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Central Bank of Ireland

Eurosystem

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Mr Alfonso García  
Ashurst LLP  
Alcalá, 44  
28014 Madrid  
Spain

15 June 2017

**Santander Consumer Finance, S.A. – €15,000,000,000 Euro Medium Term Note Programme**

Dear Mr García

The Central Bank of Ireland (Central Bank) hereby approves the above Base Prospectus under Part 7 of the Prospectus (Directive 2003/71/EC) Regulations, 2005 (the Regulation) as having been drawn up in accordance with the Regulation and Commission Regulation (EC) No 809/2004.

The above Base Prospectus will be published in accordance with Part 8 of the Regulation on the website of the Central Bank. In accordance with Regulation 48 of the Regulation, where the Base Prospectus are otherwise published, the text and format must at all times be identical to the original version approved by the Central Bank and published on its website.

Yours sincerely

**Andreia de Melim**  
**Securities and Markets Supervision Division**



**SANTANDER CONSUMER FINANCE, S.A.**

*(Incorporated with limited liability in the Kingdom of Spain)*

**€15,000,000,000**

**EURO MEDIUM TERM NOTE PROGRAMME**

This base prospectus (this "**Base Prospectus**") has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority for the purpose of Directive 2003/71/EC and amendments thereto including Directive 2010/73/EU (the "**Prospectus Directive**"), as a base prospectus in accordance with the requirements imposed under EU and Irish law pursuant to the Prospectus Directive for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus by Santander Consumer Finance, S.A. (the "**Issuer**" or "**SCF**") during the period of twelve months after the date hereof. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange plc (the "**Regulated Market**") or other regulated markets for the purposes of Directive 2004/39/EC or which are offered to the public in any Relevant Member State. Application has been made to the Irish Stock Exchange plc to admit Notes issued under the Programme during the period of twelve months after the date hereof to listing on the official list of the Irish Stock Exchange plc (the "**Official List**") and to trading on the Regulated Market, which is a regulated market for the purposes of Directive 2004/39/EC. The Programme also permits Notes to be issued on the basis that they may be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

**There are certain risks related to any issue of Notes under the Programme, which investors should ensure they fully understand (see "**Risk Factors**" on pages 18 to 68 of this Base Prospectus).** Potential purchasers should note the statements on pages 161 to 166 regarding the tax treatment in Spain of income obtained in respect of the Notes and the disclosure requirements imposed by Law 10/2014, of 26 June on regulation, supervision and solvency of credit entities ("**Law 10/2014**") on the Issuer relating to the Notes. In particular, payments on the Notes may be subject to Spanish withholding tax if certain information regarding the Notes is not received by the Issuer in a timely manner.

Tranches of Notes issued under the Programme may be rated or unrated. If a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be (1) issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies, as amended (the "**CRA Regulation**"), or (2) issued by a credit rating agency which is not established in the European Union nor registered under the CRA Regulation, or (3) issued by a credit rating agency which is not established in the European Union but will be endorsed by a CRA which is established in the European Union and registered under the CRA Regulation, or (4) issued by a credit rating agency which is not established in the European Union but which is certified in accordance with the CRA Regulation, will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless (1) the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused, or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer has been assigned the following long term credit ratings: A3 (stable outlook) by Moody's Investors Service España, S.A. ("**Moody's**"), A- (stable outlook) by Fitch Ratings Limited ("**Fitch**") and BBB+ (stable outlook) by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"). Each of S&P, Moody's and Fitch is established in the European Union and is registered under the CRA Regulation.

**Arranger**  
**Barclays**

**Dealers**

Banca IMI  
BNP PARIBAS  
Citigroup  
Commerzbank  
Deutsche Bank  
HSBC  
Lloyds Bank  
Morgan Stanley  
NATIXIS  
Nomura  
SEB  
UniCredit Bank

Barclays  
BofA Merrill Lynch  
Crédit Agricole CIB  
Credit Suisse  
Goldman Sachs International  
J.P. Morgan  
Mizuho Securities  
MUFG  
NatWest Markets  
Santander  
Société Générale Corporate & Investment Banking  
UBS Investment Bank

## IMPORTANT NOTICES

### ***Responsibility for this Base Prospectus and Final Terms***

Santander Consumer Finance, S.A. (the "**Issuer**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

### ***Public Offers of Notes in the European Economic Area***

Certain Tranches of Notes with a denomination of less than EUR 100,000 (or its equivalent in any other currency) may, subject as provided below, be offered in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to in this Base Prospectus as a "**Public Offer**".

This Base Prospectus has been prepared on a basis that permits Public Offers of Notes in Ireland (a "**Public Offer Jurisdiction**"). Any person making or intending to make a Public Offer of Notes in a Public Offer Jurisdiction on the basis of this Base Prospectus must do so only with the consent of the Issuer – see "*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*" below.

If after the date of this Base Prospectus the Issuer intends to add one or more Relevant Member States to the list of Public Offer Jurisdictions for any purpose, it will prepare a supplement to this Base Prospectus specifying such Relevant Member State(s) and any relevant additional information required by the Prospectus Directive. Such supplement will also set out provisions relating to the consent of the Issuer to the use of this Prospectus in connection with any Public Offer in any such additional Public Offer Jurisdiction.

### **Important – EEA retail investors**

If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**") . Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPS Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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

In the context of any Public Offer of Notes in a Public Offer Jurisdiction, the Issuer accepts responsibility in that Public Offer Jurisdiction, for the content of this Base Prospectus in relation to any person (an "**Investor**") who purchases any Notes in that Public Offer Jurisdiction made by a Dealer or an Authorised Offeror (as defined below), where that offer is made during the Offer Period (as defined below).

Except in the circumstances described below, the Issuer has not authorised the making of any offer by any offeror and nor has the Issuer consented to the use of this Base Prospectus by any other person in connection with any offer of the Notes in any jurisdiction. Any offer made without the consent of the Issuer is unauthorised and neither the Issuer, nor, for the avoidance of doubt, any of the Dealers accepts any responsibility or liability in relation to such offer or for the actions of the persons making any such unauthorised offer.

If, in the context of a Public Offer, an Investor is offered Notes by a person which is not an Authorised Offeror, the Investor should check with such person whether anyone is responsible for this Base Prospectus for the purpose of the relevant Public Offer and, if so, who that person is.

If an Investor is in any doubt about whether it can rely on this Base Prospectus and/or who is responsible for its contents, the Investor should take legal advice.

***Consent to the use of this Base Prospectus***

***Common conditions to Consent***

The conditions to the consent of the Issuer are (in addition to the conditions described in either sub-paragraph (a)(*Specific Consent*) or sub-paragraph (b)(*General Consent*) under "*Consent*" below) that such consent:

- (i) is only valid in respect of the relevant Tranche of Notes;
- (ii) is only valid during the Offer Period specified in the applicable Final Terms; and
- (iii) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in such of the Public Offer Jurisdictions as are specified in the applicable Final Terms

The consent referred to above relates to Public Offers occurring within twelve months from the date of this Base Prospectus.

***Specific Consent and General Consent***

Subject to the conditions set out above under "*Common Conditions to Consent*", the Issuer consents to the use of this Base Prospectus in connection with a Public Offer of Notes in any Public Offer Jurisdiction by:

- (a) *Specific Consent:*
  - (i) the Dealers specified in the relevant Final Terms;

- (ii) any financial intermediaries specified in the applicable Final Terms; and
- (iii) any financial intermediary appointed after the date of the applicable Final Terms and whose name is published on the website of the Issuer ([www.santanderconsumerfinance.com](http://www.santanderconsumerfinance.com)) and identified as an Authorised Offeror in respect of the relevant Public Offer; and

(b) *General Consent:*

if General Consent is specified in the relevant Final Terms as applicable, any other financial intermediary which:

- (i) is authorised to make such offers under Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments, including under any applicable implementing measure in each relevant jurisdiction ("**MiFID**"); and
- (ii) accepts such offer by publishing on its website the following statement (with the information in square brackets duly completed with the relevant information) (the "**Acceptance Statement**"):

*"We, [insert legal name of financial intermediary], refer to the [insert title of relevant Notes] (the "**Notes**") described in the Final Terms dated [insert date] (the "**Final Terms**") published by Santander Consumer Finance, S.A. (the "**Issuer**").*

*In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [insert name(s) of relevant Public Offer Jurisdiction(s)] during the Offer Period in accordance with the **Authorised Offeror Terms** (as specified in the Base Prospectus), we accept the offer by the Issuer. We confirm that we are authorised under MiFID to make, and are using the Base Prospectus in connection with, the Public Offer accordingly.*

*Terms used herein and otherwise not defined shall have the same meaning as given to such terms in the Base Prospectus."*

**Any financial intermediary falling within this sub-paragraph (b) who wishes to use this Base Prospectus in connection with a Public Offer is required, for the duration of the relevant Offer Period specified in the applicable Final Terms, to publish a duly completed Acceptance Statement on its website stating that it uses this Base Prospectus in accordance with the consent and the conditions attached thereto.**

***Authorised Offerors***

The financial intermediaries referred to in sub-paragraphs (a)(ii) and (iii) and sub-paragraph (b), above, are together referred to herein as the "**Authorised Offerors**".

***Arrangements between an Investor and the Authorised Offeror who will distribute the Notes***

Neither the Issuer, nor, for the avoidance of doubt, any of the Dealers, has any responsibility for any of the actions of any Authorised Offeror, including compliance by an Authorised Offeror with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to such offer.

AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS BASE PROSPECTUS AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE RELEVANT AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE AUTHORISED OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR THE DEALERS HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.

**IN THE EVENT OF AN OFFER BEING MADE BY A FINANCIAL INTERMEDIARY, SUCH FINANCIAL INTERMEDIARY WILL PROVIDE INFORMATION TO INVESTORS ON THE TERMS AND CONDITIONS OF THE OFFER AT THE TIME THE OFFER IS MADE.**

***Public Offers: Issue Price and Offer Price***

Notes to be offered pursuant to a Public Offer will be issued by the Issuer at the Issue Price specified in the applicable Final Terms. The Issue Price will be determined by the Issuer in consultation with the relevant Dealer(s) at the time of the relevant Public Offer and will depend, amongst other things, on the interest rate applicable to the Notes and prevailing market conditions at that time. The offer price of such Notes will be the Issue Price or such other price as may be agreed between an Investor and the Authorised Offeror making the offer of the Notes to such Investor. The Issuer will not be party to arrangements between an Investor and an Authorised Offeror, and the Investor will need to look to the relevant Authorised Offeror to confirm the price at which such Authorised Offeror is offering the Notes to such Investor.

***Final Terms/Drawdown Prospectus***

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. This Base Prospectus must be read and construed together with any supplements hereto and with

any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

### ***Other relevant information***

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme and the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme and the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

### ***Unauthorised information***

No person has been authorised to give any information or to make any representation regarding the Issuer and the companies whose accounts are consolidated with those of the Issuer (together, the "**Consumer Group**") or the Notes not contained in or consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus or any supplement hereto, or any Final Terms or any document incorporated herein by reference. Neither the delivery of this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

### ***Restrictions on distribution***

The distribution of this Base Prospectus and any Final Terms or Drawdown Prospectus, as the case may be, and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms or Drawdown Prospectus, as the case may be, comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms or

Drawdown Prospectus, as the case may be, and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

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

### ***Programme limit***

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed €15,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into euro at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

### ***Stabilisation***

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Stabilising Manager(s) shall act as the central point responsible in connection with each Tranche of Notes as required by Article 6(5) of Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016, supplementing Regulation (EU) No 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

### ***Dealers business activities***

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform



services for the Issuer and its affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, certain of the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or their affiliates. Certain of the Dealers or their affiliates which have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. Certain of the Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

#### ***Ratings of Notes under the Programme***

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused. A rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

#### ***Other defined terms***

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

For the avoidance of doubt, uniform resource locators ("**URLs**") given in respect of web-site addresses in the Base Prospectus are inactive textual references only and it is not intended to incorporate the contents of any such web sites into this Base Prospectus

nor should the contents of such web sites be deemed to be incorporated into this Base Prospectus.

All references in this Base Prospectus to "**U.S. \$**" or to "**U.S. Dollars**" are to United States dollars, references to "**Sterling**" are to pounds sterling, references to "**Renminbi**" and "**CNY**" are to Chinese Yuan Renminbi, the lawful currency of The People's Republic of China ("**PRC**"), and references to "**EUR**", "**euro**" and "**€**" are to the single currency of participating Member States of the European Union.

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## SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not Applicable".*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.*

<b>Section A – Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction:</b>	<p><i>This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Notes should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. Following the implementation of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus, including any information incorporated by reference or it does not provide, when read together with the other parts of this Base Prospectus, key information in order to aid investors when considering whether to invest in the Notes. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.</i></p>
<b>A.2</b>	<b>Consent:</b>	<p><b>[General/Specific Consent]</b></p> <p><i>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Notes by any financial intermediary which is authorised to make such offers under the Markets in Financial Instruments Directive (Directive 2004/39/EC) on the following basis:</i></p> <p>(a) <i>the relevant Public Offer must occur during the period from and including [ ● ] to but excluding [ ● ](the "Offer Period");</i></p>

		<p>(b) <i>the relevant Authorised Offeror must publish an Acceptance Statement, as contained in the Base Prospectus, on its website [and satisfy the following additional conditions: [●]].</i></p> <p><i>[The Issuer consents to the use of this Base Prospectus in connection with a Public Offer of the Notes by [●] on the following basis:</i></p> <p>(a) <i>the relevant Public Offer must occur during the period from and including [●] to but excluding [●](the "Offer Period");</i></p> <p>(b) <i>the relevant Authorised Offeror must satisfy the following conditions: [●].</i></p> <p><b>Authorised Offerors will provide information to Investors on the terms and conditions of the Public Offer of the relevant Notes at the time such Public Offer is made by the Authorised Offeror to the Investor.]</b></p>
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	<b>Section B – Issuer</b>	
<b>B.1</b>	<b>Legal name of the Issuer:</b>  <b>Commercial name of the Issuer:</b>	Santander Consumer Finance, S.A.  Santander Consumer
<b>B.2</b>	<b>Domicile, legal form, legislation and country of incorporation of the Issuer:</b>	The Issuer is a limited liability company ( <i>sociedad anónima</i> ), established under the laws of the Kingdom of Spain and incorporated and domiciled in the Kingdom of Spain.
<b>B.4b</b>	<b>Trends:</b>	Not Applicable. There are no particular trends affecting the Issuer and the industry in which it operates.
<b>B.5</b>	<b>The Group:</b>	The Issuer belongs to the consolidated group of credit institutions, the parent company of which is Banco Santander, S.A. (the " <b>Santander Group</b> ").
<b>B.9</b>	<b>Profit Forecast:</b>	Not Applicable. The Issuer does not produce profit forecasts.
<b>B.10</b>	<b>Audit Report Qualifications :</b>	Not Applicable. There are no qualifications in the audit reports of the Issuer.

	Section B – Issuer			
B.12	Key Financial Information:	The Issuer and its subsidiaries – main financial indicators		
		As of and for the year ended:		
		31 December 2016	31 December 2015	Variation
Consolidated Balance sheet		(audited)	(audited)	(%)
		(thousands of euro)		
Total assets .....		96,241,501	86,428,716	11.35%
Loans and advances to customers ...		81,983,168	70,556,348	16.20%
Shareholders' equity.....		9,398,682	8,885,322	5.78%
		31 December 2016	31 December 2015	Variation
Consolidated Income Statements		(audited)	(audited)	(%)
		(thousands of euro)		
Profit before tax.....		1,838,089	1,501,925	22.38%
Consolidated Profit for the year.....		1,223,535	1,170,775	4.51%
Profit attributable to the Parent.....		1,055,253	1,059,788	-0.43%
		There has been no material adverse change in the prospects of the Issuer and/or the companies whose accounts are consolidated with those of the Issuer (together, the "Consumer Group") nor any significant change in the financial or trading position of the Issuer and/or the Consumer Group since 31 December 2016.		
B.13	Recent Events:	Not Applicable. There are no recent events relevant to the solvency of the Issuer.		
B.14	Dependence upon other entities within the Group:	As set out in B.5. at 31 December 2016 the Issuer is dependent upon its shareholders. Shareholdings are as follows:		
		Entity	Ownership interest	
		Banco Santander, S.A.....	63.2%	
		Holneth, B.V. ....	25.0%	
		Fomento e Inversiones, S.A.....	11.8%	
			100.00%	
B.15	The Issuer's Principal Activities:	The Issuer's objective is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. In addition, the Issuer is the holding company of a finance group (the "Consumer Group") and handles the investments of its subsidiaries.		
		The Consumer Group's primary activity is related to automobile financing, personal loan and credit card businesses. However, it also works at attracting customer		

	<b>Section B – Issuer</b>																			
		funds. The Consumer Group has 404 branches located throughout Europe (64 of which are in Spain) and engages in finance leasing, financing of third party purchases of consumer goods of any kind, full-service leasing (" <b>renting</b> ") and other activities. Additionally, since December 2002, the Issuer has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities in Germany, France, Italy, Austria, Poland, the Netherlands, Norway, Finland, Denmark, Sweden and Portugal.																		
<b>B.16</b>	<b>Controlling Persons:</b>	The Issuer is part of the Santander Group, the parent entity of which (Banco Santander, S.A.) has a 100 per cent. direct and indirect ownership interest in the share capital of the Issuer.																		
<b>B.17</b>	<b>Ratings assigned to the Issuer or its Debt Securities:</b>	<p>As at the date of this Base Prospectus the Issuer has been assigned the following credit ratings:</p> <p><b>Moody's:</b></p> <table><tr><td>Senior unsecured debt:</td><td>A3</td></tr><tr><td>Commercial paper:</td><td>P-2</td></tr><tr><td>Subordinated debt:</td><td>Baa2</td></tr></table> <p><b>S&amp;P:</b></p> <table><tr><td>Senior unsecured debt maturing in one year or more:</td><td>BBB+</td></tr><tr><td>Senior unsecured debt maturing in less than one year:</td><td>A-2</td></tr><tr><td>Subordinated debt:</td><td>BBB-</td></tr></table> <p><b>Fitch:</b></p> <table><tr><td>Long term senior unsecured debt:</td><td>A-</td></tr><tr><td>Short term senior unsecured debt:</td><td>F2</td></tr><tr><td>Subordinated debt:</td><td>BBB+</td></tr></table>	Senior unsecured debt:	A3	Commercial paper:	P-2	Subordinated debt:	Baa2	Senior unsecured debt maturing in one year or more:	BBB+	Senior unsecured debt maturing in less than one year:	A-2	Subordinated debt:	BBB-	Long term senior unsecured debt:	A-	Short term senior unsecured debt:	F2	Subordinated debt:	BBB+
Senior unsecured debt:	A3																			
Commercial paper:	P-2																			
Subordinated debt:	Baa2																			
Senior unsecured debt maturing in one year or more:	BBB+																			
Senior unsecured debt maturing in less than one year:	A-2																			
Subordinated debt:	BBB-																			
Long term senior unsecured debt:	A-																			
Short term senior unsecured debt:	F2																			
Subordinated debt:	BBB+																			

	<b>Section C – The Securities</b>	
<b>C.1</b>	<b>Description of Type and Class of Securities:</b>	<p>The Notes to be issued under the Programme may be issued on a senior or subordinated basis and may bear interest at a fixed rate, floating rate or other variable rate.</p> <p><b><i>Issuance in Series:</i></b> Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the</p>

Section C – The Securities		
		<p>amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.</p> <p><i>[The Notes are issued as Series number [●], Tranche number [●].]</i></p> <p><i>[The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as specified in the relevant Final Terms.]</i></p> <p><b>Forms of Notes:</b> Notes may only be issued in bearer form. Each Tranche of Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note which is not intended to be issued in new global note form (a "<b>Classic Global Note</b>" or "<b>CGN</b>"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "<b>New Global Note</b>" or "<b>NGN</b>"), as specified in the relevant Final Terms, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.</p>
		<p><b>Security Identification Number(s):</b> In respect of each Tranche of Notes, the relevant security identification number(s) will be specified in the relevant Final Terms.</p> <p><i>[ISIN Code: [●]</i></p> <p><i>Common Code: [●]</i></p>



	<b>Section C – The Securities</b>	
<b>C.2</b>	<b>Currencies of the Securities Issue:</b>	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated. [ <i>The Notes are denominated in [●].</i> ]
<b>C.5</b>	<b>Free Transferability:</b>	<p>The Issuer and the Dealers (as defined in E.4) have agreed certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material.</p> <p>The Notes may not be transferred prior to the issue date. Selling restrictions apply to offers, sales or transfers of the Notes under the applicable laws in various jurisdictions. For each issue of securities a minimum tradeable amount could be set out in the relevant Final Terms.</p> <p>Regarding the United States of America, among other limitations, Notes will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.</p> <p>United Kingdom, France, Italy, Japan, the Kingdom of Spain, Hong Kong, the People's Republic of China, Singapore, Switzerland and Taiwan are jurisdictions where selling restrictions apply, including without limitation the fact that offer and sale of Notes may not be carried out in said countries except when certain exemptions or conditions, as applicable in each of the jurisdictions, are met and in compliance with all legal and regulatory requirements under each relevant securities laws and regulations.</p>
<b>C.8</b>	<b>The Rights Attaching to the Securities, including Ranking and Limitations to those Rights:</b>	<p>Notes issued under the Programme will be subject to, amongst others, the following terms and conditions:</p> <p><b>Status of the Notes:</b> Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.</p> <p>[<i>Status of the Notes: [The Senior Notes constitute, direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (Ley Concursal) of 9 July 2003 (the "Insolvency Law") or equivalent legal provisions which replace it in the future, and subject to any applicable legal</i></p>

	Section C – The Securities
	<p><i>and statutory exceptions) rank pari passu and rateably without any preference among themselves and at least pari passu with all other unsecured and unsubordinated indebtedness, present and future of the Issuer.]/[The Subordinated Notes (being Notes which specify their status as Subordinated) constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and, upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future), pari passu without preference or priority among themselves and:</i></p> <p><i>(i) pari passu with all other contractually subordinated obligations of the Issuer (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law, or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Subordinated Notes and (3) any Senior Subordinated Obligations (as defined below)); and</i></p> <p><i>(ii) junior to any non-subordinated obligations of the Issuer, any Senior Subordinated Obligations (as defined below) and any claim on the Issuer, which becomes subordinated as a consequence of Article 92.1° of the Insolvency Law.</i></p> <p><i>For these purposes, "Senior Subordinated Obligations" means any subordinated obligations of the Issuer which by law and/or their terms rank senior to the Subordinated Notes, and/or to any subordinated obligations of the Issuer ranking pari passu with the Subordinated Notes.]]</i></p> <p><b>Taxation:</b> All payments in respect of Notes will be made free and clear of withholding taxes of Spain, unless the withholding is required by law. In that event, the Issuer will pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> <p>The Issuer shall not be required to pay any such additional amounts as referred to above in relation to any payment in respect of any Note or Coupon in several circumstances including: (i) to, or to a third party on behalf of, a Holder of a Note or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such</p>

	<b>Section C – The Securities</b>
	<p>Note or Coupon by reason of his having some connection with Spain other than the mere holding of such Note or Coupon; or (ii) to, or to a third party on behalf of, a Holder if the Issuer does not receive the information in respect of the notes as may be required in order to comply with the applicable Spanish tax reporting obligations; or (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or (iv) to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain; or (v) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (<i>Dirección General de Tributos</i>) dated 27 July 2004 and require a withholding to be made; or (vi) in circumstances where the Issuer is required to withhold tax pursuant to the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the US Internal Revenue Service.</p> <p><b><i>Information requirements under Spanish law:</i></b> Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, the Issuer is required to provide to the Spanish tax authorities certain information relating to the Notes.</p> <p>If the Issue and Paying Agent fails to provide the Issuer with the required information described under Annex to Royal Decree 1065/2007, of 27 July, which comprises the (i) identification of the Notes with respect to which the relevant payment is made; (ii) the date on which the relevant payment is made; (iii) the total amount of the relevant payment; and (iv) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside Spain, the Issuer will be required to withhold tax and may pay income in respect of the relevant Notes net of the Spanish withholding tax applicable to such payments (currently at the rate of 19 per cent.).</p> <p>None of the Issuer, the Arranger, the Dealers or the European clearing systems assumes any responsibility therefor.</p> <p><b><i>Enforcement of Notes in Global Form:</i></b> In the case of Global Notes, individual investors' rights against the Issuer</p>

	<b>Section C – The Securities</b>	
		will be governed by a Deed of Covenant dated 15 June 2017, a copy of which will be available for inspection at the specified office of the Issue and Paying Agent.
<b>C.9</b>	<b>The Rights Attaching to the Securities (Continued), including Information as to Interest, Maturity, Yield and the Representative of the Holders:</b>	<p>See C.8 for a description of the rights attaching to the Notes, ranking and limitations.</p> <p><b>Interest:</b> Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series. In respect of each Tranche of Notes, the date from which interest becomes payable and the due dates for interest, the maturity date, the arrangements for the amortisation of the Notes, including the repayment procedures and an indication of yield will be specified in the relevant Final Terms.</p> <p><i>[Interest: The Notes bear interest from [●] at a fixed rate of [●] per cent. per annum payable in arrear on [●].]</i></p>
		<p><i>[Interest: The Notes bear interest from [●] at a rate equal to the sum of [●] per cent. per annum and [period] / [currency] [EURIBOR/LIBOR] determined in respect of each Interest Period on the day which is [●] [[●] business days] before] the first day of the Interest Period and payable in arrear on [●]. [EURIBOR in respect of a specified currency and a specified period is the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation]/[LIBOR in respect of a specified currency and a specified period is the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over administration of that rate).]</i></p> <p><i>[Interest: The Notes do not bear interest.]</i></p> <p><b>Maturities:</b> Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subordinated Notes qualifying as regulatory capital (<i>recursos propios</i>) must have a minimum maturity of five years, unless otherwise permitted by applicable laws or regulations and/or Banco de España requirements.</p>

	<b>Section C – The Securities</b>	
		<p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000, by the Issuer.</p> <p><i>[Maturity Date: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed on [●].]</i></p> <p><b>Redemption:</b> Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms subject to compliance with all applicable legal and/or regulatory requirements. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Final Terms.</p>
		<p><b>Optional Redemption:</b> Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the Final Terms. Any early redemption of Subordinated Notes qualifying as regulatory capital (<i>recursos propios</i>) is subject to the prior consent of <i>Banco de España</i> and may not take place within a period of five years from their date of issue or as otherwise permitted by applicable laws or regulations and/or <i>Banco de España</i> requirements.</p> <p>Subordinated Notes may not be redeemed at the option of the Noteholder prior to their stated maturity.</p> <p><i>Optional Redemption: The Notes may be redeemed before their stated maturity at the option of the Issuer [in whole]/[in whole or in part] on [●] at [●], plus accrued interest (if any) to such date, on the Issuer's giving appropriate notice to the Noteholders.]</i></p> <p><i>[Redemption at the Option of the Noteholders: The Issuer shall, at the option of the holder of any Senior Note redeem such Senior Note on [●] at [●] together with interest (if</i></p>

	<b>Section C – The Securities</b>	
		<p><i>any) accrued to such date.])</i></p> <p><b>Tax Redemption:</b> Except as described in "<b>Optional Redemption</b>" above, early redemption will only be permitted for tax reasons if (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the relevant Final Terms, the Issuer is required to pay additional amounts, and (ii) such circumstances are evidenced by the delivery by the Issuer to the Issue and Paying Agent of a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Notes qualifying as regulatory capital (<i>recursos propios</i>), a copy of the Relevant Authority consent to the redemption.</p> <p><b>Yield:</b> The yield of each Tranche of Notes will be calculated using the relevant Issue Price at the relevant Issue Date. <i>[Yield: Based upon the Issue Price of [●], at the Issue Date the anticipated yield of the Notes is [●] per cent. per annum.]</i></p> <p><b>Representative of the Noteholders:</b> [Not Applicable]. The Holders of the Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Notes (the "<b>Regulations</b>"), which contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer. The Syndicate will appoint a Commissioner.</p>
<b>C.10</b>	<b>Derivative Components:</b>	Not Applicable. Payments of interest on the Notes shall not involve any derivative component.
<b>C.11</b>	<b>Listing and Trading:</b>	Applications have been made for Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the Irish Stock Exchange and to trading on the Regulated Market of the Irish Stock Exchange. The Programme also permits Notes to be issued on the basis that they will be admitted to trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

	<b>Section C – The Securities</b>	
		<p><i>[Application has been made for the Notes to be admitted to listing on the Official List of the Irish Stock Exchange.]</i></p> <p><i>[Application has been made for the Notes to be admitted to trading on the Regulated Market of the Irish Stock Exchange.]</i></p>

	<b>Section D - Risks</b>	
<b>D.2</b>	<b>Risks Specific to the Issuer:</b>	<p><i>Since the Consumer Group's loan portfolio is concentrated in continental Europe, adverse changes affecting the continental European economy could adversely affect the Consumer Group's financial condition.</i></p> <p><i>The business of the Consumer Group could be affected if its capital is not managed effectively.</i></p> <p><i>Some of the business of the Consumer Group is cyclical. The income of the Consumer Group may decrease when demand for certain products or services is in a down cycle.</i></p> <p><i>A sudden shortage of funds could increase the Consumer Group's cost of funding and have an adverse effect on its liquidity and funding.</i></p> <p><i>The Consumer Group is vulnerable to disruptions and volatility in the global financial markets.</i></p> <p><i>Risks concerning borrower credit quality and general economic conditions are inherent to the business of the Consumer Group.</i></p> <p><i>The financial problems which the customers of the Consumer Group may face could adversely affect the Consumer Group.</i></p> <p><i>Portions of the Consumer Group's loan portfolio are subject to risks relating to force majeure and any such event could have a material adverse effect on its operating results.</i></p> <p><i>The Consumer Group is exposed to risks faced by other financial institutions.</i></p> <p><i>Market risks associated with fluctuations in bond and equity prices and other market factors are inherent in the Consumer Group's business. Protracted market decline can reduce liquidity in the markets, making it harder to sell assets and leading to material losses.</i></p> <p><i>Despite the Consumer Group's risk management policies, procedures and methods, the Consumer Group may</i></p>

	<b>Section D - Risks</b>	
		<p><i>nonetheless be exposed to unidentified or unanticipated risks.</i></p> <p><i>The Consumer Group's recent and future acquisitions may not be successful and may be disruptive to the Consumer Group's business.</i></p> <p><i>Increased competition in the countries where the Consumer Group operates, may adversely affect the growth prospects and operations of the Consumer Group.</i></p> <p><i>Volatility in interest rates may negatively affect the Consumer Group's net interest income and increase the non-performing loan portfolio of the Consumer Group.</i></p> <p><i>Foreign exchange rate fluctuations may negatively affect the Consumer Group's earnings and the value of its assets and shares.</i></p> <p><i>Changes in the regulatory framework, including increased regulation of the financial services industry in the jurisdictions where the Consumer Group operates, could adversely affect its business.</i></p> <p><i>Operational risks are inherent in the business of the Consumer Group: Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations.</i></p> <p><i>The Consumer Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel.</i></p> <p><i>Damage to the reputation of the Consumer Group could cause harm to its business prospects.</i></p> <p><i>The Consumer Group is exposed to risk of loss from legal and regulatory proceedings.</i></p> <p><i>Credit, market and liquidity risk may have an adverse effect on the Consumer Group's credit ratings and its cost of funding.</i></p>
<b>D.3</b>	<b>Risks Specific to the Notes:</b>	<p><b><i>Risk Relating to the Insolvency Law:</i></b> Law 22/2003 (<i>Ley Concursal</i>) dated 9 July 2003, regulates the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of its creditors.</p> <p><b><i>Risk in Relation to Spanish Taxation:</i></b> Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, the Issuer is required to provide to the Spanish tax authorities certain information relating to the Notes.</p>



	Section D - Risks
	<p>If the Issue and Paying Agent fails to provide the Issuer with the required information described under Annex to Royal Decree 1065/2007, of 27 July, which comprises the (i) identification of the Notes with respect to which the relevant payment is made; (ii) the date on which the relevant payment is made; (iii) the total amount of the relevant payment; and (iv) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside Spain, the Issuer will be required to withhold tax and may pay income in respect of the relevant Notes net of the Spanish withholding tax applicable to such payments (currently at the rate of 19 per cent.).</p> <p>None of the Issuer, the Arranger, the Dealers or the European clearing systems assumes any responsibility therefor.</p> <p><b>Recovery and Resolution Directive:</b> Reforms to the Spanish banking legislation that result from the Recovery and Resolution Directive could lead to Notes being used to absorb losses of the Issuer in certain circumstances.</p> <p><b>Risks Relating to the Comisario:</b> The Issuer shall appoint a commissioner (<i>comisario</i>) in relation to each issue of Notes. The Commissioner owes certain obligations to the Syndicate of Noteholders (as described in the Issue and Paying Agency Agreement). However, prospective investors should note that the Commissioner will be an individual or entity appointed by the Issuer and that such individual may also be an employee or officer of the Issuer.</p> <p><b>Suitability:</b> An investment in the Notes may not be appropriate or suitable for a prospective investor based on their particular circumstances.</p> <p><b>No active trading market:</b> Although application has been made for the Notes issued under the Programme to be admitted to listing on the Official List and to trading on the Regulated Market of the Irish Stock Exchange, there is no assurance that such application will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop.</p>
	<p><b>Redemption of Notes prior to maturity:</b> An optional redemption feature of the Notes is likely to limit their market value. The Issuer may exercise the option to redeem the Notes when interest rates are relatively low so an investor may not be able to reinvest in a comparable security at as high an interest rate.</p> <p><b>Global Notes:</b> Holders of Global Notes will need to rely on the procedures of Euroclear and Clearstream or any other</p>

	Section D - Risks
	<p>clearing system with which such Global Notes are deposited for transfers of and payments in respect of Notes and for communications with the Issuer.</p> <p>Key risks specific to Renminbi denominated Notes include:</p> <p><b><i>Convertibility of Renminbi:</i></b> Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes.</p> <p><b><i>Availability of Renminbi outside the PRC:</i></b> there is only limited availability of Renminbi outside the PRC (due to restrictions), which may affect the liquidity of the Renminbi Notes and the Issuer's ability to source Renminbi to finance its obligations under the Renminbi Notes.</p> <p><b><i>Exchange rate and interest rate risks:</i></b> investment in Renminbi is subject to exchange rate, currency and interest rate risks.</p> <p><b><i>Risks in relation to payments:</i></b> payments in respect of Renminbi Notes may be made only in the manner designated in the Renminbi Notes.</p> <p><b><i>Risks in relation to income tax:</i></b> gains on the transfer of Renminbi Notes may become subject to income taxes under PRC tax laws.</p> <p>Key risks specific to the structure of a particular issue of Notes include:</p> <p><b><i>Notes subject to optional redemption by the Issuer</i></b></p> <p><b><i>Risks in relation to early redemption of Subordinated Notes</i></b></p> <p><b><i>Partly-paid Notes:</i></b> The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of their investment.</p> <p><b><i>Fixed/Floating Rate Notes:</i></b> Fixed/Floating Rate Notes may bear interest, the rate of which may be converted by the Issuer at any time. The exercise of any such conversion right by the Issuer may affect the market value of the Notes and the interest rates and interest rate spreads applicable to such Notes, which may be less favourable than the prevailing rates and spreads on other comparable Notes.</p> <p><b><i>Notes issued at a substantial discount or premium:</i></b> The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in</p>

	<b>Section D - Risks</b>	
		<p>relation to general changes in interest rates than do prices for conventional interest-bearing securities.</p> <p><b><i>The Issuer's obligations under Subordinated Notes are subordinated:</i></b> The Issuer's obligations under Subordinated Notes will be unsecured and subordinated and there is a real risk that an investor in Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.</p>

	<b>Section E – Offer</b>	
<b>E.2b</b>	<b>Reasons for the Offer and Use of Proceeds:</b>	The net proceeds from each issue of Notes will be used for the general financing purposes of the Issuer.
<b>E.3</b>	<b>Terms and Conditions of the Offer:</b>	<p>Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions. The Terms and Conditions of any Public Offer shall be published by the relevant Authorised Offeror on its website at the relevant time. [<i>The Issue Price of the Notes is [●] per cent. of their principal amount.</i>]</p> <p>Public Offers may only be made in Ireland and must be made during the Offer Period.</p>
<b>E.4</b>	<b>Interests Material to the Issue:</b>	<p>[<i>A description of any interest that is material to the issue/offer including conflicts of interest</i>] [<i>Not applicable</i>]</p> <p>The Issuer has appointed Banca IMI S.p.A., Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley &amp; Co. International plc, MUFG Securities EMEA plc, NATIXIS, Nomura International plc, Skandinaviska Enskilda Banken AB (publ), Société Générale, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited and UniCredit Bank AG (the "<b>Dealers</b>") as Dealers for the Programme. The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and</p>

	<b>Section E – Offer</b>	
		<p>purchased by, Dealers are set out in the Dealer Agreement made between the Issuer and the Dealers.</p> <p><i>[Syndicated Issue: The Issuer has appointed [●], [●] and [●] (the "<b>Managers</b>") as Managers of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Managers are set out in the Subscription Agreement made between the Issuer and the Managers]</i></p> <p><i>[Non-Syndicated Issue: The Issuer has appointed [●] (the "<b>Dealer</b>") as Dealer in respect of the issue of the Notes. The arrangements under which the Notes are sold by the Issuer to, and purchased by, Dealer are set out in the Dealer Agreement made between, amongst others, the Issuer and the Dealer]</i></p> <p><i>[Stabilising Manager(s): [●] [and [●].]</i></p>
<b>E.7</b>	<b>Estimated Expenses:</b>	<p>No expenses will be chargeable by the Issuer to an Investor in connection with any offer of Notes. Any expenses chargeable by an Authorised Offeror to an Investor shall be charged in accordance with any contractual arrangements agreed between the Investor and such Authorised Offeror at the time of the relevant offer.</p>

## **RISK FACTORS**

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

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

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

### **CONTENTS OF THE RISK FACTORS**

#### **1. Macro-Economic and Political Risks**

#### **2. Risks Relating to the Issuer and the Consumer Group Business**

#### **3. Risks in relation to the Notes**

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

##### **1. Macro-Economic and Political Risks**

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

Our loan portfolio is concentrated in continental Europe, particularly in Germany and Austria, Spain and Portugal, and Scandinavia. At December 31, 2016, Germany and Austria accounted for 43% of our total loan portfolio, Spain and Portugal accounted for 17% and Scandinavia accounted for 16%. Accordingly, the recoverability of these loan portfolios in particular, and our ability to increase the amount of loans outstanding and our results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in continental Europe. A return to recessionary conditions in the economies of continental Europe (in particular, Germany) would likely have a significant adverse impact on our loan portfolio and, as a result, on our financial condition, cash flows and results of operations.

The economies of some of the countries where we operate have been affected in the past 12 months by a series of political events, including the United Kingdom's vote

to leave the European Union in June 2016, which caused significant volatility and has given rise to increasing anti-EU sentiment and populist movements in other EU member states. There can be no assurance that the European and global economic environments will not continue to be affected by political developments, including upcoming elections in 2017 in key EU member states.

The economies of some of the countries where we operate have experienced volatility since the recent global financial crisis. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which we lend. In addition, some of the countries where we operate are particularly affected by commodities' price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. Negative and fluctuating economic conditions, such as slowing or negative growth and a changing interest rate environment, impact our profitability by causing lending margins to decrease and credit quality to decline and leading to decreased demand for higher margin products and services.

There is uncertainty over the long-term effects of the monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies. Negative and fluctuating economic conditions in the countries in which we operate, such as those that certain European countries have experienced recently, could also result in government defaults on public debt. This could affect us indirectly, through instabilities that a default in public debt could cause to the Banking system as a whole, particularly since other commercial banks' exposure to government debt is high in these regions or countries.

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

***Exposure to UK political developments, including the outcome of the negotiations regarding the UK exit from the European Union, could have a material adverse effect on the Consumer Group***

On 23 June 2016, the UK held a non-binding referendum (the "**UK EU Referendum**") on its membership in the EU, in which a majority voted for the UK to leave the EU. Immediately following the result, the UK and global stock and foreign exchange markets commenced a period of significant volatility, including a steep devaluation of the pound sterling, in addition to which there is now continuing uncertainty relating to the process, timing and negotiation of the UK's exit from, and future relationship with, the EU.

On 2 October 2016, the UK Prime Minister announced that her government would commence the exit process by the end of March 2017. The UK Supreme Court ruled on 24 January 2017 that commencement of the exit process must be approved by the UK Parliament. On 1 February 2017, the House of Commons voted to give the Prime Minister the power to notify under Article 50(2) of the Treaty on European Union, the UK's intention to withdraw from the EU. As Article 50 was triggered on 29 March 2017, a two-year period of negotiation has begun to determine the new terms of the UK's relationship with the EU, after which period

its EU membership will cease. These negotiations may run in parallel to standalone bilateral negotiations with the numerous individual countries and multilateral counterparties with which the UK currently has trading arrangements by virtue of its membership of the EU. The timing of, and process for, such negotiations and the resulting terms of the UK's future economic, trading and legal relationships are uncertain. Moreover, there is another element of uncertainty to be taken into account which is the English general election that took place on 8 June 2017, which outcome could have repercussion on UK's position in connection with the development of the negotiations with the EU.

While the longer term effects of the UK EU Referendum and the UK's exit strategy are difficult to predict, these are likely to include further financial instability and slower economic growth as well as higher unemployment and inflation, in the UK, continental Europe and the global economy, at least in the short to medium term. For instance, the UK could lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members and this could affect the attractiveness of the UK as a global investment centre and, as a result, could have a detrimental impact on UK growth or potential decreases in interest rates by the Bank of England.

The UK EU Referendum has also given rise to calls for certain regions within the UK to preserve their place in the EU by separating from the UK, as well as the potential for other EU Member States to consider withdrawal. For example, the outcome of the UK EU Referendum was not supported by the majority of voters in Scotland, who voted in favour of remaining in the EU. This has revived the political debate on a second referendum on Scottish independence. These developments, or the perception that any of them could occur, may have a material adverse effect on economic conditions and the stability of financial markets, and could significantly reduce market liquidity and restrict the ability of key market participants to operate in certain financial markets.

The UK political developments described above, along with any further changes in government structure and policies, may lead to further market volatility and changes to the fiscal, monetary and regulatory landscape in which the Consumer Group is subject and could have a negative adverse effect on its financing availability and terms and, more generally, on its business, financial condition and results of operation.

***The Consumer Group is vulnerable to disruptions and volatility in the global financial markets***

In the past nine years, financial systems worldwide have experienced difficult credit and liquidity conditions and disruptions leading to less liquidity and greater volatility (such as volatility in spreads). Global economic conditions deteriorated significantly between 2007 and 2009, and many of the countries in which the Consumer Group operates fell into recession. Although most countries have begun to recover, this recovery may not be sustainable. Many major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies experienced, and some continue to experience, significant difficulties. Around the world, there have also been runs on deposits at several financial institutions, numerous institutions have sought additional capital or have been assisted by governments, and many

lenders and institutional investors have reduced or ceased providing funding to borrowers (including to other financial institutions).

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

- Reduced demand for the Consumer Group's products and services.
- Increased regulation of the Consumer Group's industry. Compliance with such regulation will continue to increase the Consumer Group's costs and may affect the pricing for its products and services, increase its conduct and regulatory risks related to non-compliance and limit the Consumer Group's ability to pursue business opportunities.
- Inability of the Consumer Group's borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the household income of its retail customers and may adversely affect the recoverability of its retail loans, resulting in increased loan losses.
- The process the Consumer Group uses to estimate losses inherent in its credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of the Consumer Group's borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of the Consumer Group's estimates, which may, in turn, impact the reliability of the process and the sufficiency of the Consumer Group's loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Consumer Group holds may be adversely affected.
- Any worsening of global economic conditions may delay the recovery of the international financial industry and impact the Consumer Group's financial condition and results of operations.

Despite recent improvements in certain segments of the global economy, uncertainty remains concerning the future economic environment. Such economic uncertainty could have a negative impact on the Consumer Group's business and results of operations. A slowing or failing of the economic recovery would likely aggravate the adverse effects of these difficult economic and market conditions on the Consumer Group and on others in the financial services industry.

Increased volatility in the global financial markets could have a material adverse effect on the Consumer Group, including its 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 Consumer Group may be forced to raise the rates paid on deposits to attract more customers and become unable to maintain certain liability maturities. Any increase in volatility in capital markets funding availability or costs or in deposit rates could have a material adverse effect on the Consumer Group's interest margins and liquidity.

If all or some of the foregoing risks were to materialise, this could have a material adverse effect on the Consumer Group's financing availability and terms and, more generally, on its results, financial condition and prospects.



***The Consumer Group may suffer adverse effects as a result of economic and sovereign debt tensions in the Eurozone***

Conditions in the capital markets and the economy generally in the Eurozone continue to show signs of fragility and volatility, with political tensions in Europe being particularly heightened in the past twelve months. In addition, interest rate differentials among Eurozone countries are affecting government finance and borrowing rates in those economies. These factors could have a material adverse effect on the Consumer Group's operating results, financial condition and prospects.

The UK EU Referendum caused significant volatility in the global stock and foreign exchange markets. It has also encouraged anti-EU and populist parties in other member states, raising the potential for other countries to seek to conduct referenda with respect to their continuing membership of the EU. On 4 December 2016, voters in Italy rejected constitutional reform proposals put forward by the Italian Prime Minister by way of referendum (the "**Italian Referendum**"), which was generally regarded as portraying an anti-EU sentiment. Following the results of the UK EU Referendum and the Italian Referendum, the risk of further instability in the Eurozone cannot be excluded, particularly in Germany, which is due to hold elections in 2017, despite the results of the French presidential and the Dutch general elections that have taken place this year and showed a major rejection to anti-european policies.

In the past, the European Central Bank ("**ECB**") and European Council have taken actions with the aim of reducing the risk of contagion in the Eurozone and beyond and improving economic and financial stability. Notwithstanding these measures, a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by Eurozone (and other) nations, which may be under financial stress. Should any of those nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and Banking systems throughout Europe could be adversely affected, with wider possible adverse consequences for global financial market conditions.

The Consumer Group has direct and indirect exposure to financial and economic conditions throughout the Eurozone economies. Concerns relating to sovereign defaults or a partial or complete break-up of the European Monetary Union, including potential accompanying redenomination risks and uncertainties, have significantly increased in light of the political and economic factors mentioned above. A deterioration of the economic and financial environment could have a material adverse impact on the whole financial sector, creating new challenges in sovereign and corporate lending and resulting in significant disruptions in financial activities at both the market and retail levels. This could materially and adversely affect the Consumer Group's operating results, financial position and prospects.

## **2. Risks Relating to the Issuer and the Consumer Group Business**

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

The Consumer Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject the Consumer Group to monetary judgments, regulatory enforcement actions, fines and penalties. The current

regulatory and tax enforcement environment in the jurisdictions in which the Consumer Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Consumer Group is from time to time subject to certain claims and is a party to certain legal proceedings incidental to the normal course of its business, including in connection with conflicts of interest, lending activities, relationships with the Consumer 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 the early stages of discovery, the Consumer Group cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be. The amount of the Consumer Group's reserves in respect of these matters is substantially less than the total amount of the claims asserted against the Consumer Group and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Consumer Group. As a result, the outcome of a particular matter may be material to the Consumer Group's operating results for a particular period.

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

As a financial institution, the Consumer Group is subject to extensive regulation, which materially affects its businesses. The statutes, regulations and policies to which the Consumer Group is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Consumer Group is subject may also change from time to time. Extensive legislation and implementing regulation affecting the financial services industry has recently been adopted in regions that directly or indirectly affect the Consumer Group's business, including Spain, the EU, and other jurisdictions, and further regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these recently adopted regulations are implemented inconsistently in the various jurisdictions in which the Consumer Group operates, the Consumer Group may face higher compliance costs. Any legislative or regulatory actions and any required changes to the business operations of the Consumer Group resulting from such legislation and regulations, as well as any deficiencies in the Consumer Group's compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Consumer Group to pursue business opportunities in which it might otherwise consider engaging and provide certain products and services, affect the value of assets that it holds, require the Consumer Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Consumer Group or otherwise adversely affect its businesses. In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory

burden on the Issuer or on its Issuer subsidiaries and could limit the Issuer's subsidiaries' ability to distribute capital and liquidity to the Issuer, thereby negatively impacting the Issuer. Future liquidity standards could require the Issuer to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial Notes, which would negatively affect its net interest margin. Moreover, the regulatory authorities, as part of their supervisory function, periodically review the Issuer's allowance for loan losses. Such regulators may require the Issuer to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as required by these regulatory agencies, whose views may differ from those of the Issuer's management, could have an adverse effect on the Issuer's earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Consumer Group.

The wide range of regulations, actions and proposals which most significantly affect the Issuer, or which could most significantly affect the Issuer in the future, relate to capital requirements, funding and liquidity, development of a fiscal and banking union in the EU and regulatory reforms, and are discussed in further detail below. These and other regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Consumer Group's operating costs and negatively impact the Consumer Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis. In addition, the volume, granularity, frequency and scale of regulatory and other reporting requirements necessitate a clear data strategy to enable consistent data aggregation, reporting and management. Inadequate management information systems or processes, including those relating to risk data aggregation and risk reporting, could lead to a failure to meet regulatory reporting requirements or other internal or external information demands and the Consumer Group may face supervisory measures as a result.

The main regulations and regulatory and governmental oversight that can adversely impact the Consumer Group include but are not limited to the following:

#### ***Capital requirements***

In December 2010, the Basel Committee on Banking Supervision (the "**Basel Committee**") proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks ("**Basel III**"). Basel III raised the quantity and quality of capital required to be held by a financial institution with an emphasis on CET1 capital and introduced an additional requirement for both a capital conservation buffer and a countercyclical buffer to be met with CET1 capital.

Basel III was transposed into EU law by the enactment of Directive 2013/36/EU of the European Parliament and of the Council, of 26 June, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**CRD IV Directive**"), which implements the Basel III capital standards over a phase-in period until 1 January 2019, and Regulation 575/2013 of the European Parliament and of the Council, of 26 June, on prudential requirements

for credit institutions and investment firms ("**CRR**", and together with the CRD IV Directive and any CRD IV implementing measures, "**CRD IV**"). A number of the requirements introduced under CRD IV have been, and continue to be, further supplemented through the Regulatory and Implementing Technical Standards.

As a Spanish financial institution, we are subject to CRD IV. CRR has been applicable since 1 January 2014 and CRD IV has been implemented in Spain by Royal Decree-Law 14/2013, of November 29, Law 10/2014, of June 26, on organisation, supervision and solvency of credit institutions ("**Law 10/2014**"), Royal Decree 84/2015, of 13 February, developing Law 10/2014 ("**RD 84/2015**"), and Bank of Spain Circular 2/2014, of 31 January, and Bank of Spain Circular 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive.

On 23 November 2016, the European Commission announced a further package of reforms to CRD IV, the BRRD and the SRM Regulation (each of the BRRD and SRM Regulation as defined below) (the "**EU Banking Reforms**"), including measures to increase the resilience of EU institutions and enhance financial stability. The timing for the final implantation of these reforms as at the date of this Prospectus is unclear.

Under CRD IV, we are required, on a consolidated basis, to hold a minimum amount of regulatory capital of 8% of risk-weighted assets ("**RWAs**"), of which at least 4.5% of RWAs must be CET1 capital and at least 6% of RWAs must be Tier 1 capital (together, the "**Pillar 1 requirements**").

In addition, the new regulatory regime has also increased the level of capital required by means of a "combined buffer requirement" which is required to be satisfied with CET1 capital. The "combined buffer requirement" has introduced five new capital buffers: (i) the capital conservation buffer, (ii) the institution-specific countercyclical buffer, (iii) the global systemically important institutions ("**G-SIBs**") buffer, (iv) the other systemically important institutions (or domestic systemically important banks or "**D-SIBs**") buffer and (v) the systemic risk buffer. While the capital conservation buffer is mandatory, the Bank of Spain has greater discretion in relation to the institution-specific countercyclical buffer, the G-SIB buffer, the D-SIB buffer and the systemic risk buffer. The ECB also has the ability to provide certain recommendations in this respect.

The capital conservation buffer will be 1.25% phased-in in 2017 and 2.5% fully loaded.

The G-SIBs buffer applies to those institutions included in the list of global systemically important banks, which is updated annually by the Financial Stability Board (the "**FSB**"). We have not been classified as a G-SIB by the FSB nor by the Bank of Spain so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it will not be required to maintain the G-SIB buffer. Likewise, the D-SIB buffer applies to those institutions deemed to be of local systemic importance, domestic systemically important banks; we have not been considered a D-SIB during 2017 and, thus, it will not be required to maintain a D-SIB buffer during this period.

The percentages of the institution-specific countercyclical buffer are revised each quarter. The Bank of Spain agreed in March 2017 to maintain the institution-specific countercyclical buffer applicable to credit exposures in Spain at 0% for the first third of 2017.

In addition, the Bank of Spain has not required us to maintain the systemic risk buffer.

Consequently, as at the date of this Prospectus, we are only required to maintain the capital conservation buffer (1.25% in 2017). However, some or all of the other buffers may also apply to us from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

Moreover, in addition to the Pillar 1 requirements, supervisory authorities may impose further "Pillar 2" capital requirements to cover other risks, including those not considered to be fully captured by the Pillar 1 requirements or to address macro-prudential considerations (although, under the EU Banking Reforms, it is proposed that further "Pillar 2" capital requirements should be used to address micro-prudential considerations only). This may result in the imposition of further CET1, Tier 1 and total capital requirements on the Group pursuant to this "Pillar 2" framework.

In accordance with Council Regulation (EU) No 1024/2013, of 15 October, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**"), the ECB has fully assumed its new supervisory responsibilities of us within the Single Supervisory Mechanism (the "**SSM**") (which include assessing additional "Pillar 2" capital requirements to be complied). The ECB is required under the SSM Regulation to carry out a supervisory review and evaluation process (the "**SREP**") at least on an annual basis. The SREPs may result in additional own funds requirements (Pillar 2).

The European Banking Authority ("**EBA**") published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of the SREP (the "**EBA SREP Guidelines**") which contained guidelines for a common approach to determining the amount and composition of additional Pillar 2 own funds requirements to be implemented from 1 January 2016. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the "combined buffer requirement" and/or additional macro-prudential requirements.

On 1 July 2016 the EBA published additional information on how the results of the EU-wide stress test will affect the SREP process (the "**2016 EBA Information Update**"). The 2016 EBA Information Update stated that SREP assessments may include setting additional supervisory monitoring metrics in the form of capital guidance ("**P2G**") in addition to the Pillar 2 requirements ("**P2R**"). banks are expected to meet the P2G which will be set above the level of binding capital requirements (Pillar 1 requirements and P2R) and on top of the combined buffers. While P2R are binding, P2G is not directly binding and a failure to meet P2G does not automatically trigger legal action and is irrelevant for the maximum distributable amount ("**MDA**"). If a bank does not meet its P2G, supervisors will carefully consider the reasons and circumstances and may define fine-tuned

supervisory measures. The EBA Banking Reforms also propose that a distinction be made between "Pillar 2" capital requirements and guidance, with only the former being mandatory requirements.

As set out in the "Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions" published on 16 December 2015 (the "**December 2015 EBA Opinion**"), in the EBA's opinion, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the MDA calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 own funds requirements of the institution. There can be no assurance as to how and when binding effect will be given to the December 2015 EBA Opinion in Spain, including as to the consequences for an institution of its capital levels falling below those necessary to meet these requirements. The December 2015 EBA Opinion should be read together with the 2016 EBA Information Update, which excludes P2G from the MDA trigger.

As a result of the SREP carried out by the ECB in 2016, we were informed by the ECB that it is required to maintain a CET1 phased-in capital ratio of 7.50% on a consolidated basis. This CET1 capital ratio of 7.5% on a consolidated basis includes the minimum CET1 capital ratio required under the Pillar 1 requirement (4.5%), the additional own funds requirement under "Pillar 2" and the capital conservation buffer. As of end of March 2017, our CET1 phased-in capital ratio was 12.68% on a consolidated basis. As of end of March 2017, our CET1 fully loaded capital ratio including available for sale unrealised sovereign exposure capital gains (in other words, applying all capital deductions without taking into account the transitional provisions set out in CRD IV) was 12.30% on a consolidated basis.

While our ratios currently exceed the applicable regulatory requirements described above, there can be no assurance that the total capital requirements (Pillar 1 requirements plus "Pillar 2" plus "combined buffer requirement" plus any other applicable request from time to time) imposed on us from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further "Pillar 2" additional own funds requirements on us. Any failure by us to maintain its Pillar 1 requirements, any "Pillar 2" additional own funds requirements and/or any "combined buffer requirement" could result in administrative actions (including the imposition of further "Pillar 2" requirements) or sanctions, which, in turn, may have a material adverse effect on our results of operations. In particular, any failure to maintain any additional capital requirements pursuant to the "Pillar 2" framework or any other capital requirements to which we are or become subject (including the "combined buffer requirement"), may result in the imposition of restrictions or prohibitions on "discretionary payments" by us, including dividend payments.

In addition, any failure by us to comply with our regulatory capital requirements could also result in the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law**

11/2015"), which, together with Royal Decree 1012/2015, has implemented Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**") into Spanish law, which could have a material adverse effect on our business and operations.

Building on changes made to requirements in relation to the quality and aggregate quantity of capital that banks must hold, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee.

#### ***Minimum requirement of own funds and eligible liabilities (MREL)***

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities and own funds (known as "**MREL**"). The MREL shall be calculated as the amount of own funds and eligible liabilities expressed as a percentage of the total liabilities and own funds of the institution. Eligible liabilities may be senior or subordinated, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions). On 3 July 2015 the EBA published the final draft technical standards on the criteria for determining MREL, which was adopted with certain amendments by the European Commission pursuant to Commission Delegated Regulation (EU) 2016/1450, of 23 May.

The MREL requirement was scheduled to come into force by January 2016. However, the EBA has recognised the impact which this requirement may have on banks' funding structures and costs and it has proposed a long phase-in period of 48 months (four years) until 2020. The level of capital and eligible liabilities required under MREL will be set by the resolution authority for each bank (and/or group) based on certain criteria including systemic importance. As at the date of this Prospectus, this level has not yet been communicated to us, however it may have a material adverse effect on it.

On 9 November 2015 the FSB published its final Total Loss-Absorbing Capacity ("**TLAC**") Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior ranking liabilities, such as guaranteed insured deposits. The TLAC Principles and Term Sheet contains a set of principles on loss absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The FSB will undertake a review of the technical implementation of the TLAC Principles and Term Sheet by the end of 2019. The TLAC Principles and Term Sheet requires a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (a) 16% of RWAs as of 1 January 2019 and 18% as of 1 January 2022, and (b) 6% of the Basel III Tier 1 leverage ratio exposures as of 1 January 2019, and 6.75% as of 1 January 2022. Although we have not been classified as a G-SIB by the FSB and, thus, in principle, TLAC should not apply to it, it cannot be disregarded that in future TLAC requirements may apply to us in addition to other capital requirements either because TLAC requirements are

adopted and implemented in Spain and extended to non-G-SIBs through the imposition of similar MREL requirements as set out below or otherwise (and as per the BRRD, any legislative proposal from the European Commission will have to take into account the need of consistency between MREL and other international standards such as TLAC).

Among the EU Banking Reforms, on 23 November 2016, the European Commission published a proposal for a European Directive amending the BRRD and a proposal for a European Regulation amending Regulation (EU) No. 806/2014 of the European Parliament and of the Council, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a SRM and a Single Resolution Fund (the "**SRM Regulation**"). The main objective of these proposals is to implement the TLAC standard and to integrate the TLAC requirement into the general MREL rules thereby avoiding duplication from the application of two parallel requirements and ensure that both requirements are met with largely similar instruments. As mentioned above, although TLAC and MREL pursue the same regulatory objective, there are, nevertheless, some differences between them in the way they are constructed. Under these proposals, institutions such as financial entities within the Consumer Group would continue to be subject to an institution-specific MREL requirement. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non G-SIBs, while the EU Banking Reforms propose for a minimum harmonised or "Pillar 1" MREL requirement for G-SIBs, in the case of non-G-SIBs it is proposed that MREL requirements will be imposed on a bank-specific basis. For G-SIBs it is also proposed that a supplementary or "Pillar 2" MREL requirement may be further imposed on a bank-specific basis.

While the general goal of these proposals is well understood, it is too early to confirm the exact amendments that will be introduced and consequently the precise impact on us. In light of the above, new and more demanding additional capital requirements may be applied in the future. Additionally, if it is found that there could exist any obstacles to resolvability by us, a higher MREL requirement could be imposed.

Neither BRRD nor the MREL Delegated Regulation provides details on the implications of a failure by an institution to comply with its MREL requirement. However, the EU Banking Reforms propose that this be addressed by the relevant authorities on the basis of their powers to address or remove impediments to resolution, the exercise of their supervisory powers under the CRD IV Directive, early intervention measures and administrative penalties and other administrative measures.

### ***Liquidity requirements***

In December 2010 the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio ("**LCR**") and Net Stable Funding Ratio ("**NSFR**") metrics, seeking to (i) promote the short-term resilience of banks' liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (ii) promote resilience over a longer time horizon by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. This liquidity



framework was revised by the Basel Committee in January 2013 and in January 2014.

In addition, CRR includes a requirement for institutions to calculate a leverage ratio and, at its meeting of 12 January 2014, the oversight body of the Basel Committee endorsed the definition of the leverage ratio set forth in CRD IV, to promote consistent disclosure, which applied from 1 January 2015. There will be a mandatory minimum capital requirement on 1 January 2018 with an initial minimum leverage ratio of 3% that can be raised after calibration, if European authorities so decide. The Basel Committee published in April 2016 a consultative document proposing to review the framework of the leverage ratio (including its calibration). It is not possible to quantify the impact of this review and there is, therefore, uncertainty with respect to the definitive definition and calibration of the leverage ratio which are expected to be set out further in 2017.

The EU Banking Reforms propose a binding leverage ratio requirement of 3% of Tier 1 capital that is added to an institution's own funds requirements and that an institution must meet in addition to its risk based requirements.

As of April 2017, the Issuer's LCR was 177%.

As of March 2017, the Issuer's NSFR was 109.4%, and its leverage ratios were 8,0737% (fully loaded) and 8,2029% (phase in).

### ***1 EU fiscal and banking union***

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the Eurozone.

The banking union is expected to be achieved through new harmonised Banking rules (the single rulebook) and a new institutional framework with stronger systems for both Banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the Single Resolution Mechanism ("SRM").

The SSM (comprised by both the ECB and the national competent authorities) is designed to assist in making the Banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of the 126 largest European banks (including the Issuer's parent company, Banco Santander, S.A.), on 4 November 2014. In preparation for this step, between November 2013 and October 2014, the ECB conducted, together with national supervisors, a comprehensive assessment of 130 banks, which together hold more than 80% of Eurozone Banking assets. The exercise consisted of three elements: (i) a supervisory risk assessment, which assessed the main balance sheet risks including liquidity, funding and leverage; (ii) an asset quality review, which focused on credit and market risks; and (iii) a stress test to examine the need to strengthen capital or take other corrective measures.

The SSM represents a significant change in the approach to Issuer supervision. The SSM results in the direct supervision of 126 financial institutions, including the

Issuer's parent company, Banco Santander, S.A., and indirect supervision of around 3,500 financial institutions and is now one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to work to establish a new supervisory culture importing best practices from the 19 national competent authorities that are part of the SSM. Several steps have already been taken in this regard such as the publication of the Supervisory Guidelines and the approval of the Regulation (EU) No 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the SSM Framework Regulation). In addition, this new body represents an extra cost for the financial institutions that funds it through payment of supervisory fees.

The other main pillar of the European banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in Europe at minimum cost for the taxpayers and the real economy. The SRM Regulation establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and a Single Resolution Fund ("**SRF**"). Under the intergovernmental agreement ("**IGA**") signed by 26 EU member states on 21 May 2014, contributions by banks raised at national level were transferred to the SRF. The new Single Resolution Board ("**SRB**"), which is the central decision-making body of the SRM, started operating on 1 January 2015 and has fully assumed its resolution powers on 1 January 2016. The SRB is responsible for managing the SRF and its mission is to ensure that credit institutions and other entities under its remit, which face serious difficulties, are resolved effectively with minimal costs to taxpayers and the real economy. From that date onwards the SRF is also in place, funded by contributions from European banks in accordance with the methodology approved by the Council of the EU. The SRF is intended to reach a total amount of €55 billion by 2024 and to be used as a separate backstop only after an 8% bail-in of a Issuer's liabilities has been applied to cover capital shortfalls (in line with the BRRD).

By allowing for the consistent application of EU Banking rules through the SSM and the SRM, the banking union is expected to help resume momentum towards economic and monetary union. In order to complete such union, a single deposit guarantee scheme is still needed which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a Banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the Issuer's main supervisory authority may have a material impact on the Issuer's business, financial condition and results of operations; in particular, the BRRD and Directive 2014/49/EU on deposit guarantee schemes which were published in the Official Journal of the EU on 12 June 2014. The BRRD was required to be implemented on or before 1 January 2015, although the bail-in tool only applies since 1 January 2016. The BRRD was partially implemented in Spain in June 2015 through Law 11/2015 of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms ("**Law 11/2015**") and Royal Decree 1012/2015.

In addition, on 29 January 2014, the European Commission released its proposal on the structural reforms of the European banking sector that will impose new

constraints on the structure of European banks. The proposal aims at ensuring the harmonisation between the divergent national initiatives in Europe. It includes a prohibition on proprietary trading similar to that contained in Section 619 of the Dodd-Frank Act (also known as the Volcker Rule) and a mechanism to potentially require the separation of trading activities (including market making), such as in the Financial Services (Banking Reform) Act 2013, complex securitisations and risky derivatives.

Moreover, regulations adopted on structural measures to improve the resilience of EU credit institutions may have a material impact on the Issuer's business, financial condition and results of operations. These regulations, if adopted, may also cause the Consumer Group to invest significant management attention and resources to make any necessary changes.

## ***2 Other regulatory reforms adopted or proposed in the wake of the financial crisis***

On 16 August 2012, Regulation (EU) No 648/2012 on over-the-counter ("OTC") derivatives, central counterparties and trade repositories entered into force ("EMIR"). While a number of the compliance requirements introduced by EMIR already apply, the ESMA is still in the process of finalising some of the implementing rules mandated by EMIR. EMIR introduced a number of requirements, including clearing obligations for certain classes of OTC derivatives, exchange of initial and variation margin and various reporting and disclosure obligations. Although some of the particular effects brought about by EMIR are not yet fully foreseeable, many of its elements have led and may lead to changes which may negatively impact the Consumer Group's profit margins, require it to adjust its business practices or increase its costs (including compliance costs).

The new Markets in Financial Notes legislation (which comprises Regulation (EU) No 600/2014 ("MiFIR") and Directive 2014/65/EU ("MiFID II")), introduces a trading obligation for those OTC derivatives which are subject to mandatory clearing and which are sufficiently standardised. Additionally, it includes other requirements such as enhancing the investor protection's regime and governance and reporting obligations. It also extends transparency requirements to OTC operations in non-equity Notes. MiFID II was initially intended to enter into effect on 3 January 2017. In order to ensure legal certainty and avoid potential market disruption, the European Commission has proposed delaying the effective date of MiFID II by 12 months until 3 January 2018.

### ***The Consumer Group is subject to potential intervention by regulators or supervisors, particularly in response to customer complaints***

As noted above, our business and operations are subject to increasingly significant rules and regulations that are required to conduct banking and financial services business. These apply to business operations, affect financial returns, include reserve and reporting requirements, and prudential and conduct of business regulations. These requirements are set by the relevant central banks and regulatory authorities that authorise, regulate and supervise us in the jurisdictions in which we operate.

In their supervisory roles, the regulators seek to maintain the safety and soundness of financial institutions with the aim of strengthening the protection of customers

and the financial system. The supervisors' continuing supervision of financial institutions is conducted through a variety of regulatory tools, including the collection of information by way of prudential returns, reports obtained from skilled persons, visits to firms and regular meetings with management to discuss issues such as performance, risk management and strategy. In general, these regulators have a more outcome-focused regulatory approach that involves more proactive enforcement and more punitive penalties for infringement. As a result, we face increased supervisory scrutiny (resulting in increasing internal compliance costs and supervision fees), and in the event of a breach of our regulatory obligations we are likely to face more stringent regulatory fines. Some of the regulators are focusing intently on consumer protection and on conduct risk and will continue to do so. This has included a focus on the design and operation of products, the behavior of customers and the operation of markets. Such a focus could result in usury regulation that could restrict our ability to charge certain levels of interest in credit transactions or in regulation that would prevent us from bundling products that we offer to our customers. Some of the laws in the relevant jurisdictions in which we operate, give the regulators the power to make temporary product intervention rules either to improve a firm's systems and controls in relation to product design, product management and implementation, or to address problems identified with financial products. These problems may potentially cause significant detriment to consumers because of certain product features or governance flaws or distribution strategies. Such rules may prevent institutions from entering into product agreements with customers until such problems have been solved. Some of the regulatory regimes in the relevant jurisdictions in which we operate, require us to be in compliance across all aspects of our business, including the training, authorisation and supervision of personnel, systems, processes and documentation. If we fail to comply with the relevant regulations, there would be a risk of an adverse impact on our business from sanctions, fines or other actions imposed by the regulatory authorities. Customers of financial services institutions, including our customers, may seek redress if they consider that they have suffered loss as a result of the mis-selling of a particular product, or through incorrect application of the terms and conditions of a particular product. Given the inherent unpredictability of litigation and the evolution of judgments by the relevant authorities, it is possible that an adverse outcome in some matters could harm our reputation or have a material adverse effect on our operating results, financial condition and prospects arising from any penalties imposed or compensation awarded, together with the costs of defending such an action, thereby reducing our profitability.

***The Consumer Group is subject to review by taxing authorities, and an incorrect interpretation by the Consumer Group of tax laws and regulations may have a material adverse effect on the Consumer Group***

The preparation of our tax returns requires sometimes interpretations of complex tax laws and regulations and is subject to review by taxing authorities. We are subject sometimes to the income tax laws of Spain and of the other jurisdictions in which we operate. These tax laws are complex and subject to different interpretations by the taxpayer and relevant governmental taxing authorities, which are quite often subject to prolonged evaluation periods until a final resolution is reached. In establishing a provision for income tax expense and filing returns, we must make judgments and interpretations about the application of these inherently complex tax laws. If the judgment, estimates and assumptions we use in preparing

our tax returns are subsequently found to be incorrect, there could be an adverse effect on our results of operations.

***Changes in taxes and other assessments may adversely affect the Consumer Group***

The legislatures and tax authorities in the tax jurisdictions in which we operate regularly enact reforms to the tax and other assessment regimes to which we and our customers are subject. Such reforms include changes in tax rates and, occasionally, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. The effects of these changes and any other changes that result from enactment of additional tax reforms cannot be quantified and there can be no assurance that any such reforms would not have an adverse effect upon our business.

***Payments on the Notes may be subject to U.S. withholding under FATCA***

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking S.A. (together the "ICSDs"), in all but the most remote circumstances it is not expected that the withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the ICSDs (see Taxation - FATCA). However, FATCA may affect payments received by financial institutions which participate in the ICSDs or by custodians and intermediaries in the subsequent payment chain leading to the ultimate investor if any such participant, custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or to an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose their custodians or other intermediaries with care (to ensure that each is compliant with FATCA and other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the ICSDs or their agents and the Issuer therefore has no responsibility for any amount deducted under FATCA from payments made thereafter to participants, custodians, intermediaries, or ultimate investors.

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

We are required to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery and corruption, sanctions and other laws and regulations applicable to us. These laws and regulations require us, among other things, to conduct full customer due diligence (including sanctions and politically-exposed person screening), keep our customer, account and transaction information up to date and have implemented effective financial crime policies and procedures

detailing what is required from those responsible. We are also required to conduct AML training for our employees and to report suspicious transactions and activity to appropriate law enforcement following full investigation by our local AML team.

Financial crime has become the subject of enhanced regulatory scrutiny and supervision by regulators globally. AML, anti-bribery and corruption and sanctions laws and regulations are increasingly complex and detailed and have become the subject of enhanced regulatory supervision, requiring improved systems, sophisticated monitoring and skilled compliance personnel.

We have developed policies and procedures aimed at detecting and preventing the use of our banking network for money laundering and other financial crime related activities. These require implementation and embedding within our business effective controls and monitoring, which in turn requires on-going changes to systems and operational activities. Financial crime is continually evolving and, as noted, is subject to increasingly stringent regulatory oversight and focus. This requires proactive and adaptable responses from us so that we are able to deter threats and criminality effectively. As a multinational bank, we are particularly exposed to this risk. Even known threats can never be fully eliminated, and there will be instances where we may be used by other parties to engage in money laundering and other illegal or improper activities. In addition, we rely heavily on our employees to assist us by spotting such activities and reporting them, and our employees have varying degrees of experience in recognizing criminal tactics and understanding the level of sophistication of criminal organisations. Where we outsource any of our customer due diligence, customer screening or anti financial crime operations, we remain responsible and accountable for full compliance and any breaches. If we are unable to apply the necessary scrutiny and oversight, there remains a risk of regulatory breach.

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

The reputational damage to our business and global brand would be severe if we were found to have breached AML, anti-bribery and corruption or sanctions requirements. Our reputation could also suffer if we are unable to protect our customers' bank products and services from being used by criminals for illegal or improper purposes.

In addition, while we review our relevant counterparties' internal policies and procedures with respect to such matters, we, to a large degree, rely upon our relevant counterparties to maintain and properly apply their own appropriate compliance procedures and internal policies. Such measures, procedures and internal policies may not be completely effective in preventing third parties from using our (and our relevant counterparties') services as a conduit for illicit purposes (including illegal cash operations) without our (and our relevant counterparties') knowledge. If we are associated with, or even accused of having breached AML, anti-terrorism, or sanctions requirements our reputation could suffer and/or we could become subject to fines, sanctions and/or legal enforcement (including being added to any "black lists" that would prohibit certain parties from engaging in

transactions with us), any one of which could have a material adverse effect on our operating results, financial condition and prospects.

Any such risks could have a material adverse effect on our operating results, financial condition and prospects.

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

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

Increases in prevailing market interest rates and in the Consumer Group's credit spreads can significantly increase the cost of its funding. Changes in the Consumer Group's credit spreads may be influenced by market perceptions of its creditworthiness. Changes to interest rates and the Consumer Group's credit spreads occur continuously and may be unpredictable and highly volatile.

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

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

Lack of liquidity in the interbank market and subsequent increases in the cost of funding are likely to raise the costs of funding for the Consumer Group. Historically, one of the Consumer Group's sources of funds has been customer deposits. At 31 December 2016, 87.5 per cent. of funding had been undertaken through customer deposits from Germany and the Nordic countries (Scandinavia) (€28,989.9 thousand). Current and savings accounts represented 70 per cent. (€23,218.8 thousand) of total consolidated customer deposits at that date. Current and savings accounts may be a less stable source of deposits than other types of deposits. (The data does not include valuation adjustments).

The widespread crisis in investor confidence and resulting liquidity crisis experienced in 2008 and into early 2009 increased the Consumer Group's cost of funding and limited its access to some of its other traditional sources of liquidity such as the domestic and international capital markets, and the interbank market, as

the case may be, and there is no assurance that these conditions could not occur in the future.

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

Liquidity risk is the risk that we either do not have available sufficient financial resources to meet our obligations as they fall due or can secure them only at excessive cost. This risk is inherent in any retail and commercial banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation. While we implement liquidity management processes to seek to mitigate and control these risks, unforeseen systemic market factors make it difficult to eliminate completely these risks. Continued constraints in the supply of liquidity, including inter-bank lending, has affected and may materially and adversely affect the cost of funding our business, and extreme liquidity constraints may affect our current operations and our ability to fulfill regulatory liquidity requirements, as well as limit growth possibilities.

Increases in prevailing market interest rates and in our credit spreads can significantly increase the cost of our funding. Changes in our credit spreads may be influenced by market perceptions of our creditworthiness. Changes to interest rates and our credit spreads occur continuously and may be unpredictable and highly volatile.

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

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

We cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system, we will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, we could be materially adversely affected. While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of the Consumer Group's long-term credit rating precipitates downgrades to the Consumer Group's short-term credit rating, and



assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than the preceding hypothetical examples, depending upon certain factors including which credit rating agency downgrades the Consumer Group's credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although unsecured and secured funding stresses are included in the Consumer Group's stress testing scenarios and a portion of its total liquid assets is held against these risks, a credit rating downgrade could still have a material adverse effect on the Consumer Group.

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. Failure to maintain favourable ratings and outlooks could increase the Consumer Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Consumer Group.

***The credit quality of the Consumer Group's loan portfolio may deteriorate and its loan loss reserves could be insufficient to cover the Consumer Group's actual loan losses, which could have a material adverse effect on the Consumer Group***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent in a wide range of our businesses. Non-performing or low credit quality loans have in the past negatively impacted our results of operations and could do so in the future. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our total loan portfolio, including as a result of loan portfolios that we may acquire in the future (the credit quality of which may turn out to be worse than we had anticipated), or factors beyond our control, such as adverse changes in the credit quality of our borrowers and counterparties or a general deterioration in economic conditions in the regions where we operate or in global economic and political conditions. If we were unable to control the level of our non-performing or poor credit quality loans, this could have a material adverse effect on us.

Our loan loss reserves are based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond our control and there is no precise method for predicting loan and credit losses, we cannot assure that our current or future loan loss reserves will be sufficient to cover actual losses. If our assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of our total loan portfolio deteriorates, for any reason, or if the future actual losses exceed our estimates of incurred losses, we may be required to increase our loan loss reserves, which may adversely affect us. Additionally, in calculating our loan loss reserves, we employ qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete.

Although our NPL ratio decreased from 3.42% at 31 December 2015 to 2.68 at 31 December 2016, we can provide no assurance that our NPL ratio will not increase as a result of the aforementioned and other factors. Consumer confidence,

unemployment and housing indicators are among the factors that often impact consumer spending behaviour, and poor economic conditions could in turn could have a material adverse effect on our business, financial condition and results of operations.

***The value of the collateral securing the loans of the Consumer Group may not be sufficient, and the Consumer Group may be unable to realise the full value of the collateral securing its loan portfolio***

The value of the collateral securing our loan portfolio may fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting Europe. The value of the collateral securing our loan portfolio may be adversely affected by force majeure events, such as natural disasters, which could impair the asset quality of our loan portfolio and have an adverse impact on the economy of the affected region. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of our loans secured by such collateral. If any of the above were to occur, we may need to make additional provisions to cover actual impairment losses of our loans, which may materially and adversely affect our results of operations and financial condition.

***We depend on the accuracy and completeness of information about borrowers and counterparties and any misrepresented information could adversely affect our business, results of operations, and financial condition.***

In deciding whether to approve loans or to enter into other transactions with borrowers and counterparties in our retail lending and commercial lending businesses, we may rely on information furnished to us by or on behalf of borrowers and counterparties, including financial statements and other financial information. We also may rely on representations of borrowers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. If any of this information is intentionally or negligently misrepresented and such misrepresentation is not detected prior to loan funding, the value of the loan may be significantly lower than expected. Whether a misrepresentation is made by the loan applicant, another third party, or one of our employees, we generally bear the risk of loss associated with the misrepresentation. Our controls and processes may not have detected or may not detect all misrepresented information in our loan originations or from our business clients. Any such misrepresented information could adversely affect our business, financial condition, and results of operations.

***The Consumer Group is subject to counterparty risk in its business***

We are exposed to counterparty risk in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, clearing houses or other financial intermediaries.

We transact 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 rumours 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 cool-down effect on inter-institutional financial transactions in general. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. A default by a significant financial counterparty, or liquidity problems in the financial services industry in general, could have a material adverse effect on our business, financial condition and results of operations.

***The Consumer Group's financial results are constantly exposed to market risk. The Consumer Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect it and its profitability***

Changes in market interest rates could affect the interest rates charged on interest earning assets in a different manner to that paid on interest bearing liabilities. This difference could result in an increase in interest expenses relative to interest income leading to a reduction in our net interest income. Rising interest rates may also bring about an increase in the non-performing loan portfolio. Interest rates are highly sensitive to many factors beyond our control, including increased regulation of the financial sector, monetary policies, domestic and international economic and political conditions and other factors.

***Market risks associated with fluctuations in bond prices and other market factors are inherent in our business.***

The performance of financial markets may cause changes in the value of our investments. In some of our 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 we cannot close out deteriorating positions in a timely manner. This may especially be the case for our assets 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 we calculate using models other than publicly quoted prices. Monitoring the deterioration of asset prices like these is difficult and could lead to losses that we may not anticipate.

***Market conditions have resulted and could result in material changes to the estimated fair values of the Consumer Group's financial assets. Negative fair value adjustments could have a material adverse effect on its operating results, financial condition and prospects***

In the past nine years, financial markets have been subject to significant stress resulting in steep falls in perceived or actual financial asset values, particularly due to volatility in global financial markets and the resulting widening of credit spreads. We have material exposures to securities, loans and other investments that are recorded at fair value and are therefore exposed to potential negative fair value adjustments. Asset valuations in future periods, reflecting then-prevailing market conditions, may result in negative changes in the fair values of our financial assets and these may also translate into increased impairments. In addition, the value ultimately realised by us on disposal may be lower than the current fair value. Any of these factors could require us to record negative fair value adjustments, which

may have a material adverse effect on our operating results, financial condition or prospects.

In addition, to the extent that fair values are determined using financial valuation models, such values may be inaccurate or subject to change, as the data used by such models may not be available or may become unavailable due to changes in market conditions, particularly for illiquid assets, and particularly in times of economic instability. In such circumstances, our valuation methodologies require us to make assumptions, judgments and estimates in order to establish fair value, and reliable assumptions are difficult to make and are inherently uncertain and valuation models are complex, making them inherently imperfect predictors of actual results. Any consequential impairments or write-downs could have a material adverse effect on our operating results, financial condition and prospects.

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

In the ordinary course of its business, the Consumer Group has a percentage of its assets and liabilities denominated in currencies other than the Euro. Fluctuations in the value of the Euro against other currencies may adversely affect the Consumer Group's profitability. Additionally, while most of the governments of the countries in which the Consumer 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.

Balance sheets of each business area are hedged in the area's own currency, mainly using natural on-balance sheet hedges. There are open positions as a result of permanent investments in the banks of countries with currencies other than the Euro.

***Operational risks are inherent in the businesses of the Consumer Group***

The business of the Consumer Group depends 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 Consumer Group also faces the risk that the design of its controls and procedures proves to be inadequate or is circumvented. The Consumer Group has suffered losses from operational risk in the past and there can be no assurance that the Consumer Group will not suffer material losses from operational risk in the future.

***Failure to successfully implement and continue to improve the Consumer Group's risk management policies, procedures and methods, including its credit risk management system, could materially and adversely affect the Consumer Group, and the Consumer Group may be exposed to unidentified or unanticipated risks***

The management of risk is an integral part of our activities. We seek to monitor and manage our risk exposure through a variety of separate but complementary financial, credit, market, operational, compliance and legal reporting systems.

While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, such techniques and strategies may not be fully effective in mitigating our risk exposure in all economic market environments or against all types of risk, including risks that we fail to identify or anticipate.

Some of our qualitative tools and metrics for managing risk are based upon our use of observed historical market behavior. We apply statistical and other tools to these observations to arrive at quantifications of our risk exposures. These qualitative tools and metrics may fail to predict future risk exposures. These risk exposures could, for example, arise from factors we did not anticipate or correctly evaluate in our statistical models. This would limit our ability to manage our risks. Our losses thus could be significantly greater than the historical measures indicate. In addition, our quantified modeling does not take all risks into account. Our more qualitative approach to managing those risks could prove insufficient, exposing us to material unanticipated losses. We could face adverse consequences as a result of decisions, which may lead to actions by management, based on models that are poorly developed, implemented or used, or as a result of the modeled outcome being misunderstood or the use of such information for purposes for which it was not designed. In addition, if existing or potential customers or counterparties believe our risk management is inadequate, they could take their business elsewhere or seek to limit their transactions with us. This could have a material adverse effect on our reputation, operating results, financial condition and prospects.

One of the main types of risks inherent in our business is credit risk. For example, an important feature of our credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer, taking into account both quantitative and qualitative factors, such as the customer's personal information, contracts, prior applications and historical performance information. While our process is based on analytical models and is fully automated, it is subject to human or IT systems errors. In exercising their judgment on current or future credit risk behavior of our customers, our employees may not always be able to assign an accurate credit rating, which may result in our exposure to higher credit risks than indicated by our risk rating system.

Failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in an increase in the level of non-performing loans and a higher risk exposure for us, which could have a material adverse effect on us.

***Any failure to effectively improve or upgrade the Consumer Group's information technology infrastructure and management information systems in a timely manner could have a material adverse effect on the Consumer Group***

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

***Risks relating to data collection, processing and storage systems and security are inherent in the Consumer Group's business***

Like other financial institutions, we manage and hold confidential personal information of customers in the conduct of our banking operations, as well as a large number of assets. Accordingly, our business depends on the ability to process a large number of transactions efficiently and accurately, and on our ability to rely on our digital technologies, computer and email services, software and networks, as well as on the secure processing, storage and transmission of confidential sensitive personal data and other information using our computer systems and networks. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. Losses can result from inadequate personnel, inadequate or failed internal control processes and systems, or from external events that interrupt normal business operations. We also face the risk that the design of our controls and procedures prove to be inadequate or are circumvented such that our data and/or client records are incomplete, not recoverable or not securely stored. Although we work with our clients, vendors, service providers, counterparties and other third parties to develop secure data and information processing, storage and transmission capabilities to prevent against information security risk, we routinely manage personal, confidential and proprietary information by electronic means, and we may be the target of attempted cyber-attack. If we cannot maintain an effective and secure electronic data and information, management and processing system or we fail to maintain complete physical and electronic records, this could result in regulatory sanctions and serious reputational or financial harm to us.

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

In recent years, computer systems of companies and organisations have been targeted not only by cyber criminals, but also by activists and rogue states. We have been and continue to be subject to a range of cyber-attacks, such as denial of service, malware and phishing. Cyber-attacks could give rise to the loss of significant amounts of customer data and other sensitive information, as well as significant levels of liquid assets (including cash). In addition, cyber-attacks could disrupt our electronic systems used to service our customers. As attempted attacks continue to evolve in scope and sophistication, we may incur significant costs in order to modify or enhance our protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyber-attacks to our customers. If we fail to effectively manage our cyber security risk, (for example, by failing to update our systems and processes in response to new threats), this could harm our reputation and adversely affect our operating results, financial condition and prospects through the payment of customer compensation, regulatory penalties and fines and/or through the loss of assets. In addition, we may also be impacted by cyber-attacks against national critical infrastructures of the countries where we operate; for example, the telecommunications network. Our information technology systems are dependent on such national critical infrastructure and any cyber-attack against such critical infrastructure could negatively affect our ability to service our customers. As we do not operate such national critical infrastructure, we have limited ability to protect our information technology systems from the adverse effects of such a cyber-attack.

Although we have procedures and controls to safeguard personal information in our possession, unauthorised disclosures could subject us to legal actions and administrative sanctions as well as damages and reputational harm that could materially and adversely affect our operating results, financial condition and prospects. Further, our business is exposed to risk from potential non-compliance with policies, employee misconduct or negligence and fraud, which could result in regulatory sanctions and serious reputational or financial harm. It is not always possible to deter or prevent employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. In addition, we may be required to report events related to information security issues (including any cyber security issues), events where customer information may be compromised, unauthorised access and other security breaches, to the relevant regulatory authorities. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our clients with delays or errors, which could reduce demand for our services and products, could produce customer claims and could materially and adversely affect us.

***Risks concerning borrower credit quality and general economic conditions are inherent to our business, and the financial problems which our customers may face could adversely affect the Consumer Group***

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent to a wide range of the businesses we operate. Market turmoil and economic recession could have a material adverse effect on the liquidity, businesses and/or financial condition of our borrowers, which could in turn further increase our non-performing loan ratios, impair our loan and other financial assets and result in decreased demand for borrowings in general.

In a context of continued market turmoil, economic recession and increasing unemployment, coupled with declining consumer spending, the value of assets acting as collateral for our secured loans could still decline significantly, which could result in an impairment of the value of our loan assets. Any of the conditions described above could have a material adverse effect on our business and financial condition and results of operations.

***Portions of the Consumer Group's loan portfolio are subject to risks relating to force majeure and any such event could have a material adverse effect on its operating results***

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

***The Consumer Group depends in part upon dividends and other funds from subsidiaries***

The substantial majority of the Consumer Group's operations are conducted through its subsidiaries. As a result, the Consumer Group's ability to pay dividends, to the extent it decides to do so, depends in significant part on the ability of its subsidiaries to generate earnings and to pay dividends to the Consumer Group. Payment of dividends, distributions and advances by the Consumer Group's subsidiaries will be contingent upon its subsidiaries' earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. Additionally, the Consumer Group's right to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries, upon their liquidation or reorganisation, will be effectively subordinated to the claims of the Consumer Group's subsidiaries' creditors, including trade creditors.

***Increased competition, including from non-traditional providers of Banking services such as financial technology providers, and industry consolidation may adversely affect the results of operations of the Consumer Group***

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

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

Non-traditional providers of banking services, such as internet based e-commerce providers, mobile telephone companies and internet search engines, may offer



and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulation. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If we are unable to successfully compete with current and new competitors, or if we are unable to anticipate and adapt our offerings to changing banking industry trends, including technological changes, our business may be adversely affected. In addition, our failure to effectively anticipate or adapt to emerging technologies or changes in customer behavior, including among younger customers, could delay or prevent our access to new digital-based markets, which would in turn have an adverse effect on our competitive position and business.

Moreover, the rise in customer use of internet and mobile banking platforms in recent years may necessitate changes to our retail distribution strategy, which may include restructuring our work force and reforming our retail distribution channel. Our failure to swiftly and effectively implement such changes to our distribution strategy could have an adverse effect on our competitive position.

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

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

***The Consumer Group's ability to maintain its competitive position depends, in part, on the success of new products and services the Consumer Group offers to its clients and its ability to continue offering products and services from third parties, and the Consumer Group may not be able to manage various risks it faces as it expands its range of products and services that could have a material adverse effect on the Consumer Group***

The success of the Consumer Group's operations and its profitability depends, in part, on the success of new products and services the Consumer Group offers to its clients and its ability to continue offering products and services from third parties. However, the Consumer Group cannot guarantee that its new products and services will be responsive to client demands, or that they will be successful. In addition, the Consumer Group's clients' needs or desires may change over time, and such changes may render its products and services obsolete, outdated or unattractive and

the Consumer Group may not be able to develop new products that meet its clients' changing needs. The Consumer Group's success is also dependent on its ability to anticipate and leverage new and existing technologies that may have an impact on products and services in the Banking industry. Technological changes may further intensify and complicate the competitive landscape and influence client behaviour. If the Consumer Group cannot respond in a timely fashion to the changing needs of its clients, it may lose clients, which could in turn materially and adversely affect the Consumer Group.

As the Consumer Group expands the range of its products and services, some of which may be at an early stage of development in the markets of certain regions where it operates, the Consumer Group will be exposed to new and potentially increasingly complex risks and development expenses. The Consumer Group's employees and risk management systems, as well as its experience and that of its partners may not be sufficient to enable it to properly manage such risks. In addition, the cost of developing products that are not launched is likely to affect the results of operations of the Consumer Group. Any or all of these factors, individually or collectively, could have a material adverse effect on the Consumer Group.

While the Consumer Group has successfully increased its customer service levels in recent years, should these levels ever be perceived by the market to be materially below those of the Consumer Group's competitor financial institutions, it could lose existing and potential business. If the Consumer Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of the Consumer Group's activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on its operating results, financial condition and prospects. For further detail on the Consumer Group's legal and regulatory risk exposures, please see "*Risk Factors—The Consumer Group is exposed to risk of loss from legal and regulatory proceedings*".

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

The Consumer Group has historically acquired controlling interests in various companies, including the acquisition of GE Money Bank AB (operates as a legal entity in Sweden, with two branches in Norway and Denmark) and has engaged in other strategic partnerships such as the acquisition of the financial arm of a major Spanish retail distributor (El Corte Inglés) and the recent agreement made with PSA Group. In addition, the Consumer Group may consider other strategic acquisitions and partnerships from time to time. There can be no assurances that the Consumer Group will be successful in its plans regarding the operation of past or future acquisitions and strategic partnerships.

The Consumer Group can give no assurance that its acquisition and partnership activities will perform in accordance with the Consumer Group's expectations. The Consumer 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. In addition, it is possible that the integration process of the Consumer Group's recent (and any future) acquisitions could take longer or be more costly than anticipated or

could result in the loss of key employees, the disruption of each Consumer Group company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of each company within the Consumer Group to maintain relationships with clients, customers or employees. If the Consumer Group takes longer than anticipated or is not able to integrate the aforementioned businesses, the anticipated benefits of the Consumer Group's recent acquisitions may not be realised fully or at all, or may take longer than expected to realise.

***Our business could be negatively impacted if we are unsuccessful in developing and maintaining relationships with automobile dealerships, manufacturers and other retailers.***

Our ability to acquire loans is reliant on our relationships with automotive dealers. In particular, our automotive finance operations depend in large part upon our ability to establish and maintain relationships with reputable automotive dealers that originate loans at the point-of-sale, which we subsequently purchase. Although we typically have exclusive relationships with automotive manufacturers, our captive finance agreements with these manufacturers typically have terms of only three to five years, and we cannot guarantee that we will be able to renew these agreements at the end of their terms or that any future captive finance agreements will contain similar exclusivity terms.

An important part of our consumer and card business relies on establishing and maintaining cooperation agreements with retailers. While we have been serving a majority of our retailers for many years, and while a majority of our cooperation agreements with our retailers are exclusive, there can be no assurance that we will be able to maintain our relationships with all our current retailers.

***Negative changes in the business of the manufacturers or retailers with which we have strategic relationships could adversely affect our business.***

A significant adverse change in automotive manufacturers' business, including (i) significant adverse changes in their respective liquidity position and access to the capital markets, (ii) the production or sale of the their vehicles (including the effects of any product recalls), (iii) the quality or resale value of their vehicles, (iv) the use of marketing incentives, (v) their relationships with their key suppliers, or (vi) their respective relationships with labor unions and other factors impacting automotive manufacturers or their employees could have a material adverse effect on our profitability and financial condition. As a result of the recent economic downturn and contraction of credit to both dealers and their customers, there was an increase in dealership closures and our existing dealer base experienced decreased sales and loan volume in the past and may experience decreased sales and loan volume in the future, which may have an adverse effect on our business, results of operations, and financial condition.

There is no assurance that the global automotive market, or our other automotive manufacturer partners' share of that market, will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position. Similarly, our ability to generate new loans and the interest and fees and other income associated with them is dependent upon sales of merchandise and services by our retail partners. Our

retail partners' sales may decrease or may not increase as we anticipate for various reasons, some of which are in the retail partners' control and some of which are not. For example, retail partner sales may be adversely affected by macroeconomic conditions having a national, regional or more local effect on consumer spending, business conditions affecting a particular partner or industry, or catastrophes affecting broad or more discrete geographic areas. If our retail partners' sales decline for any reason, it generally results in lower credit sales, and therefore lower loan volume and associated interest and fees and other income for us from their customers. In addition, if a retail partner closes some or all of its stores or becomes subject to a voluntary or involuntary bankruptcy proceeding (or if there is a perception that it may become subject to a bankruptcy proceeding), its customers who have used our financing products may have less incentive to pay their outstanding balances to us, which could result in higher charge-off rates than anticipated and our costs for servicing its customers' accounts may increase. Moreover, if the financial condition of a retail partner deteriorates significantly or a partner becomes subject to a bankruptcy proceeding, we may not be able to recover for customer returns, customer payments made in partner stores or other amounts due to us from the retail partner. A decrease in sales by our retail partners for any reason or a bankruptcy proceeding involving any of them could have a material adverse impact on our business and results of operations.

***Our inability to grow our deposits in the future could materially adversely affect our liquidity and ability to grow our business.***

Historically, one of our sources of funds has been customer deposits. At 31 December 2016, 54.4% of funding had been undertaken through customer deposits, and we had €33,129,705 in direct deposits, with Germany and the Nordic countries (Scandinavia) providing the majority of our customer deposits, comprising 73.9% and 13.6% of our total deposits, respectively. Current and savings accounts represented 70% (€23,218,8 thousand) of total consolidated customer deposits at that date. Current and savings accounts may be a less stable source of deposits than other types of deposits. Lack of liquidity in the interbank market and subsequent increases in the cost of funding are likely to raise the costs of funding for us. (The data does not include valuation adjustments).

The deposit business is highly competitive, with intense competition in attracting and retaining deposits. We compete on the basis of the rates we pay on deposits, features and benefits of our products, the quality of our customer service and the competitiveness of our digital banking capabilities. Our ability to originate and maintain retail deposits is also highly dependent on our strength and the perceptions of consumers and others of our business practices and our financial health. Adverse perceptions regarding our reputation could lead to difficulties in attracting and retaining deposits accounts. Negative public opinion could result from actual or alleged conduct in a number of areas, including lending practices, regulatory compliance, inadequate protection of customer information or sales and marketing activities, and from actions taken by regulators or others in response to such conduct.

The demand for the deposit products we offer may also be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences, reductions in consumers' disposable income, regulatory actions that decrease

customer access to particular products or the availability of competing products. Competition from other financial services firms and others that use deposit funding products may affect deposit renewal rates, costs or availability. Changes we make to the rates offered on our deposit products may affect our profitability and liquidity.

***The Consumer Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel***

Our continued success depends in part on the continued service of key members of our senior executive team and other key employees. The ability to continue to attract, train, motivate and retain highly qualified and talented professionals is a key element of our strategy. The successful implementation of our strategy and culture depends on the availability of skilled and appropriate management, both at our head office and in each of our business units. If we or one of our business units or other functions fails to staff its operations appropriately, or loses one or more of its key senior executives or other key employees and fails to replace them in a satisfactory and timely manner, our business, financial condition and results of operations, including control and operational risks, may be adversely affected.

In addition, the financial industry has and may continue to experience more stringent regulation of employee compensation, which could have an adverse effect on our ability to hire or retain the most qualified employees. If we fail or are unable to attract and appropriately train, motivate and retain qualified professionals, our business may also be adversely affected.

***The Consumer Group relies on third parties and affiliates for important products and services***

Third party vendors and certain affiliated companies provide key components of our business infrastructure such as loan and deposit servicing systems, back office and business process support, information technology production and support, internet connections and network access. Relying on these third parties and affiliated companies can be a source of operational and regulatory risk to us, including with respect to security breaches affecting such parties. We are also subject to risk with respect to security breaches affecting the vendors and other parties that interact with these service providers. As our interconnectivity with these third parties and affiliated companies increases, we increasingly face the risk of operational failure with respect to their systems. We may be required to take steps to protect the integrity of our operational systems, thereby increasing our operational costs and potentially decreasing customer satisfaction. In addition, any problems caused by these third parties or affiliated companies, including as a result of them not providing us their services for any reason, or performing their services poorly, could adversely affect our ability to deliver products and services to customers and otherwise conduct our business, which could lead to reputational damage and regulatory investigations and intervention. Replacing these third party vendors could also entail significant delays and expense. Further, the operational and regulatory risk we face as a result of these arrangements may be increased to the extent that we restructure such arrangements. Any restructuring could involve significant expense to us and entail significant delivery and execution risk which could have a material adverse effect on our business, operations and financial condition.

***Future changes in our relationship with the Santander Parent may adversely affect our operations.***

The Santander Parent, directly and through wholly owned subsidiaries, owns 100% of our common stock. We rely on our relationship with the Santander Parent for several competitive advantages including relationships with manufacturers and regulatory best practices. The Santander Parent applies certain standardised banking policies, procedures and standards across its affiliated entities, including with respect to internal audit credit approval, governance risk management, and compensation practices. We currently follow certain of these the Santander Parent policies and may in the future become subject to additional policies, procedures and standards of the Santander Parent, which could result in changes to our practices. In addition, our credit ratings are affected by those of the Santander Parent, so if the Santander Parent were to suffer credit ratings downgrades or other adverse financial developments, we could be indirectly negatively impacted.

***Damage to the Consumer Group's or the Parent Group's reputation could cause harm to its business prospects***

Maintaining a positive reputation is critical to protect our brand, attract and retain customers, investors and employees and conduct business transactions with counterparties. Damage to our reputation or the Santander Parent's reputation could therefore cause significant harm to our business and prospects. Harm to our reputation can arise from numerous sources, including, among others, employee fraud and misconduct, litigation or regulatory enforcement actions, failing to deliver minimum standards of service and quality, compliance failures, unethical behaviour, and the activities of customers and counterparties. Further, negative publicity regarding us may result in harm to our prospects.

Actions by the financial services industry generally or by certain members of or individuals in the industry could also affect our reputation. For example, the role played by financial services firms in the financial crisis has damaged the reputation of the industry as a whole.

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

***Changes in accounting standards could impact reported earnings***

The accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of our consolidated annual accounts. These changes can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period annual accounts.

***We rely extensively on models in managing many aspects of our business, and if they are not accurate or are misinterpreted, it could have a material adverse effect on our business and results of operations.***

We rely extensively on models in managing many aspects of our business, including liquidity and capital planning (including stress testing), customer selection, credit and other risk management, pricing, reserving and collections management. The models may prove in practice to be less predictive than we expect for a variety of reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions (including failures to update assumptions appropriately or in a timely manner). Our assumptions may be inaccurate for many reasons including that they often involve matters that are inherently difficult to predict and beyond our control (for example, macroeconomic conditions and their impact on partner and customer behaviors) and they often involve complex interactions between a number of dependent and independent variables, factors and other assumptions. The errors or inaccuracies in our models may be material, and could lead us to make wrong or sub-optimal decisions in managing our business, and this could have a material adverse effect on our business, results of operations and financial condition.

***The annual accounts of the Issuer are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial position***

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to our results and financial position, based upon materiality and significant judgments and estimates, include impairment of loans and advances, goodwill impairment, valuation of financial instruments, impairment of available-for-sale financial assets, deferred tax assets provision and pension obligation for liabilities.

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

***Some of our business is cyclical. A reduction in demand for our products and failure by us to adapt to such reduction could adversely affect our business, results of operations, and financial condition.***

The demand for the products we offer may be reduced due to a variety of factors, such as demographic patterns, changes in customer preferences or financial conditions, regulatory restrictions that decrease customer access to particular products, or the availability of competing products. Should we fail to adapt to significant changes in our customers' demand for, or access to, our products, our

revenues could decrease significantly and our operations could be harmed. Even if we do make changes to existing products or introduce new products to fulfill customer demand, customers may resist such changes or may reject such products. Moreover, the effect of any product change on the results of our business may not be fully ascertainable until the change has been in effect for some time, and, by that time, it may be too late to make further modifications to such product without causing further harm to our business, results of operations, and financial condition.

Our income may decrease when demand for certain products or services is in a down cycle. The level of our income derives from certain of our products and services and depends on the strength of the economies in the regions where we operate and certain market trends prevailing in those areas. Therefore, negative cycles may adversely affect our future income.

***Changes in financial reporting standards or policies introduces by IFRS 9 could materially affect Consumer Group's reported results and financial condition and may have a material adverse effect on capital ratios***

On 24 July 2014, the International Accounting Standards Board ("IASB") announced IFRS 9 on financial instruments which will replace IAS 39, which will be effective as of 1 January 2018. IFRS 9 entails a comprehensive reform of financial instruments accounting and provides principles for classification and measurement of financial instruments, provisioning for expected credit losses and the new general hedge accounting model. The general hedge accounting model will later be supplemented by a new macro hedge accounting model, which the IASB is working on.

The expected credit losses model will result in earlier recognition of credit losses and thus a higher provision charge because it includes not only credit losses already incurred, but also losses that are expected in the future. We expect that this change is likely to increase credit loss provisions and decrease equity at the date of transition. The European Commission has proposed that the initial effect on equity, as it relates to the capital adequacy ratios, is to be gradually phased in over a five-year period between 2019 and 2023. In March 2017, the EBA also published an opinion on transitional arrangements and credit risk adjustments to mitigate the effect of the changes to IFRS 9 on prudential ratios. The EBA supports the progressive recognition of the initial impact of IFRS 9, but over a different timeframe, from 1 January 2018 until 2021, which has increased uncertainty as to the timing of transitional arrangements.

In this regard, Consumer Group has established a global workstream with the aim of adapting its processes to the new classification standards for financial instruments, accounting of hedges and estimating credit risk impairment, so that such processes are applicable in a uniform way for all Consumer Group units, and, at the same time, can be adapted to each unit's individual features. Accordingly, Consumer Group is working in 2017 towards defining an objective internal model and analysing all the changes which are needed to adapt accounting classifications and credit risk impairment estimation models in force in each unit to the previous definitions.

In principle, the governance structure currently implemented at both corporate level and in each one of the units, complies with the requirements set out in the new standards. Consumer Group has set up a regular committee to manage the project



governance structure, and a task force which is responsible for its tasks, and also assuring that the pertinent responsible teams take part.

Hence, the main divisions involved in the project at the highest level, and which are thus represented in the project governance bodies, are Risks, Financial Accounting & Control and Technology and Operations. The Internal Audit division is also involved in the project, having shared the implementation plan and keeping regular meetings about the status of the project.

The IASB, the EU and/or other regulatory bodies may make other changes to accounting and financial reporting standards, business models or policies that govern the preparation of Consumer Group's financial statements. Any change in Consumer Group's accounting policies or accounting standards could materially affect its reported results of operations and financial condition and may have a corresponding material adverse effect on capital ratios.

Pursuant to currently available information Consumer Group cannot reliably estimate the potential impacts arising from these new standards. Upon completing the assessment of the effects of IFRS 9 implementation, Consumer Group will communicate the expected impact when a reliable estimation can be made, expected to be prior to the end 2017.

***The Issuer faces significant risks in implementing their growth strategy, some of which are outside their control***

The Issuer intends to continue its growth strategy to (i) expand its vehicle and consumer finance franchise by increasing market penetration via the number and depth of their relationships in the vehicle and consumer finance markets, pursuing additional relationships with manufacturers, and expanding its direct-to-consumer footprint and (ii) continue to grow its unsecured consumer lending platform. Its ability to execute this growth strategy is subject to significant risks, some of which are beyond its control, including:

- the inherent uncertainty regarding general economic conditions;
- its ability to assess the value, strengths and weaknesses of investment or acquisition candidates, including local regulations that could reduce or eliminate expected synergies;
- its ability to finance strategic investments or acquisitions;
- the prevailing laws and regulatory environment of each country in which it operates or seeks to operate, and, to the extent applicable, international regulations, which are subject to change at any time;
- the degree of competition in new markets and the effect on its ability to attract new customers;
- its ability to apply its risk management policy effectively to an enlarged group;
- its ability to recruit qualified personnel, in particular in areas where it faces a great deal of competition; and
- its ability to obtain and maintain any regulatory approvals, government permits, or licenses that may be required on a timely basis.

In addition, the Issuer allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, the Issuer

evaluates acquisition and partnership opportunities that are consistent with its business strategy. However, the Issuer may not be able to identify suitable acquisition or partnership candidates, and its ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems and unexpected liabilities or contingencies relating to the acquired businesses, including legal claims. The Issuer can give no assurances that it will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives.

### ***Proposed reforms of the Basel Committee***

The Basel Committee is working to enhance the risk sensitivity and robustness of standardised approaches, with a view to enhancing the comparability of banks' capital ratios. In particular, the Basel Committee is proposing to remove the advanced measurement approach for operational risk, which the Issuer is currently using, from the regulatory framework. The revised operational risk capital framework is instead proposed to be based on a single non-model-based method for the estimation of operational risk capital, to be known as the standardised measurement approach. The Basel Committee also has a number of proposals in relation to credit risk and is considering additional constraints such as input floors on probability of default, loss given default and exposure at default to the role of internally modelled approaches. Further, the Basel Committee is still considering the design and calibration of aggregate capital floors based on standardised approaches, which would complement the proposed model constraints.

While the Basel Committee initially intended to complete its work regarding the Basel IV framework by the end of 2016, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision ("**GHOS**") has agreed that more time is necessary to finalise the final calibration of the framework prior to their review.

At its meeting on 10 January 2016, the GHOS published its final standard on market risk (the Fundamental Review of the Trading Book ("**FRTB**")), which is now part of the European Commission's legislative package intended to apply to banks from 2021. When implemented, FRTB will be subject to a phase-in period of three years during which banks will be allowed a 35% discount factor for the FRTB applying until 2024.

There is a high degree of uncertainty with regards to the Basel Committee's final calibration of the proposed reforms, and subsequently how and when they will be implemented in the European Union. It is thus too early to draw firm conclusions regarding the impact on the future capital requirements.

### ***Decisions adopted by the Syndicate may affect certain Noteholders' interests, and the Term and Conditions of the Notes may otherwise be modified, waived or substituted in detriment to certain Noteholders' interests.***

The Terms and Conditions include certain provisions regarding Noteholders' meetings, which may be held in order to resolve matters relating to the Noteholders' interests. The Syndicate of Noteholders has authority to modify (in agreement with the Issuer) the Terms and Conditions of the Notes as provided in Condition 12 (*Syndicate of Holders of the Notes and Modifications*) and Article 15 of the

Regulations (*Powers of the General Meeting*). Condition 12 (*Syndicate of Holders of the Notes and Modifications*) and the Regulations allow for designated majorities to bind all Noteholders, including Noteholders who have not participated in, or voted at, the actual meeting, or who voted in a manner contrary to the majority in relation to decisions that have been taken at a duly convened and conducted Noteholders' meeting. In particular, these provisions permit amendments to certain payment terms (including terms relating to the redemption of the Notes at the stated maturity or otherwise) with the vote of holders of two thirds or more of the outstanding principal amount of the Notes, and other amendments with the vote of an absolute majority of holders voting at the relevant meeting. The Terms and Conditions of the Notes also provide that we may, with the consent of the Issue and Paying Agent and the Commissioner (as defined in Condition 12) but without the consent of the Noteholders, amend the Terms and Conditions of the Notes insofar as they apply to the Notes to correct any manifest error.

### **3. Risks in relation to the Notes**

#### **General risks relating to the Notes**

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

On 6 May 2014, the Council of the EU adopted the BRRD, which provides for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms.

The regime provided for by the BRRD is, among other things, stated to be needed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions and investment firms ("**institutions**") so as to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system. On 18 June 2015, the Spanish government approved Law 11/2015 to implement the BRRD in Spain, which has been developed through Royal Decree 1012/2015.

An institution will be considered as failing or likely to fail when: it is, or is likely in the near future to be, in breach of the requirements necessary for maintaining its authorisation; its assets are, or are likely in the near future to be, less than its liabilities; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. The resolution tools and powers are: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity

created for this purpose that is wholly or partially in public control); (iii) asset separation - which enables resolution authorities to transfer impaired or problematic assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in - which gives resolution authorities the power to write down (including to zero) certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims including senior debt securities and subordinated debt securities to equity (the general bail-in tool), which equity could also be subject to any future application of the general bail-in tool. Notwithstanding the aforementioned four resolution tools and powers, the relevant resolution authority could consider implementing other measures to address the included hereunder.

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

Condition 19 provides for the contractual recognition by the holders of the Notes (the "**Holders**") of conversion or write down upon bail-in.

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the bail-in tool, the sequence of any resulting write-down or conversion shall be as follows: (i) CET1 Notes; (ii) the principal amount of Additional Tier 1 Notes; (iii) the principal amount of Tier 2 Notes; (iv) other subordinated claims that do not qualify as Additional Tier 1 or Tier 2 Notes; and (v) eligible senior liabilities prescribed in Article 41 of Law 11/2015.

As a result, Additional Tier 1 Notes will be written down or converted before Tier 2 Notes or subordinated debt that does not qualify as Additional Tier 1 or Tier 2 Notes (any such Tier 2 Notes or subordinated debt would only be written down or converted if the reduction of Additional Tier 1 Notes does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted and, accordingly, senior debt Notes would only be written down or converted if the reduction of subordinated Notes does not sufficiently reduce the aggregate amount of liabilities that must be written down or converted). This sequence is consistent with the one prescribed by Law 22/2003 dated 9 July 2003 (*Ley Concursal*) (the "**Insolvency Law**") read in conjunction with Additional Provision 14.2° of Law 11/2015.

Under Article 92 of the Insolvency Law read in conjunction with Additional Provision 14.2° of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities (firstly, those that do not qualify as Additional

Tier 1 or Tier 2 Notes; secondly, those that qualify as Tier 2 Notes and thirdly, those that qualify as Additional Tier 1 Notes); (iii) interest (including accrued and unpaid interest due on the Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

The bail-in tool contains an express safeguard designed to leave no creditor worse off than in the case of insolvency.

In addition to the general bail-in tool, the BRRD and Law 11/2015 provide for resolution authorities to have the further power to permanently write-down or convert into equity capital Notes at the point of non-viability. The point of non-viability is the point at which the Bank of Spain, the Fund for the Orderly Restructuring of Banks (the "**FROB**"), the Single Resolution Board and/or any other entity with the authority to exercise any such tools and powers from time to time (each, a "**Relevant Resolution Authority**") as appropriate, determines that the institution meets the conditions for resolution or will no longer be viable unless the relevant capital Notes are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a Consumer Group is the point at which the Consumer Group infringes or there are objective elements to support a determination that the Consumer Group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. These additional measures may be imposed prior to or in combination with any exercise of any other resolution tool or power (where the conditions for resolution referred to above are met).

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

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

There may be limited protections, if any, that will be available to holders of securities subject to the bail-in power and to the broader resolution powers of the

Relevant Resolution Authority. Accordingly, Holders may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

There remains uncertainty as to how or when the bail-in power may be exercised and how it would affect the Consumer Group and the Notes. The determination that all or part of the principal amount of the Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's control. Although there are proposed pre-conditions for the exercise of the bail-in power, there remains uncertainty regarding the specific factors which the Relevant Resolution Authority would consider in deciding whether to exercise the bail-in power with respect to the financial institution and/or securities issued or guaranteed by that institution. In particular, in determining whether an institution is failing or likely to fail, the Relevant Resolution Authority shall consider a number of factors, including, but not limited to, an institution's capital and liquidity position, governance arrangements and any other elements affecting the institution's continuing authorisation. Moreover, as the final criteria that the Relevant Resolution Authority would consider in exercising any bail-in power are likely to provide it with discretion, Holders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such bail-in power. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any bail-in power may occur which would result in a principal amount write off or conversion to equity. The uncertainty may adversely affect the value of Holders' investments in the Notes and the price and trading behaviour of the Notes may be affected by the threat of a possible exercise of any power under Law 11/2015 (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Resolution Authority may exercise any such power without providing any advance notice to the Holders.

In addition, the preparation by the EBA of certain regulatory technical standards and implementing technical standards to be adopted by the European Commission and certain other guidelines is pending. These acts could be potentially relevant to determining when or how a Relevant Resolution Authority may exercise the bail-in powers and impose non-viability loss absorption. The pending acts include guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital Notes, and on the rate of conversion of debt to equity in bail-in. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Holder under, and the value of a Holder's investment in, the Notes.

In addition to the BRRD, it is possible that the application of other relevant laws, such as the Basel Committee on Banking Supervision package of reforms to the regulatory capital framework for internationally active banks designed, in part, to ensure that capital Notes issued by such banks fully absorb losses before tax payers are exposed to loss and any amendments thereto or other similar regulatory proposals, including proposals by the FSB on cross-border recognition of resolution actions, could be used in such a way as to result in the Notes absorbing losses in the manner described above. Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Holders,

the price or value of an investment in the Notes and/or the Consumer Group's ability to satisfy its obligations under the Notes.

### ***Risks relating to the Insolvency Law***

The Insolvency Law, which came into force on 1 September 2004 supersedes all pre-existing Spanish provisions which regulated the bankruptcy, insolvency (including suspension of payments) and any process affecting creditors' rights generally, including the ranking of its credits.

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

### ***Change of law***

The Terms and Conditions are subject to English law, except for Conditions 6 and 17 which are subject to Spanish law, as in effect as at the date of this Base Prospectus. Changes in European, English or Spanish laws or their official interpretation by regulatory authorities after the date hereof may affect the rights and effective remedies of Holders as well as the market value of the Notes. Such changes in law or official interpretation of such laws may include changes in statutory, tax and regulatory regimes during the life of the Notes, which may have an adverse effect on an investment in the Notes. No assurance can be given as to the impact of any possible judicial decision or change to such laws or official interpretation of such laws or administrative practices after the date of this Base Prospectus.

In particular, in relation to the Senior Subordinated Notes (as defined below), on 23 November 2016, the European Commission published proposals for European Directives amending the BRRD and the CRD IV and proposals for European Regulations amending the SRM Regulation and CRR which aim at implementing the TLAC/MREL Requirements. Among others, the European Commission proposes to amend the BRRD in order to facilitate the creation of a new asset class of "non-preferred" senior debt which will be eligible to count as TLAC and MREL. It cannot be ruled out that new Spanish legislation is approved expressly recognising the possibility that within the class of ordinary claims under Article 89.3 of the Insolvency Law, those that meet certain requirements could be considered of "second ranking" or that different sub-classes are created within such class of ordinary credits.

Furthermore, any change in the laws or regulations of Spain, Applicable TLAC/MREL Regulations (as defined in the Terms and Conditions) or the application or interpretation thereof may in certain circumstances result in the

Issuer having the option to redeem, substitute or vary the terms of the Senior Subordinated Notes (see "*—The Subordinated Notes may be redeemed prior to maturity upon the occurrence of a Capital Disqualification Event or a TLAC/MREL Disqualification Event*" and "*—The Subordinated Notes may be subject to substitution and/or variation without Holder consent*"). In any such case, the Senior Subordinated Notes would cease to be outstanding, be substituted or be varied, each of which actions could materially and adversely affect investors and frustrate investment strategies and goals.

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

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

If so specified in the Final Terms, the Notes may be redeemed at the option of the Issuer, as further described in Condition 5.03. The Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

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

In the case of Subordinated Notes, redemption at the option of the Issuer or for taxation reasons is subject to the prior consent of the Regulator and/or the Relevant Resolution Authority (as these terms are defined in the Terms and Conditions) if and as required therefor under Applicable Banking Regulations (as defined in the Terms and Conditions) and may only take place in accordance with Applicable Banking Regulations in force at the relevant time.

Early redemption features (including any redemption of the Notes at the option of the Issuer pursuant to Condition 5.03 or for taxation reasons pursuant to Condition 5.02) is likely to limit the market value of the Notes. During any period when the Issuer may redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period or at any time where there is any actual increase in the likelihood that the Issuer will be able to redeem the Notes early. The Issuer may be expected to redeem Notes when their cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

It is not possible to predict whether or not a circumstance giving rise to the right to early redeem Notes for taxation reasons will occur and so lead to the circumstances in which the Issuer is able to elect to redeem the Notes, and if so whether or not the Issuer will elect to exercise such option to redeem the Notes or any prior consent of



the competent authority, if required, will be given. The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### ***Suitability***

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

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

- (i) has sufficient knowledge and expertise to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus, taking into account that the Notes may only be a suitable investment for professional or institutional investors;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments in respect of the Notes is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes, including the provisions relating to their status, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear applicable risks.

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

### ***The trading market for debt securities may be volatile and may be adversely impacted by many events***

The trading market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other Western and industrialised countries. There can be no assurance that events in Spain, the UK (including the UK's exit strategy), Europe, the United States or elsewhere will not cause market volatility or that such

volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect.

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

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

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

***Risks relating to the Commissioner***

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

***Potential conflicts of interest between the investor and the Calculation Agent***

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

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

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

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the Common Depositary or paying agent (in the case of a NGN) for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a

beneficial interest in a Global Instrument must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

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

***Credit ratings may not reflect all risks***

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

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

***Legal investment considerations may restrict certain investments***

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

***Taxation in Spain***

Article 44 of Royal Decree 1065/2007 (as amended among others by Royal Decree 1145/2011 of 29 July) ("**Royal Decree 1065/2007**") sets out the reporting obligations applicable to preferred securities and debt Notes issued under Law 10/2014. The procedures apply to income deriving from preferred shares and debt

Notes to which Law 10/2014 refers, including debt Notes issued at a discount for a period equal to or less than twelve months.

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

- (i) identification of the securities;
- (ii) income payment date (or refund if the securities are issued at discount or are segregated);
- (iii) total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated); and
- (iv) total amount of the income corresponding to each clearing system located outside Spain.

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

In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Issuer will notify the Holders of such information procedures and their implications, as the Issuer may be required to apply withholding tax on Distributions (as defined in the Terms and Conditions) in respect of the Notes if the Holders do not comply with such information procedures.

***Transactions in the Notes could be subject to the European financial transaction tax, if adopted***

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax (the "**FTT**") in the Participating Member States.

The Commission's Proposal has very broad scope and could, if introduced in its current form, impose a tax at generally not less than 0.1%, generally determined by reference to the amount of consideration paid, on certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

On 11 October 2016, Pierre Moscovici, European Commissioner for Economic and Financial Affairs, Taxation, and Customs announced that the ten Participating Member States (excluding Estonia) agreed on certain important measures that will form the core engines of the FTT and indicated their intention to elaborate a draft legislation before the end of the year.

The FTT proposal remains subject to negotiation between the Participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw. Prospective Holders of Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

***Partly-paid Notes***

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

***Notes issued at a substantial discount or premium***

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

securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***There is no active trading market for the Notes***

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

**Risks relating to Subordinated Notes**

*The risks factors relating to Subordinated Notes described below should be read together with the general risks factors relating to the Notes described above.*

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

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

In the case of any exercise of the Spanish bail-in power by the Relevant Resolution Authority, the sequence of any resulting write-down or conversion of eligible Notes under Article 48 of the BRRD and Article 48 of Law 11/2015 provides for the principal amount of Tier 2 Notes (such as the Tier 2 Subordinated Notes if they qualify as such as it is expected) to be written-down or converted into equity or other securities or obligations prior to the principal amount of subordinated debt that is not Additional Tier 1 or Tier 2 Notes (which is expected to be the case of Senior Subordinated Notes) in accordance with the hierarchy of claims provided in the Insolvency Law and for the latter to be written-down or converted into equity or other securities or obligations prior to any write-down or conversion of the principal amount or outstanding amount of any other eligible liabilities (such as the Ordinary Senior Notes), in accordance with the hierarchy of claims provided in the Insolvency Law. Subordinated Notes which constitute Tier 2 Notes may be subject to non-viability loss absorption, which may be imposed prior to or in combination

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

In the event of insolvency, after payment in full of unsubordinated claims, but before distributions to shareholders, under Article 92 of the Insolvency Law read in conjunction with Additional Provision 14.2º of Law 11/2015, the Issuer will meet subordinated claims after payment in full of unsubordinated claims, but before distributions to shareholders, in the following order and pro-rata within each class: (i) late or incorrect claims; (ii) contractually subordinated liabilities (firstly, those that do not qualify as Additional Tier 1 or Tier 2 Notes under Additional Provision 14.2º(a) of Law 11/2015 -which is expected to be the case of Senior Subordinated Notes-, secondly, those that qualify as Tier 2 Notes under Additional Provision 14.2º(b) of Law 11/2015 -which is expected to be the case of Tier 2 Subordinated Notes- and thirdly, Additional Tier 1 Notes under Additional Provision 14.2º(c) of Law 11/2015); (iii) interest (including accrued and unpaid interest due on the Subordinated Notes); (iv) fines; (v) claims of creditors which are specially related to the Issuer (if applicable) as provided for under the Insolvency Law; (vi) detrimental claims against the Issuer where a Spanish Court has determined that the relevant creditor has acted in bad faith (*rescisión concursal*); and (vii) claims arising from contracts with reciprocal obligations as referred to in Articles 61, 62, 68 and 69 of the Insolvency Law, wherever the court rules, prior to the administrators' report of insolvency (*administración concursal*) that the creditor repeatedly impedes the fulfilment of the contract against the interest of the insolvency.

***The Subordinated Notes provide for limited events of default. Holders of Notes may not be able to exercise their rights on an event of default in the event of the adoption of any early intervention or resolution measure under Law 11/2015***

Holders have no ability to accelerate the maturity of their Subordinated Notes. The terms and conditions of the Subordinated Notes do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Issuer or for its winding up or dissolution. Accordingly, in the event that any payment on the Subordinated Notes or the Second Ranking Senior Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Subordinated Notes and, as provided for in the Terms and Conditions, a right to institute proceedings for the winding up or dissolution of the Issuer.

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

relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Holder of its rights under the Notes upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 and Royal Decree 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*Risks related to early intervention and resolution - Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any debt securities*"). Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015 and Royal Decree 1012/2015. There can be no assurance that the taking of any such action would not adversely affect the rights of Holders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes and the enforcement by a Holder of any rights it may otherwise have on the occurrence of any event of default may be limited in these circumstances.



## GENERAL DESCRIPTION OF THE PROGRAMME

The programme is a €15,000,000,000 Medium Term Note Programme under which the Issuer may from time to time issue Notes in accordance with and subject to all applicable laws and regulations and denominated in any currency, subject as set out herein. The applicable terms of any Notes will be agreed between the Issuer and the relevant Dealer prior to the issue of the Notes and will be endorsed on that Note, and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions, as more fully described under "*Form of the Notes*" below.

As at the date of this Base Prospectus the Issuer has been assigned the following credit ratings:

**Moody's:**

Senior unsecured debt:	A3
Commercial paper:	P-2
Subordinated debt:	Baa2

**S&P:**

Senior unsecured debt maturing in one year or more:	BBB+
Senior unsecured debt maturing in less than one year:	A-2
Subordinated debt:	BBB-

**Fitch:**

Long-term senior unsecured debt:	A-
Short-term senior unsecured debt:	F2
Subordinated debt:	BBB+

## INFORMATION INCORPORATED BY REFERENCE

The following information has been filed with the Central Bank and shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

1. an English language translation of the audited consolidated annual accounts of the Issuer, prepared under IFRS-EU, (including the Auditor's reports thereon and the notes thereto and the Director's reports as of and for the years ended 31 December 2016 and 31 December 2015.

Pursuant to Spanish regulatory requirements, Directors' reports are required to accompany the audited consolidated financial statements as of and for each of the years ended 31 December 2016 and 2015. Investors are cautioned that the reports contain information of various historical dates and may not contain a current description of the business, affairs or results of the Consumer Group. The information contained in the Directors' reports has not been audited or prepared for the specific purpose of the issue of the Notes and/or this Base Prospectus. Accordingly, the Directors' reports should be read together with the other sections of this Base Prospectus. Any information contained in the Directors' reports is deemed to be modified or superseded by any information contained elsewhere in this Base Prospectus that is subsequent to or inconsistent with it. Furthermore, the Directors' reports include certain forward-looking statements that are subject to inherent uncertainty. Accordingly, investors are cautioned not to rely upon the information contained in such Directors' report.

2. the terms and conditions set out on pages 39 to 60 of the base prospectus dated 16 June 2016 under the heading "*Terms and Conditions of the Notes*" available for inspection at [http://www.ise.ie/debt\\_documents/Base Prospectus\\_b7439255-cbaa-4315-878c-c5f2ac1d5627.pdf](http://www.ise.ie/debt_documents/Base%20Prospectus_b7439255-cbaa-4315-878c-c5f2ac1d5627.pdf)
3. the terms and conditions set out on pages 37 to 58 of the base prospectus dated 12 June 2015 under the heading "*Terms and Conditions of the Notes*" available for inspection at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_7eb247ab-c279-4f29-95a0-768be80fc625.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_7eb247ab-c279-4f29-95a0-768be80fc625.PDF);
4. the terms and conditions set out on pages 34 to 56 of the base prospectus dated 24 June 2014 under the heading "*Terms and Conditions of the Notes*" available for inspection at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_fb4e21b0-3db8-4b97-b2fa-6fd84420735a.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_fb4e21b0-3db8-4b97-b2fa-6fd84420735a.PDF);
5. The terms and conditions set out on pages 51 to 81 of the base prospectus dated 26 June 2013 under the heading "*Terms and Conditions of the Notes*" available for inspection at [http://www.ise.ie/debt\\_documents/Base%20Prospectus\\_6a634cb6-7865-4815-bdc6-2db2c265f912.PDF](http://www.ise.ie/debt_documents/Base%20Prospectus_6a634cb6-7865-4815-bdc6-2db2c265f912.PDF);
6. the terms and conditions set out on pages 42 to 125 of the base prospectus dated 22 June 2012 under the heading "*Terms and Conditions of the Notes*" available for inspection at:

<http://www.bourse.lu/download/dl?v=ADyMFy5zxNFitbuuk6wDBq3VUqKSo md9occzMO4xuqwm+0NPeuB1RP8xvmatlfQQ6sH0acX8AGiVYT+QdQvepL rX6ZD9gJooGlFCcCrRhCNYuRYhBjAGNZepsELWJ72BEi7J7Npyu1zgahdjZ jxxlnRkVoMQ3KfzRxU737YZKpPTaqk3CG2r8F77nGu6Kneu>; and

7. the terms and conditions set out on pages 41 to 120 of the base prospectus dated 18 November 2011 under the heading "*Terms and Conditions of the Notes*" available for inspection at: <http://www.bourse.lu/download/dl?v=ADyMFy5zxNFitbuuk6wDBm+2Mrzx8B/qC5aT8hawsY1jctNePaxnCnEgj4aN5MoKO7Mn9v6zGJr5rVPJEfo44P9oLRXh3sd/CiOQdaHoJ3IZ8xXIdNS3vJYHyxeYADsDJE40awdUFLduuLWX80k0HMv8C9xW9xH5+WwnzJSkPSeeyRuf4RMk+xVY3NQOoXQ/>

The tables below set out the relevant page references for the English language balance sheet, income statement, cash-flow statement, explanatory notes and auditor's report of the Issuer for the years ended 31 December 2016 (the "**2016 Consolidated Financial Statements**") and 31 December 2015 (the "**2015 Consolidated Financial Statements**"), as set out in the annual reports for the years ended 31 December 2016 and 31 December 2015:

<b>2016 Consolidated Annual Accounts</b>	<b>Page reference</b>
	<i>(pdf document page numbers)</i>
Consolidated Balance Sheets .....	5-6
Consolidated Income Statements .....	7
Consolidated Statements of Recognised Income and Expenses .....	8
Consolidated Statements of Changes in Equity .....	9-10
Consolidated Statements of Cash Flows .....	11
Notes to the Consolidated Financial Statements .....	12-66
Auditor's report on Consolidated Financial Statements .....	2-3

<b>2015 Consolidated Annual Accounts</b>	<b>Page reference</b>
	<i>(pdf document page numbers)</i>
Consolidated Balance Sheets .....	5
Consolidated Income Statements .....	6
Consolidated Statements of Recognised Income and Expense .....	7
Consolidated Statements of Changes in Equity .....	8-9
Consolidated Statements of Cash Flows .....	10
Notes to the Consolidated Annual Accounts .....	11-229
Auditor's report on Consolidated Annual Accounts .....	2-3

The English language translation of the audited 2016 Consolidated Annual Accounts of the Issuer are available on the following:

<http://www.santanderconsumer.com/csrgs/StaticBS?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1371947746791&cac hecontrol=immediate&ssbinary=true&maxage=3600>

The English language translation of the audited 2015 Consolidated Annual Accounts of the Issuer are available on the following:

<http://www.santanderconsumer.com/csrgs/StaticBS?blobcol=urldata&blobheader=application%2Fpdf&blobkey=id&blobtable=MungoBlobs&blobwhere=1371946590675&cac hecontrol=immediate&ssbinary=true&maxage=3600>

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may also be inspected, free of charge, at the specified offices of the Issuer and the Issue and Paying Agent. Copies of such documents are also available on the website of the Irish Stock Exchange.

Any information not listed in the cross reference tables set out above but which is included in the documents from which the information incorporated by reference has been derived, is either not relevant or covered elsewhere in this Base Prospectus.

Information incorporated by reference that is not included in the cross-reference list above, is not required by the relevant schedules of the prospectus regulations.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus. Such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, may be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed by the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus.

Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Notes.

## FORMS OF THE NOTES

Each Tranche of Notes will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("NGN") form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Final Terms, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

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

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### **Temporary Global Note exchangeable for Permanent Global Note**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent; and
- (ii) receipt by the Issue and Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**");

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 6 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 6 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

#### **Exchanges of Notes and Specified Denominations**

The exchange upon expiry of a period of notice or at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which complete those terms and conditions.



The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

**Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes will be used for the general corporate purposes of the Issuer.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as completed by the relevant Final Terms, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### Introduction

The Notes of each Tranche will be constituted by virtue of a public deed of issuance (the "**Public Deed of Issuance**") to be executed before a Spanish notary public on or prior to the issue date, and which shall contain, among other information, the terms and conditions of the Notes. The Notes will be issued in accordance with an issue and paying agency agreement (the "**Issue and Paying Agency Agreement**", which expression shall include any amendments or supplements thereto) dated 15 June 2017 and made between Santander Consumer Finance, S.A. (the "**Issuer**"), The Bank of New York Mellon, London Branch in its capacities as issue and paying agent (the "**Issue and Paying Agent**" which expressions shall include any successor to The Bank of New York Mellon, London Branch, in its capacities as such). For the purposes of making determinations or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Conditions of any Series of Notes (as defined below), the Issuer may appoint a Determination Agent (as defined under Condition 4C.03) for the purposes of such Notes, in accordance with the provisions of the Issue and Paying Agency Agreement, and such Determination Agent shall be specified in the applicable Final Terms. The Issuer has executed and delivered a deed of covenant dated 15 June 2017 (the "**Deed of Covenant**"). Copies of the Issue and Paying Agency Agreement and the Deed of Covenant are, or will be, available for inspection during normal business hours at the specified office of each of the Paying Agents and A&L Listing Limited in its capacity as listing agent (the "**Listing Agent**"). All persons from time to time entitled to the benefit of obligations under any Notes shall be deemed to have notice of, and shall be bound by, all of the provisions of the Issue and Paying Agency Agreement and the Deed of Covenant insofar as they relate to the relevant Notes.

The Notes are issued in series (each, a "**Series**"), and each Series may comprise one or more tranches ("**Tranches**" and each, a "**Tranche**") of Notes. The aggregate principal amount of each Tranche being the total principal amount issued thereunder (the "**Aggregate Principal Amount**") as specified in the relevant Final Terms. Each Tranche will be the subject of a Final Terms (each, a "**Final Terms**"), a copy of which will be available for inspection during normal business hours at the specified office of the Issue and Paying Agent and/or the Listing Agent (as defined above), as the case may be, and, in the case of a Tranche of Notes listed on the Regulated Market of the Irish Stock Exchange, on the website of the Irish Stock Exchange.

References in these Terms and Conditions to "**Notes**" are to Notes of the relevant Series and any references to "**Coupons**" (as defined in Condition 1.05) and "**Receipts**" (as defined in Condition 1.06) are to Coupons and Receipts relating to Notes of the relevant Series.

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

In respect of any Notes, references herein to these "**Terms and Conditions**" are to these terms and conditions as modified or (to the extent thereof) replaced by the Final Terms.

## 1. **Form and Denomination**

- 1.01 Notes are issued in bearer form ("**Bearer Notes**") and are serially numbered.
- 1.02 Each Tranche of Notes will be represented upon issue by a temporary global note (a "**Temporary Global Note**") in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement. On or after the date (the "**Exchange Date**") which is forty days after the completion of the distribution of the Notes of the relevant Tranche and provided certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received, interests in the Temporary Global Note may be exchanged for:
- (i) interests in a permanent global note (a "**Permanent Global Note**") representing the Notes of that Tranche and in substantially the form (subject to amendment and completion) scheduled to the Issue and Paying Agency Agreement; or
  - (ii) if so specified in the relevant Final Terms, serially numbered definitive Notes ("**Definitive Notes**").
- 1.03 If any date on which a payment of interest is due on the Notes of a Tranche occurs whilst any of the Notes of that Tranche are represented by a Temporary Global Note, the related interest payment will be made on the Temporary Global Note only to the extent that certification as to the beneficial ownership thereof as required by U.S. Treasury regulations (in substantially the form set out in the Temporary Global Note or in such other form as is customarily issued in such circumstances by the relevant clearing systems) has been received by Euroclear Bank SA/NV ("**Euroclear**") or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") or any other relevant clearing system. Payments of amounts due in respect of a Permanent Global Note will be made through Euroclear or Clearstream, Luxembourg or any other relevant clearing system without any requirement for certification.
- 1.04 Interests in a Permanent Global Note will be exchanged by the Issuer in whole (but not in part), at the option of the Holder of such Permanent Global Note, for serially numbered Definitive Notes, (a) if any Note of the relevant Series becomes due and repayable following an Event of Default (as defined herein); or (b) if either Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of fourteen days (other than by reason of public holidays) or announces an intention to cease business permanently or in fact does so or announces its intention to withdraw its acceptance of the Notes for clearance and settlement through its system or in fact does so; or (c) if so specified in the Final Terms, at the option of the Holder of

such Permanent Global Note upon such Holder's request, in all cases at the cost and expense of the Issuer, unless otherwise specified in the relevant Final Terms. In order to exercise the option contained in part (c) of the preceding sentence, the Holder must, not less than forty-five days before the date upon which the delivery of such Definitive Notes is required, deposit the relevant Permanent Global Note with the Issue and Paying Agent at its specified office with the form of exchange notice endorsed thereon duly completed. If default is made by the Issuer in the required delivery of Definitive Notes and such default is continuing at 6.00 p.m. (Irish time) on the thirtieth day after the day on which the relevant notice period expires or, as the case may be, such Permanent Global Note becomes so exchangeable, such Permanent Global Note will become void in accordance with its terms but without prejudice to the rights of the accountholders with Euroclear or Clearstream, Luxembourg or any other relevant clearing system in relation thereto under the Deed of Covenant.

- 1.05 Definitive Notes will, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery coupons ("**Coupons**"), presentation of which will be a prerequisite to the payment of interest in certain circumstances specified below. Definitive Notes will also, if so specified in the relevant Final Terms, have attached thereto at the time of their initial delivery, a talon ("**Talon**") for further coupons and the expression "Coupons" shall, where the context so requires, include Talons.
- 1.06 Bearer Notes, the principal amount of which is repayable by instalments ("**Instalment Notes**") have attached thereto at the time of their initial delivery, payment receipts ("**Receipts**") in respect of the instalments of principal.

#### ***Denomination Notes***

- 1.07 Bearer Notes are in the denomination or denominations (each of which denomination is integrally divisible by each smaller denomination) specified in the Final Terms. Bearer Notes of one denomination will not be exchangeable, after their initial delivery, for Bearer Notes of any other denominations. No Notes may be issued under the Programme which have a minimum denomination of less than €1,000 (or equivalent in another currency).

#### ***Currency of Notes***

- 1.08 Notes may be denominated in any currency, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.
- 1.09 For the purposes of these Terms and Conditions, references to Notes shall, as the context may require, be deemed to be to Temporary Global Notes, Permanent Global Notes or Definitive Notes.

## **2. Title**

- 2.01 Title to Notes and Coupons passes by delivery. References herein to the "**Holders**" of Notes or of Coupons, or "**Noteholders**" or "**Couponholders**", are to the bearers of such Notes or such Coupons (as applicable).
- 2.02 The Holder of any Note or Coupon will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all

purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

### 3. Status of the Notes

#### *Status of Senior Notes*

- 3.01 The Senior Notes (being those Notes which specify their status as Senior) and the Receipts and Coupons relating to them, constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Article 92 of Law 22/2003 (*Ley Concursal*) of 9 July 2003 (the "**Insolvency Law**") or equivalent legal provisions which replace it in the future, and subject to any applicable legal and statutory exceptions) rank *pari passu* and rateably without any preference among themselves and at least *pari passu* with all other unsecured and unsubordinated indebtedness, present and future of the Issuer. *Claims relating to the Senior Notes will be ordinary credits (creditos ordinarios) as defined in the Insolvency Law. Ordinary credits rank below credits against the insolvency state (creditos contra la masa) and credits with privilege (creditos privilegiados). Ordinary credits rank above subordinated credits and the rights of shareholders. Accrued and unpaid interests due in respect of the Senior Notes at the commencement of an insolvency proceeding (concurso) of the Issuer will qualify as subordinated credits.*

#### *Status of Subordinated Notes*

- 3.02 *Status of Subordinated Notes:* The Subordinated Notes (being Notes which specify their status as Subordinated) constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and, upon the insolvency of the Issuer (and unless they qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law or equivalent legal provisions which replace them in the future, and subject to any applicable legal and statutory exceptions) rank, under Article 92.2 of the Insolvency Law (or equivalent legal provisions which replace, substitute or amend it in the future), *pari passu* without preference or priority among themselves and:

- (i) *pari passu* with all other contractually subordinated obligations of the Issuer (other than (1) those subordinated obligations which qualify as subordinated claims pursuant to Articles 92.3 to 92.7 of the Insolvency Law, or equivalent legal provisions which replace them in the future, (2) other subordinated obligations which by law or their terms rank junior to the Subordinated Notes and (3) any Senior Subordinated Obligations (as defined below)); and
- (ii) junior to any non-subordinated obligations of the Issuer, any Senior Subordinated Obligations (as defined below) and any claim on the Issuer, which becomes subordinated as a consequence of Article 92.1° of the Insolvency Law.

In these Terms and Conditions "**Senior Subordinated Obligations**" means any subordinated obligations of the Issuer which by law and/or their terms rank

senior to the Subordinated Notes, and/or to any subordinated obligations of the Issuer ranking *pari passu* with the Subordinated Notes.

#### 4. **Interest**

Notes will be interest-bearing. The Final Terms in relation to each Tranche of Notes shall specify which of Condition 4A (*Interest – Fixed Rate*) and/or 4B (*Interest – Floating Rate Notes*) shall be applicable and Condition 4C (*Interest – Supplemental Provision*) will be applicable to each Tranche of Notes as specified therein save, in each case, to the extent inconsistent with the relevant Final Terms. In relation to any Tranche of Notes, the relevant Final Terms may specify actual amounts of interest payable rather than, or in addition to, a rate or rates at which interest accrues.

##### 4A **Interest — Fixed Rate**

Notes in relation to which this Condition 4A is specified in the relevant Final Terms as being applicable shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) specified in the relevant Final Terms. Such interest will be payable in arrear on such dates as are specified in the relevant Final Terms and on the date of final maturity thereof. Interest in respect of a period of less than one year will be calculated on such basis as may be specified in the relevant Final Terms.

##### 4B **Interest — Floating Rate Notes**

4B.01 Notes in relation to which this Condition 4B is specified in the relevant Final Terms as being applicable, shall bear interest at the rate or rates per annum (or otherwise, as specified in the relevant Final Terms) determined in accordance with this Condition 4B. Condition 4C.01 shall apply to Notes to which this Condition 4B applies.

4B.02 Such Notes shall bear interest from their date of issue (as specified in the relevant Final Terms) or from such other date as may be specified in the relevant Final Terms. Such interest will be payable in arrear on each Interest Payment Date (as defined in Condition 4C.01) and on the maturity date.

##### 4B.03 **Screen Rate Determination**

If "**Screen Rate Determination**" is specified in the relevant Final Terms it shall also specify which page (the "**Relevant Screen Page**") on the Reuters Screen or any other information vending service shall be applicable. For these purposes, "**Reuters Screen**" means, when used in connection with any designated page and any Floating Rate option, the display page so designated on the Reuters service or any successor display page (or such other services or service as may be nominated as the information vendor for the purpose of displaying comparable rates in succession thereto). The rate of interest (the "**Rate of Interest**") applicable to such Notes for each Interest Period shall be determined by the Determination Agent (as defined in Condition 4C.03) on the following basis:

- (i) the Determination Agent will determine the offered rate for deposits (or, as the case may require, the arithmetic mean (rounded, if necessary, to the nearest ten thousandth of a percentage point, 0.00005 being rounded upwards) of the rates for deposits) in the relevant currency for a period of the duration of the relevant Interest Period (as defined in Condition 4C.01) on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (as at the date of the Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks ("**LIBOR**"), or Brussels time, in the case of the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (as at the date of the Base Prospectus, Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks ("**EURIBOR**")) on the second London Banking Day or, in the case of Notes denominated in Euro, on the second TARGET Business Day, before (or, in the case of Notes in another currency if so specified in the relevant Final Terms, on) the first day of the relevant Interest Period (the "**Interest Determination Date**");
- (ii) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the relevant time on the relevant Interest Determination Date, where:
  - (A) one rate shall be determined as if the relevant period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the relevant period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;



- (iii) if, on any Interest Determination Date, no such rate for deposits so appears (or, as the case may be, if fewer than two such rates for deposits so appear) or if the Relevant Screen Page is unavailable, the Determination Agent will request appropriate quotations and will determine the arithmetic mean (rounded as aforesaid) of the rates at which deposits in the relevant currency are offered by four major banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market, selected by the Determination Agent, at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date to prime banks in the London interbank market or, where the basis for calculating the Rate of Interest is EURIBOR, in the Euro-zone interbank market for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time;
- (iv) if, on any Interest Determination Date, only two or three rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates so quoted; or
- (v) if fewer than two rates are so quoted, the Determination Agent will determine the arithmetic mean (rounded as aforesaid) of the rates quoted by four major banks in the Relevant Financial Centre (as defined in Condition 8B.02) (or, in the case of Notes denominated in Euro, in such financial centre or centres as the Determination Agent may select) selected by the Determination Agent, at approximately 11.00 a.m. (Relevant Financial Centre time (or local time at such other financial centre or centres as aforesaid)) on the first day of the relevant Interest Period for loans in the relevant currency to leading European banks for a period of the duration of the relevant Interest Period and in an amount that is representative for a single transaction in the relevant market at the relevant time,

and the Rate of Interest applicable to such Notes during each Interest Period will be the sum of the relevant margin (the "**Relevant Margin**") specified in the Final Terms and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) so determined; **provided, however, that**, if the Determination Agent is unable to determine a rate (or, as the case may be, an arithmetic mean (rounded as aforesaid) of rates) in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to such Notes during such Interest Period will be the sum of the Relevant Margin and the rate (or, as the case may be, the arithmetic mean (rounded as aforesaid) of rates) determined in relation to such Notes in respect of the last preceding Interest Period; **provided always that** if there is specified in the relevant Final Terms a minimum interest rate or a maximum interest rate then the Rate of Interest shall in no event be less than or, as the case may be, exceed it. For the purposes of these Terms and Conditions "**London Banking Day**" means

a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London.

#### 4B.04 *ISDA Determination*

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the 2006 Definitions of the International Swaps and Derivatives Association, Inc. (the "**ISDA Definitions**") (as amended and updated as at the date specified in the relevant Final Terms)) that would be determined by the Determination Agent under an interest rate swap transaction if the Determination Agent were acting as Determination Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate ("**LIBOR**") for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
  - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
  - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

#### 4B.05 *Determination of Rates*

The Determination Agent will, as soon as practicable after determining the Rate of Interest in relation to each Interest Period, calculate the amount of interest (the "**Interest Amount**") payable in respect of the principal amount of the smallest or minimum denomination of such Notes specified in the relevant Final Terms for the relevant Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to such principal amount, multiplying the product by a fraction (day count fraction) the numerator of which is the actual number of days in the Interest Period concerned and the denominator for which is 360 (or, in the case of Notes denominated in Pounds Sterling, 365 or, when all or part of an Interest Period falls in a leap year, 366 for that proportion of the Interest Period so falling) or by such other day count fraction as may be specified in the relevant Final Terms and rounding the resulting figure to the nearest sub-unit of the currency in which such Notes are denominated or, as the case may be, in which such interest is payable (one half of any such sub-unit being rounded upwards).

#### 4C **Interest — Supplemental Provision**

##### *Interest Payment Date Conventions and other Calculations*

#### 4C.01

##### (a) *Business Day Convention*

The Final Terms in relation to each Series of Notes in relation to which this Condition 4C.01 is specified as being applicable shall specify which of the following conventions shall be applicable, namely:

- (i) the "**FRN Convention**", in which case interest shall be payable in arrear on each date (each an "**Interest Payment Date**") which numerically corresponds to their date of issue or such other date as may be specified in the relevant Final Terms or, as the case may be, the preceding Interest Payment Date in the calendar month which is the number of months specified in the relevant Final Terms after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred **provided that**:
  - (a) if there is no such numerically corresponding day in the calendar month in which an Interest Payment Date should occur, then the relevant Interest Payment Date will be the last day which is a Business Day (as defined in Condition 8B.02) in that calendar month;
  - (b) if an Interest Payment Date would otherwise fall on a day which is not a Business Day, then the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

- (c) if such date of issue or such other date as aforesaid or the preceding Interest Payment Date occurred on the last day in a calendar month which was a Business Day, then all subsequent Interest Payment Dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which such date of issue or such other date as aforesaid or, as the case may be, the preceding Interest Payment Date occurred;
  - (ii) the "**Modified Following Business Day Convention**", in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms **Provided that**, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case the relevant Interest Payment Date will be the first preceding day which is a Business Day;
  - (iii) the "**Following Business Day Convention**" in which case interest shall be payable in arrear on such dates (each an "**Interest Payment Date**") as are specified in the relevant Final Terms **Provided that**, if any Interest Payment Date would otherwise fall on a date which is not a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day;
  - (iv) "**No Adjustment**" in which case the relevant date shall not be adjusted in accordance with any Business Day Convention; or
  - (v) such other convention as may be specified in the relevant Final Terms.
- (b) "**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time ("**Calculation Period**"), such day count fraction as may be specified in the Final Terms and:
- (i) if "**Actual/Actual**", "**Actual/Actual (ISDA)**", "**Act/Act**" or "**Act/Act (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
  - (ii) if "**Actual/365 (Fixed)**", "**Act/365 (Fixed)**", "**A/365 (Fixed)**" or "**A/365F**" is so specified, means the actual number of days in the Calculation Period divided by 365;

- (iii) if "**Actual/Actual (ICMA)**" or "**Act/Act (ICMA)**" is so specified, means a fraction equal to "number of days accrued/number of days in year", as such terms are used in Rule 251 of the statutes, by-laws, rules and recommendations of the International Capital Market Association (the "**ICMA Rule Book**"), calculated in accordance with Rule 251 of the ICMA Rule Book as applied to non U.S. Dollar denominated straight and convertible bonds issued after 31 December 1998, as though the interest coupon on a bond were being calculated for a coupon period corresponding to the Calculation Period;
- (iv) if "**Actual/360**", "**Act/360**" or "**A/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

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

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30.

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

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

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Termination Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

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

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

4C.02 The Determination Agent will cause each Rate of Interest, floating rate, Interest Payment Date, final day of a calculation period, Interest Amount, floating amount or other item, as the case may be, determined or calculated by it to be notified to the Issuer and the Issue and Paying Agent. The Issue and Paying Agent will cause all such determination or calculations to be notified to the other Paying Agents (from whose respective specified offices such information will be available) and to the Holders in accordance with Condition 13 (*Notices*) as soon as practicable after such determination or calculation but in any event not later than the fourth London Banking Day thereafter or, if earlier, in the case of notification to any listing authority, stock exchange and/or quotation system, the time required by the rules of any such listing authority, stock exchange and/or quotation system. The Determination Agent will be entitled to amend any Interest Amount, floating amount, Interest Payment Date or final day of a calculation period (or to make appropriate alternative arrangements by way of adjustment) without prior notice in the event of the extension or abbreviation of any relevant Interest Period or calculation period and such amendment will be notified in accordance with the first two sentences of this Condition 4C.02.

4C.03 The determination by the Determination Agent of all items falling to be determined by it pursuant to these Terms and Conditions shall, in the absence of manifest error, be final and binding on all parties.

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

***Accrual of Interest***

4C.04 Interest shall accrue on the principal amount of each Note or, in the case of an Instalment Note, on each instalment of principal, on the paid up principal amount of such Note from the Interest Commencement Date. Interest will cease to accrue as from the due date for redemption therefor (or, in the case of an Instalment Note, in respect of each instalment of principal, on the due date for payment thereof) unless upon (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) due presentation or surrender thereof, payment in full of the principal amount or the relevant instalment or, as the case may be, redemption amount is improperly withheld or refused or default is otherwise made in the payment thereof in which case interest shall continue to accrue thereon (as well after as

before any demand or judgment) at the rate then applicable to the principal amount of the Notes until the earlier of (i) the date on which, upon due presentation of the relevant Note (if required), the relevant payment is made or (ii) (except in the case of any payment where presentation and/or surrender of the relevant Note is not required as a precondition of payment) the seventh day after the date on which notice is given to the Holders in accordance with Condition 13 (*Notices*) that the Issue and Paying Agent has received the funds required to make such payment (except to the extent that there is failure in the subsequent payment thereof to the relevant Holder).

## 5. Redemption and Purchase

**"Applicable Banking Regulations"** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in Spain including, without limitation to the generality of the foregoing, those regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the *Banco de España* (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Issuer and including, for the avoidance of doubt, as at the Issue Date the rules contained in, or implementing, CRD IV).

**"Basel III Document"** means the Basel Committee on Banking Supervision document *"Basel III: A global regulatory framework for more resilient banks and banking systems"* published in December 2010.

**"CRD IV"** means the CRD IV Directive, the CRR and any CRD IV Implementing Measures.

**"CRD IV Directive"** means the Directive 2013/36 of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

**"CRD IV Implementing Measures"** means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the *Banco de España*, the European Banking Authority or any other relevant authority, which are applicable to the Issuer (on a standalone basis) or the Issuer together with its consolidated Subsidiaries (on a consolidated basis) and which prescribe the requirements to be fulfilled by financial instruments for inclusion in the regulatory capital of the Issuer (on a standalone or consolidated basis).

**"CRR"** means the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation No. 648/2012.

**"Regulatory Event"** is deemed to have occurred if there is a change in the regulatory classification of the Subordinated Notes that would be likely to result in their exclusion, in whole or, to the extent permitted by the Applicable Banking Regulations, in part,



from Tier 2 Capital of the Issuer and both of the following conditions are met: (i) the Relevant Authority considers such a change to be sufficiently certain and (ii) the Issuer demonstrates to the satisfaction of the Relevant Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date.

**"Relevant Authority"** means the European Central Bank or such other successor authority or institution carrying out such duties on its / their behalf (including the Bank of Spain), in each case with respect to prudential matters in relation to the Issuer and / or the Group.

**"Tier 2 Capital"** has the meaning given to it by (i) the Banco de España or (ii) any regulation, directive or other binding rules, standards or decisions adopted by the institutions of the European Union from time to time, as applicable.

### ***Redemption at Maturity***

5.01 Unless previously redeemed, or purchased and cancelled, each Note shall be redeemed at its maturity redemption amount (the **"Maturity Redemption Amount"**) (which shall be its principal amount) (or, in the case of Instalment Notes, in such number of instalments and in such amounts as may be specified in the relevant Final Terms) on the date or dates (or, in the case of Notes which bear interest at a floating rate of interest, on the date or dates upon which interest is payable) specified in the relevant Final Terms. Subordinated Notes qualifying as regulatory capital (*recursos propios*) in accordance with applicable capital adequacy requirements will have a maturity of not less than five years or as otherwise permitted by applicable laws or Applicable Banking Regulations.

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

5.02 If, in relation to any Series of Notes, (i) as a result of any change in the laws or regulations of Spain or in either case of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws or regulations which becomes effective on or after the date of issue of such Notes or any earlier date specified in the relevant Final Terms, the Issuer would be required to pay additional amounts as provided in Condition 7 (*Taxation*), and (ii) such circumstances are evidenced by the delivery by the Issuer to the Issue and Paying Agent of a certificate signed by two directors of the Issuer stating that the said circumstances prevail and describing the facts leading thereto, an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail and, in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), a copy of the Relevant Authority consent to the redemption, the Issuer may, at its option and having given no less than thirty nor more than sixty days' notice (ending, in the case of Notes which bear interest at a floating rate, on a day upon which interest is payable) to the Holders of the Notes in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes (in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*) in accordance with the Applicable Banking Regulations) comprising the relevant Series at their early tax redemption amount (the **"Early Redemption Amount (Tax)"**) (which shall be their principal amount or at such other Early Redemption Amount (Tax) as may be specified in the relevant Final Terms) less, in the case of any Instalment Note, the aggregate

amount of all instalments that shall have become due and payable in respect of such Note prior to the date fixed for redemption under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon **provided, however, that** (i) no such notice of redemption may be given earlier than 90 days (or, in the case of Notes which bear interest at a floating rate a number of days which is equal to the aggregate of the number of days falling within the then current interest period applicable to the Notes plus 60 days) prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due, and (ii) in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), that the Relevant Authority consents to redemption of the Subordinated Notes.

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), redemption for taxation reasons is subject to the prior consent of the Relevant Authority.

#### ***Optional Early Redemption (Call)***

- 5.03 If this Condition 5.03 is specified in the relevant Final Terms as being applicable, then the Issuer may, upon the expiry of the appropriate notice (and subject, in the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), in accordance with Applicable Banking Regulations, to the prior consent of the Relevant Authority) redeem all (but not, unless and to the extent that the relevant Final Terms specifies otherwise, some only) of the Notes of the relevant Series at their call early redemption amount (the "**Early Redemption Amount (Call)**") (which shall be their principal amount or such other Early Redemption Amount (Call) as may be specified in the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable under any other Condition (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon.

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*), redemption at the option of the Issuer is subject to the prior consent of the Relevant Authority and may not take place within a period of five years from their date of issue or as otherwise permitted by Applicable Banking Regulations.

- 5.04 The appropriate notice referred to in Condition 5.03 is a notice given by the Issuer to the Issue and Paying Agent and the Holders of the Notes of the relevant Series, which notice shall be signed by two duly authorised officers of the Issuer and shall specify:

- the Series of Notes subject to redemption;
- whether such Series is to be redeemed in whole or in part only and, if in part only, the aggregate principal amount of the Notes of the relevant Series which are to be redeemed;
- the due date for such redemption which shall be a Business Day, which shall be not less than thirty days (or such lesser period as may be specified in the relevant Final Terms) after the date on which such notice

is validly given and which is, in the case of Notes which bear interest at a floating rate, a date upon which interest is payable; and

- the Early Redemption Amount (Call) at which such Notes are to be redeemed.

Any such notice shall be irrevocable, and the delivery thereof shall oblige the Issuer to make the redemption therein specified.

### ***Partial Redemption***

- 5.05 If the Notes of a Series are to be redeemed in part only on any date in accordance with Condition 5.03, the Notes to be redeemed shall be drawn by lot, with the intervention of the relevant Commissioner and before a Notary Public who will take the minutes, in such European city as the Issue and Paying Agent may specify, or identified in such other manner or in such other place as the Issue and Paying Agent may approve and deem appropriate and fair subject always to compliance with all applicable laws and the requirements of any listing authority, stock exchange and/or quotation system on which the relevant Notes may be listed and/or quoted.

In connection with an exercise of the option contained in Condition 5.03 (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

In the case of Subordinated Notes qualifying as regulatory capital (*recursos propios*) partial redemption is subject to the prior consent of the Relevant Authority and may not take place within a period of five years from their date of issue or as otherwise permitted by Applicable Banking Regulations.

### ***Optional Early Redemption (Put) – Senior Notes***

- 5.06 If this Condition 5.06 is specified in the relevant Final Terms as being applicable to the Senior Notes, then the Issuer shall, upon the exercise of the relevant option by the Holder of any Note of the relevant Series, redeem such Note on the date or the dates specified in the relevant Final Terms at its put early redemption amount (the "**Early Redemption Amount (Put)**") (which shall be its principal amount or such other Early Redemption Amount (Put) as may be specified in the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Note under any other Condition prior to the date fixed for redemption (which amount, if and to the extent not then paid, remains due and payable), together with accrued interest (if any) thereon. In order to exercise such option, the Holder must, not less than sixty days before the date so specified (or such other period as may be specified in the relevant Final Terms), deposit the relevant Note (together, in the case of a Definitive Note, with any unmatured Coupons appertaining thereto) with any Paying Agent together with a duly

completed redemption notice in the form which is available from the specified office of any of the Paying Agents. No Note so deposited and option exercised may be withdrawn (except as provided in the Issue and Paying Agency Agreement).

The Early Redemption (Put) shall not apply in the case of Subordinated Notes and holders of Subordinated Notes may not redeem such Subordinated Notes prior to the Maturity Date.

The Holder of a Note may not exercise such option in respect of any Note which is the subject of an exercise by the Issuer of its option to redeem such Note under either Condition 5.02 or 5.03.

#### ***Regulatory Event Redemption of Subordinated Notes***

- 5.07 If a Regulatory Call is specified in the applicable Final Terms and the Issuer determined that a Regulatory Event has occurred, the Issuer may, subject to such redemption being permitted by the Applicable Banking Regulations then in force and subject to the permission of the Relevant Authority, redeem such Subordinated Notes, in whole but not in part, at the Regulatory Event Redemption Amount specified in the applicable Final Terms, together with any accrued but unpaid interest to the date fixed for redemption, **provided that** the Issuer has given notice to the Noteholders of such Subordinated Notes (such notice being irrevocable) within the time period specified in the relevant Final Terms, which notice shall specify the date fixed for such redemption.

Upon the expiry of such notice period, the Issuer shall be bound to redeem the Subordinated Notes accordingly.

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

- 5.08 The Issuer and any of its respective subsidiaries may at any time purchase Notes in the open market or otherwise and at any price **provided that**, in the case of Definitive Notes, all unmatured Coupons appertaining thereto are purchased therewith.

In the case of Subordinated Notes which qualify as regulatory capital (*recursos propios*) the purchase of the Notes by the Issuer or any of its subsidiaries shall take place in accordance with the requirements of the Applicable Banking Regulations.

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

- 5.09 All unmatured Notes and Coupons and unexchanged Talons redeemed or purchased otherwise than in the ordinary course of business of dealing in securities or as a nominee in accordance with this Condition 5 will be cancelled forthwith and may not be reissued or resold.

#### ***Further Provisions applicable to Redemption Amount and Instalment Amounts***

- 5.10 The provisions of Condition 4C.02 shall apply to any determination or calculation of the Redemption Amount or any Instalment Amount required by the Final Terms to be made by the Determination Agent.

- 5.11 References herein to "**Redemption Amount**" shall mean, as appropriate, the Maturity Redemption Amount, the final Instalment Amount, Early Redemption Amount (Tax), Early Redemption Amount (Call), Early Redemption Amount (Put) and Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in the Final Terms.

#### ***Notices***

- 5.12 Notices of early redemption (whether full or partial) of Notes shall be given in accordance with Condition 13 (*Notices*).

#### ***Notification of Irish Stock Exchange***

- 5.13 The Issuer shall notify the Irish Stock Exchange of any early redemption (whether full or partial) of Notes.

### **6 Events of Default**

- 6.01 Unless otherwise specified in the relevant Final Terms, if, in the case of Subordinated Notes, any of the events set out in paragraphs (iii) or (v) occurs and is continuing or, in the case of Senior Notes, any of the following events occurs and is continuing (each an "**Event of Default**"), such Event of Default shall be an acceleration event in relation to the Notes of any Series, namely:

- (i) *Non-payment*: if default is made in the payment of any interest or principal due in respect of the Notes of the relevant Series or any of them and such default continues for a period of seven days (or such other period as may be specified in the relevant Final Terms); or
- (ii) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under or in respect of the Notes, the Issue and Paying Agency Agreement and (except in any case where such failure is incapable of remedy when no such continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days following the service by the relevant Commissioner (as defined in Condition 12 below) on the Issuer of a notice requiring the same to be remedied; or
- (iii) *Winding up*: if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a resolution of the relevant Syndicate of Holders of the Notes or a merger with another financial institution in this case even without being approved by a resolution of the relevant Syndicate of Holders of the Notes, provided that any entity that survives or is created as a result of such merger is given a rating by an internationally recognised rating agency at least equal to the then current rating of the Issuer at the time of such merger); or
- (iv) *Cessation of business*: if the Issuer ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of a reorganisation (except in any such case for the purpose of reconstruction or a merger or amalgamation which has been previously approved by a

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

- (v) *Insolvency proceedings*: if (a) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application made for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or in relation to the whole or a part of the undertaking or assets of it, or an encumbrancer takes possession of the whole or a part of the undertaking or assets of either of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a part of the undertaking or assets or any of them, and (b) in any case is not discharged within 14 days; or
- (vi) *Arrangements with creditors*: if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors).

6.02 As used herein "**Indebtedness for Borrowed Money**" means (i) money borrowed and premiums and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or acceptance credit and (iii) the principal and premium (if any) and accrued interest in respect of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash.

6.03 If any Event of Default shall occur in relation to any Series of Notes, the relevant Commissioner, acting upon a resolution of the relevant Syndicate of Holders of the Notes of the relevant Series, in respect of all the Notes of a relevant Series, or any Holder of a Note in respect of such Note and **provided that** such Holder does not contravene the resolution of the relevant Syndicate (if any) may, by written notice to the Issuer, at the specified office of the Issue and Paying Agent, declare that such Note or Notes and all interest then accrued on such Note or Notes shall (when permitted by applicable Spanish law) be forthwith due and payable, whereupon the same shall become immediately due and payable at its early termination amount (the "**Early Termination Amount**") (which shall be its principal amount or such other Early Termination Amount as may be specified in the relevant Final Terms) less, in the case of any Instalment Note, the aggregate amount of all instalments that shall have become due and payable in respect of such Notes under any other Condition prior to the date fixed for

redemption (which amount, if and to the extent not then paid, remains due and payable), together with all interest (if any) accrued thereon without presentment, demand, protest or other notice of any kind, all of which the Issuer will expressly waive, anything contained in such Note or Notes to the contrary notwithstanding, unless, prior thereto, all Events of Default in respect of the Notes of the relevant Series shall have been cured.

**7. Taxation**

7.01 All amounts payable (whether in respect of principal, redemption amount, interest or otherwise) in respect of the Notes, the Receipts and the Coupons by the Issuer will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by, within or on behalf of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Holder of any Note, Receipt or Coupon of such amounts as would have been received by them had no such withholding or deduction been required.

7.02 The Issuer shall not be required to pay any additional amounts as referred to in Condition 7.01 in relation to any payment in respect of any Note, Receipt or Coupon:

- (i) to, or to a third party on behalf of, a Holder of a Note, Receipt or Coupon who is liable for such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Spain other than the mere holding of such Note, Receipt or Coupon; or
- (ii) to, or to a third party on behalf of, a Holder if the Issuer does not receive the information in respect of the notes as may be required in order to comply with the applicable Spanish tax reporting obligations; or
- (iii) presented for payment more than thirty days after the Relevant Date, except to the extent that the relevant Holder would have been entitled to such additional amounts on presenting the same for payment on the expiry of such period of thirty days; or
- (iv) to, or to a third party on behalf of, individuals resident for tax purposes in the Kingdom of Spain; or
- (v) to, or to a third party on behalf of, a Spanish-resident legal entity subject to Spanish corporation tax if the Spanish tax authorities determine that the Notes do not comply with exemption requirements specified in the Reply to a Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

7.03 For the purposes of these Terms and Conditions, the "**Relevant Date**" means, in respect of any payment, the date on which such payment first becomes due and

payable, but if the full amount of the moneys payable has not been received by the Issue and Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to Holders of Notes, Receipts and Coupons, notice to that effect shall have been duly given to the Holders of the Notes of the relevant Series in accordance with Condition 13 (*Notices*).

- 7.04 Unless the context otherwise requires, any reference in these Terms and Conditions to "**principal**" shall include any premium payable in respect of a Note, any Instalment Amount or Redemption Amount and any other amounts in the nature of principal payable pursuant to these Terms and Conditions and "**interest**" shall include all amounts payable pursuant to Condition 4 (*Interest*) and any other amounts in the nature of interest payable to these Terms and Conditions.

## 8. **Payments**

### 8A **Payments**

8A.01 Payment of amounts (other than interest) due in respect of Bearer Notes will be made against presentation and (save in the case of a partial redemption which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment) surrender of the relevant Bearer Notes at the specified office of any of the Paying Agents.

8A.02 Payment of amounts in respect of interest on Bearer Notes will be made:

- (i) in the case of a Temporary Global Note or Permanent Global Note, against presentation of the relevant Temporary Global Note or Permanent Global Note at the specified office of any of the Paying Agents outside (unless Condition 8A.03 applies) the United States and, in the case of a Temporary Global Note, upon due certification as required therein;
- (ii) in the case of Definitive Notes without Coupons attached thereto at the time of their initial delivery, against presentation of the relevant Definitive Notes at the specified office of any of the Paying Agents outside (unless Condition 8A.03 applies) the United States; and
- (iii) in the case of Definitive Notes delivered with Coupons attached thereto at the time of their initial delivery, against surrender of the relevant Coupons or, in the case of interest due otherwise than on a scheduled date for the payment of interest, against presentation of the relevant Definitive Notes, in either case at the specified office of any of the Paying Agents outside (unless Condition 8A.04 applies) the United States.

8A.03 Payments of amounts due in respect of interest on the Bearer Notes and exchanges of Talons for Coupon sheets in accordance with Condition 8A.03 will not be made at the specified office of any Paying Agent in the United States (as defined in the United States Internal Revenue Code and Regulations thereunder) unless (a) payment in full of amounts due in



respect of interest on such Notes when due or, as the case may be, the exchange of Talons at all the specified offices of the Paying Agents outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions, and (b) such payment or exchange is permitted by applicable United States law. If parts (a) and (b) of the previous sentence apply, the Issuer shall forthwith appoint a further Paying Agent with a specified office in New York City.

8A.04 If the due date for payment of any amount due in respect of any Bearer Note is not a Relevant Financial Centre Day (as defined in Condition 8B.02) and (in the case of Definitive Notes only) a local banking day (as defined in Condition 8B.02), then the Holder thereof will not be entitled to payment thereof until the next day which is such a day (or as otherwise specified in the relevant Final Terms) and, thereafter will be entitled to receive payment on a Relevant Financial Centre Day and (in the case of Definitive Notes only) a local banking day and no further payment on account of interest or otherwise shall be due in respect of such delay or adjustment unless there is a subsequent failure to pay in accordance with these Terms and Conditions in which event interest shall continue to accrue as provided in Condition 4C.04.

8A.05 Each Definitive Note initially delivered with Coupons attached thereto should be presented and, save in the case of partial payment which includes, in the case of an Instalment Note, payment of any instalment other than the final instalment, surrendered for final redemption together with all unmatured Coupons and Talons appertaining thereto, failing which:

- (i) in the case of Definitive Notes which bear interest at a fixed rate or rates, the amount of any missing unmatured Coupons (or, in the case of a payment not being made in full, that portion of the amount of such missing Coupon which the redemption amount paid bears to the total redemption amount due) (excluding, for this purpose, Talons) will be deducted from the amount otherwise payable on such final redemption, the amount so deducted being payable against surrender of the relevant Coupon at the specified office of any of the Paying Agents at any time within ten years of the Relevant Date applicable to payment of such final redemption amount;
- (ii) in the case of Definitive Notes which bear interest at, or at a margin above or below, a floating rate, all unmatured Coupons (excluding, for this purpose, but without prejudice to paragraph (iii) below, Talons) relating to such Definitive Notes (whether or not surrendered therewith) shall become void and no payment shall be made thereafter in respect of them; and
- (iii) in the case of Definitive Notes initially delivered with Talons attached thereto, all unmatured Talons (whether or not surrendered therewith) shall become void and no exchange for Coupons shall be made thereafter in respect of them.

The provisions of paragraph (i) of this Condition 8A.05 notwithstanding, if any Definitive Notes which bear interest at a fixed rate or rates should be issued with a maturity date and a fixed rate or fixed rates such that, on the presentation for payment of any such Definitive Note without any unmatured Coupons attached thereto or surrendered therewith, the amount required by paragraph (i) to be deducted would be greater than the amount otherwise due for payment, then, upon the due date for redemption of any such Definitive Note, such unmatured Coupons (whether or not attached) shall become void (and no payment shall be made in respect thereof) as shall be required so that, upon application of the provisions of paragraph (i) in respect of such Coupons as have not so become void, the amount required by paragraph (i) to be deducted would not be greater than the amount otherwise due for payment. Where the application of the foregoing sentence requires some but not all of the unmatured Coupons relating to a Definitive Note to become void, the relevant Paying Agent shall determine which unmatured Coupons are to become void, and shall select for such purpose Coupons maturing on later dates in preference to Coupons maturing on earlier dates.

8A.06 In relation to Definitive Notes initially delivered with Talons attached thereto, on or after the due date for the payment of interest on which the final Coupon comprised in any Coupon sheet matures, the Talon comprised in the Coupon sheet may be surrendered at the specified office of any Paying Agent outside (unless Condition 8A.03 applies) the United States in exchange for a further Coupon sheet (including any appropriate further Talon), subject to the provisions of Condition 9 (*Prescription*) below. Each Talon shall, for the purpose of these Conditions, be deemed to mature on the due date for the payment of interest on which the final Coupon comprised in the relative Coupon sheet matures.

8A.07 For the purposes of these Terms and Conditions, the "**United States**" means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

## **8B Payments — General Provisions**

8B.01 Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Notes not denominated in Renminbi will be made in the currency in which such amount is due by (a) cheque or (b) at the option of the payee, transfer to an account denominated in the relevant currency specified by the payee.

Payments of amounts due (whether principal, redemption amount, interest or otherwise) in respect of Notes denominated in Renminbi will be made in Renminbi by transfer to an account denominated in Renminbi in Hong Kong specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any

withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

8B.02 For the purposes of these Terms and Conditions:

- (i) "**Business Day**" means a day:
  - in relation to Notes denominated or payable in euro which is a TARGET Business Day; and
  - in relation to Notes payable in any other currency, on which commercial banks are open for business and foreign exchange markets settle payments in the Relevant Financial Centre in respect of the relevant currency; and, in either case,
  - on which commercial banks are open for business and foreign exchange markets settle payments in any place specified in the relevant Final Terms;
- (ii) "**local banking day**" means a day (other than a Saturday and Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place of presentation of the relevant Note or, as the case may be, Coupon;
- (iii) "**Relevant Financial Centre**" means such financial centre or centres as may be specified in relation to the relevant currency for the purposes of the definition of "**Business Day**" in the ISDA Definitions;
- (iv) "**Relevant Financial Centre Day**" means, in the case of any currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Relevant Financial Centre (which in the case of Australian dollars shall be Melbourne, in the case of New Zealand dollars shall be Wellington and which in the case of Renminbi shall be Hong Kong) and in any other place specified in the relevant Final Terms and in the case of payment in euro, a day which is a TARGET Business Day;
- (v) "**TARGET Business Day**" means any day on which the TARGET2 System, or any successor thereto, is open for the settlement of payments in euro; and
- (vi) "**TARGET2 System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) payment system which utilises a single shared platform and which was launched on 19 November 2007.

and, in the case of any of paragraphs (i) to (iv) of this Condition 8B.02, as the same may be completed in the relevant Final Terms.

**9. Prescription**

- 9.01 Claims against the Issuer for payment of principal and interest in respect of Notes will be prescribed and become void unless made, in the case of principal, within ten years or, in the case of interest, five years after the Relevant Date for payment thereof.
- 9.02 In relation to Definitive Notes initially delivered with Talons attached thereto, there shall not be included in any Coupon sheet issued upon exchange of a Talon any Coupon which would be void upon issue pursuant to Condition 8A.05 or the due date for the payment of which would fall after the due date for the redemption of the relevant Note or which would be void pursuant to this Condition 9 or any Talon the maturity date of which would fall after the due date for redemption of the relevant Note.

**10. The Paying Agents and the Determination Agent**

- 10.01 The initial Paying Agents and their respective initial specified offices are specified below. The Determination Agent in respect of any Notes shall be specified in the Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Issue and Paying Agent) or the Determination Agent and to appoint additional or other Paying Agents or another Determination Agent provided that it will at all times maintain (i) an Issue and Paying Agent, (ii) a Paying Agent (which may be the Issue and Paying Agent) with a specified office in a continental European city, (iii) so long as the Notes are listed on the Irish Stock Exchange and/or any other listing authority, stock exchange and/or quotation system, a Paying Agent (which may be the Issue and Paying Agent) with a specified office in such place as may be required by the rules of such other listing authority, stock exchange and/or quotation system, (iv) in the circumstances described in Condition 8A.03, a Paying Agent with a specified office in New York City, and (v) a Determination Agent where required by the Terms and Conditions applicable to any Notes (in the case of (i), (ii) and (v) with a specified office located in such place (if any) as may be required by the Terms and Conditions). The Paying Agents and the Determination Agent reserve the right at any time to change their respective offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Paying Agents or the Determination Agent will be given promptly by the Issuer to the Holders of the Notes in accordance with Condition 13 (*Notices*).
- 10.02 The Paying Agents and the Determination Agent act solely as agents of the Issuer and, save as provided in the Issue and Paying Agency Agreement or any other agreement entered into with respect to its appointment, do not assume any obligations towards or relationship of agency or trust for any Holder of any Note or Coupon and each of them shall only be responsible for the performance of the duties and obligations expressly imposed upon it in the Issue and Paying Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

## 11. Replacement of Notes

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

## 12. Syndicate of Holders of the Notes and Modification

The Holders of the Notes of the relevant Series shall meet in accordance with the regulations governing the relevant Syndicate of Holders of the Notes (the "**Regulations**"). The Regulations shall contain the rules governing the functioning of each Syndicate and the rules governing its relationship with the Issuer and shall be attached to the relevant Public Deed of Issuance. A set of pro forma Regulations is included in the Issue and Paying Agency Agreement.

A Commissioner will be appointed for each Syndicate.

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

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

For the purposes of these Terms and Conditions,

- (i) "**Commissioner**" means the trustee (*comisario*) as this term is defined under the Consolidated Text of Law on Limited Liability Companies approved by Legislative Royal Decree 1/2010 dated 2 July (*Texto Refundido de la Ley de Sociedades de Capital*) ("**Spanish Companies Law**") of each Syndicate of Holders of the Notes; and
- (ii) "**Syndicate**" means the syndicate (*sindicato*) as this term is described under the Spanish Companies Law.

## 13. Notices

13.01 Notices to Holders of Notes will, save where another means of effective communication has been specified herein or in the relevant Final Terms, be deemed to be validly given if published in an English language daily newspaper in London (which is expected to be the *Financial Times*) or on the website of the Irish Stock Exchange if the Notes are listed on the Irish Stock Exchange (so long

as such Notes are listed on the Irish Stock Exchange and the rules of that exchange so require), in a leading newspaper having general circulation in Ireland or, in either case if such publication is not practicable, if published in a leading English language daily newspaper having general circulation in Europe or, in the case of a Temporary Global Note or Permanent Global Note, if delivered to Euroclear and Clearstream, Luxembourg and any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein provided that, in the case of Notes admitted to listing on any listing authority, stock exchange and/or quotation system, the requirements of such listing authority, stock exchange and/or quotation system, have been complied with. Any notice so given will be deemed to have been validly given on the date of such publication (or, if published more than once, on the first date on which publication is made) or, as the case may be, on the fourth day after the date of such delivery to Euroclear and Clearstream, Luxembourg and any other relevant clearing system. Holders of Coupons will be deemed for all purposes to have notice of the contents of any notice given to Holders of Bearer Notes in accordance with this Condition.

#### ***To Commissioners***

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

#### **14. Further Issues**

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

#### **15. Currency Indemnity**

The currency in which the Notes are denominated or, if different, payable, as specified in the relevant Final Terms (the "**Contractual Currency**") is the sole currency of account and payment for all sums payable by the Issuer in respect of the Notes, including damages. Any amount received or recovered in a currency other than the Contractual Currency (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Holder of a Note or Coupon in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the Contractual Currency which such Holder is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that amount is less than the amount in the Contractual Currency expressed to be due to any Holder of a Note or Coupon in respect of such Note or Coupon the Issuer shall indemnify such Holder against any loss sustained by such Holder as a result. In any event, the Issuer shall indemnify each such Holder against any cost of making such purchase which is reasonably incurred. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder of a Note or Coupon and shall continue in full force and effect despite any

judgment, order, claim or proof for a liquidated amount in respect of any sum due in respect of the Notes or any judgment or order. Any such loss aforesaid shall be deemed to constitute a loss suffered by the relevant Holder of a Note or Coupon and no proof or evidence of any actual loss will be required by the Issuer.

#### **16. Waiver and Remedies**

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

#### **17. Law and Jurisdiction**

17.01 The issue of the Notes, including their legal nature (*obligaciones*), the status of the Notes, the capacity of the Issuer, the relevant corporate resolutions, the appointment of the Commissioner and the constitution of the Syndicates of Holders of the Notes are governed by Spanish law. The terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant and all non-contractual obligations arising out of or in connection with the terms and conditions of the Notes, the Issue and Paying Agency Agreement and the Deed of Covenant, are governed by, and shall be construed in accordance with, English law.

17.02 The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or in connection with the Notes including a dispute regarding the existence, validity or termination of the Notes or any non-contractual obligation arising out of or in connection with the Notes) or the consequences of their nullity.

17.03 The Issuer irrevocably waives any objection which they might now or hereafter have to the courts of England being nominated as the forum to hear and determine any proceedings and to settle any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

17.04 Without prejudice to any other mode of service allowed under any relevant law, the Issuer irrevocably (a) appoints Banco Santander S.A., London Branch at 2 Triton Square, Regent's Place, London NW1 3AN, United Kingdom as its agent for service of process in relation to any Proceedings or, if different, at any other address of the Issuer in Great Britain at which service of process may from time to time be served on it and (b) agrees that failure by an agent for service of process to notify the Issuer of the process will not invalidate the Proceedings concerned. If the appointment of the person mentioned in this Condition 17.04 ceases to be effective, the Issuer shall forthwith appoint a further person in England to accept service of process on its behalf in England and notify the name and address of such person to the Issue and Paying Agent and, failing such appointment within fifteen days, any Holder of Notes shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the specified office of the Issue and Paying Agent. Nothing contained herein shall affect the right of any Holder of Notes to serve process in

any other manner permitted by law. This condition applies to proceedings in England and to proceedings elsewhere.

- 17.05 The submission to the exclusive jurisdiction of the courts of England is for the benefit of the Holders of the Notes only and therefore shall not (and shall not be construed so as to) limit the right of the Holders of the Notes or any of them to take proceedings in any other court of competent jurisdiction nor shall the taking of proceedings in any one or more jurisdictions preclude the taking of proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by applicable law.

#### **18. Rights of Third Parties**

No person shall have any right to enforce any term or condition of any Series of Notes under the Contracts (Rights of Third Parties) Act 1999.

#### **19. Bail-in**

##### **Acknowledgement**

- 19.01 Notwithstanding any other term of the Notes or any other agreement, arrangement or understanding between the Issuer and the Holders, by its subscription and/or purchase and holding of the Notes, each Holder (which for the purposes of this Condition 19 includes each holder of a beneficial interest in the Notes) acknowledges, accepts, consents and agrees:

- (i) to be bound by the effect of the exercise of the Bail-in Power by the Relevant Resolution Authority, which may include and result in any of the following, or some combination thereof:
  - the reduction of all, or a portion, of the Amounts Due (as defined below) on a permanent basis;
  - the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Issuer or another person (and the issue to the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Notes, in which case the Holder agrees to accept in lieu of its rights under the Notes any such shares, other securities or other obligations of the Issuer or another person;
  - the cancellation of the Notes or Amounts Due;
  - the amendment or alteration of the maturity of the Notes or amendment of the Interest Amount payable on the Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (ii) that the terms of the Notes are subject to, and may be varied, if necessary, to give effect to, the exercise of the Bail-in Power by the Relevant Resolution Authority.



## **Payment of Interest and Other Outstanding Amounts Due**

19.02 No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Bail-in Power by the Relevant Resolution Authority with respect to the Issuer unless, at the time such repayment or payment, respectively, is scheduled to become due, such repayment or payment would be permitted to be made by the Issuer under the laws and regulations in effect in the Kingdom of Spain and the European Union applicable to the Issuer or other members of the Group.

## **Notice to Holders**

19.03 Upon the exercise of any Bail-in Power by the Relevant Resolution Authority with respect to the Notes, the Issuer will make available a written notice to the Holders as soon as practicable regarding such exercise of the Bail-in Power. The Issuer will also deliver a copy of such notice to the Agents for information purposes.

## **Duties of the Agents**

19.04 Upon the exercise of any Bail-in Power by the Relevant Resolution Authority, (a) the Agents shall not be required to take any directions from Holders, and (b) the Issue and Paying Agency Agreement shall impose no duties upon any of the Agents whatsoever, in each case with respect to the exercise of any Bail-in Power by the Relevant Resolution Authority.

## **Proration**

19.05 If the Relevant Resolution Authority exercises the Bail-in Power with respect to less than the total Amounts Due, unless any of the Agents is otherwise instructed by the Issuer or the Relevant Resolution Authority, any cancellation, write-off or conversion made in respect of the Notes pursuant to the Bail-in Power will be made on a pro-rata basis.

## **Conditions Exhaustive**

19.06 The matters set forth in this Condition 19 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and any holder of an Instrument.

For the purposes of the Terms and Conditions:

**“Amounts Due”** means the principal amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the Notes. References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Bail-in Power by the Relevant Resolution Authority.

**“Bail-in Power”**: means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) the SRM Regulation, as amended or superseded from time to time, establishing uniform rules and a uniform procedure for the resolution

of credit institutions and certain investment firms in the framework of the SRM and the SRF and the SRM Regulation, and (iii) the instruments, rules and standards created thereunder, pursuant to which any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity).

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

## FORM OF FINAL TERMS

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

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of less than EUR 100,000 (or its equivalent in another currency).*

### **Final Terms dated [●]**

**Santander Consumer Finance, S.A.**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**under the €15,000,000,000**  
**Euro Medium Term Note Programme**

[Any person making or intending to make an offer of the Notes may only do so:]

- (i) in those Public Offer Jurisdictions mentioned in Paragraph 8(vi) of Part B below, provided such person is a Dealer or Authorised Offeror (as such term is defined in the Base Prospectus) and that such offer is made during the Offer Period specified for such purpose therein and that any conditions relevant to the use of the Base Prospectus are complied with; or
- (ii) otherwise]<sup>1</sup> in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended by Directive 2010/73/EU).]

### ***[Prohibition of sales to EEA Retail Investors]***

*The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii)*

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<sup>1</sup> Include this wording where a Public Offer of Notes is anticipated.

*a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]*

## **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 15 June 2017 [and the supplemental Base Prospectus dated *[insert date]*] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus is available for viewing [at *[website]*] [and] during normal business hours at *[address]* [and copies may be obtained from *[address]*].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated *[original date]* [and the supplement(s) to it dated *[insert date]*] which are incorporated by reference in the Base Prospectus dated 15 June 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus dated 15 June 2017 [and the supplement(s) to it dated *[insert date]*], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Prospectus dated *[original date]* [and the supplement(s) to it dated *[insert date]*]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus [and the supplement(s) dated *[insert date]*]. However, a summary of the issue of the Notes is annexed to these Final Terms. The Base Prospectus is available for viewing [at *[website]*] [and] during normal business hours at *[address]* [and copies may be obtained from *[address]*].]

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]

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

1. Issuer: Santander Consumer Finance, S.A.
2. (i) Series Number: [●]  
[(ii)] Tranche Number: [●]  
[(iii)] Date on which the Notes become fungible: [Not applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the [insert description of the Series] on [insert date]/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 21 below [which is expected to occur on or about [insert date]]].]
3. Specified Currency or Currencies: [●]
4. Aggregate Principal Amount: [●]  
[(i)] Series: [●]  
[(ii)] Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Principal Amount [plus accrued interest from [insert date] (if applicable)]
6. Specified Denominations: [●]
7. [(i)] Issue Date: [●]  
[(ii)] Interest Commencement Date: [Specify/Issue Date/Not applicable]]
8. Maturity Date: [Specify date or (for Floating Rate Notes or Renminbi denominated Notes if applicable) Interest Payment Date falling in the relevant month and year]
9. Interest Basis: [● per cent. Fixed Rate]  
[EURIBOR]/[LIBOR] +/- [●] per cent. Floating Rate  
(further particulars specified below at paragraph [13/14])
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be

redeemed on the Maturity Date at 100 per cent. of their nominal amount].

11. Put/Call Options: [Investor Put]<sup>2</sup>  
[Issuer Call]<sup>3</sup>  
(further particulars specified below at paragraph [15/16])
12. [(i)] Status of the Notes: [Senior/Subordinated]
- [(ii)] [Date [Board] approval for issuance of Notes obtained: (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions: [Applicable/Not applicable]
- (If not applicable delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ● ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ● ] in each year [adjusted in accordance with [specify Business Day Convention/not adjusted].
- (iii) Fixed Coupon Amount[(s)]: [[●] per [●] Principal Amount]/[The Fixed Coupon Amount shall be calculated by applying the Rate of Interest to the [Specified Denomination/Calculation Amount] for each Note, multiplying the product by the Day Count Fraction, rounding the resulting figure to the nearest unit of CNY (with halves being rounded up)].
- (iv) Day Count Fraction: [30/360]/[30E/360]/[Actual/Actual (ICMA)]/[Actual/365(fixed)]

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<sup>2</sup> Not applicable in the case of Subordinated Notes. When applicable Euroclear must be given a minimum of 5 business days' notice and Clearstream, Luxembourg must be given a minimum of 15 business days' notice of exercise of Investor put option.

<sup>3</sup> Euroclear and Clearstream, Luxembourg must be given 5 business days' notice of exercise of Issuer call option.

- (v) Determination Dates: ☐ in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.
- (N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (vi) Broken Amount(s): ☐ per Calculation Amount, payable on the Interest Payment Date falling [in/on] ☐
14. Floating Rate Note Provisions: ☐ Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): ☐ [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (ii) Interest Payment Dates: ☐
- (iii) First Interest Payment Date: ☐
- (iv) Business Day Convention: ☐ Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention] ☐ Not Applicable]
- (v) Manner in which the Rate(s) of Interest is/are to be determined: ☐ Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the[Agent]): ☐ [Party acting as Determination Agent]
- (vii) Screen Rate Determination
- Reference Rate: ☐ [LIBOR/EURIBOR]
  - Interest Determination Date(s): ☐
  - Relevant Screen Page: ☐

(viii) ISDA Determination:

- Floating Rate Option: ☐
- Designated Maturity: ☐
- Reset Date: ☐

(ix) [Linear Interpolation: Not Applicable / Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]

(x) Margin(s): ☐ +/- ☐ per cent. per annum

(xi) Minimum Rate of Interest: ☐ per cent. per annum

(xii) Maximum Rate of Interest: ☐ per cent. per annum

(xiii) Day Count Fraction: ☐

## PROVISIONS RELATING TO REDEMPTION

15. [Call Option and/or Regulatory Call]: ☐ [Applicable/Not applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

*(The clearing systems require a minimum of 5 business days notice if such an option is to be exercised)*

(i) Optional Early Redemption Date(s): ☐

(ii) [Optional Early Redemption Amount (Call)/Regulatory Event Redemption Amount] of each Note: ☐ per Note of ☐ specified denomination

(iii) If redeemable in part:

- (a) Minimum Redemption Amount: ☐
- (b) Maximum Redemption Amount: ☐



- (iv) Notice period:<sup>4</sup> [●]
16. Put Option: [Applicable/Not applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (Euroclear require a minimum of 5 business days' notice and Clearstream, Luxembourg require a minimum of 15 business days' notice if such an option is to be exercised)*
- (i) Optional Early Redemption Date(s): [●]
- (ii) Optional Early Redemption Amount (Put) of each Note: [●] per Note of [●] specified denomination
- (iii) Notice period:<sup>5</sup> [●]
17. Maturity Redemption Amount of each Note: [●] per Note of [●] specified denomination
18. Early Redemption Amount (Tax):
- Early Redemption Amount(s) of [●] each Note payable on redemption for taxation reasons or on Event of Default or other early redemption:

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]

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<sup>4</sup> *If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issue and Paying Agent.*

<sup>5</sup> *Euroclear and Clearstream, Luxembourg must be given 5 business days' notice of exercise of Issuer call option.*

- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
20. New Global Note: [Yes] [No]
21. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
22. Business Day: [*Specify any additional financial centres necessary for the purposes of Condition [8B.02].*]
23. Relevant Financial Centre: [*Specify any modification required.*]
24. Relevant Financial Centre Day: [*Specify any additional financial centres necessary for the purposes of Condition [8B.02] or [8A.04].*]
25. Details relating to Instalment Notes: [Applicable/Not applicable]
- (i) Instalment Amount(s): [ ]
- (ii) Payment Date(s): [ ]
- (iii) Number of Instalments: [ ]
26. Commissioner: [●]

Signed on behalf of **SANTANDER CONSUMER FINANCE, S.A.**

By: .....  
*Authorised Signatory*

Date

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing: [Application has been made for the Notes to be admitted to listing on the Official List of the Irish Stock Exchange.]
- (ii) Admission to Trading: [Application has been made for the Notes to be admitted to trading on [the Regulated Market of the Irish Stock Exchange.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

[Standard & Poor's: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

***[Option 1: Credit Rating Agency ("CRA") is (i) established in the EU and (ii) registered under the CRA Regulation:***

*[Insert legal name of particular credit rating agency entity providing rating] is established in the EU and registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation").]*

***[Option 2: Credit Rating Agency ("CRA") is not established in the EU nor registered under the CRA Regulation:***

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU and is not registered under Regulation (EC) No 1060/2009, as amended (the "CRA Regulation").]*

***[Option 3: CRA is not established in the EU but the relevant rating is endorsed by a CRA which is established and registered under the CRA Regulations:***

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but the rating it has given to the Notes is endorsed by [insert legal name of credit rating agency], which is established in the EU and registered under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

***[Option 4: CRA is not established in the EU and the relevant rating is not endorsed under the CRA Regulation, but the CRA is certified in accordance with the CRA Regulation:***

*[Insert legal name of particular credit rating agency entity providing rating] is not established in the EU but is certified under Regulation (EC) No 1060/2009 (the "CRA Regulation").]*

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

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

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

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

*[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (Amend as appropriate if there are other interests)]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

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

[(i) Reasons for the offer

[(ii)] Estimated net proceeds: [●]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)]*

[(iii)] Estimated total expenses<sup>6</sup>: [●]

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<sup>6</sup> For securities of at least €100,000 only the estimated total expenses related to admission to trading should be included.

[Include breakdown of expenses.]

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

Indication of yield: [●]

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]*

6. **[Floating Rate Notes only — HISTORIC INTEREST RATES**

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

7. **OPERATIONAL INFORMATION**

ISIN: [●]

Common Code: [●]

Delivery Delivery [against/free of] payment

Any Clearing System other than Euroclear and Clearstream Banking S.A. and the relevant identification numbers: [●] *[Not applicable]*

Names and addresses of additional Paying Agent(s) (if any): [●]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation yes simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day

credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated: [Not Applicable/*give names, addresses and underwriting commitments*]
  - (a) Names and addresses of Dealers and underwriting commitments: [●]
 

*(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Dealers.)*
  - (b) Date of subscription agreement: [●]
  - (c) Stabilising Manager(s) (if any): [Not Applicable/[●]]
- (iii) If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
- (iv) Indication of the overall amount of the underwriting commission and of the placing commission: [●] per cent. of the Aggregate Nominal Amount
- (v) US Selling Restrictions: [Reg. S Compliance Category [1/2]; TEFRA C/TEFRA D / TEFRA not applicable]
- (vi) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
 

*(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

- (vii) Public Offer: [Applicable][Not Applicable] *(If not applicable, delete the remaining placeholders of this sub-paragraph (vi) and also paragraph [9] below)*
- (viii) Public Offer Jurisdictions: [Specify relevant Member State(s) where the Issuer intends to make the Public Offer (where the Base Prospectus lists the Public Offer Jurisdictions, select from that list) which must therefore be jurisdictions where the Base Prospectus and any supplements have been passported (in addition to the jurisdiction where approved and published)]
- (ix) Offer period: [Specify date] until [specify date]
- (x) Financial intermediaries granted specific consent to use the Base Prospectus in accordance with the conditions in it: [Insert names and addresses of financial intermediaries receiving consent (specific consent)]
- (xi) General Consent: [Not Applicable][Applicable]
- (xii) Other Authorised Offeror Terms: [Not Applicable][Add here any other Authorised Offeror Terms].  
*(Authorised Offeror Terms should only be included here where General Consent is Applicable)*

## 9. TERMS AND CONDITIONS OF THE OFFER

- Offer Price: [Issue Price][●]
- Conditions to which the offer is subject: [Not applicable] [●]
- Description of the application process: [Not applicable] [●]
- Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable] [●]
- Details of the minimum and/or maximum amount of application: [Not applicable] [●]
- Details of the method and time limits for paying up and delivering the Notes: [Not applicable] [●]

Manner in and date on which results of the offer are to be made public: [Not applicable] [●]

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable] [●]

Whether tranche(s) have been reserved for certain countries: [Not Applicable] [●]

Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable] [●]

Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable] [●]

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place: [Not applicable] [●]



## **SUMMARY OF THE ISSUE**

*This summary relates to [insert description of Notes] described in the final terms (the "Final Terms") to which this summary is annexed. This summary contains that information from the summary set out in the Base Prospectus which is relevant to the Notes together with the relevant information from the Final Terms. Words and expressions defined in the Final Terms and the Base Prospectus have the same meanings in this summary.*

*[Insert issue-specific summary by completing the summary of the base prospectus as appropriate to the terms of the specific issue].*

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).*

**Final Terms dated [●]**

**Santander Consumer Finance, S.A.**  
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the €15,000,000,000**

**Euro Medium Term Note Programme**

## **PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 15 June 2017 [and the supplement(s) to it dated [insert date] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of Directive 2003/71/EC, as amended (the Prospectus Directive). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus is available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date.*

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] [and the supplement(s) to it dated [insert date] which are incorporated by reference in the Base Prospectus dated 15 June 2017. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the "**Prospectus Directive**") and must be read in conjunction with the Base Prospectus dated 15 June 2017 [and the supplement(s) to it dated [insert date], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"), save in respect of the Conditions which are extracted from the Base Prospectus dated [original date] [and the supplement(s) to it dated [insert date]]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms, the Base Prospectus [and the supplement(s) dated [insert date]. The Base Prospectus is available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].]

The expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended by Directive 2010/73/EU).

[In accordance with the Prospectus Directive, no prospectus is required in connection with the issuance of the Notes described herein.]

**[Prohibition of sales to EEA Retail Investors]**

*The Notes are not intended, from 1 January 2018, to be offered, sold or otherwise made available to and, with effect from such date, should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.]*

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

1. Issuer: Santander Consumer Finance, S.A.
2. (i) Series Number: [●]  
 [(ii)] Tranche Number: [●]  
 [(iii)] Date on which the Notes become fungible: [Not Applicable/The Notes shall be consolidated, form a single series and be interchangeable for trading purposes with the *[insert description of the Series]* on *[insert date]*/the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [22] below [which is expected to occur on or about *[insert date]*]].]
3. Specified Currency or Currencies: [●]
4. Aggregate Principal Amount: [●]  
 [(i)] Series: [●]  
 [(ii)] Tranche: [●]
5. Issue Price: [●] per cent. of the Aggregate Principal Amount [plus accrued interest from *[insert date]* (if applicable)]
6. Specified Denominations: [●]
7. (i) Issue Date: [●]

- |      |                |  |
|------|----------------|--|
| (ii) | Interest Date: | Commencement [Specify/Issue Date/Not Applicable] |
|------|----------------|--|
8. Maturity Date: *[Specify date or (for Floating Rate Notes or Renminbi denominated Notes if applicable) Interest Payment Date falling in the relevant month and year]*
9. Interest Basis: *[[●] per cent. Fixed Rate]*  
*[EURIBOR/LIBOR]+/- [●] per cent. Floating Rate]*  
*(further particulars specified below at paragraph [13/14])*
10. Redemption/Payment Basis: *[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount.]*
11. Put/Call Options: *[Investor Put]<sup>7</sup>*  
*[Issuer Call]<sup>8</sup>*  
*(further particulars specified below at paragraph [15/16])*
12. [(i)] Status of the Notes: *[Senior/Subordinated]*
- [(iii)] [Date [Board] approval for issuance of Notes] obtained: *(N.B Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

## **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions *[Applicable/Not Applicable]*  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: *[●] per cent. per annum [payable [payable annually/semi-*

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<sup>7</sup> *Not applicable in the case of Subordinated Notes. When applicable Euroclear must be given a minimum of 5 business days' notice and Clearstream, Luxembourg must be given a minimum of 15 business days' notice of exercise of Investor put option*

<sup>8</sup> *Euroclear and Clearstream, Luxembourg must be given 5 business days' notice of exercise of Issuer call option.*

- annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [●] in each year [adjusted in accordance with [specify Business Day Convention/not adjusted]]
- (iii) Fixed Coupon Amount[(s)]: [[●] per [●] Principal Amount]/[The Fixed Coupon Amount shall be calculated by applying the Rate of Interest to the [Specified Denomination/Calculation Amount] for each Note, multiplying the product by the Day Count Fraction, rounding the resulting figure to the nearest unit of CNY (with halves being rounded up)].
- (iv) Day Count Fraction: [30/360]/[30E/360]/[Actual/Actual (ICMA)/[Actual/365(fixed)]]
- (v) Determination Dates: [●] in each year (insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon).
- (N.B. only relevant where Day Count Fraction is Actual/Actual ([ICMA]))*
- (vi) Broken Amount(s): [●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
14. Floating Rate Note Provisions [Applicable/Not Applicable]
- (If not applicable delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [●] [, subject to adjustment in accordance with the Business Day Convention set out in (iv) below/, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]]
- (ii) Interest Payment Dates: [●]
- (iii) First Interest Payment Date: [●]
- (iv) Business Day Convention: [Floating Rate Convention/Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention][Not Applicable]

- (v) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (vi) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): [●] [*Party acting as Determination Agent*]
- (vii) Screen Rate Determination:
- Reference Rate: [●][●] [LIBOR/EURIBOR]
  - Interest Determination Date(s): [●]
  - Relevant Screen Page: [●]
- (viii) ISDA Determination:
- Floating Rate Option: [●]
  - Designated Maturity: [●]
  - Reset Date: [●]
- (ix) [Linear interpolation: Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (x) Margin(s): [ +/- ][●] per cent. per annum
- (xi) Minimum Rate of Interest: [●] per cent. per annum
- (xii) Maximum Rate of Interest: [●] per cent. per annum
- (xiii) Day Count Fraction: [●]

## PROVISIONS RELATING TO REDEMPTION

15. [Call Option and/or Regulatory Call]: [Applicable/Not applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

*(The clearing systems require a minimum of 5 business days notice if such an option*

*is to be exercised)*

- (i) Optional Early Redemption [●]  
Date(s):
- (ii) [Optional Early Redemption [●] per Note of [●] specified  
Amount (Call)/Regulatory denomination  
Event Redemption Amount]  
of each Note:
- (iii) If redeemable in part:
  - (a) Minimum [●]  
Redemption  
Amount:
  - (b) Maximum [●]  
Redemption  
Amount:
- (iv) Notice period:<sup>9</sup> [●]

16. Put Option [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

*(Euroclear require a minimum of 5 business days' notice and Clearstream, Luxembourg require a minimum of 15 business days' notice if such an option is to be exercised)*

- (i) Optional Early Redemption [●]  
Date(s):
- (ii) Optional Early Redemption [●] per Note of [●] specified  
Amount (Put) of each Note: denomination
- (iii) Notice period:<sup>10</sup> [●]

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<sup>9</sup> *If setting notice periods which are different to those provided in the terms and conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Issue and Paying Agent.*

<sup>10</sup> *Euroclear and Clearstream, Luxembourg must be given 5 business days' notice of exercise of Issuer call option.*

17. Maturity Redemption Amount of [ ● ] per Note of [ ● ] specified each Note: denomination
18. Early Redemption Amount (Tax):
- Early Redemption Amount(s) of [●]  
each Note payable on redemption  
for taxation reasons or on event of  
default or other early redemption:

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

19. Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
- [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice]
- [Permanent Global Note exchangeable for Definitive Notes on [●] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]
20. New Global Note: [Yes] [No]
21. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. As the Notes have more than 27 coupon payments, talons may be required if, on exchange into definitive form, more than 27 coupon payments are left.]
22. Business Day: [*Specify any additional financial centres necessary for the purposes of Condition [8B.02].*]
23. Relevant Financial Centre: [*Specify any modification required.*]
24. Relevant Financial Centre Day: [*Specify any additional financial centres necessary for the purposes of Condition [8B.02] or [8A.04].*]
25. Details relating to Instalment Notes: [Applicable/Not applicable]
- (i) Instalment Amount(s): [●]
- (ii) Payment Date(s): [●]
- (iii) Number of Instalments: [●]
26. Commissioner: [●]



Signed on behalf of **SANTANDER CONSUMER FINANCE, S.A.**

By: .....

*Authorised Signatory*

Date

## PART B – OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

(i) Listing: [Application has been made for the Notes to be admitted to listing on [the Official List of the Irish Stock Exchange.]

(i) Admission to Trading: [Application has been made for the Notes to be admitted to trading on [the Regulated Market of the Irish Stock Exchange.]

*(When documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

(iii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

The Notes to be issued [have been/are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:

Ratings: [Standard & Poor's: [●]]

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

#### ***Option 1 - CRA established in the EEA and registered under the CRA Regulation***

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

#### ***Option 2 - CRA established in the EEA, not registered under the CRA Regulation but has applied for registration***

[Insert legal name of particular credit rating agency entity providing rating] is established in the EEA and has applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"), although notification of the corresponding registration decision has not yet been provided by the [relevant competent authority] /[European Securities and Markets Authority].

#### ***Option 3 - CRA established in the EEA, not registered under the CRA Regulation and not applied for registration***

[Insert legal name of particular credit rating agency entity providing rating] is

established in the EEA and is neither registered nor has it applied for registration under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 4 - CRA not established in the EEA but relevant rating is endorsed by a CRA which is established and registered under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but the rating it has given to the Notes is endorsed by *[insert legal name of credit rating agency]*, which is established in the EEA and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 5 - CRA is not established in the EEA and relevant rating is not endorsed under the CRA Regulation but CRA is certified under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA but is certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

***Option 6 - CRA neither established in the EEA nor certified under the CRA Regulation and relevant rating is not endorsed under the CRA Regulation***

*[Insert legal name of particular credit rating agency entity providing rating]* is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.

**3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER**

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

*[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business. (Amend as appropriate if there are other interests)]*

*[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

**4. [Fixed Rate Notes only – YIELD]**

Indication of yield: **[●]**

*[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not*

*an indication of future yield.]*

5. **[Floating Rate Notes only – HISTORIC INTEREST RATES]**

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

6. **OPERATIONAL INFORMATION**

ISIN: [●]

Common Code: [●]

Delivery: Delivery [against/free of] payment

Any Clearing System other than Euroclear and Clearstream Banking S.A. and the relevant identification numbers: [●] *[Not Applicable]*

Names and addresses of additional Paying Agent(s) (if any): [●]

[Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation "**yes**" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]/

[No. Whilst the designation is specified as "**no**" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

7. **DISTRIBUTION**

- (i) Method of Distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated:
  - (A) Names of Dealers [Not Applicable/*give names*]
  - (B) Stabilisation Manager(s), if any: [Not Applicable/*give names*]
- (iii) If non-syndicated, name of Dealer: [Not Applicable/*give names*]
- (iv) U.S. Selling Restrictions: [Reg S Compliance Category 2; TEFRA C/TEFRA D/TEFRA not applicable]
- (v) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

*(If the offer of the Notes is concluded prior to 1 January 2018, or on and after that date the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the offer of the Notes will be concluded on or after 1 January 2018 and the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*

## **SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM**

### **Clearing System Accountholders**

Each Global Note will be in bearer form. Consequently, in relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the bearer of the Global Note.

### **Exchange of Temporary Global Notes**

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated and, in the case of an NGN, effectuated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Issue and Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under a deed of covenant dated 15 June 2017 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Issue and Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Conditions applicable to Global Notes**

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

***Payments:*** All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg.

***Exercise of put option:*** In order to exercise the option contained in Condition 5.06 (*Optional Early Redemption (Put)*) the bearer of the Permanent Global Note must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Issuer and Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

***Partial exercise of call option:*** In connection with an exercise of the option contained in Condition 5.03 (*Optional Early Redemption (Call)*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).



***Notices:*** Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## DESCRIPTION OF THE ISSUER

### SANTANDER CONSUMER FINANCE, S.A.

#### History and Development

The Issuer's legal name is Santander Consumer Finance, S.A. (the "**Issuer**" or "**SCF**") and its commercial name is "Santander Consumer". The Issuer belongs to a consolidated group of credit institutions, the parent company of which is Banco Santander, S.A. (the "**Santander Group**").

The Issuer is registered in the Mercantile Registry of Madrid with the Fiscal Identification Code number A 28122570. It is also registered under the number 0224 in the Register of Banks maintained by the Bank of Spain.

The Issuer was established as a limited liability company (*sociedad anónima*) under the legal name "Banco de Fomento, S.A." by way of a deed (*escritura*) granted by the Notary of Madrid Mr. Urbicio López Gallego, acting as the substitute of his colleague Mr. Alejandro Bérnago Llabrés but with Mr. Bérnago Llabrés' notarial number 2.842, on 31 August 1963. In 1995, the Issuer changed its name to "Hispanamer Banco Financiero, S.A." and then changed it again in 1999 to "HBF Banco Financiero, S.A.". The Issuer's current name, Santander Consumer Finance, was changed on 19 December 2002 and published in the Official Bulletin of the Mercantile Registry (*Boletín Oficial del Registro Mercantil*) on 13 January 2003.

The Issuer began operations on the same day that it was established and was established for an indefinite term. The Issuer's activity is subject to the Spanish legislative regime applicable to financial institutions in general and, in particular, to the supervision, control and rules of the Bank of Spain and the Spanish National Securities Market Commission (the "**CNMV**"). The Issuer is subject to the CNMV's code of good governance which, amongst other things, safeguards against abuse of control. In addition, the Issuer's parent company, Banco Santander, S.A. prepares an annual corporate governance report which it publishes and presents to the CNMV. Banco Santander, S.A. also has an audit and compliance committee which supervises its compliance with such governance rules and the CNMV's code of good governance.

The authorised and paid up share capital of the Issuer as at 31 December 2016 was €5,638,638,516 divided into 1,879,546,172 ordinary shares having a face value of €3 each. All issued share capital is fully paid up.

The registered office of the Issuer is located at Ciudad Grupo Santander, Avenida de Cantabria, s/n, Boadilla del Monte (Madrid), Spain. The telephone number of the Issuer's registered office is +34 91 289 0000.

#### Business Overview

##### Principal Activities of the Issuer

The Issuer's objective is to receive funds from the public in the form of deposits, loans, repos or other similar transactions entailing the obligation to refund them, and to use these funds for its own account to grant loans and credits or to perform similar transactions. In addition, the Issuer is the holding company of a finance group and handles the investments of its subsidiaries.

The Issuer is part of the Santander Group (as described above), the parent entity of which (Banco Santander, S.A.) had a 100 per cent. direct and indirect ownership interest in the share capital of the Issuer as at 31 December 2016. Banco Santander, S.A. has its registered office at Paseo de Pereda 9-12, Santander.

The Consumer Group's primary activity is related to automobile financing, personal loan and credit card businesses. However, it also works at attracting customer funds. The Consumer Group has 404 branches located throughout Europe (64 of which are in Spain) and engages in finance leasing, financing of third party purchases of consumer goods of any kind, full-service leasing ("renting") and other activities. Additionally, since December 2002, the Issuer has been the head of a European corporate group, consisting mainly of financial institutions, which engages in commercial banking, consumer finance, operating and finance leasing, full-service leasing and other activities in Germany, Italy, Austria, France, the Netherlands, Norway, Finland, Denmark, Sweden, Switzerland and Portugal.

The Issuer's strategy consists of establishing agreements with authorised agents (mainly dealers) in order to deliver finance for automobiles and other consumer goods. The Issuer also seeks to generate loyalty affiliations with final customers by directly offering them other products such as credit cards. The Issuer's primary business, however, continues to be the financing of new and used cars.

Enjoying as it does a strong leadership position in the European consumer finance market, and specialising in auto finance, loans for the purchase of durable goods, personal loans and credit cards, the Consumer Group has displayed consistent profitability, reporting a record profit of €1,055.3 million in 2016.

The major milestones achieved in 2016 were as follows:

- Complete the definition of functional requirements as well as the design of an operational model adapted to the requirements of IFRS 9.
- Development a training plan for all the staff who could be involved or impacted with the standards application.
- At the IT environment, the technological needs have been identified as well as the necessary adaptations to the existing control environment.

In addition to the BPF agreement, progress continued on the signing and development of new agreements with retail distributors and manufacturers, triggering growth of new production in all countries, largely underpinned by the car business.

Loans and discounts amounted to EUR 81,983 million in 2016, up 16.2% for the year, new production growing by 16% compared with 2015. This growth was driven by the new additions for the year and the car business which was up 28% on the previous year. By country, growth was generally observed in all units.

With respect to liabilities specifically, customer deposits remained stable (+7.2%), differentiating us from competitors. The volume of wholesale financing raised through senior bond issues and securitisation and other long-term issues in the year amounted to EUR 12,484 million.

In 2016 attributable profit amounted to EUR 1,055.3 million in line with 2015 as a result of the extraordinary effect of the impacts of the tax measures adopted by the regulator in the past two years.

Recurring profit was favoured, by both the current low interest rate environment, which is highly positive for the consumer finance business, affecting revenues and allowances, and the impact of the units included, translating into growth of the main account lines.

Revenues grew mainly due to net interest income (78% of income) which was up 11% on the previous year.

Costs also increased (7.4%) in line with the business and new units added under the BPF agreement. The efficiency ratio remained at around 44% like in the previous year.

Provisions fell by 33%, following a substantial improvement in the cost of borrowing, which fell to very low levels for the consumer finance business. This was possible thanks to the solid performance of portfolios and a fall in the NPL ratio to 2.4% following a 73 bp fall compared with 2015. Coverage remained unchanged at 107.4%.

By unit, noteworthy was the robust performance of attributable profit for Spain (+20.4%), Nordic countries (+20%) and Italy (+226%).

In short, robust organic growth and the successful completion of the BPF agreements offer enhanced potential to continue growing in 2017, building market share and ensuring high profitability and efficiency.

### **New Business of the Issuer in 2016**

The volume of new loans at December 2016 was €34,529 million, up by 16.67 per cent. compared with the previous year. This increase was supported by the car business which increased by 28.56 per cent. and by consumer and credit cards which were up by 3.12 per cent. The increase in car business was due to both used and new vehicles. In the mortgages business the Issuer increased 12.3 per cent., other products decreased 28.21 per cent., and direct business 1.52 per cent.

The area's strategy, penetration and diversification have given rise to further increases in the market share in terms of volume in 2016.

The units with higher productions in 2016 were Germany (up 5.94 per cent. compared with 2015), the Nordic countries (up 13.81 per cent. in local currency compared with 2015), Spain (up 25.63 per cent. compared with 2015), Italy (up 42.89 per cent. compared with 2015) and Portugal (up 40.79 per cent. compared with 2015).

The following table summarises new financing extended in 2016 by product line, compared with the previous year:

<b>Unaudited</b>	<b>2016 financial year (millions of Euro)</b>	<b>Percentage of total activity (percentage)</b>	<b>2015 financial year (millions of Euro)</b>	<b>Variation 2016/2015 (percentage)</b>
<b>New Business</b>				
Cars	22,562.0	65.34 per cent.	17,550.0	28.56 per cent.
New cars	13,574.0	39.31 per cent.	9,809.0	38.38 per cent.
Used Cars	8,989.0	26.03 per cent.	7,741.0	16.12 per cent.

Consumer Financing and Credit Cards	6,684.0	19.36 per cent.	6,482.0	3.12 per cent.
Direct	4,132.0	11.97 per cent.	4,070.0	1.52 per cent.
Mortgages	210.0	0.61 per cent.	187.0	12.30 per cent.
Other	939.0	2.72 per cent.	1,308.0	-28.21 per cent.
<b>Total financing activity</b>	<b>34,529.0</b>	<b>100.00 per cent.</b>	<b>29,595.0</b>	<b>16.67 per cent.</b>

The automotive business comprises all the businesses related to the financing of new and used vehicles, including operating and finance leases. This is the Consumer Group's main business, which at €22,562 million represented 65.34 per cent. of the new financing activity during 2016 (new car financing accounted for 39.31 per cent. of the total new business).

Consumer financing and the credit cards business reflect the income from consumer products distributed through intermediaries (subscription agents or dealers) not included in the direct finance business. Credit cards represent the business of extending consumer credit by means of credit cards, including the management of the credit cards. These two products represented 19.36 per cent. of total activity in 2016, or €6,684 million, and an increase of 3.12 per cent. when compared with the previous year.

Direct financing comprises the financing of consumer products distributed through the Consumer Group's own channels, without the use of intermediaries. It includes the marketing of personal loans for small amounts, with a short granting and approval period. Direct financing represented 11.97 per cent. of the Consumer Group's total activity, with an amount of €4,132 million in 2016.

The mortgage financing business includes all activities related to financing backed by property as collateral. In 2016, mortgages had an increase of 12.3 per cent. in comparison with the previous year. This product represented 0.61 per cent. of total activity in 2016, or €210 million.

Other businesses include operations that do not fit into any of the above categories. This business accounted for 2.72 per cent. of new business in 2016.

At the end of 2016, the consolidated customer funds under management (customer deposits and marketable debt securities) reached €60,931.9 million, representing an increase of 8.6 per cent. compared to the €56,116.3 million recorded in the previous financial year. The Consumer Group holds banking licenses in the majority of the countries in which it operates. One of its main sources of funding is customer deposits through Germany and the Nordics. Consolidated customer deposits increased by 7.3 per cent. (from 30,876.1 million in 2015 to 33,129.7 million in 2016) mainly due to deposits acquired in SC Germany and the German retail banking activities of SEB AG.

On the other hand, consolidated marketable debt securities increased by 10.15 per cent., mainly due to new bonds and debentures outstanding. As in 2015 and in April 2016, the Issuer's Board of Directors resolved to launch a bond and fixed income with a maximum principal amount outstanding that may not exceed €30,000 million.

Notes and other securities issued by the Issuer and its subsidiaries increased by 32.83 per cent. in 2016 in comparison to the previous year (from 6,927 million in 2015 and 9,201 million in 2016). As in 2015 and in April 2016, the Issuer's Board of Directors resolved to launch a "**Euro Medium Term Notes**" programme with a maximum

principal amount outstanding that may not exceed €10,000 million. The following table summarises customer funds under management in 2016, as compared to the previous financial year (the data does not include valuation adjustments or subordinated debt):

<b>Customer Funds under management</b>	<b>2016 Financial year (audited) (millions of euro)</b>	<b>2015 Financial year (audited) (millions of euro)</b>	<b>Variation 2016/2015</b>
Customer deposits	33,129.7	30,876.1	7.3 per cent
Marketable debt securities	27,802.2	*25,240.2	10.15 per cent
<b>Total client funds on balance sheet</b>	<b>60,931.9</b>	<b>56,116.3</b>	<b>8.6 per cent</b>

(\*) Please note this reclassification is due to the circular of BOE-A-Circular\_5-2015. For comparison purposes between 2016 and 2015 figures (unaudited).

## Main Markets in which the Issuer Competes

This primary level of segmentation, which is based on the Group's management structure, comprises six segments relating to six operating areas. The operating areas, which include all the business activities carried on therein by the Group, are Spain, Italy, Germany, Scandinavia, France and Other.

The following tables summarise customer lending and customer deposits by geographical area as at 31 December 2016, in comparison with the previous year (the data does not include valuation adjustments or subordinated debt):

### Loans and advances to customers

	<b>2016 Financial year (audited) (millions of euro)</b>	<b>Percentage of total activity</b>	<b>2015 Financial year (audited) (millions of euro)</b>	<b>Variation 2016/2015 (percentage)</b>
Spain and Portugal	14,160	16.83 per cent.	12,562	12.72 per cent.
Italy	7,078	8.41 per cent.	5,014	41.17 per cent.
Germany and Austria	36,418	43.28 per cent.	33,147	9.87 per cent.
France	9,528	11.33 per cent.	8,584	11.00 per cent.
The Nordics	13,717	16.30 per cent.	12,113	13.24 per cent.
Other Areas	3,238	3.85 per cent.	1,571	106.12 per cent.
<b>Total</b>	<b>84,139</b>	<b>100.00 per cent.</b>	<b>72,991</b>	<b>15.27 per cent.</b>

### Customer Deposits

	<b>2016 Financial year (audited) (millions of euro)</b>	<b>Percentage of total activity</b>	<b>2015 Financial year (audited) (millions of euro)</b>	<b>Variation 2016/2015 (percentage)</b>
Spain and Portugal	371.4	1.12 per cent.	349.1	6.41 per cent.
Germany	24,480.9	73.89 per cent.	23,902.7	2.42 per cent.
Italy	810.0	2.44 per cent.	373.4	116.90 per cent.
France	1,777.8	5.37 per cent.	1,321.6	34.52 per cent.
The Nordics	4,509.0	13.61 per cent.	3,892.6	15.84 per cent.
Austria	1,111.7	3.36 per cent.	1,024.5	8.51 per cent.
Other Areas	68.8	0.21 per cent.	12.2	463.49 per cent.

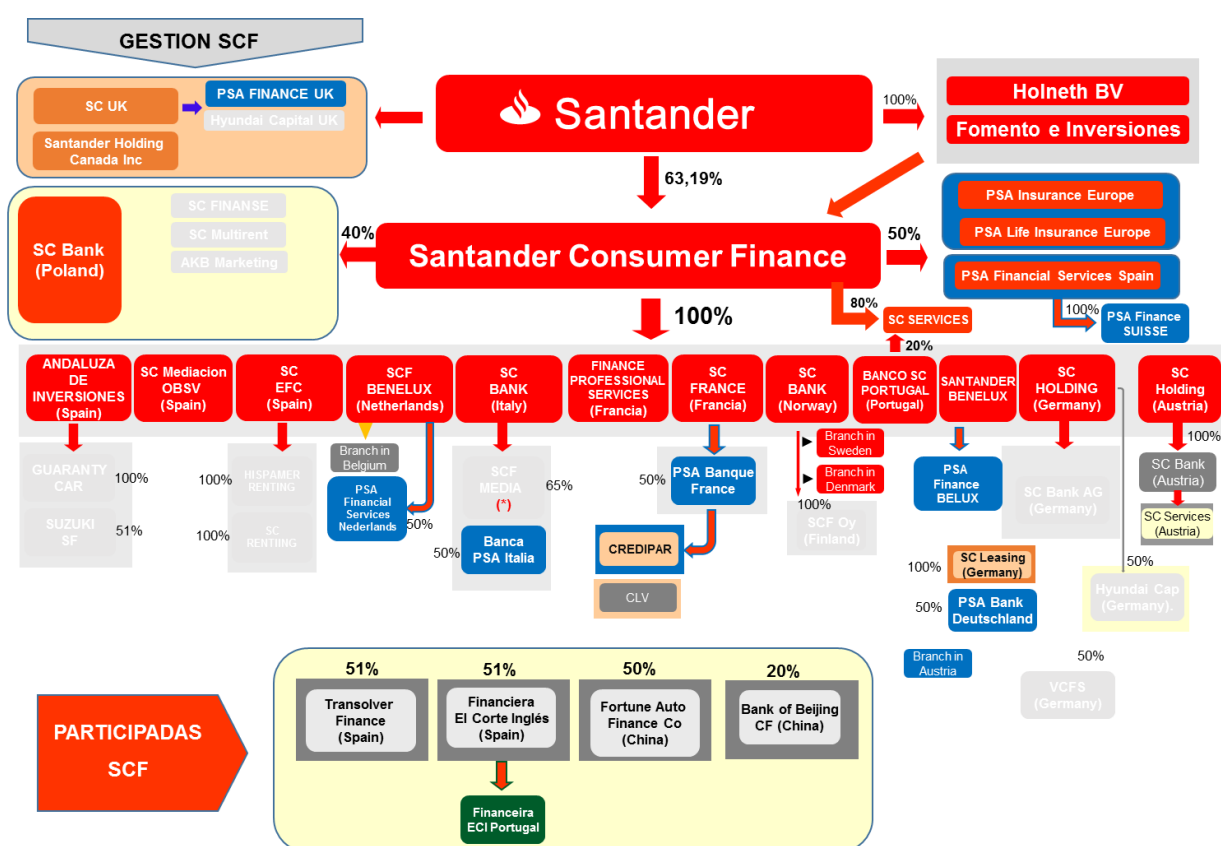
Total	33,129.7	100.00 per cent.	30,876.1	7.30 per cent.
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## Organisational Structure

The Issuer is the parent company of a group of companies providing consumer finance services within the Santander Group.

The growth experienced by the Consumer Group in recent years has resulted in the Issuer acting, in addition to its consumer-financing role, as shareholder of different Consumer Group companies.

The diagram below summarises the organisational structure of the Consumer Group as at April 2017:



## Recent Developments

The most significant acquisitions and disposals of equity investments in Group entities in 2016 and 2015 and other relevant corporate transactions which modified the Group's scope of consolidation in these years were as follows:

## 2016

**Santander Benelux S.A./N.V.**

Once the corresponding administrative authorisations were secured, on 29 April 2016 the Bank acquired 99.99% of the capital of Santander Benelux, S.A./N.V. from Banco Santander, S.A., for approximately EUR 1,170 million. Santander Benelux owns 50%

of the share capital of PSA Finance Belux, S.A./N.V. At 31 December 2016, Santander Benelux contributes a lending portfolio of approximately EUR 2,367 million to the Group, of which around EUR 1,065 million corresponds to PSA Finance Benelux, S.A./N.V.

As a result of the acquisition of this 99.99% interest, as from the acquisition date, Santander Benelux, S.A./N.V. and its subsidiaries have been fully consolidated as Group subsidiaries. At the date on which the Santander Consumer Finance Group assumed control of the entity, the balance of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, amounted to approximately EUR 1,467 million. Consequently, In view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase. In accordance with prevailing accounting standards and with the BankGroup's policy, this acquisition has been measured at the original carrying amount at the transferor.

#### **Transolver, E.F.C., S.A.**

On 22 December 2016, the Bank acquired 1% of the capital of Transolver, E.F.C., S.A., for a total amount of EUR 0.382 million. As a result of the acquisition of the aforementioned 1% interest, which brought the total ownership interest to 51%, as from the acquisition date, Transolver, E.F.C., S.A. has been fully consolidated as a Group subsidiary. At the date on which the Santander Consumer Finance Group assumed control of the entity, the balance of the latter's assets and liabilities, measured in accordance with applicable accounting standards, amounted to approximately EUR 394 million. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or bargain-purchase gain.

#### **Santander Consumer Finance, Z.R.T.**

Once the corresponding administrative authorisations were secured, on 6 October 2016, the Group sold 100% of the share capital of Santander Consumer Finance, Z.R.T., incurring a consolidated loss of EUR 9.7 million.

#### **Agreements with Banque PSA Finance**

In the framework of the agreements signed in 2014 between the Bank, Peugeot, S.A. and Banque PSA Finance, the PSA Peugeot Citroën Group vehicle financing unit, the following transactions and events took place during the first half of 2016:

On 2 January 2016, Santander Consumer Bank, S.p.A. (Italy) acquired 50% of the capital of Banca PSA Italia, S.p.A., for approximately EUR 81 million.

As a result of the acquisition of the aforementioned 50% interest and by virtue of the above-referenced agreements, Banca PSA Italia, S.p.A. has been fully consolidated as a Group subsidiary. The total amount of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, is approximately EUR 1,709 million and EUR 1,536 million, respectively. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase.



- On 1 February 2016, Santander Consumer Finance Benelux, B.V. (Netherlands) acquired a 50% interest in PSA Financial Services Nederland, B.V., for approximately EUR 23 million.

As a result of the acquisition of the aforementioned 50% interest and by virtue of the above-referenced agreements, PSA Financial Services Nederland, B.V. has been fully consolidated as a Group subsidiary. The total amount of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, is approximately EUR 500 million and EUR 450 million, respectively. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase.

- On 2 May 2016, Santander Benelux, S.A./N.V. acquired 50% of PSA Finance Belux, S.A./N.V., for approximately EUR 41 million.

As a result of the acquisition of the aforementioned 50% interest and by virtue of the above-referenced agreements, PSA Finance Belux, S.A./N.V. has been fully consolidated as a Group subsidiary. The total amount of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, is approximately EUR 930 million and EUR 842 million, respectively. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase.

- On 1 July 2016, Santander Consumer Holding GmbH (Germany) acquired 50% of PSA Bank Deutschland GmbH, for approximately EUR 198 million.

As a result of the acquisition of the aforementioned 50% interest and by virtue of the agreements indicated in Note 2 below, PSA Bank Deutschland GmbH has been fully consolidated as a Group subsidiary. At the date on which the Group assumed control of the entity, the balance of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, amounted to approximately EUR 3,168 million and EUR 2,731 million, respectively. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase.

- On 2 October 2016, Santander Consumer Bank, s.a. (Poland) acquired a 50% interest in PSA Finance Polska, Sp. z o.o., for approximately EUR 14 million.

As a result of the acquisition of the aforementioned 50% interest and by virtue of the agreements indicated in Note 2 below, PSA Finance Polska Sp. z o.o. has been fully consolidated as a Group subsidiary. At the date on which the Group assumed control of the entity, the balance of assets acquired and liabilities assumed, measured in accordance with applicable accounting standards, amounted to approximately EUR 222 million and EUR 194 million, respectively. Consequently, in view of the consideration given by the Group, disclosed above, and the corresponding non-controlling interests, the transaction did not give rise to any goodwill or gain from a bargain purchase.

In accordance with IFRS-EU 3 Business Combinations, although the business combinations indicated above did not give rise to any goodwill or gain from a bargain

purchase, the definitive measurement of the assets acquired and liabilities assumed on the business combinations is being subject to the corresponding review, as the maximum one-year measurement period established in the standard has not yet elapsed. In the event new and relevant information is obtained about facts and circumstances that existed at the date of acquisition by the Group that, if known, would have affected the initial measurement of the assets and liabilities, the provisional amounts at which these assets and liabilities are recognised in these consolidated financial statements would be adjusted.

At 31 December 2016, the businesses acquired by the Santander Consumer Finance Group pursuant to the agreements signed with the PSA Finance Group contributed a total of EUR 83 million to the Group's income statement. If these business combinations had taken place on 1 January 2016, the profit or loss contributed to the Santander Consumer Finance Group during the six-month period ended 30 June 2016 would have been approximately EUR 109 million.

## **2015**

### **Agreements with Banque PSA Finance**

Within the framework of the agreements entered into in 2014 by the Bank, Peugeot, S.A. and Banque PSA Finance, the vehicle financing unit of the PSA Peugeot Citroën Group, the following events and transactions were taken place in 2015:

- In January 2015 the relevant regulatory authorisations were obtained for the commencement of activities in France.

On 30 January 2015, the subsidiary Santander Consumer France, S.A. (formerly Santander Consumer France, S.A.S.) was carried out a capital increase which was subscribed and paid in full by the Bank through a monetary contribution of EUR 476.7 million. In addition, on 3 November 2015, a EUR 12.7 million capital increase was subscribed and paid in full by the Bank.

On 2 February 2015, Santander Consumer France, S.A. acquired 50% of the share capital of PSA Banque France, S.A. (formerly Société Financière de Banque – SOFIB), which until that time was part of the Banque PSA Finance Group, for EUR 463 million.

Following the aforementioned acquisition of 50% of the share capital of PSA Banque France, S.A. (formerly Société Financière de Banque – SOFIB) and pursuant to the aforementioned agreements entered into, the entity, together with its subsidiaries, become Group subsidiaries as from that date. At the date control was obtained by the Consumer Group, the total assets and liabilities acquired in this transaction, measured in accordance with the applicable legislation, amounted to approximately EUR 8,708 million and EUR 7,782 million, respectively; consequently, taking into account the cost of the aforementioned consideration transferred by the Group and the effect of the related non-controlling interests, no goodwill or gain from a bargain purchase arose thereon. With regard to the main classes of assets and liabilities acquired on the date control was obtained as a result of this transaction, it should be noted that they consist mainly of loans and advances to customers and financial liabilities at amortised cost (deposits from credit institutions, customer deposits and marketable debt securities), respectively.

- On 7 January 2015, the Bank made a contribution of EUR 2 million to the capital of the newly-created company Finance Professional Services, S.A.S. (a subsidiary, with no relevant impact for the Group), of which it is the sole shareholder. Also, on 16 March 2015, the Group incorporated PSA Life Insurance Europe Limited and PSA Non-Life Limited, both of which are insurance companies with registered office in Malta (and jointly controlled entities with no relevant impact for the Group), in which it holds 50% ownership interests, for a total investment of approximately EUR 3 million.

- On 3 August 2015, the Bank and the subsidiary Banco Santander Consumer Portugal, S.A. acquired all the share capital of Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.), a company with registered office in Portugal which until that time was part of the Banque PSA Finance Group, for EUR 10,444 thousand; however, this price might change as a result of the various review processes currently under way, pursuant to the terms of the aforementioned agreements. 80% of the shares in the entity's share capital were acquired by the Bank and the remaining 20% were acquired by Banco Santander Consumer Portugal, S.A.

Following the aforementioned acquisition of the entire capital of Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A.), and pursuant to the terms of the aforementioned agreements entered into, this company became a Group subsidiary as from the aforementioned date, contributing a lending portfolio totalling approximately EUR 250 million to the consolidated Group.

Also, Banco Santander Consumer Portugal, S.A. acquired the lending business of the Portuguese branch of Banque PSA Finance, S.A. for approximately EUR 24,941 thousand, contributing a lending portfolio totalling approximately EUR 265 million to the consolidated Group.

- On 2 October 2015, the Bank subscribed a capital increase carried out by PSA Financial Services Spain, E.F.C., S.A. (a company incorporated in 2015 by Banque PSA Finance to which the latter had spun off its vehicle financing business in Spain prior to the Bank's entry in the share capital). The Bank paid a total of EUR 181,485 thousand in this connection, of which EUR 132,566 thousand related to the creation and issue of 13,256,600 new shares of EUR 10 par value each acquired by the Bank and EUR 48,919 thousand to the share premium on the shares acquired. This capital increase was subscribed and paid in full by the Bank. Following this capital increase, the Bank holds a 50% ownership interest in the share capital of this entity, over which, in view of the terms of the shareholder agreements entered into, it exercises control. Also, prior to its joining the Group, this company performed a securitisation transaction involving receivables that were transferred to the securitisation special-purpose vehicle Auto ABS 2012-3, Fondo de Titulización de Activos.

PSA Financial Services Spain, E.F.C., S.A. owns all the share capital of PSA Finance Suisse, S.A. (Switzerland), which, in turn, prior to its joining the Group performed a securitisation transaction involving receivables that were transferred to the securitisation special-purpose vehicle Auto ABS Swiss Leases 2013 GmbH.

Since the Group has retained substantially all the risks and rewards associated with the securitised portfolios, and has control thereof, the financial statements of these special-purpose vehicles were included in these consolidated financial statements.

At the date control was obtained by the Consumer Group, the total assets and liabilities acquired in this transaction, measured in accordance with the applicable legislation, amounted to approximately EUR 3,286 million and EUR 2,924 million, respectively; consequently, taking into account the cost of the aforementioned consideration transferred by the Group and the effect of the related non-controlling interests, no goodwill or gain from a bargain purchase arose thereon. With regard to the main classes of assets and liabilities acquired on the date control was obtained as a result of this transaction, it should be noted that they consist mainly of loans and advances to customers and loans and advances to credit institutions and financial liabilities at amortised cost (deposits from credit institutions, customer deposits and marketable debt securities), respectively.

It should be noted that, pursuant to EU-IFRS 3, Business Combinations, although the foregoing business combination did not give rise to any goodwill or gain from a bargain purchase at the time of the transactions, during 2016 and based on the additional information obtained in reviewing the definitive measurement of the assets acquired and the liabilities assumed, certain variations were raised in the acquisition price of PSA Financial Services Spain, E.F.C., S.A. (Spain), PSA Finance Suisse, S.A. (Switzerland), PSA Banque France S.A. (formerly Société Financière de Banque, S.A. – SOFIB - France) and Santander Consumer Service, S.A. (formerly PSA Gestao - Comércio e Aluguer de Veículos, S.A. - Portugal). These variations have led to a EUR 12 million decrease in the total definitive measurement. In 2015 the businesses acquired by the Santander Consumer Finance Group in relation to the agreements entered into with the PSA Finance Group contributed EUR 85 million to the Group's profit. Had the above business combinations taken place on 1 January 2015, the profit contributed to the Santander Consumer Finance Group in 2015 would have been approximately EUR 108 million.

#### **Santander Consumer Holding GmbH (Germany)**

On 4 November 2015, the subsidiary Santander Consumer Holding GmbH (Germany), following its merger by absorption with the subsidiary Santander Consumer Beteiligungsgesellschaft mbH (Germany), reached an agreement with the Bank to sell to the latter all the shares of Santander Consumer Finance Benelux, B.V. (Netherlands) and Santander Consumer Holding Austria GmbH (Austria) held by it at that date, for EUR 190 million and EUR 518 million, respectively. Since this transaction was carried out between Group companies, the effects thereof were eliminated on consolidation and had no impact whatsoever on the consolidated annual accounts for 2015.

#### **Santander Consumer Bank S.p.A. (Italy) and Unifin S.p.A. (Italy)**

On 1 December 2015, the merger by absorption of the Group companies Santander Consumer Bank S.p.A. (absorbing company) and Unifin S.p.A. (absorbed company) was executed. This transaction did not have any impact on the Group's accounting figures presented in the consolidated annual accounts for 2015.

#### **Andaluza de Inversiones, S.A.**

On 18 December 2015, following the obtainment of the appropriate authorisations from the regulatory and competition authorities, the subsidiary Andaluza de Inversiones, S.A. sold its entire holdings in the associates Grupo Konectanet, S.L. and Konecta Activos

Inmobiliarios, S.L. (44.77% and 45.62% of the shares, respectively) to Brendembury, S.L., in which Banco Santander, S.A. indirectly holds 40% of the share capital, for EUR 103,300 thousand and EUR 4,562 thousand, respectively. As a result, the Group obtained a gain of EUR 69,526 thousand which was recognised under "Gains or losses on financial assets and liabilities measured at fair value through profit or loss, net" in the accompanying consolidated income statement for 2015.

## Capital increases

In 2016 and 2015, in addition to the transactions described above, certain investees carried out capital increases that were fully subscribed and paid. The most significant of these were as follows:

	Millions of Euro (*)	
	2016	2015
Santander Consumer Bank S.p.A (Italia).....	80	-
Banca PSA Italia S.p.A. (***).....	15	-
PSA Insurance Europe Ltd (Malta) (***).....	5	17.2
PSA Bank Deutschland GmbH (***).....	0.5	-
Transolver Finance, E.F.C., S.A. (**).....	-	3
Santander Consumer Bank A.S. (Norway).....	-	125.5
Santander Consumer Finance Zrt. (Hungary).....	-	2.9
PSA Life Insurance Europe Ltd (Malta) (***).....	-	2.4
	<b>100.5</b>	<b>151</b>

(\*) Includes only the disbursements made by the Group in these capital increases.

(\*\*) Relates to a capital increase of EUR 6 million carried out by this jointly controlled entity 50% owned by the Bank, following which the Bank retained its 50% ownership interest therein.

(\*\*\*) Relates to the subscription of 50% in the share capital of these entities.

## Notifications of acquisitions of investments

The notifications of acquisitions of ownership interests which, as the case may be, must be disclosed in the notes to the consolidated financial statements in accordance with Article 155 of the Spanish Limited Liability Companies Law and Article 125 of Legislative Royal Decree 4/2015, of 23 October, was approved the Spanish Consolidated Securities Market Law, are included, as appropriate, in Appendix III.

## Events after the reporting period

From 31 December 2016 to the date on which these consolidated annual accounts were authorised for issue no additional events took place that might affect them.

## Board of Directors

The Board of Directors has extensive powers to manage, administer and govern all matters related to our business, subject only to any powers exercisable solely by the General Meeting of shareholders. Our Board of Directors, in accordance with its corporate by laws (*estatutos sociales*), is comprised of no less than five and no more than fifteen members appointed by the General Meeting of shareholders for a three-year term and re-elected as applicable for further three-year terms. All of the Directors are appointed by the Santander Group, owner of 100 per cent. of our shares, at the General Meeting of shareholders. Members of the Board of Directors may not necessarily be shareholders, except in the event that vacancies on the Board of Directors arise during the interval between General Meetings, in which case, the relevant vacancy is typically filled by the Board of Directors itself by co-opting the shareholders.

As at the date of this Base Prospectus, the Board of Directors was comprised of ten members, excluding its Non Director Secretary, as set out in the table below.

<b>Board Members</b>	<b>Functions</b>	<b>1st Appointment Date</b>	<b>Reelection Date</b>
D. Antonio Escámez Torres	Chairman	10/06/1999	26/11/2015
Dña. Magdalena Salarich Fernández de Valderrama	Deputy Chairman	26/02/2008	26/11/2015
D. Bruno Montalvo Wilmot	Director (General Manager)	24/05/2012	26/11/2015
Dña. Inés Serrano González	Director (General Manager)	27/03/2008	26/11/2015
D. José Luis De Mora Gallardo	Member	26/11/2015	
D. Francisco Javier Gamarra Antón	Member	18/12/2014	12/01/2016
D. Jean-Pierre Landau	Member	23/12/2015	
D. Juan Rodríguez Iniciarte	Member	30/06/2003	26/11/2015
D. Luis Alberto Salazar-Simpson Bos	Member	29/05/2013	26/11/2015
D. David Turiel López	Member	04/06/2008	26/11/2015
D. Fernando Garcia Sole	Non-Director Secretary	22/07/1999	

The principal outside activities carried out by members of the Board of Directors at the date of this Base Prospectus included:

<b>Directors</b>	<b>Company Name</b>	<b>Functions</b>
D Antonio Escámez Torres	Open Bank, S.A.	Chairman
	Attijariwafa Bank, S.A. (Marruecos)	Deputy Chairman
		-
	Tarazona Once, S.L.	Sole Administrator
	Arena Media Communications España S.A.	Chairman
	Santander Consumer Finance, S.A.	Chairman

D. Juan Rodríguez Inciarte	Santander Consumer Finance, S.A.	Member of the Board of Directors
	Vista Capital de Expansion, S.A	Member of the Board of Directors
	Santander UK Group Holding Ltd	Member of the Board of Directors
	SAM Investment Holding Ltd	Member of the Board of Directors
	Santander UK, Plc.	Deputy Chairman
	Saarema Inversiones, S.A.	Chairman
Dña. Magdalena Salarich Fernández de Valderrama	Saarema Sociedad Promotora <u>De</u> Centros Residenciales, S.L.	Member of the Board of Directors
	Banco Santander, S.A.	Director
	Santander Consumer Finance, S.A.	Deputy Chairman
	Financiera El Corte Inglés E.F.C, S.A.	Member of the Board of Directors
	Santander Consumer Holding GmbH	Member of the Supervisory Board
	Santander Consumer Bank AG	Member of the Supervisory Board
D. David Turiel López	Santander Consumer Finance, S.A.	Member of the Board of Directors
	Banco Santander Consumer Portugal, S.A.	Chairman
	Santander Consumer Bank, S.A. (Polonia)	Member of the Supervisory Board
	Santander Consumer Bank, S.p.A.	Member of the Board of Directors
	Finance Professional Services SAS	Chairman
	Santander Consumer France, S.A.S.	Member of the Supervisory Board
	PSA Insurance Europe LTD	Member of the Board of Directors

	PSA Life Insurance Europe LTD	Member of the Board of Directors
		Member of the Board of Directors
D. Luis Alberto Salazar-Simpson Bos	Santander Investment, S.A.	Member of the Board of Directors
	Santander Consumer Finance, S.A.	Member of the Board of Directors
	France Telecom España, S.A.	Chairman
	Constructora Inmobiliaria Urbanizadora Vasco-Aragonesa, S.A.	Chairman
D. Bruno Montalvo Wilmot	Santander Consumer Bank, S.A. (Polonia)	Deputy Chairman of the Supervisory Board
	Santander Consumer Bank A.S. (Noruega)	Deputy Chairman
	Santander Consumer UK Plc.	Chairman
	Santander Consumer Finance, S.A.	Member of the Board of Directors
	PSA Finance UK Limited	Member of the Board of Directors
Dña. Inés Serrano González	Santander Consumer Holding GmbH	Member of the Supervisory Board
	Societe Financier de Banque, S.A.-SOFIB	Chairman
	Compagnie Generalé De Credit Aux Particuliers- CREDIPAR	Member of the Supervisory Board
	Santander Consumer France, S.A.S.	Member of the Supervisory Board
	PSA Bank Deutschland GmbH	Member of the Supervisory Board
	Financiera El Corte Inglés, E.F.C, S.A.	Member of the Board of Directors
	Santander Consumer Bank AG	Member of the Supervisory Board
	Santander Consumer Finance, S.A.	Member of the Board of Directors
	Grupo Multitel, S.A.	Member of the Board of Directors



D. Javier Francisco Gamarra Antón	Santander Consumer Finance, S.A.	Member of the Board of Directors
	Santander Consumer Bank Spółka Ackyjna	Member of the Supervisory Board
D. Jose Luis De Mora Gallardo	Banco Santander, S.A.	Director
	Santander Consumer Finance, S.A.	Member of the Board of Directors
	Bank Zachodni WBK S.A.	Member of the Board of Directors

The Board of Directors meets at least four times a year and may meet more frequently in certain circumstances.

The professional address of our management is Ciudad Grupo Santander, Avenida de Cantabria s/n, Boadilla del Monte (Madrid, Spain).

The Board of Directors has appointed an Executive Committee and an Audit Committee.

### **Executive Committee**

The Executive Committee of the Board of Directors has been delegated all the powers of the Board of Directors, except for those that cannot be delegated. The table below shows the members of the Executive Committee as at the date of this Base Prospectus:

<b>Executive Committee Members</b>	<b>Functions</b>
D. Antonio Escámez Torres	Chairman
Dña. Magdalena Salarich Fernández de Valderrama	Deputy Chairman
D. Bruno Montalvo Wilmot	Director (General Manager)
Dña. Inés Serrano González	Director (General Manager)
D. Francisco Javier Gamarra Antón	Member
D. David Turiel López	Member
D. Fernando Garcial Sole	Secretary

### **Audit Committee**

The main responsibilities of the Audit Committee are to:

- Inform the General Meeting of shareholders of any questions raised in relation to those matters falling within the remit of the committee and, in particular, on the outcome of the audit, explaining how it has contributed to the integrity of the financial information and the committee's function in this process.

- b) Supervise the efficiency of our internal monitoring, the internal audit and the risk management systems, as well as discussing any significant weaknesses of the internal monitoring system detected in the course of the audit with the auditor, without compromising the auditor's independence. To that end, if applicable, recommendations or proposals may be made to the management body, setting the appropriate term for following-up on them.
- c) Supervise the process of the preparation and presentation of the mandatory financial information and present recommendations or proposals to the management body, with a view to safeguarding its integrity.
- d) Raise proposals for the selection, appointment, re-election and replacement of the auditor to the Board of Directors, taking responsibility for the selection process, in accordance with the provisions of Articles 16, sections 2, 3 and 5, and 17.5 of Regulation (EU) no. 537/2014, of 16 April, as well as the contract conditions and regularly gather information on the audit plan and execution thereof, in addition to ensuring the auditor's independence in the discharge of its duties.
- e) Establish appropriate relations with the external auditor in order to obtain information on those matters that may represent a threat to its independence, to be examined by the committee, and any others related to the process of auditing the accounts and, where appropriate, the authorisation of services other than those that are prohibited in the terms set out in Articles 5, section 4, and 6.2.b) of Regulation (EU) no. 537/2014, of 16 April, and the provisions of section 3.<sup>a</sup> of chapter IV of title I of the Spanish Audit Act (*Ley 22/2015, de 20 de julio, de Auditoría de Cuentas*), regarding the system of independence, and any other communications envisaged in the legislation on auditing and the audit regulations. In any event, it will receive an annual declaration of independence from the external auditors in relation to any directly or indirectly related entity or entities, as well as detailed, individualised information on the additional services of any kind provided and the corresponding fees received from these entities by the external auditor or by the persons or entities related to the latter, in accordance with the provisions of the regulations governing the activity of auditing.
- f) Issue, on an annual basis and prior to the issue of the audit report, a report containing an opinion on whether the independence of the auditors or audit companies has been compromised. This report will contain, in any event, a reasoned evaluation of each and every one of the additional services provided referred to in the foregoing point, taken individually and in conjunction, other than the legal audit and in relation to the system of independence or the regulations governing the audit activity.
- g) Inform the Board of Directors in advance, of all matters envisaged by law, the by-laws and the board regulations, and in particular of:
  - 1. the financial information that we must publish on a periodic basis;
  - 2. the creation or acquisition of participations in entities with a special purpose or domiciled in countries or territories that are considered tax havens; and

3. any related-party transactions.

The Audit Committee will not perform the duties envisaged in this point when attributed in the by-laws to another committee and its is comprised solely of non-executive directors and by at least two independent directors, one of which must be the chairperson.

The provisions of paragraphs d), e) and f) in the foregoing section apply in the context of the regulations on auditing.

The Audit Committee members are set out in the following table:

<b>Audit Committee Members</b>	<b>Functions</b>
D. Jean Pierre Landau	Chairman
D. Luis Alberto Salazar-Simpson Bos	Member
D. Juan Rodríguez Inciarte	Member

### **Conflict of Interest**

None of the members of the Board of Directors or persons related to them perform, as independent professionals or as employees, activities that involve effective competition, be it present or potential, with the activities of the Consumer Group, or that, in any other way, place the directors in an ongoing conflict with the interests of the Consumer Group.

Without prejudice to the foregoing, the following is a detail of the declarations by the Issuer's directors as at 31 December 2016 with respect to their investments and the investments of persons related to them in the share capital of companies whose object is banking, financing or lending; and of the management or governing functions that, if any, the directors discharge thereat;

As stipulated in Article 18 of the Rules and Regulations of the Board, the directors must notify the Board of any direct or indirect conflict of interest that they might have with the Issuer. If the conflict arises from a transaction, the director shall not be allowed to conduct it unless the Board, following a report from the Appointments Committee, approves such transaction.

The director involved shall not participate in the deliberations and decisions on the transaction to which the conflict refers, and the body responsible for resolving conflicts of interest is the Board of Directors itself.

In 2016 and 2015 the Issuer's directors did not report to the Board of Directors or to the General Meeting any direct or indirect conflict of interest that they or persons related to them might have.

### **Litigation**

There are no prior or current governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) during the previous 12 months

which may have, or have had in the recent past, significant effects on the Issuer and/or the Consumer Group's current or future financial position or profitability.

## **TAXATION**

*The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.*

### **Taxation in Spain**

#### **1. Introduction**

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

- (1) of general application, Additional Provision One of Law 10/2014, of 26 June, on regulation, supervision and solvency of credit entities and Royal Decree 1065/2007, of 27 July, as amended, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes;
- (2) for individuals resident for tax purposes in Spain which are subject to the Individual Income Tax ("**IIT**"), Law 35/2006 of 28 November, on the IIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, as amended by Law 26/2014, of 27 November, and Royal Decree 439/2007 of 30 March, promulgating the IIT Regulations, along with Law 29/1987, of 18 December, on the Inheritance and Gift Tax;
- (3) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax ("**CIT**"), Law 27/2014, of 27 November 2014 of the CIT Law, and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations; and
- (4) for individuals and entities who are not resident for tax purposes in Spain which are subject to the Non-Resident Income Tax ("**NRIT**"), Legislative Royal Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law as amended by Law 26/2014, of 27 November, and Royal Decree 1776/2004 of 30 July, promulgating the NRIT Regulations, along with Law 29/1987, of 18 December, on the Inheritance and Gift Tax.

Whatever the nature and residence of the Beneficial Owner, 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 Legislative Royal Decree 1/1993, of 24 September, and exempt from Value Added Tax, in accordance with Law 37/1992, of 28 December regulating such tax.

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

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

Both interest payments periodically received and income derived from the transfer, redemption or exchange of the Notes constitute a return on investment obtained from the transfer of a person's own capital to third parties in accordance with the provisions of Section 25 of the PIT Law, and therefore must be included in the investor's PIT savings taxable base pursuant to the provisions of the aforementioned law and taxed according to the then-applicable rate. The savings taxable base of tax year 2017 will be taxed at the rate of 19 per cent. on the first €6,000, 21 per cent. for taxable income between €6,001 and €50,000, and 23 per cent. for taxable income exceeding €50,000.

According to Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of the Issuer, the Issuer will pay interest without withholding to individual Noteholders who are resident for tax purposes in Spain **provided that** the information about the Notes required by Exhibit 1 is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation. In addition, income obtained upon transfer, redemption or exchange of the Notes may also be paid without withholding.

However, in the case of Notes held by Spanish resident individuals and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent. which will be made by the depositary or custodian.

Withheld amounts may be credited against individuals' final PIT liability.

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

Individuals with tax residency in Spain are subject to Net Wealth Tax on the 2017 tax year to the extent that their net worth exceeds a certain limit. This limit has been set at €700,000 for 2017 which may vary in each of the autonomous communities. Therefore, they should take into account the value of the Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 2.5 per cent. The autonomous communities may have different provisions on this respect.

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

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any 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 per cent and 34 per cent. Relevant factors applied (such as previous net wealth or family relationship among transferor and transferee) do determine the final effective tax rate that currently ranges between 0 per cent and 81.6 per cent.

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

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

Both interest received periodically and income derived from the transfer, redemption or repayment of the Notes are subject to CIT in accordance with the

rules for this tax. The current general tax rate of 25 per cent., however, does not apply to all corporate income tax payers and, for instance, does not apply to banking institutions.

In accordance with Section 44.5 of Royal Decree 1065/2007, of 27 July, as amended, and in the opinion of the Issuer, there is no obligation to withhold on income payable to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Issuer will not withhold tax on interest payments to Spanish CIT taxpayers **provided that** the information about the Notes required by Exhibit 1 is submitted, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation, by virtue of which identification of Spanish investors may be provided to the Spanish tax authorities.

However, in the case of Notes held by Spanish resident entity and deposited with a Spanish resident entity acting as depositary or custodian, payments of interest under the Notes may be subject to withholding tax at the current rate of 19 per cent., withholding that will be made by the depositary or custodian, if the Notes do not comply with exemption requirements specified in the Reply to the Consultation of the Directorate General for Taxation (*Dirección General de Tributos*) dated 27 July 2004 and require a withholding to be made.

Withheld amounts may be credited against Noteholders' final CIT liability.

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

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

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

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the 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.

## 4. *Individuals and Legal Entities with no Tax Residency in Spain*

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

#### (i) With 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 "*Taxation in Spain-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.

#### (ii) With no permanent establishment in Spain

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

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Notes, in the manner detailed under "*Information about the Notes in Connection with Payments*" as laid down in section 44 of Royal Decree 1065/2007, as amended ("**Section 44**"). If these information obligations are not complied with in the manner indicated, the Issuer will withhold 19 per cent. and the Issuer will not pay additional amounts.

Holders not resident in Spain for tax purposes and entitled to exemption from NRIT but where the Issuer does not timely receive the information about the Notes in accordance with the procedure described in detail as set forth in Exhibit 1 hereto would have to apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish Non Resident Income Tax Law.

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

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

Non-Spanish individuals will be exempt from Net Wealth Tax in respect of Notes which income is exempt from NRIT.

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

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

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

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

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



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

If the Notes are not listed on an organised market in an OECD country on any Payment Date, payments to Holders in respect of the Notes will be subject to withholding tax at the current rate of 19 per cent., except in the case of Holders which are: (a) resident in a Member State of the European Union other than Spain and obtain the interest income either directly or through a permanent establishment located in another Member State of the European Union, **provided that** such Holders (i) do not obtain the interest income on the Notes through a permanent establishment in Spain and (ii) are not resident of, or are not located in, nor obtain income through, a tax haven (as defined by Royal Decree 1080/1991, of 5 July, as amended) or (b) resident for tax purposes of a country which has entered into a double tax treaty with Spain providing for an exemption from Spanish tax or a reduced withholding tax rate with respect to interest payable to any Holder.

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

See "*Taxation in Spain-Individuals with Tax Residency in Spain — Net Wealth Tax (Impuesto sobre el Patrimonio)*" and "*Taxation in Spain – Individuals and legal entities with no tax residency in Spain – Net Wealth Tax (Impuesto sobre el Patrimonio)*".

## 6. *Information About the Notes in Connection with Interest Payments*

As described above, interest and other income paid with respect to the Notes will not be subject to Spanish withholding tax unless the procedures for delivering to the Issuer the information described in Exhibit 1 of this Base Prospectus are not complied with.

The information obligations to be complied with in order to apply the exemption are those laid down in Section 44.

In accordance with Section 44, for the purpose of preparing the annual return to be filed with the Spanish tax authorities by the Issuer, the following information with respect to the Notes must be submitted to the Issuer before the close of business on the Business Day (as defined in the Terms and Conditions of the Notes) immediately preceding the date on which any payment of interest, principal or of any amounts in respect of the early redemption of the Notes (each, a "**Payment Date**") is due.

Such information comprises:

- (i) the identification of the Notes with respect to which the relevant payment is made;
- (ii) the date on which the relevant payment is made;
- (iii) the total amount of the relevant payment;
- (iv) the amount of the relevant payment paid to each entity that manages a clearing and settlement system for securities situated outside of Spain.

In particular, the Issue and Paying Agent must certify the information above about the Notes by means of a certificate in the Spanish language, an English language form of which is attached as Exhibit 1 of this Base Prospectus.

In light of the above, the Issuer and the Issue and Paying Agent have arranged certain procedures to facilitate the collection of information concerning the Notes by the close of business on the Business Day immediately preceding each relevant Payment Date. If, despite these procedures, the relevant information is not received by the Issuer on each Payment Date, the Issuer will withhold tax at the then-applicable rate (as at the date of this Base Prospectus, 19 per cent.) from any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any such withholding.

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

**Investors should note that neither the Issuer nor any Dealer accepts any responsibility in the event of the late delivery or, as the case may be, non-delivery by the Issue and Paying agent to the Issuer of a duly completed certificate in the form of Exhibit 1. Accordingly, the Issuer will not be liable for any damage or loss suffered by any Holder who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Issuer has not received such certificate at the relevant time or at all. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding. See "*Risk Factors – Risks Relating to the Notes – Risks in Relation to Spanish Taxation*".**

*Set out below is Exhibit 1. The information set out in Exhibit 1 has been translated from the original Spanish and has been presented in this document in English only as the language of this Base Prospectus is English. However, only the Spanish language text of Exhibit 1 is recognised under Spanish law. In the event of any discrepancy between the English language translation of the information in Exhibit 1 appearing herein, and the Spanish language information appearing in the corresponding certificate provided by the Issue and Paying Agent to the Issuer, the Spanish language information shall prevail.*

## EXHIBIT 1

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

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

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

- (a) Management Entity of the Public Debt Market in book entry form.
- (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Paying Agent appointed by the issuer.

Makes the following statement, according to its own records:

- 1. In relation to paragraphs 3 and 4 of Article 44:
  - 1.1 Identification of the securities.....
  - 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
  - 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
  - 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
  - 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2. In relation to paragraph 5 of Article 44.
  - 2.1 Identification of the securities.....
  - 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
  - 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated)

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

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

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

## **Ireland**

*The following is a summary of the Irish tax treatment of the Notes. The summary does not purport to be a comprehensive description of all of the Irish tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes.*

*The summary is based upon the laws of Ireland and the published practices of the Revenue Commissioners of Ireland as in effect on the date hereof. Prospective investors in the Notes should consult their own advisers as to the Irish or other tax consequences of the purchase, beneficial ownership and disposition of the Notes including, in particular, the effect of any state or local law taxes, if applicable.*

### **1. Withholding Tax**

In general, tax at the standard rate of income tax (currently 20 per cent.), is required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes should not be treated as having an Irish source unless:

- (i) the Issuer is resident in Ireland for tax purposes; or
- (ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which is used to fund the payments on the Notes; or
- (iii) the Issuer is not resident in Ireland for tax purposes but the register for the the Issuer is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; (iii) that the Notes will not be physically located in Ireland; and (iv) the Issuer will not maintain a register of any registered Notes in Ireland.

### **2. Encashment Tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from any interest paid on Notes issued

by a company not resident in Ireland where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder who is Irish resident. Encashment tax does not apply where the Noteholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

### 3. **Taxation of Noteholders**

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax on the interest (including in the case of an individual, pay related social insurance "PRSI" and the universal social charge) if the Noteholder is resident or ordinarily resident for tax purposes in Ireland. However, on the basis that the interest on the Notes should not be treated as having an Irish source, a Noteholder who is neither resident nor ordinarily resident in Ireland should not be liable to pay Irish income tax (or in the case of an individual, PRSI or the universal social charge) on the interest.

A corporate recipient that is resident for tax purposes in Ireland, or that is not resident for tax purposes in Ireland but carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

### 4. **Capital Gains Tax**

A holder of Notes may be subject to Irish tax on capital gains on a disposal of Notes if such holder is resident or ordinarily resident in Ireland, or carries on a trade in Ireland through a branch or agency in respect of which the Notes are used or held. A holder of Notes that is neither resident nor ordinarily resident in Ireland, and in the case of a company, does not carry on a trade in Ireland through a branch or agency in respect of which the Notes are used or held, should not be liable to Irish tax on capital gains on a disposal of Notes.

### 5. **Capital Acquisitions Tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Notes are regarded as property situate in Ireland. Bearer notes are generally regarded as situated where they are physically located at any particular time. Registered Notes are generally regarded as situated where the principal register of Noteholders is maintained or is required to be maintained.

It is anticipated that the Notes will not be physically located in Ireland; and the Issuer will not maintain a register of any registered Notes in Ireland, in which case a gift or inheritance comprising of Notes should only be within the charge to capital acquisitions tax in the circumstances outlined at (i) above, i.e. the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor).

## 6. **Stamp Duty**

On the basis that the Issuer is not incorporated in Ireland, the sale or transfer of the Notes should be exempt from Irish stamp duty provided that the transfer does not relate to Irish real estate or to the stocks or marketable securities of an Irish incorporated company.

## **Foreign Account Tax Compliance Act ("FATCA")**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a

Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Banca IMI S.p.A., Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International, HSBC Bank plc, J.P. Morgan Securities plc, Lloyds Bank plc, Merrill Lynch International, Mizuho International plc, Morgan Stanley & Co. International plc, MUFG Securities EMEA plc, NATIXIS, Nomura International plc, Skandinaviska Enskilda Banken AB (publ), Société Générale, The Royal Bank of Scotland plc (trading as NatWest Markets), UBS Limited and UniCredit Bank AG (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated 15 June 2017 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Issue and Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Issue and Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a



confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Prohibition of Sales to EEA Retail Investors**

From 1 January 2018, unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (as such term is defined below), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area ("**EEA**"). For these purposes, (a) a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); or (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

### **Public Offer Selling Restriction Under the Prospectus Directive**

Prior to 1 January 2018, and from that date if the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive was implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Approved prospectus**: if the Final Terms or Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a

"**Public Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, **provided that** any such prospectus which is not a Drawdown Prospectus has subsequently been completed by the Final Terms contemplating such Public Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) **Qualified investors**: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) **Limited number of offerees**: at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) **Other exempt offers**: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended by Directive 2010/73/EU).

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

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

- (a) **No deposit-taking**: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## France

Each of the Dealers has represented and agreed, and each further Dealer will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in the Republic of France, this Base Prospectus, the relevant Final Terms or any other offering material relating to Notes, and that such offers, sales and distributions have been and shall only be made in the Republic of France to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) to qualified investors (*investisseurs qualifiés*) acting for their own account as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*. Accordingly, the offer of Notes does not require a prospectus to be submitted to the Autorité des Marchés Financiers (the "AMF") for its prior approval, and this Base Prospectus has not been approved by the AMF.

The direct or indirect resale of Notes to the public in the Republic of France may be made only as provided by and in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

## Italy

The offering of any Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, save as set out below, it has not offered or sold, and will not offer or sell, any Notes in the Republic of Italy in an offer to the public, and that sales of any Notes in the Republic of Italy shall be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Each of the Dealers has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell

or deliver any Notes or distribute copies of this Base Prospectus and any other document relating to the Notes in the Republic of Italy except:

- (a) to qualified investors (*investitori qualificati*) referred to under Article 100, paragraph 1, let. (a), of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**"), and as defined under Article 26, paragraph 1, let. (d), of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("**Regulation No. 16190**") which implements Article 34-ter, paragraph 1, let. (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (b) that it may offer, sell or deliver Notes or distribute copies of any prospectus relating to such Notes in an offer to the public in the period commencing on the date of publication of such prospectus, provided that such prospectus has been approved in another Relevant Member State and notified to CONSOB, all in accordance with the Prospectus Directive, as implemented in Italy under Decree 58 and Regulation No. 11971, and ending on the date which is 12 months after the date of approval of such prospectus; or
- (c) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any such offer, sale or delivery of any Notes or distribution of copies of this Base Prospectus or any other document relating to any Notes in the Republic of Italy must be:

- (a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993 as amended, Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007, as amended and any other applicable laws and regulations; and
- (b) in compliance with any other applicable notification requirement or limitation which may be imposed by CONSOB or the Bank of Italy, including Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, and the implementing guidelines of the Bank of Italy, as amended, with regard, *inter alia*, to the reporting obligations required.

### ***Provisions relating to the secondary market in the Republic of Italy***

Investors should also note that, in any subsequent distribution of any Notes in the Republic of Italy, Article 100-bis of Decree No. 58 may require compliance with the law relating to public offers of securities. Furthermore, where any Notes are placed solely with "qualified investors" and are then systematically resold on the secondary market at any time in the 12 months following such placing, purchasers of Notes who are acting outside of the course of their business or profession may in certain circumstances be entitled to declare such purchase void and, in addition, to claim damages from any authorised person at whose premises the Notes were purchased, unless an exemption provided for under Decree No. 58 applies.

## Japan

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) and, accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person except pursuant to an exemption from the registration requirements of, and otherwise in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## Kingdom of Spain

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that the Notes may not be offered, sold or distributed, nor may any subsequent resale of Notes be carried out in Spain, except in circumstances which do not constitute a public offer of securities in Spain within the meaning of the consolidated text of the Securities Market Law approved by Legislative Royal Decree 4/2015, of 23 October (*Real Decreto Legislativo 4/2015, de 23 de octubre, por el que se aprueba el texto refundido de la Ley del Mercado de Valores*), or without complying with all legal and regulatory requirements under Spanish securities laws. No publicity or marketing of any kind shall be made in Spain in relation to the Notes.

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

## Hong Kong

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in any document being a "Prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by,

the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **People's Republic of China**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will not be offered or sold directly or indirectly within the PRC. The Base Prospectus or any information contained or incorporated by reference herein does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Base Prospectus, any information contained herein or the Notes have not been, and will not be, submitted to, approved by, verified by or registered with any relevant governmental authorities in the PRC and thus may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC.

The Notes may only be invested by the PRC investors that are authorised to engage in the investment in the Notes of the type being offered or sold. Investors are responsible for obtaining all relevant governmental approvals, verifications, licences or registrations (if any) from all relevant PRC governmental authorities, including, but not limited to, the State Administration of Foreign Exchange, the China Securities Regulatory Commission, the China Banking Regulatory Commission, and other relevant regulatory bodies, and complying with all relevant PRC regulations, including, but not limited to, any relevant foreign exchange regulations and/or overseas investment regulations.

### **Singapore**

Each of the Dealers has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA"). Accordingly, each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute the Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the applicable conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA, except:

- (i) to an institutional investor under Section 274 of the SFA or to a relevant person (as defined in Section 275(2) of the SFA), or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Base Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this Base Prospectus nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Base Prospectus nor any other offering or marketing material relating to the offering, nor the Issuer nor the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

## **Taiwan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except where such sale is made through a duly licensed Taiwan intermediary and the relevant Notes meet all applicable requirements (including, but not limited to, the listing on TPEx) for sale in Taiwan, it has not offered, sold or delivered, and will not offer, sell or deliver, at any time, directly or indirectly, any Notes in Taiwan.

In the event that the Notes are to be listed on TPEx in Taiwan, the Notes shall not be, offered, sold or resold, directly or indirectly, to investors other than "professional institutional investors" as defined under Paragraph 2, Article 4 of the Financial

Consumer Protection Act of the ROC ("**Professional Institutional Investors**"). Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a Professional Institutional Investor.

### **General**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has complied and will comply with all applicable securities laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus or any Final Terms or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base Prospectus or any Final Terms or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) after the date hereof in applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in a supplement to this Base Prospectus.



## GENERAL CONSENT - THE AUTHORISED OFFEROR TERMS

These terms (the "**Authorised Offeror Terms**") will be relevant in the case of any Tranche of Notes, if (and only if) Part B of the applicable Final Terms specifies "General Consent" as "Applicable". They are the Authorised Offeror Terms which will be referred to in the "**Acceptance Statement**" to be published on the website of any financial intermediary which (a) is authorised to make such offers under MiFID and (b) accepts such offer by publishing an Acceptance Statement on its website.

### 1. General

The relevant financial intermediary:

- (i) **Applicable Rules:** acts in accordance with all applicable laws, rules, regulations and guidance of any applicable regulatory bodies (the "**Rules**") including, without limitation and in each case, Rules relating to both the appropriateness or suitability of any investment in the Notes by any person and disclosure to any potential Investor;
- (ii) **Subscription and sale:** complies with the restrictions set out under "*Subscription and Sale*" in this Base Prospectus which would apply as if it were a relevant Dealer and with any further relevant requirements as may be specified in the applicable Final Terms;
- (iii) **Fees, commissions and benefits:** ensures that any fee, commission, benefits of any kind, rebate received or paid by that financial intermediary in relation to the offer or sale of the Notes does not violate the Rules and is fully and clearly disclosed to Investors or potential Investors;
- (iv) **Licences, consents, approvals and permissions:** holds all licences, consents, approvals and permissions required in connection with solicitation of interest in, or offers or sales of, the Notes under the Rules;
- (v) **Violation of Rules:** it will immediately inform the Issuer and any relevant Dealer if at any relevant time it becomes aware or suspects that it is or may be in violation of any Rules;
- (vi) **Anti-money laundering, bribery and corruption:** complies with, and takes appropriate steps in relation to, applicable anti-money laundering, anti-bribery, prevention of corruption and "know your client" Rules, and does not permit any application for Notes in circumstances where the financial intermediary has any suspicions as to the source of the purchase monies;
- (vii) **Record-keeping:** retains investor identification records for at least the minimum period required under applicable Rules, and shall, if so requested and to the extent permitted by the Rules, make such records available to the Issuer and the relevant Dealer or directly to the appropriate authorities with jurisdiction over the Issuer and/or the relevant Dealer in order to enable the Issuer and/or the relevant Dealer to comply with anti-money laundering, anti-bribery and "know your client" Rules applying to the Issuer and/or the relevant Dealer;

- (viii) ***Breach of Rules***: does not, directly or indirectly, cause the Issuer or the relevant Dealer to breach any Rule or subject the Issuer or the relevant Dealer to any requirement to obtain or make any filing, authorisation or consent in any jurisdiction;
- (ix) ***Publicity names***: does not use the legal or publicity names of the Issuer or the relevant Dealer(s) or any other name, brand or logo registered by an entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes;
- (x) ***Information***: does not give any information other than that contained in this Prospectus (as may be amended or supplemented by the Issuer from time to time) or make any representation in connection with the offering or sale of, or the solicitation of interest in, the Notes;
- (xi) ***Communications***: agrees that any communication in which it attaches or otherwise includes any announcement published by the Issuer at the end of the Offer Period will be consistent with the Base Prospectus, and (in any case) must be fair, clear and not misleading and in compliance with the Rules and must state that such Authorised Offeror has provided it independently from the Issuer and must expressly confirm that the Issuer has not accepted any responsibility for the content of any such communication;
- (xii) ***Legal or publicity names***: does not use the legal or publicity names of the relevant Dealer, the Issuer or any other name, brand or logo registered by any entity within their respective groups or any material over which any such entity retains a proprietary interest or in any statements (oral or written), marketing material or documentation in relation to the Notes; and
- (xiii) ***Any other conditions***: agrees to any other conditions set out in paragraph 8(xi) of Part B of the relevant Final Terms.

## 2. **Indemnity**

The relevant financial intermediary agrees that if the Issuer incurs any liability, damages, cost, loss or expense (including, without limitation, legal fees, costs and expenses and any value added tax thereon) (a "**Loss**") arising out of, in connection with or based on any inaccuracy of any of the foregoing representations and warranties or any breach of any of the foregoing undertakings then the relevant financial intermediary shall pay to the Issuer on demand an amount equal to such Loss.

## 3. **Governing Law and Jurisdiction**

The relevant financial intermediary agrees that:

- (i) the contract between the Issuer and the financial intermediary formed upon acceptance by the financial intermediary of the offer of the Issuer to use this Base Prospectus with its consent in connection with the relevant Public Offer (the "**Authorised Offeror Contract**"), and any non-

contractual obligations arising out of or in connection with the Authorised Offeror Contract, shall be governed by, and construed in accordance with, English law;

- (ii) the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Authorised Offeror Contract (including a dispute relating to any non-contractual obligations arising out of or in connection with the Authorised Offeror Contract) and accordingly the relevant financial intermediary submits to the exclusive jurisdiction of the English courts;
- (iii) each relevant Dealer will, pursuant to the Contracts (Rights of Third Parties) Act 1999, be entitled to enforce those provisions of the Authorised Offeror Contract which are, or are expressed to be, for their benefit but, subject to this, a person who is not a party to the Authorised Offeror Contract has no right to enforce any term of the Authorised Offeror Contract; and
- (iv) the parties to the Authorised Offeror Contract do not require the consent of any person not a party to the Authorised Offeror Contract to rescind or vary the Authorised Offeror Contract at any time.

## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme was authorised by resolutions of the shareholders of the Issuer passed on 16 October 2008 and of the Board of Directors of the Issuer passed on 16 October 2008. The update of the Programme was authorised by resolutions of the shareholders of the Issuer passed on 12 March 2017, the Board of Directors of the Issuer passed on 24 April 2017 and the Executive Committee passed on 1 June 2017. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Legal and Arbitration Proceedings

2. There are no 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 during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer and/or the Consumer Group.

### Significant/Material Change

3. Save as set out in this Base Prospectus, since 31 December 2016 there has been no significant change in the financial or trading position of the Issuer and/or the Consumer Group nor any material adverse change in the prospects of the Issuer and/or the Consumer Group.

### Auditors

4. The consolidated annual accounts of the Issuer, prepared under IFRS-EU, have been audited without qualification as of and for the years ended 31 December 2016 and 31 December 2015 by the external audit firms PricewaterhouseCoopers Auditores, S.L. of Torre PwC, Paseo de la Castellana, 259-B, Madrid, registered under number S0242 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*) with tax identification number (*CIF*) B-79 031290, and member of the *Instituto de Censores Jurados de Cuentas de España*, and Deloitte, S.L. (formerly Deloitte & Touche España, S.L.) of Plaza Pablo Ruiz Picasso, 1, Madrid, registered under number S-0692 in the Official Register of Auditors (*Registro Oficial de Auditores de Cuentas*), and member of the *Instituto de Censores Jurados de Cuentas de España*, respectively.

The audited consolidated annual accounts of the Issuer, prepared under IFRS-EU, as of and for each of the years ended 31 December 2016 and 2015 have been filed with the Spanish securities market regulator (*Comisión Nacional del Mercado de Valores*).

### Dealers transacting with the Issuer

5. Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer, its affiliates and group in the ordinary course of business. Certain of the Dealers and their

affiliates may have positions, deal or make markets in Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or its affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of long and/or short positions in securities, including potentially the Notes issued under the Programme. Any such long and/or short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" includes also parent companies.

#### **Documents on Display**

6. Electronic or physical copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the office of the Issue and Paying Agent at One Canada Square, London E14 5AL, United Kingdom and at the registered office of the Issuer for the life of this Base Prospectus:
  - (i) the *estatutos* (constitutive documents) of the Issuer;
  - (ii) the audited consolidated annual accounts of the Issuer, prepared under IFRS-EU, as of and for the years ended 31 December 2016 and 2015, incorporated by reference herein;
  - (iii) the Issue and Paying Agency Agreement;
  - (iv) the Deed of Covenant;
  - (v) the Programme Manual;
  - (vi) the Issuer-ICSDs Agreement (which is entered into between the Issuer and Euroclear and/or Clearstream, Luxembourg with respect to the settlement in Euroclear and/or Clearstream, Luxembourg of Notes in New Global Note form);
  - (vii) the terms and conditions set out on pages 39 to 60 of the base prospectus dated 16 June 2016 under the heading "*Terms and Conditions of the Notes*" available for inspection at [http://www.ise.ie/debt\\_documents/Base\\_Prospectus\\_b7439255-cbaa-4315-878c-c5f2ac1d5627.pdf](http://www.ise.ie/debt_documents/Base_Prospectus_b7439255-cbaa-4315-878c-c5f2ac1d5627.pdf)

- (viii) the terms and conditions set out on pages 37 to 58 of the base prospectus dated 12 June 2015 under the heading "*Terms and Conditions of the Notes*";
- (ix) the terms and conditions set out on pages 34 to 56 of the base prospectus dated 24 June 2014 under the heading "*Terms and Conditions of the Notes*";
- (x) the terms and conditions set out on pages 51 to 81 of the base prospectus dated 26 June 2013 under the heading "*Terms and Conditions of the Notes*";
- (xi) the terms and conditions set out on pages 42 to 125 of the base prospectus dated 22 June 2012 relating to the Programme under the heading "*Terms and Conditions of the Notes*"; and
- (xii) the terms and conditions set out on pages 41 to 120 of the base prospectus dated 18 November 2011 relating to the Programme under the heading "*Terms and Conditions of the Notes*".

### **Material Contracts**

- 7. Save as set out under "*Santander Consumer Finance, S.A. - Recent Developments*" in this Base Prospectus, during the past two years the Issuer has not been a party to any contracts that were not entered into in the ordinary course of business of the Issuer and which was material to the Consumer Group as a whole.

### **Clearing of the Notes**

- 8. The Notes have been accepted for clearance through Euroclear (1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium) and Clearstream, Luxembourg (42 Avenue J.F. Kennedy, L-1855 Luxembourg). The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Passporting**

- 9. The Issuer may, on or after the date of this Base Prospectus, make applications for one or more certificates of approval under Article 18 of the Prospectus Directive as implemented in the Kingdom of Spain to be issued by the Central Bank of Ireland to the competent authority in any Member State.

## **REGISTERED OFFICE OF THE ISSUER**

### **Santander Consumer Finance, S.A.**

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

## **ARRANGER**

### **Barclays Bank PLC**

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

## **DEALERS**

### **Banca IMI S.p.A.**

Largo Mattioli, 3  
20121 Milan  
Italy

### **Banco Santander, S.A.**

Gran Vía de Hortaleza 3  
Edificio Pedreña  
28033 Madrid

### **Barclays Bank PLC**

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

### **BNP Paribas**

10 Harewood Avenue  
London  
NW1 6AA  
United Kingdom

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### **Commerzbank Aktiengesellschaft**

Kaiserstrasse 16 (Kaiserplatz)  
60311 Frankfurt am Main  
Federal Republic of Germany

### **Crédit Agricole Corporate and Investment Bank**

12, Place des États-Unis  
CS 70052  
92547 Montrouge Cedex  
France

### **Credit Suisse Securities (Europe) Limited**

One Cabot Square  
London E14 4QJ  
United Kingdom

### **Deutsche Bank AG, London Branch**

Winchester House  
1 Great Winchester Street  
London EC2N 2DB  
United Kingdom

### **Goldman Sachs International**

Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

### **HSBC Bank plc**

8 Canada Square  
London E14 5HQ  
United Kingdom

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Lloyds Bank plc**  
10 Gresham Street  
London EC2V 7AE  
United Kingdom

**Merrill Lynch International**  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

**Mizuho International plc**  
Mizuho House  
30 Old Bailey  
London EC4M 7AU  
United Kingdom

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

**MUFG Securities EMEA plc**  
Ropemaker Place, 25 Ropemaker Street  
London EC2Y 9AJ  
United Kingdom

**NATIXIS**  
30 Avenue Pierre Mendès France  
75013 Paris  
France

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

**Skandinaviska Enskilda Banken AB  
(publ)**  
Kungsträdgårdsgatan 8  
106 40 Stockholm  
Sweden

**Société Générale**  
29 Boulevard Haussmann  
75009 Paris  
France

**The Royal Bank of Scotland plc  
(trading as NatWest Markets)**  
250 Bishopsgate  
London EC2M 4AA  
United Kingdom

**UBS Limited**  
5 Broadgate  
London EC2M 2QS  
United Kingdom

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich  
Germany

#### **ISSUE AND PAYING AGENT**

**The Bank of New York Mellon, London Branch**  
One Canada Square  
London E14 5AL  
United Kingdom

#### **LEGAL ADVISERS**

*To the Issuer as to Spanish law*

*To the Dealers as to English and Spanish law*

**Internal Legal Department**  
Ciudad Grupo Santander  
Edificio Pinar  
Avda de Cantabria s/n  
28660 Boadilla del Monte  
Madrid  
Spain

**Ashurst LLP**  
Calle Alcalá 44  
28014 Madrid  
Spain



## **AUDITORS TO THE ISSUER**

(until 31 December 2015)

**Deloitte, S.L.**

Plaza Pablo Ruiz Picasso, 1  
Torre Picasso  
28020 Madrid, Spain

and

(from 1 January 2016)

**PricewaterhouseCoopers Auditores, S.L.**

Torre PwC  
Pº de la Castellana 259 B  
28046 Madrid, Spain