the Base Prospectus, and we are using the Base Prospectus in connection with the Offer accordingly".* **Offer period***:* The Issuer's consent referred to above is given for Public Offers of Instruments during [*the period of twelve months from the date of approval of the Base Prospectus*] / [the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"*]] (the "**Offer Period**"). **Conditions to consent***:* The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Instruments in [*specify*

	Ireland or each Relevant Member State in which the particular Tranche of Instruments can be offered] and (c) [*specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms*]. **AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY INSTRUMENTS IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH INSTRUMENTS TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR ANY DEALER (EXCEPT WHERE SUCH DEALER IS THE RELEVANT AUTHORISED OFFEROR) HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

SECTION B – ISSUER

Element	
B.1	**Legal and commercial name of the Issuer** Banco Santander, S.A. (“**Santander**”, “**Banco Santander**”, the “**Issuer**” or the “**Bank**”).
B.2	**Domicile / legal form / legislation / country of incorporation** The Issuer is domiciled in Spain and has its registered office at Paseo de Pereda, 9-12, Santander. The principal operating headquarters of the Issuer are located at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660 Boadilla del Monte, Madrid. The telephone number of the principal operating headquarters of the Issuer is +34 91 259 6520. The Issuer was incorporated in Spain and has the legal form of a public limited liability company (*sociedad anónima*) and is subject to the Companies Law approved by Royal Decree 1/2010, of July 2 (*Texto Refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de Julio*). Its activities are subject to special Spanish legislation governing credit institutions in general and to the supervision, control and regulation of the European Central Bank and the Bank of Spain in particular.
B.4b	**Trend information** The global financial services sector is likely to remain competitive with a large number of financial service providers and alternative distribution channels. Additionally, consolidation in the sector (through mergers, acquisitions or alliances) is likely to occur as other major banks look to increase their market share, combine complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Issuer and the companies whose financial statements are consolidated with those of the Issuer (together, the “**Group**” or “**Santander Group**”) expect will increase the overall level of regulation in the markets. The following are the most important trends, uncertainties and events that are reasonably likely to have a material adverse effect on the Santander Group or that would cause the disclosed financial information not to be indicative of its future operating results or its financial condition: *Economic and Industry Conditions* • general economic or industry conditions in Spain, the UK, other European countries, the U.S., Brazil, other Latin American countries and the other areas in which the Issuer has significant business activities or investments; • exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk; • a worsening of the economic environment in Spain, the UK, other European countries, Brazil, other Latin American countries, and the U.S., and an increase of the volatility in the capital markets; • the effects of a continued decline in real estate prices, particularly in Spain and the UK; • monetary and interest rate policies of the European Central Bank and various central banks;

	• inflation or deflation; • the effects of non-linear market behaviour that cannot be captured by linear statistical models, such as the value at risk ("**VaR**") model the Issuer uses; • changes in competition and pricing environments; • the inability to hedge some risks economically; • the adequacy of loss reserves; • acquisitions or restructurings of businesses that may not perform in accordance with the Issuer's expectations; • changes in demographics, consumer spending, investment or saving habits; • potential losses associated with prepayment of the Issuer's loan and investment portfolio, declines in the value of collateral securing the Issuer's loan portfolio, and counterparty risk; and • changes in competition and pricing environments as a result of the progressive adoption of the internet for conducting financial services and/or other factors. *Political and Governmental Factors* • political stability in Spain, the UK, other European countries, Latin America and the U.S.; • changes in Spanish, UK, European Union ("**EU**"), Latin American, U.S. or other jurisdictions' laws, regulations or taxes, including changes in regulatory capital and liquidity requirements; and • increased regulation in light of the global financial crisis. *Transaction and Commercial Factors* • damage to the Group's reputation; • the Group's ability to integrate successfully the Group's acquisitions and the challenges inherent in diverting management's focus and resources from other strategic opportunities and from operational matters while the Issuer integrates these acquisitions; and • the outcome of the Group's negotiations with business partners and governments. *Operating Factors* • potential losses associated with an increase in the level of non-performance by counterparties to other types of financial instruments; • technical difficulties and/or failure to improve or upgrade the Group's information technology; • changes in the Group's ability to access liquidity and funding on acceptable terms, including as a result of changes in the Group's credit spreads or a downgrade in the Group's credit ratings or those of the Group's more significant subsidiaries; • the Group's exposure to operational losses (for example failed internal or external processes, people and systems); • changes in the Group's ability to recruit, retain and develop appropriate senior management and skilled personnel; • the occurrence of force majeure, such as natural disasters, that impact the Group's operations or impair the asset quality of the Group's loan portfolio; and • the impact of changes in the composition of the Group's balance sheet on future net interest income.
B.5	**Description of the Group** The Issuer is the parent company of the Group which was comprised at 31 December 2016 of 715 companies that consolidate by the global integration method. In addition, there were 183 companies that were accounted for by the equity method. Further to the acquisition of Banco Popular Español, S.A. ("**Banco Popular**") on 7 June 2017, at 31 December 2016 the Banco Popular group was comprised of 117 companies as reflected in the audited consolidated financial statements of Banco Popular for that year.[1]
B.9	**Profit forecast or estimate**

[1] The element B.5 has been updated by way of this Supplement as a result of the acquisition of Banco Popular Español by Banco Santander.

	Banco Santander has informed the market of the following estimates regarding its consolidated financial data for the six-month period ended on 30 June 2017. It is unaudited data which consists of estimates, and which include alternative performance measures and non-IFRS items. Such non-audited information has been approved by the corresponding bodies of Banco Santander (which is responsible for it) and reviewed by the external auditors who agreed that such information is substantially consistent with the final figures that will be published in the Santander Group's audited interim consolidated condensed financial statements for the six-month period ending on 30 June 2017. This consolidated financial information for the six-month period ended 30 June 2017 is preliminary in nature, has been prepared on a basis comparable with the historical financial information of Santander Group, is based on the estimates of Santander Group and is subject to the completion of its financial and accounting closing procedures. This information is not an exhaustive description of the consolidated financial results of Santander Group for the six months ending 30 June 2017 and the actual results of Santander Group for this period may differ from the estimates presented in this communication due to the completion of the financial and accounting closing procedures of Santander Group and other related adjustments, as well as from the effect of other events that could occur until the time of completion of the preparation of the corresponding financial results at the end of the semester. <u>Estimates for Santander Group, before considering the contribution of Banco Popular:</u> Banco Santander expects net profit attributable to the parent of approximately €3.6 billion for the six-month period ended on 30 June 2017, which represents an increase of nearly 24% over net profit attributable to the parent recorded during the six-month period ended on 30 June 2016. After excluding the non-recurring and negative impact of €248 million recorded in the six-month period ended on 30 June 2016, this increase is reduced to around 14% or nearly 11%, excluding also the positive effect of exchange rates movements. This 11% increase is obtained with the income increase driven by margin and commissions, a relatively lower increase in costs, which grow behind the average inflation rate of the principal markets in which the Group operates, and a decrease in provisions for credit losses which is consistent with the downward trend of the non-performing loan ("**NPL**") ratio while the coverage ratio is held stable. On the balance sheet, the Group expects to report growth in net loans to customers and deposits of approximately 1% and around 3.5% respectively in the first half of the year, also excluding the impact of exchange rates. <u>Estimation of the contribution of Banco Popular to the Santander Group:</u> Santander Group acquired Banco Popular and its subsidiaries on 7 June 2017 and has consolidated Banco Popular in the accounts of Santander Group since such date. Hence, it does not contribute significant results between that date and 30 June 2017. The first estimation of the purchase price adjustments from the acquisition of Banco Popular results in immaterial goodwill in the context of the acquisition. It is estimated that Banco Popular, after the adjustments, would contribute net loans of approximately €82 billion and deposits of €65 billion, concentrated primarily in Spain, which represents approximately 10% and 8.5% of the Group's totals, respectively, after Banco Popular's integration with Banco Santander. Banco Popular's NPL ratio is estimated to be approximately 20% and the coverage ratio is estimated to be around 61% after the adjustments for the acquisition. In addition, it is estimated that Banco Popular has real estate assets of approximately €17.5 billion (gross) which, after the adjustments, would be reduced to approximately €6.5 billion (net accounting value) and the resulting coverage ratio would be of approximately 63%. It is also estimated that the Group's NPL and coverage ratios after the integration of Banco Popular would be approximately 5.4% and 70%, respectively, and that the amount of its real estate assets in Spain, considering the above-mentioned adjustments of Banco Popular's assets, would be approximately €11 billion (net accounting value), with a coverage ratio of approximately 60%. The fully loaded CET1 as of 30 June would be approximately 10.7% assuming complete subscription for the capital increase in an announced amount of €7,072 million.[2]
B.10	**Audit report qualifications** No qualifications are contained in any audit report included in the Base Prospectus.

[2] The element B.9 has been updated by way of this Supplement as a result of the acquisition of Banco Popular Español by Banco Santander.

B.12

Selected historical key financial information

The consolidated balance sheet and income statement of the Group as of, and for the year ended, 31 December 2016 have been extracted without any adjustment from, and are qualified by reference to and should be read in conjunction with, the Issuer's consolidated financial statements in respect of such period.

The balance sheet and income statement of the Group as of, and for the year ended, 31 December 2015 are not audited as they are not the audited consolidated balance sheet and income statement of the Group for the year ended 31 December 2015. The balance sheet and income statement included in such sections have been prepared in accordance with the Circular 5/2015, of 28 October, of the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) and on the basis of the audited consolidated financial statements of the Issuer for the year ended 31 December 2015, have been extracted from the audited consolidated financial statements of the Issuer for the year ended 31 December 2016 and are shown in this Base Prospectus for comparison purposes with the audited consolidated financial information for the year ended 31 December 2016.

(a) Consolidated balance sheet of the Group under International Financial Reporting Standards as adopted by the EU ("IFRS-EU") for the years ended 31 December 2016 and 31 December 2015

(in millions of euros)

ASSETS	2016	2015(*)	LIABILITIES AND EQUITY	2016	2015(*)
	(audited)	*(unaudited)*		*(audited)*	*(unaudited)*
Cash, cash balances at central banks and other deposits on demand:	**76,454**	**77,751**	**Financial liabilities held for trading:**	**108,765**	**105,218**
			Derivatives	74,369	76,414
Financial assets held for trading:	**148,187**	**146,346**	Short positions	23,005	17,362
Derivatives	72,043	76,724	Deposits	11,391	11,442
Equity instruments	14,497	18,225	*Central banks*	*1,351*	*2,178*
Debt instruments	48,922	43,964	*Credit institutions*	*44*	*77*
Loans and advances	12,725	7,433	*Customers*	*9,996*	*9,187*
Central banks	-	-	Marketable debt securities	-	-
Credit institutions	*3,221*	*1,352*	Other financial liabilities	-	-
Customers	*9,504*	*6,081*			
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*38,145*	*34,026*	**Financial liabilities designated at fair value through profit or loss:**	**40,263**	**54,768**
			Deposits	37,472	51,394
Financial assets designated at fair value through profit or loss:	**31,609**	**45,043**	*Central banks*	*9,112*	*16,486*
Equity instruments	546	630	*Credit institutions*	*5,015*	*8,551*
Debt instruments	3,398	3,717	*Customers*	*23,345*	*26,357*
Loans and advances	27,665	40,696	Marketable debt securities	2,791	3,373
Central banks	-	-	Other financial liabilities	-	1
Credit institutions	*10,069*	*26,403*	*Memorandum items: subordinated liabilities*	-	-
Customers	*17,596*	*14,293*			
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*2,025*	-	**Financial liabilities at amortised cost:**	**1,044,240**	**1,039,343**
			Deposits	791,646	795,679

Financial assets available-for-sale:	**116,774**	**122,036**	*Central banks*	*44,112*	*38,872*
Equity instruments	5,487	4,849	*Credit institutions*	*89,764*	*109,209*
Debt instruments	111,287	117,187	*Customers*	*657,770*	*647,598*
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*23,980*	*26,742*	Marketable debt securities	226,078	222,787
			Other financial liabilities	26,516	20,877
Loans and receivables:	**840,004**	**836,156**	*Memorandum items: subordinated liabilities*	*19,902*	*21,153*
Debt instruments	13,327	10,907			
Loans and advances	826,767	825,249	**Hedging derivatives:**	**8,156**	**8,937**
Central banks	*27,973*	*17,337*			
Credit institutions	*35,424*	*37,438*	**Changes in the fair value of hedged items in portfolio hedges of interest risk rate:**	**448**	**174**
Customers	*763,370*	*770,474*			
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*7,994*	*1,697*	**Liabilities under insurance contracts:**	**652**	**627**
Investments held-to-maturity	**14,468**	**4,355**	**Provisions**:	**14,459**	**14,494**
Memorandum items: lent or delivered as guarantee with disposal or pledge rights	*2,489*	-	*Provision for pensions and other employment defined benefit obligations*	*6,576*	*6,356*
			Provisions for other long term employee benefits	*1,712*	*1,916*
Hedging derivatives:	**10,377**	**7,727**	*Provisions for taxes and other legal contingencies*	*2,994*	*2,577*
			Provisions for commitments and guarantees given	*459*	*618*
Changes in the fair value of hedged items in portfolio hedges of interest risk rate	**1,481**	**1,379**	Other provisions	2,718	3,027
Investments:	**4,836**	**3,251**	**Tax liabilities**:	**8,373**	**7,725**
Joint ventures entities	1,594	1,592	*Current tax liabilities*	*2,679*	*2,160*
Associated companies	3,242	1,659	*Deferred tax liabilities*	*5,694*	*5,565*
Reinsurance assets:	331	331	**Other liabilities:**	**11,070**	**10,221**
Tangible assets:	**23,286**	**25,320**	**Liabilities associated with non-current assets held for sale:**	—	—
Property, plant and equipment-	20,770	19,335			
For own use	*7,860*	*7,949*			
Leased out under an operating lease	*12,910*	*11,386*	**TOTAL LIABILITIES**	**1,236,426**	**1,241,507**
Investment property	2,516	5,985			
Of which leased out under an operating lease	*1,567*	*4,777*	EQUITY		

Memorandum items: acquired in financial lease	*115*	*195*	**Shareholders' equity:**	**105,977**	**102,402**
			Capital	7,291	7,217
Intangible assets:	**29,421**	**29,430**	*Called up paid capital*	*7,291*	*7,217*
Goodwill	*26,724*	*26,960*	*Unpaid capital which has been called up*	—	—
Other intangible assets	*2,697*	*2,470*	*Memorandum item: Uncalled up capital*	—	—
			Share premium	44,912	45,001
Tax assets:	**27,678**	**27,814**	Equity instruments issued other than share capital	—	—
Current tax assets	*6,414*	*5,769*	*Equity components of compound financial instruments*	—	—
Deferred tax assets	*21,264*	*22,045*	*Other equity instruments*	—	—
			Other equity	240	214
			Accumulated retained earnings	49,953	46,429
			Revaluation reserves	—	—
Other assets:	**8,447**	**7,675**	Other reserves	(949)	(669)
Insurance contracts linked to pensions:	*269*	*299*	(-) Own shares	(7)	(210)
Inventories	*1,116*	*1,013*	Profit attributable to the shareholders of the Parent	6,204	5,966
Other	*7,062*	*6,363*	(-) Dividends	(1,667)	(1,546)
Non-current assets held for sale:	**5,772**	**5,646**	**Other comprehensive income:**	**(15,039)**	**(14,362)**
TOTAL ASSETS	**1,339,125**	**1,340,260**	**Items not reclassified to profit or loss**	**(3,933)**	**(3,166)**
			Actuarial gains or (-) losses on defined benefit pension plans	*(3,931)*	*(3,165)*
			Non-current assets classified as held for sale	—	—
			Other recognised income and expense of investments in subsidiaries, joint ventures and associates	*(2)*	*(1)*
			Other valuation adjustments	-	-
			Items that may be reclassified to profit or loss	**(11,106)**	**(11,196)**
			Hedge of net investments in foreign operations (Effective portion)	*(4,925)*	*(3,597)*
			Exchange differences	*(8,070)*	*(8,383)*
			Hedging derivatives. Cash flow hedges (Effective portion)	*469*	*171*
			Financial assets available-for-sale	*1,571*	*844*

Debt instruments	*423*	*98*
Equity instruments	*1,148*	*746*
Non-current assets classified as held for sale	*—*	*—*
Other recognised income and expense of investments in subsidiaries, joint ventures and associates	*(151)*	*(231)*
Non-controlling interest	**11,761**	**10,713**
Other comprehensive income	*(853)*	*(1,227)*
Others items	*12,614*	*11,940*
TOTAL EQUITY	**102,699**	**98,753**
TOTAL LIABILITIES AND EQUITY	**1,339,125**	**1,340,260**
Memorandum items:		
Contingent liabilities	44,434	39,834
Contingent commitments	231,962	221,738

(*) Presented for comparison purposes only.

(b) Condensed consolidated income statement of the Group under IFRS-EU for the years ended 31 December 2016 and 2015

	(Debit)/Credit	
	2016	**2015(*)**
	(audited)	*(unaudited)*
	(in millions of euros)	
Interest income	55,156	57,198
Interest expense	(24,067)	(24,386)
Net interest income	**31,089**.	**32,812**
Dividend income	413**.**	455
Share of results of entities accounted for using the equity method	444**.**	375
Commission income	12,943	13,042
Commission expense	(2,763)	(3,009)
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net	869	1,265
Gains or losses on financial assets and liabilities held for trading, net	2,456	(2,312)
Gains or losses on financial assets and liabilities measured at fair value through profit or loss, net	426	325
Gains or losses from hedge accounting, net	(23)	(48)
Exchange differences, net	(1,627)	3,156
Other operating income	1,919	1,971
Other operating expenses	(1,977)	(2,235)
Income from assets under insurance and reinsurance contracts	1,900	1,096
Expenses from liabilities under insurance and reinsurance contracts	(1,837)	(998)
Total income	**44,232**	**45,895**
Administrative expenses	(18,737)	(19,302)
Staff costs	*(11,004)*	*(11,107)*
Other general administrative expenses	*(7,733)*	*(8,195)*

Depreciation and amortisation cost	(2,364)	(2,418)
Provisions or reversal of provisions	(2,508)	(3,106)
Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss, net	(9,626)	(10,652)
Financial assets measured at cost	*(52)*	*(228)*
Financial assets available-for-sale	*11*	*(230)*
Loans and receivables	*(9,557)*	*(10,194)*
Held-to-maturity investments	*(28)*	-
Profit from operations	**10,997**	**10,417**
Impairment of investments in subsidiaries, joint ventures and associates, net	(17)	(1)
Impairment on non-financial assets, net	(123)	(1,091)
Tangible assets	*(55)*	*(128)*
Intangible assets	*(61)*	*(701)*
Others	*(7)*	*(262)*
Gains or losses on non-financial assets and investments, net	30	112
Negative goodwill recognised in results	22	283
Gains or losses on non-current assets held for sale classified as discontinued operations	(141)	(173)
Profit or loss before tax from continuing operations	**10,768**	**9,547**
Tax expense or income from continuing operations	(3,282)	(2,213)
Profit for the period from continuing operations	**7,486**	**7,334**
Profit or loss after tax from discontinued operations	-	-
Profit for the period	**7,486**	**7,334**
Profit attributable to non-controlling interests	*1,282.*	*1,368*
Profit attributable to the parent	*6,204*	*5,966*
Earnings per share		
Basic	0.41	0.40
Diluted	0.41	0.40

(*) Presented for comparison purposes only.

Statements of no significant or material adverse change

Other than the changes in the financial and trading position and the prospects of the Issuer resulting from the acquisition of Banco Popular, there has been no significant change in the financial or trading position of the Santander Group since 31 December 2016 and there has been no material adverse change in the prospects of the Issuer and its subsidiaries taken as a whole since 31 December 2016.[3]

B.13

Events impacting the Issuer's solvency

Acquisitions, Dispositions, Reorganisations and Other Recent Events:

- *Banco Popular*
- *Santander Asset Management*
- *Santander Consumer USA*
- *Agreement with Banque PSA Finance*
- *Agreement to acquire Carfinco*
- *Metrovacesa, S.A.*
- *Acquisition of Banco Internacional do Funchal (Banif)*
- *Custody business*
- *Metrovacesa agreement*
- *Santander Holdings USA and Santander Consumer USA Inc. restatement of financial statements*
- *Commercial transformation plan*

[3] The element B.12 has been updated by way of this Supplement as a result of the acquisition of Banco Popular Español by Banco Santander.

	• *Visa stake disposal* • *Contribution to SRF* • *Asset quality review and results of stress tests* • *SREP Prudential Minimum Requirements*[4]
B.14	**Dependence upon other group entities** The Issuer is the parent company of the Santander Group. The Issuer is not dependent upon any other entity in the Group.
B.15	**Principal activities** The Issuer and its consolidated subsidiaries are a financial group operating through a network of offices and subsidiaries across Spain, the UK and other European countries, Brazil and other Latin American countries and the U.S., offering wide range of financial products. At 31 December 2016, the Santander Group operated through 4,805 branch offices in Continental Europe, 844 branches in the United Kingdom, 5,818 branches in Latin America and 768 branches in the United States. In accordance with the criteria established by IFRS-EU, the structure of the Group's operating business areas has been segmented into two levels: **First (or geographic) level**. The activity of the Group's operating units is segmented by geographical areas. This coincides with the Group's first level of management and reflects its positioning in the world's main currency areas. The reported segments are: • ***Continental Europe***. This covers all retail banking business and corporate banking in this region. This segment includes the following units: Spain, Portugal, Poland, Santander Consumer Finance (which includes the consumer business in Europe, including that of Spain, Portugal and Poland) and Real Estate Operations in Spain. • ***United Kingdom***. This includes retail and corporate banking conducted by the various units and branches of the Group in the country. • ***Latin America***. This embraces all the Group's financial activities conducted via its subsidiary banks and subsidiaries. • ***United States***. This includes the intermediate holding company (Santander Holdings USA) and its subsidiaries: Santander Bank National Association, Banco Santander Puerto Rico, Santander Consumer USA Inc., Banco Santander International (BSI), Santander Investment Securities Inc. and the Santander branch in New York. **Second (or business) level**. This segments the activity of the Group's operating units by type of business. The reported segments are: • ***Commercial Banking.*** This area covers all customer banking businesses (except those of Corporate Banking, managed through the Global Customer Relationship Model). Also included in this business area are the results of the hedging positions taken in each country within the scope of the relevant local asset liability committees portfolio. • ***Santander Global Corporate Banking.*** This business reflects the revenues from global corporate banking, investment banking and markets worldwide including all treasuries managed globally, both trading and distribution to customers (after the appropriate distribution with Commercial Banking customers), as well as equities business. This area covers the Group's corporate banking, treasury and investment banking activities throughout the world. Global Corporate Banking has three major areas: – Global Transaction Banking (which includes cash management, trade finance and basic financing and custody), – Financing Solutions and Advisory (which includes the units that originate and distribute corporate loans or structured financing, the teams that originate bonds and securitisation, the corporate finance units (mergers and acquisitions, primary equity markets, investment solutions for corporate clients via derivatives), as well as asset and capital structuring) and

[4] The element B.13 has been updated by way of this Supplement as a result of the acquisition of Banco Popular Español by Banco Santander.

– Global Markets (which include the sale and distribution of fixed income and equity derivatives, interest rates and inflation, the trading and hedging of exchange rates, short-term money markets for the Group's corporate and retail clients, management of books associated with distribution, brokerage of equities, and derivatives for investment and hedging solutions).

- ***Real Estate Operations in Spain***. This business includes loans to customers in Spain whose activity is mainly real estate development, equity stakes in real estate companies and foreclosed assets.

In addition to these operating units, which report by geographic area and by businesses, the Group continues to maintain the Corporate Centre. This incorporates the centralised activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's assets and liabilities committee, as well as management of liquidity and of shareholders' equity through issues and securitizations. As the Group's holding entity, the Corporate Centre manages all capital and reserves and allocations of capital and liquidity with the rest of businesses. It also incorporates provisions of a varied nature and amortisation of goodwill. The costs related to the Group's central services (charged to areas) are not included, except for corporate and institutional expenses related to the Group's functioning. Finally, the Group also includes in this area significant Group non-recurring income and expense.

B.16 **Controlling shareholders**

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

B.17 **Credit ratings**

Programme summary:

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

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

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

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

Notes

(1) Fitch Ratings España, S.A.U.
(2) Moody's Investor Service España, S.A.
(3) Standard & Poor's Credit Market Services Europe Limited.
(4) DBRS Ratings Limited.

	(5) Scope Ratings GmbH (6) GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH. Tranches of Instruments may be rated or unrated and, if rated, such ratings will be specified in the relevant Final Terms and such rating will not necessarily be the same as the rating assigned to the Issuer, the Programme or the Instruments already issued under the Programme. Whether or not each credit rating applied for in relation to a relevant Tranche of Instruments will be issued by a credit rating agency established in the EU and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms**.** ***Issue specific summary:*** The Instruments to be issued have been rated [[ ] by [ ]]. **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.**[5]

SECTION C – SECURITIES

Element	
C.1	**Type and class of the Securities** ***Programme summary:*** The Issuer may issue under the Programme debt instruments up to an aggregate principal amount of EUR 25,000,000,000. Such Instruments may be issued on a continuing basis and will be placed by one or more dealers appointed under the Programme from time to time by the Issuer, which appointment may be for a specific issue or on an on-going basis. Under the Programme, the Issuer may issue fixed, reset or floating rate Instruments. The Instruments may be senior Instruments (which are Instruments which specify their status as ordinary senior Instruments) ("**Ordinary Senior Instruments**"), senior non preferred Instruments (being the instruments which specify their status as Senior Non Preferred Instruments) ("**Senior Non Preferred Instruments**", together with the Ordinary Senior Instruments, "**Senior Instruments**") or subordinated Instruments (being those Instruments which specify their status as subordinated Instruments) ("**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. Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. The Instruments will be issued following the execution of the relevant public deed (*escritura pública*) 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 (as defined below). 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. issued on different issue dates (each, an "**Issue Date**"). The Instruments of each Series will all be subject to identical terms except that the Issue Dates and the amount of the first payment of interest may be different in respect of different Tranches. 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**") 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, *société anonyme* ("**Clearstream,**

[5] The element B.17 has been updated by way of this Supplement as a result of the perspective of the ratings assigned by Standard & Poor's to the Issuer.

	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 ("**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 security identification number ("**ISIN**") of the instruments will be set out in the relevant final terms.[6] ***Issue specific summary:*** Series Number: [●] [Tranche Number: [●]] Aggregate Principal Amount: [●] [Series: [●] Tranche: [●]] Method of distribution: [Syndicated/Non-syndicated] Name[s] of [Manager[s]/[Dealer]: [●] 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] 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

[6] The element C.1 has been updated by way of this Supplement as a result of the amendments of the Terms and Conditions of the Instruments in connection with the approval of RDL 1/2017.

		common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the NSS)]] [Individual Certificates]
	ISIN:	[●]
	Common Code:	[●]
	Any other clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, *société anonyme* and the relevant identification number(s):	[Clearstream Banking AG] [●] [Not applicable]
	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*]
C.2	**Currency of the Securities** ***Programme summary:*** The Instruments may be denominated in any currency subject to compliance with all applicable legal and/or regulatory requirements and/or central bank requirements. ***Issue specific summary:*** The Specified Currency of the Instruments is [●].	
C.5	**Restrictions on free transferability** ***Programme summary:*** The Instruments may not be transferred prior to their Issue Date. Selling restrictions apply to offers, sales or transfers of the Instruments under the applicable laws in various jurisdictions. A purchaser of the Instruments is required to make certain agreements and representations as a condition to purchasing the Instruments. For each issue of Instruments, a minimum tradeable amount could be set out in the relevant Final Terms. With regards to Spain, the Instruments may not be offered, sold or distributed, nor may any subsequent resale of Instruments be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the Spanish Securities Market Law, as amended and restated, or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Instruments. ***Issue specific summary:*** The Issuer and the [Dealer/Manager(s)] have agreed certain customary restrictions on offers, sale and delivery of Instruments and of the distribution of offering material in [*insert relevant jurisdictions*]. US selling restrictions: Reg. S Compliance Category 2. [TEFRA C/TEFRA D/TEFRA not applicable] Prohibition of Sales to EEA Retail Investors: [Applicable/ Not Applicable]	
C.8	**Description of the rights attaching to the Securities** **Status:** **a) Senior Instruments** The payment obligations of the Issuer under **Senior Instruments** 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**")), 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 other 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.

b) Subordinated Instruments

The payment obligations of the Issuer under Subordinated Instruments, 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:

This would be expected to be the case if the Subordinated Instruments are specified as Senior Subordinated Instruments in the relevant Final Terms.

(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

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

This would be expected to be the case if the Subordinated Instruments are specified as Tier 2 Subordinated Instruments in the relevant Final Terms.

(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. **Deed of covenant:** The Instruments have the benefit of a deed of covenant dated 6 March 2017 (the "**Deed of Covenant**"). **Taxation:** All amounts payable in respect of the Instruments, the receipts and 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 Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, subject to Condition 10 on taxation, the Issuer shall pay such additional amounts as will result in receipt by the Holder of any Instrument or coupon of such amounts as would have been received by them had no such withholding or deduction been required. Under Spanish Law 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 and Royal Decree 1065/2007 (as amended among others by Royal Decree 1145/2011 of 29 July), the Issuer is required to provide to the Spanish tax authorities certain information relating to the Instruments. If The Bank of New York Mellon, London Branch (the "**Issue and Paying Agent**") fails to provide the Issuer with the required information, the Issuer will be required to withhold tax and may pay income in respect of the relevant Instruments net of the Spanish withholding tax applicable to such payments, generally at the rate of 19%. **Events of default:** For Ordinary Senior Instruments this includes non-payment, breach of other obligations, winding up, cessation of business, insolvency proceedings and arrangements with creditors of the Issuer. There are no events of default under the Senior Non Preferred Instruments and Subordinated Instruments which could lead to an acceleration of the Subordinated Instruments or the Senior Non Preferred Instruments, other than in the case of insolvency, winding-up or dissolution of the Issuer. **Governing law:** Save as described below, the Terms and Conditions, the Issue and Paying Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with the Terms and Conditions, the Issue and Paying Agency Agreement and the Deed of Covenant are governed by and shall be construed in accordance with, English law. The conditions on the status of the Instruments and the Syndicate of the Holders of the Instruments are governed by, and shall be construed in accordance with, Spanish law.[7]
C.9	**Payment Features**
	Programme summary: The Issue Date of the Instruments will be specified in the Final Terms and may not exceed the date of validity of this Base Prospectus. The nominal interest rate that will be received by investors will be set out in the relevant Final Terms and shall be the result of applying the Terms and Conditions specific to the relevant issue. 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.

[7] The element C.8 has been updated by way of this Supplement as a result of the amendments of the Terms and Conditions of the Instruments in connection with the approval of RDL 1/2017.

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 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 bear interest (if any) at a rate determined by reference to one or more swap rates.

If Step Up provisions are specified in the relevant Final Terms as being applicable, upon a decrease in the rating of the Ordinary Senior Instruments, the interest rate will be increased by the relevant percentage specified in the Final Terms, with effect from the following interest payment date.

Applicable interest payment dates will be specified in the Final Terms. Instruments may be issued with any maturity and may be redeemable at the redemption amount specified in the relevant Final Terms, in each case subject to compliance with all applicable legal, regulatory and/or central bank requirements. Tier 2 Subordinated Instruments will have a maturity of not less than five years in accordance with applicable banking regulations.

Early redemption will be permitted (i) for taxation reasons, (ii) in respect of Tier 2 Subordinated Instruments only, upon there being a change in the regulatory treatment of such Instruments and (iii) in respect of Senior Non Preferred Instruments and Senior Subordinated Instruments only, upon such Instruments being disqualified from being an instrument which meets the total loss-absorption capacity requirements or minimum requirements for eligible liabilities. In addition, the Instruments may be redeemed prior to their maturity date in certain circumstances, including pursuant to an Issuer call option or an investor put option. The terms under which Instruments may be redeemed early will be agreed between the Issuer and the relevant Dealer at the time of issue of the relevant Instruments and specified in the relevant Final Terms.

The Syndicate of Holders of Instruments shall be entrusted with the defence of the rights and interests of Holders of Instruments.[8]

Issue specific summary:

Interest Basis:	[[●]] per cent. Fixed Rate] [Reset Instruments] [[*reference rate*] +/- [●] per cent. Floating Rate] [CMS-Linked: [*constant maturity swap rate appearing on the Relevant Screen Page*] +/- [●] per cent] [Floating Rate: [difference between] [LIBOR] [and] [EURIBOR] [and] [*Floating Rate Option*] [+/-] [multiplied by] [●] per cent] [Zero Coupon]
Fixed Rate Instruments:	[Applicable (further particulars specified in item 15 of Part A to the Final Terms)]/[Not Applicable]
Reset Instruments:	[Applicable (further particulars specified in item 16 of Part A to the Final Terms)]/[Not Applicable]
Floating Rate Instruments:	[Applicable (further particulars specified in item 17 of Part A to the Final Terms)]/[Not Applicable]

[8] The element C.9 has been updated by way of this Supplement as a result of the amendments of the Terms and Conditions of the Instruments in connection with the approval of RDL 1/2017.

	CMS-Linked Instruments:	[Applicable (further particulars specified in item 17 of Part A to the Final Terms)]/[Not Applicable]
	Zero Coupon Instruments:	[Applicable (further particulars specified in item 18 of Part A to the Final Terms)]/[Not Applicable]
	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*Business Day Convention*][not adjusted]
	Step Up Provisions:	[Applicable with a Step Up Margin of [●] per cent.]
	Maturity Date:	[*Date or (for Floating Rate Instruments) Interest Payment Date falling in the relevant month and year*]
	Maturity Redemption Amount of each Instrument:	[●] per Instrument of [●] Specified Denomination
	Call Option:	[Applicable (further particulars specified in item 19 of Part A to the Final Terms)]/[Not Applicable]
	Put Option:	[Applicable (further particulars specified in item 20 of Part A to the Final Terms)]/[Not Applicable]
	[Indication of yield:	[Applicable (further particulars specified in item 5 of Part B to the Final Terms)]/[Not Applicable]]
	Names and addresses of additional Paying Agent(s) (if any):	[●]
	Commissioner:	[●]
C.10	**Derivative component on interest** Not Applicable. The Instruments do not have a derivative component in the interest payment.	
C.11	**Listing and Admission to trading** ***Programme summary:*** Each Series may be listed on the official list of the Irish Stock Exchange and traded on the regulated market of the Irish Stock Exchange and/or any other listing authority, stock exchange and/or quotation system (each, a "**Stock Exchange**") (as may be agreed between the 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. ***Issue specific summary:*** [Application has been made by the Issuer (or on its behalf) for the Instruments to be listed on [the Official List of the Irish Stock Exchange]/[*any other regulated market*]/[*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 the Irish Stock Exchange] [*any other regulated market*] [*any other unregulated market*] [*any other listing authority*] [*any other stock exchange*] [*any other quotation system*] with effect from [●].] [Not Applicable.]	

SECTION D – RISKS

Element	
D.2	**Key risks regarding the Issuer** The main risks relating to the Santander Group operation are, amongst others: • The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions. • Exposure to UK political developments, including the outcome of the UK referendum on membership of the European Union, could have a material adverse effect on the Group. • The Group is vulnerable to disruptions and volatility in the global financial markets. • The Group may suffer adverse effects as a result of economic and sovereign debt tensions in the Eurozone. • The Group is exposed to risks relating to the acquisition of Banco Popular. • The Group is exposed to risk of loss from legal and regulatory proceedings. • The Group is subject to substantial regulation and regulatory and governmental oversight which could adversely affect its business, operations and financial condition. • The Group is subject to potential intervention by regulators or supervisors, particularly in response to customer complaints. • The Group is subject to review by taxing authorities, and an incorrect interpretation by the Group of tax laws and regulations may have a material adverse effect on the Group. • Changes in taxes and other assessments may adversely affect the Group. • The Group may not be able to detect or prevent money laundering and other financial crime activities fully or on a timely basis, which could expose the Group to additional liability and could have a material adverse effect on it. • Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on the Group. • Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrading in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of the Group's derivative contracts and adversely affect its interest margins and results of operations. • The credit quality of the Group's loan portfolio may deteriorate and its loan loss reserves could be insufficient to cover the Group's actual loan losses, which could have a material adverse effect on the Group. • The value of the collateral securing the Group's loans may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio. • The Group is subject to counterparty risk in its banking business. • The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect it and its profitability. • Market conditions have resulted and could result in material changes to the estimated fair values of the Group's financial assets. Negative fair value adjustments could have a material adverse effect on the Group's operating results, financial condition and prospects. • The Group is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on it. • Failure to successfully implement and continue to improve the Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Group, and the Group may be exposed to unidentified or unanticipated risks.

	• Any failure to effectively improve or upgrade the Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Group. • Risks relating to data collection, processing and storage systems and security are inherent in the Group business. • The financial problems faced by the Group's customers could adversely affect it. • Changes in the Group's pension liabilities and obligations could have a material adverse effect on the Group. • The Group depends in part upon dividends and other funds from subsidiaries. • Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect the results of operations of the Group • The Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Group offers its clients and the Group's ability to continue offering products and services from third parties, and the Group may not be able to manage various risks its faces as the Group expands its range of products and services that could have a material adverse effect on the Group. • If the Group is unable to manage the growth of its operations this could have an adverse impact on its profitability. • Goodwill impairments may be required in relation to acquired businesses. • The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel. • The Group relies on third parties and affiliates for important products and services. • Damage to the Group's reputation could cause harm to the Group's business prospects. • The Group engages in transactions with its subsidiaries or affiliates that others may not consider to be on an arm's-length basis. • Changes in accounting standards could impact reported earnings. • The financial statements of the Issuer are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position. • Disclosure controls and procedures over financial reporting may not prevent or detect all errors or acts of negligence or fraud. • The Group's corporate disclosure may differ from disclosure regularly published by issuers of securities in other countries, including the United States. • Investors may find it difficult to enforce civil liabilities against the Group or its directors and officers.[9]
D.3	**Key risks regarding the Securities**
	Programme summary: There are also risks associated with the Instruments and with the markets. These risks may include, amongst others: ***General risks in relation 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 Insolvency Law, provides, among other things, that: (i) any claim may become subordinated if it is not reported to the insolvency administrators (*administradores concursales*) within a certain period, (ii) provisions in a contract granting one party the right to terminate by reason only of the other's insolvency may not be enforceable, and (iii) interest (other than interest

[9] The D.2 element has been updated by way of this Supplement as a result of the acquisition of Banco Popular Español by Banco Santander.

accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall cease to accrue as from the date of the declaration of insolvency and any amount of interest accrued up to such date (other than any interest accruing under secured liabilities up to an amount equal to the value of the asset subject to the security) shall become subordinated. In addition, recent amendments to the Insolvency Law have been implemented which, in certain instances, have the effect of modifying or impairing creditors' rights, including the ranking of its credits;

- Changes in European, English or Spanish law may affect the rights and effective remedies of Holders of Instruments, as well as the market value of the Instruments.
- The Instruments may be redeemed prior to maturity at the option of the Issuer or for taxation reasons.
- Prospective investors should make their own evaluations to determine whether an investment in the Instruments is appropriate in their particular circumstances and should consult with their legal, business and tax advisers accordingly.
- The trading market for debt securities (such as the Instruments) may be volatile and may be adversely impacted by many events.
- 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.
- The terms of the Instruments contain a waiver of set-off rights.
- The Commissioner (which owes certain obligations to the Syndicate of Holders of Instruments) will be appointed by the Issuer and may also be an employee or officer of the Issuer.
- Potential conflicts of interest between the investor and The Bank of New York Mellon, London Branch or such other calculation agent as may be specified as Calculation Agent in the relevant Final Terms ("**Calculation Agent**").
- Because the Global Instruments are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.
- 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.
- Legal investment considerations may restrict certain investments.
- Taxation in Spain: Under Spanish Law, payments of income in respect of the listed Instruments will not be subject to Spanish withholding tax provided that the Issuer receives certain information concerning the Instruments. If such information is not received by the Issuer, as the case may, it will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant Instruments, or income arising from the payment of Instruments issued below par.
- Transactions in the Instruments could be subject to the European financial transaction tax, if adopted.
- 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 its interest payments.
- The Issuer may issue Inverse Floating Rate Instruments which have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London inter-bank offer rate ("**LIBOR**"). The market values of those Instruments typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms).
- The Issuer may issue Zero Coupon Instruments, which will bear no interest and an investor will receive no return on such 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.

	• The Issuer may issue Instruments at a substantial discount or premium from their principal amount, including Zero Coupon Instruments. The market values of such Instruments tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the Instruments, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities. ***Risks related to Subordinated Instruments and Senior Non Preferred Instruments*** • An investor in Subordinated Instruments assumes an enhanced risk of loss in the event of the Issuer's insolvency or resolution. • The Senior Non Preferred Instruments are senior non preferred obligations and are junior to certain obligations. • The Subordinated Instruments and the Senior Non Preferred 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. • The Subordinated Instruments and the Senior Non Preferred Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event. • The qualification of the Senior Non Preferred Instruments as TLAC/MREL-Eligible Instruments is subject to uncertainty. • The Subordinated Instruments and the Senior Non Preferred Instruments may be subject to substitution and/or variation without Holders consent. • Senior Non Preferred Instruments are new types of instruments for which there is little trading history. Additionally, the risks relating to investment in the Instruments depend on their features and may include, *inter alia*, risks relating to (but not limited to) operational/business risk, credit risk, liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Instruments, including with respect to certain underlying, no claim against the reference item(s) to which the Instruments relate, exchange rate risks, settlement disruption, illegality and cancellation, time lag after redemption or exercise, settlement risk, possible illiquidity of Instruments, equity risk, underlying volatility risk, fund risk, failure to deliver due to illiquidity, inflation risk, modification, meetings, market disruption, optional redemption, a requirement to hold a minimum amount of Instruments, transfer restrictions and exchange, listing and legal regulation risk. ***Issue specific summary:*** [*Key risks set out above to be included as necessary in relation to the issue of the Instruments.*][10]

SECTION E – OFFER

Element	
E.2b	**Use of proceeds** ***Programme summary:*** The net proceeds of the issue of each tranche of Instruments will be used for the general funding purposes of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.[11] ***Issue specific summary:***

[10] The element D.3 has been updated by way of this Supplement as a result of the amendments of the Terms and Conditions of the Instruments in connection with the approval of RDL 1/2017.

[11] The element E.2b has been updated by way of this Supplement in order to provide flexibility to the Issuer to use the proceeds of a particular issue for a particular identified use.

	The net proceeds from the issue of Instruments will be used [for the general funding purposes of the Group.]/[●]
E.3	**Terms and conditions of the offer:**
	Programme summary: **Denomination**: Instruments will be issued in such denominations as may be specified in the relevant Final Terms, subject to a minimum denomination of €1,000 or, if the Instruments are denominated in a currency other than euro, the equivalent in another currency at the date of issue. For each issue of Instruments, a minimum tradeable amount could be set out in the relevant Final Terms. **Interest:** Instruments are interest-bearing. Interest may accrue at a fixed, reset or floating rate or other variable rate and may vary during the lifetime of the relevant Series. **Issue Price:** Instruments may be issued at par or at a discount to par or a premium over par and on a fully paid basis, as specified in the relevant Final Terms. The issue price and the principal amount of the relevant tranche of Instruments will be determined before filing of the relevant Final Terms of each tranche on the basis of then prevailing market conditions. **Maturity:** Instruments may be issued with any maturity subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. 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 United Kingdom or (b) the activity of issuing the Instruments is carried on from an establishment maintained by the Issuer in the United Kingdom, such Instruments must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 by the Issuer. **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, but otherwise early redemption will be permitted only to the extent specified in the relevant Final Terms. Any early redemption of Subordinated Instruments and Senior Non Preferred Instruments is subject to the prior consent of the competent authorities and/or relevant resolution authorities, to the extent required, and they may not be redeemed at the option of the Holder of the relevant Instruments prior to their stated maturity, in accordance with applicable banking regulations. **Purchase:** The Issuer and any of its respective subsidiaries or any third party designated by it, may at any time purchase Instruments in the open market or otherwise and at any price provided that, in the case of Definitive Instruments, all unmatured Coupons appertaining thereto are purchased therewith. In the case of Subordinated Instruments and of Senior Non Preferred Instruments, the purchase of the Instruments by the Issuer or any of its subsidiaries shall take place in accordance with applicable banking regulations and may be subject to the prior consent of the competent authorities and/or the relevant resolution authorities. **Substitution and variation**: In certain circumstances, the Subordinated Instruments and the Senior Non Preferred Instruments may be substituted or their terms varied at the option of the Issuer, without the prior consent of the Holders. **Clearing Systems:** Euroclear, Clearstream, Luxembourg and/or, in relation to any Instruments, any other clearing system as may be specified in the relevant Final Terms. **Terms and conditions of the offer:** If so specified in the relevant Final Terms, the Instruments may be offered to the public in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus (a "**Non-exempt Offer**") in Ireland or any relevant Member State(s) where the Issuer intends to make the Public Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published). The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms.

	Any investor intending to acquire or acquiring any Instruments in a Non-exempt Offer from an Authorised Offeror will do so, and offers and sales of such Instruments to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between them. ***Issue specific summary:*** Item 9 of Part B of these Final Terms specifies the terms and conditions of the offer applicable to the Instruments.[12]
E.4	**Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests** ***Programme summary:*** The relevant Dealers may be paid fees in relation to any issue of Instruments under the Programme. Any such Dealer and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. ***Issue specific summary:*** [So far as the Issuer is aware, no person involved in the offer of the Instruments has an interest material to the offer.]/[ ]
E.7	**Expenses charged to the investor by the Issuer or an Offeror** ***Programme summary:*** The expenses and taxes to be charged to the subscriber or purchaser of the Instruments, if any, will be specified in the relevant Final Terms. ***Issue specific summary:*** [There are no expenses charged to the investor by the Issuer]/[The following expenses are to be charged to the investor by the [Issuer/[ ]]: [*Expenses set out in Final Terms to be included*].”

[12] The element E.3 has been updated by way of this Supplement as a result of the amendments of the Terms and Conditions of the Instruments in connection with the approval of RDL 1/2017.

RISK FACTORS

The information set out below shall supplement the section of the Base Prospectus entitled "Risk Factors" on pages 30 to 69 of the Base Prospectus.

To this end, the following text shall, by virtue of this Supplement, be inserted in the section entitled "2. Risks Relating to the Issuer and the Group Business" prior to the risk factor entitled "The Group is exposed to risk of loss from legal and regulatory proceedings":

*"**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 give rise to all types of appeals or claims being filed that could have a significantly adverse impact at Group level.

Banco Santander's acquisition of the entire share capital of Banco Popular Español, S.A. ("**Banco Popular Español**" or "**Banco Popular**") took place through the execution of the resolution of the FROB Steering Committee of 7 June 2017, adopting the measures required to implement the Decision of the Single Resolution Board ("**SRB**"), in its Extended Executive Session of 7 June 2017, concerning the adoption of the resolution scheme in respect of Banco Popular, in compliance with article 29 of Regulation (EU) 806/2014 of the European Parliament and 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 Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) 1093/2010 (the "**FROB Resolution**"). For further information, see section "*Description of the Issuer – Banco Popular*".

Pursuant to the FROB Resolution: (a) Banco Popular share capital outstanding prior to the date of this decision was written down to create a non-distributable voluntary reserve; (b) a capital increase was made without pre-emptive subscription rights to convert all the Additional Tier 1 capital instruments into share capital; (c) share capital was reduced to zero through the write-down of the shares deriving from the conversion described in point (b) to create a non-distributable voluntary reserve; (d) a capital increase without pre-emptive subscription rights was agreed to convert all the Tier 2 capital instruments into newly issued Banco Popular shares; and (e) all the newly issued Banco Popular shares deriving from the conversion described in point (d) were transferred to Banco Santander for a total price of one euro.

Since Banco Popular's declaration of resolution, the write-down and conversion of its capital instruments, and the subsequent transfer to Banco Santander of the shares deriving from such conversion as part of the execution of the resolution tool involving the sale of the entity's business -all of which was made within the framework of the single resolution framework mentioned above-, have no precedent in Spain or in any other Member State, appeals against the FROB's Resolution cannot be ruled out, or claims against Banco Popular Español, Banco Santander or other Santander Group entities as a result of, or related to, the acquisition of Banco Popular. Since the acquisition of Banco Popular by Banco Santander, several investors, counsels and financial operators have announced their intention to explore and, in some cases, have confirmed, the interposition of claims of diverse nature relating to such acquisition. Regarding these potential appeals and claims, it is impossible to foresee their specific terms, or their financial implications (particularly when it is possible that the objectives of such claims may not be quantified, or they may contain new legal interpretations or involve a large number of parties). Estimates of these appeals or claims could affect the acquisition of Banco Popular, including the payment of compensation or settlements, causing a significant adverse impact on the results and financial situation of the Santander Group.

It is also possible that after the acquisition of Banco Popular Español, that entity, its directors, managers or employees and those of entities controlled by Banco Popular could be the subject of all types of claims, including, but not limited to, claims relating to the acquisition by investors of Banco Popular shares or capital instruments prior to the FROB Resolution (specifically, but also not limited to, shares acquired in the context of the capital increase with pre-emptive subscription rights made in 2016), which could have a negative impact on the Santander Group's results and financial situation. In this context, on 3 April 2017, Banco Popular submitted a significant event notice to the CNMV detailing a series of 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 Español, as responsible for the aforementioned accounts, following a report from the audit committee, considered that the factors identified did not, separately or as a whole, represent a significant impact that would justify the restatement of the entity's financial statements at 31 December 2016. Likewise, Banco Popular also announced that the auditors, assuming the correctness and accuracy of the estimations of the directors, which were being reviewed by them, similarly considered that the factors did not,

separately or as a whole, represent a significant impact on the entity's financial statements at 31 December 2016. For such assessment, the auditors considered the accounting and auditing rules in force in connection with a potential restatement of the annual accounts. Notwithstanding the foregoing, Banco Popular is exposed to possible claims relating to the points identified in the aforementioned significant event notice or others of an analogous nature, which, if they were to materialise and be admitted, could have a significant negative impact on the Santander Group's results and financial situation.

Banco Santander's acquisition of the entire share capital of Banco Popular Español has still to be approved by some administrative authorities. If these authorisations are not obtained or if conditions are imposed, this could have a significant adverse impact for the Group.

Given the urgency of the resolution process of Banco Popular Español and, hence, the celerity at which the FROB Resolution was implemented, and that the entire share capital of Banco Popular was transferred to Santander, with immediate effect, the Bank did not have the opportunity to obtain, prior to the acquisition of Banco Popular, all of the regulatory authorisations or declarations of non-opposition that would be required in normal circumstances and not waived by the resolution regulations, or was only able to obtain provisional approval in order to take control of the group and is now expected to complete the process. The authorisations that Banco Santander still needs to obtain in relation to the acquisition of Banco Popular are: (a) the European Commission's approval of the operation's compatibility with the common market (on 7 June 2017 Banco Santander obtained a waiver from the European Commission of the obligation of prior notification, subject to certain conditions including the appointment of a monitoring trustee to ensure that Banco Santander restricts its actions with regard to Banco Popular to those are strictly necessary to comply with regulatory and solvency requirements and that it does not carry out the operational integration of Banco Popular with Banco Santander until the aforementioned authorisation has been obtained from the EU); (b) authorisation from the ECB to take indirect control of Banco Popular Portugal, Popular Banca Privada, Banco Pastor and to acquire a significant share in Wizink Bank; (c) authorisation from the ECB to take indirect control of the significant shareholdings that the Banco Popular Group holds in the non-EU credit institutions listed below; (d) authorisation from the Federal Reserve Board and the State of Florida to take control of Totalbank in the United States and other subsidiaries of Banco Popular in that country; (e) authorisation from the Bank of Portugal to take indirect control of the investment fund manager firm, Popular Gestão de Activos; (f) authorisation from the Autoridade de Supervisão de Seguros e Fundos de Pensões to take indirect control of the insurance companies Eurovida and Popular Seguros; and (g) authorisation from the Secretaría de Hacienda y Crédito Público, Comisión Nacional Bancaria y de Valores de México and Comisión Federal de Competencia Económica de México for the acquisition of a significant stake in Banco Ve por Más, S.A. de C.V. and its subsidiaries.

It may also be possible that the regulatory authorities decide to apply fines or establish conditions or restrictions on the Santander Group's business activities because of the inability to request the aforementioned authorisations, for failing to obtain them or for a delay in their procurement, and if these were to materialise, they could have a material adverse impact on the Group's results and financial situation. Similarly, it cannot be guaranteed that the authorisations that have not yet been obtained will be obtained, or will be obtained without conditions attached. Failure to obtain these authorisations, or the conditions to which they may be subject, could have a material adverse impact on the Santander Group's results and financial situation.

Banco Santander's acquisition of the entire share capital of Banco Popular Español could fail to give rise to the expected results and profits and could expose the Group to unforeseen risks.

Banco Santander decided to make an offer to acquire Banco Popular considering, on the basis of public information available on Banco Popular and other information that it secured limited access to for a restricted period of time, that the acquisition would create a series of synergies and benefits for the Group, resulting from the implementation of business management and operational models that are more efficient in terms of costs and income. Banco Santander may have overvalued these synergies, or they may fail to materialise, which could have a material adverse effect on Santander Group. The risk analysis and assessment made prior to the acquisition was predicated on the accuracy of the available public information and remaining non-material information provided in the review process. Banco Santander did not independently verify the accuracy and integrity of that information. The information provided by Banco Popular to the market or the Bank could contain errors or omissions, and Banco Santander cannot ensure that it is accurate and complete. Therefore, some of the estimates used by Banco Santander as the basis of its decision of acquisition may be inaccurate, incomplete, incorrect or obsolete. Furthermore, given the particular nature and urgency of the process through which Banco Santander acquired Banco Popular, no representations or guarantees have been obtained in relation to Banco Popular's assets, liabilities and business in general, other than those relating to the ownership of the

shares acquired. These circumstances, and the fact that the takeover is so recent, mean that the information available to Banco Santander about Banco Popular is limited or has not been fully processed or analysed. As a result, Banco Santander could encounter damaged or impaired assets, unknown risks or hidden liabilities, or situations and details that have yet to emerge and that could result in material contingencies, or surpass the Group's current estimates. These situations are not covered or protected under the terms and conditions of the acquisition of Banco Popular Español, and hence, if they were to materialise, they could have significant adverse impact on the Group's results and financial situation.

The integration of Banco Popular and its group companies into the Santander Group after the acquisition could be difficult and complex, and the costs, profits and synergies arising from the operation may not be in line with expectations. For instance, Banco Santander could face obstacles arising, among others, from the need to integrate, or even incompatibilities between operating and administration systems, control systems and risk management systems in the two banks, or the need to implement, integrate and harmonise different procedures or operating systems relating to business and financial systems, information and any other systems of both groups; as well as absorbing customer losses or resolution of agreements with different counterparties and for different reasons, potentially giving rise to additional costs or loss of income that are not expected or that may be higher than estimated. The integration process may also lead to changes or redundancies, especially in the Santander Group's business in Spain and Portugal, or additional or extraordinary costs or loss of income that make it necessary to scale back businesses or resources. Any of these circumstances could have a material adverse effect on the Santander Group's results and financial situation.

The integration of Banco Popular and its consequences could require a great deal of effort from Banco Santander and its management team.

Banco Popular Español's integration into the Santander Group, and the circumstances and issues described in section "*Description of the Issuer – Banco Popular*" could require the Bank's management and employees to dedicate a great deal of time and effort, which would restrict its resources or prevent them from carrying out the Group's business activities, and this could have a material adverse effect on the Santander Group's results and financial situation.

The share issue relating to the acquisition of Banco Popular may not be carried out or may be incomplete.

On 3 July 2017 Banco Santander announced a capital increase for an amount of €7,072 million, to reinforce and optimise the Bank's equity structure to adequately cover the acquisition of 100% of the share capital of Banco Popular. Although the capital increase is underwritten, in determined circumstances the underwriting obligations of the underwriting entities may not be required, which would also allow Banco Santander, in some circumstances, to perform the capital increase without underwriting or not to perform it at all. If the capital increase were not carried out, or were carried out without underwriting or for a lower amount than that estimated by Banco Santander this could have a significant adverse impact on the Group's financial situation.

Banco Popular is involved in individual and collective actions in relation to floor clauses. If the cost of these claims is higher than the provisions made, this could have a material adverse impact on the Group's results and financial situation.

The so-called "floor clauses" are clauses whereby the borrower agrees to pay a minimum interest rate to the lender regardless of the applicable benchmark rate. Banco Popular Español has included "floor clauses" in certain asset transactions with customers. The position of Banco Popular in relation to these clauses is as follows:

On 21 January 2016, Banco Popular was informed of the ruling handed down by the Supreme Court dated 23 December 2015 in relation to the collective action filed by the consumer group, *Organización de Consumidores y Usuarios* (OCU). The ruling only considered the floor clauses employed by Banco Popular Español to be null and void and ordered that they should no longer be used. After receiving the ruling, Banco Popular announced to the market that it would comply with the decision from the date of the ruling and cancelled the floor clauses in its contracts.

In 2010, the Consumers' Association for Banks, Savings Banks and Insurance Companies ("**ADICAE**") filed a collective action before Commercial Court 11 of Madrid against practically all financial entities that included limits on interest rate movements in their mortgage contracts, including Banco Popular Español and Banco Pastor. The action requested the termination of the floor clause and the return of any amounts paid in relation thereto. The judgment of first instance (published on 7 April 2016): (i) declared that the floor clauses in

mortgage loan contracts signed with customers identical to those contained in the legal justification were null and void, due to a lack of transparency; (ii) ruled that entities should eliminate these clauses from the contracts in which they were included and cease to use them; (iii) declared that mortgage loan contracts signed by the credit institutions containing floor clauses that should be eliminated were to remain in force; and (iv) ruled that any amounts unduly charged in application of the clauses declared null and void from 9 May 2013 onwards should be repaid, with the corresponding interest. An appeal was filed against this ruling by both ADICAE (on the grounds that all amounts charged by banking entities from the start of the contracts should be repaid, not just from 9 May 2013), and the financial entities (asking for the case to be dismissed or alternatively for the impact to be reduced as far as possible, using various exclusion criteria). Banco Popular put forward the case that the floor clauses included in its mortgage contracts were legal, non-abusive and transparent.

Individual lawsuits have also been filed and are currently being processed by different legal authorities. Ruling both in favour and against the claimant have been handed down in the proceedings that have been completed.

On 21 December 2016, the European Court of Justice declared as contrary to EU law the doctrine established through the ruling of the Supreme Court of 9 May 2013 by virtue of which the retroactive application of declaring the floor clauses null and void was limited so that the amounts charged in application of these clauses would only be repaid from 9 May 2013. Later, the ruling handed down by the Supreme Court of 24 February 2017, resolving a matching appeal filed by another entity, adapted its jurisprudence in line with the ruling of the European Court of Justice of 21 December 2016 and, in particular, considered that the ruling of 9 May 2013, that related to a collective action, had no *res iudicata* effect with respect to individual suits filed by consumers in this regard.

These legal rulings and the social impact of the floor clauses led the Spanish government to establish, through Royal Decree-Law 1/2017, of 20 January, on urgent measures to protect consumers in connection with floor clauses, a voluntary and extrajudicial process whereby consumers that consider themselves affected by floor clauses may claim repayment. In any case, this ruling establishes an extrajudicial channel for conflict resolution but adds nothing that affects the criteria describing the validity of the clauses.

In the last quarter of 2015, Banco Popular made an extraordinary provision of €350 million to cover possible legal risk deriving from the potential elimination of floor clauses in its mortgage loan contracts with retroactive effect from May 2013 (i.e. to cover the risk of having to pay back the excess interest charged through the application of floor clauses from May 2013). In 2016 Banco Popular updated its provision estimates for this concept, which stood at €282 million at 31 December 2016 (provisions of €53 million were released in 2016 and new provisions of €15 million were allocated). Following the ruling handed down by the European Court of Justice on 21 December 2016, Banco Popular updated its provisions for risk associated with floor clauses, in order to cover the impact of potentially having to repay the surplus interest charged in application of these clauses between the date of the corresponding mortgage loans and May 2013, increasing them by €229 million. As a result, total provisions allocated by Banco Popular Español at 31 December 2016 for this concept stood at €511 million. Banco Popular estimates that the maximum risk associated with the floor clauses inserted in its contracts with consumers, under the scenario which it believes to be the most severe and unlikely to materialise, comes to approximately €1 billion as at 31 December 2016. The total provisions allocated referred to earlier account for slightly more than 50% of that maximum risk associated under the most unlikely scenario.

The estimates for these provisions and the maximum risk associated mentioned above were made by Banco Popular based on assumptions and premises it considered to be reasonable. However, these estimates may not be complete, may not have factored in all customers or former customers that could potentially file claims, the most recent facts or legal trends adopted by the Spanish courts, or any other circumstances that could be relevant for establishing the impact of floor clauses for Banco Popular and its group or the successful outcome of the claims filed in relation to these floor clauses. Consequently, the provisions made by Banco Popular or the estimation of the indicated maximum risk could prove to be inadequate, and may have to be increased to cover the impact of the different actions being processed in relation to floor clauses or face additional responsibilities, which could lead to higher costs for the entity. This could have a material adverse effect on the Santander Group's results and financial situation."

The following text shall, by virtue of this Supplement, be inserted in the risk factor entitled "Credit, market and liquidity risk may have an adverse effect on the Group's credit ratings and its cost of funds. Any downgrade in the Group's credit rating would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative contracts and adversely affect its interest margins and results of operations" following the sentence "In February 2017, Standard & Poor's revised the outlook from stable

to positive reflecting the revised funding plans announced by the Group, which give Standard & Poor's comfort that the Group will build a substantial additional loss absorbing capacity buffer over the next two years.":

"In June 2017, Standard & Poor's revised the outlook from positive to stable reflecting the risks associated with the acquisition of Banco Popular (see "*Description of the Issuer - 5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*")".

The following text shall, by virtue of this Supplement, be inserted in the risk factor entitled "The credit quality of the Group's loan portfolio may deteriorate and its loan loss reserves could be insufficient to cover the Group's actual loan losses, which could have a material adverse effect on the Group" replacing in its entirety the final sentence in such risk factor:

"Additionally, the financial crisis and the acquisition of Banco Popular in June 2017 (see "*Description of the Issuer - 5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*") led the Group to accumulate low-return illiquid assets that could prevent from meeting its profitability targets."

The following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled "Change of Law":

"Change of law

The Terms and Conditions are subject to English law, except for Conditions 3 and 14 which are subject to Spanish law, as in effect as at the date of this Base Prospectus. Changes in European, English or Spanish laws or their official interpretation by regulatory authorities after the date hereof may affect the rights and effective remedies of Holders as well as the market value of the Instruments. Such changes in law or official interpretation of such laws may include changes in statutory, tax and regulatory regimes during the life of the Instruments, which may have an adverse effect on an investment in the Instruments. No assurance can be given as to the impact of any possible judicial decision or change to such laws or official interpretation of such laws or administrative practices after the date of this Base Prospectus.

In particular, in relation to the Senior Subordinated Instruments and the Senior Non Preferred Instruments (as defined below), on 23 November 2016, the European Commission published proposals for European Directives amending the BRRD and the CRD IV and proposals for European Regulations amending the SRM Regulation and CRR which aim at implementing the TLAC/MREL Requirements. Among others, the European Commission proposes to amend Article 108 of the BRRD in order to facilitate the creation of a new asset class of "non-preferred" senior debt which will be eligible to count as TLAC and MREL (for example, similar to the Senior Non Preferred Instruments). Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters ("**RDL 11/2017**"), entered into force on 25 June 2017 and amended 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. However, it cannot be ruled out that the current legal regime of this new category of credits will be amended or derogated, including as a result of the implementation of the proposal for an European Directive amending Article 108 BRRD.

Furthermore, any change in the laws or regulations of Spain, Applicable TLAC/MREL Regulations (as defined in the Terms and Conditions) or the application or interpretation thereof may in certain circumstances result in the Bank having the option to redeem, substitute or vary the terms of the Senior Subordinated Instruments or the Senior Non Preferred Instruments (see "*—The Subordinated Instruments and the Senior Non Preferred Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event*" and "*—The Subordinated Instruments and the Senior Non Preferred Instruments may be subject to substitution and/or variation without Holder consent*"). In any such case, the Senior Subordinated Instruments and the Senior Non Preferred Instruments would cease to be outstanding, be substituted or be varied, each of which actions could materially and adversely affect investors and frustrate investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Instruments accurately and therefore affect the market price of the Instruments given the extent and impact on the Instruments of one or more regulatory or legislative changes."

The following text shall, by virtue of this Supplement, replace, in its entirety, the risk factor entitled "The Instruments may be redeemed prior to maturity at the option of the Issuer or for taxation reasons":

"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 Senior Non Preferred Instruments and Subordinated Instruments, redemption at the option of the Issuer or for taxation reasons is 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 and the Senior Non Preferred 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 5.02 or for taxation reasons pursuant to Condition 5.06) 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. The Issuer may be expected to redeem Instruments when their cost of borrowing is lower than the interest rate on the Instruments. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Instruments being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

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, 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 following text shall, by virtue of this Supplement, replace, in its entirety, the section of risk factors entitled "Risks relating to Subordinated Instruments and Second Ranking Senior Instruments":

"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 (including, in case they constitute Tier 2 instruments, 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 and unsecured claims (*créditos ordinarios*) (including any senior non preferred claims (*créditos ordinarios no preferentes*)), 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 (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.

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 RDL 11/2017. Upon the insolvency of the Issuer, the payment obligations of the Issuer 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, (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.

The Issuer's Senior Higher Priority Liabilities would include, among other liabilities, its deposit obligations (other than the deposits obligations qualifying as preferred liabilities (*créditos con privilegio general*) under Additional Provision 14.1º of Law 11/2015), 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 Issuer expects that a 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 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) will be subject to bail-in, meaning potential write-down or conversion into equity securities or other instruments. 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 obligations (*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, 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 second ranking senior instruments issued under the Programme 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.

The Subordinated Instruments and the Senior Non Preferred 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 and Senior Non Preferred Instruments. The terms and conditions of the Subordinated Instruments and the Senior Non Preferred 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 or dissolution. Accordingly, in the event that any payment on the Subordinated Instruments or the Senior Non Preferred Instruments is not made when due, each Holder will have a claim only for amounts then due and payable on their Subordinated Instruments and Senior Non Preferred Instruments and, as provided for in the Terms and Conditions, a right to institute proceedings for the winding up 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 and 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 and the Senior Non Preferred 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 or the Senior Non Preferred Instruments, 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 or a TLAC/MREL Disqualification Event (as these terms are defined in the Terms and Conditions).

The early redemption of the Senior Non Preferred Instruments or the Subordinated Instruments 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.

The early redemption of the Senior Subordinated Instruments and the Senior Non Preferred Instruments that qualify as TLAC/MREL-Eligible Instruments may be subject in the future to the prior permission of the competent authority. The proposal for a regulation amending CRR published by the European Commission on 23 November 2016 (the "**Proposed CRR Amendment**") provides that the redemption of TLAC/MREL-Eligible Instruments prior to the date of their contractual maturity is subject to the prior permission of the competent authority. According to this proposal, such consent will be given only if either of the following conditions are met:

(i) on or before such redemption, the institution replaces the 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 competent 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 competent authority considers necessary.

It is not possible to predict whether or not the Senior Subordinated Instruments or the Senior Non Preferred Instruments will qualify as TLAC/MREL-Eligible Instruments (see "*–The qualification of the Senior Non Preferred Instruments and the Senior Subordinated 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, Applicable TLAC/MREL Regulations or in the application or official interpretation thereof will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Subordinated Instruments or the Senior Non Preferred Instruments, and if so whether or not the Issuer will elect to exercise such option to redeem the Subordinated Instruments or the Senior Non Preferred 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) is 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. The Issuer may be expected to redeem the Subordinated Instruments or the Senior Non Preferred Instruments when its cost of borrowing is lower than the interest rate on the Subordinated Instruments or the Senior Non Preferred 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 Subordinated Instruments or the Senior Non Preferred 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 Senior Non Preferred Instruments and the Senior Subordinated Instruments as TLAC/MREL-Eligible Instruments is subject to uncertainty

The Senior Non Preferred Instruments and the Senior Subordinated Instruments are intended to be TLAC/MREL-Eligible Instruments (as defined in the Terms and Conditions) under the Applicable TLAC/MREL Regulations. However, there is uncertainty regarding the final substance of the Applicable TLAC/MREL Regulations and how those regulations, once enacted, are to be interpreted and applied and the Issuer cannot provide any assurance that the Senior Non Preferred Instruments and the Senior Subordinated Instruments will be (or thereafter remain) TLAC/MREL-Eligible Instruments.

There currently are no European laws or regulations implementing the TLAC concept, which is set forth in the FSB TLAC Term Sheet (as defined in the Terms and Conditions). The European Commission has recently proposed directives and regulations intended to give effect to the FSB TLAC Term Sheet and to modify the requirements for MREL eligibility. While the Terms and Conditions may be consistent with the European Commission's proposals, these proposals have not yet been interpreted and when finally adopted the final Applicable TLAC/MREL Regulations may be different from those set forth in these proposals.

Because of the uncertainty surrounding the substance of the final regulations implementing the TLAC requirements and their interpretation and application and any potential changes to the regulations giving effect to MREL, the Issuer cannot provide any assurance that the Senior Non Preferred Instruments and the Senior Subordinated Instruments will ultimately be TLAC/MREL-Eligible Instruments. If for any reasons they 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 TLAC/MREL 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 and the Senior Non Preferred Instruments may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event" and "The Subordinated Instruments and the Senior Non Preferred Instruments may be subject to substitution and/or variation without Holder consent*".

The Subordinated Instruments and the Senior Non Preferred 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, an Alignment Event or a circumstance giving rise to the right to early redeem the Subordinated Instruments or the Senior Non Preferred 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 Subordinated Instruments and the Senior Non Preferred Instruments or (ii) to modify the terms of all (but not some only) of such Subordinated Instruments and the Senior Non Preferred 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 Subordinated Instruments and the Senior Non Preferred 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.

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.

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 creates the legal category of unsubordinated and unsecured senior non preferred obligations (*créditos ordinarios no preferentes*) in Spain. Although certain financial institutions have issued securities with similar features in the past, there is little trading history for securities of 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."

DESCRIPTION OF THE ISSUER

The information set out below shall supplement the section of the Base Prospectus entitled "Description of the Issuer" on pages 70 to 112 of the Base Prospectus.

To this end, the following text shall, by virtue of this Supplement, be inserted in the section entitled "5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events" prior to the section entitled "Santander Asset Management" replacing, in its entirety, the sentence "The Group's principal acquisitions and dispositions in 2016 and 2015 were as follows":

"The Group's principal acquisitions and dispositions in 2017, 2016 and 2015 were as follows:

Banco Popular

On 7 June 2017, Banco Santander announced the acquisition of 100% of the share capital of Banco Popular Español following a competitive sale process held as part of the resolution adopted by the SRB and implemented by the FROB, in accordance with (EU) Regulation 806/2014 of the European Parliament and Council, of 15 July, Directive 2014/59/EU of the European Parliament and Council, of 15 May 2014 and Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services companies.

As part of the execution of the resolution scheme: (i) all the shares of Banco Popular outstanding at the close of business on 6 June 2017 and all the shares resulting from the conversion of the Additional Tier 1 regulatory capital instruments issued by Banco Popular were cancelled in full and (ii) all the Tier 2 regulatory capital instruments issued by Banco Popular were converted into newly issued shares of Banco Popular, all of which were acquired by Banco Santander for the price of one euro (€1).

On 3 July 2017 Banco Santander announced a capital increase with pre-emptive subscription rights for €7,072 million to reinforce and optimise the Bank's equity structure to adequately cover the acquisition of 100% of the share capital of Banco Popular. Banco Santander has underwriting commitments for the whole amount.

Banco Santander's integration with Banco Popular will significantly strengthen the Group's franchise in Spain and Portugal.

In Spain, the new entity, which will operate under the Santander brand, will assign strategic priority to increasing its SME business, and the acquisition will further diversify its business portfolio, with a greater weighting in segments that contribute greater profitability at a positive point of the economic cycle.

The transaction also includes Banco Popular's business in Portugal, which will form part of Santander Totta. The transaction will boost the growth of Santander Totta, strengthening its position in the country.

The acquisition of Banco Popular meets strict strategic and financial investment criteria and is expected to strengthen the Group's main business ratios. It is also aligned with the Bank's commitment to making purchases that complement the franchises in its main markets when they generate value for customers and shareholders.

The new entity will show an increase in profitability and generate cost synergies, with savings of around €500 million a year from 2020 onwards.

The impact of these transactions on the Banco Santander Group's CET1 is expected to be neutral, and in the future it is expected to increase the Bank's organic capital generation capacity. Santander maintains its commitment to increasing its CET1 ratio to over 11% in 2018.

Santander Spain's current management team, headed by CEO, Rami Aboukhair, will manage the new entity.

Banco Popular experienced significant deposit losses prior to the acquisition, and Banco Santander provided €13 billion of funding to Banco Popular following the acquisition in order to enhance its liquidity. Since the acquisition, Banco Popular deposit base has begun to recover.

Banco Popular has entered in recent years in a number of joint ventures and alliances involving a significant proportion of its businesses. Banco Santander is in the process of assessing the strategic rationale of these joint ventures as is customary following an acquisition. As a result of that assessment and the contractual terms of such joint ventures, some or all of those joint ventures may be terminated or renegotiated, which may lead, in turn, to the sale of Banco Popular's participation or to the reinvestment in such joint ventures. As part of such assessment process, on 30 June 2017, Banco Popular announced its decision to repurchase 51% of the share

capital of Aliseda Servicios de Gestión Inmobiliaria, S.L., a real estate servicer, which Banco Popular does not already hold, for €180 million.

Moreover, Banco Santander intends to scale down the Group's non-performing assets (real estate and non-performing loans) after the acquisition of Banco Popular. The scale down will take place within three years. However, this period could be substantially shorter depending on demand circumstances and market prices. In this regard, on 30 June 2017 Banco Popular informed that it has agreed to initiate a process to find partners or investors for a non-performing assets portfolio with an estimated gross value of €30 billion."

The following text shall, by virtue of this Supplement, be inserted at the end of the section entitled "5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency – Capital Increases":

"As part of the acquisition of the entire share capital of Banco Popular (see "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*"), the Bank announced on 3 July 2017 a capital increase of €7,072 million which covers the capital and provisions required to strengthen Banco Popular's balance sheet."

The following text shall, by virtue of this Supplement, replace, in its entirety, the text in the section entitled "—5.2.1 A description of the principal investments made since the date of the last published financial statements":

"On 7 June 2017, Banco Santander acquired the entire share capital of Banco Popular (see "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*")."

The following text shall, by virtue of this Supplement, be inserted in the section entitled "6.1.1 A description of the Issuer's principal activities stating the main categories of products sold and/or services performed." following the sentence "As of 31 December 2016, the Group had 57,259 employees and 4,805 branch offices in Continental Europe, 25,688 employees and 844 branches in the United Kingdom, 86,312 employees and 5,818 branches in Latin America, 17,509 employees and 768 branches in the United States and 1,724 employees in Corporate Activities.":

"Further to the acquisition of Banco Popular on 7 June 2017 (see "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*"), prospective investors should consider, in addition to the above, the number of employees of Banco Popular. At 31 December 2016, Banco Popular had 11,948 employees as reflected in the audited consolidated financial statements of Banco Popular for that year."

The following text shall, by virtue of this Supplement, be inserted in the section entitled "7 Organisational Structure" prior to the sentence "The Issuer is not dependent upon any other entity within the Group.":

"Banco Santander, S.A. is the parent company of the Santander Group. As of 31 December 2016, the Group comprised 715 subsidiaries of Banco Santander, S.A. There are also another 183 companies which are related Group companies, multi-group companies or stock-exchange listed companies in which the Group owns more than 5% (these do not include subsidiaries or those of insignificant interest from the standpoint of the true and fair view which must be set forth in the consolidated financial statements).

Following the acquisition of Banco Popular on 7 June 2017 (see "*Description of the Issuer – Banco Popular*") prospective investors should consider, in addition to the above, that at 31 December 2016 Banco Popular Group was comprised of a total of 117 companies as shown in its audited financial statements at that date: Banco Popular Español, 86 subsidiaries, and 30 associated companies of the group or multi-group companies."

The following text shall, by virtue of this Supplement, replace, in its entirety the text in the section entitled "8.1 Include a statement that there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements. In the event that the Issuer is unable to make such a statement, provide details of this material adverse change":

"Other than the changes in the financial and trading position and the prospects of the Issuer resulting from the acquisition of Banco Popular, there has been no material adverse change in the prospects of the Issuer and its subsidiaries taken as a whole since 31 December 2016 (being the date of the most recently published audited

financial statements). See "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*" and "*—9 Profit Forecasts or Estimates*.""

The following text shall, by virtue of this Supplement, replace, in its entirety the text in the section entitled "9 Profit Forecasts or Estimates":

"Banco Santander has informed the market of the following estimates regarding its consolidated financial data for the six-month period ended on 30 June 2017. It is unaudited data which consists of estimates, and which include alternative performance measures and non-IFRS items. Such non-audited information has been approved by the corresponding bodies of Banco Santander (which is responsible for it) and reviewed by the external auditors who agreed that such information is substantially consistent with the final figures that will be published in the Santander Group's audited interim consolidated condensed financial statements for the six-month period ending on 30 June 2017.

This consolidated financial information for the six-month period ended 30 June 2017 is preliminary in nature, has been prepared on a basis comparable with the historical financial information of Santander Group, is based on the estimates of Santander Group and is subject to the completion of its financial and accounting closing procedures. This information is not an exhaustive description of the consolidated financial results of Santander Group for the six months ending 30 June 2017 and the actual results of Santander Group for this period may differ from the estimates presented in this communication due to the completion of the financial and accounting closing procedures of Santander Group and other related adjustments, as well as from the effect of other events that could occur until the time of completion of the preparation of the corresponding financial results at the end of the semester.

<u>Estimates for Santander Group, before considering the contribution of Banco Popular:</u>

Banco Santander expects net profit attributable to the parent of approximately €3.6 billion for the six-month period ended on 30 June 2017, which represents an increase of nearly 24% over net profit attributable to the parent recorded during the six-month period ended on 30 June 2016. After excluding the non-recurring and negative impact of €248 million recorded in the six-month period ended on 30 June 2016, this increase is reduced to around 14% or nearly 11%, excluding also the positive effect of exchange rates movements.

This 11% increase is obtained with the income increase driven by margin and commissions, a relatively lower increase in costs, which grow behind the average inflation rate of the principal markets in which the Group operates, and a decrease in provisions for credit losses which is consistent with the downward trend of the non-performing loan ("**NPL**") ratio while the coverage ratio is held stable. On the balance sheet, the Group expects to report growth in net loans to customers and deposits of approximately 1% and around 3.5% respectively in the first half of the year, also excluding the impact of exchange rates.

<u>Estimation of the contribution of Banco Popular to the Santander Group:</u>

Santander Group acquired Banco Popular and its subsidiaries on 7 June 2017 and has consolidated Banco Popular in the accounts of Santander Group since such date. Hence, it does not contribute significant results between that date and 30 June 2017. The first estimation of the purchase price adjustments from the acquisition of Banco Popular results in immaterial goodwill in the context of the acquisition. It is estimated that Banco Popular, after the adjustments, would contribute net loans of approximately €82 billion and deposits of €65 billion, concentrated primarily in Spain, which represents approximately 10% and 8.5% of the Group's totals, respectively, after Banco Popular's integration with Banco Santander.

Banco Popular's NPL ratio is estimated to be approximately 20% and the coverage ratio is estimated to be around 61% after the adjustments for the acquisition. In addition, it is estimated that Banco Popular has real estate assets of approximately €17.5 billion (gross) which, after the adjustments, would be reduced to approximately €6.5 billion (net accounting value) and the resulting coverage ratio would be of approximately 63%.

It is also estimated that the Group's NPL and coverage ratios after the integration of Banco Popular would be approximately 5.4% and 70%, respectively, and that the amount of its real estate assets in Spain, considering the above-mentioned adjustments of Banco Popular's assets, would be approximately €11 billion (net accounting value), with a coverage ratio of approximately 60%.

The fully loaded CET1 as of 30 June would be approximately 10.7% assuming complete subscription for the capital increase in an announced amount of €7,072 million."

The following text shall, by virtue of this Supplement, be inserted at the end of the section entitled "—13.6 Legal and arbitration proceedings":

"As a result of the acquisition of Banco Popular on 7 June 2017 (see "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*"), the Group is exposed to transactions with interest rate floor clauses. See "*Risk Factors - Risks Relating to the Acquisition of Banco Popular - Banco Popular is subject to individual and collective lawsuits over mortgage interest rate floor clauses. If the resulting costs of those claims were higher than the provisions made, this could have a material adverse effect on the Group's operating results, financial condition and prospects*"."

The following text shall, by virtue of this Supplement, replace, in its entirety the text in the section entitled "13.7 There has been no significant change in the financial or trading position of the Santander Group since 31 December 2016 (being the date of the most recently published audited financial information of the Issuer)":

"Other than the changes in the financial and trading position and the prospects of the Issuer resulting from the acquisition of Banco Popular, there has been no significant change in the financial or trading position of the Santander Group since 31 December 2016 (being the date of the most recently published audited financial information of the Issuer). See "*—5.1.5 Any recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency - Acquisitions, Dispositions, Reorganisations and Other Recent Events – Banco Popular*" and "*—9 Profit Forecasts or Estimates*.""

The following text shall, by virtue of this Supplement, replace, in its entirety the text in the section entitled "18 Credit Ratings":

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

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

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

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

Notes:

(1) Fitch Ratings España, S.A.U.

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

(3) Standard & Poor's Credit Market Services Europe Limited.

(4) DBRS Ratings Limited.

(5) Scope Ratings GmbH

(6) GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below shall supplement the section of the Base Prospectus entitled "Documents incorporated by reference" on pages 113 to 115 of the Base Prospectus.

To this end, the following text shall, by virtue of this Supplement, be inserted as point 3.

"3. Significant event notice dated 3 July 2017 reporting estimates of the Issuer's consolidated financial data for the six-month period ended 30 June 2017"

http://www.santander.com/csgs/Satellite/CFWCSancomQP01/en_GB/pdf/ENG-HREstimates.pdf

The following text shall, by virtue of this Supplement, replace in its entirety the next text "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 it is not relevant for the investor":

"Any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference in points 1 and 2 above has been derived, is for information purposes only and not incorporated by reference because it is not relevant for the investor."

THE INSTRUMENTS

The information set out below shall supplement the section of the Base Prospectus entitled "The Instruments" on pages 117 to 139 of the Base Prospectus.

To this end, the following text shall, by virtue of this Supplement, replace, in its entirety, the section entitled "3.2 Reasons for the offer and use of proceeds. Reasons for the offer if different from making profit and/or hedging certain risks. Where applicable, disclosure of the estimated total expenses of the issue/offer and the estimated net amount of the proceeds. These expenses and proceeds shall be broken into each principal intended use and presented by order of priority of such uses. If the Issuer is aware that the anticipated proceeds will not be sufficient to fund all the proposed uses, state the amount and sources of other funds needed":

"The net proceeds of the issue of each Tranche of Instruments will be used for the general funding purposes of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

The estimated total expenses of the issue/offer and the estimated net amount of the proceeds will be specified in the relevant Final Terms."

The following text shall, by virtue of this Supplement, replace, in its entirety, the section entitled "4.5 Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer":

"4.5 Ranking of the securities being offered and/or admitted to trading, including summaries of any clauses that are intended to affect ranking or subordinate the security to any present or future liabilities of the issuer

a) Senior Instruments

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 the Insolvency Law), 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.

b) Subordinated Instruments

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:

This would be expected to be the case if the Subordinated Instruments are specified as Senior Subordinated Instruments in the relevant Final Terms.

(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

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

This would be expected to be the case if the Subordinated Instruments are specified as Tier 2 Subordinated Instruments in the relevant Final Terms.

(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."

The following text shall, by virtue of this Supplement, replace, in its entirety, the section entitled "5.1.1 Conditions to which the offer is subject":

"5.1.1 Conditions to which the offer is subject

See – "*Terms and Conditions of the Instruments*".

Under this Base Prospectus, different type of Instruments can be issued (Ordinary Senior Instruments, Senior Non Preferred Instruments and Subordinated Instruments, which can be, in turn, Senior Subordinated Instruments and Tier 2 Subordinated Instruments as specified in the Final Terms). These issuances shall be made within the following twelve months since the date of approval of the Base Prospectus by the Central Bank of Ireland.

If so specified in the relevant Final Terms, the Instruments may be offered to the public in a Non-Exempt Offer (as defined in 5.2.1) in one or more specified Public Offer Jurisdictions.

The terms and conditions of each offer of Instruments will be specified in the applicable Final Terms."

TERMS AND CONDITIONS OF THE INSTRUMENTS

The text set out below shall replace, in its entirety, the text in the section of the Base Prospectus entitled "Terms and Conditions of the Instruments" on pages 140 to 174 of the Base Prospectus:

*"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, and which shall contain, among other information, the Terms and Conditions. The Instruments will be issued in accordance with an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto) dated 6 March 2017 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 (Luxembourg) S.A. in its capacity as registrar (the "**Registrar**", which expression shall include any successor to The Bank of New York Mellon (Luxembourg) S.A. 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. The Issuer has executed and delivered a deed of covenant dated 6 March 2017 (the "**Deed of Covenant**"). Copies of the Issue and Paying Agency Agreement 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, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Instruments.

The Instruments are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Instruments. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection 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 and if the rules of such market so require, shall be published on the website of the Irish Stock Exchange (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 the Deed of Covenant) in respect of, such Instruments.

References in these Terms and Conditions to "**Instruments**" are to Instruments of the relevant Series and any references to "**Coupons**" (as defined in Condition 1.02) 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) 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 and any other evidence as the Registrar may reasonably require. 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. All transfers of Instruments and entries on the Register will be made subject to the detailed regulations concerning transfers of Instruments set out in the Issue and Paying Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Holders. A copy of the current regulations will be made available by the Registrar to any Holders upon request.

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 Condition 5.08) and surrender of the Individual Certificate for exchange. Delivery of the new Individual Certificate(s) shall be made at the specified office of the Registrar to whom delivery or surrender of such form of transfer, redemption notice (under Condition 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 Condition 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.

2.05 **Transfer Free of Charge**: Transfers of Instruments and Individual Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar may require).

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**")), 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 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:

This would be expected to be the case if the Subordinated Instruments are specified as Senior Subordinated Instruments in the relevant Final Terms.

(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

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

This would be expected to be the case if the Subordinated Instruments are specified as Tier 2 Subordinated Instruments in the relevant Final Terms.

(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.

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

For the purposes of the 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 then applicable to the Issuer and/or the Group including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect of the Regulator, in each case to the extent then in effect in Spain (whether or not such 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);

"**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) 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 superseded from time to time, 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);

"**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 come into effect in place thereof, 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;

"**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, as amended from time to time, or such other directive as may come into effect in place thereof;

"**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);

"**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, as amended from time to time, or such other regulation as may come into effect in place thereof;

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

"**RD 1012/2015**" means Royal Decree 1012/2015 of 6 November implementing Law 11/2015;

"**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;

"**Regulator**" means the European Central Bank 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. 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. The applicable Final Terms contain provisions applicable to the determination of reset rate 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 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 specified in the applicable Final Terms) 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 specified in the applicable Final Terms) 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 is not available or the Mid-Swap Rate does not appear on the Relevant Screen Page, 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) determined by the Calculation Agent following consultation with the Issuer.

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 and CMS-Linked Instruments. 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) 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) as of the Relevant Time (as defined in Condition 10C) on the relevant Interest Determination Date (as defined in Condition 10C);

(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) office of each of the Reference Banks (as defined in Condition 10C) 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 determined by the Calculation Agent following consultation with the Issuer.

4C.04 ***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. (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.

4C.05 ***Rate of Interest:*** The Rate of Interest in relation to the Instruments shall be determined as follows:

(A) If "Margin Plus Rate" is specified as applicable in the applicable Final Terms, the Rate of Interest will be equal to the Margin plus the 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 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 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 or with Condition 4C.04 as specified in the relevant Final Terms.

4C.06 ***Maximum or Minimum Rate of Interest:*** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then, 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.07 ***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**Error! Reference source not found.** 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 Standard and Poor's Rating Services, 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 ("**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 the Irish Stock Exchange 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).

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. 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.

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, 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 Instrument 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 30 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**Error! Reference source not found.**, 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 Senior Non Preferred Instruments and Subordinated Instruments, redemption for taxation reasons 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.

Article 78(4) of the CRR provides that the Regulator may only permit the redemption of Tier 2 Subordinated Instruments before the fifth anniversary of the Issue Date for taxation reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) of the CRR, there is a change in the applicable tax treatment of the instruments and the institution demonstrates to the satisfaction of the Regulator that such change is material and was not reasonably foreseeable at the Issue Date.

For the purposes of these Terms and Conditions:

"**Relevant Resolution Authority**" means the *Fondo de Resolución Ordenada Bancaria* (FROB), the Single Resolution Board ("**SRB**") established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Bail-in Power from time to time; and

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 30 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.

Article 78(4) provides that the Regulator may only permit the redemption of Tier 2 Subordinated Instruments before the fifth anniversary of the Issue Date for regulatory reasons if, in addition to meeting one of the conditions referred to in paragraphs (a) or (b) of Article 78(1) (as described below), there is a change in the regulatory classification of the instruments that would be likely to result in their exclusion from own funds or reclassification as a lower quality form of own funds, the Regulator considers such change to be sufficiently certain and the institution demonstrates to the satisfaction of the Regulator that the regulatory classification was not reasonably foreseeable at the Issue Date.

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 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 Senior Subordinated Instruments and Senior Non Preferred Instruments only, following the TLAC/MREL Requirement Date, a TLAC/MREL Disqualification Event has occurred and is continuing, then the Issuer may, at its option and having given not less than 30 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**Error! Reference source not found.**, 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).

Senior Subordinated Instruments and Senior Non Preferred 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 Senior Non Preferred Instruments and Senior Subordinated Instruments for regulatory reasons pursuant to this Condition 5.04 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:

"**Applicable TLAC/MREL Regulations**" means, at any time, the laws, regulations, requirements, guidelines and policies then in effect in the Kingdom of Spain giving effect to the MREL and the principles set forth in the FSB TLAC Term Sheet or any successor principles then applicable to the Issuer and/or the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies giving effect to the MREL and the principles set forth in the FSB TLAC Term Sheet or any successor principles then in effect (whether or not such 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);

"**EC Proposals**" means the European Commission's proposals to amend and supplement certain provisions of the CRD IV Directive, the CRR, the SRM Regulation and the BRRD;

"**FSB TLAC Term Sheet**" means the Total Loss-absorbing Capacity (TLAC) term sheet set forth in the document dated 9 November 2015 published by the Financial Stability Board, entitled "Principles on Loss-absorbing and Recapitalisation Capacity of G-SIBs in Resolution," as amended from time to time;

"**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 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, or any successor requirement under EU legislation and relevant implementing legislation and regulation in Spain;

"**TLAC/MREL Disqualification Event**" means at any time, on or following the TLAC/MREL Requirement Date, that all or part of the outstanding nominal amount of the Senior Subordinated Instruments or the Senior Non Preferred Instruments does not fully qualify as TLAC/MREL-Eligible Instruments of the Issuer and/or the Group, except where such non-qualification (i) was reasonably foreseeable as at the relevant Issue Date of the relevant Instruments or (ii) 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 TLAC/MREL Regulations or (iii) 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.

For the purpose of paragraph (i) of this definition, the circumstances where any non-qualification of the Senior Subordinated Instruments and Senior Non Preferred Instruments as TLAC/MREL-Eligible Instruments shall not be "reasonably foreseeable" shall, without limitation, be deemed to include where such non-qualification arises as a result of (a) any legislation which gives effect to the EC Proposals in the Kingdom of Spain differing in any respect from the form of the EC Proposals as published by the European Commission on 23 November 2016 (the "**Draft EC Proposals**") (including if the EC Proposals are not implemented in full in the Kingdom of Spain), or (b) the official interpretation or application of the Draft EC Proposals or the EC Proposals 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 Draft EC Proposals have been reflected in these Terms and Conditions;

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

"**TLAC/MREL Requirement Date**" means the time from which the Issuer and/or the Group is obliged to meet any 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 TLAC/MREL 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 30 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 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 Senior Non Preferred Instruments and Subordinated Instruments, redemption at the option of the Issuer pursuant to this Condition 5.06 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.

Article 78(1) of the CRR provides that the Regulator will give its consent to a redemption of Tier 2 Subordinated Instruments in such circumstances provided that either of the following conditions is met:

(a) on or before such redemption of the Tier 2 Subordinated Instruments, the institution replaces the Tier 2 Subordinated Instruments with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the institution; or

(b) the institution has demonstrated to the satisfaction of the Regulator that its own funds would, following such redemption, exceed the requirements laid down in Article 92(1) of the CRR and the combined buffer requirement as defined in point (6) of Article 128 of the CRD IV Directive by a margin that the Regulator may consider necessary on the basis of Article 104(3) of the CRD IV Directive.

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 in the relevant Final Terms as being applicable to the Ordinary Senior Instruments, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Instrument of the relevant Series, redeem such Instrument on the 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 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 (except as provided in the Issue and Paying Agency Agreement).

This Condition 5.08 shall not apply in the case of Subordinated Instruments and Senior Non Preferred Instruments and holders of Subordinated Instruments and Senior Non Preferred Instruments may not redeem such Subordinated Instruments and Senior Non Preferred Instruments prior to the Maturity Date.

In the case of the redemption of part only of a Registered Instrument, a new Registered Instrument in respect of the unredeemed balance shall be issued in accordance with Conditions 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 at any time 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 Senior Non Preferred Instruments and Subordinated Instruments, 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.

Under the current Applicable Banking Regulations an institution requires the prior permission of the Regulator (Article 77(b) of the CRR) to effect the repurchase of tier 2 instruments, and these may not be repurchased before five years after the date of issuance (Article 63(j) of the CRR).

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 of Irish Stock Exchange

5.15 The Issuer shall notify the Irish Stock Exchange 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 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 a Senior Instrument in respect of such 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 Senior Instrument or Instruments and all interest then accrued on such 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 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.

Events of Default for Subordinated Instruments and Senior Non Preferred Instruments

6.03 Save as provided below, there are no events of default under the Subordinated Instruments and the Senior Non Preferred Instruments which could lead to an acceleration of the Subordinated Instruments and the Senior Non Preferred 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 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 Senior Non Preferred 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 Senior Non Preferred Instruments held by such Holder, may institute proceedings for the winding up 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 of Subordinated Instruments and Senior Non Preferred Instruments

If this Condition 8 is specified in the relevant Final Terms as being applicable to the Subordinated Instruments or the Senior Non Preferred Instruments, and a Capital Disqualification Event, a TLAC/MREL Disqualification Event, an Alignment Event or a circumstance giving rise to the right of the Issuer to redeem the Subordinated Instruments or Senior Non Preferred Instruments for taxation reasons under Condition 5.02 occurs and is continuing, the Issuer may substitute all (but not some only) of the Subordinated Instruments or of the Senior Non Preferred Instruments (as the case may be) or modify the terms of all (but not some only) of the Subordinated Instruments or of the Senior Non Preferred Instruments (as the case may be), 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 30 nor more than 60 days' notice to the Holders in accordance with Condition 15**Error! Reference source not found.**, 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 Subordinated Instruments or the Senior Non Preferred 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 Subordinated Instruments or Senior Non Preferred Instruments, be deemed to accept the substitution or variation of the terms of the Subordinated Instruments and the Senior Non Preferred Instruments (as applicable) 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 Subordinated Instruments and the Senior Non Preferred Instruments (as applicable).

In these Terms and Conditions:

An "**Alignment Event**" is deemed to have occurred if, in the case of Senior Non Preferred Instruments, there is a change in, or amendment to, the Applicable TLAC/MREL Regulations, or any change in the application or interpretation thereof, that results in the requirements of unsubordinated and unsecured instruments qualifying as senior non preferred obligations (*créditos ordinarios no preferentes*) under Additional Provision 14.2º of Law 11/2015, as amended or superseded from time to time, or qualifying as TLAC/MREL-Eligible Instruments being different in any respect from the Terms and Conditions of Senior Non Preferred Instruments. Further, an Alignment Event will be deemed to have occurred if as a result of the relevant change or amendment only securities issued on or following a certain date which is after the Issue Date may qualify as 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 or superseded from time to time;

"**Qualifying Instruments**" means, at any time, any securities denominated in the Specified Currency and issued directly by the Issuer that have terms not otherwise materially less favourable to the Holders than the terms of the Subordinated Instruments and the Senior Non Preferred Instruments (as applicable) 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 Subordinated Instruments and the Senior Non Preferred Instruments pursuant to this Condition 8, the issue date of the relevant securities or (y) in the case of a variation of the Subordinated Instruments and the Senior Non Preferred Instruments pursuant to this Condition 8, the date such variation becomes effective, provided that such securities shall:

(i) (a) in the case of Senior Subordinated Instruments and Senior Non Preferred Instruments, if the TLAC/MREL Requirement Date has occurred, contain terms which comply with the then current requirements for TLAC/MREL-Eligible Instruments as embodied in the Applicable TLAC/MREL 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 Subordinated Instruments or the Senior Non Preferred Instruments (as applicable) 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 Subordinated Instruments or the Senior Non Preferred Instruments (as applicable) 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 Subordinated Instruments or the Senior Non Preferred Instruments (as applicable) 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, an Alignment Event and/or an early redemption right for taxation reasons according to Condition 5.02; and

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

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, 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 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 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; 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;

"**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;

"**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**") and (ii) the Euro Interbank Offered Rate ("**EURIBOR**"), 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 shall contain the rules governing the functioning of each Syndicate 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 the Issue and Paying Agency Agreement.

A Commissioner will be appointed for each Syndicate.

Provisions for meetings of the Syndicate of Holders of the Instruments will be contained in the Regulations and the Issue and Paying Agency Agreement. Such provisions shall have effect as if incorporated herein.

The Issuer may, with the consent of the Issue and Paying Agent and the relevant Commissioner, but without the consent of the Holders of the Instruments of any Series or Coupons, amend these Terms and Conditions and the Deed of Covenant insofar as they may apply to such Instruments to correct a manifest error. Subject as aforesaid, no other modification may be made to these Terms and Conditions or the Deed of Covenant except with the sanction of a resolution of the relevant Syndicate of Holders of Instruments.

For the purposes of these Terms and Conditions,

"**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 the Irish Stock Exchange (www.ise.ie) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe.

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 the Irish Stock Exchange, any notices to Holders must also be published on the website of the Irish Stock Exchange (www.ise.ie) (so long as such Instruments are listed on the Irish Stock Exchange and the rules of that exchange so require) and, in addition to the foregoing, will be deemed validly given only after the date of such publication.

Notice of a General Meeting of the Syndicate of Holders

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

Governing Law

19.01 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 **Error! Reference source not found.** shall be governed by, and shall be construed in accordance with, Spanish law.

Jurisdiction

19.02 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).

Service of Process

19.03 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.

20 Rights of Third Parties

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 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, 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."

PRO FORMA FINAL TERMS

The text set out below shall replace, in its entirety, the text in the section of the Base Prospectus entitled "Pro Forma Final Terms" on pages 181 to 194 of the Base Prospectus:

"Text in this section appearing in italics does not form part of the form of the Final Terms but denotes directions for completing the Final Terms.

Final Terms dated [●]

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

[The Instruments are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC (IMD), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). 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 has been prepared and therefore offering or selling the Instruments or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.][1]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Instruments in Ireland or any other Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly, any person making or intending to make an offer of the Instruments may only do so in:

(viii) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ix) those Public Offer Jurisdictions mentioned in Paragraph 38 of Part A below, provided such person is one of the persons mentioned in Paragraph 38 of Part A below and that such offer is made during the Offer Period specified for such purpose therein and that any conditions relevant to the use of the Base Prospectus are complied with.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances.][2] [3]

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Instruments in Ireland or any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC), as amended, (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Instruments. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Instruments may only do so in circumstances

[1] [Legend to be included on front of the Final Terms (i) for offers concluded on or after 1 January 2018 if the Instruments potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason or (ii) for offers concluded before 1 January 2018 at the option of the parties, in which case the selling restriction "Prohibition of Sales to EEA Retail Investors" should be specified as "Applicable".]

[2] [Include this legend where a non-exempt offer of Instruments is anticipated.]

[3] [Applicable only to securities with a denomination of less than EUR 100,000.]

in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Instruments in any other circumstances].[4]

The Base Prospectus together with the relevant Final Terms have been published on the websites on the Irish Stock Exchange (www.ise.ie) and the Central Bank of Ireland (http://www.centralbank.ie) in an agreed electronic format.

[4] [Include this legend only where an exempt offer of Instruments is anticipated. In addition, in the case of listing the Instruments on an unregulated market or unlisted Instruments, any references to the Prospectus Directive will be removed.]

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 6 March 2017 [and the Supplement[s] to the Base Prospectus dated [ ] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU)) (the "**Prospectus Directive**"). [This document constitutes the Final Terms of the Instruments described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]][5] [A summary of the individual issue is annexed to this Final Terms.][6] Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of these Final Terms and the Base Prospectus dated 6 March 2017 [as so supplemented]. [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 websites on the Irish Stock Exchange (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]

[5] [In the case of listing the Instruments on an unregulated market or unlisted Instruments, this language will be removed.]

[6] [Applicable only to securities with a denomination of less than EUR 100,000.]

9	Maturity Date:	[*Date or (for Floating Rate — Instruments) Interest Payment Date falling in the relevant month and year*]
10	Interest Basis:	[[ ]% Fixed Rate] [Reset Instruments] [Floating Rate: [difference between] [LIBOR] [and] [EURIBOR] [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] [Call Option – Capital Disqualification Event] [Call Option – TLAC/MREL Disqualification Event] [Put Option][7] [(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)] [Date [Executive Committee] approval for issuance of Instruments obtained:	(*N.B. Only relevant where Executive Committee (or similar) authorisation is required for the particular tranche of Instruments*)]
14	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15	Fixed Rate Instrument Provisions	[Applicable/Not Applicable] (*If applicable, Condition 4A of the Terms and Conditions of the Instruments will apply*) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Rate[(s)] of Interest:	[ ] per cent. per annum [for the [ ] Interest Period][*repeat information if necessary*] [ ] per cent. per annum [payable [annually/semi-annually/ quarterly/monthly] in arrear]

[7] [Not applicable in the case of Subordinated Instruments and Senior Non Preferred Instruments.]

	(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/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)	[ ] per [ ] specified denomination [for the [ ] Interest Period] [*repeat information if necessary*]

	the First Reset Date:	
(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 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*)]
(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/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][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:	[ ]
	(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
20	Put Option		[Applicable/Not Applicable][8] (*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)		
	Early Redemption Amount(s) of each Instrument payable on redemption for (1) taxation reasons, (2) on a Capital Disqualification Event (if applicable), (3) on a TLAC/MREL Disqualification Event (if applicable) or (4) on event of default:		[ ]

GENERAL PROVISIONS APPLICABLE TO THE INSTRUMENTS

23	Form of Instruments:	Bearer Instruments:

[8] [Not applicable in the case of Subordinated Instruments and Senior Non Preferred 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] 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)]] [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]

DISTRIBUTION

32	(i) If syndicated, names [and addresses] of Managers [and underwriting commitments]:	(*For a non-exempt offer, include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.*) [Not Applicable]

	(ii) [Date of [Subscription Agreement]	[ ][9]
33	If non-syndicated, name and address of Dealer/Manager:	[ ][10]
34	Stabilisation Manager:	[Not Applicable] [ ]
35	[Indication of the overall amount of the underwriting commission and of the placing commission:]	[[ ] per cent. of the Aggregate Nominal Amount] [None]] [11]
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]
37	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the offer of the Instruments is concluded prior to 1 January 2018, or on and after that date the Instruments clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Instruments will be concluded on or after 1 January 2018 and the Instruments may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*)
38	Public Offer:	[Not Applicable][12] / [An offer of the Instruments may be made by [the relevant Dealer[(s)] appointed in the Final Terms] [and/or] [*specify names and addresses of the financial intermediaries/placers receiving specific consent*] ([the] [each an] "**Authorised Offeror**") other than pursuant to Article 3(2) of the Prospectus Directive in [*specify Ireland or any relevant Member State(s) where the Issuer intends to make the Public Offer which must be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)*] (the "**Public Offer Jurisdiction[s]**") during [*the period of twelve months from the date of approval of the Base Prospectus*]/ [the period from [*Insert, for example, one business day after satisfaction of all regulatory requirements of such Member State(s)*] until [*specify date or a formula such as "the Issue Date" or "the date which falls [ ] Business Days thereafter"*]] (the "**Offer Period**"). *Copies of these Final Terms will be provided to the competent [authorities] [authority] in the Public Offer Jurisdiction[s]*. (Consider walk-away rights if extending Offer Period beyond the Issue Date)

PURPOSE OF FINAL TERMS

[9] [Applicable only to securities with a denomination of less than EUR 100,000.]

[10] [Inclusion of address applicable only to securities with a denomination of less than EUR 100,000.]

[11] [Applicable only to securities with a denomination of less than EUR 100,000.]

[12] [If not applicable, deleting the remaining placeholders of this paragraph 38, and paragraph 9 of Part B below.]

These Final Terms comprise the final terms required for the issue [and] [the making of a public offer in the Public Offer Jurisdiction[s]] [and admission to trading on [*regulated market*]] of the Instruments described herein pursuant to the €25,000,000,000 Programme for the Issuance of Debt Instruments of Banco Santander, S.A.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. [[*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 the Irish Stock Exchange]/[*any other regulated market*][13]/[*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 the Irish Stock Exchange] [*any other regulated market] [any other unregulated market] [any other listing authority] [any other stock exchange] [any other quotation system*] with effect from [ ].][14] [Not Applicable.]

2 RATINGS

The Instruments to be issued have been rated:

[S&P:[ ]]

[Moody's: [ ]]

[Fitch: [ ]]

[[Other]: [ ]]

[These credit ratings have been issued by Standard & Poor's Credit Market Services Europe Limited, [Moody's Investor Services España, S.A.] [and Fitch Ratings España, S.A.U.] [*other*].

Each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.] [,][and] [Fitch Ratings España, S.A.U.] [and] [Specify Other] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). As such each of [Standard & Poor's Credit Market Services Europe Limited], [Moody's Investor Services España, S.A.] [,][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].

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]

(*The above disclosure should reflect the rating allocated to Instruments of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

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

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[13] [In the case of listing the Instruments on an unregulated market, this language and any references to the Prospectus Directive will be removed.]

[14] [In the case of unlisted Instruments, this language and any references to the Prospectus Directive will be removed.]

[(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 16 of the Prospectus Directive.)]

4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[[(i)	Reasons for the offer	[ ] *(See ["Use of Proceeds"] wording in Base Prospectus, if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)* *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*[15]
[(ii)]	Estimated net proceeds:	[ ] [16]
[(iii)]	Estimated total expenses:	[ ] [*Include breakdown of expenses*] [17]

5 [Fixed Rate Instruments only— YIELD

Indication of yield:	[ ] As set out above, the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]]

6 [Floating Rate Instruments only — HISTORIC INTEREST RATES

Details of historic [LIBOR/EURIBOR/[*relevant Floating Rate Option*]] rates can be obtained from [Reuters].][18]

7 [CMS Linked Instruments Only – HISTORIC RATES[19]

Details of historic swap rates can be obtained from [Reuters].]

8 OPERATIONAL INFORMATION

ISIN:	[ ]
Common Code:	[ ]
WKN:	[ ] [Not applicable]
Any other clearing system other than Euroclear and Clearstream Banking, *société anonyme* and the relevant identification numbers:	[Clearstream Banking AG] [ ] [Not applicable]

[15] [Applicable only to securities with a denomination of less than EUR 100,000.]

[16] [Applicable only to securities with a denomination of less than EUR 100,000.]

[17] [For securities of at least EUR 100,000 only the estimated total expenses related to admission to trading should be included.]

[18] [Applicable only to securities with a denomination of less than EUR 100,000.]

[19] [Applicable only to securities with a denomination of less than EUR 100,000.]

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.]

9 TERMS AND CONDITIONS OF THE OFFER[20]

[Applicable]/[Not applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) [The Instruments will be offered to the public in [each] [the] Public Offer Jurisdiction in accordance with the arrangements listed below]

Offer Price:	[Issue Price] [ ]
Conditions to which the offer is subject:	[ ]
Description of the application process:	[ ]
Description of possibility to reduce subscriptions:	[Not Applicable. The terms of the Public Offer do not provide for any reduction of subscriptions.][ ]
Manner for refunding excess amounts paid by applicants:	[Not Applicable. The terms of the Public Offer do not provide for any refunds of excess amounts paid by applicants.][ ]

[20] [Applicable only to securities with a denomination of less than EUR 100,000.]

Details of the minimum and/or maximum amount of application:	Minimum amount of application: [ ][Not Applicable] Maximum amount of application: [ ][Not Applicable]
Details of the method and time limits for paying up and delivering the Instruments:	[ ]
Manner in and date on which results of the offer are to be made public:	[ ]
Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:	[Not Applicable] [According to Terms and Conditions' Section 5.1.8]
Categories of potential investors to which the Instruments are offered and whether tranche(s) have been reserved for certain countries:	This is disclosed in the Base Prospectus.
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[ ][Not Applicable]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[ ][Not Applicable]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place.	[None/*give details*] [The Authorised Offerors are identified in Part [A-39] above] [ ]

[ANNEX –ISSUE SPECIFIC SUMMARY]

(*Issuer to annex issue specific summary to the final terms on a drawdown*) [21]"

[21] [Applicable only to securities with a denomination of less than EUR 100,000.]