

## LISTING PROSPECTUS

# **Santander Issuances, S.A. Unipersonal** (incorporated with limited liability under the laws of the Kingdom of Spain)

**\$257,500,000 Fixed-to-Floating Callable Subordinated Notes Due 2019**  
fully and unconditionally guaranteed as described herein by

**Banco Santander, S.A.**  
(incorporated with limited liability under the laws of the Kingdom of Spain)

(CUSIP Nos. 059574 AA1 and E1979H KW1 and ISIN Nos. US059574AA18 and USE1979HKW18)

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The Notes will not be eligible to be held through Clearstream Banking, société anonyme.

Application has been made to the UK Listing Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the "UK Listing Authority") for the Notes to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange plc. References herein to Notes being listed (and all related references) shall mean that the Notes have been admitted to trading on the Regulated Market of the London Stock Exchange and have been admitted to the Official List.

The Regulated Market of the London Stock Exchange is a regulated market for the purpose of Directive 92/28/EEC (the Markets Financial Instruments Directive).

This Listing Prospectus (the "Prospectus") constitutes a prospectus for the purposes of Directive 2003/71/EC (the "Prospectus Directive") and contains certain financial information incorporated by reference.

**You are encouraged to read and carefully consider this Prospectus (including the documents incorporated by reference herein) in its entirety. See "Risk Factors" beginning on page 13 for a discussion of risk factors that should be considered by you.**

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") and are being offered in the United States only to "qualified institutional buyers" ("QIBs") as defined in Rule 144A under the Securities Act ("Rule 144A") in a private transaction in reliance upon an exemption from the registration under Section 4(2) of the Securities Act. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act ("Regulation S"). See "Notice to Investors."

The date of this Prospectus is 7th September, 2009

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Each of Santander Finance Preferred, S.A. Unipersonal, a wholly-owned subsidiary of Banco Santander, S.A., and the issuer of the Notes (the “Issuer”), Banco Santander, S.A. (the “Guarantor”) accepts responsibility for the information herein contained and declares that, having taken all reasonable care to ensure that such is the case, the information herein contained to the best of its knowledge is in accordance with the facts and contains no omission likely to affect its import.

Each of the Issuer and the Guarantor confirms that any information contained in this Prospectus and sourced from a third party has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor or the Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer or the Guarantor.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Prospectus.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

No person is authorized to give any information or to make any representation other than as contained in this Prospectus. If any such information is given or made, it must not be relied upon as having been authorized by the Issuer and the Guarantor or any of their affiliates. The delivery of this Prospectus shall not under any circumstances imply that there has been no change in the affairs of the Issuer or the Guarantor or its subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof.

**The Notes offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The Notes are being offered in the United States only to QIBs, as defined in Rule 144A in a private transaction in reliance upon an exemption from the registration under Section 4(2) of the Securities Act and outside the United States only in “offshore transactions” as defined in, and in accordance with, Regulation S under the Securities Act. The Notes received in the United States may only be transferred in the United States in a transaction that benefits from an exemption from the registration requirements of the Securities Act. See “Notice to Investors.”**

**This Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this Prospectus in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions. If you have gained access to this Prospectus contrary to any of the foregoing restrictions, you are not authorized and will not be able to purchase any of the securities described herein.**

**See “Risk Factors,” beginning on page 13 for a description of certain factors, including information about our business.**

You must (1) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this Prospectus or the sale of the Notes and (2) obtain any consent, approval or permission required to be obtained by you for the offering of the Notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such offering. None of the Issuer or the Guarantor, shall have any responsibility therefor.

Unless otherwise indicated or the context otherwise requires, all references in this Prospectus to “Banco Santander,” the “Company,” the “Guarantor,” “we,” “our,” “ours,” “us” or similar terms refer to Banco Santander, S.A. and all references to “Santander Issuances” or the “Issuer” refer to Santander Issuances, S.A. Unipersonal, a wholly-owned subsidiary of Banco Santander, S.A., and the issuer of the Notes. The words “Group” and “Santander Group” refer to Banco Santander, S.A. and its other banking and financial subsidiaries.

#### NOTICE TO NEW HAMPSHIRE RESIDENTS

**NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, 1955, AS AMENDED (“RSA”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE DIRECTOR OF THE OFFICE OF SECURITIES REGULATION OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.**

Each subsequent purchaser of the Notes will be deemed by its acceptance of the Notes to have made certain acknowledgments, representations and agreements intended to restrict the resale or other transfer of those Notes as set forth in the Notes or described in this Prospectus and, in connection therewith, may be required to provide confirmation of its compliance with those resale or other transfer restrictions in certain cases. See “Notice to Investors.”

By its purchase, each investor will be deemed to have represented that either (i) no portion of the assets used to acquire or hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended (“ERISA”), any plan, account or other arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “Similar Laws”), or any entity whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement or (ii) the acquisition and holding of the Notes will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

The Notes will be available initially only in book-entry form. We expect that the Notes will be issued in the form of one or more registered global securities. The global securities will be deposited with, or on behalf of, DTC, and registered in its name or in the name of Cede & Co., its nominee. Securities entitlements in respect of the global securities will be shown on, and transfers of securities entitlements in respect of the global securities will be effected through, records maintained by DTC and its direct or indirect participants. See “Description of the Notes and the Guarantee—Form of Notes; Book-Entry System” for further discussion of these matters.

The Notes will not be eligible to be held through Clearstream Banking, *société anonyme*.

## DOCUMENTS INCORPORATED BY REFERENCE

Direct and accurate English translations of the following documents shall be deemed to be incorporated in, and to form part of, the Prospectus:

- the Guarantor's 2008 Annual Report for the year ended 31 December 2008 (the **2008 Annual Report**) and the Guarantor's Auditors Report and Consolidated Accounts for the year ended 31 December 2008 (the **2008 Auditors Report**) which includes the consolidated financial statements, as well as the management report and the auditor's report on the consolidated financial statements thereon; and the Guarantor's 2007 Annual Report for the year ended 31 December 2007 (the **2007 Annual Report**), which includes the consolidated financial statements, as well as the management report and the auditor's report on the consolidated financial statements thereon;
- the Guarantor's 2008 stand alone financial statements and the auditor's report on the 2008 Guarantor's stand alone financial statements and the Guarantor's 2007 stand alone financial statements and the auditor's report on the Guarantor's 2007 stand alone financial statements;
- the unaudited summarised consolidated financial data of the Group for the 3 month period ended 31 March 2009 (the **March 2009 Summarised Consolidated Financial Data**).
- the stand alone financial statements, management report and auditor's report of the Issuer for the year ended 31 December 2007 (the **Issuer's 2007 Financial Statements**) and the stand alone financial statements, management report and auditor's report of the Issuer for the year ended 31 December 2008 (the **Issuer's 2008 Financial Statements**);

provided that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any subsequent document all or the relative portion of which is also incorporated by reference herein by way of a supplement prepared in accordance with the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Prospectus.

All documents incorporated by reference to the documents listed above which are incorporated by reference in this Prospectus do not form part of this Prospectus.

From the date hereof and throughout the period that the Notes remain listed on the London Stock Exchange's Regulated Market, the Issuer and the Guarantor will, at the specified offices of the Fiscal and Paying Agent (as defined below) provide, free of charge, upon oral or written request, a copy of this Prospectus (and any documents incorporated by reference in this Prospectus). Written or oral requests for such documents should be directed to the specified office of the Guarantor or to the Fiscal and Paying Agent (as defined below).

## SPANISH WITHHOLDING TAX REQUIREMENTS

Under Spanish law, interest payments in respect of the Notes will be subject to withholding tax in Spain, currently at the rate of 18%, in the case of individual holders (as defined herein) who are resident for tax purposes in Spain. Each of the Issuer and the Guarantor is required pursuant to Spanish law to submit to the Spanish tax authorities certain details relating to beneficial owners who receive interest payments on the Notes. Beneficial owners in respect of whom such information is not provided to the Issuer or the Guarantor in accordance with procedures described herein will receive payments net of Spanish withholding tax, currently at the rate of 18%. Neither the Issuer nor the Guarantor will pay any Additional Amounts (as defined in “Description of the Notes and the Guarantee—Payments of Additional Amounts”) in respect of any such withholding tax in any of the above cases.

The Issuer and the Guarantor have arranged certain procedures with Acupay System LLC (“Acupay”) and DTC that will facilitate the collection of the required beneficial owner information. The procedures arranged by Acupay and DTC are intended to facilitate the collection of information regarding the identity and tax residence of beneficial owners who (i) are exempt from Spanish withholding tax requirements and therefore entitled to receive payments in respect of the Notes free and clear of Spanish withholding taxes and (ii) are (a) direct participants in DTC, (b) hold their interests through securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a direct or indirect custodial relationship with a direct participant in DTC (each such entity an “indirect DTC participant”) or (c) hold their interests through direct DTC participants. These procedures are set forth in Annexes A and B to this Prospectus.

Such procedures may be amended to comply with Spanish laws and regulations or any judicial or administrative interpretation thereof. The description of these procedures contained in this Prospectus is a summary only. Beneficial owners must seek their own tax advice to ensure that they comply with all procedures with respect to providing beneficial owner information. None of the Issuer, the Guarantor, Acupay or DTC assume any responsibility therefor.

DTC is under no obligation to continue to perform the tax certification procedures and such procedures may be modified or discontinued at any time. In addition, DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to us.

If DTC or the direct or indirect participants in DTC are unable to facilitate the collection of such information, the Issuer may attempt to remove the Notes from the DTC clearing system and this may affect the liquidity of the Notes. Provision has been made for the Notes to be represented by certificated Notes in the event that the Notes cease to be held through DTC. See “Description of the Notes and the Guarantee—Form of Notes; Book-Entry System.”

The Issuer and the Guarantor, as applicable, may, in the future, withhold amounts from payments for the benefit of beneficial owners who are subject to Corporate Income Tax in Spain if the Spanish tax authorities determine that the securities do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated July 27, 2004 or otherwise require such withholding to be made. If this were to occur, neither the Issuer nor the Guarantor will pay Additional Amounts in respect of such withholding. See “Taxation—Spanish Tax Considerations—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*).”

## FORWARD-LOOKING STATEMENTS

This Prospectus contains statements that constitute “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include, but are not limited to, information regarding:

- exposure to various types of market risks;
- management strategy;
- capital expenditures;
- earnings and other targets; and
- asset portfolios.

Forward-looking statements may be identified by words such as “expect,” “project,” “believe,” “anticipate,” “should,” “intend,” “probability,” “risk,” “VaR,” “DCaR,” “ACaR,” “RORAC,” “target,” “goal,” “objective,” “estimate,” “future” and similar expressions. The Issuer and the Guarantor include forward-looking statements in this Prospectus. Forward-looking statements are not a guarantee of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements.

You should understand that adverse changes in, but not limited to, the following important factors, in addition to those discussed in the “Risk Factors” section of this Prospectus could affect the Guarantor’s future results and could cause those results or other outcomes to differ materially from those anticipated in any forward-looking statement:

### *Economic and Industry Conditions*

- exposure to various types of market risks, principally including interest rate risk, foreign exchange rate risk and equity price risk;
- general economic or industry conditions in Spain, the United Kingdom, other European countries, Latin America, the United States and the other areas in which the Guarantor has significant business activities or investments;
- continued deterioration in the global economy, and continued volatility in the capital markets;
- the effects of a decline in real estate prices, particularly in Spain, the United Kingdom and the United States;
- monetary and interest rate policies of the European Central Bank and various central banks;
- inflation or deflation;
- the effects of non-linear market behavior that cannot be captured by linear statistical models, such as the VaR/DCaR/ACaR model the Guarantor 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 Guarantor’s expectations;
- changes in demographics, consumer spending or saving habits; 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 United Kingdom, other European countries, Latin America and the United States;
- changes in Spanish, United Kingdom, European Union, United States or other laws, regulations or taxes; and
- increased regulation in light of the global financial crisis.

***Transaction and Commercial Factors***

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

***Operating Factors***

- technical difficulties and the development and use of new technologies by the Guarantor and its competitors;
- the impact of changes in the composition of the Guarantor's balance sheet on future net interest income; and
- potential losses associated with an increase in the level of substandard loans or non-performance by counterparties to other types of financial instruments.

The forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. Neither the Issuer nor the Guarantor undertake to update any forward-looking statement to reflect events or circumstances after such dates or to reflect the occurrence of unanticipated events.

Neither the Issuer nor the Guarantor undertake any obligation to release publicly the results of any future revisions the Issuer or the Guarantor may make to forward-looking statements to reflect events or circumstances after the date of this Prospectus or to reflect the occurrence of unanticipated events.



## PROSPECTUS OVERVIEW

This Overview highlights material information contained elsewhere or incorporated by reference in this Prospectus. You should carefully read and consider the information contained in and incorporated by reference in this Prospectus, including the section entitled “Risk Factors”.

### The Notes

*The following overview contains selected information about the Notes. It is provided solely for your convenience. This overview is not intended to be complete. You should read the full text and more specific details contained elsewhere in this Prospectus. For a more detailed description of the Notes, see “Description of the Notes and the Guarantee.”*

|                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer .....                                | Santander Issuances, S.A. Unipersonal                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Guarantor .....                             | Banco Santander, S.A.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Fiscal and Paying Agent .....               | The Bank of New York Mellon.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| The Notes.....                              | \$257,500,000 Fixed-to-Floating Callable Subordinated Notes Due 2019 of Santander Issuances, S.A. Unipersonal (CUSIP Nos. 059574 AA1 and E1979H KW1 and ISIN Nos. US059574AA18 and USE1979HKW18).                                                                                                                                                                                                                                                                                                                                                                            |
| Interest Payment Dates .....                | Interest will accrue on the Notes from the date of original issuance and is payable semi-annually in arrears on each August 11 and February 11 of each year, beginning on February 11, 2010 until August 11, 2014 (the “Reset Date”), and on the Reset Date, and quarterly on November 11, February 11, May 11 and August 11 in each year beginning on November 11, 2014 until August 11, 2019 (the “Maturity Date”) or any earlier date of redemption, and on the Maturity Date or any such earlier date of redemption.                                                     |
| Denominations.....                          | \$100,000 and multiples thereof                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Maturity Date.....                          | August 11, 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Interest .....                              | The Notes will bear interest at a fixed rate of 6.50% per year from and including the Issuance Date (as defined herein) to but excluding the Reset Date and during the period from and including the Reset Date to but excluding the Maturity Date or earlier redemption date of the Notes, the interest rate on the Notes will be reset quarterly on the first day of each LIBOR Interest Period (as defined herein) to an interest rate (the “Applicable Rate”), as determined by the calculation agent, equal to (i) U.S. dollar three month LIBOR, plus 3.92% per annum. |
| Early Redemption for Taxation Reasons ..... | If, as a result of any change in the laws or regulations of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issuance Date, the Issuer or the Guarantor, as the case may be, is or would be required to pay any Additional Amounts (as defined in “Description of the Notes and                                                                                                              |

the Guarantee—Payments of Additional Amounts”), the Issuer or the Guarantor, as the case may be, may, under certain conditions and subject to the Spanish capital adequacy rules described below, redeem or repurchase, as the case may be, on any Interest Payment Date, all but not less than all of the outstanding Notes at their principal amount, together with accrued interest, if any, thereon. See “Description of the Notes and the Guarantee — Redemption and Purchase — Early Redemption for Taxation Reasons.”

Pursuant to Spanish capital adequacy rules, none of the Notes may be redeemed until five years after the Issuance Date and, thereafter, the Notes may only be redeemed with the prior consent of the Bank of Spain (*Banco de España*).

#### Optional Redemption of the Notes .....

The Issuer may, at its election and subject to the prior consent of the Bank of Spain (*Banco de España*) where required, having given not less than 30 nor more than 60 days’ notice to the holders of Notes in accordance with the terms described under “Description of the Notes and the Guarantee — Notices” (which notice shall be irrevocable), redeem on the Reset Date and on each Interest Payment Date thereafter all but not less than all of the Notes at a redemption price equal to 100% of the principal amount of such Notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date of such Notes. See “Description of the Notes and the Guarantee — Optional Redemption of the Notes.”

#### Ranking of the Notes .....

The Notes will be direct, unconditional and unsecured indebtedness of Santander Issuances. The Notes will be subordinated to payment obligations as to principal on all unsecured unsubordinated indebtedness of Santander Issuances, will be effectively subordinated to all secured indebtedness of Santander Issuances and will rank without preference or priority among themselves and, subject to statutory preferences under Spanish law and except for any subordinated indebtedness which by its terms is expressed to rank junior to the Notes, will rank equally with all other unsecured subordinated indebtedness of Santander Issuances, present and future. See “Description of the Notes and Guarantees — Subordination of the Notes.”

#### Status of the Guarantee .....

Banco Santander, as Guarantor, will unconditionally and irrevocably guarantee the payment of all sums expressed to be due and payable by the Issuer under the Notes on a subordinated basis. The obligations of the Guarantor in respect of the Notes constitute direct, unconditional and unsecured obligations of the Guarantor and will be subordinated to payment obligations as to principal on all unsubordinated unsecured indebtedness of the Guarantor (including the Guarantor’s privileged obligations (*Créditos con Privilegio General*)), will be effectively subordinated to all of the Guarantor’s secured indebtedness (*Creditos con Privilegio Especial*) and will rank equally without any preference among themselves and, subject to statutory preferences under Spanish law and except for any subordinated indebtedness which by its terms is expressed to rank junior to the

Guarantor's obligations under the Guarantees, will rank equally with all other unsecured subordinated indebtedness of the Guarantor, present and future. In the event of the Guarantor's insolvency (*concurso*), liquidation, dissolution or winding up or other proceeding that requires the application of the priorities provided by the Spanish Insolvency Law (*Ley Concursal* 22/2003), the rights and claims of the Noteholders under the Guarantee will rank in right of payment by Law 36/2007, Royal Decree 216/2008 and Bank of Spain Circular 3/2008 after the rights and claims of all unsecured and unsubordinated creditors (*Acreeedores Comunes*) of the Guarantor. See "Description of the Notes and the Guarantee — Subordination of the Guarantee."

As of May 31, 2009, the Guarantor had approximately €67,050 million of outstanding unconsolidated indebtedness (including guarantees of subsidiary indebtedness) to which its obligations under the Guarantee of the Notes will rank junior, and €17,529 million of securities issued by subsidiaries guaranteed by the Guarantor or issued by the Guarantor, with which its obligations under the Guarantee of the Notes will rank *pari passu*. In addition, the Guarantee is structurally subordinated to all indebtedness of subsidiaries of the Guarantor insofar as any right of the Guarantor, as a shareholder of such subsidiaries, to receive any assets of any of its subsidiaries upon the insolvency, liquidation, dissolution or winding-up or other similar proceeding of any of them will, subject to applicable law, be effectively subordinated to the claims of any such subsidiary's creditors (including trade creditors and holders of debt or guarantees issued by such subsidiary). As of May 31, 2009, subsidiaries of the Guarantor had an aggregate total of €165,039 million of outstanding indebtedness and €2,123 million of preferred shares and securities not guaranteed by the Guarantor and €55,170 million outstanding indebtedness and €5,528 million of preferred securities guaranteed by the Guarantor.

|                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Offering and Restrictions on Transfer .....                                     | The Notes are being offered and sold only to QIBs and outside the United States to holders who are persons other than "U.S. persons," as that term is defined in Rule 902 under the Securities Act, in reliance upon Regulation S and will be subject to certain restrictions on transfer. See "Notice to Investors"                                                                                                                                                                                                                                                                                                  |
| Form of the Notes .....                                                         | The Notes will be represented initially by one or more global notes deposited in registered form with, or on behalf of, DTC and registered in the name of DTC or its nominee. You will not receive certificated Notes unless one of the events described under the heading "Description of the Notes and the Guarantees — Form, Denomination, Transfer and Registration" occurs. You may hold securities entitlements in respect of the Notes directly through DTC, if you are a participant in DTC, or indirectly through organizations that are participants in DTC or that have accounts with participants in DTC. |
| Beneficial Owner Identification<br>Requirements Under Spanish Tax<br>Laws ..... | Under Spanish Law 13/1985 (as amended by Law 19/2003, Law 23/2005 and Law 4/2008) and Royal Decree 1065/2007, the                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

Issuer and the Guarantor are required to provide certain information relating to beneficial owners to the Spanish tax authorities. This information includes the identity and country of tax residence of each beneficial owner that receives a payment on the Notes, and must be obtained with respect to each interest payment date by the fourth New York Business Day before the relevant interest payment date or, under certain circumstances, by 9:45 a.m. (New York City time) on the relevant interest payment date and filed by the Issuer and the Guarantor with the Spanish tax authorities on an annual basis.

The Issuer, the Guarantor and the Fiscal and Paying Agent have arranged certain procedures with DTC and Acupay to facilitate the collection of information concerning the identity and residence of Beneficial Owners. The delivery of such information, while the Notes are in global form, shall generally be made through the relevant participants in DTC. The Issuer will withhold at the then-applicable rate (currently 18%) from any interest payment in respect of any principal amount of the Notes as to which the required information has not been provided or the required procedures have not been followed. See “Taxation—Spanish Tax Considerations—Evidencing of Beneficial Owner Residency in Connection with Interest Payments.” The Issuer and the Guarantor will not pay any Additional Amounts with respect to any such withholding.

|                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Spanish Withholding Tax Requirements ..... | Under current Spanish laws and regulations, payments made to a holder of the Notes by the Issuer will not be subject to taxation in Spain and no withholding tax will be required on such payments, except in the case of payments to (a) individual holders who are resident for tax purposes in Spain; and (b) holders who fail to comply with the tax certification procedures described in detail in Annexes A and B. In the case of (a) or (b), the Issuer and Guarantor will withhold Spanish withholding tax at the applicable rate (currently 18%) from any payment in respect of the Notes. For a discussion of the consequences of any withholding taxes, see “Taxation—Spanish Tax Considerations.” |
| Clearance and Settlement .....             | The Notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants and will trade in DTC’s same day funds settlement system. Beneficial interests in Notes held in book-entry form will not be entitled to receive physical delivery of certificated notes, except in certain limited circumstances. For a description of certain factors relating to clearance and settlement, see “Description of the Notes.”                                                                                                                                                                                                                                                    |
| Listing and Admission to Trading .....     | Application has been made for the Notes to be admitted to the Official List and for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| Ratings                                    | The Notes are expected, on issue, to be assigned an Aa3 rating by Moody’s, an AA- rating by Standard & Poor’s and an AA- rating by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

withdrawal at any time by the assigning rating agency.

|                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governing Law .....                                 | <p>The Fiscal and Paying Agency Agreement, the terms and conditions of the Notes and the Guarantee and all other matters arising from or in connection with the Notes and the Guarantee, other than as set forth in the following paragraph, shall be governed by, and shall be construed in accordance with, the laws of the State of New York.</p> <p>The due authorization of the Notes, the ranking of the Notes and Guarantee and the Regulations governing the Syndicate, as described under “Description of the Notes and the Guarantee—Syndicate of Noteholders, Meetings, Modification and Waiver—Syndicate of Noteholders,” shall be governed by Spanish law.</p> |
| Fiscal and Paying Agent and Calculation Agent ..... | <p>The Bank of New York Mellon</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## **RISK FACTORS**

*Each of the Issuer and the Guarantor believes that the following factors may affect their ability to fulfil their respective obligations under the Notes and under the Guarantee. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring.*

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

### **Risks relating to the Issuer**

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

### **Risks relating to the Issuer and the Guarantor**

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

### **Risks Relating to the Group's Operations**

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

The Group's loan portfolio is concentrated in Continental Europe (in particular, Spain), the United Kingdom and Latin America. At December 31, 2008, Continental Europe accounted for approximately 52% of the Group's total loan portfolio (Spain accounted for 38% of the Group's total loan portfolio), while the United Kingdom and Latin America accounted for 33% and 15%, respectively. Therefore, adverse changes affecting the economies of Continental Europe (in particular, Spain), the United Kingdom or the Latin American countries where the Group operates would likely have a significant adverse impact on the Group's loan portfolio and, as a result, on the Group's financial condition, cash flows and results of operations.

*Some of the Group's business is cyclical and the Group's income may decrease when demand for certain products or services is in a down cycle.*

The level of income the Group derives from certain of the Group's products and services depends on the strength of the economies in the regions where the Group operates and certain market trends prevailing in those areas. Therefore, negative cycles may adversely affect the Group's income in the future.

***A sudden shortage of funds could increase the Group's cost of funding and have an adverse effect on the Group's liquidity and funding.***

Historically, the Group's principal source of funds has been customer deposits (demand, time and notice deposits). At December 31, 2008, 20.6% of these customer deposits were time deposits in amounts greater than \$100,000. Time deposits represented 48.8%, 48.9% and 44.2% of total customer deposits at the end of 2008, 2007 and 2006, respectively. Large-denomination time deposits may be a less stable source of deposits than other type of deposits. The loss of market liquidity, triggered by the deterioration of the US sub-prime credit market, continues to affect the supply and cost of liquidity and funding. The effects of the downturn have spread to the global economy, in particular to issuances in wholesale markets (principally asset-backed securities) and to availability of liquid resources via the interbank markets. In this context, there can be no assurance that the Group will not incur materially higher funding costs or be required to liquidate certain assets.

***The Group is vulnerable to the current disruptions and volatility in the global financial markets as well as to government action intended to alleviate the effects of the current financial crisis.***

Since August 2007, the global financial system has experienced difficult credit and liquidity conditions and disruptions leading to less liquidity, greater volatility, general widening of spreads and, in some cases, lack of price transparency on interbank lending rates. In September 2008, global financial markets deteriorated sharply following the bankruptcy filing by Lehman Brothers Holdings Inc. In the days that followed, it became apparent that a number of other major financial institutions, including some of the largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies, were experiencing significant difficulties.

Following the bankruptcy filing by Lehman Brothers Holdings Inc., there were runs on deposits at several financial institutions and numerous institutions sought additional capital. Central banks around the world have coordinated efforts to increase liquidity in the financial markets by taking measures such as increasing the amounts they lend directly to financial institutions, lowering interest rates and significantly increasing temporary reciprocal currency arrangements (or "swap lines").

In an attempt to prevent the failure of the financial system, the United States and European governments have intervened on an unprecedented scale. In the United States, the federal government has taken equity stakes in several financial institutions, has implemented a program to guarantee the short-term and certain medium-term debt of financial institutions, has increased consumer deposit guarantees, and has brokered the acquisitions of certain struggling financial institutions, among other measures. In the United Kingdom, the government has effectively nationalized some of the country's largest banks, has provided a preferred equity program open to all financial institutions and a program to guarantee short-term and certain medium-term debt of financial institutions, among other measures. In Spain, the government has increased consumer deposit guarantees, has made available a program to guarantee the debt of certain financial institutions, has created a fund to purchase assets from financial institutions and the Spanish Ministry of Economy and Finance has been authorized, on an exceptional basis and until December 31, 2009, to acquire, at the request of credit institutions resident in Spain, shares and other capital instruments (including preferred shares) issued by such institutions. There is no assurance that these measures will successfully alleviate the current financial crisis. In addition, some of these measures could lead to increased government ownership and control over financial institutions and further consolidation in the financial industry, all of which could adversely affect the Group's business, financial condition and results of operations.

Despite the extent of the aforementioned intervention, global investor confidence remains low and credit remains relatively scarce. In addition, the world's largest developed economies, including the United States and United Kingdom, are in the midst of economic recessions. Continued or worsening disruption and volatility in the global financial markets could have a material adverse effect on the Group's ability to access capital and liquidity on financial terms acceptable to it, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates the Group pays on deposits to attract more

customers. Any such increase in capital markets funding costs or deposit rates would entail a repricing of loans, which would result in a reduction of volumes, and may also have an adverse effect on the Group's interest margins. A further economic downturn, especially in Spain, the United Kingdom, the United States and certain Latin American countries, could also result in a further reduction in business activity and a consequent loss of income for Santander.

***Risks concerning borrower credit quality and general economic conditions are inherent in the Group's business.***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. Adverse changes in the credit quality of the Group's borrowers and counterparties or a general deterioration in Spanish, United Kingdom, Latin American, United States or global economic conditions, or arising from systemic risks in the financial systems, could reduce the recoverability and value of the Group's assets and require an increase in the Group's level of allowances for credit losses. Deterioration in the economies in which the Group operates could reduce the profit margins for the Group's banking and financial services businesses.

***The financial problems faced by the Group's customers could adversely affect the Group.***

Market turmoil and economic recession, especially in Spain, the United Kingdom, the United States and certain Latin American countries, could materially and adversely affect the liquidity, businesses and/or financial conditions of the Group's borrowers, which could in turn further increase the Group's non-performing loan ratios, impair the Group's loan and other financial assets and result in decreased demand for borrowings in general. In the context of continued market turmoil, economic recession and increasing unemployment coupled with declining consumer spending, the value of assets collateralizing the Group's secured loans, including homes and other real estate, could decline significantly, which could result in the impairment of the value of the Group's loan assets. Moreover, in 2008 the Group experienced an increase in the Group's non-performing ratios, a deterioration in asset quality and a slowdown in business volumes, as compared to 2007. In addition, the Group's customers may further significantly decrease their risk tolerance to non-deposit investments such as stocks, bonds and mutual funds, which would adversely affect the Group's fee and commission income. Any of the conditions described above could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is exposed to risks faced by other financial institutions.***

The Group routinely transacts with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. These liquidity concerns have had, and may continue to have, a chilling effect on inter-institutional financial transactions in general. Many of the routine transactions the Group enters into expose the Group to significant credit risk in the event of default by one of the Group's significant counterparties. A default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's exposure to Spanish, UK and US real estate markets makes the Group more vulnerable to adverse developments in these markets.***

As mortgage loans are one of the Group's principal assets, comprising 49% of the Group's loan portfolio as of December 31, 2008, the Group is currently highly exposed to developments in real estate markets, especially in Spain, the United Kingdom and the US. In addition, the Group currently has exposure to certain real estate developers in Spain. From 2002 to 2007, demand for housing and mortgage financing in Spain increased significantly driven by, among other things, economic growth, declining unemployment rates, demographic and



social trends, the desirability of Spain as a vacation destination and historically low interest rates in the Eurozone. The United Kingdom experienced a similar increase in housing and mortgage demand, driven by, among other things, economic growth, declining unemployment rates, demographic trends and the increasing prominence of London as an international financial center. During late 2007, the housing market began to adjust in Spain and the United Kingdom as a result of excess supply (particularly in Spain) and higher interest rates. In 2008, as economic growth came to a halt in Spain and the economy began to contract in the United Kingdom, retail interest rates continued to increase, housing oversupply persisted, unemployment continued to increase and demand continued to decrease in both countries, home prices declined while mortgage delinquencies increased. As a result, the Group's non-performing loan ratio increased from 0.78% at December 31, 2006 to 0.94% at December 31, 2007 to 2.02% at December 31, 2008. These trends, especially higher interest and unemployment rates coupled with declining real estate prices, could have a material adverse impact on the Group's mortgage payment delinquency rates, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group may generate lower revenues from brokerage and other commission-and fee-based businesses.***

Market downturns are likely to lead to declines in the volume of transactions that the Group executes for the Group's customers and, therefore, to declines in the Group's non-interest revenues. In addition, because the fees that the Group charges for managing the Group's clients' portfolios are in many cases based on the value or performance of those portfolios, a market downturn that reduces the value of the Group's clients' portfolios or increases the amount of withdrawals would reduce the revenues the Group receives from the Group's asset management and private banking and custody businesses.

Even in the absence of a market downturn, below-market performance by the Group's mutual funds may result in increased withdrawals and reduced inflows, which would reduce the revenue the Group receives from the Group's asset management business.

***Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Group's business. Protracted market declines can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.***

The performance of financial markets may cause changes in the value of the Group's investment and trading portfolios. In some of the Group's business, protracted adverse market movements, particularly asset price decline, can reduce the level of activity in the market or reduce market liquidity. These developments can lead to material losses if the Group cannot close out deteriorating positions in a timely way. This may especially be the case for assets of the Group for which there are less liquid markets to begin with. Assets that are not traded on stock exchanges or other public trading markets, such as derivative contracts between banks, may have values that the Group calculates using models other than publicly quoted prices. Monitoring the deterioration of prices of assets like these is difficult and could lead to losses that the Group does not anticipate.

The increasing volatility of world equity markets due to the current credit crisis is having a particular impact on the financial sector. This may affect the value of the Group's investments in entities in this sector and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against the Group's results.

***Volatility in interest rates may negatively affect the Group's net interest income and increase the Group's non-performing loan portfolio.***

Changes in market interest rates could affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income leading to a reduction in the Group's net interest income. Income from treasury operations is particularly vulnerable to interest rate volatility. Since the majority of the Group's loan portfolio reprices in less

than one year, rising interest rates may also bring about an increasing non-performing loan portfolio. Interest rates are highly sensitive to many factors beyond the Group's control, including deregulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

As of December 31, 2008, the Group's interest rate risk measured in daily Value at Risk (**VaRD**) terms amounted to €157.7 million.

***Foreign exchange rate fluctuations may negatively affect the Group's earnings and the value of the Group's assets and shares.***

Fluctuations in the exchange rate between the euro and the US dollar will affect the US dollar equivalent of the price of the Group's securities on the stock exchanges in which the Group's shares and ADSs are traded. These fluctuations will also affect the conversion to US dollars of cash dividends paid in euros on the Group's ADSs.

In the ordinary course of the Group's business, the Group has a percentage of the Group's assets and liabilities denominated in currencies other than the euro. Fluctuations in the value of the euro against other currencies may adversely affect the Group's profitability. For example, the appreciation of the euro against some Latin American currencies and the US dollar will depress earnings from the Group's Latin American and US operations, and the appreciation of the euro against the sterling will depress earnings from the Group's UK operations. Additionally, while most of the governments of the countries in which the Group operates have not imposed prohibitions on the repatriation of dividends, capital investment or other distributions, no assurance can be given that these governments will not institute restrictive exchange control policies in the future. Moreover, fluctuations among the currencies in which the Group's shares and ADSs trade could reduce the value of your investment.

As of December 31, 2008, the Group's largest exposures on temporary positions (with a potential impact on the income statement) were concentrated, in descending order, on the pound sterling and the Brazilian real. On that day, the Group's largest exposures on permanent positions (with a potential impact on equity) were concentrated, in descending order, on the Brazilian real, the pound sterling, the Mexican peso and the Chilean peso.

***Despite the Group's risk management policies, procedures and methods, the Group may nonetheless be exposed to unidentified or unanticipated risks.***

The Group's risk management techniques and strategies may not be fully effective in mitigating the Group's risk exposure in all economic market environments or against all types of risk, including risks that the Group fails to identify or anticipate. Some of the Group's qualitative tools and metrics for managing risk are based upon the Group's use of observed historical market behavior. The Group applies statistical and other tools to these observations to arrive at quantifications of the Group's risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors the Group did not anticipate or correctly evaluate in the Group's statistical models. This would limit the Group's ability to manage the Group's risks. The Group's losses thus could be significantly greater than the historical measures indicate. In addition, the Group's quantified modeling does not take all risks into account. The Group's more qualitative approach to managing those risks could prove insufficient, exposing the Group to material unanticipated losses. If existing or potential customers believe the Group's risk management is inadequate, they could take their business elsewhere. This could harm the Group's reputation as well as the Group's revenues and profits.

***The Group's recent and future acquisitions may not be successful and may be disruptive to the Group's business.***

The Group has recently acquired certain financial institutions, including Sovereign Bancorp and Alliance & Leicester plc. The Group has also recently acquired the retail deposits, branch network and related employees of Bradford & Bingley plc. The Group's assessment of these acquisitions, especially Alliance and Leicester plc and Bradford & Bingley plc, is based on limited and potentially inexact information and on assumptions with respect to operations, profitability, asset quality and other matters that may prove to be incorrect. The aforementioned financial

institutions have been adversely affected by the current financial crisis and in some cases, principally Alliance & Leicester plc, have material portfolios of securities that have suffered losses and could decline meaningfully in value. There can be no assurances that these institutions will not incur substantial further losses or that the Group will not be exposed to currently unknown liabilities resulting from these acquisitions. Any such losses or liabilities could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group can give no assurance that the Group's recent and any future acquisition and partnership activities will perform in accordance with the Group's expectations. The Group bases its assessment of potential acquisitions and partnerships on limited and potentially inexact information and on assumptions with respect to operations, profitability and other matters that may prove to be incorrect. The Group can give no assurances that the Group's expectations with regards to integration and synergies will materialize.

***The Group may fail to realize the anticipated benefits of the Group's recent acquisitions.***

The success of the Group's recent acquisitions will depend, in part, on the Group's ability to realize the anticipated benefits from combining the Group's business with the businesses of Sovereign Bancorp, Alliance & Leicester plc and Bradford & Bingley plc. It is possible that the integration process could take longer or be more costly than anticipated or could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of each company to maintain relationships with clients, customers or employees. The Group's efforts to integrate these companies are also likely to divert management attention and resources. If the Group takes longer than anticipated or is not able to integrate the aforementioned businesses, the anticipated benefits of the Group's recent acquisitions may not be realized fully or at all, or may take longer to realize than expected.

***Proposals for the restructuring of the businesses the Group acquired from ABN AMRO are complex and may not realize the anticipated benefits for the Group.***

The restructuring plan in place for the separation and integration of ABN AMRO into and among the businesses and operations of the Group is complex and involves substantial reorganization of ABN AMRO's operations and legal structure. In addition, it contemplates activities taking place simultaneously in a number of businesses and jurisdictions. Implementation of the reorganization and the realization of the forecast benefits within the planned timetable may be challenging. Execution of the restructuring requires management resources previously devoted to the Group's businesses and the retention of appropriately skilled ABN AMRO staff. The Group may not realize the benefits of the acquisition or the restructuring when expected or to the extent projected.

***Increased competition in the countries where the Group operates may adversely affect the Group's growth prospects and operations.***

Most of the financial systems in which the Group operates are highly competitive. Financial sector reforms in the markets in which the Group operates have increased competition among both local and foreign financial institutions, and the Group believes that this trend will continue. In particular, price competition in Europe, Latin America and the US has increased recently. The Group's success in the European, Latin American and US markets will depend on the Group's ability to remain competitive with other financial institutions. In addition, there has been a trend towards consolidation in the banking industry, which has created larger and stronger banks with which the Group must now compete. There can be no assurance that this increased competition will not adversely affect the Group's growth prospects, and therefore the Group's operations. The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

***Changes in the regulatory framework in the jurisdictions where the Group operates could adversely affect the Group's business.***

As a result of the current financial crisis and ensuing government intervention, it is widely anticipated that there will be a substantial increase in government regulation of the financial services industry, including the imposition of higher capital requirements, heightened disclosure standards and restrictions on certain types of transaction structures. In addition, novel proposals for new regulatory initiatives, abound in the current environment. If enacted, new regulations could require the Group to inject further capital into the Group's business as well as in businesses the Group acquires, restrict the type or volume of transactions the Group enters into, or set limits on or require the modification of rates or fees that the Group charges on certain loan or other products, any of which could lower the return on the Group's investments, assets and equity. The Group may also face increased compliance costs and limitations on the Group's ability to pursue certain business opportunities. Changes in regulations, which are beyond the Group's control, may have a material effect on the Group's business and operations. As some of the banking laws and regulations have been recently adopted, the manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, no assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have material adverse affect on the Group's business.

***Operational risks are inherent in the Group's business.***

The Group's businesses depend on the ability to process a large number of transactions efficiently and accurately. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. The Group also faces the risk that the design of the Group's controls and procedures prove to be inadequate or are circumvented. The Group has suffered losses from operational risk in the past and there can be no assurance that the Group will not suffer material losses from operational risk in the future.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that neither the Issuer nor the Group will be unable to comply with their obligations deriving from the Issuer being a company with securities admitted to the official list of the UK Listing Authority or a supervised firm regulated by the Financial Services Authority.

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

The Group faces various issues that may give rise to risk of loss from legal and regulatory proceedings. These issues include appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, and conduct by companies in which the Group holds strategic investments or joint venture partners, could increase the number of litigation claims and the amount of damages asserted against the Group or subject the Group to regulatory enforcement actions, fines and penalties. Currently, the Bank and its subsidiaries are the subject of a number of legal proceedings and regulatory actions. An adverse result in one or more of these proceedings could have a material adverse effect on the Group's operating results for any particular period. For information relating to the legal proceedings involving the Group's businesses, see "Litigation and General Information".

***Credit, market and liquidity risks may have an adverse effect on the Group's credit ratings and the Group's cost of funds. Any reduction in the Group's credit rating could increase the Group's cost of funding and adversely affect the Group's interest margins.***

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group and their ratings of the Group's long-term debt are based on a number of factors, including the Group's financial strength as well as conditions affecting the financial services industry generally.

Any downgrade in the Group's ratings could increase the Group's borrowing costs, limit the Group's access to capital markets and adversely affect the ability of the Group's business to sell or market their products, engage in business transactions—particularly longer-term and derivatives transactions—and retain the Group's customers. This, in turn, could reduce the Group's liquidity and have an adverse effect on the Group's operating results and financial condition.

While the Group's long-term debt is currently rated investment grade by the major rating agencies (Aa1 by Moody's Investors Service España, S.A. and AA by each of Standard & Poor's Ratings Services and Fitch Ratings Ltd., respectively), following the Group's announcement of its proposed acquisition of Sovereign, Fitch Ratings Ltd. lowered the Group's outlook to negative until all the necessary approvals relating to this acquisition have been received and they can better assess the scope of the risks of integration. In March 2009, Standard & Poor's Ratings Services revised the outlook of the Group to negative based on lower expectation for economic growth in the countries in which the Group operates. In light of the difficulties in the financial services industry and the financial markets, there can be no assurance that the rating agencies will maintain their current ratings or outlooks, or with regard to those rating agencies who have a negative outlook on the Group, there can be no assurances that such agencies will revise such outlooks upward. The Group's failure to maintain favourable ratings and outlooks could increase the cost of its funding and adversely affect the Group's interest margins.

### **Risks relating to Latin America**

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

The economies of the nine Latin American countries where the Group operates have experienced significant volatility in recent decades, characterized, in some cases, by slow or regressive growth, declining investment and hyperinflation. This volatility has resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. Latin American banking activities (including Retail Banking, Global Wholesale Banking, Asset Management and Private Banking) accounted for € 2,945 million of the Group's profit attributed to the Group for the year ended December 31, 2008 (an increase of 10% from € 2,666 million for the year ended December 31, 2007). Negative and fluctuating economic conditions, such as a changing interest rate environment, impact the Group's profitability by causing lending margins to decrease and leading to decreased demand for higher margin products and services. Negative and fluctuating economic conditions in some Latin American countries could also result in government defaults on public debt. This could affect the Group in two ways: directly, through portfolio losses, and indirectly, through instabilities that a default in public debt could cause to the banking system as a whole, particularly since commercial banks' exposure to government debt is high in several Latin American countries in which the Group operates.

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

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

### ***Recent events concerning the Group's Venezuelan subsidiary.***

In August 2008 the Group announced that it was considering the sale of Banco de Venezuela to a Venezuelan private investor group, with whom certain undertakings were entered into; however, no agreement was reached and the sale did not occur.

The Group has subsequently become aware of the interest of the Government of Venezuela in Banco de Venezuela. On May 22, 2009, the Group announced that it had reached a preliminary agreement for the sale of the Group's stake in this bank to the Republic of Venezuela for \$1,050 million.

On 6 July 2009 Banco Santander, S.A. announced that it had closed the sale of its stake in Banco de Venezuela to Bank for Economic and Social Development of Venezuela (*Banco de Desarrollo Económico y Social de Venezuela*), a public institution of the Bolivarian Republic of Venezuela for \$1,050 million, of which \$630 million have been paid on this date and the remainder will be payable in October and December 2009.

The profit attributed to the Group obtained from Banco de Venezuela in 2008 amounted to € 352 million, which accounted for 3.97% of the Group's results in that fiscal year.

***Latin American economies can be directly and negatively affected by adverse developments in other countries.***

Financial and securities markets in the Latin American countries where the Group operates are, to varying degrees, influenced by economic and market conditions in other countries in Latin America and beyond. Negative developments in the economy or securities markets in one country, particularly in an emerging market, may have a negative impact on other emerging market economies. These developments may adversely affect the business, financial condition and operating results of the Group's subsidiaries in Latin America.

**Risks Relating to the Notes**

***The Issuer and the Guarantor are required to provide certain information relating to beneficial owners to the Spanish tax authorities. The Issuer and the Guarantor, as the case may be, will withhold Spanish withholding tax from any payment in respect of the Notes as to which the required Beneficial Owner Information has not been provided.***

Under Spanish Law 13/1985 (as amended by Law 19/2003, Law 23/2005 and Law 4/2008) and Royal Decree 1065/2007, the Issuer and the Guarantor are required to provide certain information relating to beneficial owners to the Spanish tax authorities. This information includes the identity and country of residence of each beneficial owner that receives a payment on the Notes and must be obtained with respect to each interest payment date by the fourth New York Business Day before the relevant interest payment date or, under certain circumstances, by 9:45 a.m. (New York City time) on the fourth New York Business Day following the relevant interest payment date and filed by the Issuer and the Guarantor with the Spanish tax authorities on an annual basis. "New York Business Day" means any day other than a Saturday or Sunday or a day on which banking institutions or trust companies in The City of New York are required or authorized by law, regulation or executive order to close. If DTC or the direct or indirect participants in DTC fail for any reason to provide the Issuer and the Guarantor (through Acupay) with the required information described under "Taxation—Spanish Tax Considerations—Evidencing of Beneficial Owner Residency in Connection with Interest Payments" in respect of the beneficial owner of any of the Notes, the Issuer or the Guarantor, as the case may be, will be required to withhold tax and will make payments in respect of such securities net of the withholding tax applicable to such payments. The Issuer and the Guarantor will not pay any additional amounts with respect to any such withholding.

***The Issuer and the Guarantor have agreed to provide certain procedures arranged by Acupay and DTC to facilitate the collection of information concerning the identity and tax residence of beneficial owners through the relevant participants in DTC. If the agreed procedures prove ineffective or if the relevant participants in DTC fail to provide and verify the required information as of each Interest Payment Date the Issuer or the Guarantor, as the case may be, will withhold at the then-applicable rate (currently 18%) from any payment in respect of the Notes as to which the agreed procedures prove ineffective or have not been followed, and neither the Issuer nor the Guarantor will pay any Additional Amounts with respect to any such withholding.***

The delivery of the required beneficial owner identity and country of tax residence information must be made through the relevant direct or indirect participants in DTC in accordance with the procedures set forth under "Taxation—Spanish Tax Considerations—Evidencing of Beneficial Owner Residency in Connection with Interest

Payments.” Each such DTC participant must provide the required information in respect of all of the beneficial owners holding interests through such participant as of each Interest Payment Date and neither the Issuer nor the Guarantor shall be responsible for any DTC participant’s failure to do so. Such failure may arise as a result of the failure of an indirect DTC participant holding through a direct DTC participant to provide the necessary information in a timely manner. In the event of any error in a direct DTC participant’s compliance with these procedures, Acupay will seek to notify such direct DTC participant of any deficiencies in the information provided by that direct DTC participant, and in the event such direct DTC participant fails to correct those deficiencies in a timely manner, the Issuer or the Guarantor, as the case may be, will withhold at the then-applicable rate from any payment in respect of the Notes held through that direct DTC participant. Neither the Issuer nor the Guarantor will pay any Additional Amounts with respect to any such withholding. In order to obtain a refund of any amounts withheld, affected beneficial owners will have to either follow the quick refund procedure or apply directly to the Spanish tax authorities for any refund to which they may be entitled, as described under “Taxation—Spanish Tax Considerations—Evidencing of Beneficial Owner Residency in Connection with Interest Payments,” and neither the Issuer nor the Guarantor shall be responsible for any damage or loss incurred by beneficial owners in connection with those procedures.

***The Notes may be subject to certain Spanish taxation if they are not listed on an Organized Market in an OECD Country.***

If the Notes are not listed on an organized market in an OECD country on any Interest Payment Date, interest payments to beneficial owners not resident in Spain for tax purposes in respect of the Notes may be subject to withholding tax. See “Taxation—Spanish Tax Considerations—Tax Rules for Securities Not Listed on an Organized Market in an OECD Country.” The Issuer intends to make application for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange, but no assurances can be given that such listing will be completed by any Interest Payment Date or year end. Neither the Issuer nor the Guarantor will pay any Additional Amounts in the event of any such withholding.

***Your right to receive payments of interest and principal under the Notes and the Guarantee is junior to certain other obligations of the Issuer and the Guarantor.***

The Notes and the Guarantee will be, respectively, the Issuer’s and the Guarantor’s unsecured, subordinated obligations, and, subject to statutory preferences under Spanish law, and except for any subordinated indebtedness which by its terms is expressed to rank junior to the Issuer’s and the Guarantor’s respective obligations under the Notes and the Guarantee, will rank equally with any of the Issuer’s and the Guarantor’s present and future unsecured and subordinated indebtedness, will be effectively subordinated to any of the Issuer’s and the Guarantor’s secured indebtedness (to the extent secured) (*Créditos con Privilegio Especial*) and will rank junior to payment obligations as to principal on any of the Issuer’s and the Guarantor’s unsecured unsubordinated indebtedness and other liabilities. In addition, the Notes and the Guarantee will be effectively subordinated to all of the Issuer’s and the Guarantor’s generally privileged obligations (*Créditos con Privilegio General*) under Spanish insolvency law, which include certain tax, social security and employee compensation obligations, among others.

As of May 31, 2009, the Guarantor had approximately €67,050 million of outstanding unconsolidated indebtedness (including guarantees of subsidiary indebtedness) to which its obligations under the Guarantee of the Notes will rank junior, and €17,529 million of securities issued by subsidiaries guaranteed by the Guarantor or issued by the Guarantor, with which its obligations under the Guarantee of the Notes will rank *pari passu*. In addition, the Guarantee is structurally subordinated to all indebtedness of subsidiaries of the Guarantor insofar as any right of the Guarantor, as a shareholder of such subsidiaries, to receive any assets of any of its subsidiaries upon the insolvency, liquidation, dissolution or winding-up or other similar proceeding of any of them will, subject to applicable law, be effectively subordinated to the claims of any such subsidiary’s creditors (including trade creditors and holders of debt or guarantees issued by such subsidiary). As of May 31, 2009, subsidiaries of the Guarantor had an aggregate total of €165,039 million of outstanding indebtedness and €2,123 million of preferred shares and securities not guaranteed by the Guarantor and €55,170 million outstanding indebtedness and €5,528 million of preferred securities guaranteed by the Guarantor.

As of the date of this Prospectus, the Issuer did not have any secured or unsecured unsubordinated indebtedness and had €12.470 million of unsecured subordinated indebtedness outstanding which will rank *pari passu* to the Issuer's obligations under the Notes.

***You may be unable to enforce judgments obtained in U.S. courts against the Issuer or the Guarantor.***

All of the Issuer's directors and substantially all the directors and executive officers of the Guarantor are not residents of the United States, and substantially all the assets of these companies are located outside of the United States. As a consequence, you may not be able to effect service of process on these non-U.S. resident directors and executive officers in the United States or to enforce judgments against them outside of the United States.

***The absence of a public market for the Notes could adversely affect your ability to resell the Notes in the future.***

The Notes are a new issue of securities for which there is currently no public market. Application has been made to the London Stock Exchange for the Notes to be admitted to trading on the Regulated Market. If approval of this application is granted, the Notes will be admitted at that time. We make no representation, however, that the Notes will be admitted or, if admitted, will remain admitted. In any event, the Notes comprise a new issue of securities for which there is currently no established trading market. If the Notes are traded after their initial issuance, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, the Guarantor's performance and other factors. Because the Notes are being sold pursuant to an exemption from registration under applicable securities laws, and therefore, may not be publicly offered, sold or otherwise transferred in any jurisdiction where such registration may be required, a public market for the Notes may not develop. In addition, there may be few investors in the Notes. If a market for any of the Notes does develop, the price of such Notes may fluctuate and liquidity may be limited. If a market for any of the Notes does not develop, purchasers may be unable to resell such Notes for an extended period of time, if at all.

***There are restrictions on your ability to resell your Notes.***

The Notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. Absent such registration, the Notes may be offered or sold only in transactions that are not subject to, or that are exempt from, the registration requirement of the Securities Act and applicable state securities laws. As a result of these restrictions, there can be no assurance as to the existence or development of a secondary market for the Notes or the liquidity of any secondary market if one develops. Consequently, you must be able to bear the economic risk of an investment in the Notes for an indefinite period of time.



#### **USE OF PROCEEDS**

Neither the Issuer nor Guarantor will receive any cash proceeds from the issuance of the Notes.

## THE ISSUER

The Issuer, which is a wholly owned subsidiary of the Guarantor, was incorporated by a public deed executed on 27 February 2004, and registered in the Mercantile Registry of Madrid on 2 March 2004, in volume 19.747, Folio 181, sheet M-347561 as a company with unlimited duration and with limited liability under the laws of Spain (*sociedad anonima*). The Issuer was incorporated to issue securities in various markets (including the United States, Luxembourg and the Netherlands) and deposit the net proceeds with the Bank. As of the date of this Prospectus, the share capital of the Issuer is EUR60,200 divided into 602 ordinary shares of par value EUR100.00 each, all of them issued and fully paid and each of a single class. The Issuer is a financing vehicle for the Group and has no subsidiary companies. The Issuer has no material assets other than inter-company debt with affiliates. For so long as any securities remain outstanding, the Issuer's exclusive activities shall be the issuance of securities, the deposit of proceeds of such issuances with the Bank and other activities incidental thereto. The Issuer's objects and purposes can be found in Article 2 of its By-laws. The Issuer complies with the corporate governance regime of Spain. With the exception of Spanish reserve requirements which must be met prior to the payment of dividends and provided that dividends may only be distributed out of income for the previous year or out of unrestricted reserves and provided further that the net worth of the Issuer must not, as a result of the distribution, fall below its paid-in share capital (*capital social*), there are no restrictions on the Guarantor's ability to obtain funds from the Issuer through dividends, loans or otherwise. Spanish Law 13/1985 requires that the proceeds of the offering of the Preferred Securities be deposited on a permanent basis with the Guarantor or one of its consolidated subsidiaries.

Save for the issue of several series of debt securities and for the issue of the Notes and matters incidental thereto, the Issuer has not carried on any business since the date of its incorporation. As of the date of this Prospectus, the Issuer has prepared its audited financial statements for the year ended 31 December 2008.

The registered office of the Issuer is located in the Guarantor's principal executive offices at Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain, and its telephone number is +34-91-257-2057.

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

| <b>Name</b>            | <b>Business Address</b>                                                                                                | <b>Position</b> | <b>Other position in the Group</b>     |
|------------------------|------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------|
| Jose Antonio Soler     | Ciudad Grupo Santander<br>Edificio Encinar<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid<br>Spain | Chairman        | Senior Vice-president of the Guarantor |
| Javier Anton San Pablo | Ciudad Grupo Santander<br>Edificio Encinar<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid<br>Spain | Director        | Vice-president of the Guarantor        |
| Antonio Torio Martin   | Ciudad Grupo Santander<br>Edificio Encinar<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid<br>Spain | Director        | Vice-president of the Guarantor        |

|                           |                                                                                                                        |          |                                 |
|---------------------------|------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------|
| Pablo Roig Garcia Bernalt | Ciudad Grupo Santander<br>Edificio Encinar<br>Avenida de Cantabria, s/n<br>28660 Boadilla del Monte<br>Madrid<br>Spain | Director | Vice-president of the Guarantor |
|---------------------------|------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------|

Save as specified in the above table, there are no activities performed by any of the above directors outside of the Issuer which are significant with respect to the Issuer.

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

Since the Issuer's date of incorporation, the Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

The financial statements (excluding the management report) of the Issuer incorporated into this Prospectus by reference for the year ended 2008 and 2007, have been audited by Deloitte, S.L. (formerly DELOITTE & TOUCHE ESPANA, S.L.), the Issuer's independent auditors, of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). DELOITTE, S.L. are members of the Instituto de Censores Jurados de Cuentas de España.

There has been no significant change in the financial or trading position of the Issuer since 31 December 2008, being the date of the most recently published audited financial statements of the Issuer.

There has been no material adverse change in the prospects of the Issuer since 31 December 2008.

## THE GUARANTOR

### BANCO SANTANDER S.A. AS GUARANTOR

#### Information about the Guarantor

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

The Guarantor is registered in the Mercantile Registry of Cantabria in book 83, folio 1, sheet 9, entry 5519, and it adapted its Bylaws to the current Companies Act by document executed in Santander on 8 June 1992 before the Public Notary Mr José María de Prada Díez, and numbered 1316 in his records, and registered in the Mercantile Registry of Cantabria in volume 448 of the Archive, folio 1, sheet number 1960, Adaptation entry one.

The current Bylaws, with the exception of subsections of Article 5 regarding share capital, were approved by the shareholders at the General Shareholders' Meeting held on 21 June 2008; the respective notarial instrument was recorded with the Mercantile Registry on 11 August, 2008, in volume 926, folio 160, section 8, page S-1960, entry 1640.

The current text of subsections of Article 5 of the Bylaws is set forth in the public deed dated 30 January 2009 recording the share capital in the amount of 4,077,802,861.50. This document was registered with the Mercantile Registry of Cantabria on such date.

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

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

The Guarantor commenced trading at the time of its formation and according to Article 4 of the Bylaws it will remain in existence for an indefinite period.

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

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

The non-consolidated and consolidated annual financial statements of the Guarantor for the years ended 31 December 2008 and 2007 were audited by the external auditors, Deloitte, S.L. of Plaza Pablo Ruiz Picasso, 1, Madrid, and registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*). Deloitte, S.L. are members of the Instituto de Censores Jurados de Cuentas de España.

The Bank's auditors have not resigned nor been removed, and were last re-appointed by the Bank on 21 June 2008 to audit the annual financial statements for the financial year ending 31 December 2009.

#### Business Overview

The Group is a financial group operating principally in Spain, the United Kingdom, Portugal, other European countries, Latin America and the United States, offering a wide range of financial products. At 31 December 2008, the Group was the seventh largest banking group in the world by market capitalisation<sup>1</sup> and the largest banking

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<sup>1</sup> Source: Bloomberg

group in the Eurozone with a stock market capitalisation of €54.0 billion, stockholders' equity of €57.6 billion and total assets of €1,049.6 billion. It had an additional €118.7 billion in mutual funds, pension funds and other assets under management at that date. As of 31 December 2008, the Group had 48,467 employees and 5,998 branch offices in Continental Europe, 24,379 employees and 1,303 branches in the United Kingdom, 96,405 employees and 6,089 branches in Latin America and 1,710 employees in other geographic regions.

The Group's principal operations are in Spain, the United Kingdom, Portugal, other European countries, Latin America and the United States. At 31 December 2008 the Group also had significant operations in New York as well as financial investments in Sovereign (during the first quarter of 2009, the Group completed the acquisition of 100 per cent. of Sovereign). In Latin America, the Group has majority shareholdings in banks in Argentina, Brazil, Chile, Colombia, Mexico, Puerto Rico, Uruguay and Venezuela.

The structure of the operating business areas has been segmented into two levels:

*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 three main currency areas. The reported segments are:

- Continental Europe. This covers all retail banking business (including Banco Banif, S.A. ("**Banif**"), the Group's specialised private bank), wholesale banking and asset management and insurance conducted in Europe, with the exception of the United Kingdom. This segment includes the following units: the Santander Branch Network, Banco Español de Crédito, S.A. ("**Banesto**"), Santander Consumer Finance (including Drive (as defined below)) and Portugal.
- United Kingdom. This includes retail and wholesale banking, asset management and insurance conducted by the various units and branches of the Group.
- Latin America. This embraces all the financial activities conducted via the Group's subsidiary banks and other subsidiaries in Latin America. It also includes the specialised units in International Private Banking, as an independent globally managed unit. The Group's business in New York is also managed in this area.

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

- Retail Banking. This covers all customer banking businesses (except those of Corporate Banking, which are managed globally throughout the world).
- Global Wholesale Banking. This business reflects the returns from Global Corporate Banking, Investment Banking and Markets worldwide, including all treasury activities under global management, as well as the Group's equities business.
- Asset Management and Insurance. This includes the Group's units that design and manage mutual and pension funds and insurance.

In addition to these operating units, which cover everything by geographic area and business, the Group continues to maintain a separate Financial Management and Equity Stakes area. This area incorporates the centralised activities relating to equity stakes in industrial and financial companies, financial management of the structural exchange rate position and of the parent Bank's structural interest rate risk, as well as management of liquidity and of shareholders' equity through issues and securitisations. As the Group's holding entity, it manages all capital and reserves and allocations of capital and liquidity.

In 2008, the Group maintained the same primary and secondary operating segments as it had in 2007.

In addition, and in line with the criteria established in the EU-IFRS required to be applied under Bank of Spain's Circular 4/2004, the results of businesses discontinued in 2007 (the Group's Latin American pension management companies) and which were consolidated by global integration were eliminated from various lines of the income statement and included in "net profit from discontinued operations".

*Geographic level:*

### **Continental Europe**

This area covers the banking activities of the different networks and specialised units in Europe, principally with individual clients and small and medium sized companies ("SMEs"), as well as private and public institutions. During 2008 there were four main units within this area: the Santander Branch Network, Banesto, Santander Consumer Finance and Portugal including retail banking, global wholesale banking and asset management and insurance.

Continental Europe is the largest business area of the Group. At the end of 2008, it accounted for 43 per cent. of total customer and funds under management, 52 per cent. of total loans and credits and 54 per cent. of profit attributed to the Group or the Group's main business areas.

The area had 5,998 branches and 48,467 employees (direct and assigned) at the end of 2008.

In 2008, the Continental Europe Segment's profit attributed to the Group increased 11 per cent. to €4,908 million. Return on equity, "**ROE**", in 2008 was 21.2 per cent., a 0.1 per cent. decrease from 2007.

### **Santander Branch Network**

The retail banking activity in Spain is carried out mainly through the branch network of the Group's parent bank Santander (the "**Santander Branch Network**"), with support from an increasing number of automated cash dispensers, savings books updaters, telephone banking services, electronic and internet banking.

At the end of 2008, the Santander Branch Network had 2,933 branches and a total of 19,447 employees (direct and assigned), of which one employee was temporary, dedicated to retail banking in Spain. Compared to 2007, there was a net increase of 46 branches and a net increase of 55 employees.

In 2008, the Santander Branch Network grew by approximately 4.0 per cent. in lending, 16.2 per cent. in profit attributed to the Group.

In 2008, profit attributed to the Group from the Santander Branch Network was €2,098 million, 16.2 per cent. higher than profit attributed to the Group in 2007, while the ROE reached 25.3 per cent. (as compared to 22.7 per cent. in 2007).

The 4.0 per cent. growth in lending in 2008 versus 2007 reflects a decrease in mortgage activity offset by a 9 per cent. increase in other types of credits. Impaired loans grew to 2.6 per cent. from 0.6 per cent. in 2007.

Customer funds under management experienced a reduction of 4.1 per cent. during 2008, which came principally from a decrease of 37 per cent. in mutual funds.

### **Banesto**

At the end of 2008, Banco Español de Crédito ("**Banesto**") had 1,915 branches and 10,440 employees (direct and assigned), of which 39 employees were temporary (a decrease of 31 branches and 336 employees as compared to the end of 2007).

For the purposes of the Group's financial statements, Banesto's results of operations have been calculated using the criteria described at Note 2 (Accounting policies and measurement bases) of the Consolidated Financial Statements and Directors' Report for the year ending 31 December 2008. As a result, the data set forth herein may not coincide with the data published independently by Banesto.

In 2008 profit attributed to the Group from Banesto was €754 million, a 12.8 per cent. increase from 2007, while the ROE reached 18.8 per cent. (as compared to 18.3 per cent. in 2007).

In 2008, Banesto grew by approximately 3 per cent. in lending and 6.9 per cent. in customer deposits and there was a decrease of 30.5 per cent. in off-balance sheet customer funds. Impaired loans grew to 1.6 per cent. in 2008 from 0.5 per cent. a year earlier.

### **Santander Consumer Finance**

The Group's consumer financing activities are conducted through its subsidiary Santander Consumer Finance S.A. ("**Santander Consumer Finance**") and its group of companies. Most of its activities relate to auto financing, personal loans, credit cards, insurance, and customer deposits. These consumer financing activities are mainly focused on Spain, Portugal, Germany, Italy and the U.S. The Group also conducts this business in the UK, Hungary, the Czech Republic, Austria, the Netherlands, Norway, Poland, Finland and Sweden.

At the end of 2008, this unit had 290 branches (as compared to 285 at the end of 2007) and 8,052 employees (direct and assigned) (as compared to 7,221 employees at the end of 2007), of which 429 employees were temporary.

In 2008, this unit generated gross profit attributed to the Group of €696 million, a 3.1 per cent. decrease from 2007, while the ROE reached 17 per cent. (as compared to 34.1 per cent. in 2007). Three countries account for 74 per cent. of the profit attributable to the Group: Germany (55 per cent.), Spain (14 per cent.) and Italy (5 per cent.). Of note are the increases in Germany (+19.3 per cent.) and Nordic countries (+29.6 per cent.) that offset the reduction in Spain (-54.3 per cent.) due to the strong increase in provisions.

At the end of 2008, total lending for this subsidiary amounted to €54 billion (a 17.8 per cent. increase as compared to 2007). Two-thirds of it is auto finance, with a greater share of new vehicles (34 per cent. vs. 28 per cent. for used vehicles), and the combined share of consumer loans via dealers, cards and direct credit represent 22 per cent. of the total portfolio.

The most relevant factors that explain the business of Santander Consumer Finance in 2008 have been:

- The contraction of the European consumer market and particularly the car segment. In this context, the area almost managed to maintain its new auto financing in Europe (-3 per cent.), as Spain's shrinkage was offset by the strength of the German market and strong growth in Italy and the Nordic countries.
- Business diversification in Europe enabled us to offset the weak macroeconomic situation in some markets with the greater strength and capacity to generate synergies in others. Of note were Germany and the Nordic countries which offset the much lower contribution from Spain, affected by larger provisions as the performance of revenues and expenses remained good.
- Attributable profit rose 5.6 per cent. in dollars and credit quality ratios remained sound for the standards of the business (the ratio of non-performing loans (**NPLs**) was 4.9 per cent. and coverage of 88 per cent.).

### **Portugal**

The Group's main Portuguese operations are conducted by Banco Santander Totta, S.A., and the Group's Portuguese investment banking operations are conducted by Banco Santander de Negocios Portugal, S.A.

At the end of 2008, Portugal operated 770 branches (as compared to 763 branches at the end of 2007) and had 6,584 employees (direct and assigned) (as compared to 6,405 employees at the end of 2007), of which 248 employees were temporary.

In 2008 profit attributed to the Group was €531 million, 0.7 per cent. higher than in 2007, while the ROE reached 27 per cent. (28.6 per cent. in 2007).

### **Others**

The rest of the Group's businesses in Continental Europe (Banif, Asset Management, Insurance and Global Wholesale Banking) generated profit attributed to the Group of €829 million, 15.3 per cent. more than in 2007.

## **United Kingdom**

Abbey became part of the Group on 12 November 2004 and only its balance sheet was consolidated with the Group as of 31 December 2004. Its results of operations were consolidated with the Group's for the first time in 2005.

Abbey is a significant financial services provider in the United Kingdom, being the second largest residential mortgage lender and the third largest savings brand measured by outstanding balances, following the combinations in 2008 with Alliance & Leicester and Bradford & Bingley's retail deposits, branch network and its related employees. Abbey also provides a wide range of retail savings accounts, and operates across the full range of personal financial services.

At the end of 2008, the Group had 1,303 branches and a total of 24,379 employees (direct and assigned) in the United Kingdom, of which 325 employees were temporary. Compared to 2007, there was a net increase of 599 branches and 7,552 employees due mainly to the acquisitions described above.

For purposes of the Group's financial statements, Abbey's results of operations have been calculated using the criteria described at Note 2 (Accounting policies and measurement bases) of the Consolidated Financial Statements and Directors' Report for the year ending 31 December 2008. As a result, the data set forth herein may not coincide with the data published independently by Abbey.

The figures shown below do not include any impact on results of Alliance & Leicester whose financial statements were consolidated into the Group at the end of 2008. Bradford and Bingley's fourth quarter results are included (-£10 million).

In 2008, Abbey contributed €1,247 million profit attributable to the Group (a 3.8 per cent. increase from 2007) which represents 14 per cent. of the Group's total operating areas. Loans and advances increased by 9.9 per cent. and customer funds under management increased 4.9 per cent. during the same period. ROE was 28.6 per cent. (as compared to 32.3 per cent. in 2007).

In 2008 personnel expenses and general administrative expenses decreased by 5.6 per cent. and 12.2 per cent. respectively, due to continuing cost reduction activity.

Impaired loans at the end of 2008 increased to 1.0 per cent. from 0.6 per cent. at the end of 2007, while the coverage ratio increased from 66 per cent. to 69 per cent. The increase in impaired loans was due both to the acquisition of A&L and to the market decline.

In May 2009, Banco Santander announced that Abbey, Alliance & Leicester and Bradford & Bingley will be changing their names to Santander in 2010. This means any Santander customer in the UK will be able to use any of the Bank's 1,300 branches by the end of 2010.

## **Latin America**

At 31 December 2008, the Group had 6,089 offices and 96,405 employees (direct and assigned) in Latin America (as compared to 4,498 offices and 65,628 employees, respectively, at 31 December 2007), of which 257 were temporary employees. On that date, Latin America accounted for 21% of the total customer and funds under management, 15% of total loans and credits and 32% of profit attributed to the Group of the Group's main business areas.

Profit attributed to the Group from Latin America was €2,945 million, a 10.4 per cent. increase from 2007, while the ROE reached 26.1 per cent. (as compared to 29.1 per cent. in 2007). At the end of 2008, Latin America accounted for 32 per cent. of the operating areas' profit attributed to the Group after the consolidation of Banco Real in Santander Brazil and the assets and liabilities of ABN-Amro Uruguay in Santander Uruguay.



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

|                                          | <b>PERCENTAGE HELD<br/>AT 31 DECEMBER<br/>2008</b> |                                             | <b>PERCENTAGE HELD<br/>AT 31 DECEMBER<br/>2008</b> |
|------------------------------------------|----------------------------------------------------|---------------------------------------------|----------------------------------------------------|
| Banco Santander Río, S.A.<br>(Argentina) | 99.30                                              | Banco Santander, S.A.<br>(Mexico)           | 74.95                                              |
| Banco Santander, S.A.<br>(Brazil)        | 97.93                                              | Banco Santander Puerto<br>Rico              | 90.59                                              |
| Banco Santander Chile                    | 76.73                                              | Banco Santander, S.A.<br>(Uruguay)          | 100.00                                             |
| Banco Santander<br>Colombia, S.A.        | 97.85                                              | Banco de Venezuela, S.A.<br>Banco Universal | 98.42                                              |

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

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

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

Brazil. Santander Brazil Group, made up by Banco Santander Brazil and Banco Real, is the third private financial franchise in Brazil. Santander Brazil Group has 3,603 branches and 21.9 million individual customers.

The Group has been focusing on improving efficiency via best practices in expenses and revenues, and on technological and operational integration. Additionally, the Group has established several strategies and growth targets.

Lending rose 165 per cent. in local currency, mainly due to the consolidation of Banco Real. Excluding Banco Real, lending to individual customers grew by 14 per cent., and lending to SMEs and companies by 45 per cent. (all percentages in local currency).

Deposits and mutual funds increased by 126 per cent. (in local currency).

Profit attributable to the Group from Brazil in 2008 was €1,105 million, a 22.0 per cent. increase when compared with 2007 (a 21.9 per cent. increase in local currency). At the end of 2008 ROE was 25.5 per cent., NPLs was 3.6 per cent. and the NPLs coverage was 102 per cent.

Mexico. Banco Santander, S.A. (Mexico), is one of the leading financial services companies in Mexico. It leads the third largest banking group in Mexico in terms of business volume. The Group has a network of 1,129 branches and 8.8 million customers in Mexico.

Loans and credits increased in 2008 by 8 per cent. Of note were the 4 per cent. decrease of consumer credits and the growth of mortgage lending (+23 per cent.) and of commercial lending (+17 per cent.).

Profit attributable to the Group from Mexico decreased 8.2 per cent. to €600 million (a decrease of 0.2 per cent. in local currency). ROE was 20.8 per cent., the ratio of non-performing loans was 2.4 per cent. at the end of 2008 and the NPLs coverage was 132.

Chile. Banco Santander Chile heads the largest financial group in the country with substantial business in loans, deposits and mutual funds and pension funds. The Group has 507 branches and 3.1 million banking customers.

In 2008, lending increased by 20 per cent. (to individuals +17 per cent. and to companies +16 per cent.), while deposits increased by 19 per cent.

Profit attributed to the Group from Chile increased 0.3 per cent. to €545 million (a 6.3 per cent. increase in local currency). ROE was 37.3 per cent., the ratio of non-performing loans was 2.6 per cent. and the NPLs coverage was 102 per cent.

Puerto Rico. Banco Santander Puerto Rico is one of the largest financial institutions in Puerto Rico. The Group has 133 branches and 0.5 million customers.

The economy was in recession, affecting both the growth of the financial system and its profitability, under pressure from lower activity and higher risk premiums. In this environment, the Group continued to focus on selective growth in business with individual customers and companies and cutting costs.

Loss attributed to the Group from Puerto Rico was €19 million, compared to the €1 million obtained in 2007 due to the higher net loan-loss provision in 2008. The ratio of non-performing loans stood at 6.9 per cent. and the NPLs coverage was 61 per cent.

Venezuela. Banco de Venezuela is one of the country's largest banks with 285 branches and 3.2 million banking customers.

The Group focused in 2008 on maximising the return on the balance sheet, keeping comfortable levels of liquidity and boosting recurring revenues through greater customer linkage (growth in deposits and fee-generating services) and strict control of risks. Lending rose by 14 per cent., and deposits by 9 per cent.

Profit attributed to the Group from Venezuela grew to €317 million from €179 million a year earlier (an 89.4 per cent. increase in local currency). ROE stood at 58.9 per cent., the ratio of non-performing loans was 1.9 per cent. and the NPLs coverage was 126 per cent.

On 22 May 2009, Santander announced that it had reached an agreement in principle for the sale of its holding in Banco de Venezuela to the Republic of Venezuela (see "Recent Developments", below).

Colombia: Banco Santander Colombia, S.A. has 76 branches and 0.5 million banking customers.

The Group focused in 2008 on developing its franchise and selective growth in business, while maintaining appropriate levels of liquidity. Lending grew by 2 per cent. and deposits plus mutual funds increased by 34 per cent.

Profit attributable to the Group from Colombia was €27 million, 73.8 per cent. higher than in 2007 in local currency. The ratio of non-performing loans was 1.79 per cent. and the NPLs coverage was 204 per cent.

Argentina. Banco Santander Río S.A. is one of the country's leading banks, with 292 branches and 2.1 million banking customers.

In 2008, the Group focused its strategy on linking customers rather than increasing their number. On the other hand, a more selective criteria in lending was applied with greater emphasis on capturing deposits and maintaining comfortable levels of liquidity. Lending rose 18 per cent. while deposits increased by 12 per cent.

Banco Santander Río made a positive contribution to the Group's earnings, with profit attributable to the Group of €216 million in 2008, a 24.1 per cent. increase in local currency.

#### *Others*

In 2008 Uruguay generated profit attributed to the Group of €9 million with no impact from the consolidation of ABN-Amro which took place at the end of December 2008.

## *Business level*

### **Retail Banking**

The Group's Retail Banking generated 85 per cent. of the operating areas' total income in 2008 and 75 per cent. of profit before tax. In 2008, Retail Banking generated total income of €26,775 million, 16.9 per cent. higher than in 2007. Profit before tax was €9,376 million, 2.9 higher than in 2007. This segment had 165,244 employees at the end of 2008.

This segment growth was due to two effects. On the one hand, the performance in euro terms in UK and Latin America reflects the negative impact of exchange rates, which absorbed the growth in their respective currencies of management. On the other, the incorporation of one quarter of Banco Real has a positive impact of 3 percentage points on profits.

Retail Banking in Continental Europe continued the growth trends in volume and earnings of the last two years. Net interest income rose 20.5 per cent. and profit before tax 9.2 per cent. The main units of growth were the Santander Branch Network and Banesto Retail. The main drivers were the good evolution of business compared to the market, although quarter-on-quarter growth eased; management of prices in a changing environment of interest rates and selective control of expenses.

Retail Banking in the UK in euro terms was very conditioned by the negative impact of exchange rates (16 percentage points). The 12.7 per cent. growth in revenues and 5.9 per cent. rise in expenses, both in sterling, resulted in a further improvement in efficiency. Net loan-loss provisions increased 44.3 per cent. and profit before tax was 12.1 per cent. higher (-3.5 per cent. in euro).

The results of Retail Banking in Latin America came from growth in customer business, the good performance of net interest income and net fees, and control of costs compatible with ongoing business development. In addition to the entry of Banco Real, the factors behind this segment growth were the rise in the number of individual customers and SMEs, greater linkage and development of loyalty products. Profit before tax for Retail Banking in 2008 was lower than 2007 because there was a large increase in net loan-loss provisions partly due to the deterioration of the global economy and partly due to the unification of provisioning criteria in Brazil after the integration of Banco Real. Excluding the exchange-rate effect, profit before tax, was comparable to that in 2007.

The Global Private Banking division, created in the second half of 2007, includes institutions that specialise in financial advice and asset management for high income clients: Banif and All funds in Spain; Cater Allen, James Hay, Abbey Share dealing and Abbey International in the UK and Santander Private Banking in Latin America and Italy. As well as the units of domestic private banking in Portugal and Latin America, jointly managed with local retail banks.

Profit before tax for the year was 4.9 per cent. lower at €429 million. This was due to two factors: on the one hand, the evolution of exchange rates, which reduced the profit growth by 6.6 percentage points. and, on the other, the allowances made by Banif in the last part of the year, after the Lehman Brother's collapse.

### **Global Wholesale Banking**

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

This segment, managed by Santander Global Banking & Markets, contributed 13 per cent. of operating areas' total income and 21 per cent. of profit before tax (€2,548 million, 23 per cent. more than in 2007). This segment had 2,572 employees at the end of 2008.

In the case of Santander Global Banking & Markets, the improvement was due to a customer-focused business model, the area's global capacities and connection with local units, and the strength of the Group's capital and liquidity which made it possible to increase profitable activity without restrictions. Four factors were at play:

- First, the significant increase in customer revenues by 35% in 2008 as compared to 2007, which accounted for more than 85% of the area's total revenues. All zones registered double digit growth after absorbing the large negative impact of exchange rates. Customer revenues in the UK and Latin America rose 51% and 37% in 2008 as compared to 2007, respectively, in euros, while Spain's grew by 26% in 2008 as compared to 2007. Among the large markets for Global Wholesale Banking, only Portugal fell by 11% in 2008 because of the large operations in 2007.
- Second, the 29 per cent. fall in the results of trading activity, affected by instability in markets.
- Third, strict adjustment of expenses and structures to the new environment, as a result of which total operating expenses were 0.2 per cent. lower than in 2007.
- Lastly, a big increase in generic provisions because of large operations in the second half of the year, particularly in the fourth quarter. These provisions were more than four times higher than those recorded in 2007.

These factors were reflected in the income statement with operating profit before tax increasing 23 per cent. in 2008.

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

### **Asset Management and Insurance**

This segment comprises all of the Group's companies whose activity is the management of mutual and pension funds and insurance. At 31 December 2008 it accounted for 2.7 per cent. of total income and 4.1 per cent. of profit before tax (€537 million, -1.3 per cent. in comparison to 2007). This segment had 1,435 employees at the end of 2008.

Total income fell 2.8 per cent., as the higher revenues from insurance did not offset the fall in fee income. The latter was hit by the decline in the volume of mutual funds in the main countries where the Group operates, particularly Spain. Profit before tax was 1.3 per cent. lower. The pension fund business in Latin America played no part in the results as it was sold and discontinued in 2007. Total revenues contributed to the Group by asset management and insurance, including those recorded by the distribution networks, amounted to €3,689 million (+1.3 per cent.).

### **Asset Management**

Santander Asset Management's global business generated €1,542 million of fees in 2008 (-18.4 per cent.). Profit before tax, after deducting operating expenses (3.4 per cent. lower than in 2007) and fees paid to the networks, was 9.0 per cent. lower at €221 million. Total managed pension and mutual funds amounted to €100 billion.

Activity in developed countries was determined by the strong preference for liquidity and on-balance sheet funds. These trends, which in the fourth quarter spread to the other markets where the Group operates, influenced the volumes managed by Santander Asset Management.

As a result, most of its business, principally Traditional Management (€94 billion), was affected by the global fall in share prices in what was the worst year for stock markets in 30 years.

### **Insurance**

The global business of Santander Insurance generated income (fees and revenues from insurance activity) of €2,147 million (+22.6 per cent.), 6.9 per cent. of the operating areas' total. Its total contribution to the Group's

results, the sum of profit before tax of the insurance companies and brokers (€316 million) and fees received by networks, was €2,020 million (+23.6 per cent.).

The volume of premium income distributed in the year was more than €9.6 billion (+34 per cent.). Life-savings products contributed 72 per cent. of the total, life-risk 15 per cent. and non-life 13 per cent.

Of the total premium income, 84 per cent. was subscribed by Group companies.

Santander Insurance made further progress in its global business model, developing new products and distribution channels. Of note was the launch of the "affinities channel", which leverages relations with corporate clients to distribute insurance to their clients. Ten distribution agreements were signed. This supplements the strength of the Group's branches (the main distribution channel) and of the Group's direct channels.

### **Financial Management and Equity Stakes**

At the end of 2008, this area had 1,710 employees (direct and assigned) (1,526 employees at the end of 2007), of which 456 were temporary.

This area is responsible for a series of centralised activities and acts as the Group's holding entity, managing all capital and reserves and assigning capital and liquidity to the other businesses. The cost of liquidity, via the transfer of funds to various businesses, is carried out at the short-term market rate, which was 4.26 per cent. in 2008 (4.06 per cent. in 2007).

The area made a loss of €223 million due to the following:

- First, all the €3,572 million of capital gains generated in 2008, net of taxes, were assigned to extraordinary write-downs.

The €586 million from the sale of Grupo Santander City, €741 million from the sale of ABN's liabilities and the €2,245 million from the sale of the businesses in Italy acquired from ABN were assigned as follows: €1,430 million to writing down the stakes in Fortis and Royal Bank of Scotland; €904 million to amortising the intangible assets of Abbey; €386 million to a fund for restructuring costs; €382 million to an early retirement fund; €295 million to amortizing the goodwill of Santander Consumer Finance and write-downs in portfolios and €175 million to other funds. All figures are net of taxes.

In 2007 capital gains were higher than the allowances by €934 million net of taxes.

- Second, share of results of entities accounted for using the equity method was €780 million in 2008 compared to €427 million in 2007. This difference was due, on the one hand, to a greater contribution from RFS Holdings, B.V. (basically Banco Real) which in 2008 consolidated nine months of profit after tax (in the fourth quarter it was consolidated by global integration), while in 2007 it was only consolidated from October, the date of the acquisition, until the end of the year. Cepsa's contribution, on the other hand, was lower because as of 1 October 2008, its profits ceased to be recorded by the equity method as the stake was transferred to non-current assets held for sale.
- Third, gains on financial assets and liabilities was affected in 2008 by the creation of a €643 million fund (€450 million net of tax) for the victims of the collapse of Lehman Brothers and the fraud of Bernard L. Madoff.

**Equity Stakes:** this sub segment centralises the management of equity stakes in financial and industrial companies.

The main events in 2007 and 2008 were the sale of 1.79 per cent. of Intesa Sanpaolo in the second quarter of 2007 (generating a capital gain of €566 million) and the consolidation of the assets acquired to ABN Amro and the transfer of the Group's investment in CEPESA to available for sale financial assets in 2008. On 31 March 2009, the Group announced that it had reached an agreement to sell its holding in CEPESA subject to certain conditions.

### *Financial Investments*

The Group's most important financial investment at 31 December 2008 was in Sovereign where the Group had a 24.99 per cent. stake. On 13 October 2008, Banco Santander, S.A. and Sovereign, the parent of Sovereign Bank, announced that Banco Santander would acquire Sovereign through a share exchange. This acquisition was completed in January 2009.

### *Industrial Portfolio*

The majority of the Group's industrial holdings portfolio consists of investments in strategic sectors related to the growth of the Spanish economy. Through the Group's investments in these areas, it aims to contribute to the Group's consolidated results.

The following table summarises the Group's main industrial holdings at 31 December 2008:

| <b>Company</b>              | <b>Business</b>        | <b>Percentage Held At<br/>31 December 2008</b> |
|-----------------------------|------------------------|------------------------------------------------|
| France Telecom España, S.A. | Telecommunications     | 5.01                                           |
| CEPSA                       | Oil and Petrochemicals | 32.5                                           |
| Cableuropa – Grupo ONO      | Telecommunications     | 4.47                                           |

**Financial Management:** this area manages the Group's structural exchange rate position, the structural interest rate risk of the parent bank and liquidity risk. The management of liquidity risk is conducted through debt issuance and securitisation.

The cost of hedging the capital of the Group's non-euro denominated investments is another activity. The current hedging policy is aimed at protecting the capital invested and the year's results through various instruments that are considered appropriate for their management. The main units that have exchange rate risk continued to be hedged in 2007 and 2008.

This sub segment also manages shareholders' equity, the allocation of capital to each business unit, and the cost of financing investments, with the result that the contribution to earnings is usually negative.

The summarised balance sheets and income statements of the various geographical segments (principal level) are as follows:

| (Condensed)<br>Balance Sheet                                     | Millions of Euros     |                   |                  |                                         |                  |                       |                   |                  |                                         |                  |
|------------------------------------------------------------------|-----------------------|-------------------|------------------|-----------------------------------------|------------------|-----------------------|-------------------|------------------|-----------------------------------------|------------------|
|                                                                  | 2008                  |                   |                  |                                         |                  | 2007                  |                   |                  |                                         |                  |
|                                                                  | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | <i>Total</i>     | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | <i>Total</i>     |
| Loans and advances to customers                                  | 325,379               | 202,623           | 96,054           | 2,833                                   | 626,888          | 314,714               | 184,080           | 70,228           | 2,076                                   | 571,099          |
| Financial assets held for trading (excluding loans and advances) | 72,303                | 50,028            | 20,966           | 2,686                                   | 145,9835         | 44,846                | 53,787            | 22,846           | 1,328                                   | 122,808          |
| Available-for-sale financial assets                              | 12,806                | 2,785             | 19,208           | 14,122                                  | 48,9208          | 10,149                | 44                | 12,628           | 21,528                                  | 44,349           |
| Loans and advances to credit institutions                        | 63,296                | 31,518            | 19,946           | 48,222                                  | 162,9815         | 54,798                | 22,165            | 12,847           | 26,502                                  | 116,312          |
| Non-current assets                                               | 5,562                 | 1,210             | 3,272            | 245                                     | 10,289           | 5,373                 | 4,685             | 1,805            | (202)                                   | 11,661           |
| Other asset accounts                                             | 17,644                | 30,626            | 30,496           | 179,522                                 | 258,288          | 20,185                | 7,103             | 21,630           | 168,925                                 | 217,844          |
| <b>Total assets/liabilities</b>                                  | <b>496,989</b>        | <b>318,790</b>    | <b>189,941</b>   | <b>247,630</b>                          | <b>1,253,350</b> | <b>450,067</b>        | <b>271,865</b>    | <b>141,985</b>   | <b>220,156</b>                          | <b>1,084,073</b> |
| Customer deposits                                                | 165,763               | 143,200           | 108,257          | 3,009                                   | 420,229          | 149,061               | 122,500           | 82,046           | 1,800                                   | 355,407          |
| Marketable debt securities                                       | 52,076                | 67,996            | 8,674            | 107,657                                 | 236,4043         | 70,004                | 76,056            | 5,031            | 82,196                                  | 233,287          |
| Subordinated liabilities                                         | 1,752                 | 9,890             | 3,847            | 23,384                                  | 38,837           | 2,433                 | 8,345             | 2,540            | 22,874                                  | 36,193           |
| Liabilities under insurance contracts                            | 13,889                | 3                 | 2,958            | -                                       | 16,850           | 10,907                | 6                 | 2,121            | -                                       | 13,034           |
| Deposits from credit institutions                                | 85,044                | 60,063            | 29,998           | 38,961                                  | 214,066          | 66,027                | 38,688            | 19,064           | 47,789                                  | 171,567          |
| Other liability accounts                                         | 154,812               | 32,306            | 23,623           | 14,915                                  | 225,656          | 131,362               | 23,094            | 22,595           | 18,541                                  | 195,593          |
| Equity                                                           | 23,653                | 5,332             | 12,583           | 59,704                                  | 101,272          | 20,273                | 3,177             | 8,588            | 46,955                                  | 78,993           |
| Off-balance-sheet customer funds                                 | 63,332                | 7,180             | 48,210           | -                                       | 118,723          | 92,761                | 10,225            | 47,990           | -                                       | 150,977          |
| <b>Total funds under management</b>                              | <b>560,321</b>        | <b>325,970</b>    | <b>238,150</b>   | <b>247,630</b>                          | <b>1,372,073</b> | <b>542,828</b>        | <b>282,091</b>    | <b>189,975</b>   | <b>220,155</b>                          | <b>1,235,651</b> |

| (Condensed)<br>Income Statement                                          | Millions of Euros     |                   |                  |                                         |               |                       |                   |                  |                                         |               |
|--------------------------------------------------------------------------|-----------------------|-------------------|------------------|-----------------------------------------|---------------|-----------------------|-------------------|------------------|-----------------------------------------|---------------|
|                                                                          | 2008                  |                   |                  |                                         |               | 2007                  |                   |                  |                                         |               |
|                                                                          | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | Total         | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | Total         |
| <b>NET INTEREST<br/>INCOME</b>                                           | <b>9,413</b>          | <b>2,411</b>      | <b>8,659</b>     | <b>(2,312)</b>                          | <b>18,172</b> | <b>7,742</b>          | <b>2,334</b>      | <b>6,654</b>     | <b>(1,777)</b>                          | <b>14,953</b> |
| Income from equity<br>instruments                                        | 266                   | -                 | 58               | 229                                     | 553           | 201                   | 1                 | 37               | 183                                     | 423           |
| Share of results of entities<br>accounted for using the<br>equity method | (4)                   | -                 | 21               | 780                                     | 797           | 9                     | 2                 | 4                | 427                                     | 441           |
| Net fee and commission<br>income                                         | 4,086                 | 926               | 3,393            | 46                                      | 8,451         | 4,137                 | 1,007             | 2,866            | 30                                      | 8,040         |
| Gains/losses on financial<br>assets and liabilities                      | 771                   | 500               | 926              | 1,346                                   | 3,543         | 732                   | 436               | 702              | 1,113                                   | 2,982         |
| Other operating<br>income/(expenses)                                     | 148                   | 49                | (54)             | 64                                      | 208           | 133                   | 65                | (5)              | 43                                      | 237           |
| <b>GROSS INCOME</b>                                                      | <b>14,681</b>         | <b>3,887</b>      | <b>13,002</b>    | <b>154</b>                              | <b>31,724</b> | <b>12,955</b>         | <b>3,845</b>      | <b>10,258</b>    | <b>19</b>                               | <b>27,077</b> |
| Staff costs                                                              | (3,126)               | (986)             | (2,655)          | (197)                                   | (6,964)       | (3,037)               | (1,045)           | (2,222)          | (248)                                   | (6,551)       |
| Other administrative<br>expenses                                         | (1,620)               | (618)             | (2,304)          | (474)                                   | (5,015)       | (1,527)               | (784)             | (1,867)          | (289)                                   | (4,467)       |
| Depreciation and<br>amortisation of tangible<br>and intangible assets    | (580)                 | (157)             | (437)            | (96)                                    | (1,270)       | (559)                 | (102)             | (348)            | (259)                                   | (1,268)       |
| Net impairment losses on<br>financial assets                             | (2,477)               | (456)             | (3,082)          | (331)                                   | (6,345)       | (1,557)               | (312)             | (1,619)          | (13)                                    | (3,502)       |
| Provisions (net)                                                         | (37)                  | (29)              | (565)            | (1,068)                                 | (1,699)       | 30                    | 5                 | (553)            | (506)                                   | (1,024)       |
| <b>PROFIT/(LOSS)<br/>FROM OPERATIONS</b>                                 | <b>6,841</b>          | <b>1,642</b>      | <b>3,959</b>     | <b>(2,011)</b>                          | <b>10,431</b> | <b>6,305</b>          | <b>1,608</b>      | <b>3,649</b>     | <b>(1,296)</b>                          | <b>10,265</b> |
| Net impairment losses on<br>non-financial assets                         | (16)                  | -                 | (7)              | (1,026)                                 | (1,050)       | (8)                   | -                 | (30)             | (1,511)                                 | (1,549)       |
| Other non-financial<br>gains/(losses)                                    | (30)                  | 31                | 42               | 1,806                                   | 1,849         | 26                    | 15                | 161              | 2,257                                   | (2,459)       |
| <b>PROFIT/(LOSS)<br/>BEFORE TAX</b>                                      | <b>6,794</b>          | <b>1,673</b>      | <b>3,994</b>     | <b>(1,231)</b>                          | <b>11,230</b> | <b>6,323</b>          | <b>1,622</b>      | <b>3,781</b>     | <b>(550)</b>                            | <b>11,175</b> |
| Income tax                                                               | (1,756)               | (426)             | (711)            | 1,009                                   | (1,884)       | (1,777)               | (421)             | (822)            | 685                                     | (2,336)       |
| <b>PROFIT/(LOSS)<br/>FROM ORDINARY<br/>ACTIVITIES</b>                    | <b>5,039</b>          | <b>1,247</b>      | <b>3,283</b>     | <b>(222)</b>                            | <b>9,346</b>  | <b>4,546</b>          | <b>1,201</b>      | <b>2,958</b>     | <b>135</b>                              | <b>8,840</b>  |



| (Condensed)<br>Income Statement                        | Millions of Euros     |                   |                  |                                         |              |                       |                   |                  |                                         |              |
|--------------------------------------------------------|-----------------------|-------------------|------------------|-----------------------------------------|--------------|-----------------------|-------------------|------------------|-----------------------------------------|--------------|
|                                                        | 2008                  |                   |                  |                                         |              | 2007                  |                   |                  |                                         |              |
|                                                        | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | <i>Total</i> | Continental<br>Europe | United<br>Kingdom | Latin<br>America | Financial<br>Management<br>and Holdings | <i>Total</i> |
| Profit/(loss) from<br>discontinued operations          | (21)                  | -                 | 7                | -                                       | (15)         | -                     | -                 | 112              | 684                                     | 797          |
| <b>CONSOLIDATED<br/>PROFIT/(LOSS) FOR<br/>THE YEAR</b> | <b>5,018</b>          | <b>1,247</b>      | <b>3,290</b>     | <b>(222)</b>                            | <b>9,332</b> | <b>4,546</b>          | <b>1,201</b>      | <b>3,071</b>     | <b>819</b>                              | <b>9,636</b> |
| Attributable to minority<br>interests                  | 110                   | -                 | 346              | 1                                       | 456          | 107                   | -                 | 404              | 65                                      | 576          |
| <b>PROFIT<br/>ATTRIBUTABLE TO<br/>THE PARENT</b>       | <b>4,908</b>          | <b>1,247</b>      | <b>2,945</b>     | <b>(223)</b>                            | <b>8,876</b> | <b>4,439</b>          | <b>1,201</b>      | <b>2,666</b>     | <b>754</b>                              | <b>9,060</b> |

Business Segments (secondary level): At the secondary level of segment reporting, the Group is structured into Retail Banking, Global Wholesale Banking, Asset Management and Insurance; the sum of these three segments is equal to that of the three primary operating geographical segments. Total figures for the Group are obtained by adding to the business segments the data for the Financial Management and Equity Stakes segment.

The summarised income statements and other significant data are as follows:

| (Condensed)<br>Income Statement                                          | Millions of Euros     |                                |                                      |                                         |               |                       |                                |                                         |                                         |               |
|--------------------------------------------------------------------------|-----------------------|--------------------------------|--------------------------------------|-----------------------------------------|---------------|-----------------------|--------------------------------|-----------------------------------------|-----------------------------------------|---------------|
|                                                                          | 2008                  |                                |                                      |                                         |               | 2007                  |                                |                                         |                                         |               |
|                                                                          | Commercial<br>Banking | Global<br>Wholesale<br>Banking | Asset<br>Management<br>and Insurance | Financial<br>Management<br>and Holdings | Total         | Commercial<br>Banking | Global<br>Wholesale<br>Banking | Asset<br>Management<br>and<br>Insurance | Financial<br>Management<br>and Holdings | Total         |
| <b>NET INTEREST<br/>INCOME</b>                                           | <b>18,362</b>         | <b>1,934</b>                   | <b>188</b>                           | <b>(2,312)</b>                          | <b>18,172</b> | <b>15,235</b>         | <b>1,364</b>                   | <b>131</b>                              | <b>(1,777)</b>                          | <b>14,953</b> |
| Income from equity<br>instruments                                        | 149                   | 162                            | 13                                   | 229                                     | 553           | 80                    | 148                            | 12                                      | 183                                     | 423           |
| Share of results of entities<br>accounted for using the<br>equity method | 16                    | 2                              | -                                    | 780                                     | 797           | 13                    | 2                              | -                                       | 427                                     | 441           |
| Net fee and commission<br>income                                         | 7,137                 | 861                            | 407                                  | 46                                      | 8,451         | 6,618                 | 922                            | 470                                     | 30                                      | 8,040         |
| Gains/losses on financial<br>assets and liabilities                      | 1,144                 | 1,027                          | 26                                   | 1,346                                   | 3,543         | 962                   | 878                            | 29                                      | 1,113                                   | 2,982         |
| Other operating<br>income/(expenses)                                     | (33)                  | (39)                           | 215                                  | 64                                      | 208           | (5)                   | (30)                           | 229                                     | 43                                      | 237           |
| <b>GROSS INCOME</b>                                                      | <b>26,775</b>         | <b>3,947</b>                   | <b>848</b>                           | <b>154</b>                              | <b>31,724</b> | <b>22,901</b>         | <b>3,285</b>                   | <b>872</b>                              | <b>19</b>                               | <b>27,077</b> |
| Staff costs                                                              | (5,987)               | (647)                          | (132)                                | (197)                                   | (6,964)       | (5,539)               | (632)                          | (132)                                   | (248)                                   | (6,551)       |
| Other administrative<br>expenses                                         | (4,015)               | (380)                          | (147)                                | (474)                                   | (5,015)       | (3,633)               | (392)                          | (153)                                   | (289)                                   | (4,467)       |
| Depreciation and<br>amortisation of tangible<br>and intangible assets    | (1,067)               | (88)                           | (19)                                 | (96)                                    | (1,270)       | (898)                 | (91)                           | (19)                                    | (259)                                   | (1,268)       |
| Net impairment losses on<br>financial assets                             | (5,740)               | (275)                          | 1                                    | (331)                                   | (6,345)       | (3,426)               | (63)                           | -                                       | (13)                                    | (3,502)       |
| Provisions (net)                                                         | (603)                 | (13)                           | (16)                                 | (1,068)                                 | (1,699)       | (459)                 | (35)                           | (23)                                    | (506)                                   | (1,024)       |
| <b>PROFIT/(LOSS) FROM<br/>OPERATIONS</b>                                 | <b>9,363</b>          | <b>2,544</b>                   | <b>535</b>                           | <b>(2,011)</b>                          | <b>10,431</b> | <b>8,946</b>          | <b>2,072</b>                   | <b>544</b>                              | <b>(1,296)</b>                          | <b>10,265</b> |
| Net impairment losses on<br>non-financial assets                         | (25)                  | -                              | 2                                    | (1,026)                                 | (1,050)       | (37)                  | -                              | -                                       | (1,511)                                 | (1,549)       |
| Other non-financial<br>gains/(losses)                                    | 38                    | 5                              | -                                    | 1,806                                   | 1,849         | 202                   | -                              | -                                       | 2,257                                   | (2,459)       |

| (Condensed)<br>Income Statement                        | Millions of Euros     |                                |                                      |                                         |               |                       |                                |                                         |                                         |               |
|--------------------------------------------------------|-----------------------|--------------------------------|--------------------------------------|-----------------------------------------|---------------|-----------------------|--------------------------------|-----------------------------------------|-----------------------------------------|---------------|
|                                                        | 2008                  |                                |                                      |                                         |               | 2007                  |                                |                                         |                                         |               |
|                                                        | Commercial<br>Banking | Global<br>Wholesale<br>Banking | Asset<br>Management<br>and Insurance | Financial<br>Management<br>and Holdings | Total         | Commercial<br>Banking | Global<br>Wholesale<br>Banking | Asset<br>Management<br>and<br>Insurance | Financial<br>Management<br>and Holdings | Total         |
| <b>PROFIT/(LOSS)</b>                                   |                       |                                |                                      |                                         |               |                       |                                |                                         |                                         |               |
| <b>BEFORE TAX</b>                                      | <b>9,376</b>          | <b>2,548</b>                   | <b>537</b>                           | <b>(1,231)</b>                          | <b>11,230</b> | <b>9,110</b>          | <b>2,072</b>                   | <b>544</b>                              | <b>(550)</b>                            | <b>11,175</b> |
| Income tax                                             | (2,066)               | (684)                          | (144)                                | 1,009                                   | (1,884)       | (2,334)               | (523)                          | (163)                                   | 684                                     | (2,336)       |
| <b>PROFIT/(LOSS) FROM<br/>ORDINARY<br/>ACTIVITIES</b>  | <b>7,311</b>          | <b>1,865</b>                   | <b>393</b>                           | <b>(222)</b>                            | <b>9,346</b>  | <b>6,776</b>          | <b>1,548</b>                   | <b>381</b>                              | <b>134</b>                              | <b>8,840</b>  |
| Profit/(loss) from<br>discontinued operations          | (13)                  | -                              | -                                    | -                                       | (13)          | -                     | -                              | 112                                     | 684                                     | 797           |
| <b>CONSOLIDATED<br/>PROFIT/(LOSS) FOR<br/>THE YEAR</b> | <b>7,297</b>          | <b>1,865</b>                   | <b>393</b>                           | <b>(222)</b>                            | <b>9,332</b>  | <b>6,776</b>          | <b>1,548</b>                   | <b>493</b>                              | <b>819</b>                              | <b>9,636</b>  |
| Attributable to minority<br>interests                  | 422                   | 11                             | 22                                   | 1                                       | 456           | 457                   | 9                              | 45                                      | 65                                      | 576           |
| <b>PROFIT<br/>ATTRIBUTABLE TO<br/>THE PARENT</b>       | <b>6,875</b>          | <b>1,854</b>                   | <b>371</b>                           | <b>(223)</b>                            | <b>8,876</b>  | <b>6,319</b>          | <b>1,539</b>                   | <b>448</b>                              | <b>754</b>                              | <b>9,060</b>  |

## **New Products and/or Activities.**

### *Global New Products Committee (GNPC)*

Any new product or service that a Santander Group entity intends to market must be authorised by this committee.

In 2008 the committee held 15 meetings, at which a total of 190 products or product families were analysed.

A local new products committee is set up in each country in which an entity of the Group is based. Once a new product or service has undergone the required procedures, this committee must seek the approval of the global new products committee. In Spain, the functions of the local new products committee are discharged by the CGNP itself.

The areas represented on the global new products committee, which is chaired by the general secretary, are: Tax Advisory, Legal Advisory, Customer Care, Internal Audit, Commercial Banking, Global Corporate Banking, CIVIR/Integrated Risk Control, Compliance, the Controller's Unit, Financial Transactions and Markets, Operations and Services, Global Wholesale Banking Risks, Corporate Banking Risks and IFIs, Credit Risk, Market Risks, Risks -Systematic, Solvency Risk, Technology and Operational Risk, Santander Private Banking, Technology, Global Treasury, Universities and, lastly, the unit proposing the new product or a representative of the local new products committee.

Before a new product or service is launched, the aforementioned areas, together with any independent experts required to correctly evaluate the risks incurred (such as, for example, Money Laundering Prevention), conduct an exhaustive analysis of all the matters involved and express their opinion as to whether the product or service should be marketed.

On the basis of the documentation received, the global new products committee, after checking that all requirements for the approval of the new product or service have been met and considering the risk guidelines established by the Santander Group's risk committee, either approves, rejects or sets conditions for the proposed new product or service.

The global new products committee pays particular attention to the suitability of the new product or service for the environment in which it is to be marketed. To this end, it places particular emphasis on ensuring that:

- Each product or service is sold by people who know how to sell it;
- Customers know what they are investing in and are aware of the risk involved in the particular product or service, and this can be evidenced by supporting documentation;
- The product or service fits the customer's risk profile;
- Each product or service is sold where its sale is possible, not only from a legal or tax standpoint (i.e. it complies with the legal or tax regime of the country in question), but also with regard to the local financial culture; and
- When a given product or service is approved, maximum placement limits are set.

### **Procedures manual for the sale of financial products (the Manual)**

This manual, which has been used at Banco Santander since 2004 in the retail sale of financial products in Spain, was fully updated in 2007 as a result of the entry into force on 1 November of Directive 2004/39 on Markets in Financial Instruments (**MiFID**), which establishes new requirements governing the sale of financial products.

This manual is applied to investment services for financial products, including: fixed-income or equity securities or other financial instruments, money market instruments, shares or units in collective investment undertakings, traded derivatives, OTC derivatives and atypical financial contracts. Nevertheless, the GNPC may opt to include other financial products within the scope of the procedures manual, as was the case with structured deposits, savings and investment insurance, and pension plans.

The manual starts out with a segmentation of customers and products and establishes various categories of commercial treatment, which basically depend on the type of service to be provided. The combination of these elements (customer category, product type and commercial treatment) produces a matrix that determines the mechanism to be applied (advisability test, suitability test) in order to assess a customer's suitability for a given product, and to establish the warnings that should be given to the customer.

The customer and product segmentation is the result of uniting the internal classification already used by Santander prior to MiFID (internal customer segmentation and product segmentation into green, yellow or red products) with that established by MiFID (segmentation of customers into retail clients, professional clients and eligible counterparties, and product segmentation into complex and non-complex products), giving rise to a level of protection that surpasses the minimum required under MiFID.

The various types of commercial treatment, arranged on a scale of descending involvement of the Bank, are as follows: (i) advised sale, which includes, in turn, portfolio advice and management; and (ii) non-advised sale, which encompasses marketing and mere performance of the sale.

In 2008, 164 products subject to this manual were submitted for approval. Although most of these products were investment funds, authorisation was also granted for the marketing of other kinds of products, such as warrants, derivatives, structured deposits and savings and investment insurance.

Of these 164 products, 80 were new products submitted to the global new products committee and 84 were existing products submitted to the Office for the Manual (a specific body created to oversee implementation of the manual forms part of the compliance department). Of the 164 products, 5 were not approved because of their high reputational risk. Of the 159 products approved, 33 were not assigned a specific colour, a different colour being assigned on the basis of the target customers. The remaining 126 products were categorised as follows: 47 were classified as green products (37%), 43 as yellow products (34%) and 36 as red products (29%). The red, yellow and green colours are assigned, not only on the basis of the risk of loss inherent in a product, but also taking into account the relative degree of difficulty experienced by the public in understanding its features.

Of the 159 products approved, 86 were classified under MiFID as complex products and 57 as non-complex products. The remaining 16 products are savings or investment insurance or pension plans subject to the manual but not governed by MiFID and, therefore, they are not classified as complex or non-complex.

#### **Principal Markets in which the Guarantor competes.**

The Group is one of the principal financial groups in the Spanish banking sector. At 31 December 2008 it was the leading Spanish banking group in terms of total assets, customer lending, on balance sheet customer funds, net worth and profits.

The information sourced from the annual report of Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") contained in this section "Business Overview—Principal Markets in which the Guarantor competes" has been accurately reproduced and, as far as the Issuer or the Guarantor is aware and is able to ascertain from information published by BBVA, no facts have been omitted which would render the reproduced information inaccurate or misleading.

| (*)                                 | SANTANDER GROUP     | BBVA    |
|-------------------------------------|---------------------|---------|
|                                     | (MILLIONS OF EUROS) |         |
| Total assets                        | 1,049,632           | 542,650 |
| Gross customer lending              | 633,814             | 342,671 |
| On Balance Sheet Customer Funds (1) | 694,055             | 376,380 |
| Book net worth (2)                  | 66,869              | 26,586  |
| Consolidated profit for the year    | 9,332               | 5,385   |
| Profit attributed to the Group      | 8,876               | 5,020   |

| (*)                        | SANTANDER GROUP (**) | BBVA    |
|----------------------------|----------------------|---------|
| Banking branch network (3) | 13,390               | 7,787   |
| Workforce                  | 170,961              | 108,972 |
| RATIOS:                    |                      |         |
| -ROE                       | 17.07                | 21.5    |
| -Efficiency                | 41.86                | 40.9    |
| -Level of default          | 2.04                 | 2.12    |
| -Coverage for default      | 91                   | 91      |

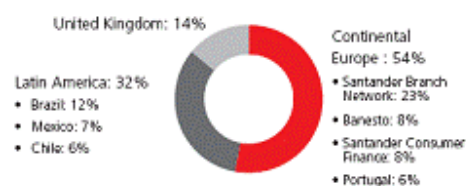
(\*) According to data published by the Group or BBVA, as the case may be, in their respective annual reports.

(\*\*) The amounts contained in this column, which have been taken from the 2008 Annual Report of the Guarantor, are unaudited.

- (1) On Balance Sheet Customer Funds = Customer Deposits + Debt Securities + Subordinated Debt + Insurance Liabilities.
- (2) Net of own shares and after applying profit and loss for the year. Does not include minority interests nor valuation adjustments.
- (3) In Spain and abroad.

The following charts illustrate the Group's attributable profit broken down by operative geographical segments and the Group's profit before taxes broken down by operative business segments for the 2008 financial year:

**DISTRIBUTION OF ATTRIBUTABLE PROFIT BY GEOGRAPHICAL SEGMENTS**  
2008



(1).- W/o extraordinary capital gains and allowances

**DISTRIBUTION OF PROFIT BEFORE TAXES BY BUSINESS SEGMENTS**  
2008



## Organisational Structure

Banco Santander, S.A. is the parent company of the Group which was comprised at 31 December 2008 of 831 companies that consolidate by the global integration method. In addition, there are 149 companies that are accounted for by the equity method.

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

## Trend Information

There has been no material adverse change in the prospects of the Guarantor and its subsidiaries taken as a whole since 31 December 2008.

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 the other major banks look to increase their market share, combine with complementary businesses or strengthen their balance sheets. In addition, regulatory changes will take place in the future that the Guarantor expects will increase the overall level of regulation in the markets.

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

- a continued downturn in the Spanish, U.K. and US real estate markets, and a corresponding increase in mortgage defaults;
- uncertainty regarding interest rates in the United States and other countries;
- uncertainties relating to economic growth expectations and interest rates cycles, especially in the United States, Spain, the United Kingdom, other European countries and Latin America, and the impact they may have over the yield curve and exchange rates;
- the effect that the current global economic slowdown will have over Latin America and fluctuations in local interest and exchange rates;
- continued changes in the macroeconomic environment could cause further deterioration in the quality of the Group's customers' credit;
- continued instability and volatility in the financial markets;
- increases in the Group's cost of funding could adversely affect the Group's net interest margin as a consequence of timing differences in the repricing of the Group's assets and liabilities;
- a drop in the value of the euro relative to the U.S. dollar, the Sterling pound or Latin American currencies;
- inflationary pressures, because of the effect they may have in relation to increases of interest rates and decreases of growth;
- increased consolidation of the global financial services sector, which could further reduce the Group's spread;
- although it is foreseeable that entry barriers to domestic markets in Europe will eventually be lowered, the Group's possible plans of expansion into other markets could be affected by regulatory requirements of the national authorities of these countries;
- acquisitions or restructurings of businesses that do not perform in accordance with the Group's expectations or that subject the Group to previously unknown risks;
- increased regulations and government intervention prompted by the recent turmoil in global financial markets;
- the risk of further reductions in liquidity and increases of credit spreads as a consequence of the recent crisis in the financial markets, which could affect not only the Group's cost of funding but also the value of its proprietary portfolios and its assets under management; and
- future regulatory changes that may increase the overall level of regulation in the markets.

#### **Administrative, Management, and Supervisory Bodies**

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

The Board of Directors of the Guarantor is presently made up of 19 directors.

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

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

| Board of Directors                                                        | Executive Committee | Risk Committee | Audit and Compliance Committee | Appointments and Remuneration Committee | International Committee | Technology, Productivity and Quality Committee | Executive | External |
|---------------------------------------------------------------------------|---------------------|----------------|--------------------------------|-----------------------------------------|-------------------------|------------------------------------------------|-----------|----------|
| Chairman Mr.                                                              | C                   |                |                                |                                         | C                       | C                                              |           |          |
| Emilio Botín-Sanz de Sautuola y García de los Ríos                        |                     |                |                                |                                         |                         |                                                |           |          |
| First Deputy Chairman Mr. Fernando de Asúa Álvarez (3)                    |                     | V              |                                | C                                       |                         |                                                |           | I        |
| Second Deputy Chairman and Chief Executive Officer Mr. Alfredo Sáenz Abad |                     |                |                                |                                         |                         |                                                |           |          |
| Third Deputy Chairman Mr. Matías Rodríguez Inciarte                       |                     | C              |                                |                                         |                         |                                                |           |          |
| Fourth Deputy Chairman Mr. Manuel Soto Serrano (3)                        |                     |                |                                |                                         |                         |                                                |           | I        |
| Members                                                                   |                     |                |                                |                                         |                         |                                                |           |          |
| Assicurazioni Generali S.p.A. (represented by Mr. Antoine Bernheim)       |                     |                |                                |                                         |                         |                                                |           | P        |
| Mr. Antonio Basagoiti García-Tuñón                                        |                     |                |                                |                                         |                         |                                                |           | I        |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea                          |                     |                |                                |                                         |                         |                                                |           |          |
| Mr. Javier Botín-Sanz de Sautuola y O'Shea (1)                            |                     |                |                                |                                         |                         |                                                |           | P        |
| Lord Burns (Terence)                                                      |                     |                |                                |                                         |                         |                                                |           | E        |
| Mr. Guillermo de la Dehesa Romero                                         |                     |                |                                |                                         |                         |                                                |           | I        |
| Mr. Rodrigo Echenique Gordillo                                            |                     |                |                                |                                         |                         |                                                |           | E        |
| Mr. Antonio Escámez Torres                                                |                     |                |                                |                                         |                         |                                                |           | I        |
| Mr. Francisco Luzón López                                                 |                     |                |                                |                                         |                         |                                                |           |          |
| Mr. Abel Matutes Juan                                                     |                     |                |                                |                                         |                         |                                                |           | I        |
| (3)                                                                       |                     |                |                                |                                         |                         |                                                |           |          |
| Mr. Juan Rodríguez Inciarte                                               |                     |                |                                |                                         |                         |                                                |           |          |
| Mr. Luis Ángel Rojo Duque (3)                                             |                     |                | C                              |                                         |                         |                                                |           | I        |
| Mr. Luis Alberto Salazar-Simpson Bos (3)                                  |                     |                |                                |                                         |                         |                                                |           | I        |
| Ms. Isabel Tocino Biscarolasaga                                           |                     |                |                                |                                         |                         |                                                |           | I        |
|                                                                           |                     |                |                                |                                         |                         |                                                |           |          |
| General Secretary and of the Board Mr. Ignacio Benjumea                   |                     |                |                                |                                         |                         |                                                |           |          |



|                                                                         |                     |                |                                |                                         |                         |                                                |           |          |
|-------------------------------------------------------------------------|---------------------|----------------|--------------------------------|-----------------------------------------|-------------------------|------------------------------------------------|-----------|----------|
| Board of Directors                                                      | Executive Committee | Risk Committee | Audit and Compliance Committee | Appointments and Remuneration Committee | International Committee | Technology, Productivity and Quality Committee | Executive | External |
| Cabeza de Vaca (2) (3)                                                  |                     |                |                                |                                         |                         |                                                |           |          |
| Deputy General Secretary and of the Board Mr. Jaime Pérez Renovales (2) |                     |                |                                |                                         |                         |                                                |           |          |

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

(1) External proprietary Director who represents in the Board of Directors the capital stock corresponding to the Marcelino Botín Foundation, Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos, Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr. Emilio Botín-Sanz de Sautuola y O'Shea, Mr. Jaime Botín-Sanz de Sautuola y García de los Ríos, Ms. Paloma O'Shea Artiñano and his own.

(2) Not Directors.

(3) The members of the Audit and Compliance Committee are Fernando de Asúa Álvarez, Manuel Soto Serrano, Abel Matutes Juan, Luis Alberto Salazar-Simpson Bos, and its chairman is Luis Ángel Rojo Duque. The secretary (not a member) is Ignacio Benjumea Cabeza de Vaca.

### Principal Activities outside the Guarantor

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

| Directors                                              | Company Name                                                 | Functions            |
|--------------------------------------------------------|--------------------------------------------------------------|----------------------|
| Mr. Emilio Botín-Sanz de Sautuola y García de los Ríos | SHINSEI BANK, LIMITED                                        | Director             |
| Mr. Fernando de Asúa Álvarez                           | IBM ESPAÑA, S.A.                                             | Honorary Chairman    |
|                                                        | COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA)                 | Director             |
|                                                        | TÉCNICAS REUNIDAS, S.A.                                      | Vice Chairman        |
|                                                        | CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A. | Director             |
| Mr. Alfredo Sáenz Abad                                 | COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA)                 | Vice Chairman        |
|                                                        | FRANCE TELECOM ESPAÑA, S.A.                                  | Director             |
| Mr. Matías Rodríguez Inciarte                          | BANCO ESPAÑOL DE CRÉDITO, S.A.                               | Director             |
|                                                        | UCI, S.A.                                                    | Chairman             |
|                                                        | FINANCIERA PONFERRADA, S.A.                                  | Director             |
|                                                        | GRUPO CORPORATIVO ONO, S.A.                                  | Second Vice Chairman |
|                                                        | OPERADOR DEL MERCADO IBERICO DE ENERGIA POLO ESPAÑOL, S.A.   | Director             |

| Directors                                        | Company Name                                       | Functions                              |
|--------------------------------------------------|----------------------------------------------------|----------------------------------------|
| Mr. Manuel Soto Serrano                          | FUNDACIÓN PRÍNCIPE DE ASTURIAS                     | Chairman                               |
|                                                  | INDRA SISTEMAS, S.A.                               | Vice Chairman                          |
|                                                  | GRUPO LAR INVERSIONES INMOBILIARIAS, S.A.          | Director                               |
|                                                  | CORPORACIÓN FINANCIERA ALBA, S.A.                  | Director                               |
|                                                  | MERCAPITAL, S.L.                                   | Chairman of the Advisory Committee     |
| Mr. Antoine Bernheim <sup>(1)</sup>              | CARTERA INDUSTRIAL REA, S.A.                       | Director                               |
|                                                  | ASSICURAZIONI GENERALI, S.p.A.                     | Chairman                               |
|                                                  | INTESA SAN PAOLO S.p.A.                            | Vice Chairman of the Supervisory Board |
|                                                  | ALLEANZA ASSICURAZIONI S.p.A                       | Vice Chairman                          |
|                                                  | MEDIOBANCA – BANCA DI FINANZIARIO S.p.A            | Director                               |
|                                                  | LVMH                                               | Vice Chairman                          |
|                                                  | BOLLORÉ INVESTISSEMENT                             | Vice Chairman                          |
|                                                  | GENERALI FRANCE                                    | Director                               |
|                                                  | GENERALI DEUTSCHLAND, AG                           | Director                               |
|                                                  | GENERALI ESPAÑA HOLDING ENTIDADES DE SEGUROS, S.A. | Director                               |
|                                                  | BSI                                                | Director                               |
|                                                  | GENERALI HOLDING VIENNA                            | Director                               |
|                                                  | GRAAFSCHAP HOLLAND                                 | Director                               |
|                                                  | CHRISTIAN DIOR, S.A.                               | Director                               |
|                                                  | EURAZEO                                            | Member of the Supervisory Board        |
|                                                  | CIMENTA FRANCAIS                                   | Director                               |
|                                                  | HAVAS                                              | Director                               |
|                                                  | CHRISTIAN DIOR COUTURE                             | Director                               |
|                                                  | GENERAL DEUTSCHLAND HOLDING AG                     | Director                               |
| Mr. Antonio Basagoiti García-Tuñón               | FAES FARMA, S.A.                                   | Vice Chairman                          |
|                                                  | PESCANOVA, S.A.                                    | Director                               |
|                                                  | A.T. KEARNEY                                       | Member, External Advisory Committee    |
| Ms. Ana Patricia Botín-Sanz de Sautuola y O'Shea | BANCO ESPAÑOL DE CRÉDITO, S.A.                     | Executive Chairwoman                   |
|                                                  | ASSICURAZIONI GENERALI, S.p.A.                     | Director                               |

| Directors                                  | Company Name                                         | Functions                            |
|--------------------------------------------|------------------------------------------------------|--------------------------------------|
| Mr. Javier Botín-Sanz de Sautuola y O'Shea | M&B CAPITAL MARKETS, SOCIEDAD DE VALORES, S.A.       | Chairman and Chief Executive Officer |
|                                            | FUNDACIÓN MARCELINO BOTÍN                            | Member of the Board of Trustees      |
|                                            |                                                      | Lord Burns (Terence)                 |
|                                            | ABBEEY NATIONAL PLC                                  | Chairman                             |
|                                            | ALLIANCE & LEICESTER PLC                             | Chairman                             |
|                                            | GLAS CYMRU (WELSH WATER)                             | Chairman                             |
| Mr. Guillermo de la Dehesa Romero          | PEARSON GROUP PLC                                    | Director                             |
|                                            | AVIVA VIDA Y PENSIONES, S.A. DE SEGUROS Y REASEGUROS | Chairman                             |
|                                            | CAMPOFRÍO FOOD GROUP, S.A.                           | Director                             |
|                                            | GOLDMAN SACHS EUROPE LTD                             | Director                             |
|                                            | AVIVA PLC                                            | Director                             |
| Mr. Antonio Escámez Torres                 | SANTANDER CONSUMER FINANCE, S.A.                     | Chairman                             |
|                                            | OPEN BANK SANTANDER CONSUMER, S.A.                   | Chairman                             |
|                                            | ATTIJARIWafa BANK, SOCIÉTÉ ANONYME                   | Vice Chairman                        |
|                                            | ARENA MEDIA COMMUNICATIONS ESPAÑA, S.A.              | Chairman                             |
|                                            | GRUPO KONECTANET, S.L. <sup>(2)</sup>                | Vice Chairman                        |
|                                            | FUNDACIÓN BANCO SANTANDER                            | Chairman                             |
| Mr. Francisco Luzón López                  | INDUSTRIA DE DISEÑO TEXTIL, S.A. (Inditex)           | Director                             |
| Mr. Abel Matutes Juan                      | FIESTA HOTELS & RESORTS, S.L.                        | Chairman                             |
|                                            | EURIZON FINANCIAL GROUP                              | Director                             |
|                                            | FCC CONSTRUCCIÓN, S.A.                               | Director                             |
|                                            | TUI AG                                               | Member of the Supervisory Board      |
| Mr. Juan Rodríguez Inciarte                | SANTANDER CONSUMER FINANCE, S.A.                     | Director                             |
|                                            | COMPAÑÍA ESPAÑOLA DE PETRÓLEOS, S.A. (CEPSA)         | Director                             |
|                                            | BANCO BANIF, S.A.                                    | Director                             |
|                                            | RFS HOLDINGS                                         | Director                             |
|                                            | ABN AMRO BANK, N.V.                                  | Member of the Supervisory Committee  |
|                                            | ABN AMRO HOLDING N.V.                                | Member of the Supervisory Committee  |
|                                            | JCF SERVICES CO LLC.                                 | Advisor                              |

| <b>Directors</b>                     | <b>Company Name</b>                                             | <b>Functions</b>                     |
|--------------------------------------|-----------------------------------------------------------------|--------------------------------------|
|                                      | SAAREMA INVERSIONES, S.A.                                       | Chairman and Chief Executive Officer |
|                                      | ABBEY NATIONAL PLC                                              | Vice Chairman                        |
|                                      | ALLIANCE & LEICESTER PLC                                        | Director                             |
|                                      | VISTA CAPITAL DE EXPANSION, S.A.                                | Director                             |
| Mr. Luis Alberto Salazar-Simpson Bos | FRANCE TELECOM ESPAÑA, S.A.                                     | Chairman                             |
|                                      | CONSTRUCTORA INMOBILIARIA URBANIZADORA VASCO-ARAGONESA, S.A.    | Chairman                             |
|                                      | MUTUA MADRILEÑA AUTOMOVILÍSTA, SOCIEDAD DE SEGUROS A PRIMA FIJA | Director                             |
|                                      | MUTUACTIVOS PENSIONES, S.A. SGPF                                | Director                             |
| Ms. Isabel Tocino Biscarolasaga      | CLIMATE CHANGE CAPITAL                                          | Director                             |
|                                      | TELEMADRID                                                      | Director                             |
|                                      | DIAGONAL GEST                                                   | Director                             |

(1) Mr. Antoine Bernheim is the representative at the Guarantor's board of the company Director Assicurazioni Generali, S.p.A.

(2) Mr. Antonio Escámez Torres is an individual representative of Santander Consumer Finance in the board of directors and at the office of the Vice Chairman of GRUPO KONECTANET S.L.

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

During the 2008 fiscal year there were 77 cases in which directors, including those who are members of senior management, abstained from participating and voting in the discussions of the board of directors or of the committees thereof.

The breakdown of the 77 cases is as follows: on 47 occasions, the conflicts arose from proposals for appointment and re-election, delegation of powers or revocation of delegated powers; on 24 occasions, the matter under consideration was the approval of the terms of remuneration and other terms and conditions of the contractual relationship of the Bank with the executive directors; on 5 occasions, the annual verification of the status of the directors made by the appointments and remuneration committee at its meeting of 12 March 2008 pursuant to article 6.3 of the Rules and Regulations of the Board; and on one occasion to record the congratulations of the executive committee to a director for an appointment.

### **Major Shareholders**

The Guarantor is not aware of any person which exerts or may exert control over the Guarantor within the terms of Article 4 of Ley 24/1988, de 28 de Julio, del Mercado de Valores (Law 24/1988 of 28 July of Securities Market).

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

### **Financial Information Concerning the Guarantor's Assets and Liabilities, Financial Position and Profits and Losses**

See paragraph 1 and 2 of "Documents Incorporated by Reference".

The Guarantor prepares audited consolidated and non-consolidated annual financial statements and has prepared unaudited summarised consolidated financial data of the Group for the 3 months ended 31 March 2009 which are incorporated by reference under paragraphs 1, 2 and 3 of "Documents Incorporated by Reference".

The consolidated and non-consolidated annual financial statements of the Guarantor for the 2008 and 2007 financial years were audited by the external audit firm Deloitte, S.L.

The information contained in "Business Overview" above is not audited and was obtained from the internal accounting records of the Guarantor, save for the summarised balance sheets and income statements of the various geographical segments (principal level) and the summarised income statements and other significant data of the business segments (secondary level), which have been audited and were obtained from the Guarantor's 2008 Annual Report and the Guarantor's 2007 Annual Report.

The information relating to the Group contained in the second table of "Business Overview – Principal Markets in which the Guarantor competes" above is not audited and was obtained from the Guarantor's 2008 Annual Report.

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

The date of the most recent audited financial information of the Guarantor is 31 December 2008.

The audited consolidated and non-consolidated financial statements of the Guarantor for each of the years ended 31 December 2008 and 2007 have been filed with the Spanish securities market regulator.

#### **Material Contracts**

During the past two years, neither the Issuer nor the Guarantor has been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and the Guarantor and which was material to the Group as a whole, except for the investment in Sovereign and the transaction in relation to ABN AMRO, each as disclosed in "Recent Developments" below.

## LITIGATION AND GENERAL INFORMATION

### Legal Proceedings

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

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

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

#### *Tax-related proceedings*

At present, and during the past twelve months, the main tax-related proceedings concerning the Group are as follows:

- A "Mandado de Segurança" was filed by Banco Santander, S.A. and other Group companies claiming their right to pay the Brazilian social contribution tax on net income at a rate of 8 per cent. In the case of Banco Santander, S.A., on 9 June 2008 a special and extraordinary appeal was filed at the Federal Supreme Court against the unfavourable judgment of the Federal Regional Court dated 14 January 2008. Banco Santander, S.A. awaits a decision in respect of this appeal.

In the case of Banco ABN AMRO Real, S.A., two "Mandados de Segurança" were filed; the first of these relates to an appeal was that filed at the Supreme Court and Federal Supreme Court and, the second to an appeal that was filed on February 12, 2008 at the Federal Regional Court in response to the unfavourable judgement handed down on 29 January 2008.

- A "Mandado de Segurança" was filed by Banco Santander, S.A. and other Group companies claiming their right to consider the social contribution tax on net income as deductible in the calculation of Brazilian corporation tax. In the case of Banco Santander, S.A., this action was declared unwarranted and an appeal was filed at the Federal Regional Court, requesting, as a precautionary remedy, stay of the claimability of the tax credit. Permission was granted to deposit the disputed amounts with the courts. On 1 October 2007, an unfavourable judgment was handed down by the Federal Regional Court, which was appealed by Banco Santander, S.A. (Brazil) through the presentation of "Embargos de Declaração" on 8 October 2007. On 6 March 2008 the Court rejected the "Embargos de Declaração" and dismissed the subsequent appeal. On 1 July 2008 a related special and extraordinary appeal was filed.

- A "Mandado de Segurança" was filed by Banco Santander, S.A. and other Group entities claiming their right to pay the Brazilian PIS and COFINS social contributions only on the income from the provision of services. In the case of Banco Santander, S.A., the "Mandado de Segurança" was declared unwarranted and an appeal was filed at the Federal Regional Court. On 13 September 2007, the Federal Regional Court found in favour of Banco Santander, S.A. Unión Federal has filed an appeal against this judgment. In the case of Banco ABN AMRO Real, S.A., on 9 March 2007, the court found in favour of Banco AMRO Real, S.A. Unión Federal has also lodged an appeal against this judgment.

- Legal proceedings were filed on 24 August 2000 by ABN AMRO Arrendamiento Mercantil, S.A. (*Arrendamiento Mercantil*) requesting the Income Tax deductibility of the depreciation and amortisation expense in the same period in which an income on leasing transaction is recognised.

The entity had a favourable judgment handed down on 16 April 2008 which has been appealed against by the Brazilian tax authorities. A decision has yet to be made by the Federal Regional Court in respect of this appeal.

- Real Leasing, S.A., Arrendamiento Mercantil and Banco ABN AMRO Real, S.A. have filed various administrative and legal claims in connection with the deductibility of the provision for doubtful debts for 1995.

- Banco Santander, S.A. and other Group companies are involved in several administrative and legal proceedings against various municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services.

- A claim was filed against Abbey National Treasury Services plc by tax authorities abroad in relation to the refund of certain tax credits and other associated amounts. The legal advisers of Abbey National Treasury Services plc considered that the grounds to contest this claim were wellfounded, proof of which is that a favourable judgment was handed down at first instance in September 2006, although the judgment was appealed against by the tax authorities in January 2007. However, in December 2006 an unfavourable judgment for another taxpayer was handed down on another proceeding which might affect this case.

As of the date of this Prospectus, other less significant tax litigation was in progress.

#### *Non-tax-related proceedings*

At present, and during the last twelve months, the main non-tax-related proceedings concerning the Group are as follows:

- *Misselling*: claims associated with the sale by Abbey of certain financial products to its customers.

The provisions recorded by Abbey in this respect were calculated on the basis of the best estimate of the number of claims that will be received, of the percentage of claims that will be upheld and of the related amounts.

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

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

The Guarantor has filed extraordinary appeals on grounds of procedural infringements and has filed an extraordinary cassation appeal against the October 2006 decision.

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

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

On 31 October 2008 a summons to answer and oppose the claim, was served on the Bank and the Bank has answered and opposed the plaintiff's requests on a timely basis, filing, at the same time, a counterclaim against

Galesa de Promociones, S.A. for the amount owed to the Bank, basing its calculation on the difference between the value of the properties and the amount of the loan.

Galesa de Promociones, S.A. replied to the counterclaim on 12 January 2009 and the parties' pretrial hearing took place on 7 April 2009. The hearing has been scheduled to take place on 30 September 2009.

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

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

On 30 July 2007, the Madrid Provincial Appellate Court handed down a decision upholding in full the appeal filed by the Guarantor, revoking the ruling issued at first instance and dismissing the appeal filed by Inversión Hogar, S.A. On completion of the clarification procedure, as it had announced previously, Inversión Hogar, S.A. filed an appeal against the aforementioned decision at the Civil Chamber of the Supreme Court, which has been granted leave to proceed by the Madrid Provincial Appellate Court at the preliminary admission for consideration stage.

- Complaint in an ordinary proceeding has been filed by Inés Arias Domínguez and a further 17 persons against Santander Investment, S.A. at Madrid Court of First Instance no. 13 (case no. 928/2007) seeking damages of approximately €43 million, plus interest and costs. The plaintiffs, who are former shareholders of Yesocentro S.A. (Yesos y Prefabricados del Centro, S.A.) allege that Santander Investment, S.A. breached the advisory services agreement entered into on 19 October 1989 between the former Banco Santander de Negocios, S.A. and the plaintiffs, the purpose of which was the sale of shares owned by the plaintiffs to another company called Invercámara, S.A.

This complaint was duly contested by Santander Investment, S.A. on 5 November 2007. The preliminary hearing was set for 28 April 2008, although it was subsequently postponed until a related claim is resolved.

In a decision issued by the Madrid Court of First Instance no. 13 on 11 September 2008, the proceeding in connection with the civil preliminary ruling was stayed. The plaintiffs have appealed the decision and the Bank responded to and opposed the plaintiff's appeal on 16 December 2008.

- On 6 February 2008, Banco Santander, S.A. filed a request for arbitration with the Secretary of the Spanish Arbitration Court against the business entity Gaesco Bolsa, Sociedad de Valores, S.A., in respect of the claim for €66,418,077.27 that the latter owes Banco Santander, S.A. as a result of the early termination of the financial transaction framework agreement entered into by the aforementioned company and Banco Santander, S.A. and the financial transactions set out in the agreement. On 12 May 2009, an arbitral ruling was handed down admitting Banco Santander's request and dismissing the counterclaim filed by GAESCO.

- Former Banespa employees: claim filed in 1998 by the association of retired Banespa employees (AFABESP) on behalf of its members, requesting the payment of a half-yearly bonus initially envisaged in the entity's by-laws in the event that the entity obtained a profit and that the distribution of this profit were approved by the Board of Directors. The bonus was not paid in 1994 and 1995 since the bank did not make a profit and partial payments were made from 1996 to 2000 in variable percentages as agreed by the Board of Directors, the aforementioned clause being eliminated from the by-laws in 2001. In September 2005 the Regional Labor Court ordered Banco Santander Banespa, S.A. to pay the half-yearly bonus and the bank lodged an appeal at the High Labor Court. A decision was handed down on 25 June 2008, ordering the bank to pay the half-yearly bonus from 1994 onwards for a maximum amount equivalent to that of the share in profits. The related appeals against this decision will be filed at the High Labor Court and at the Federal Supreme Court, as applicable.



- Absorption of Banco Noroeste by Banco Santander Brasil: Three claims have been filed by minority shareholders of the former Banco Noroeste requesting, in addition to compensation for damage and losses, the annulment of the shareholders' meeting that approved the merger between Banco Noroeste and Banco Santander Brasil, arguing that when the merger took place they should have been offered a market value that would have enabled them to decide whether or not to sell their shares at that value.

In the three cases, judgments were handed down at first instance, one of which found in favour of the bank and the other two against it. In the latter two cases the shareholders' meeting was not declared null and void but rather the bank was ordered to pay compensation. Appeals were filed against these judgments.

The Sao Paulo Court of Justice has recently handed down joint judgments on three appeals at second instance, considering that Santander should have duly prepared a valuation report using the disposal value method, thereby establishing that the minority shareholders be indemnified.

In the case of the shareholders that sold their shares, the Court indicated that they should receive the difference between the value at which they sold their shares (equity value) and market value (calculated as the disposal value) at that time, plus interest. In the case of the shareholders that did not sell, the Court considers that they should receive the market value at that time plus interest, less the present value of their shares. Unlike the judgments handed down at first instance, lost profit and *damnum emergens* were excluded and the amount of lawyers' fees was reduced. An appeal against this judgment will be filed at higher courts.

- Bernard L. Madoff Investment Securities LLC: In relation to the alleged fraud committed by Bernard L. Madoff and the firm Bernard L. Madoff Investment Securities LLC, please see the Recent Developments section below.

- Lehman Brothers: In relation to the bankruptcy of Lehman Brothers, please see the Recent Developments section below.

#### *Disposition of previously reported litigation*

The following is a description of the developments in 2008 in relation to the small claims proceeding at Elche Court of First Instance no. 4 (case no. 419/1994) in connection with a claim filed by Galesa de Promociones, S.A.:

Galesa de Promociones, S.A. requested the Court to annul a previous legal foreclosure proceeding brought by the Guarantor against the plaintiff in 1992, which culminated in the foreclosure of certain properties that were subsequently sold by auction.

The judgments handed down at first and second instance were in the Guarantor's favour. The appeal filed by Galesa de Promociones, S.A. at the Supreme Court was upheld by virtue of a decision on 24 November 2004, which ordered the reversal of the legal foreclosure proceeding to before the date on which the auctions were held. On 8 June 2006, Galesa de Promociones, S.A. filed a claim for the enforcement of the decision handed down by the Supreme Court, requesting that the Guarantor be ordered to pay € 56 million, the estimated value of the properties, plus a further € 33 million for loss of profit. The Guarantor challenged this claim on the grounds that the Supreme Court decision could not be enforced—since no order had been pronounced against the Guarantor, but rather a proceeding had merely been annulled—and it also argued that the damages requested would have to be ruled upon by an express court decision, which had not been pronounced.

The Elche Court of First Instance, by virtue of an order dated 18 September 2006, found in favour of the Guarantor, and referred the plaintiff to the appropriate ordinary proceeding for the valuation of the aforementioned damages.

Galesa de Promociones, S.A. filed an appeal for reconsideration, which was dismissed by a resolution on November 11, 2006. Galesa de Promociones, S.A. filed an appeal against this resolution at the Alicante Provincial Appellate Court. This appeal was in turn contested by the Bank and a favourable judgment was handed down.

### *Other Litigation*

In addition to the matters described above, the Guarantor and its subsidiaries are from time to time subject to certain claims and parties to certain legal proceedings incidental to the normal course of the Group's business, including, in connection with the Group's lending activities, relationships with the Group's employees and other commercial or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in early stages of discovery, the Guarantor cannot state with confidence what the eventual outcome of these pending matters will be, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The Guarantor believes that it has made adequate reserves related to the costs anticipated to be incurred in connection with these various claims and legal proceedings and believes that liabilities related to such claims and proceedings should not have, in the aggregate, a material adverse effect on the Group's business, financial condition, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Guarantor; as a result, the outcome of a particular matter may be material to the Guarantor's operating results for a particular period, depending upon, among other factors, the size of the loss or liability imposed and the level of the Guarantor's income for that period.

As of the date of this Prospectus, other less significant non-tax-related proceedings were in progress.

As of the date of this Prospectus, the Group has recorded provisions that it believes reasonably cover any contingencies that might arise from these tax-related and non-tax-related proceedings.

## **RECENT DEVELOPMENTS**

### **Capital Increase**

On 9 November 2008, the Bank's executive committee, availing itself of the authorisation granted to the board of directors by the shareholders at the extraordinary general meeting of the Bank held on 27 July 2007 (which included the power of delegation in favour of the executive committee) and of the resolution of the Bank's board of directors of the same date, in which the powers received by the board in the aforementioned extraordinary general meeting were delegated in favour of the executive committee, resolved to increase capital, thereby recognising Banco Santander's shareholders' preemptive subscription rights, at a ratio of one new share for each four outstanding old shares of the Bank. When the pre-emptive subscription period ended on 27 November 2008 all the new shares had been subscribed.

On 3 December 2008, the capital increase carried out by the Bank was fully paid up. The operation consisted of a capital increase for a total par value of seven hundred and ninety-nine million, four hundred and five thousand, nine hundred and forty euros (EUR 799,405,940) and a total cash amount of seven thousand one hundred and ninety-four million, six hundred and fifty-three thousand, four hundred and sixty euros (EUR 7,194,653,460) through the issue of 1,598,811,880 book-entry shares of Banco Santander, with a par value of fifty euro cents (EUR 0.50) each, of the same class and series as the outstanding shares.

Following this capital increase and the capital increase carried out in connection with the acquisition of Alliance & Leicester, described below, the Bank's share capital at 31 December 2008 consisted of 7,994,059,403 shares with a total par value of EUR 3,997,029,701.50.

### **RBS's European Consumer Finance Unit**

On 1 July 2008, Santander Consumer Finance, S.A. acquired The Royal Bank of Scotland's ("RBS") continental European consumer finance business. The package includes activities in Germany, the Netherlands, Belgium and Austria. The acquisition has been carried out for a consideration of €306 million generating goodwill of €85 million.

The RBS European consumer finance business ("RBS ECF") has 2.3 million customers in Germany, the Netherlands, Belgium and Austria. RBS ECF makes instalment loans both directly and via partners. It is strongly represented in the credit card business, both in terms of individual and corporate customers, and provides consumer finance via retail chains. The business acquired in Germany was integrated into Santander Consumer Bank S.p.A. in December 2008.

### **ABN AMRO Acquisition**

On 20 July 2007, having obtained the regulatory authorisations required to publish the documentation on the takeover bid for ABN AMRO, Banco Santander, together with The Royal Bank of Scotland Group plc, Fortis N.V. and Fortis S.A./N.V. (together, "the Offering Banks" or the "Consortium") formally launched, through RFS Holdings B.V., the offer for all the ordinary shares, ADSs and previously convertible preference shares of ABN AMRO. The initial acceptance period of this offer ("the Offer") ended on 5 October 2007.

On 10 October 2007, the Offering Banks declared the Offer to be unconditional. At that date, the owners of 86% of the ordinary share capital of ABN AMRO had accepted the Offer (including certain shares that the Offering Banks already owned and had undertaken to contribute to RFS Holdings B.V.).

On this same date the commencement of an additional offer period was announced, during which the holders of ordinary shares and ADSs of ABN AMRO could sell them, under the same terms and conditions as those of the Offer, until 31 October 2007.

Once the aforementioned additional offer period had ended, the owners of 98.8% of the ordinary share capital of ABN AMRO (excluding its treasury shares) had definitively accepted the Offer.

At 31 December 2007, the investment made by Banco Santander amounted to €20,615 million and consisted of the Guarantor's 27.9% ownership interest in the share capital of RFS Holdings B.V., the holding entity of the shares of ABN AMRO.

Following all these actions, the spin-off of the business lines of ABN AMRO commenced with a view to their subsequent integration into each of the Offering Banks. The following corresponds to Santander: the Latin American Business Unit of ABN AMRO – basically Banco ABN AMRO Real S.A. ("Banco Real") in Brazil, the Banca Antoniana Popolare Veneta Spa Banking Group ("Antonveneta"), the cash relating to the sale of the consumer banking unit of ABN AMRO in the Netherlands -Interbank and DMC Consumer Finance-, plus 27.9% of the assets that were not allocated to any of the Offering Banks of the consortium and which are intended to be disposed of.

The spin-off process continued in 2008. Accordingly, on 4 March 2008, the Dutch Central Bank expressed its acceptance of the overall spinoff plan, and in July 2008 it approved the individual spin-off plan of Banco Real and the businesses in Brazil. Subsequently, the Brazilian Central Bank approved Santander's purchase transaction, thereby rendering it effective.

The Group's assets in Brazil will also comprise those corresponding to the asset management business of ABN AMRO in Brazil which were initially allocated to Fortis in the process of spinning off and integrating the assets of ABN AMRO which were acquired therefrom by the Bank in the first half of 2008 for €209 million.

As part of the separation of assets process, in December 2008 Banco Santander Uruguay acquired the assets and liabilities of ABN AMRO's Montevideo office, after which the businesses merged.

Also, on 30 May 2008 Banco Santander and Banca Monte dei Paschi di Siena completed the purchase and sale of Antonveneta (excluding Interbanca, its corporate banking subsidiary) for €9,000 million, in execution of the agreement announced on 8 November 2007 and subject only to the competent authorities' approval.

On 2 June 2008 Banco Santander announced that it had entered into a definitive agreement with General Electric whereby a GE group company would acquire Interbanca and the Bank would acquire the units of GE Money in Germany, Finland and Austria, its card units in the UK and Ireland and its car finance unit in the UK. The base price agreed for the two transactions is €1,000 million each, subject to various adjustments. These operations were concluded with the acquisition of GE Germany in the fourth quarter of 2008 and the acquisition of the remaining GE units and the sale of Interbanca in the first quarter of 2009.

In the third quarter of 2008, 45% of ABN AMRO Asset Management Italy SGR S.p.A. was sold to Banca Monte di Paschi di Siena for €35 million; the remaining 55% had already been acquired by the same company as a result of the purchase of Antonveneta.

The businesses shared by the members of the Consortium included subordinated liabilities issued by ABN AMRO. However, the liabilities which corresponded to Santander were transferred to RBS and Fortis at market value, generating a capital gain of €741 million for the Bank. This was recorded under "Profit from Financial Operations" in the 2008 profit and loss account.

On 22 September 2008 RFS completed the squeeze-out of ABN AMRO's minority shareholders by paying them €712 million. Since that date, RFS has been the sole shareholder of ABN AMRO. Due to its holding in RFS, Banco Santander had to pay €200 million to complete the process.

Banco Real was consolidated in the Group's accounts using the full integration method in the fourth quarter of 2008. The volume of assets brought to the Group by Banco Real is approximately €44,000 million at the exchange rate applicable at the 2008 year end.

The goodwill assigned to Banco Real following all the above operations at the 2008 year end adds up to €6,446 million.

In April 2009, ABN AMRO sold its branch in Asunción (Paraguay), after its conversion into a subsidiary, to Banco Regional (40% owned by the Rabobank group) for € 42.2 million. This sale gave rise to a net gain of approximately € 5 million.

### **Santander Consumer USA Inc. (formerly Drive Consumer USA Inc.) ("Drive")**

In June 2008, the Group bought an additional 1% stake in Drive for U.S.\$17 million. The Group could buy the 9% stake still owned by the Chief Executive Officer of Drive between 2009 and 2013 at prices linked to the company's earnings performance.

### **Acquisition of Alliance & Leicester**

On 14 July 2008, Banco Santander and Alliance & Leicester reached an agreement in relation to the terms of a recommended acquisition by Banco Santander of the entire share capital, whether issued or yet to be issued, of Alliance & Leicester.

Under the terms of the agreement, the shareholders of Alliance & Leicester have received a Banco Santander share for each three shares of Alliance & Leicester. Prior to the share exchange date, Alliance & Leicester approved an interim dividend in cash amounting to 18 pence per share. In order to action the exchange, the shareholders of Banco Santander acting at the Extraordinary General Shareholders' Meeting held on 22 September 2008, agreed to increase the Bank's capital by a nominal amount of up to €71,688,495, through the issuance of a maximum of 143,376,990 ordinary shares with a nominal value of one-half (€0.5) per share.

#### **Key features of the acquisition**

- At the time of the announcement each Alliance & Leicester share was valued by the offer at 299 pence, and the total issued share capital, was valued at approximately £1,259 million (€1,579 million). The proposed exchange represented a premium of approximately 36.4% on the closing price at 11 July 2008. Considering the above interim dividend, the premium amounts to approximately 44.6% on the aforementioned closing price.
- The acquisition affords the integration of the ancillary businesses of Alliance & Leicester and Abbey National plc ("Abbey"), thereby strengthening the competitive positioning of the products and services offered by the Group and benefiting its customers. It can be expected that the combined group will also benefit in terms of increased efficiency and that the borrowing costs relating to Alliance & Leicester may be reduced over time from the current high levels.
- It will increase the critical mass of the Group's business in the UK market, as part of the Group's vertical strategy.
- In-market cost synergies through the Group's presence in the UK, estimated at £180 million per year (before tax) at the end of 2011.
- Complementary geographical nature of both distribution networks (Alliance & Leicester has a major presence in the Midlands, and Abbey in the London area).
- Abbey's expansion process in the SMEs and retail business will be speeded up 2-3 years.
- This transaction complies with the Santander Group's financial requirements. It is anticipated that it will accretive from 2009 onwards and that the ROI will be 19% in 2011. These estimates do not guarantee that Santander's EPS will necessarily reach or exceed the levels achieved in prior years.

The acquisition was completed by means of a scheme of arrangement and was approved by the shareholders of Banco Santander (in relation to the capital increase) and of Alliance & Leicester. Additionally, the Scheme of Arrangement implementing the acquisition was approved by the appropriate British court and the relevant consents were granted by the UK Financial Services Authority (the "FSA") and the Bank of Spain (*Banco de España*).

The acquisition was completed on 10 October 2008, on which date 140,950,944 new shares in Banco Santander, with a value of €0.50 and an issue premium of €10.73 per share, were issued. The value of the increase (nominal value plus premium) was €1.583 million, generating goodwill of £442 million (€554 million at the exchange rate applicable on the date of the operation).

Alliance & Leicester provided total assets of approximately €79,000 million as at year-end, contributing no results for 2008.

### **Sale and Leaseback of Real Estate Assets**

On 12 September 2008, Banco Santander announced that it had completed with the consortium led by the U.K. property investor Propinvest the sale of the Santander Financial City and its simultaneous lease back for a period of 40 years, with the Bank also reserving a purchase option right at the end of such period.

The amount of the transaction was €1,900 million, as initially contemplated. The capital gains obtained by Santander from this sale are close to €600 million.

With this transaction, Banco Santander has concluded the process involving the sale of its own buildings in Spain which commenced in 2007 within the framework of the ABN AMRO acquisition transaction. The total sales amount to €4,434 million, with capital gains of approximately €1,680 million.

### **Bradford & Bingley's Direct Channels and Retail Deposits to Transfer to Abbey**

Following the announcement on 29 September 2008 by Her Majesty's Treasury ("HM Treasury") to take Bradford & Bingley into public ownership, the retail deposits, branch network and its related employees transferred to Abbey, a wholly-owned subsidiary of Banco Santander.

As outlined in the HM Treasury statement, all of Bradford & Bingley's customer loans and treasury assets, which include the £41 billion of mortgage assets, have been taken under public ownership.

The transfer to Abbey consists of:

- £20 billion retail deposit base with 2.7 million customers; and
- Bradford & Bingley's direct channels including 197 retail branches, 141 agencies (distribution outlets in 3rd party premises) and related employees.

The acquisition price was £612 million, including the transfer of £208 million of capital in off-shore companies. The goodwill assigned to this business is £160 million (€202 million at the exchange rate applicable on the date of the operation).

### **Acquisition of the outstanding 75.65% of Sovereign**

Banco Santander and Sovereign, the parent company of Sovereign Bank, announced on 13 October 2008 that Banco Santander will acquire Sovereign in a stock-for-stock transaction. Santander owned, as of the date of such announcement, 24.35% of Sovereign's ordinary outstanding shares. The Capital and Finance Committee, composed of independent directors of Sovereign, requested that Santander consider acquiring the remaining 75.65% of the company it did not currently own. The Capital and Finance Committee evaluated the transaction and recommended the transaction to the full Board.

Under the terms of the definitive transaction agreement, which was approved by the Executive Committee of Santander and unanimously approved by the non-Santander directors of Sovereign, Sovereign shareholders will receive 0.2924 Banco Santander ADSs for each share of Sovereign common stock they own (or 1 Banco Santander ADS for 3.42 Sovereign shares). Based on the closing stock price for Santander ADSs on 10 October 2008, the transaction has an aggregate value of approximately U.S.\$1.9 billion (EUR1.4 billion), or U.S.\$3.81 per share. The transaction meets Santander's criteria for acquisitions, both strategically, by significantly enhancing the geographical diversification of the Group, and financially, with a projected net profit for Sovereign of U.S.\$750 million in 2011.

At the Extraordinary General Meeting on 26 January 2009, the shareholders of Banco Santander approved the capital increase in respect of the acquisition of 75.6% of Sovereign, agreed in October 2008, with 96.9% of the capital present and represented.

On 28 January 2009, the acquisition was approved by the General Shareholders' Meeting of Sovereign. On 30 January 2009, the acquisition of Sovereign was completed, making it a fully-owned affiliate of Santander, through the issuing of 0.3206 ordinary Banco Santander shares for every 1 ordinary share of Sovereign (equivalent to the approved exchange of 0.2924 ADSs adjusted in view of the dilution caused by the capital increase carried out in December 2008). For this purpose, 161,546,320 ordinary shares have been issued for an actual amount (nominal value plus premium) of €1,302,063,339.20.

#### **Lehman Brothers ("Lehman")**

The Lehman Brothers bankruptcy was made public on 15 September 2008. Various customers of the Group were affected by this situation since they had invested in securities issued by Lehman or in other products which had such assets as their underlying.

On 12 November 2008, the Group announced the implementation of a solution (which was of a strictly commercial, exceptional nature and did not imply any admission of mis-selling) for holders of one of the products sold -Seguro Banif Estructurado- issued by the insurance company Axa Aurora Vida, which had as its underlying a bond issued and guaranteed by Lehman. The solution involved replacing the Lehman issuer risk with the issuer risk of Santander Group subsidiaries. The exchange period ended on 23 December 2008. As a result of the exchange, at year-end 2008 a loss was recognised in the consolidated income statement for the difference of EUR 46 million (EUR 33 million after tax) between the fair value of the bonds received and the bonds delivered in the exchange.

In February 2009 the Group offered a similar solution to other customers affected by the Lehman bankruptcy. The cost of this transaction, before tax, was EUR 143 million (EUR 100 million after tax), which was recognised in the consolidated income statement for 2008.

At the date of this Prospectus, it was known that certain claims had been filed against a Group company in relation to the marketing of the bonds referred to above. The Bank's directors and its legal advisers consider that the various Lehman products were sold in accordance with the applicable legal regulations in force at the time of each sale or subscription and that the fact that the Group acted as intermediary would not give rise to any liability in relation to the insolvency of Lehman. Accordingly, it was not necessary to recognise any liability in this connection in the consolidated financial statements.

#### **Bernard L. Madoff Investment Securities LLC**

The intervention, on grounds of fraud, of Bernard L. Madoff Investment Securities LLC ("Madoff Securities") by the US Securities and Exchange Commission ("SEC") took place in December 2008. The exposure of customers of the Group through the subfund Optimal Strategic US Equity ("Optimal Strategic") was EUR 2,330 million, of which EUR 2,010 million related to institutional investors and international private banking customers, and the remaining EUR 320 million were in the investment portfolios of the Group's private banking customers in Spain, who were qualifying investors.

On 27 January 2009, the Group announced its decision to offer a solution to those of its private banking customers who had invested in Optimal Strategic and had been affected by the alleged fraud.

This solution, which was applied to the principal amount invested, net of redemptions, totalled EUR 1,380 million. It consisted of a replacement of assets whereby the private banking customers could exchange their investments in Optimal Strategic US for preferred participating securities to be issued by the Group for the aforementioned amount, with an annual coupon of 2% and a call option that can be exercised by the issuer in year ten. The pre-tax cost of this transaction for the Group was EUR 500 million (EUR 350 million after tax), and this amount was recognised in the consolidated income statement for 2008.

The Group has at all times exercised due diligence in the management of its customers' investments in the Optimal Strategic fund, these products have always been sold in a transparent way in keeping with applicable legislation and established procedures. Accordingly, the decision to offer a solution was taken in view of the exceptional circumstances attaching to this case and based on solely commercial reasons, due to the interest the Group has in maintaining its business relationship with these customers.

At the time of the intervention, Madoff Securities was a broker-dealer authorised, registered and supervised by the SEC and was also authorised as an investment advisor by the US Financial Industry Regulatory Authority ("FINRA").

At the date of this Prospectus, it was known that certain claims had been filed in relation to this matter. The Santander Group is currently assessing the advisability of taking the appropriate legal action.

On 18 March 2009, the Group issued the preferred participating securities earmarked for the replacement of assets offered to the private banking customers affected by the intervention in Madoff and those affected by the Lehman bankruptcy who were not able to participate in the exchange made on 23 December 2008 (referred to above). The preferred participating securities have been listed on the London Stock Exchange since 23 March 2009. The level of acceptance of the exchange proposal was 94%.

On 26 May 2009, two funds managed by Optimal Investment Services, a wholly owned indirect subsidiary of Banco Santander, announced that they had entered into an agreement with Irving H. Picard, the trustee for the liquidation of Madoff Securities. Under the agreement, in exchange for the funds' payment of the reduced demands, the trustee will allow the funds' claims in the liquidation proceeding and reduce his clawback demands on the funds. The funds are Optimal Strategic US Equity Limited and Optimal Arbitrage Limited. These are the only Optimal Funds that had customer accounts at Madoff Securities.

The agreement provides that the funds' claims against Madoff Securities estate would be allowed in their full amounts, calculated on a cash-in, cash-out basis, of \$1,540,141,278 and \$9,807,768, respectively, and the funds would be entitled to Securities Investor Protection Corporation advances of \$500,000 each. The funds will pay 85% of the clawback claims that the trustee has asserted so far against the funds. The payments will total \$129,057,095 for Strategic US Equity and \$106,323,953 for Arbitrage.

Optimal and Santander would agree not to file any other claims against Madoff Securities estate. The agreement also contains an "equal treatment" provision, so that if the trustee settles similar clawback claims for less than 85%, the funds will receive a rebate of a portion of their payments to equalize the percentages applied to the funds.

The agreement followed the trustee's investigation of Optimal's conduct in dealing with Madoff Securities, including a review of Optimal's documents relating to due diligence conducted by Optimal, in which the Trustee concluded that their conduct does not provide grounds to assert any claim against the Optimal companies or any other entity of the Santander group (other than the clawback claims described above). The funds' potential clawback liability did not imply any wrongdoing by the funds.

The agreement contains releases of all clawback and other claims the trustee may have against the funds for any matters arising out of the funds' investments with Madoff Securities. The trustee's release would apply to all potential claims against other Optimal companies, Santander companies and their investors, directors, officers and employees who agree to release the trustee and the Madoff Securities estate, to the extent the claims arose out of the funds' dealings with Madoff Securities. It also releases both funds from potential clawback liability for any other withdrawals made by them.

Madoff Securities is currently undergoing liquidation under the Securities Investor Protection Act of 1970 in the United States Bankruptcy Court in New York. Madoff Securities' principal, Bernard L. Madoff, has pled guilty to conducting probably the largest Ponzi scheme in history. The agreement was approved by the United States Bankruptcy court in New York on 16 June 2009.

### **Sale of Porterbrook Leasing Company**

On 8 December 2008, Abbey National plc completed the disposal of Porterbrook Leasing Company Limited ("Porterbrook"), its leasing business, through the sale of all the shares of Porterbrook and its subsidiaries to a consortium of investors including Antin Infrastructure Partners (the infrastructure fund sponsored by BNP Paribas), Deutsche Bank and Lloyds TSB, and received approximately GBP 1,600 million in cash. This disposal gave rise to a gain of EUR 50 million (GBP 40 million).



### **Metrovacesa, S.A. ("Metrovacesa")**

On 20 February 2009 certain credit institutions, including Banco Santander, S.A. and Banco Español de Crédito, S.A., reached an agreement for the restructuring of Grupo Sanahuja's debt (the "Restructuring Agreement") under which they will receive shares representing 54.75% of Metrovacesa's share capital in accord and satisfaction for Grupo Sanahuja's debts.

The Restructuring Agreement also stipulates that the creditors will acquire an additional 10.77% of Metrovacesa's capital, which includes an additional disbursement of €214 million for Grupo Sanahuja (the Sanahuja family has been granted a four-year call option over these shares), as well as other terms relating to the management of the company.

Following the execution of the Restructuring Agreement, the Santander Group will have a 23.63% holding in Metrovacesa, S.A., with 5.38% of its 23.63% holding being subject to the option mentioned above.

### **Real Tokio Marine Vida e Previdencia S.A.**

On 10 March 2008, Santander announced that Banco Santander Brazil has agreed to acquire the 50% of the insurance company Real Tokio Marine Vida e Previdencia S.A. not already held by it from Tokyo Marine for 678 million Brazilian Reales (€225 million).

### **Interim Dividends**

In June 2008, the Board of Directors of the Bank approved a first dividend on account of the earnings for the 2008 financial year for a gross amount of €0.135234 per share which was paid on 1 August 2008.

As of 1 November 2008 the Bank has paid a second interim dividend on account of the earnings for the 2008 financial year, for a gross amount per share of €0.135234, 10% higher than the dividend paid in November of 2007 as the second interim dividend on account of the 2007 financial year.

As of 1 February 2009 the Bank paid a third interim dividend on account of the earnings for the 2008 financial year, for a gross amount of €0.12294 per share. This is the same as the dividend paid in February of 2008 as the third interim dividend on account of the 2007 financial year.

On 23 March 2009 the Board of Directors of the Bank approved a fourth dividend on account of the earnings for the 2008 Financial Year, for an amount of €0.25737 per share, which has been paid from 1 May 2009.

On 1 August 2009, the Guarantor will pay the first dividend on account of the earnings for the 2009 financial year for a gross amount of € 0.135234 per share.

### **Sale of holding in Compañía Española de Pétroleos, S.A. ("CEPSA")**

On 31 March 2009, Santander Group announced that it had reached an agreement with the International Petroleum Investment Company of the Emirate of Abu Dhabi for the sale to the latter of its 32.5% stake in Cepsa, at a price of EUR 33 per share, which if completed would be reduced by the amount of any dividends paid, prior to the closing of the transaction, charged to the 2009 financial year. With this transaction, the historical annual return for Santander Group derived from its investment in Cepsa has been 13%. The sale has no impact on Santander Group's earnings since this holding in Cepsa has been entered in the accounts under the equity method.

The transaction is subject to certain conditions, which include the obtaining of the appropriate regulatory authorisations and the closing of the financing.

### **Sale of holding in France Telecom España, S.A.**

On 29 April 2009, Santander announced that it has reached an agreement with the company Atlas Services Nederland BV (a 100%-owned affiliate of France Telecom) on the sale of the 5.01% share package held by Grupo Santander in France Telecom España, S.A. for an amount of EUR 377.6 million.

### **Sale of holding in Banco de Venezuela, S.A. Banco Universal ("Banco Venezuela")**

On 22 May 2009, Santander announced that it had reached an agreement in principle for the sale of its holding in Banco de Venezuela to the Republic of Venezuela for 1,050 million dollars. On 6 July 2009 Banco Santander, S.A. announced that it had closed the sale of its stake in Banco de Venezuela to Bank for Economic and Social Development of Venezuela (*Banco de Desarrollo Económico y Social de Venezuela*), a public institution of the Bolivarian Republic of Venezuela for \$1,050 million, of which \$ 630 million have been paid on this date and the remainder will be payable in October and December 2009.

### **Update on Santander's Results for the Second Quarter**

The Bank's second quarter results, which are expected to be released in full on July 29, 2009 have developed according to expectations. The net attributable profit accumulated in the six months ended on 30 June, 2009 is fully consistent with Santander's goal of maintaining in 2009 the net ordinary profit achieved by the Group in 2008 (€8,876 mm). Profits continue to be steady and recurrent throughout the quarters. Second quarter results do not incorporate any meaningful extraordinary item. Through organic capital growth, the Group's core capital ratio is expected to have increased from the 7.3% reported at the end of the first quarter, at the pace previously communicated to the market (approximately 10-15 bps per quarter).

As stated at the Group's recent Annual General Meeting of shareholders, asset quality deterioration is slowing down, and the Bank continues to expect non performing loans (**NPLs**) of the Spanish business around 3.5% by year end 2009. The integration of Alliance & Leicester and Bradford & Bingley in the UK, of Banco Real in Brazil, and of Sovereign Bancorp in the US are proceeding according to Santander's expectations as previously communicated to the market.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### Selected Consolidated Financial Information

The selected consolidated financial information presented below has been extracted or derived from our:

- audited consolidated financial statements as of and for the years ended 31 December 2008, 2007 and 2006, prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS-IASB").
- unaudited summarised consolidated financial data of the Group for the 3 month period ended 31 March 2009 (the **March 2009 Summarised Consolidated Financial Data**).
- unaudited summarised consolidated financial data of the Group for the 3 month period ended 31 March 2008 (the **March 2008 Summarised Consolidated Financial Data**).

You should read this selected information in conjunction with, and it is qualified in its entirety by reference to, the above listed consolidated financial statements, all of which are included in our 2008 Annual Report incorporated by reference herein to the extent described under "Documents Incorporated by Reference".

Results for past periods are not necessarily indicative of results that may be expected for any future period.

### Consolidated Income Statement Data:

|                                                                                              | Year ended December 31,                                        |                    |                    | Period ended March 31, |                     |
|----------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------|--------------------|------------------------|---------------------|
|                                                                                              | 2008                                                           | 2007               | 2006               | 2009<br>(unaudited)    | 2008<br>(unaudited) |
|                                                                                              | (in thousands of euros, except percentages and per share data) |                    |                    |                        |                     |
| Interest and similar income                                                                  | 56,207,656                                                     | 46,312,706         | 37,239,602         | 14,384,434             | 12,153,657          |
| Interest expense and similar charges                                                         | (38,035,863)                                                   | (31,359,417)       | (25,118,665)       | (8,150,469)            | (8,163,967)         |
| <b>Interest income / charges</b>                                                             | <b>18,171,793</b>                                              | <b>14,953,289</b>  | <b>12,120,937</b>  | <b>6,233,965</b>       | <b>3,989,690</b>    |
| Income from equity instruments                                                               | 552,809                                                        | 422,618            | 412,714            | 87,215                 | 61,910              |
| Income from companies accounted for using the equity method                                  | 797,300                                                        | 441,457            | 426,921            | (11,217)               | 341,260             |
| Fee and commission income                                                                    | 9,942,097                                                      | 9,479,986          | 8,288,580          | 2,603,606              | 2,439,067           |
| Fee and commission expense                                                                   | (1,491,491)                                                    | (1,439,811)        | (1,264,385)        | (393,263)              | (365,971)           |
| Gains/losses on financial assets and liabilities (net)                                       | 2,963,672                                                      | 2,331,696          | 2,062,471          | 1,094,677              | 673,599             |
| Exchange differences (net)                                                                   | 579,827                                                        | 650,734            | 96,635             | (225,724)              | 145,336             |
| Other operating income                                                                       | 9,440,461                                                      | 6,741,246          | 6,076,845          | 1,763,485              | 2,379,034           |
| Other operating expenses                                                                     | (9,232,417)                                                    | (6,503,829)        | (5,839,785)        | (1,698,888)            | (2,309,396)         |
| <b>Total income</b>                                                                          | <b>31,724,051</b>                                              | <b>27,077,386</b>  | <b>22,380,933</b>  | <b>9,453,856</b>       | <b>7,354,529</b>    |
| Administrative expenses                                                                      | (11,979,348)                                                   | (11,018,329)       | (9,969,171)        | (3,690,949)            | (2,789,971)         |
| <i>Personnel expenses</i>                                                                    | <i>(6,963,855)</i>                                             | <i>(6,551,201)</i> | <i>(5,967,873)</i> | <i>(2,110,960)</i>     | <i>(1,666,243)</i>  |
| <i>Other general expenses</i>                                                                | <i>(5,015,493)</i>                                             | <i>(4,467,128)</i> | <i>(4,001,298)</i> | <i>(1,579,989)</i>     | <i>(1,123,728)</i>  |
| Depreciation and amortization                                                                | (1,269,527)                                                    | (1,267,880)        | (1,146,547)        | (389,281)              | (307,674)           |
| Provisions (net)                                                                             | (1,699,114)                                                    | (1,023,563)        | (1,079,337)        | (177,846)              | (238,924)           |
| Impairment losses on financial assets (net)                                                  | (6,345,433)                                                    | (3,502,604)        | (2,480,993)        | (2,247,361)            | (1,134,611)         |
| Impairment losses on other assets (net)                                                      | (1,049,704)                                                    | (1,548,610)        | (20,781)           | (11,660)               | (12,987)            |
| Gains/(losses) on disposal of assets not classified as non-current assets held for sale      | 118,046                                                        | 1,815,867          | 352,120            | (97,253)               | 9,736               |
| Gains/(losses) on non-current assets held for sale not classified as discontinued operations | 1,730,781                                                      | 642,974            | 959,162            | (7,483)                | (14,255)            |
| <b>Operating profit/loss before tax</b>                                                      | <b>11,229,752</b>                                              | <b>11,175,241</b>  | <b>8,995,386</b>   | <b>2,832,023</b>       | <b>2,865,843</b>    |
| Income tax                                                                                   | (1,884,223)                                                    | (2,335,686)        | (2,254,598)        | (622,398)              | (530,702)           |
| <b>Profit for the period from continuing operations</b>                                      | <b>9,345,529</b>                                               | <b>8,839,555</b>   | <b>6,740,788</b>   | <b>2,209,625</b>       | <b>2,335,141</b>    |
| Profit from discontinued operations (net)                                                    | (13,115)                                                       | 796,595            | 1,504,965          | (14,448)               | 626                 |
| <b>Consolidated profit for the period</b>                                                    | <b>9,332,414</b>                                               | <b>9,636,150</b>   | <b>8,245,753</b>   | <b>2,195,177</b>       | <b>2,335,767</b>    |
| <i>Profit for the period attributable to the parent</i>                                      | <i>8,876,414</i>                                               | <i>9,060,258</i>   | <i>7,595,947</i>   | <i>2,095,793</i>       | <i>2,206,126</i>    |
| <i>Profit attributable to minority interests</i>                                             | <i>456,000</i>                                                 | <i>575,892</i>     | <i>649,806</i>     | <i>99,384</i>          | <i>129,641</i>      |
| <i>Per share information:</i>                                                                |                                                                |                    |                    |                        |                     |
| Average number of shares (thousands) (1)                                                     | 7,271,470                                                      | 6,801,899          | 6,701,728          | 8,477,060              | 7,147,929           |
| Basic earnings per share (in euros)                                                          | 1.2207                                                         | 1.3320             | 1.1334             | 0.2472                 | 0.3086              |
| Basic earnings per share continuing operation (in euros)                                     | 1.2229                                                         | 1.2279             | 0.9442             | 0.2472                 | 0.3086              |
| Diluted earnings per share (in euros)                                                        | 1.2133                                                         | 1.3191             | 1.1277             | 0.7064                 | 0.7110              |

|                                                            | Year ended December 31,                                        |        |        | Period ended March 31, |                     |
|------------------------------------------------------------|----------------------------------------------------------------|--------|--------|------------------------|---------------------|
|                                                            | 2008                                                           | 2007   | 2006   | 2009<br>(unaudited)    | 2008<br>(unaudited) |
|                                                            | (in thousands of euros, except percentages and per share data) |        |        |                        |                     |
| Diluted earnings per share continuing operation (in euros) | 1.2155                                                         | 1.2160 | 0.9394 | 0.2460                 | 0.3066              |
| Dividends paid (in euros) (2)                              | 0.63                                                           | 0.61   | 0.49   | -                      | -                   |
| Dividends paid (in US\$)                                   | 0.88                                                           | 0.89   | 0.64   | -                      | -                   |

## Consolidated Balance Sheet Data:

|                                                                                                           | Year ended December 31,                                        |                    |                    | Period ended March 31, |                     |
|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|--------------------|--------------------|------------------------|---------------------|
|                                                                                                           | 2008                                                           | 2007               | 2006               | 2009<br>(unaudited)    | 2008<br>(unaudited) |
|                                                                                                           | (in thousands of euros, except percentages and per share data) |                    |                    |                        |                     |
| <b>Total assets</b>                                                                                       | <b>1,049,631,550</b>                                           | <b>912,914,971</b> | <b>833,872,715</b> | <b>1,115,365,270</b>   | <b>920,524,014</b>  |
| Loans and advances to credit institutions (net) (3)                                                       | 78,792,277                                                     | 57,642,604         | 69,757,056         | 77,806,993             | 71,064,140          |
| Loans and advances to customers (net) (3)                                                                 | 626,888,435                                                    | 571,098,513        | 527,035,514        | 685,497,229            | 576,785,611         |
| Investment Securities (net) (4)                                                                           | 124,673,342                                                    | 132,035,268        | 136,760,433        | 138,655,812            | 119,570,327         |
| Investments: Associates                                                                                   | 1,323,453                                                      | 15,689,127         | 5,006,109          | 224,372                | 4,105,126           |
| Contingent liabilities (net)                                                                              | 65,323,194                                                     | 76,216,585         | 58,769,309         | 67,263,619             | 65,873,259          |
| <b>Liabilities</b>                                                                                        |                                                                |                    |                    |                        |                     |
| Deposits from central banks and credit institutions (5)                                                   | 129,877,370                                                    | 112,897,308        | 113,038,061        | 136,124,514            | 102,055,186         |
| Customer deposits (5)                                                                                     | 420,229,450                                                    | 355,406,519        | 330,947,770        | 477,014,865            | 358,167,823         |
| Debt securities (5)                                                                                       | 236,403,290                                                    | 233,286,688        | 203,742,817        | 228,890,791            | 235,702,892         |
| <b>Capitalization</b>                                                                                     |                                                                |                    |                    |                        |                     |
| Guaranteed Subordinated debt excluding preferred securities and preferred shares (6)                      | 15,747,915                                                     | 16,742,134         | 11,186,480         | 15,968,694             | 16,280,978          |
| Secured Subordinated debt                                                                                 | -                                                              | -                  | -                  | -                      | -                   |
| Other Subordinated debt                                                                                   | 14,452,488                                                     | 11,666,663         | 12,399,771         | 15,993,651             | 12,481,137          |
| Preferred securities (6)                                                                                  | 7,621,575                                                      | 7,261,382          | 6,836,570          | 6,702,376              | 6,942,171           |
| Preferred shares (6)                                                                                      | 1,051,272                                                      | 522,558            | 668,328            | 1,153,525              | 489,557             |
| Minority interest (including net income of the period)                                                    | 2,414,606                                                      | 2,358,269          | 2,220,743          | 2,620,445              | 2,446,252           |
| Stockholders' equity (7)                                                                                  | 57,586,886                                                     | 55,199,882         | 44,851,559         | 59,243,463             | 51,666,472          |
| Total capitalization                                                                                      | 98,874,742                                                     | 93,750,888         | 78,163,451         | 101,682,154            | 90,306,567          |
| Stockholders' Equity per Share (7)                                                                        |                                                                |                    |                    |                        |                     |
| <b>Other managed funds</b>                                                                                |                                                                |                    |                    |                        |                     |
| Mutual funds                                                                                              | 90,305,714                                                     | 119,210,503        | 119,838,418        | 89,115,829             | 122,812,161         |
| Pension funds                                                                                             | 11,127,918                                                     | 11,952,437         | 29,450,103         | 10,566,922             | 11,536,718          |
| Managed portfolio                                                                                         | 17,289,448                                                     | 19,814,340         | 17,835,031         | 16,611,712             | 17,380,650          |
| Savings -insurance policies                                                                               | 12,338,405                                                     | 9,008,968          | 6,384,994          | 12,970,157             | 9,820,635           |
| Total other managed funds                                                                                 | 131,061,485                                                    | 159,986,248        | 173,508,546        | 129,264,620            | 161,550,164         |
| <b>Consolidated Ratios</b>                                                                                |                                                                |                    |                    |                        |                     |
| Profitability Ratios:                                                                                     |                                                                |                    |                    |                        |                     |
| Net Yield (8)                                                                                             | 2.10%                                                          | 1.92%              | 1.76%              | n/a                    | n/a                 |
| Return on average total assets (ROA)                                                                      | 1.00%                                                          | 1.10%              | 1.01%              | 0.82%                  | 1.01%               |
| Return on average stockholders' equity (ROE)                                                              | 17.07%                                                         | 21.91%             | 21.39%             | 13.25%                 | 17.40%              |
| Capital Ratio:                                                                                            |                                                                |                    |                    |                        |                     |
| Average stockholders' equity to average total assets                                                      | 5.55%                                                          | 4.71%              | 4.36%              | 5.88%                  | 5.49%               |
| Ratio of earnings to fixed charges (9)                                                                    |                                                                |                    |                    |                        |                     |
| Excluding interest on deposits                                                                            | 1.55%                                                          | 1.64%              | 1.74%              | 1.84%                  | 1.59%               |
| Including interest on deposits                                                                            | 1.27%                                                          | 1.34%              | 1.34%              | 1.35%                  | 1.30%               |
| <b>Credit Quality Data (excluding country risk)</b>                                                       |                                                                |                    |                    |                        |                     |
| Allowances for impaired balances (*) (excluding country risk)                                             | 12,862,981                                                     | 9,302,230          | 8,626,937          | 15,165,897             | 10,792,339          |
| Allowances for impaired balances (*) as a percentage of total loans and contingent liabilities            | 1.83%                                                          | 1.42%              | 1.45%              | 1.98%                  | 1.66%               |
| Impaired balances (*) (10)                                                                                | 14,190,813                                                     | 6,178,655          | 4,607,547          | 18,967,529             | 8,047,031           |
| Impaired balances (*) as a percentage of total loans and contingent liabilities                           | 2.02%                                                          | 0.94%              | 0.78%              | 2.49%                  | 1.24%               |
| Allowances for impaired balances (*) as a percentage of impaired balances (*)                             | 90.64%                                                         | 150.55%            | 187.23%            | 79.96%                 | 134.12%             |
| Net loan and contingent liabilities charge-offs as a percentage of total loans and contingent liabilities | 0.55%                                                          | 0.41%              | 0.31%              | 0.20%                  | 0.11%               |

(\*) Balances of loans and contingent liabilities

(1) Average number of shares has been calculated on the basis of the weighted average number of shares outstanding in the relevant year/period, net of treasury stock.

(2) The board of directors has proposed to the stockholders at the annual general meeting that a dividend of €0.6508 per share be paid out of our profit for 2008. In accordance with IAS 33, for comparative purposes, dividends per share paid disclosed in the table above took into account the adjustment arising from the capital increase with pre-emptive subscription rights carried out in December 2008. As a result of this adjustment, the dividend per share for 2008 amounts to €0.6325. On March 31, 2009 and March 31, 2008 there were no dividends paid on account of the 2009 and 2008 profits, respectively.

(3) Equals the sum of the amounts included under the headings "Financial assets held for trading", "Other financial assets at fair value through profit or loss" and "Loans and receivables" as stated in our consolidated financial statements.

(4) Equals the amounts included as "Debt instruments" and "Other equity instruments" under the headings "Financial assets held for trading", "Other financial assets at fair value through profit or loss", "Available-for-sale financial assets" and "Loans and receivables" as stated in our consolidated financial statements.

(5) Equals the sum of the amounts included under the headings "Financial liabilities held for trading", "Other financial liabilities at fair value through profit or loss" and "Financial liabilities at amortized cost" as stated in our consolidated financial statements.

(6) In our consolidated financial statements, preferred securities and preferred shares are included under "Subordinated liabilities".

(7) Equals the sum of the amounts included at the end of each year as "Own funds" and "Valuation adjustments" as stated in our consolidated financial statements. We have deducted the book value of treasury stock from stockholders' equity.

(8) Net yield is the total of net interest income (including dividends on equity securities) divided by average earning assets. We do not have data to calculate net yield for interim periods.

(9) For the purpose of calculating the ratio of earnings to fixed charges, earnings consist of income from continuing operations before taxation and minority interests plus fixed charges and after deduction of the unremitted pre-tax income of companies accounted for by the equity method. Fixed charges consist of total interest expense, including or excluding interest on deposits as appropriate, and the proportion of rental expense deemed representative of the interest factor. Fixed charges include dividends and interest paid on preferred shares.

(10) Impaired loans reflect Bank of Spain classifications. Such classifications differ from the classifications applied by U.S. banks in reporting loans as non-accrual, past due, restructured and potential problem loans.

## DESCRIPTION OF THE NOTES AND THE GUARANTEE

The following is a summary of certain terms and provisions of the Notes and the Guarantee. The summary set forth below does not purport to be complete and is subject to, and qualified in its entirety by reference to a public deed of issuance expected to be dated on or around August 11, 2009 and the resolutions adopted by the shareholders and the board of directors of the Issuer establishing the Notes and the Guarantee agreement between the Issuer and the Guarantor. Holders of Notes are referred to herein as “Noteholders.”

### General

The Notes will mature at 100% of their principal amount on August 11, 2019 (the “Maturity Date”). The Notes will be issued only in registered form in denominations of \$100,000. The Notes are not entitled to the benefit of any sinking fund or similar custodial arrangement.

The Fiscal and Paying Agency Agreement provides that, in addition to the Notes, subordinated securities of other series may in the future be issued thereunder without limitation as to aggregate principal amount. All Notes of one series need not be issued at the same time and a series may be reopened under the Fiscal and Paying Agency Agreement, without the consent of Noteholders, for issuances of additional Notes which will be consolidated and form one series with the Notes previously issued (a “further issue”).

The Notes will be unconditionally guaranteed as to payment of principal and interest on a subordinated basis by Banco Santander as Guarantor.

### Payment of Interest

The Notes will bear interest from August 11, 2009 (the “Issuance Date”) or from the most recent date through which the Issuer or the Guarantor, as the case may be, has paid or provided for interest on the Notes.

The Issuer or the Guarantor, as the case may be, will pay interest on the Notes semi-annually on each August 11 and February 11 of each year, beginning on February 11, 2010 until August 11, 2014 (the “Reset Date”), and on the Reset Date, and quarterly on November 11, February 11, May 11 and August 11 of each year beginning on November 11, 2014 until the Maturity Date or any earlier date of redemption, and on the Maturity Date or any such earlier date of redemption.

The Notes will bear interest at a fixed rate of 6.50% per year from and including the Issuance Date to but excluding the Reset Date and during the period from and including the Reset Date to but excluding the Maturity Date or earlier redemption date of the Notes, the interest rate on the Notes will be reset quarterly on the first day of each LIBOR Interest Period (as defined below) to an interest rate (the “Applicable Rate”), as determined by the calculation agent, equal to U.S. dollar three month LIBOR, plus (ii) 3.92% per annum.

Interest on the Notes from and including the Issuance Date to but excluding the Reset Date will be computed on the basis of a 360-day year of twelve 30-day months. Except as described below for the first Fixed Interest Payment Date (as defined below), on each Fixed Interest Payment Date, we will pay interest on the Notes for the period commencing on and including the immediately preceding Fixed Interest Payment Date and ending on but excluding that Fixed Interest Payment Date. On the first Fixed Interest Payment Date we will pay interest for the period beginning on and including the Issuance Date and ending on and including February 10, 2010.

From and including the Reset Date to but excluding the Maturity Date, the daily interest accrual, or “LIBOR Daily Interest Amount,” with respect to the Notes will be calculated by dividing the interest rate in effect for that day by 360 and multiplying the result by the aggregate outstanding principal amount of the Notes on that day. The amount of interest to be paid on the Notes for each LIBOR Interest Period (as defined below) will be calculated by adding the applicable LIBOR Daily Interest Amounts for each day in the LIBOR Interest Period.

Each of the dates on which interest on the Notes will be paid semi-annually at a fixed rate is referred to as a “Fixed Interest Payment Date.” If any Fixed Interest Payment Date falls on a day that is not a New York Business Day (as defined below), the interest payment shall be postponed to the next day that is a New York Business Day,

and no interest on such payment shall accrue for the period from and after such Fixed Interest Payment Date. For the purposes of this Prospectus, a “New York Business Day” is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York, or the city of Madrid, Spain are authorized or required by law or executive order to close.

Each of the dates on which interest on the Notes will be paid quarterly based on the Applicable Rate is referred to as a “Floating Interest Payment Date” (and together with a Fixed Interest Payment Date, an “Interest Payment Date”). If any Floating Interest Payment Date would fall on a day that is not a LIBOR Business Day (as defined below), other than the Floating Interest Payment Date that is also a Maturity Date, that Floating Interest Payment Date will be postponed to the following day that is a LIBOR Business Day, except that if such next LIBOR Business Day is in a different month, then that Floating Interest Payment Date will be the immediately preceding day that is a LIBOR Business Day. For the purposes of this Prospectus, a “LIBOR Business Day” is a day other than a Saturday, a Sunday or any other day on which banking institutions in New York, New York, London, England or the city of Madrid, Spain are authorized or required by law or executive order to close.

Except as described below for the first LIBOR Interest Period, on each Floating Interest Payment Date, the Issuer or the Guarantor, as the case may be, will pay interest on the Notes for the period commencing on and including the immediately preceding Floating Interest Payment Date and ending on but excluding that Floating Interest Payment Date. The first LIBOR Interest Period will begin on and include the Reset Date and, subject to the immediately preceding paragraph, will end on and include November 10, 2014. Each period for which interest is payable on the Notes based on the Applicable Rate is referred to as a “LIBOR Interest Period.”

The interest rate applicable to each LIBOR Interest Period on the related Floating Interest Payment Date will be the rate determined as of the applicable interest determination date. The “interest determination date” will be the second London business day immediately preceding the first day of that LIBOR Interest Period.

“LIBOR” with respect to each LIBOR Interest Period shall be the rate (expressed as a percentage per annum) for deposits in United States dollars for a three-month period beginning on the first day of that LIBOR Interest Period that appears on Reuters Screen LIBOR01 Page (as defined below) at approximately 11:00 a.m., London time, on the applicable interest determination date. “Reuters Screen LIBOR01 Page” means the display designated on page “LIBOR01” on Reuters Screen (or such other page as may replace the LIBOR01 page on that service, any successor service or such other service or services as may be nominated by the British Bankers’ Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits). If no rate appears on Reuters Screen LIBOR01 Page, LIBOR for such interest determination date will be determined in accordance with the provisions of the next paragraph below.

With respect to an interest determination date on which no rate appears on Reuters Screen LIBOR01 Page as of approximately 11:00 a.m., London time, on such interest determination date, the calculation agent shall request the principal London offices of each of four major reference banks in the London interbank market selected by the calculation agent (after consultation with the Issuer and the Guarantor) to provide the calculation agent with a quotation of the rate at which deposits of U.S. dollars having a three-month maturity, commencing on the second London business day immediately following such interest determination date, are offered by it to prime banks in the London interbank market as of approximately 11:00 a.m., London time, on such interest determination date in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time. If at least two such quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of such quotations as calculated by the calculation agent. If fewer than two quotations are provided, LIBOR for such interest determination date will be the arithmetic mean of the rates quoted as of approximately 11:00 a.m., New York City time, on such interest determination date by three major banks (which may include affiliates of the underwriters) selected by the calculation agent (after consultation with us) for loans in U.S. dollars to leading European banks having a three-month maturity commencing on the second London business day immediately following such interest determination date and in a principal amount equal to an amount of not less than U.S. \$1,000,000 that is representative for a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the calculation agent are not quoting such rates as mentioned in this sentence, LIBOR for such interest determination date will be LIBOR determined with respect to the immediately preceding interest determination date.

All percentages resulting from any calculation of any interest rate for the Notes will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655), and all dollar amounts will be rounded to the nearest cent, with one-half cent being rounded upward.

Promptly upon such determination, the calculation agent will notify the Issuer and the Guarantor of the Distribution rate for the new LIBOR Interest Period.

The Applicable Rate will, in each case, be determined by the calculation agent. The Fiscal and Paying Agent will initially act as calculation agent. The calculation agent will, upon the request of any Noteholder, provide the interest rate then in effect. All calculations of the calculation agent, in the absence of manifest error, shall be conclusive for all purposes and binding on the Issuer, the Guarantor and the Noteholders. The Issuer and the Guarantor may appoint a successor calculation agent with the written consent of the Fiscal and Paying Agent, which consent shall not be unreasonably withheld.

Interest on each Note will be paid only to the person in whose name such Note was registered at the close of business on the 15th calendar day prior to the applicable Interest Payment Date (each such date, a “Record Date”). Notwithstanding the Record Dates established in the terms of the Notes, the Issuer and the Guarantor have been advised by DTC that through DTC’s accounting and payment procedures DTC will, in accordance with its customary procedures, credit interest payments received by DTC on any Interest Payment Date based on DTC participant holdings of the Notes on the close of business on the New York business day immediately preceding each such Interest Payment Date.

#### **Payments of Additional Amounts**

All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes and the Guarantee by the Issuer or the Guarantor will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. Subject to the following paragraph, in the event that such withholding or deduction is required by law, the Issuer or the Guarantor, as the case may be, shall pay such Additional Amounts (“Additional Amounts”) as will result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required.

However, the Issuer and the Guarantor will not be required to pay any Additional Amounts in respect of any Note:

- (i) to a Noteholder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of it (or the Beneficial Owner for whose benefit it holds such Note) having some connection with Spain other than the mere holding of such Note (or such beneficial interest); or
- (ii) to a Noteholder in respect of whom the Issuer or the Guarantor does not receive such information (which may include a tax residence certificate) concerning such Noteholder’s identity and tax residence (or the identity and tax residence of the Beneficial Owner for whose benefit it holds such Note) as it may require in order to comply with the applicable legislation or regulation; or
- (iii) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below), except to the extent that the relevant Noteholder would have been entitled to such Additional Amounts on presenting the same for payment on the expiry of such period of 30 days; or
- (iv) where the withholding or deduction is imposed on a payment to or for the benefit of an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or



- (v) presented for payment (where presentation is required) by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another paying agent in a Member State of the European Union; or
- (vi) to or for the benefit of a Spanish-resident legal entity subject to Spanish Corporate Income Tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated July 27, 2004 or otherwise require a withholding to be made.

Additional Amounts will also not be paid with respect to any payment to a Noteholder who is a fiduciary, a partnership, a limited liability company or to a person that is other than the sole beneficial owner of that payment, to the extent that payment would be required by the laws of Spain (or any political subdivision thereof) to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interest holder in that limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had it been the Noteholder.

For the purposes of (iii) above, 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 Fiscal and Paying Agent 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 Noteholders, notice to that effect shall have been duly given to the Noteholders in accordance with the Fiscal and Paying Agency Agreement.

#### **Form, Denomination, Transfer and Registration**

The Notes have been offered solely

- to QIBs in reliance on Section 4(2) (“Rule 144A Notes”), or
- to persons other than U.S. persons in offshore transactions in reliance on Regulation S (“Regulation S Notes”).

The Notes may be resold to QIBs pursuant to Rule 144A, pursuant to other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under “Notice to Investors.”

Rule 144A Notes will be evidenced by global notes (referred to individually as a “Rule 144A global note” and collectively as the “Rule 144A global notes”), which will be deposited on behalf of The Depository Trust Company, New York, New York, as depositary, (“DTC”) and registered in the name of Cede & Co. (“Cede”), as DTC’s nominee.

The Regulation S Notes will be represented by global notes (referred to individually as a “Regulation S global note” and collectively as the “Regulation S global notes”) (the Rule 144A global notes and the Regulation S global note together, the “global notes” and each a “global note”). The Regulation S global note will be deposited upon issuance with the Custodian for DTC and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC, including Euroclear. Prior to the 40th day after the later of the commencement of the offering and the issue date of the Notes (the “Distribution Compliance Period”), interests in the Regulation S global note may only be held through Euroclear, as a participant in DTC, either directly for investors that have accounts with Euroclear, or indirectly through financial institutions that are account holders in Euroclear.

Except as set forth below, the record ownership of the global notes may be transferred in whole or in part, only to Cede, another nominee of DTC or to a successor of DTC or its nominee.

During the period from prior to the 40th day after the later of the commencement of the offering and the issue date of the Notes (the “Distribution Compliance Period”), beneficial interests in the Regulation S global note may be exchanged for beneficial interests in the Rule 144A global note only if such exchange occurs in connection with a transfer of the Notes pursuant to Rule 144A and the transferor first delivers to the Fiscal and Paying Agent a written certificate to the effect that the Notes are being transferred to a person who the transferor reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, purchasing for its own

account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the States of the United States and other jurisdictions. Beneficial interests in the Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in the Regulation S global note, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Fiscal and Paying Agent a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S. Transfers involving an exchange of a beneficial interest in the Regulation S global note for a beneficial interest in the Rule 144A global note or vice versa will be effected in DTC by means of an instruction originated by the Fiscal and Paying Agent.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in the other global note will, upon transfer, cease to be an interest in such global note and will become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other global note for so long as it remains such an interest.

Beneficial Owners that are direct DTC participants may hold their interest in the global notes directly through DTC. Beneficial Owners that are not direct DTC participants may hold their interest in the global notes indirectly through organizations which are direct participants in DTC. Transfers between direct DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds.

QIBs who are not direct participants may beneficially own interests in a global note held by DTC only through direct participants of DTC or through certain banks, brokers, dealers, trust companies and other parties that clear through or maintain a custodial relationship, either directly or indirectly, with a direct participant in DTC and have indirect access to DTC (each such entity an “indirect DTC participant”). So long as Cede, as the nominee of DTC, is the sole registered owner of any global note, Cede for all purposes will be considered the sole holder of that global note. Except as provided below, owners of beneficial interests in a global note will not be entitled to have certificates registered in their names, will not receive delivery of physical certificates, and will not be considered the holder thereof.

The Fiscal and Paying Agent (or any registrar or paying agent) will not have any responsibility for the performance by DTC, or any of the direct DTC participants or indirect DTC participants of their respective obligations under the rules and procedures governing their operations. DTC has advised us that it will take any action permitted to be taken by a Noteholder only at the direction of one or more participants whose accounts are credited with DTC interests in a global note.

DTC has advised us as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among participants in deposited securities through electronic book-entry charges to accounts of its participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Certain of those participants (or other representatives), together with other entities, own DTC. The rules applicable to DTC and its participants are on file with the SEC.

Purchases of Notes under the DTC system must be made by or through participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note is in turn to be recorded on the direct DTC participants’ and indirect DTC participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the direct participant or indirect participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of participants acting on behalf of Beneficial Owners. Beneficial owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

The deposit of Notes with a custodian for DTC and their registration in the name of Cede effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Principal and interest payments on the Notes will be made to DTC by wire transfer of immediately available funds. DTC's practice is to credit direct participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payment date. Payments by participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such participant and not of DTC, us, the Guarantor or the Fiscal and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is our responsibility; disbursement of those payments to participants will be the responsibility of DTC; and disbursement of those payments to the Beneficial Owners shall be the responsibility of direct and indirect DTC participants. Neither the Issuer, the Guarantor nor the Fiscal and Paying Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to us.

Notes represented by a global note will be exchangeable for Note certificates with the same terms in authorized denominations only if DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under applicable law and a successor depository is not appointed by us within 90 days. In addition, beneficial interests in a global note will be exchangeable for Note certificates with the same terms in authorized denominations upon request by or on behalf of DTC in accordance with customary procedures. The Fiscal and Paying Agency Agreement permits us to determine at any time and in our sole discretion that the Notes shall no longer be represented by global notes, including but not limited to, a situation where the Issuer or the Guarantor determines that the procedures established to collect Beneficial Owner information for Spanish tax withholding purposes are ineffective. DTC has advised us that, under its current practices, it would notify its participants of our request, but will only withdraw beneficial interests from a global note at the request of each DTC participant. The Issuer would issue Note certificates in exchange for any such beneficial interests withdrawn.

In any such instance, an owner of a beneficial interest in the global notes would be entitled to delivery of certificated notes equal in principal amount to that beneficial interest and to have those certificated notes registered in its name. Certificated notes so issued in definitive form would be issued as registered notes in denominations of \$100,000. Our certificated notes, if issued, could be transferred by presentation for registration to the registrar at its New York offices and would need to be duly endorsed by the Noteholder or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer in form satisfactory to us or the Fiscal and Paying Agent duly executed by the Noteholder or his attorney duly authorized in writing. The Issuer may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any exchange or registration of transfer of certificated notes.

### **Subordination of the Notes**

The Notes constitute direct, unconditional and unsecured obligations of Santander Issuances. The obligations of the Issuer under the Notes will, in the case of insolvency (*concurso*), liquidation, dissolution or winding up or other proceeding of the Issuer that requires the application of the priorities provided by the Spanish Insolvency Law (*Ley Concursal* 22/2003), be subordinated in right of payment to obligations as to principal on all unsecured unsubordinated indebtedness of the Issuer, will rank *pari passu* without any preference among themselves and, subject to statutory preferences under Spanish law and except for any subordinated indebtedness which by its terms is expressed to rank junior to the Notes, will rank *pari passu* with all other unsecured and subordinated indebtedness of the Issuer, present and future, and will rank senior in priority to the claims of holders of equity securities of the Issuer. Pursuant to Spanish Insolvency Law 22/2003 (*Ley Concursal*), after payment in full of indebtedness incurred

by the Issuer's insolvency estate (*Créditos contra la Masa*), the Issuer's secured indebtedness (to the extent secured) (*Créditos con Privilegio Especial*), principal on the Issuer's generally privileged obligations (*Créditos con Privilegio General*) under Spanish insolvency law (which include certain tax, social security and employee compensation obligations, among others), and principal on the Issuer's unsecured unsubordinated indebtedness, but before distributions to shareholders and creditors of the Issuer which are characterized as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), the Issuer will pay its unsecured subordinated indebtedness (as defined under Spanish Insolvency Law 22/2003 (*Ley Concursal*)) in the following order and pro rata within each class of indebtedness: (i) claims in respect of unsubordinated indebtedness lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) principal on contractually subordinated indebtedness (such as the Notes); (iii) interest due on any class of indebtedness, except secured indebtedness (to the extent secured); (iv) fines; (v) claims of creditors which are related to the Issuer; (vi) indebtedness arising from transactions set aside by Spanish Courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has determined that the relevant creditor has acted in bad faith; and (vii) claims under a contract with reciprocal obligations by creditors that, in the view of the relevant insolvency court upon consideration of a report from the insolvency administrators, are deemed to prejudice the insolvency estate by impeding the performance of the relevant contract.

Pursuant to Article 92.5 of the Spanish Insolvency Law 22/2003 (*Ley Concursal*), as amended by Royal Decree Law 3/2009, holders of exchange securities that acquire such exchange securities directly from Banco Santander through the exchange offer shall, for a period of two years following the settlement date of the exchange offer, be presumed to hold claims related to the Issuer ranking fifth according to the subordinated indebtedness priorities set forth in the immediately preceding paragraph. Upon any insolvency of the Issuer during such two year period, such initial holders will have to prove to the relevant insolvency court that they are not related to the Issuer in order to overcome that presumption. The claims of such initial holders of exchange securities will rank second as to principal and third as to interest according to the subordinated indebtedness priorities set forth in the immediately preceding paragraph once such holders (i) hold the exchange securities for two years after acquiring them from Banco Santander in the exchange offer or (ii) meet the evidentiary burden of overcoming the presumption of being a party related to the Issuer before the relevant insolvency court."

The obligations of the Issuer in respect of the Notes will be effectively subordinated to those obligations that are preferred under Spanish Insolvency Law 22/2003 (*Ley Concursal*).

### **Subordination of the Guarantee**

Banco Santander, as Guarantor, will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes on an unconditional and subordinated basis. The obligations of the Guarantor under the Guarantee will, in the case of insolvency (*concurso*), liquidation, dissolution or winding up or other proceeding of the Guarantor that requires the application of the priorities provided by the Spanish Insolvency Law (*Ley Concursal* 22/2003), be subordinated in right of payment to obligations as to principal on all unsecured unsubordinated indebtedness of the Guarantor, subject to statutory preferences under Spanish law and except for any subordinated indebtedness which by its terms is expressed to rank junior to the Guarantees, will rank *pari passu* with all other unsecured and subordinated indebtedness of the Guarantor, present and future, and will rank senior in priority to the claims of holders of equity securities of the Guarantor. Pursuant to Spanish Insolvency Law 22/2003 (*Ley Concursal*), after payment in full of indebtedness incurred by the Guarantor's insolvency estate (*Créditos contra la Masa*), the Guarantor's secured indebtedness (to the extent secured) (*Créditos con Privilegio Especial*), principal on the Guarantor's privileged obligations (*Créditos con Privilegio General*) under Spanish insolvency law (which include certain tax, social security and employee compensation obligations, among others), and principal on the Guarantor's unsecured unsubordinated indebtedness, but before distributions to shareholders and creditors of the Guarantor which are characterized as holders of equity (*Otros Acreedores a Título Asimilable al de Aportación de Capital*), the Guarantor will pay its unsecured subordinated indebtedness (as defined under Spanish Insolvency Law 22/2003 (*Ley Concursal*)) in the following order and pro rata within each class of indebtedness: (i) claims in respect of unsubordinated indebtedness lodged belatedly or inaccurately in the context of insolvency proceedings; (ii) principal on contractually subordinated indebtedness (such as the Guarantees); (iii) interest due on any class of indebtedness, except secured indebtedness (to the extent secured); (iv) fines; (v) claims of creditors which are related to the Guarantor; (vi) indebtedness arising from transactions set aside by Spanish Courts in the context of insolvency proceedings (*rescisión concursal*) and in respect of which the court has

determined that the relevant creditor has acted in bad faith; and (vii) claims under a contract with reciprocal obligations by creditors that, in the view of the relevant insolvency court upon consideration of a report from the insolvency administrators, are deemed to prejudice the insolvency estate by impeding the performance of the relevant contract.

Amounts to be paid by the Guarantor under the Guarantees shall be paid without deduction or withholding for any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Guarantor will pay Additional Amounts as described in and subject to the exceptions in the section entitled “— Payments of Additional Amounts” above. The obligations of the Guarantor are unaffected by any invalidity, irregularity or unenforceability of the Notes or the Fiscal and Paying Agency Agreement, any failure to enforce the provisions of such Notes or such Fiscal and Paying Agency Agreement, or any waivers, modification or indulgence granted to the Issuer in respect thereto by the Noteholders or the Fiscal and Paying Agent, or any other circumstance which may otherwise constitute a legal or equitable discharge of a surety or the Guarantor. The Guarantor will waive diligence, filing of claims with a court in the event of insolvency of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to such Note, and will covenant that the Guarantees will not be discharged until all amounts due as principal of, interest on and all Additional Amounts (if any) in respect of all Notes shall be paid in full, and the Guarantor shall have fully performed all its obligations in accordance with the provisions of the Notes, the Guarantees and the Fiscal and Paying Agency Agreement. Rights of the Noteholders under the Guarantees shall be reinstated with respect to any payments made that are subsequently avoided and returned due to the bankruptcy, dissolution or winding up of the Issuer. The Guarantor shall be subrogated to all rights of the Noteholder against the Issuer in respect of any amounts paid to such Noteholder by the Guarantor.

#### **Merger; Sale of Assets; Assumption**

Neither the Issuer nor the Guarantor will merge or consolidate with, or sell, convey or lease all or substantially all of its assets to, or merge into, any other corporation, unless:

- (a) in the case of a transaction involving the Issuer, in the case of a conveyance, transfer or lease, the acquiring entity, or, in the case of a merger or consolidation, the resulting entity, is the Guarantor or a wholly owned subsidiary of the Guarantor, which expressly assumes all obligations of the Issuer under the Notes, and the due and punctual performance and observance of all covenants and conditions under the Fiscal and Paying Agency Agreement that the Issuer must perform or observe; and
- (b) in the case of a transaction involving the Guarantor, in the case of a conveyance, transfer or lease, the acquiring entity, or, in the case of a merger or consolidation, the resulting entity, is formed under the laws of Spain or a member of the European Union or Organization for Economic Cooperation and Development, and expressly assumes all obligations of the Guarantor under the Fiscal and Paying Agency Agreement and the Guarantees, and the due and punctual performance and observance of all covenants and conditions under the Fiscal and Paying Agency Agreement and the Guarantees that the Guarantor must perform or observe; and
- (c) in the case of either (a) or (b) above, immediately after giving effect to such transaction, no event which, after notice or lapse of time, or both, would become an Event of Default, occurred and is continuing.

In the case of any merger, consolidation, sale, conveyance or lease not prohibited by (a), (b) or (c) above, if the acquiring or resulting entity's jurisdiction of incorporation or residence for tax purposes (the “taxing jurisdiction”) is not Spain, Additional Amounts will be payable under the Notes or the Guarantees, as applicable, for taxes imposed by the acquiring or resulting entity's taxing jurisdiction (subject to exceptions equivalent to those that apply to the obligation to pay Additional Amounts for taxes imposed by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax described above under the section entitled “— Payments of Additional Amounts”) on payments of interest or principal made on or after the date of the merger, consolidation, sale, conveyance or lease rather than taxes imposed on those payments by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax.

Additional Amounts will be payable on interest or principal due prior to the date of the merger, consolidation, sale, conveyance or lease only for taxes imposed by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, subject to the exceptions discussed under “— Payments of Additional Amounts” above.

The acquiring or resulting entity will also be entitled to redeem the Notes in the circumstances described below under the section entitled “— Redemption and Purchase — Early Redemption for Taxation Reasons” for any change or amendment to, or change in the application or official interpretation of, the laws or regulations of such entity’s taxing jurisdiction (which change, amendment or change in the application or official interpretation becomes effective on or after the date of the merger, consolidation, sale, conveyance or lease). After the obligations of the Issuer or the Guarantor have been assumed by a successor entity under these circumstances, the Issuer or the Guarantor, as the case may be, will be released from all its obligations under the Notes, the Guarantees and the Fiscal and Paying Agency Agreement.

The Guarantor or any wholly owned subsidiary of the Guarantor may assume the obligations of the Issuer under the Notes without the consent of the Noteholders. Any Notes so assumed, unless assumed by the Guarantor, will have the benefit of the Guarantee in respect of such Notes. In the event of an assumption by an entity with a taxing jurisdiction other than Spain, Additional Amounts under the Notes will be payable for taxes imposed by the assuming entity’s taxing jurisdiction (subject to exceptions equivalent to those that apply to the obligation to pay Additional Amounts for taxes imposed by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax described above under the section entitled “— Payments of Additional Amounts”) on payments of interest or principal made on or subsequent to the date of such assumption rather than taxes imposed on these payments by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax. In the event of such assumption, the Guarantor or wholly owned subsidiary of the Guarantor will be entitled to redeem the Notes in the circumstances described in the preceding paragraph.

Additional Amounts for payments of interest or principal made on or prior to the date of the assumption will be payable only for taxes imposed by Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, subject to the exceptions discussed under “— Payments of Additional Amounts” above.

## **Redemption and Purchase**

### ***Early Redemption for Taxation Reasons***

If, in relation to the Notes, (i) as a result of any change in the laws or regulations of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, or in the interpretation or administration of any such laws or regulations which becomes effective on or after the Issuance Date, the Issuer or the Guarantor, as the case may be, is or would be required to pay any Additional Amounts as provided in the Fiscal and Paying Agency Agreement, (ii) such circumstances are evidenced by the delivery by the Issuer or the Guarantor, as the case may be, to the Fiscal and Paying Agent of a certificate signed by an authorized officer or director of the Issuer or the Guarantor, as the case may be, stating that such circumstances prevail and describing the facts leading to such circumstances, together with an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail and (iii) a copy of the Bank of Spain’s consent to such redemption is delivered to the Fiscal and Paying Agent, the Issuer or the Guarantor, as the case may be, may, subject to the Spanish capital adequacy rules discussed below, at its option and having given no less than 30 nor more than 60 days’ notice (ending on a day upon which interest is payable) to the Noteholders in accordance with the terms described under “— Notices” below (which notice shall be irrevocable), redeem or repurchase, as the case may be, on any Interest Payment Date, all but not less than all of the outstanding Notes at their principal amount, together with accrued interest, if any, thereon to but not including the redemption date. No such notice of redemption may be given earlier than 150 days prior to the date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Notes then due.

Pursuant to Spanish capital adequacy rules, none of the Notes may be redeemed until five years after the Issuance Date and, thereafter, the Notes may only be redeemed with the prior consent of the Bank of Spain (*Banco de España*).

For a description of the Spanish tax treatment applicable to the accrued interest, if any, on the Notes upon an early redemption of such Notes, see “Taxation—Spanish Tax Considerations”.

#### ***Optional Redemption of the Notes***

The Issuer may, at its election and subject to the prior consent of the Bank of Spain (*Banco de España*) when required, having given not less than 30 nor more than 60 days’ notice (ending on a day upon which interest is payable) to the Noteholders in accordance with the terms described under “— Notices” (which notice shall be irrevocable), redeem on the Reset Date and on each Interest Payment Date thereafter all but not less than all of the outstanding Notes at a redemption price equal to 100% of the principal amount of such Notes to be redeemed plus accrued and unpaid interest thereon to, but excluding, the redemption date of such Notes.

For a description of the Spanish tax treatment applicable to the accrued interest, if any, on the Notes upon an early redemption of such Notes, see “Taxation—Spanish Tax Considerations”.

#### ***Purchase of Notes***

The Issuer and the Guarantor and any of their respective subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, provided that Notes which qualify as regulatory capital (*recursos propios*) can only be purchased in accordance with the requirements of Spanish law and the Bank of Spain.

#### ***Cancellation of Redeemed and Purchased Notes***

All unmatured Notes redeemed or purchased otherwise than in the ordinary course of business of dealing in securities or as a nominee will be cancelled immediately and may not be reissued or resold.

#### **Events of Default, Waiver, and Notice**

Subject to the conditions described below, if any of the following events occurs and is continuing (each an “Event of Default”), the Commissioner representing the Syndicate of Noteholders of each series of Notes may accelerate such series of Notes, at which time the principal of, interest and Additional Amounts, if any, on such Notes shall become immediately due and payable:

- (i) *Breach of other obligations*: if the Issuer or the Guarantor fails to perform or observe any of its other obligations under or in respect of such Notes, the Guarantees or the Fiscal and Paying Agency Agreement and such failure continues for a period of 60 days following the service by the Commissioner on the Issuer of a notice requiring the same to be remedied; or
- (ii) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer or the Guarantor (except in any such case for the purpose of a merger, consolidation or sale permitted under the provisions described above under “— Merger; Sale of Assets; Assumption”, provided that any entity that survives or is created as a result of such transaction is given a rating by an internationally recognized rating agency at least equal to the then-current rating of the Issuer or the Guarantor, as the case may be, at the time of such transaction); or
- (iii) *Cessation of business*: if the Issuer or the Guarantor ceases or threatens to cease to carry on the whole or a substantial part of its business (except in any such case for the purpose of a merger, consolidation or sale permitted under the provisions described above under “— Merger; Sale of Assets; Assumption”, provided that any entity that survives or is created as a result of such transaction is given a rating by an internationally recognized rating agency at least equal to the then-current rating of the Issuer or the Guarantor, as the case may be, at the time of such transaction), or the Issuer or the Guarantor stops or threatens to stop payment of, or is unable to, or admits inability to, pay any of its debts as they fall due, or is deemed unable to pay any of its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found insolvent; or
- (iv) *Insolvency proceedings*: if (a) proceedings are initiated against the Issuer or the Guarantor under any applicable liquidation, insolvency, reorganization 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 the Guarantor or in relation to the whole or a part of the assets of either of them, or any secured party takes possession of the whole or a part of the assets of either of them, or execution, attachment, sequestration or other similar process is executed, enforced upon, sued upon or put in force against the whole or a part of the assets of either of them and (b) in any case is not discharged within 14 days; or

- (v) *Arrangements with creditors*: if the Issuer or the Guarantor initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, reorganization or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any workout or other arrangement with, its creditors generally (or any class of its creditors); or
- (vi) *Guarantees*: if the Guarantees cease to be a valid and binding obligation of the Guarantor, or it becomes unlawful for the Guarantor to perform its obligations under the Guarantee, or the Guarantees are claimed by the Issuer or the Guarantor not to be in full force and effect.

If any Event of Default shall occur in relation to the Notes, the Commissioner acting upon a resolution of the Syndicate of Noteholders, in respect of all the Notes, or any Noteholder in respect of the Note of held by such Noteholder, and provided that such Noteholder does not contravene a valid resolution of the Syndicate of Noteholders, if any, may, by written notice to the Issuer, at the specified office of the Fiscal and Paying Agent, declare that such Note or Notes, as the case may be, and all interest then accrued on such Note or Notes, as the case may be, shall be immediately due and payable, whereupon the same shall become immediately due and payable at its principal amount, together with all interest (if any) accrued thereon and Additional Amounts (if any) without presentment, demand, protest or other notice of any kind, all of which the Issuer or the Guarantor, as the case may be, will expressly waive, unless, prior thereto, all Events of Default in respect of the Notes shall have been cured.

Such declarations may be rescinded and past defaults may be waived by the holders of a majority of the Notes then outstanding and represented and voting at a meeting of Noteholders pursuant to the procedures and under the conditions described under “— Syndicate of Holders, Meetings, Modification and Waiver” below.

Beneficial Owners holding Notes in book-entry form should consult with their banks or brokers for information on how to give notice or direction to, or make a request of, the Fiscal and Paying Agent and to make or cancel a declaration of acceleration.

The Fiscal and Paying Agency Agreement provides that none of the terms of the Fiscal and Paying Agency Agreement will require the Fiscal and Paying Agent to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or adequate indemnity against such liability is not reasonably assured to the Fiscal and Paying Agent.

### **The Fiscal and Paying Agent**

The Bank of New York Mellon will act as the initial Fiscal and Paying Agent under the Fiscal and Paying Agency Agreement.

### **Replacement of Notes**

If any Note, once issued in certificated form as described under “— Form, Denomination, Transfer and Registration” above, is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the office of the Fiscal and Paying Agent subject to applicable laws, on payment by the claimant of the expenses incurred in connection with such replacement and on the terms as to evidence, security, indemnity and otherwise as the Issuer, the Guarantor and the Fiscal and Paying Agent may reasonably require.



## **Syndicate of Noteholders, Meetings, Modification and Waiver**

### ***Syndicate of Noteholders***

The Noteholders shall meet in accordance with the regulations governing the syndicate of Noteholders (the “Regulations”). The Regulations contain the rules governing the functioning of the Syndicate and the rules governing its relationship with the Issuer and are attached to the relevant Public Deed of Issuance. A translation copy of the Regulations is included in the Fiscal and Paying Agency Agreement.

A temporary Commissioner will be appointed for the Syndicate by the Issuer and such individual may also be an employee or officer of the Issuer or the Guarantor. Upon the subscription of the Notes, the Commissioner will call a general meeting of Syndicate, the duty of which shall be to ratify or oppose the acts of each temporary Commissioner, confirm each such Commissioner in his post or appoint a person to substitute each such Commissioner and to ratify the Regulations.

“Syndicate” means the syndicate (*sindicato*) as this term is described under the Spanish Corporations Law (*Ley de Sociedades Anónimas*) and “Commissioner” means the trustee (*comisario*) of the Syndicate of Noteholders as this term is defined under the Spanish Corporations Law.

### ***Meetings***

The Fiscal and Paying Agency Agreement and the Regulations contain provisions for convening meetings of Noteholders to consider matters affecting their interests. A meeting of Noteholders may be called at the request of:

- the Board of Directors of the Issuer;
- the Commissioner on the Commissioner’s own initiative; or
- the Commissioner upon the request of Noteholders holding or representing at least 5% of the outstanding aggregate principal amount of the Notes.

**Voting at a meeting of Noteholders may be conducted by proxy.**

### ***Modification Without Consent of Noteholders***

We and the Fiscal and Paying Agent, with the consent of the Commissioner, may enter into supplemental agreements without the consent of the Noteholders under the Fiscal and Paying Agency Agreement to:

- secure the Notes;
- evidence the assumption by a successor corporation of our obligations;
- change the terms of the Notes to correct a manifest error (for the avoidance of doubt, no other modification may be made to the terms of the Notes except pursuant to a resolution of the Syndicate);
- evidence the acceptance of appointment by a successor fiscal and paying agent;
- change the Fiscal and Paying Agency Agreement in any manner which does not affect the terms of the Notes or interests of the Noteholders; or
- modify the tax withholding documentation procedures in accordance with changes in law or regulation or judicial or any administrative interpretation thereof.

### ***Modification with Consent of Noteholders***

If approved pursuant to a resolution of the Syndicate in accordance with the Regulations, the Issuer, the Guarantor and the Fiscal and Paying Agent may add any provisions to, or change in any manner or eliminate any of the provisions of, or waive any past defaults with respect to, the Fiscal and Paying Agency Agreement or modify in

any manner the rights of the Noteholders. However, the Issuer, the Guarantor and the Fiscal and Paying Agent may not make any of the following changes to the Notes without the consent of the general meeting of the Syndicate and of each Noteholder that would be affected by such change:

- change the stated maturity of the principal of or any installment of interest on any Note;
- reduce the principal amount of any Note;
- reduce the rate or extend the time of payment of interest on, any Note;
- reduce any amount payable on redemption of any Note;
- change the obligations of the Issuer or the Guarantor to pay Additional Amounts on any Note;
- waive a default in the payment of principal of, or interest on any Note;
- change the currency in which the principal, premium, or interest on, any Note is payable;
- impair the right of any Noteholder to take legal action to enforce the payment on the Notes or the Guarantees when due; or
- reduce the quorum requirements or the percentage of Notes the consent of whose Noteholders is required for modification of the Fiscal and Paying Agency Agreement.

Pursuant to the Regulations and the Fiscal and Paying Agency Agreement, the quorum at any meeting of any Syndicate called to adopt a resolution will be Noteholders holding or representing two-thirds (66⅔%) in outstanding aggregate principal amount of the Notes. At a meeting of any Syndicate duly convened and at which this quorum is present, any resolution to modify or amend, or to waive default with respect to, any provision (aside from those provisions requiring the consent of each Noteholder affected) will be effectively passed and decided if approved by Noteholders entitled to vote a majority in outstanding aggregate principal amount of Notes represented and voting at that meeting. If such quorum is not achieved, a subsequent meeting may be convened pursuant to the Regulations and resolutions may then be taken by the vote of Noteholders representing a majority in outstanding aggregate principal amount of Notes represented and voting at such meeting.

## **Notices**

Notices to Noteholders will be deemed to be validly given if mailed to them at their respective addresses as recorded in the register kept by the Fiscal and Paying Agent, and will be deemed to have been validly given on the seventh day after the date of such mailing. Notices of Syndicate meetings shall be given: (i) so long as any of the Notes are listed on the London Stock Exchange and the London Stock Exchange so requires, by publication in an English language newspaper in London (which is expected to be the Financial Times) or, if such publication is not practicable but is required by the London Stock Exchange's Regulated Market, in a leading daily newspaper in English and having general circulation in Europe; (ii) by mail to DTC or any other clearing system as we may appoint; (iii) by publication of an announcement in the Official Bulletin of the Mercantile Registry (*Boletín Oficial del Registro Mercantil*); and (iv) in one of the daily newspapers of greatest circulation in Madrid; in each case not less than one month prior to the Syndicate meeting.

## **Governing Law**

The Fiscal and Paying Agency Agreement, the terms and conditions of the Notes and the Guarantees and all other matters arising from or in connection with the Notes and the Guarantees, other than as set forth in the following paragraph, shall be governed by, and shall be construed in accordance with, the laws of the State of New York.

The due authorization of the Notes, the ranking of the Notes and Guarantees and the Regulations governing the Syndicate, as described above under "Syndicate of Holders, Meetings, Modification and Waiver — Syndicate of Noteholders", shall be governed by Spanish law.

## **TAXATION**

### **Spanish Tax Considerations**

The following is a discussion of the Spanish tax consequences of the ownership of Notes. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain and does not purport to address the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Prospective purchasers of the Notes are advised to consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of Notes.

The summary set out below is based upon Spanish law as in effect on the date of this Prospectus and is subject to any change in such law that may take effect after such date.

References in this section to securityholders include the beneficial owners of the Notes. The statements regarding Spanish law and practice set forth below assume that the Notes will be issued, and transfers thereof will be made, in accordance with the Spanish law.

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

(a) of general application, Additional Provision Two of Law 13/1985 of May 25 on investment ratios, own funds and information obligations of financial intermediaries, as amended by Law 19/2003 of July 4 on legal rules governing foreign financial transactions and capital movements and various money laundering prevention measures, Law 23/2005 of November 18 on certain tax measures to promote the productivity and Law 4/2008 of December 23 abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and introducing other amendments to the tax legal system, as well as Royal Decree 1065/2007 of July 27 enacting the General Regulations on the actions and proceedings relating to tax management and tax audit and on the development of the common rules concerning tax application and procedures;

(b) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("IIT"), Law 35/2006 of November 28 on the IIT and on the partial amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Wealth Tax Law, and Royal Decree 439/2007 of March 30 promulgating the IIT Regulations, along with Law 19/1991 of June 6 on Wealth Tax as amended by Law 4/2008 of December 23 abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and Law 29/1987 of December 18 on Inheritance and Gift Tax;

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

(d) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("NRIT"), Royal Legislative Decree 5/2004 of March 5 promulgating the Consolidated Text of the NRIT Law, and Royal Decree 1776/2004 of July 30 promulgating the NRIT Regulations, along with Law 19/1991 of June 6 on Wealth Tax as amended by Law 4/2008 of December 23 abolishing the Wealth Tax levy, generalizing the Value Added Tax monthly refund system and Law 29/1987 of December 18 on Inheritance and Gift Tax.

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

### ***Individuals with Tax Residency in Spain***

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

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes (including imputed income deriving from the exchange of the Notes in relation to an exchange offer) constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25.2 of the IIT Law, and must be included in the investor's IIT savings taxable base and taxed at a flat rate of 18%.

Both types of income are subject to a withholding on account of IIT at the rate of 18%. See "Annex A—Procedures for Spanish Withholding Tax Documentation for Securities held through an Account at The Depository Trust Company." The individual holder may credit the withholding against his or her final IIT liability for the relevant tax year.

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

Individuals who are resident in Spain for tax purposes and hold Notes on the last day of any year will be subject to the Spanish Wealth Tax. However, Law 4/2008 has amended Law 19/1991 introducing a credit of 100% over the tax due and removing the obligation to file Wealth Tax declaration as from January 1, 2008.

Due to this amendment to Law 19/1991, Spanish resident investors are not effectively subject to Net Wealth Tax.

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

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The applicable tax rates currently range between 7.65% and 81.6%, depending on relevant factors.

### ***Legal Entities with Tax Residency in Spain***

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

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes (including imputed income deriving from the exchange of the Notes in relation to an exchange offer) are subject to CIT (at the current general tax rate of 30%) in accordance with the rules for this tax.

In accordance with Section 59.s) of the CIT Regulations, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organized markets in OECD countries. The Issuer will make an application for the Notes to be traded on the London Stock Exchange prior to the First Interest Payment Date and, upon admission to trading on the New York Stock Exchange, the Notes will fulfill the requirements set forth in the legislation for exemption from withholding.

The General Directorate for Taxation (Dirección General de Tributos or "DGT"), on July 27, 2004, issued a ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that the Notes be placed outside Spain in another OECD country. The Issuer considers that the issue of the Notes will fall within this exemption as the Notes are to be sold outside Spain and in the international capital markets and none of the entities initially placing the Notes is resident in Spain. Consequently, the Issuer will not withhold on interest payments to Spanish CIT taxpayers that provide relevant information to qualify as such. If the Spanish tax authorities maintain a different opinion on this matter, however, the Issuer will be bound by that opinion and, with immediate effect, will make the appropriate withholding and the Issuer and the Guarantor will not, as a result, pay Additional Amounts.

In order to implement the exemption from withholding, the procedures laid down in the Order of December 22, 1999 will be followed. No reduction percentage will be applied. See “—Evidencing of Beneficial Owner Residency in Connection with Interest Payments.”

*Wealth Tax (Impuesto sobre el Patrimonio)*

Spanish legal entities are not subject to the Spanish Wealth Tax.

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

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

***Individuals and Legal Entities with No Tax Residency in Spain***

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

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

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for Spanish CIT taxpayers. See “—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*).” Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

(b) Non-Spanish resident investors not acting through a permanent establishment in Spain

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

Law 4/2008 amends, among other things, Additional Provision Two of Law 13/1985, which was the source of the obligation on Spanish issuers or their parent companies to report to the Spanish tax authorities on the identity and residence of holders of their debt securities. This reporting obligation was typically satisfied, in part, by the collection of certain information from investors at the time of each payment of interest or principal, Spanish issuers, Acupay and DTC (among others) developed certain procedures to enable the timely delivery of such information.

Law 4/2008 removes the obligation on Spanish issuers or their parent companies to provide to the Spanish tax authorities the relevant information concerning holders who are not resident in Spain. The amended wording of Additional Provision Two of Law 13/1985, therefore, continues to apply the reporting obligation only in respect of Spanish resident holders (individual and corporate) and non-resident holders operating through a permanent establishment in Spain.

The implementation of the changes contemplated by Law 4/2008 is subject to the adoption of relevant secondary legislation. At the date of this Prospectus, such secondary legislation had not yet been adopted.

In order to be eligible for the exemption from NRIT, it is necessary to comply with certain information obligations relating to the identity and residence of the beneficial owners entitled to receive interest payments on the Notes, in the manner detailed under “—Evidencing of Beneficial Owner Residency in Connection with Interest Payments” as laid down in section 44 of Royal Decree 1065/2007, remain applicable irrespective of whether or not holders of the Notes are resident in Spain. If these information obligations are not complied with in the manner indicated, the Issuer will withhold 18% and the Issuer will not pay Additional Amounts.

The Issuer believes that the filing with the SEC of a shelf registration statement in order to allow public sales of the Notes in the United States and to U.S. persons will not entail the existence of a taxable event (*i.e.*, exchange) under Spanish tax law, either at the time of filing the shelf registration statement or at the time of any resale of the

Notes. Nevertheless, the resale of the Notes under a shelf registration statement will be treated for Spanish tax purposes as any other transfer of such securities, with the tax consequences described in the preceding paragraphs.

Beneficial owners not resident in Spain for tax purposes and entitled to exemption from NRIT who do not timely provide evidence of their tax residency in accordance with the procedure described in detail below, may obtain a refund of the amount withheld from the Issuer in respect of the interest payments on the Notes by following a quick refund procedure or, otherwise, directly from the Spanish tax authorities by following the standard refund procedure described below under “—Evidencing of Beneficial Owner Residency in Connection with Interest Payments.”

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

Law 4/2008 has amended Law 19/1991 introducing a credit of 100 per cent over the tax due and removing the obligation to file Wealth Tax declaration as from January 1, 2008.

Due to this amendment to Law 19/1991, non-resident individuals are not effectively subject to Wealth Tax.

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

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

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

Non-resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), without prejudice to the provisions of any applicable double tax treaty entered into by Spain. In general, double tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

#### ***Tax Rules for Notes Not Listed on an Organized Market in an OECD Country***

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

If the Notes are not listed on an organized market in an OECD country on any Interest Payment Record Date, interest payments to beneficial owners in respect of the Notes will be subject to withholding tax at the current rate of 18%, except if an exemption from Spanish tax or a reduced withholding tax rate is provided by the Spanish law or by an applicable convention for the avoidance of double taxation entered into between Spain and the country of residence of the relevant beneficial owner. Individuals and entities that may benefit from such exemptions or reduced tax rates would have to follow procedures described below under “—Evidencing of Beneficial Owner Residency in Connection with Interest Payments” in order to obtain a refund of the amounts withheld.

##### ***Tax Rules for Payments Made by the Guarantor***

Payments made by the Guarantor to securityholders will be subject to the same tax rules previously set out for payments made by the Issuer.

##### ***Evidencing of Beneficial Owner Residency in Connection with Interest Payments***

As described under “Taxation—Spanish Tax Considerations—Individual and Legal Entities with No Tax Residency in Spain,” interest and other financial income paid with respect to the Notes for the benefit of non-Spanish resident investors not acting, with respect to the Notes, through a permanent establishment in Spain will not be subject to Spanish withholding tax unless such non-resident investor fails to comply with the relevant tax information procedures.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44 of Royal Decree 1065/2007, being the following:

In accordance with Section 44(1), an annual return must be filed with the Spanish tax authorities, by the Guarantor, specifying the following information with respect to the Notes:

(A) the identity and country of residence of the recipient of the income on the Notes (when the income is received on behalf of a third party (i.e., a beneficial owner), the identity and country of residence of that third party);

(B) the amount of income received; and

(C) details identifying the Notes.

In accordance with Section 44(2), for the purpose of preparing the annual return referred to in sub-section 44 (1), certain documentation regarding the identity and country of residence of the beneficial owners obtaining income on the Notes must be submitted to the Issuer and the Guarantor in advance of each Interest Payment Record Date, as specified in more detail in Annexes A and B to this Prospectus.

In addition to the above, as described under “Taxation—Spanish Tax Considerations—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)” Spanish CIT taxpayers will not be subject to withholding tax on income derived from the Notes, provided that such CIT taxpayers provide relevant information to qualify as such in advance of each Interest Payment Record Date.

In light of the above, the Issuer, the Guarantor, the Fiscal and Paying Agent, DTC and Acupay have arranged certain procedures to facilitate the collection and verification of information concerning the identity and country of residence of beneficial owners (either non-Spanish resident or CIT taxpayers) holding through a Qualified Institution (as defined below) through and including each relevant Interest Payment Record Date. The delivery of such information, while the Notes are in global form, will be made through the relevant direct or indirect participants in DTC. The Issuer will withhold at the then-applicable rate (currently 18%) from any interest payment or of Notes as to which the required information has not been provided or the required procedures have not been followed.

The procedures set forth under “—Tax Relief at Source Procedure” (see Article I and II of Annex A to this Prospectus) are intended to identify beneficial owners who are (i) corporations resident in Spain for tax purposes, or (ii) individuals or legal entities not resident in Spain for tax purposes, that do not act with respect to the Notes through a permanent establishment in Spain.

These procedures are designed to facilitate the collection of certain information concerning the identity and country of residence of the beneficial owners mentioned in the preceding paragraph (who therefore are entitled to receive income in respect of the Notes free and clear of Spanish withholding taxes) who are participants in DTC or hold their interests through participants in DTC, provided in each case, that the relevant DTC participant is a central bank, other public institution, international organization, bank, credit institution or financial entity, including collective investment institutions, pension fund or insurance entity, resident either in an OECD country (including the United States) or in a country with which Spain has entered into a double taxation treaty subject to a specific administrative registration or supervision scheme (each, a “Qualified Institution”).

Beneficial owners who are entitled to receive income in respect of the Notes free of any Spanish withholding taxes but who do not hold their Notes through a Qualified Institution will have Spanish withholding tax withheld from interest payments and other financial income paid with respect to their Notes at the then-applicable rate (currently 18%). Beneficial owners who do not hold their Notes through a Qualified Institution can follow the “—Quick Refund Procedure” set forth in Article II of Annex A or the “—Direct Refund from Spanish Tax Authorities Procedure” set forth in Article II of Annex B, in order to have such withheld amounts refunded.

A detailed description of these procedures is set forth in Annex A and Annex B to this Prospectus.

Beneficial owners, their custodians or DTC participants with questions about these Spanish tax information reporting and withholding procedures, including the submission of tax certification information and a certificate of

tax residence issued by the relevant tax authority of the beneficial owner's country of residence, may contact Acupay at one of the following locations. There is no cost for this assistance.

Via email: [info@acupay.com](mailto:info@acupay.com)

By post, telephone or fax:

**IN NEW YORK:**

Acupay System LLC  
Attention: Sabrina Cruz  
30 Broad Street – 46th Floor  
New York, N.Y. 10004  
USA  
Tel. 1-212-422-1222  
Fax. 1-212-422-0790

**IN LONDON:**

Acupay System LLC  
Attention: Nina Santa-Maria  
First Floor  
28 Throgmorton Street  
London EC2N 2AN  
United Kingdom  
Tel. 44-(0)-207-382-0340  
Fax. 44-(0)-207-256-7571

**EU Savings Directive**

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

On September 15, 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On November 13, 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

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



## GENERAL INFORMATION

1. The creation and issue of the Notes was authorized by the sole shareholder's resolution of the Issuer dated 20 July 2009 and the resolution of the meeting of the Board of Directors (*Consejo de Administración*) of the Issuer dated 7 July 2009 as amended and by the resolution of the meeting of the Board of Directors of the Issuer dated 20 July 2009. The Guarantee of the Notes has been authorised by a resolution of the Executive Committee of the Guarantor dated 20 July 2009.
2. The Issuer does not intend to provide any post-issuance information in relation to the issue of the Notes.
3. The yield on the Notes until the Reset Date is 6.5 per cent. per annum.
4. The total expenses related to the admission of the Notes to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Regulated Market equal approximately GBP 7,175.
5. So far as the Issuer or Guarantor is aware, no person involved in the offer of the Notes has an interest material to the Notes.
6. There has been no significant change in the financial or trading position of the Group since 31 March, 2009, being the date of the most recently published unaudited summarised consolidated financial data of the Group.
7. During the past two years, the Bank has not been a party to any contracts that were not entered into in the ordinary course of business of the Bank and which was material to the Group as a whole, except as disclosed in "Recent Developments" above.
8. Copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the registered office of the Issuer and the head office of the Guarantor (being Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte, Madrid, Spain):
  1. *the estatutos* (by-laws) of each of the Issuer and of the Guarantor;
  2. this Prospectus, together with any supplements thereto;
  3. the Fiscal and Paying Agency Agreement relating to the Notes;
  4. the documents listed under "Documents Incorporated by Reference";
  5. the Public Deed of Issuance relating to the Notes; and
  6. the Guarantee.

## ANNEX A

### Procedures for Spanish Withholding Tax Documentation For Securities Held Through an Account at The Depository Trust Company

*Capitalized terms used but not otherwise defined in this Annex A shall have the meaning ascribed to them elsewhere in this Prospectus. References to “Securities” in this Annex A shall be deemed to include the Notes.*

#### Article I

#### **Immediate Refund (or “Relief at Source”) Procedure (procedure that complies with Spanish Law 13/1985 as amended by Laws 19/2003, 23/2005 and 4/2008, Royal Decree 1065/2007 and article 59.q or 59.s) of the Corporate Income Tax Regulation approved by Royal Decree 1777/2004 of July 30, 2004) for Interest Payments on Notes**

##### **A. DTC Participant Submission and Maintenance of Beneficial Owner Information**

1. At least five New York Business Days prior to each record date preceding an Interest Payment Date, the Issuer shall provide an issuer announcement to the Fiscal and Paying Agent, and the Fiscal and Paying Agent shall, (a) provide The Depository Trust Company (“**DTC**”) with such issuer announcement that will form the basis for a DTC important notice (the “**Important Notice**”) regarding the relevant interest payment and tax relief entitlement information for the Securities and (b) request DTC to post such Important Notice on its website as a means of notifying direct participants of DTC (“**DTC Participants**”) of the requirements described in this Annex.

2. Beginning on the New York Business Day following each Record Date and continuing until 8:00 p.m. New York time on the fourth New York Business Day prior to each Interest Payment Date (the “**Standard Deadline**”), each DTC Participant that is a Qualified Institution must (i) enter directly into the designated system established and maintained by Acupay (the “**Acupay System**”) the Beneficial Owner identity and country of tax residence information required by Spanish tax law (as set forth in Article I of Annex C) in respect of the portion of such DTC Participant’s position in the Securities that is exempt from Spanish withholding tax (the “**Beneficial Owner Information**”) and (ii) make an election via the DTC Elective Dividend Service (“**EDS**”) certifying that such portion of Securities for which it submitted such Beneficial Owner Information is exempt from Spanish withholding tax (the “**EDS Election**”).

3. Each DTC Participant must ensure the continuing accuracy of the Beneficial Owner Information and EDS Election, irrespective of any changes in, or in beneficial ownership of, such DTC Participant’s position in the Securities through 8:00 p.m. New York time on the New York Business Day immediately preceding each Interest Payment Date by making adjustments through the Acupay System and EDS. All changes must be reflected, including those changes (via Acupay) which do not impact the DTC Participant’s overall position at DTC or the portion of that position at DTC as to which no Spanish withholding tax is being assessed.

##### **B. Tax Certificate Production and Execution**

After entry of Beneficial Owner Information into the Acupay System by a DTC Participant, the Acupay System will produce completed forms of Exhibit I, Exhibit II or Exhibit III to Annex C (as required by Spanish law) (the “**Interest Payment Tax Certificates**”), which shall summarize the Beneficial Owner Information introduced and maintained by such DTC Participant into the Acupay System. When any Interest Payment Date is also a Maturity Date or a redemption date for any series of Securities, and if the Securities of such series were initially issued below par with an original issue discount (“**OID**”), a separate set of Tax Certificates (the “**OID Tax Certificates**”) and, together with the Interest Payment Tax Certificates, the “**Tax Certificates**”) will be generated by the Acupay System reporting income resulting from the payment of OID at the Maturity Date or such earlier redemption date. Such DTC Participant will then be required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Tax Certificates directly to Acupay for receipt by the close of business on the Standard Deadline. The original of each Tax Certificate must be sent to Acupay for receipt no later than the 15th calendar

day of the month immediately following the Interest Payment Date. All Tax Certificates will be dated as of the relevant Interest Payment Date.

**NOTE: A DTC Participant that obtains favorable tax treatment through the Immediate Refund (aka “Relief at Source”) Procedure and fails to submit to Acupay the original Tax Certificates as described above may be prohibited by the Issuer from using the procedure to obtain favorable tax treatment with respect to future payments. In such event, the DTC Participant will receive the interest payment on its entire position net of the applicable withholding tax (currently 18%), and relief will need to be obtained directly from the Spanish tax authorities by following the direct refund procedure established by Spanish tax law.**

#### **C. Additional Acupay and DTC Procedures**

1. In addition to its other duties and obligations set forth herein, Acupay will be responsible for the following tasks (collectively, the **“Acupay Verification Procedures”**):

(a) comparing the Beneficial Owner Information and Tax Certificates provided in respect of each DTC Participant’s position with the EDS Elections provided by that DTC Participant in order to determine whether any discrepancies exist between such information, the corresponding EDS Elections and the DTC Participant’s position in the Securities at DTC;

(b) collecting and collating all Tax Certificates received from DTC Participants;

(c) reviewing the Beneficial Owner Information and the Tax Certificates using appropriate methodology in order to determine whether the requisite fields of Beneficial Owner Information have been supplied and that such fields of information are responsive to the requirements of such Tax Certificates in order to receive payments without Spanish withholding tax being assessed; and

(d) liaising with the DTC Participants in order to request that such DTC Participants:

(i) complete any missing, or correct any erroneous, Beneficial Owner Information identified pursuant to the procedures set forth in (a) and (c) above,

(ii) correct any erroneous EDS Election identified pursuant to the procedures set forth in (a) and (c) above, and

(iii) revise any Tax Certificates identified pursuant to the procedures set forth in (a) and (c) above as containing incomplete or inaccurate information.

#### **D. Updating and Verification of Beneficial Owner Information**

1. By 9:30 a.m. New York time on the New York Business Day following the Standard Deadline, DTC will transmit to Acupay an **“EDS Standard Cut-off Report”** confirming DTC Participant positions and EDS Elections as of the Standard Deadline. By 12:00 p.m. New York time on the New York Business Day following the Standard Deadline, Acupay will transmit to DTC a provisional summary report of all Beneficial Owner Information which has been submitted through the Acupay System as of the Standard Deadline, provisionally confirmed, to the extent possible, against the information set forth in the EDS Standard Cut-off Report. The provisional summary report shall set forth (i) the position in the Securities held by each DTC Participant as of the Standard Deadline and (ii) the portion of each DTC Participant’s position in the Securities in respect of which Tax Certificates have been provided to support the payment of interest without Spanish withholding tax being assessed.

2. DTC Participants will be required to ensure that Beneficial Owner Information entered into the Acupay System and the EDS Elections are updated to reflect any changes in beneficial ownership or in such DTC Participants’ positions in the Securities occurring between the Standard Deadline and 8:00 p.m. New York time on the New York Business Day immediately preceding the Interest Payment Date. For this purpose, the DTC EDS system will remain accessible to DTC Participants until 8:00 p.m. New York time on the New York Business Day immediately preceding the Interest Payment Date. In addition, Acupay will accept new or amended Beneficial Owner Information before 9:45 a.m. New York time, and DTC will accept requests for changes to EDS Elections at the request of DTC Participants until 9:45 a.m. New York time on each Interest Payment Date.

3. Beginning at 7:45 a.m. New York time on the Interest Payment Date, Acupay will through the Acupay Verification Procedures (as defined above) perform the final review of each DTC Participant’s Beneficial Owner Information, EDS Elections and changes in DTC position since the Standard Deadline. Based on these Acupay

Verification Procedures, Acupay will (i) seek to notify any affected DTC Participant until 9:45 a.m. New York time on such Interest Payment Date of any inconsistencies among these data, or erroneous or incomplete information provided by such DTC Participant and (ii) use its best efforts to obtain revised Beneficial Owner Information, Tax Certificates (as defined above) and/or EDS Elections from any such DTC Participant as necessary to correct any inconsistencies or erroneous or incomplete information. The failure to correct any such inconsistencies, (including the failure to fax or send PDF copies of new or amended Tax Certificates) by 9:45 a.m. New York time on the Interest Payment Date (or if Acupay, despite its best efforts to do so, does not confirm receipt of such correction by 9:45 a.m. New York time on the Interest Payment Date) will result in the payments in respect of the entirety of such DTC Participant's position being made net of Spanish withholding tax. Upon receipt of a report of EDS Elections as of 9:45 a.m. New York time on the Interest Payment Date from DTC, Acupay will then notify DTC of the final determination of which portion of each DTC Participant's position in the Securities should be paid gross of Spanish withholding tax and which portion of such position should be paid net of such tax. Based on such Acupay determination, DTC will make adjustments to the EDS in order to reduce to zero the EDS Elections received by DTC from DTC Participants as of 9:45 a.m. New York time on the relevant Interest Payment Date, where as a result of any inconsistencies between such DTC Participant's Beneficial Owner Information, EDS Election and DTC position, the entirety of such DTC Participant position will be paid net of Spanish withholding taxes.

The adjustments described in the preceding paragraph will be made by DTC exclusively for the purposes of making payments, when applicable, net of Spanish withholding taxes and will have no impact on the EDS Election made by the relevant DTC Participants as of 9:45 a.m. New York time on the relevant Interest Payment Date.

4. DTC will transmit a final **"Report to Paying Agent"** to Acupay by 10:30 a.m. New York time on each Interest Payment Date setting forth each DTC Participant's position in the Securities as of 8:00 p.m. New York time on the New York Business Day immediately preceding each Interest Payment Date and the portion of each such DTC Participant's position in the Securities on which interest payments should be made net of Spanish withholding tax and the portion on which interest payments should be made without Spanish withholding tax being assessed, as applicable, based on the status of the EDS Elections received by DTC for each DTC Participant as of 9:45 a.m. New York time on the Interest Payment Date and reflecting the adjustments, if any, to be made by DTC to the EDS described in paragraph D.3 above of this Article I of Annex A.

5. Acupay shall immediately, but no later than 11:00 a.m. New York time on each Interest Payment Date, release (through a secure data upload/download facility) PDF copies of the final Report to Paying Agent to the Fiscal and Paying Agent and the Issuer, along with PDF copies of the related signed Tax Certificates to the Issuer.

6. Acupay will forward original paper Tax Certificates it receives for receipt by the Issuer no later than the 18th calendar day of the month immediately following each Interest Payment Date. Acupay shall maintain records of all Tax Certificates (and other information received through the Acupay System) for the longer of (x) five years from the date of delivery thereof or (y) five years following the final maturity or redemption of the Securities, and shall, during such period, make copies of such records available to the Issuer at all reasonable times upon request. In the event that the Issuer notifies Acupay in writing that it is the subject of a tax audit, Acupay shall maintain such duplicate backup copies until the relevant statute of limitations applicable to any tax year subject to audit expires.

#### **E. Interest Payments**

1. On or prior to each Interest Payment Date, the Issuer will transmit to the Fiscal and Paying Agent an amount of funds sufficient to make interest payments on the outstanding principal amount of the Securities without Spanish withholding tax being assessed.

2. By 1:00 p.m. New York time on each Interest Payment Date, the Fiscal and Paying Agent will (i) pay the relevant DTC Participants (through DTC) for the benefit of the relevant Beneficial Owners the interest payment gross or net of Spanish withholding tax, as set forth in the final Report to Paying Agent and (ii) promptly return the remainder of the funds to the Issuer. The transmission of such amounts shall be contemporaneously confirmed by the Fiscal and Paying Agent to Acupay. The Issuer has authorized the Fiscal and Paying Agent to rely on the final Report to Paying Agent in order to make the specified payments on each Interest Payment Date. Notwithstanding anything herein to the contrary, the Issuer may direct the Fiscal and Paying Agent to make interest payments on the Securities in a manner different from that set forth in the final Report to Paying Agent if the Issuer (i) determines that there are any inconsistencies with the Tax Certificates provided or any information set forth therein is, to the Issuer's knowledge, inaccurate, and (ii) provides notice of such determination in writing to DTC, Acupay and the

Fiscal and Paying Agent prior to 11:30 a.m. New York time on the relevant Interest Payment Date along with a list of the affected DTC Participants showing the amounts to be paid to each such DTC Participant.

## **Article II**

### **Quick Refund Procedures**

#### **A. Documentation Procedures**

1. Beneficial owners holding through a Qualified Institution that is a DTC participant:

a. Beginning at 9:00 a.m. New York City time on the New York Business Day following each Interest Payment Date until 5:00 p.m. New York City time on the tenth calendar day of the month following the relevant Interest Payment Date (or if either such day is not a New York Business Day, the first New York Business Day immediately preceding such day) (the “Quick Refund Deadline”), a DTC participant (i) which is a Qualified Institution (as defined in Article I of Annex B) (ii) holds Securities on behalf of beneficial owners entitled to exemption from Spanish withholding tax and (iii) which was paid net of Spanish withholding taxes due to a failure to comply with the Immediate Refund (or “Relief at Source”) Procedure set forth in Article I of this Annex A above, may submit through the Acupay System new or amended Beneficial Owner Information with respect to such beneficial owners’ holdings.

b. After entry of Beneficial Owner Information into the Acupay System by such DTC participant, the Acupay System will produce completed Tax Certificates. Such DTC participant will then be required to (i) print out, (ii) review, (iii) sign and (iv) fax or send by email a PDF copy of the duly signed Tax Certificate directly to Acupay for receipt by Acupay no later than the Quick Refund Deadline. Any such Tax Certificates will be dated as of the Interest Payment Date.

c. Acupay will then conduct the Acupay Verification Procedures with respect to the Beneficial Owner Information submitted by the DTC participants pursuant to Articles I and II of this Annex A by comparing such Beneficial Owner Information with the amount of Securities entitled to the receipt of income on the Interest Payment Date as reported to Acupay by (i) the Fiscal and Paying Agent, (ii) DTC, as having been held in such DTC participant’s account as evidenced by either its position in the Securities as of the Interest Payment Date and (iii) as established by DTC EDS Elections. Until the Quick Refund Deadline, DTC Participants may revise or resubmit Beneficial Owner Information, as they case may be, in order to cure any inconsistency identified.

d. Acupay will collect payment instructions from DTC participants or their designees and, no later than 12:00 p.m. New York City time on the third calendar day following the Quick Refund Deadline (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), will forward PDF copies of the verified Tax Certificates, to the Issuer and the Guarantor and the payment instructions to the Issuer, the Guarantor and the Fiscal and Paying Agent.

2. Beneficial owners holding through a DTC participant that is not a Qualified Institution:

a. Beneficial owners entitled to receive interest payments, OID income in respect of any Securities gross of any Spanish withholding taxes but who have been paid net of Spanish withholding taxes as a result of holding interests in such Securities through DTC participants who are not Qualified Institutions will be entitled to utilize the Quick Refund Procedures set forth below.

b. Such beneficial owners may request from the Issuer the reimbursement of the amount withheld by providing Acupay, as an agent of the Issuer, with (i) documentation to confirm their securities entitlement in respect of the Securities on the relevant Interest Payment Date (which documentation must include statements from (A) DTC and (B) the relevant DTC Participant setting forth such DTC participant’s aggregate DTC position on the relevant Interest Payment Date) as well as the portion of such position that was paid net and gross of Spanish withholding taxes and (ii) a Government Tax Residency Certificate. Such Government Tax Residency Certificate (which will be valid for a period of one year after its date of issuance) together with the information regarding the securities entitlement in respect of the Securities must be submitted to Acupay on the

behalf of the Issuer no later than the Quick Refund Deadline. Acupay will collect payment instructions from DTC participants or their designees, as the case may be, and, no later than 12:00 p.m. New York City time on the third calendar day following the Quick Refund Deadline (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), will forward to the Issuer and the Guarantor PDF copies and originals of the Government Tax Residency Certificates, and to the Issuer, the Guarantor and the Fiscal and Paying Agent (x) the related payment instructions and (y) a reconciliation of such payment instructions to (1) the outstanding principal amount of Securities owned through each DTC participant as of the relevant Interest Payment Date and (2) the outstanding number of such securities on which interest payments or OID income was paid net of Spanish withholding tax on the relevant Payment Date.

### 3. Early Redemption of the Securities

In the case of early redemption, Quick Refund Procedures substantially similar to those procedures set forth in this Article II of Annex A will be made available to investors. Detailed descriptions of such Quick Refund Procedures will be available upon request from Acupay in the event of such early redemption.

## **B. Payment Procedures**

1. Upon receipt of the relevant Tax Certificates and Government Tax Residency Certificates together with related documentation (if any) from Acupay pursuant to the procedures in part A. of this Article II, the Issuer will review Government Tax Residency Certificates together with related documentation (if any) and confirm the related payments no later than the 18th calendar day of the month following the relevant Interest Payment Date (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day).

2. On the 19th calendar day of the month following the relevant Interest Payment Date (or if such day is not a New York Business Day, the first New York Business Day immediately preceding such day), the Issuer will make payments equal to the amounts initially withheld from DTC participants complying with the Quick Refund Procedure to the Fiscal and Paying Agent, and the Fiscal and Paying Agent shall, within one New York Business Day of such date, transfer such payments to DTC participants directly for the benefit of beneficial owners.

**NOTE: For the avoidance of doubt, beneficial owners shall only be entitled to receive cash refunds in connection with these Quick Refund Procedures, and nothing contained in this Article II of Annex A shall be interpreted as entitling beneficial owners to receive Notes in connection therewith.**

## **ANNEX B**

### **FORMS OF REQUIRED SPANISH WITHHOLDING TAX DOCUMENTATION AND PROCEDURES FOR DIRECT REFUND FROM SPANISH TAX AUTHORITIES**

*References to “Securities” in this Annex A shall be deemed to include the Notes.*

#### **Article I**

##### *Documentation Required by Spanish Tax Law pursuant to the Relief at Source Procedure*

1. If the holder of Securities is not resident in Spain for tax purposes and acts for its own account and is a central bank, other public institution or international organization, a bank or credit institution or a financial entity, including collective investment institutions, pension funds and insurance entities, resident in an OECD country (including the United States) or in a country with which Spain has entered into a double tax treaty subject to a specific administrative registration or supervision scheme (each, a “Qualified Institution”), the entity in question must certify its name and tax residency substantially in the manner provided in Exhibit I to this Annex.
2. In the case of transactions in which a Qualified Institution which is a holder of Securities acts as intermediary, the entity in question must, in accordance with the information contained in its own records, certify the name and tax residency of each beneficial owner not resident in Spain for tax purposes as of the Interest Payment Date substantially in the manner provided in Exhibit II to this Annex.
3. In the case of transactions which are channeled through a securities clearing and deposit entity recognized for these purposes by Spanish law or by the law of another OECD member country, the entity in question (i.e., the clearing system participant) must, in accordance with the information contained in its own records, certify the name and tax residency of each beneficial owner not resident in Spain for tax purposes as of the Interest Payment Date substantially in the manner provided in Exhibit II to this Annex.
4. If the beneficial owner is resident in Spain for tax purposes and is subject to Spanish Corporation Tax, the entities listed in paragraphs (2) or (3) above (such as DTC participants which are Qualified Institutions) must submit a certification specifying the name, address, Tax Identification Number, the CUSIP or ISIN code of the Securities, the beneficial interest in the Securities held at each Interest Payment Date gross income and amount withheld, substantially in the form set out in Exhibit III to this Annex.
5. In the case of beneficial owners who do not hold their interests in the Securities through Qualified Institutions or whose holdings are not channeled through a securities clearing and deposit entity recognized for these purposes by Spanish law or by the law of another OECD member country, the beneficial owner must submit (i) proof of beneficial ownership and (ii) a Government Tax Residency Certificate.

#### **Article II**

##### **Direct Refund from Spanish Tax Authorities Procedure**

1. Beneficial owners entitled to exemption from Spanish withholding tax who have not timely followed either the Immediate Refund (or “Relief at Source”) Procedure set forth in Article I or II of Annex A or the “Quick Refund Procedure” set forth in Article II of Annex A, and therefore have been subject to Spanish withholding tax, may request a full refund of the amount that has been withheld directly from the Spanish tax authorities.
2. Beneficial owners have up to the time period allowed pursuant to Spanish law (currently, a maximum of four years as of the relevant Interest Payment Date) to claim the amount withheld from the Spanish Treasury by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of beneficial ownership and (iii) a

certificate of residence issued by the tax authorities of its country of residence (from the IRS in the case of U.S. resident beneficial owners).



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*Set out below are Exhibits I, II and III. Sections in English have been accurately and completely translated from the original Spanish. In the event of any discrepancy, the Spanish versions shall prevail.*

**EXHIBIT I**

**Modelo de certificación en inversiones por cuenta propia**

***Form of Certificate for Own Account Investments***

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 44.2.a) del Real Decreto 1065/2007,

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 44.2.a) of Royal Decree 1065/2007,

**CERTIFICO:**

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**  
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**  
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**  
that the institution I represent is recorded in the Register of  
**(país, estado, ciudad), con el número**  
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de**  
that the institution I represent is supervised by  
**en virtud de**  
under  

**(Órgano supervisor)**  
(Supervision body)  
**(normativa que lo regula)**  
(governing rules).

**Todo ello en relación con:**

All the above in relation to:

**Identificación de los valores poseídos por cuenta propia**

Identification of securities held on own account

**Importe de los rendimientos**

Amount of income

|                            |          |           |              |
|----------------------------|----------|-----------|--------------|
| <b>Lo que certifico en</b> | <b>a</b> | <b>de</b> | <b>de 20</b> |
| I certify the above in     | on the   | of        | of 20        |

*Form of certificate for third party investments*

**(domicilio)** (address)

**(NIF)** (fiscal ID number)

(function) \_\_\_\_\_, in the name and on behalf of the Entity indicated below for the purposes of article 44.2.b) and c) of Royal Decree 1065/2007.

CERTIFY:

1. **Que el nombre o razón social de la Entidad que represento es:**  
that the name of the Entity I represent is:
2. **Que su residencia fiscal es la siguiente:**  
that its residence for tax purposes is:
3. **Que la Entidad que represento está inscrita en el Registro de**  
that the institution I represent is recorded in the Register of  
**(país, estado, ciudad), con el número**  
(country, state, city), under number
4. **Que la Entidad que represento está sometida a la supervisión de** *(Órgano supervisor)*  
that the institution I represent is supervised by *(Supervision body)*  
**en virtud de** *(normativa que lo regula)*  
under *(governing rules).*
5. **Que, de acuerdo con los Registros de la Entidad que represento, la relación de titulares adjunta a la presente certificación, comprensiva del nombre de cada uno de los titulares no residentes, su país de residencia y el importe de los correspondientes rendimientos, es exacta, y no incluye personas o Entidades residentes en España o en los países o territorios que tienen en España la consideración de paraísos fiscal de acuerdo con las normas reglamentarias en vigor<sup>2</sup>.**

That, according to the records of the Entity I represent, the list of beneficial owners hereby attached, including the names of all the non-resident holders, their country of residence and the corresponding income amounts are accurate, and does not include person(s) or institution(s) resident in Spain or, in tax haven countries or territories as defined under Spanish applicable regulations<sup>3</sup>.

**Lo que certifico en**                      **a**                      **de**                      **de 20**  
I certify the above in                      on the                      of                      of 20

RELACIÓN ADJUNTA A CUMPLIMENTAR:  
TO BE ATTACHED:

2 Derogado con arreglo al artículo 4 y la Disposición Derogatoria del Real Decreto Ley 2/2008, de 21 de abril, de medidas de impulso a la actividad económica.

3 Requirement abolished by article 4 and Repealing Disposition of Royal Decree Law 2/2008, of 21 April, on measures to promote economic activity.

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**Identificación de los valores:**

Identification of the securities

**Listado de titulares:**

List of beneficial owners:

**Nombre/País de residencia/Importe de los rendimientos**

Name/Country of residence/Amount of income

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### EXHIBIT III

**Modelo de certificación para hacer efectiva la exclusión de retención a los sujetos pasivos del Impuesto sobre Sociedades y a los establecimientos permanentes sujetos pasivos del Impuesto sobre la Renta de no Residentes**

*Certificate for application of the exemption on withholding to Spanish Corporate Income Tax taxpayers and to permanent establishments of Non-resident Income Tax taxpayers*

(nombre) (name)

(domicilio) (address)

(NIF) (fiscal ID number)

(en calidad de) , en nombre y representación de la Entidad abajo señalada a los efectos previstos en el artículo 59.s) del Real Decreto 1777/2004,

(function) , in the name and on behalf of the Entity indicated below, for the purposes of article 59.s) of Royal Decree 1777/2004,

**CERTIFICO:**

CERTIFY:

- Que el nombre o razón social de la Entidad que represento es:**  
that the name of the Entity I represent is:
- Que su residencia fiscal es la siguiente:**  
that its residence for tax purposes is:
- Que la Entidad que represento está inscrita en el Registro de**  
that the institution I represent is recorded in the Register of  
**(país, estado, ciudad), con el número**  
(country, state, city), under number
- Que la Entidad que represento está sometida a la supervisión de**  
that the institution I represent is supervised by  
**en virtud de**  
under  

*(Órgano supervisor)*  
(Supervision body)  
*(normativa que lo regula)*  
(governing rules).
- Que, a través de la Entidad que represento, los titulares incluidos en la relación adjunta, sujetos pasivos del Impuesto sobre Sociedades y establecimientos permanentes en España sujetos pasivos del Impuesto sobre la Renta de no Residentes, son perceptores de los rendimientos indicados.**

That, through the Entity I represent, the list of holders hereby attached, are Spanish Corporate Income Tax taxpayers and permanent establishment in Spain of Non-resident Income Tax taxpayers, and are recipients of the referred income.

- Que la Entidad que represento conserva, a disposición del emisor, fotocopia de la tarjeta acreditativa del número de identificación fiscal de los titulares incluidos en la relación.**

That the Entity I represent keeps, at the disposal of the Issuer, a photocopy of the card evidencing the Fiscal Identification Number of the holders included in the attached list.

|                            |          |           |              |
|----------------------------|----------|-----------|--------------|
| <b>Lo que certifico en</b> | <b>a</b> | <b>de</b> | <b>de 20</b> |
| I certify the above in     | on the   | of        | of 20        |

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RELACIÓN ADJUNTA A CUMPLIMENTAR:  
TO BE ATTACHED

**Identificación de los valores:**

Identification of the securities

**Razón social/Domicilio/Número de identificación fiscal/Número de valores/Importe de los rendimientos.**

Name/Domicile/Fiscal Identification Number/Number of securities/Amount of income.

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**REGISTERED OFFICE OF THE ISSUER**

**Santander Issuances, S.A. Unipersonal**

Ciudad Grupo Santander  
Avda. de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

**REGISTERED OFFICE OF THE GUARANTOR**

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39004 Santander  
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**HEAD OFFICE OF THE GUARANTOR**

**Banco Santander, S.A.**

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28660 Boadilla del Monte  
Madrid  
Spain

**FISCAL AND PAYING AGENT**

**The Bank of New York Mellon, London Branch**

101 Barclay Street  
New York  
New York 10286

**AUDITORS OF THE ISSUER AND THE GUARANTOR**

**Deloitte S.L.**

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