

**FONDO DE TITULIZACIÓN DE ACTIVOS  
PYMES SANTANDER 7**

**ASSET- AND MORTGAGE-BACKED SECURITIES  
€2,040,000,000**

			<b>DBRS</b>	<b>Moody's</b>
Series A:	€1,360,000,000	EURIBOR 3M + <u>1.00</u> % margin	A(high) (sf)	A3 (sf)
Series B:	€340,000,000	EURIBOR 3M + <u>1.10</u> % margin	BB (high) (sf)	Ba1 (sf)
Series C:	€340,000,000	EURIBOR 3M + <u>0.50</u> % margin + Extra part	C (sf)	Ca (sf)

**BACKED BY ASSETS ASSIGNED BY**



**LEAD MANAGER OF THE ISSUE**



**SUBSCRIBER**



**PAYING AGENT**



**PROMOTED AND SERVICED BY:**



Prospectus filed with the CNMV on November 19, 2013.

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This document is a Prospectus registered with the CNMV, prepared in accordance with the provisions of Regulation (EC) No. 809/2004 and comprising, in turn, the following documents:

1. Document describing the principal risk factors of the Fund, of the Assets backing the issue and of the securities issued by the Fund (“Risk Factors”).
2. Registration Document prepared in accordance with Annex VII of Regulation (EC) No. 809/2004.
3. Securities Note prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004.
4. Additional Building Block to the Securities Note prepared in accordance with Annex VIII of Regulation (EC) No. 809/2004.
5. A glossary of definitions (“**Definitions**”).

## RISK FACTORS

### I. Specific risk factors of the Fund:

#### (i) Risk of insolvency of the Fund:

In the event that the Fund is unable to meet its payment obligations on a generalized basis, the provisions of article 11 of Royal Decree 926/1998 (*Real Decreto 926/1998*) will apply, meaning the Manager, after reporting to the CNMV, will proceed with the orderly settlement of the Fund, in accordance with the rules established for such purpose in this Prospectus.

The Fund will only be liable for performance of its obligations up to the amount of its assets.

#### (ii) Absence of legal status of the Fund:

The Fund has no separate legal status. Consequently, the Manager must carry out its administration and representation and comply with all applicable legal obligations in relation to the Fund. In the event of breach, the Fund's liability with Bondholders and the remaining general creditors of the Fund will be limited to its total assets.

#### (iii) Compulsory replacement of the Manager:

In accordance with article 19 of Royal Decree 926/1998, the Manager shall be replaced if held insolvent vis-à-vis its creditors or if its administrative authorization is revoked pursuant to the terms and requirements provided for in section 3.7.3 of the Additional Building Block.

The replacement must be made effective within the term of four (4) months from the date of the event originating the replacement. If the Manager fails to appoint a replacement Management Company within the aforementioned four (4)-month term from the date of the originating event, the Early Settlement of the Fund and the Early Redemption of the Bonds shall take place, whereupon the steps provided for in section 4.4.3.(3) of the Registration Document must be followed.

#### (iv) Restrictions on actions against the Manager:

Bondholders and the other general creditors of the Fund may only take action against the Manager of the Fund for breach of its duties or non-compliance with that set forth in the Deed of Incorporation, in this Prospectus and in applicable legislation.

#### (v) Applicability of the Insolvency Procedures Law:

In the event of the insolvency of the Originator, all Fund assets held by the Originator, save for cash due to its status as a fungible asset, will become the property of the Fund and must be made available to it under the terms of articles 80 and 81 of the Spanish Insolvency Procedure Law (*Ley Concursal*).

Notwithstanding the above, this Prospectus and the Deed of Incorporation envisage certain mechanisms aimed at mitigating the aforementioned effects in relation to cash due to its status as a fungible asset.

To mitigate the consequences that a declaration of insolvency of the Originator could have on the rights of the Fund for the purposes of this document, section 3.3.2 below states, for the purposes of article 1,527 of the Spanish Civil Code (*Código*

*Civil) that: “in the event of insolvency or indications thereof, intervention by the Bank of Spain, settlement or replacement of the Administrator, or because the Manager deems it justified on reasonable grounds, the Manager may instruct the Administrator to notify the Debtors (and, where applicable, third party guarantors and insurance companies) of the transfer to the Fund of the outstanding assets pending payment, and to inform them that payments deriving from such assets will only release them from their payment obligations if made into the Cash Account or Interest Account, as the case may be, open in the name of the Fund. However, if the Administrator fails to notify the Debtors and, where applicable, the third-party guarantors and insurance companies within fifteen (15) Business Days following receipt of the request, or in the event that the Administrator becomes insolvent or enters into settlement, the Manager, should it so wish, will, either directly or through a new Administrator appointed by the Manager, carry out the notification to the Debtors and, where applicable, to the third-party guarantors and insurance companies”.*

If the Originator is declared insolvent, monies received and held by it on behalf of the Fund in its capacity as counterparty to the additional contracts signed by it and described in paragraphs 3.4.2, 3.4.3 and 3.4.4 of the Additional Building Block before the date of declaration of insolvency, could be tied to the insolvency estate in accordance with the majority doctrinal interpretation of articles 80 and 81 of the Insolvency Procedures Law.

If the Originator becomes insolvent, the Assets transferred to the Fund could be returned pursuant to the provisions of the Insolvency Proceedings Law and special regulations applicable to securitization funds.

By virtue of articles 10 and 15 of Law 2/1981 and Additional Provision Five of Law 3/1994, the transfer of Assets to the Fund may only be rescinded or challenged under article 71 of the Insolvency Procedure Law by the insolvency administration insofar as it is able to prove the existence of fraud.

In the event of the insolvency of the Manager, the Manager shall be replaced by another manager, as provided for under article 19 of Royal Decree 926/1998.

The structure of the assets securitization operation envisaged herein does not allow for cash amounts to become part of the assets of the Manager, except in the case of breach by the Parties, since all amounts corresponding to Fund payments shall be deposited, pursuant to the terms of this Prospectus, into the accounts opened in the name of the Fund by the Manager (which has opened these accounts not only as a simple agent of the Fund but as its legal representative).

Notwithstanding the above, the insolvency of any of the Parties (whether the Originator or any other counterparty of the Fund) could affect their contractual relationships with the Fund.

**(vi) Breach of contract by third parties:**

The Fund, represented by the Manager, has entered into agreements with third parties for certain services and financial transactions relating to the Assets and the Bonds. These include the Subordinated Loan Agreement, the Liquidity Facility, the Guaranteed Rate Reinvestment Agreements and the Management, Subscription and Paying Agent Agreements.



Bondholders could suffer loss in the event that any of the counterparties of the Fund under the aforementioned agreements breach their obligations under any of such agreements.

## **II. Specific risk factors affecting the Assets backing the issue:**

### **(i) Risk of non-payment of the Assets:**

The holders of the Bonds issued against the Fund will run the risk of non-payment of the Assets pooled therein.

Santander assumes no liability for non-payment of the Debtors, whether for principal, interest, or any other amount they may owe by virtue of the Assets. According to article 348 of the Spanish Commercial Code (*Código de Comercio*), the Originator will only be liable for the existence and legitimacy of the Assets at the time of the assignment and under the terms and conditions stated in the Prospectus and in the Deed of Incorporation, as well as for the legal status pursuant to which the assignment is made. The Originator does not guarantee the successful outcome of the transaction.

### **(ii) Risk of early repayment of the Assets:**

The Assets pooled into the Fund may be repaid early should the Debtors decide to repay their outstanding principal under the terms set forth in each of the agreements for the granting of Loans and Credit Lines from which the Assets derive.

For those Credit Lines in which the overlimit is greater than five percent (5%) of the available limit, provided they are not Overdue Assets (i.e. assets that on a date, are in arrears for period exceeding ninety (90) days and do not constitute Non-Performing Assets), Santander will be required to repurchase these Lines of Credit.

In the Preliminary Portfolio, Lines of Credit represent 45.42%, equivalent to an Outstanding Balance of €821,908,295.80.

### **(iii) Liability:**

The Bonds issued by the Fund impose no obligation on the Manager or the Originator. The flow of funds employed to meet the obligations arising from the Bonds is insured or secured solely under the specific circumstances and up to the limits described in section 3.4.2. of the Additional Building Block. With the exception of these, no other guarantees have been granted by any public or private entity, including the Originator, the Manager and any subsidiary or investee company of any of the above. The Assets pooled into the Fund and the rights attaching thereto constitute the sole source of income of the Fund and, therefore, of payments to the holders of its liabilities, without prejudice to the existence of the credit enhancements described in section 3.4.2. of the Additional Building Block.

### **(iv) Limited protection:**

Investments in Bonds may be affected, among other things, by deteriorating general economic conditions that negatively impact the payments of the Assets backing the issue of the Fund. In the event that non-payments reach a certain level, they could reduce, or even eliminate, the protection against losses in the portfolio of Loans and Credit Lines enjoyed by the Bonds as a result of the existence of the credit enhancements described under section 3.4.2 of the Additional Building Block. Notwithstanding the foregoing considerations, Bondholders have their risk mitigated by the Order of Priority of Payments described under section 3.4.6 (b) of the

Additional Building Block and by the Order of Priority of Payments for Settlement described in section 3.4.6 (d) of the Additional Building Block.

**(v) Sectorial concentration:**

As described in detail in paragraph 2.2.2 j) of the Additional Building Block, of the Loans and Credit Lines selected on October 23, 2013 for the assignment of the Assets to the Fund on the Incorporation Date (i.e. on November 25, 2013), debtors whose economic activity (Spanish CNAE) represents a greater concentration are those belonging to the following categories:

- “*Manufacturing*”, with outstanding principal of €452,474,00.97, equivalent to 25.01% of the total Preliminary Portfolio.
- “*Wholesale and retail trade, and motor vehicle and motorcycle repair*” with outstanding principal of €327,219,354.60, equivalent to 18.08% of the total Preliminary Portfolio.
- “*Real estate activities*”, with an outstanding principal of €143,433,059.66, equivalent to 7.93% of the total Preliminary Portfolio. This sector includes 5.91% corresponding to “*Rental and sale of real estate on own behalf*”
- “*Financial and insurance activities*” with outstanding principal of €87,124,213.84, equivalent to 4.81% of the total Preliminary Portfolio.

The “*Construction*” economic sector has an outstanding balance of €39,995,001.52, equivalent to 2.21% of the total Preliminary portfolio.

The Preliminary Portfolio contains €202,227,651.11, equivalent to 11.18% of the total, granted to Self-Employed individuals whose economic activity is not known.

Given this situation and these levels of concentration, any kind of situation having a substantial adverse bearing on the activities listed in the previous paragraph could affect the payments of the credit rights backing the issue of the Bonds.

**(vi) Risk of type and non-sufficiency of guarantee:**

Of the Loans and Credit Lines selected as at October 23, 2013 for the purpose of assigning the Fund Assets on the Incorporation Date, 44.15% of the outstanding principal of the portfolio is backed only by the personal guarantee of the debtor, while 39.87% of the outstanding principal of the portfolio has personal guarantees from third parties (surety) and 12.82% has real guarantees other than a mortgage loan. The remaining 2.84% of the outstanding principal of the assigned portfolio are mortgage-backed loans, of which 24.75% (which represents 0.70% of the total outstanding principal of the portfolio at October 23, 2013) have a ratio, stated in percentage, between the amount of outstanding principal and the appraised value of the real estate (**LTV**) of more than eighty per cent (80%), with the average weighted LTV of the mortgage-backed loans of 81.31%.

**(vii) Risk of geographical concentration:**

As detailed in section 2.2.2 k) of the Additional Building Block, the Autonomous Regions accounting for a higher concentration of domiciles of the Preliminary Portfolio Debtors selected for assignment to the Fund on the Incorporation Date are,

expressed in percentages of outstanding principal, as follows: Catalonia, 22.25%, Madrid 20.24% and Andalusia 11.45%, between them accounting for 53.94%.

Given these levels of concentration, any kind of situation having a negative impact on the Autonomous Regions might affect the payments on the Loans and Credit Lines backing the issue of the Bonds.

**(vii) Risk of Credit Line overlimit**

As detailed in section 2.2.2. p) of the Additional Building Block, of the Preliminary Portfolio selected at October 23, 2013 for the assignment of the Assets to the Fund on the Incorporation Date, 4.05% of the balances drawn on the Credit Lines of the Preliminary Portfolio exceed 100% of the initial amount reflected in the policy or deed, with the maximum overlimit amount of these Credit Lines being 155.95% of the initial amount reflected in the policy or deed.

**(ix) Risk relating to the criteria for granting loans and credit lines.**

For 37% of the Loans and Credit Lines in the Preliminary Portfolio, Santander followed different credit policies from the current policy, which is contained in section 2.2.7 of the Additional Building Block. These risk policies do not significantly differ from the current policy.

**(x) Risk relating to the concentration of the twenty largest Economic Groups.**

As detailed in section 2.2.2.c) of the Additional Building Block, the sum of the twenty Economic Groups plus the Outstanding Balance stands at 12.61% of the Outstanding Balance of the Preliminary Portfolio. The twenty largest economic groups account for 67% of the Fund disbursed on the Incorporation Date (€340,000,000 million).

No individual Debtor or Economic Group exceeds 1.00% of the Outstanding Balance of the Preliminary Portfolio.

**III. Risk factors specific to the securities**

**(i) Price:**

The Bond issue is to be subscribed by the Originator, which irrevocably undertakes to fully subscribe it, in accordance with the Management, Subscription and Paying Agency Agreement. The Originator, upon subscribing the Bonds, intends to use them as collateral in Eurosystem credit transactions, without this imposing any limitation on any other use or eventual disposal thereof. Since the issue shall be fully subscribed by the Originator and, therefore, its price shall not be subject to contrast by means of market transaction, it cannot be reliably claimed that the price and economic conditions of the Bonds correspond to those applicable on the secondary market at the Incorporation Date of the Fund. These comments regarding the valuation of the Bonds are intended for third parties, particularly investors or those parties holding the Bonds as security, as is the case of the European Central Bank in Eurosystem credit operations.

**(ii) Limited liquidity:**

The issue shall be subscribed by the Originator. This notwithstanding, in the event of a future reactivation of the market and the Bonds subscribed by the Originator are then disposed of under such conditions, there is no guarantee that the Bonds will be traded on the market with any minimum volume or frequency.

There is no commitment for intervention in secondary trading on the part of any entity, which would have added liquidity to the Bonds by providing a counterparty.

Furthermore, under no circumstances may the Fund repurchase the Bonds from the bondholders, although they may be redeemed early in their entirety in the event of Early Settlement of the Fund, pursuant to the terms established under section 4.4.3 of the Registration Document.

**(iii) Term and yield:**

Calculating the average life, returns and duration of the Bonds, established in Section 4.10 of the Securities Note, is subject, *inter alia*, to assumptions of early repayment and defaulting rates of the Assets that may not materialize, as well as future market interest rates, given the variable nature of the nominal interest rates. Compliance with the early repayment rate of the Assets can be influenced by diverse geographical, economic and social factors, such as seasonality, evolution of market interest rates, economic situation of the Debtors, distribution by sectors of the Preliminary Portfolio, and in general, the level of economic activity.

The Duration of the Bonds is associated with the presence in the Preliminary Portfolio of Credit Lines amounting to 45.42%, with a weighted maturity according to section 2.2.2.i) of 7.66 months.

**(iv) Penalty interest**

Under no circumstances will any delay in paying interest or repaying principal to bondholders give rise to Penalty interest in their favor.

**(v) Rating of the Bonds:**

The credit risk of the Bonds issued against the Fund has been evaluated by ratings agencies Moody's Investors Service España, S.A. and DBRS Ratings Limited.

The final ratings assigned can be reviewed, suspended or withdrawn at any moment by the rating entities in question in view of any information that may come to light.

Their ratings, the meaning of which is described under section 7.5 of the Securities Note, do not constitute and may not be interpreted as an invitation, recommendation or incitement to investors to carry out any kind of transaction on the Bonds, and in particular, to acquire, hold, encumber or sell the Bonds.

**(vi) Amount Due for Repayment**

Owing to the type of Assets assigned to the Fund, if the upward variations of the Credit Lines are higher than the downward variations and repayment of the Loans on Payment Date, the Amount Accrued for Repayment will be 0 on that Payment Date.

Any downward variation of the Credit Lines does not imply the direct redemption of the Bonds, with such amount remaining in the Cash Account as described in Section 3.4.4.1 of this Additional Building Block.

The direct redemption of the Bonds from the Credit Lines only occurs on the Payment Date immediately following the maturity date of the Credit Lines, provided there are Liquid Funds for Redemption.

## REGISTRATION DOCUMENT

This Registration Document has been prepared in accordance with Annex VII of Regulation (EC) No 809/2004 and approved by the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*) on November 19, 2013.

## **1. PERSONS RESPONSIBLE**

### **1.1 Persons responsible for the information appearing in the Registration Document.**

MR. IGNACIO ORTEGA GAVARA, acting in his capacity as General Manager of SANTANDER DE TITULIZACIÓN, SGFT., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Registration Document.

MR. IGNACIO ORTEGA GAVARA acts in furtherance of the powers conferred upon him expressly for the purpose of incorporating the Fund by the Board of Directors of the Manager at its meeting of September, 2 2013.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS PYMES SANTANDER 7 and shall be responsible for the administration and legal representation thereof.

### **1.2 Statement by those responsible for the Registration Document.**

MR. IGNACIO ORTEGA GAVARA states that, having taken all reasonable care to ensure that such is the case, the information contained in the Registration Document is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

## **2. STATUTORY AUDITORS OF THE FUND**

### **2.1 Name and address of the Fund's auditors (together with membership of any relevant professional body).**

As set forth in section 4.4 of this Registration Document, the Fund has no historical financial information.

However, during the life of the Fund, the annual financial statements shall be audited annually by the financial auditors.

The Board of Directors of the Manager, at its meeting on September, 2 2013, at which the establishment of this Fund was resolved, appointed the following auditing firm as the Fund's statutory auditor: Deloitte, S.L., the details of which are provided in section 5.2 of this Registration Document.

### **2.2. Fiscal years, accounting principles and statutory filing of annual financial statements.**

The Fund's fiscal year shall coincide with the calendar year. However, and as an exception, the first fiscal year will begin on the Incorporation Date (i.e. November 25, 2013) and the last fiscal year shall end on the day the Fund is cancelled.

The Manager shall file the Fund's annual financial statements with the CNMV, together with the auditors' report in respect thereof, within four (4) months following the closing date of the Fund's fiscal year (i.e. prior to April 30 of each year).

The Fund's annual financial statements and corresponding auditors' report shall be filed with the Mercantile Registry (*Registro Mercantil*) on an annual basis.

The accounting standards to be used in preparing the Fund's accounting information will be those that result from current regulations.

## **3. RISK FACTORS**

The risk factors specific to the Fund are those described under section I of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

## **4. INFORMATION ON THE ISSUER**

### **4.1 Statement that the Issuer has been established as a securitization fund.**

The Issuer is an asset securitization fund open in terms of the assets insofar as any upward variations in the Credit Lines are transferred to the Fund as established in Section 3.4.3. b) of the Additional Building Block, and closed in terms of liabilities, devoid of legal status and established according to Royal Decree 926/1998 for the purpose of acquiring the Assets assigned to the Fund by Santander and issuing the Bonds.

### **4.2 Legal and professional name of the Fund.**

The name of the Fund is “FONDO DE TITULIZACIÓN DE ACTIVOS PYMES SANTANDER 7”.

### **4.3 Registration of the Issuer.**

The establishment of the Fund and issuance of the Bonds have as a prior requisite the registration thereof in the official registries of the CNMV in Spain. This Prospectus was duly registered with the CNMV on November 19, 2013.

It is hereby stated that neither the incorporation of the Fund nor the issue of the Bonds charged against its assets will be filed with the Mercantile Registry by virtue of the power set forth in article 5.4 of Royal Decree 926/1998.

### **4.4 Date of incorporation and period of activity of the Fund, if not indefinite.**

#### **4.4.1 Incorporation Date.**

The Deed of Incorporation is to be executed on, and, consequently, the Fund’s Incorporation Date is to be, November 25, 2013.

In accordance with the provisions of article 7 of Law 19/1992, as it is currently drafted, the Deed of Incorporation may be amended, at the request of the Manager, provided that the amendment (a) does not alter the nature of the Assets assigned to the Fund, (b) does not transform the Fund into a mortgage securitization fund or (c) does not result in the *de facto* creation of a new fund. To this end, the procedure established in said article 7 of Law 19/1992 must be adhered to.

The Manager guarantees that the contents of the Deed of Incorporation will coincide with that of the Prospectus and that the Deed of Incorporation will coincide with the draft deed which has been submitted to the CNMV as a consequence of the registration of this Prospectus, and in no event do the terms of the Deed of Incorporation contradict, modify, amend or nullify the content of this Prospectus.

#### **4.4.2 Period of activity of the Fund.**

The Fund is scheduled to carry out its activity until the Legal Maturity Date, i.e. July 15, 2036, or, if not a Business Day, the first following Business Day. The Legal Maturity Date corresponds to the Payment Date immediately following thirty six (36) months from the last maturity date of the Assets.

#### **4.4.3 Early settlement of the Fund: Situations. Cancellation of the Fund. Actions for settlement and cancellation of the Fund.**

##### **(1) Early settlement: Situations.**

Notwithstanding the provisions of section 4.4.2 above, the Manager is empowered to proceed with the Early Settlement of the Fund and, consequently, the early redemption at any time of the entire Bond issue,

pursuant to the terms established in this section and under any of the following circumstances:

- (i) When the amounts accrued in principal on the Loans and not collected by the Fund, together with amounts of principal not yet accrued and pending maturity of the Loans as well as the Quantities Drawn on the Credit Lines not collected by the Fund at such date (the “**Outstanding Balance of the Assets**”) excluding the “**Non-Performing Assets**”, is less than ten percent (10%) of the Outstanding Balance of the Assets at the Incorporation Date, provided that the funds obtained from the sale of the Assets pending redemption, together with the balance existing at that time in the Cash Account and Interest Account, allow for total cancellation of all outstanding obligations with the bondholders, and respecting the prior payments whose order of priority takes preference in accordance with the Order of Priority of Payments for Settlement described in section 3.4.6 (d) of the Additional Building Block;
- (ii) When, as a consequence of any event or circumstance of any nature beyond the control or outside the development of the Fund, a substantial alteration takes place, or the financial equilibrium of the Fund is permanently impaired in the Manager’s judgment pursuant to article 11.b) of Royal Decree 926/1998. Included in this event are circumstances such as legislative changes or complementary legislative developments, the establishment of withholding obligations or other situations that could permanently affect the financial balance of the Fund;
- (iii) Compulsorily, in the circumstance envisaged under article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund early in the event that four (4) months have transpired since an event determining the compulsory replacement of the Manager took place, as a consequence of the latter being declared insolvent (“*concurso de acreedores*”), or having its authorization revoked, and without having found a new manager willing to take charge of the management of the Fund, such appointment to follow the procedure described in section 3.7.3 of the Additional Building Block;
- (iv) When a non-payment takes place or is foreseeable and this is indicative of a serious and permanent imbalance in relation to any of the Bonds Series;
- (v) On the first Payment Date at least six (6) months ahead of the Legal Maturity Date of the Fund;
- (vi) In the event that the Manager has the consent and express acceptance of all the Bondholders and all those who have existing contracts with the Fund, both in relation to payment of the amounts that such Early Settlement of the Fund implies and in relation to the procedure that must be followed for such payment; and
- (vii) Pursuant to the terms set forth in section 3.4.3.(b) of the Additional Building Block that regulates the operation of the Liquidity Facility of the Originator, if at any time during the life of the Fund it is necessary to draw an amount equal to or greater than 20% of the Outstanding



Balance of the Series A Bonds, the early settlement of the Fund will take place, providing that the amount from the sale of the Assets pending repayment, together with the balance existing at that time in the Cash Account and Interest Account, allow a total cancellation of all obligations pending with all Bondholders, and respecting the Order of Priority of Payments of Settlement as provided in section 3.4.6(d) of the Additional Building Block, since as of that moment the Bonds may not be used to guarantee transactions with the Eurosystem.

Settlement of the Fund shall be reported beforehand to the CNMV and to the bondholders at least thirty (30) Business Days ahead of the date on which the Early Redemption is to take place, by means of relevant fact.

**(2) Cancellation of the Fund**

Cancellation of the Fund shall take place

- (i) Upon full repayment of the Assets pooled therein;
- (ii) Upon total redemption of the Bonds;
- (iii) Upon completion of the Early Settlement procedure envisaged in section 4.4.3.(3) below;
- (iv) Due to the arrival of the Legal Maturity Date; and
- (v) When the provisional ratings of the Bonds are not confirmed as definitive before 10:00 a.m. on the Subscription Date (i.e. November 28, 2013).

In the event that any of the situations described in the foregoing sections occur, the Manager shall inform the CNMV by material fact (*hecho relevante*) and initiate the pertinent formalities for cancellation of the Fund.

**(3) Actions for the settlement and cancellation of the Fund.**

In order for the Fund, acting through its Manager, to liquidate and cancel the Fund and, where applicable, proceed with the Early Settlement of the Fund and Early Redemption of the Bonds in those situations explained in section 4.4.3. (1) above, and, more specifically, in order for the Fund to have sufficient liquidity to meet its payment obligations, the Manager, acting on behalf of the Fund, shall carry out any of or all the following actions:

- (i) sell the Assets for a price which may not be less than the sum of the value of the Outstanding Balance of the Assets plus interest accrued and not paid on the outstanding Assets. For such purpose, the Manager shall request an offer from at least five (5) entities of those most active in the sale and purchase of similar assets, and may not sell them at a price less than the best offer received. The Originator will have a pre-emptive right to acquire said Assets under the conditions established by the Manager at the time of the settlement, effectively meaning it will enjoy preference over third parties in acquiring the Assets. In order to exercise the pre-emptive right, the Originator shall have the term of five (5) Business Days from the date on which the Manager notifies it of the relevant conditions (price, form of payment, etc.) under which the disposal of the Assets must be carried out. The offer of the

Originator must at least equal the best of the offers received from the third parties.

In the event that no offer covers the value of the principal plus interest accrued and not paid on the outstanding Assets, the Manager shall be obliged to accept the best offer received for the Assets among those mentioned in the previous paragraph above which, in its judgment, meets the market value thereof. For the purpose of defining the market value, the Manager may obtain any appraisal reports it deems necessary from third-party entities different from the above. If so, the Originator will also enjoy the aforementioned pre-emptive right, provided that its offer at least equals the best of those made by third parties.

Under no circumstances does this pre-emptive right imply an agreement or impose an obligation to repurchase the Assets on the part of the Originator; and/or

- (ii) sell any other assets of the Fund other than the Assets and other than the cash for a price not less than market value. For the purpose of defining the market value, the Manager will request from at least one entity specializing in the appraisal or marketing of assets similar to those to be sold any appraisal reports it deems necessary, before then selling the assets in question through the procedure that yields the highest market price; and/or
- iii) cancelling those contracts not necessary for the process of liquidating the Fund.

The Manager shall immediately apply all amounts it has obtained from the disposal of the Assets and any other Fund assets towards payment of the various concepts, in the applicable manner and for the applicable amount and order of priority, as set forth in the Order of Priority of Payments for Settlement described in section 3.4.6. (d) of the Additional Building Block. The Early Redemption of all the Bonds in any of the situations envisaged in section 4.4.3. (1) above shall be carried out for the total outstanding balances of the Bonds from all Series, i.e. the amount of principal pending repayment (the “**Outstanding Principal Balance**”) up to the date in question, plus interest accrued and not paid from the last Payment Date through to the Early Redemption date, less, where applicable, any tax withholdings and free of expenses for the holder. All such amounts will, for all legal purposes, be deemed due and payable on the Early Redemption Date.

If, once the Fund has been liquidated and all scheduled payments made pursuant to the Order of Priority of Payments for Settlement regulated under section 3.4.6.(d) of the Additional Building Block, any remainder exists or if any judicial or notary procedures brought as a consequence of the non-payment by any Debtor of the Assets remains outstanding (all the foregoing in accordance with the provisions of section 3.4.5.a) of the Additional Building Block), Santander will be entitled to both the remainder and the continuation and/or proceeds of the corresponding ruling under the aforementioned proceedings.

In any case, the Manager, acting on behalf of the Fund, shall not cancel the Fund until it has liquidated the Assets and any other remaining Fund assets and distributed the Fund's liquid funds, following the Order of Priority of Payments for Settlement envisaged in section 3.4.6. (d) of the Additional Building Block.

Once the maximum term of six (6) months has elapsed from the settlement of the Assets and any other remaining assets of the Fund and from the distribution of the liquid funds, the Manager shall execute an official attestation before a notary public declaring (a) the Fund to be cancelled, and stating the underlying causes of the cancellation as envisaged in this Registration Document; (b) the procedure employed for notifying the holders of the Bonds and the CNMV; and (c) the distribution of the liquid amounts of the Fund following the Order of Priority of Payments for Settlement envisaged under section 3.4.6. (d) of the Additional Building Block. The Manager shall likewise comply with any such further administrative formalities as may be applicable. The Manager shall send this notarized attestation to the CNMV.

In the event that the cause of termination stated under section 4.4.3. (2)(v) above should arise (that is, if the provisional ratings of the Bonds are not confirmed as definitive before 10:00 a.m. on the Subscription Date), the incorporation of the Fund and the issue of the Bonds and the contracts executed by the Manager, acting on behalf of the Fund, shall be terminated, except for the Subordinated Loan Agreement, against which the incorporation and issue expenses incurred by the Fund shall be paid. Said termination shall be reported forthwith to the CNMV and, once one (1) month from the cause for termination of the incorporation of the Fund has transpired, the Manager shall execute before a notary public the attestation, which it shall send to the CNMV, Iberclear, AIAF and the Rating Agencies, declaring the cancellation of the Fund and the cause thereof.

#### **4.5 Domicile and legal status of the Issuer. Applicable legislation.**

##### **a) Domicile of the Fund.**

The Fund has no registered office because it lacks legal status. For all purposes, the Fund's registered office is deemed to be that of the Manager:

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.

Ciudad Grupo Santander

Avenida de Cantabria, s/n

28660 Boadilla del Monte (Madrid)

Telephone: +34 912 893 297

##### **b) Legal status of the Fund.**

The Fund shall establish a pool of assets and liabilities without separate legal status, being open in terms of the assets until the integral and complete repayment of the Credit Lines insofar as any upward variations occurring to the Credit Lines are assigned to the Fund as detailed in section 3.4.3.b) of the Additional Building Block, and closed in terms of its liabilities, in accordance with the provisions of article 3 of Royal Decree 926/1998.

**c) Applicable legislation and country of incorporation.**

The incorporation of the Fund and the issue of the Bonds charged against, has taken place in accordance with the laws of Spain, and, specifically, in accordance with the legal system set forth in (i) Royal Decree 926/1998 and implementing provisions; (ii) Law 19/1992 of July 7 in respect of real estate investment companies and funds and mortgage securitization funds with regards to any matters not envisaged in Royal Decree 926/1998 and insofar as applicable; (iii) Law 24/1988 of July 28 on the Securities Market, (iv) Additional Provision Five of Law 3/1994; (v) Royal Decree 1310/2005; (vi) Royal Decree 116/1992 of February 14 on the representation of book-entry securities and the clearing and settlement of stock market operations, (vii) Order of the Ministry of Economy and Finance 3537/2005 and; (viii) other legal and regulatory provisions in force and applicable from time to time.

This Prospectus has been prepared pursuant to the standard forms envisaged in Commission Regulation (EC) No 809/2004 of April 29, 2004, relating to the application of Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in the prospectus, as well as the format, inclusion by reference, the publication of such prospectus and the dissemination of advertisements, as amended under Delegated Regulation (EC) No. 486/2012, of March 30, of the Commission and Delegated Regulation (EC) No. 862/2012 of June 4, 2012, of the Commission.

**d) Tax system of the Fund.**

The tax system applicable to the Asset Securitization Funds is the general system contained in the Consolidated Text of the Corporate Income Tax Law approved by Royal Legislative Decree 4/2004 of March 5 and its implementing regulations, subject to the specific peculiarities of Law 19/1992 of July 7 on real estate investment companies and funds and mortgage securitization funds; of the Consolidated Text of the Law on Transfer Tax and Stamp Duty approved by Royal Legislative Decree 1/1993 of September 24; of Law 37/1992 of December 28, on Value Added Tax; of Law 3/1994 as per the wording given by Final Provision One of Law 41/2007 and Royal Decree 926/1998, all of which essentially define the following fundamental principles:

- (i) The Fund is exempt from the concept of “Corporate Transactions” (*Operaciones Societarias*) under Transfer Tax and Stamp Duty (article 45.I.B.20.4 of the Revised Text of the Law on Transfer Tax and Stamp Duty) in relation to its incorporation and any other corporate transaction falling under this concept.
- (ii) In accordance with article 7.1.h of the Revised Text of the Corporate Income Tax Law, the Fund is subject to corporate income tax. The amount subject to this tax is calculated in accordance with the provisions of Section IV of said law at the rate in force from time to time, which at present is thirty per cent (30%).

In this regard, rule 13 of Circular 2/2009, as drafted in Circular 4/2010, of October 14, both from the Spanish National Securities Market Commission (CNMV), sets forth the criteria through which securitization funds must carry out the pertaining value adjustments resulting from drops in the value of the financial assets. The modification introduced by Law 2/2010 of March 1 to article 12.2 of the revised text of the Law on Corporate Income

Tax, applicable to tax periods beginning from January 1, 2009 onward, states that, according to the rules, regulations must be established with regard to the circumstances determining the deductibility of value adjustments made on account of losses in the value of debt securities valued at amortized cost and included in mortgage-backed securities funds and asset-backed securities funds.

Until such regulations are established, the aforementioned Law 2/2010 has introduced Transitory Provision Thirty-One in the revised text of the Law on Corporate Income Tax, such provision envisaging a temporary taxation system whereby the criteria established for credit institutions on the deductibility of the specific hedging of customer insolvency risk will apply.

- (iii) The investment yield of the Fund is subject to the general system of corporate income tax withholdings, pursuant to article 59.K) of the Corporate Income Tax Regulations, as enacted by Royal Decree 1777/2004 of July 30, which states that tax will not be withheld on “*returns on stakes in mortgages, loans and other credit rights that constitute income for Securitization Funds*”.
- (iv) The management services rendered by the Manager to the Fund shall be exempt from Value Added Tax (article 20.1.18 n) of the Law on Value Added Tax).
- (v) The posting and assignment of security is subject to the general corporate income tax system, with no exceptions made for Securitization Funds.
- (vi) The issuance, subscription, transfer, redemption and repayment of the Bonds, depending on whether the investor is a corporation for the purposes of Value Added tax, will be “not subject” or “exempt”, according to each case, from Value Added Tax (article 20.1.18 of the Value Added Tax Law) and Transfer Tax/Stamp Duty (article 45.I.B.15 of the revised text of the Law on Transfer Tax and Stamp Duty).
- (vii) The transfer to the Fund of the Mortgage Transfer Certificates, of the credit rights derived from the Non-Mortgage Loans and Credit Lines is subject to and exempt from Value Added Tax (article 20.1.18 of the Value Added Tax Law).

The transfer to the Fund of Mortgage Transfer Certificates, of the credit rights arising from Non-Mortgage Loans and Credit Lines will not be subject to “*Property Transfer Tax*” under the Law on Transfer Tax and Stamp Duty in accordance with that set forth in article 7.5 of the revised text of the Law on Transfer Tax and Stamp Duty.

The transfer to the Fund of Mortgage Transfer Certificates will be exempt from “*Stamp Duty*” on notary documents under the Transfer Tax/Stamp Duty pursuant to the terms of Law 2/1981 of March 25 and associated regulations and the revised text of the Law on Transfer Tax and Stamp Duty and associated regulations.

The transfer to the Fund of the credit rights arising from the Non-Mortgage Loans and Credit Lines will not be subject to “*Stamp Duty*”, with regard to notary documents under Transfer Tax and Stamp Duty, insofar as the

requirements set forth in article 31.2 of the revised text of the Law on Transfer Tax and Stamp Duty are not met.

- (viii) The Fund must honor the reporting obligations, among others, stipulated in Additional Provision Two of Law 13/1985 of May 25, on investment coefficients, equity and reporting obligations of financial intermediaries. Since January 1, 2008, reporting obligations and procedures have been regulated by articles 42, 43 and 44 of the General Regulations on tax management and inspections approved by Royal Decree 1065/2007 of July 27, which repeals Royal Decree 2281/1998 of October 23 implementing provisions regarding certain obligations to provide information to the tax authorities and amending the Regulations on Pension Plans and Funds. Article 44 of said Royal Decree 1065/2007 has been modified following the enactment of Royal Decree 1145/2011, of July 29.

**4.6 Description of the amount of the Fund's authorized and issued capital.**

Not applicable.

**5. BUSINESS OVERVIEW**

**5.1 Brief description of the Issuer's principal activities.**

The Issuer is an asset securitization fund and, as such, its principal business consists of acquiring the Assets from Santander and issuing the Bonds. Thus, through this transaction, the payment of the future flows pertaining to the Loans and the Credit Lines is advanced to Santander, i.e. Assets that were not liquid at the time of assignment to the Fund become so to Santander.

Interest income and income from repayment of the Loans and acquired Credit Lines received by the Fund will be applied quarterly, at each Payment Date, to the payment of interest and the repayment of principal of the Bonds issued in accordance with the specific terms of each of the Series into which the Bond issue is divided and the order of priority established for Fund payments.

Likewise, the Manager, in the name and on behalf of the Fund, will arrange a number of financial transactions and services in order to consolidate the financial structure of the Fund, increase the security or regularity of payments on the Bonds, cover the time gaps between the calendar of payments of principal and interest on the Loans and the Credit Lines and Bonds and, in general, allow the financial transformation to take place in the Fund between the financial features of the Loans and the Credit Lines and the financial features of each Bond Series.

**5.2 General overview of the parties to the securitization program.**

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is intervening as the Fund's Manager; as the coordinating entity of the Rating Agencies, of relations with the supervisory authorities and market operators and as legal and financial adviser in relation to the structure of the operation.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is a Securitization Fund Manager having registered offices at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), and holder of Tax Identification Code A-80481419. A brief description of the company is provided

under section 6 of the Registration Document and section 3.7.2 of the Additional Building Block.

No rating agency has awarded the Manager a rating.

- b) BANCO SANTANDER, S.A. (“**Santander**”) is intervening as the Originator of the Assets, Subscriber of the Bonds, Lead Manager of the Bond issue, Paying Agent and counterparty of the Fund under the Subordinated Loan Agreement, the Liquidity Facility and the Guaranteed Rate Reinvestment Agreements.

As Lead Manager, it performs the following task as provided for in article 35.1 of Royal Decree 1310/2005:

- Receive instructions from the Manager in order to conduct the operations regarding the design of the conditions of the issue, as well as for the coordination with market operators.

BANCO SANTANDER, S.A. is a Spanish lending institution having registered offices in Santander, at Paseo de Pereda 9-12, 39004, with its operational headquarters located at Ciudad Grupo Santander, Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), and holder of Tax Identification Number A-39000013 and C.N.A.E. 651. A brief description of the company is provided under section 3.5 of the Additional Building Block.

The ratings of Santander’s non-subordinated and non-guaranteed short and long-term debt, as assigned by the rating agencies and currently in force, are:

- Fitch Ratings España, S.A.U.: BBB+ (long-term) (confirmed in June 2012) and F2 (short-term) with a negative outlook (confirmed in February 2012).
- Standard & Poor’s Credit Markets Services Europe Limited, Sucursal en España: BBB (long-term) (confirmed in December 2012) and A2 (short-term) (confirmed in October 2012) with negative outlook.
- Moody’s Investors Service España, S.A.: Baa2 (long-term) (confirmed in February 2013) and P-2 (short-term) (confirmed in June 2012) with a negative outlook.
- DBRS Ratings Limited: A (high) (long-term) (confirmed in August 2013) and R-1 (low) (short-term) (confirmed in August 2013), with a negative outlook.

- c) DBRS RATINGS LIMITED (“**DBRS**”) is intervening as credit rating agency of the Bonds.

DBRS is a credit rating agency with registered address at 1 Minster Court 10<sup>th</sup> Floor, Mincing Lane, London EC3R 7AA, the United Kingdom. An independently owned and operated company, DBRS conducts independent ratings in North America, Europe and Asia. All DBRS ratings are available electronically at Bloomberg and on the company’s website ([www.dbrs.com](http://www.dbrs.com)).

- d) MOODY’S INVESTORS SERVICE ESPAÑA, S.A. (“**Moody’s**”) is intervening as credit rating agency of the Bonds registered with and authorized by the ESMA on October 31, 2011.

Moody’s is a Spanish subsidiary of the Moody’s Investors Service credit agency, with registered address in Madrid at calle Príncipe de Vergara, 131, 6<sup>th</sup> floor, 28002 and Tax Identification Number A-80448475.

The aforementioned rating agencies were registered and authorized on October 31, 2011 as credit rating agencies of the European Union in accordance with the provisions of Regulation (EC) No 1060/2009 of the European Parliament and of the Council dated September 16, 2009 on credit rating agencies.

- e) CUATRECASAS GONÇALVES PEREIRA, S.L.P. is intervening as the legal advisor on the structure of the operation and has reviewed the tax regime applicable to the Fund as contained in section 4.5 d) of the Registration Document.

CUATRECASAS GONÇALVES PEREIRA, S.L.P. is a limited liability company incorporated in Spain, holding Tax Identification Number B-59942110, having registered address at Paseo de Gracia 111, 08008, Barcelona and filed with the Barcelona Mercantile Registry on page 23850, section 8, folio 30, volume 37673.

- f) DELOITTE, S.L. is intervening as auditor of the Fund and of the assignable portfolio.

Deloitte, S.L. is an audit firm having registered offices in Madrid, at Torre Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of Tax Identification Number B-79104469, and registered with the Official Registry of Certified Public Accountants (*Registro Oficial de Auditores de Cuentas; R.O.A.C.*) under number S0692.

For the purpose of article 4 of the Spanish Securities Market Law, SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is part of the SANTANDER GROUP.

There is no knowledge of the existence of any other relationship involving direct or indirect ownership or control between the aforesaid legal entities participating in the securitization process.

## **6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGER**

### **6.1 Corporate bodies of the Manager**

In accordance with Royal Decree 926/1998, Asset Securitization Funds lack separate legal status. Securitization Fund Managers are entrusted with the incorporation, administration and legal representation thereof, as well as the representation and defense of the interests of the holders of the securities issued against the funds they administer and of the remaining ordinary creditors thereof.

By virtue of the foregoing, this section provides information on SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. in its capacity as the Manager charged with the incorporation, administration and representation of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS PYMES SANTANDER 7.

#### **a) Name and business address.**

- Corporate name: SANTANDER DE TITULIZACIÓN, SOCIEDAD GESTORA DE FONDOS DE TITULIZACIÓN, S.A.
- Business address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).
- Tax Identification Number: A-80481419
- C.N.A.E. (Spanish economic activity code): 8199



**b) Incorporation and registration with Mercantile Registry and information relating to administrative authorizations and registration with the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*).**

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. was incorporated by public deed executed on December 21, 1992 before Madrid Notary Public Francisco Mata Pallarés, under number 1310 of his protocol, following the prior authorization of the Ministry of Economy and Finance awarded on December 1, 1992. It is registered with the Mercantile Registry of Madrid under volume 4789, folio 75, page M-78658, entry 1. The company is likewise recorded on the special registry of the CNMV, under number 1.

In addition, the Manager amended its Bylaws by resolution of its Board of Directors adopted on June 15, 1998, formalized in a public deed authorized by Madrid Notary Public Roberto Parejo Gamir on July 20, 1998, under number 3070 of his protocol, in order to bring the company in line with the requirements established for Asset Securitization Fund Managers by Royal Decree 926/1998. Such amendment was authorized by the Ministry of Economy and Finance on July 16, 1998, in accordance with the terms of the Sole Transitory Provision of the aforesaid Royal Decree 926/1998.

The duration of the Manager is indefinite, except in the event of any of the causes where legal and statutory provisions may call for dissolution.

**6.2. Audit of accounts.**

The annual accounts of the Manager for the fiscal years closed on December 31, 2009, 2010 and 2011 were audited by the firm Deloitte, S.L. and deposited with the Mercantile Registry of Madrid. Unqualified audit reports were issued for each of aforementioned fiscal years.

**6.3. Principal activities.**

As required by law, article two of the Manager's Bylaws states that: "the company shall have as its exclusive purpose the incorporation, administration and legal representation of Mortgage Securitization Funds under the terms of article six of Law 19/1992, of July 7, on the system governing real estate investment companies and funds, mortgage securitization funds and asset securitization funds, in accordance with the provisions of article 12, point 1, of Royal Decree 926/1998, of May 14, regulating asset securitization funds and securitization fund managers. As a manager of third-party businesses, it is responsible for representing and defending the interests of the holders of the securities issued against the Funds it administers and of the remaining ordinary creditors thereof, and for carrying out the other duties attributed to securitization fund managers by current law in force."

The total assets managed by the Manager at September 30, 2013 are as follows:

MORTGAGE-BACKED FUNDS ( <i>Fondo de Titulización Hipotecaria, or FTH</i> )						
FUND	SERIES	OUTSTANDING BALANCE	INTEREST RATE BY SERIES	RATING AGENCY	INCORPORATION DATE	INITIAL ASSET BALANCE
FTH UCI 5	Series A	€17,649,457.10	Euribor 3M + 0.23%	Moody's España	06/03/1999	€265,000,000.00
	Series B	€2,649,999.99	Euribor 3M + 0.625%			
	<b>Total</b>	<b>€20,299,457.09</b>				
FTH HIPOTEBANSA XI	Series A	€198,374,502.48	Euribor 3M + 0.24%	S&P España / Moody's España	11/26/2002	€1,062,000,000.00
	Series B	€12,292,875.12	Euribor 3M + 0.45%			
	<b>Total</b>	<b>€210,667,377.60</b>				
FTH UCI 10	Series A	€153,497,999.20	Euribor 3M + 0.16%	S&P España	05/14/2004	€700,000,000.00
	Series B	€9,797,747.40	Euribor 3M + 0.50%			
	<b>Total</b>	<b>€163,295,746.60</b>				
FTH UCI 12	Series A	€96,543,549.44	Euribor 3M + 0.15%	S&P España	05/30/2005	€900,000,000.00
	Series B	€9,000,000.00	Euribor 3M + 0.27%			
	Series C	€23,800,000.00	Euribor 3M + 0.60%			
	<b>Total</b>	<b>€329,343,549.44</b>				
<b>TOTAL FTH</b>		<b>€723,606,130.73</b>				<b>€2,927,000,000.00</b>

ASSET-BACKED FUNDS ( <i>Fondo de Titulización de Activos, or FTA</i> )						
FUND	SERIES	OUTSTANDING BALANCE	INTEREST RATE BY SERIES	RATING AGENCY	INCORPORATION DATE	INITIAL ASSET BALANCE
FTA UCI 6	Series A	41,530,311.54	Euribor 3M + 0.295%	Moody's España	06/19/2000	€457,000,000.00
	Series B	4,569,992.58	Euribor 3M + 0.775%			
	<b>Total</b>	<b>€46,100,304.12</b>				
FTA UCI 7	Series A	53,204,241.42	Euribor 3M + 0.250%	S&P España / Moody's España	10/25/2001	€455,000,000.00
	Series B	3,724,297.32	Euribor 3M + 0.700%			
	<b>Total</b>	<b>€56,928,538.74</b>				
FTA HIPOTEBANSA X	Series A	112,252,482.98	Euribor 3M + 0.21%	S&P España / Moody's España	03/04/2002	€17,000,000.00
	Series B	7,857,681.45	Euribor 3M + 0.55%			
	<b>Total</b>	<b>€120,110,164.43</b>				
FTA UCI 8	Series A	73,668,690.24	Euribor 3M + 0.220%	S&P España / Moody's España	06/24/2002	€500,000,000.00
	Series B	4,862,131.56	Euribor 3M + 0.600%			
	<b>Total</b>	<b>€78,530,821.80</b>				
FTA UCI 9	Series A	198,778,807.77	Euribor 3M + 0.265%	S&P España / Moody's España	06/16/2003	€1,250,000,000.00
	Series B	14,740,411.00	Euribor 3M + 0.65 %			
	Series C	3,251,560.58	Euribor 3M + 1.20 %			
	<b>Total</b>	<b>€216,770,779.35</b>				
FTA FTPYME SANTANDER I	Series A	0.00	Euribor 3M + 0.25%	Fitch / Moody's España	09/24/2003	€1,800,000,000.00
	Series B1(G)	73,800,279.20	Euribor 3M + 0.00%			
	Series B2	18,453,504.93	Euribor 3M + 0.40%			
	Series C	27,000,000.00	Euribor 3M + 0.90%			

	Series D	87,300,000.00	Euribor 3M + 1.80%			
	<b>Total</b>	<b>€206,553,784.13</b>				
<b>FTA SANTANDER</b>	Series A	400,938,634.56	Euribor 3M + 0.18%	S&P España / Moody's España	06/11/2004	€1,875,000,000.00
<b>HIPOTECARIO 1</b>	Series B	53,400,000.00	Euribor 3M + 0.30%			
	Series C	46,900,000.00	Euribor 3M + 0.50%			
	Series D	56,300,000.00	Euribor 3M + 0.95%			
	<b>Total</b>	<b>€557,538,634.56</b>				
<b>FTA FTPYME SANTANDER 2</b>	Series A	66,483,348.75	Euribor 3M + 0.20%	S&P España	10/21/2004	€1,850,000,000.00
	Series B	20,212,886.25	Euribor 3M + 0.00%			
	Series C	81,000,000.00	Euribor 3M + 0.30%			
	Series D	58,500,000.00	Euribor 3M + 0.70%			
	Series E	58,500,000.00	Euribor 3M + 1.50%			
	<b>Total</b>	<b>€284,696,235.00</b>				
<b>FTA UCI 11</b>	Series A	211,613,481.45	Euribor 3M + 0.14%	S&P España	11/17/2004	€850,000,000.00
	Series B	6,000,000.00	Euribor 3M + 0.33%			
	Series C	22,900,000.00	Euribor 3M + 0.75%			
	<b>Total</b>	<b>€240,513,481.45</b>				
<b>FTA SANTANDER PUBLICO 1</b>	Series A	225,453,620.70	Euribor 3M+ 0.039%	Fitch / Moody's España	12/17/2004	€1,850,000,000.00
	Series B	12,185,805.70	Euribor 3M+ 0.30%			
	<b>Total</b>	<b>€237,639,426.40</b>				
<b>FTA SANTANDER</b>	Series A1	0.00	Euribor 3M + 0.02%	S&P España / Fitch España	10/27/2005	€3,100,000,000.00
<b>EMPRESAS 1</b>	Series A2	0.00	Euribor 3M + 0.12%			
	Series B	10,896,894.32	Euribor 3M + 0.21%			
	Series C	96,100,000.00	Euribor 3M + 0.29%			
	Series D	170,500,000.00	Euribor 3M + 0.59%			
	<b>Total</b>	<b>€277,496,894.32</b>				
<b>FTA UCI 14</b>	Series A	516,733,998.75	Euribor 3M + 0.15%	S&P España / Fitch España	11/30/2005	€1,350,000,000.00
	Series B	34,100,000.00	Euribor 3M + 0.29%			
	Series C	38,400,000.00	Euribor 3M + 0.58%			
	<b>Total</b>	<b>€589,233,998.75</b>				
<b>FTA UCI 15</b>	Series A	598,431,640.54	Euribor 3M + 0.14%	S&P España / Fitch España	04/28/2006	€1,430,000,010.22
	Series B	32,900,000.00	Euribor 3M + 0.27%			

	Series C	56,500,000.00	Euribor 3M + 0.53%			
	Series D	21,600,000.00	Euribor 3M + 0.58%			
	<b>Total</b>	<b>€709,431,640.54</b>				
<b>FTA SANTANDER</b>	Series A	702,101,117.10	Euribor 3M + 0.15%	S&P España / Moody's España	06/30/2006	€1,955,000,000.00
<b>HIPOTECARIO 2</b>	Series B	51,800,000.00	Euribor 3M + 0.20%			
	Series C	32,300,000.00	Euribor 3M + 0.30%			
	Series D	49,800,000.00	Euribor 3M + 0.55%			
	Series E	19,600,000.00	Euribor 3M + 2.10%			
	Series F	17,600,000.00	Euribor 3M + 1.00%			
	<b>Total</b>	<b>€873,201,117.10</b>				
<b>FTA UCI 16</b>	Series A1	0.00	Euribor 3M + 0.06%	S&P España / Fitch España	10/18/2006	€1,800,000,000.00
	Series A2	858,381,487.12	Euribor 3M + 0.15%			
	Series B	72,000,000.00	Euribor 3M + 0.30%			
	Series C	41,400,000.00	Euribor 3M + 0.55%			
	Series D	9,000,000.00	Euribor 3M + 2.25%			
	Series E	19,800,000.00	Euribor 3M + 2.30%			
	<b>Total</b>	<b>€1,000,581,487.12</b>				
<b>FTA PYMES BANESTO 2</b>	Series A1	0.00	Euribor 3M + 0.13%	S&P España / Moody's España /	11/17/2006	€1,000,000,000.00
	Series A2	140,038,388.05	Euribor 3M + 0.16%	Fitch España		
	Series B	24,300,000.00	Euribor 3M + 0.27%			
	Series C	34,000,000.00	Euribor 3M + 0.54%			
	<b>Total</b>	<b>€198,338,388.05</b>				
<b>FTA SANTANDER FINANCIACION 1</b>	Series A	0.00	Euribor 3M + 0.15%	S&P España / Moody's España	12/14/2006	€1,900,000,000.00
	Series B	6,427,544.30	Euribor 3M + 0.20%			
	Series C	61,700,000.00	Euribor 3M + 0.30%			
	Series D	47,500,000.00	Euribor 3M + 0.55%			
	Series E	26,600,000.00	Euribor 3M + 2.10%			
	Series F	14,300,000.00	Euribor 3M + 1.00%			
	<b>Total</b>	<b>€156,527,544.30</b>				
<b>FTA SANTANDER EMPRESAS 2</b>	Series A1	0.00	Euribor 3M + 0.05%	Fitch España/ Moody's España	12/14/2006	€2,900,000,000.00
	Series A2	17,619,147.00	Euribor 3M + 0.16%			
	Series B	84,100,000.00	Euribor 3M + 0.22%			

	Series C	62,300,000.00	Euribor 3M + 0.32%			
	Series D	59,500,000.00	Euribor 3M + 0.55%			
	Series E	29,000,000.00	Euribor 3M + 2.10%			
	Series F	53,700,000.00	Euribor 3M + 0.50%			
	<b>Total</b>	<b>€306,219,147.00</b>				
<b>FTA SANTANDER HIPOTECARIO 3</b>	Series A1	245,655,107.12	Euribor 3M + 0.06%	Fitch España/ Moody's España	04/04/2007	€2,800,000,000.00
	Series A2	876,563,380.00	Euribor 3M + 0.14%			
	Series A3	239,062,740.00	Euribor 3M + 0.20%			
	Series B	79,200,000.00	Euribor 3M + 0.22%			
	Series C	47,500,000.00	Euribor 3M + 0.30%			
	Series D	72,000,000.00	Euribor 3M + 0.55%			
	Series E	28,000,000.00	Euribor 3M + 2.10%			
	Series F	22,400,000.00	Euribor 3M + 0.50%			
	<b>Total</b>	<b>€1,610,381,227.12</b>				
<b>FTA UCI 17</b>	Series A1	0.00	Euribor 3M + 0.10%	S&P España / Fitch España	05/07/2007	€1,415,400,000.00
	Series A2	769,847,424.10	Euribor 3M + 0.18%			
	Series B	72,800,000.00	Euribor 3M + 0.35%			
	Series C	28,000,000.00	Euribor 3M + 0.60%			
	Series D	15,400,000.00	Euribor 3M + 2.25%			
	<b>Total</b>	<b>€886,047,424.10</b>				
<b>FTA SANTANDER EMPRESAS 3</b>	Series A1	0.00	Euribor 3M + 0.08%	S&P España / Moody's España	05/28/2007	€3,500,000,000.00
	Series A2	196,565,580.00	Euribor 3M + 0.17%	Fitch España		
	Series A3	83,829,419.25	Euribor 3M + 0.25%			
	Series B	39,700,000.00	Euribor 3M + 0.28%			
	Series C	117,300,000.00	Euribor 3M + 0.32%			
	Series D	70,000,000.00	Euribor 3M + 0.65%			
	Series E	45,500,000.00	Euribor 3M + 2.30%			
	Series F	45,500,000.00	Euribor 3M + 0.50%			
	<b>Total</b>	<b>€598,294,999.25</b>				
<b>FTA PITCH</b>	Series 1	1,200,000,000.00	5.1353%	S&P España / Moody's España	07/17/2007	€1,200,000,000.00
	<b>Total</b>	<b>€1,200,000,000.00</b>				
<b>FTA UCI 18</b>	Series A	976,190,516.35	Euribor 3M + 0.32%	S&P España	02/27/2008	€1,700,000,000.00

	<b>Series B</b>	38,300,000.00	Euribor 3M + 0.60%			
	<b>Series C</b>	21,200,000.00	Euribor 3M +1.20%			
	<b>Series D</b>	23,000,000.00	Euribor 3M + 2.20%			
	<b>Total</b>	<b>€1,058,690,516.35</b>				
<b>FTA SANTANDER 2</b>	<b>Promissory Notes</b>	<b>990,000,000.00</b>		S&P España / Fitch España	11/27/2008	€500,000,000.00
<b>FTA SANTANDER CONSUMER SPAIN 09-1</b>	<b>Series A</b>	0.00	Euribor 3M + 0.30%	Moody's España / DBRS	02/16/2009	€700,000,000.00
	<b>Series B</b>	90,534,185.98	Euribor 3M + 0.50%			
	<b>Series C</b>	37,800,000.00	Euribor 3M + 1.50%			
	<b>Series D</b>	35,700,000.00	Euribor 3M + 3.50%			
		<b>€164,034,185.98</b>				
<b>FTA EMPRESAS BANESTO 5</b>	<b>Series A</b>	270,368,448.00	Euribor 3M + 0.70%	Moody's España / DBRS	09/13/2010	€1,600,000,000.00
	<b>Series B</b>	96,000,000.00	Euribor 3M + 1.20%			
	<b>Series C</b>	160,000,000.00	Euribor 3M + 2.00%			
		<b>€526,368,448.00</b>				
<b>FTA SANTANDER EMPRESAS 8</b>	<b>Series A</b>	55,389,570.50	Euribor 3M + 0.45%	Moody's España / DBRS	01/24/2011	€6,450,000,000.00
	<b>Series B</b>	1,435,100,000.00	Euribor 3M + 1.75%			
	<b>Series C</b>	1,290,000,000.00	Euribor 3M + 0.65%			
		<b>€2,780,489,570.50</b>				
<b>FTA SANTANDER CONSUMER SPAIN AUTO 2010</b>	<b>Series A</b>	74,263,311.15	Euribor 3M + 0.70%		07/01/2010	€600,000,000.00
	<b>Series B</b>	57,000,000.00	Euribor 3M + 1.20%	Moody's España		
	<b>Series C</b>	49,500,000.00	Euribor 3M + 1.50%			
	<b>Series D</b>	88,500,000.00	Euribor 3M + 0.65%			
		<b>€269,263,311.15</b>				
<b>FTA SANTANDER EMPRESAS 9</b>	<b>Series A</b>	0.00	Euribor 3M + 0.45%	Moody's España / DBRS	04/07/2011	€5,350,000,000.00
	<b>Series B</b>	1,095,469,461.45	Euribor 3M + 1.75%			
	<b>Series C</b>	1,070,000,000.00	Euribor 3M + 0.65%			
		<b>€1,165,469,461.45</b>				
<b>FTA SANTANDER FINANCIACION 5</b>	<b>Series A</b>	108,844,911.00	Euribor 3M + 0.30%	Moody's España / DBRS	06/24/2011	€1,075,000,000.00
	<b>Series B</b>	301,000,000.00	Euribor 3M + 1.25%			
	<b>Series C</b>	204,300,000.00	Euribor 3M + 0.65%			
		<b>€614,144,911.00</b>				

<b>FTA SANTANDER HIPOTECARIO 7</b>	Series A	1,060,464,528.00	Euribor 3M + 0.65%	Moody's España	07/22/2011	€1,800,000,000.00
	Series B	360,000,000.00	Euribor 3M + 1.30%	DBRS		
	Series C	359,700,000.00	Euribor 3M + 0.65%			
		<b>€1,780,164,528.00</b>				
<b>FTA EMPRESAS BANESTO 6</b>	Series A	386,537,041.00	Euribor 3M + 0.70%	Moody's España / DBRS	09/28/2011	€1,100,000,000.00
	Series B	165,000,000.00	Euribor 3M + 1.20%			
	Series C	264,000,000.00	Euribor 3M + 2.00%			
		<b>€815,537,041.00</b>				
<b>FTA SANTANDER EMPRESAS 10</b>	Series A	354,429,256.00	Euribor 3M + 0.75%	Moody's España /	11/24/2011	€4,700,000,000.00
	Series B	940,000,000.00	Euribor 3M + 1.00%	DBRS		
	Series C	940,000,000.00	Euribor 3M + 0.65%			
		<b>€2,234,429,256.00</b>				
<b>FTA SANTANDER CONSUMER SPAIN AUTO 11-1</b>	Series A	307,889,995.72	Euribor 3M + 1.40%	Moody's España / FITCH	12/07/2011	€795,000,000.00
	Series B	71,600,000.00	Euribor 3M + 1.70%			
	Series C	63,600,000.00	Euribor 3M + 2.00%			
	Series D	117,300,000.00	Euribor 3M + 0.65% + extra part			
		<b>€560,389,995.72</b>				
<b>FTA SANTANDER HIPOTECARIO 8</b>	Series A	490,432,576.00	Euribor 3M + 0.65%	Moody's España /	12/15/2011	€684,251,584.00
	Series B	160,000,000.00	Euribor 3M + 1.00%	DBRS		
	Series C	160,000,000.00	Euribor 3M + 0.65% + extra part			
		<b>€810,432,576.00</b>				
<b>FTA PYMES SANTANDER 3</b>	Series A	726,791,775.86	Euribor 3M + 0.30%	S&P	07/17/2012	€1,427,932,389.32
				DBRS		
	Series B	266,900,000.00	Euribor 3M + 0.50%			
	Series C	314,000,000.00	Euribor 3M + 0.50% + extra part			
		<b>€1,307,691,775.86</b>				
<b>FTA PYMES SANTANDER 4</b>	Series A	1,146,815,550.25	Euribor 3M + 0.30%	Moody's España	11/13/2012	€2,285,814,899.00
	Series B	397,500,000.00	Euribor 3M + 0.50%	DBRS		

	Series C	530,000,000.00	Euribor 3M + 0.50%			
			+ extra part			
		<b>€2,074,315,550.25</b>				
SANTANDER CONSUMER SPAIN AUTO 12-1	Series A	425,000,000.000	Euribor 3M + 0.30%	Moody's España	11/20/2012	€500,000,000
	Series B	75,000,000.00	Euribor 3M + 0.50%	Fitch		
		<b>€500,000,000.00</b>				
F.T.A. PYMES SANTANDER 5	Series A	1,175,909,680.80	Euribor 3M + 1.00%	Moody's España	05/14/2013	€1,517,909,680.80
	Series B	342,000,000.00	Euribor 3M + 1.10%	DBRS		
	Series C	342,000,000.00	Euribor 3M + 0.50%			
		<b>€1,859,909,680.80</b>				
F.T.A. SANTANDER HIPOTECARIO 9	Series A	483,924,382.50	Euribor 3M + 0.30%	Moody's España	06/25/2013	€646,424,382.50
	Series B	162,500,000.00	Euribor 3M + 0.40%	DBRS		
	Series C	117,000,000.00	Euribor 3M + 0.50%			
		<b>€763,424,382.50</b>				
	<b>TOTAL</b>	<b>€31,725,991,228.19</b>				<b>€67,790,324,362.08</b>
	<b>FTA</b>					
	<b>TOTAL (FTH+FTA)</b>	<b>€32,449,597,358.92</b>				<b>€70,717,324,362.08</b>

#### 6.4. Share capital and shareholders' equity.

##### a) Par value subscribed and paid-in:

The Manager's share capital amounts to nine hundred and one thousand six hundred and fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares, each having a par value of sixty euros and eleven cents (60.11), consecutively numbered from one (1) through fifteen thousand (15,000), both inclusive, and all of them fully subscribed for and paid-in.

##### b) Share classes:

All the shares are of the same class and vest identical political and economic rights.

#### 6.5. Holding of shares in other entities.

The Manager has no shareholdings in any other entity.

#### 6.6. Corporate bodies.

The governance and administration of the Manager are entrusted by the Bylaws to the General Shareholders' Meeting and to the Board of Directors. Their competencies and powers are those vested in said bodies in accordance with the provisions of the Spanish



Corporate Enterprise Act (*Ley de Sociedades de Capital*), Law 19/1992 and Royal Decree 926/1998, in relation to the corporate purpose.

**(a) Directors**

The Board of Directors is made up of the following persons:

Chairman: José Antonio Álvarez Álvarez

Directors: Ignacio Ortega Gavara  
José Antonio Soler Ramos  
Ana Bolado Valle  
Marcelo Alejandro Castro Zappa  
Enrique Silva Bravo  
Jesús Cepeda Caro  
Gabriel de Escalante Yanguela  
Jesús Fuentes Colella

Secretary/Non-Director: María José Olmedilla González

**(b) General Management**

The Manager's General Manager is Ignacio Ortega Gavara.

**6.7. Principal activities unrelated to the Manager and performed by the persons mentioned in section 6.6 above, if important to the Fund.**

The most relevant activities unrelated to the Manager and performed by the individuals mentioned in this section are described below:

Name	Activity performed	Relationship under which activity is performed	Position in Banco Santander	Company in which the activity is performed	Position or functions held or performed in relation to the Company in question
José Antonio Álvarez Álvarez	Financial Intermediation and Banking	Employee	General Director	Banco Santander Brasil	Board member
				Santander Consumer Finance SA	Board member
				Supervision Committee of Santander Consumer AG	Member
				Supervision Committee of Banco Zachodni WBK, SA	Member
Enrique Silva Bravo	Banking	Employee	Deputy General Director	Redsys, SL	Board member
				Reintegra, SA	Chairman
				Isban, SA	Board member
Marcelo Alejandro Castro	Banking	Employee	Assistant Deputy General Director	Santander Benelux	Board member
José Antonio Soler Ramos	Financial Intermediation	Employee	Assistant General Director	Santander Comercial Paper, SAU	Chairman
				Santander US Debt	Chairman
				Santander Issuances, SAU	Chairman
				Santander International Debt, SAU	Chairman
				Santander Finance Capital, SAU	Chairman
				Santander Benelux, SA	Board member
Gabriel de Escalante Yangüela	Banking	Employee	Assistant General Director	Geoban, S.A.	Chairman
				Santander Operaciones Retail, S.A.	Chairman
				Grupo Konecta, SL	Board member
Jesús Cepeda Caro	Banking	Employee	Deputy General Director	Gesban S.A.	Chairman and Board member
				Banco Santander, S.A.	General Director
Ana Bolado Valle	Banking	Employee	Assistant General Director	Sistemas 4B	Board member
				Santander Seguros y Reaseguros, Compañía Aseguradora S.A.	Board member

The persons mentioned in this section 6.7 do not hold, directly or indirectly, any shares, convertible bonds or other securities which confer upon their holder a right to acquire shares in the Manager.

The business address for all persons mentioned in this section 6.7 is as follows:

Santander Titulización, S.G.F.T., S.A.

Ciudad Grupo Santander

Avenida de Cantabria s/n

28660 Boadilla del Monte (Madrid)

### 6.8. Lenders of the Manager (more than ten percent (10%)).

The Manager has not received any loan or credit facility from any person or entity. Long-term and short-term debts appearing on the enclosed Balance Sheet correspond to debts with Santander caused on account of the fact that the Manager pays taxes under the consolidated tax regime with Santander.

### 6.9 Significant litigation and disputes.

At the verification date of this Prospectus, the Manager is not subject to any insolvency-related situation and no significant litigation or disputes exist which may affect its economic-financial position or, in the future, its capacity to discharge its duties of managing and administering the Fund, as envisaged herein.

### 6.10 Financial information concerning the Manager.

The Manager keeps its accounts in accordance with the Spanish General Accounting Plan (*Plan General Contable*) approved by Royal Decree 1514/2007 of November 16.

Details of the audited balance sheet and income statement for fiscal years 2011 and 2012 and as at September 30, 2013, unaudited, are provided below:

**Balance sheet as at December 31, 2011 and 2012 and at September 30, 2013 (in thousands of euros)**

ASSETS	12/31/2011	12/31/2012	09/30/2013
<b>FIXED ASSETS:</b>			
Intangible assets	-	-	-
Tangible assets	-	-	-
<b>Total fixed assets</b>	-	-	-
<b>CURRENT ASSETS:</b>			
Receivables	<b>330</b>	<b>310</b>	<b>249</b>
Loans to employees	43	38	40
Other receivables	287	272	208
Short-term investments	-	-	-
<b>Public tax authorities</b>	-	-	-
<b>Cash in bank and at hand</b>	<b>9,678</b>	<b>9,966</b>	<b>11,432</b>
<b>Prepayments and accrued income</b>	<b>1,213</b>	<b>964</b>	<b>796</b>
<b>Total current assets</b>	<b>11,221</b>	<b>11,240</b>	<b>12,477</b>
<b>TOTAL ASSETS</b>	<b>11,221</b>	<b>11,240</b>	<b>12,477</b>

<b>LIABILITIES</b>	<b>12/31/2011</b>	<b>12/31/2012</b>	<b>09/30/2013</b>
<b>EQUITY:</b>			
Share capital	902	902	902
Reserves	182	182	182
Trading results - Profit	2,917	1,905	2,998
<b>Total equity</b>	<b>4,001</b>	<b>2,989</b>	<b>4,082</b>
<b>LONG-TERM PAYABLES:</b>			
Debts with Group companies	5,663	6,879	6,887
	<b>5,663</b>	<b>6,879</b>	<b>6,887</b>
<b>SHORT-TERM PAYABLES:</b>			
Tax authorities ( <i>Hacienda Pública</i> )	59	71	1,325
Other payables	-		15
Debts with Group companies	1,248	997	
Prepayments and accrued expenses	250	304	167
Dividend payable	-		
<b>Total short-term payables</b>	<b>1,557</b>	<b>1,372</b>	<b>1,507</b>
<b>TOTAL LIABILITIES</b>	<b>11,221</b>	<b>11,240</b>	<b>12,477</b>

**Income statements for fiscal years ended December 31, 2011 and 2012 and September 30, 2013 (in thousands of euros):**

	12/31/2011	12/31/2012	09/30/2013
<b>CONTINUED OPERATIONS</b>			
Net income	10,487	8,948	7,556
Other operating income	6	40	27
Personnel costs	-1,163	-1,163	-729
Other operating expenses	-5,163	-5,161	-3,380
Depreciation of property, plant and equipment	-	-	-
Impairment and income from disposals of property, plant and equipment	-	-	-
<b>OPERATING PROFIT</b>	<b>4,167</b>	<b>2,664</b>	<b>3,475</b>
Financial income	-	-	-
From tradable securities and other financial instruments	-	-	-
<b>FINANCIAL PROFIT</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PRE-TAX PROFIT</b>	<b>4,167</b>	<b>2,664</b>	<b>3,475</b>
Income tax	-1,250	-803	-477
<b>PROFIT FOR THE YEAR FROM CONTINUED OPERATIONS</b>	<b>2,917</b>	<b>1,861</b>	<b>2,998</b>
<b>DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>-</b>	<b>-</b>
Profit for the year from discontinued operations, net of tax	-	-	-
<b>PROFIT FOR THE YEAR</b>	<b>2,917</b>	<b>1,861</b>	<b>2,998</b>

## 7. MAIN SHAREHOLDERS OF THE MANAGER

### a) Shareholders of the Manager

Ownership of shares in the Manager is distributed between the companies listed below, including the stake in the Manager's share capital owned by each of them:

SHAREHOLDER	% SHARE CAPITAL
Santander Investment, S.A.	19%
Banco Santander, S.A.	81%

### b) Description of the nature of the control and measures in place to ensure that the control is not abused.

For the purposes of article 4 of the Spanish Securities Market Law, SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is part of SANTANDER GROUP.

So as to ensure the absence of abuses of control on the part of Banco Santander, S.A. over the Manager, the Manager approved its Internal Rules of Conduct in

accordance with the provisions of Chapter II of Royal Decree 217/2008 of February 15, on the legal structure of investment services companies and other entities that render investment services and by which the Regulatory Framework of Law 35/2003 of November 4 was in part amended for Collective Investment Schemes, as approved by Royal Decree 1309/2005 of November 4. The Internal Rules of Conduct were duly reported to the CNMV.

## **8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFIT AND LOSS**

### **8.1 Statement on the start of operations and financial statements of the Issuer that predate the Registration Document.**

The Manager declares that as at the registration date of this Registration Document, the Fund has yet to be incorporated and, therefore, its operations have not begun and no financial statement in respect thereof has been prepared.

### **8.2 Historical financial information.**

Not applicable.

### **8.2 bis This paragraph is to be used solely for issues of asset-backed securities with a denomination per unit of at least €50,000.**

Not applicable.

### **8.3 Legal and arbitration procedures.**

Not applicable.

### **8.4 Material adverse change in the Issuer's financial position.**

Not applicable

## **9. THIRD-PARTY INFORMATION, EXPERT OPINIONS AND DECLARATIONS OF INTERESTS**

### **9.1 Expert statements or reports.**

Not applicable.

### **9.2 Information from third parties.**

Not applicable.

## **10. DOCUMENTS AVAILABLE FOR CONSULTATION**

During the period of validity of this Registration Document, the following documents (or copies thereof) may be inspected by the public:

- (a) **The Bylaws and deed of incorporation of the Manager.**
- (b) **This Prospectus.**
- (c) **The Deed of Incorporation of the Fund.**
- (d) **The Subordinated Loan Agreement, the Liquidity Facility, the Guaranteed Rate Reinvestment and the Management, Subscription and Paying Agent Agreements.**
- (e) **Attribute Audit report**, prepared by Deloitte, S.L.
- (f) **Certificate of the resolution of Santander's Executive Committee** meeting of October 7, 2013, at which it was decided to transfer the Assets to the Fund and **the**

**certificate of the resolutions of the Manager's Board of Directors** meeting of September 2, 2013, at which the following matters, *inter alia*, were resolved: the incorporation of the Fund, the acquisition by the Fund of the Assets assigned by Santander, and the issuance of the Bonds against the Fund.

(g) **The letters disclosing the provisional ratings and letters disclosing the definitive ratings** issued by **Moody's** and **DBRS**.

(h) **The Annual Financial Statements and audit reports of the Manager.**

A copy of all of the above documents may be inspected at the registered offices of the Manager.

In addition, a copy of all documents mentioned in the above sections except for those contained in section a), d) and h) may be inspected at the CNMV at Calle Edison 4, Madrid, and at Paseo de Gracia 19, 4º planta, Barcelona.

A copy of the Prospectus will be available to the public on the CNMV website ([www.cnmv.es](http://www.cnmv.es)) and the AIAF website ([www.aiaf.es](http://www.aiaf.es)), and on the website of the Manager ([www.santanderdetitulizacion.com](http://www.santanderdetitulizacion.com)).

The Deed of Incorporation will also be available to the public at Iberclear.

## SECURITIES NOTE

This Securities Note was prepared in accordance with Annex XIII of Regulation (EC) No 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*) on November 19, 2013.



**1. PERSONS RESPONSIBLE**

**1.1 Persons responsible for the information in the Securities Note and the Additional Building Block.**

MR. IGNACIO ORTEGA GAVARA, acting in his capacity as Director Manager of the Board of Directors of SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A., such company having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Securities Note and in the Additional Building Block.

MR. IGNACIO ORTEGA GAVARA acts in furtherance of the powers conferred upon him for the purpose of incorporating the Fund by the Board of Directors of the Manager at its meeting of September 2, 2013.

SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACIÓN DE ACTIVOS PYMES SANTANDER 7 and shall be responsible for the administration and legal representation thereof.

**1.2 Declaration by those responsible for the Securities Note and the Additional Building Block.**

MR. IGNACIO ORTEGA GAVARA declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Securities Note and in the Additional Building Block is, to the best of his knowledge, in accordance with the facts and contains no omission likely to affect its import.

**2. RISK FACTORS**

The risk factors specific to the Assets backing the issue and to the securities are those respectively described under sections II and III of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

**3. KEY INFORMATION**

**3.1 Interest of natural and legal persons involved in the issue.**

The natural and legal persons involved in the issue are:

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is intervening as the Fund's Manager and as legal and financial adviser in relation to the structure of the operation.
- b) BANCO SANTANDER, S.A. is intervening as the Originator of the Assets, Lead Manager, Paying Agent and counterparty of the Fund under the Subordinated Loan Agreement, the Liquidity Facility and the Guaranteed Rate Reinvestment Agreements.
- c) Moody's Investors Service España, S.A. and DBRS Ratings Limited are intervening as credit rating agencies of the Bonds.
- d) CUATRECASAS GONÇALVES PEREIRA, S.L.P. is intervening as legal adviser to the operation and has reviewed the tax regime applicable to the Fund as contained in section 4.5 d) of the Registration Document.
- e) DELOITTE, S.L. is intervening as auditor of the Fund and will prepare the Attribute Audit Report described in section 2.2.2 of the Additional Building Block.

Said persons have no interests, including conflicting ones, that are material to the issue, save for those specifically described in section 5.2 of the Registration Document.

#### **4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING.**

##### **4.1 Total amount of the securities.**

###### **a) Total amount of the issue.**

The total amount of the Bonds being issued is TWO BILLION FORTY MILLION EUROS (€2,040,000,000), represented by TWENTY THOUSAND FOUR HUNDRED (20,400) Bonds, each with a face value of ONE HUNDRED THOUSAND EUROS (€100,000), distributed in three (3) Bond Series (A, B and C). Each Series will have the following total face value:

- **Series A:** total face value of ONE BILLION THREE HUNDRED SIXTY MILLION EUROS (€1,360,000,000), made up of THIRTEEN THOUSAND SIX HUNDRED (13,600) Bonds, each with a face value of ONE HUNDRED THOUSAND EUROS (€100,000);
- **Series B:** total face value of THREE HUNDRED FORTY MILLION EUROS (€340,000,000), made up of THREE THOUSAND FOUR HUNDRED (3,400) Bonds, each with a face value of ONE HUNDRED THOUSAND EUROS (€100,000); and
- **Series C:** total face value of THREE HUNDRED FORTY MILLION EUROS (€340,000,000), made up of THREE THOUSAND FOUR HUNDRED (3,400) Bonds, each with a face value of ONE HUNDRED THOUSAND EUROS (€100,000). Series C will make up the Reserve Fund.

###### **b) Subscription of the issue.**

The Manager will sign a Management, Subscription and Paying Agency Agreement whereby Santander, as the Subscribing Entity of the Bonds, undertakes to subscribe all Bonds issued by the Fund. Santander will not charge any commission for assuming this commitment.

The Bonds will in all cases be subscribed and paid up at the issue price of one hundred per cent (100%) of the nominal unit value.

The Management, Subscription and Paying Agency Agreement will be terminated in the event that the Credit Rating Agencies fail to confirm before 10:00 a.m. on the Subscription Date the provisional ratings assigned to the Bonds as stated in this Prospectus.

As Lead Manager, Santander shall act as such in accordance with the terms of section 5.2 of the Registration Document and shall not charge any commission for acting as Lead Manager.

##### **4.2 Description of the type and class of securities.**

The Bonds will be legally classified as negotiable fixed income securities with an explicit return, and will be subject to the system provided for in the Spanish Securities Market Law and implementing regulations issued under Royal Decree 926/1998.

##### **4.3 Legislation applicable to the securities.**

The Bonds are issued in accordance with the laws of Spain and, in particular, according to legal system established in (i) Royal Decree 926/1998 and implementing provisions; (ii) Royal Decree 1310/2005; (iii) Law 19/1992, for any matters not envisaged in Royal Decree

926/1998 and insofar as applicable; (iv) the Spanish Securities Market Law; (v) Order 3537 of the Spanish Ministry of the Economy and Finance of November 10, 2005, which implemented article 27.4 of Spanish Securities Market Law 24/1988 of July 28; and (vi) any such other legal and regulatory provisions as may be in force and applicable from time to time.

This Securities Note has been prepared in accordance with the standard forms envisaged in Annex XIII of Regulation (EC) No 809/2004.

Any issue, discrepancy or dispute relating to the Fund or the Bonds issued against the Fund and arising during the operation or settlement of the Fund, whether between the holders of the Bonds or between these and the Manager, will be heard before the Spanish courts, with the parties expressly waiving any other jurisdiction or venue to which they may be entitled.

#### **4.4 Indication as to whether the securities are registered or bearer securities and if they are represented by certificates or by book entries.**

The Bonds shall be represented exclusively by book entries, and will be constituted as such by virtue of their inscription in the corresponding accounting records. The Deed of Incorporation will have the effects set forth in article 6 of Law 24/1988.

In accordance with the provisions of article 6 of Royal Decree 116/1992, the denomination, number of units, nominal value and other characteristics and conditions of the Bond Issue represented in book entry form are those included in the Deed of Incorporation and this Prospectus.

Bondholders will be identified as such (in their own name or in the name of third parties) in accordance with the accounts kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear), having registered office at Plaza de la Lealtad 1, Madrid, and which has been appointed as the entity entrusted with the keeping the accounting records of the Bonds. Thus, the Bonds will be cleared and liquidated according to rules established or approved by Iberclear now or in the future regarding securities traded on the AIAF market and represented in book entry form.

#### **4.5 Currency of the issue.**

The Bonds shall be denominated in EUROS.

#### **4.6 Classification of the securities according to ranking.**

The Manager shall, on behalf of the Fund, apply on each Payment Date the amount of the Liquid Funds (i.e. amounts received by the Fund as principal, interest and any other monies on Assets, returns on the Cash Account and Interest Account, the Reserve Fund, and any other monies received by the Fund, as established in section 3.4.6 a) of the Additional Building Block) towards the relevant payments and withholdings, as per the Order of Priority of Payments described under section 3.4.6.(b) of the Additional Building Block, which, as regards the payment of interests and principal on the Bonds, may be summarized as follows, without prejudice of the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block:

##### **a) Payment of interest:**

- a.1 Accrued interest payable on the Series A Bonds ranks (i) second (2<sup>nd</sup>) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, and (ii) second (2<sup>nd</sup>) in the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.

- a.2 Accrued interest payable on the Series B Bonds ranks (i) third (3<sup>rd</sup>) in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the postponement envisaged in section 3.4.6.(c) of the Additional Building Block occurs, in which case it shall rank fifth (5<sup>th</sup>) in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block, and (ii) fourth (4<sup>th</sup>) in the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.
- a.3 Accrued interest payable on the Class C Bonds will be classified in two parts: the Ordinary Part and the Extraordinary Part.

Payment of the Ordinary Part of the interest accruing on the Series C Bonds ranks (i) seventh (7<sup>th</sup>) in the Order of Priority of Payments, as described in section 3.4.6. (b) of the Additional Building Block, and (ii) sixth (6<sup>th</sup>) in the Order of Priority of Payments for Settlement, as described in section 3.4.6.(d) of the Additional Building Block.

On each Payment Date on which the Fund has sufficient liquidity, the Manager will pay Series C Bondholders a variable amount as extraordinary interest (the “**Extraordinary Part**”) for a sum equal to the excess liquidity of the Liquid Funds after paying all concepts that rank higher in the Order of Priority of Payments, and for a sum equal to the excess liquidity of the Liquid Funds for Settlement after paying all concepts that rank higher in the Order of Priority of Payments for Settlement.

Payment of the Extraordinary Part of the interest accruing on the Series C Bonds ranks (i) twelfth (12<sup>th</sup>) in the Order of Priority of Payments, as described in section 3.4.6. (b) of the Additional Building Block, and (ii) eleventh (11<sup>th</sup>) place in the Order of Priority of Payments for Settlement, as described in section 3.4.6.(d) of the Additional Building Block.

**b) Redemption of principal:**

**Under the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block.**

The amount of the withholding from the Amount Accrued for Redemption that will be used to redeem the Series A and B Bonds ranks fourth (4<sup>th</sup>) in the Order of Priority of Payments envisaged under section 3.4.6.(b) of the Additional Building Block. Said redemption shall be carried out in accordance with the following rules of subordination between the two (2) Series:

- b.1 Liquid Funds for Redemption on each Payment Date shall be used to redeem principal of the Series A Bonds, until redeemed in full.
- b.2 Once the Series A Bonds have been redeemed, all of the Liquid Funds for Redemption shall be used on each Payment Date to redeem principal of the Series B Bonds, until redeemed in full.

The redemption of the Series C Bonds ranks eighth (8<sup>th</sup>) in the Order of Priority of Payments envisaged in section 3.4.6. (b) of the Additional Building Block. Since the Class C Bonds will be redeemed through the partial release of the Reserve Fund, the redemption of the Series C Bonds could commence prior to the redemption of the Series B Bonds.

**Under the Order of Priority of Payments for Settlement described in section 3.4.6.(d) of the Additional Building Block.**

Redemption of principal of Series A Bonds ranks third (3<sup>th</sup>) in the Order of Priority of Payments for Settlement established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series B Bonds ranks fifth (5<sup>th</sup>) in the Order of Priority of Payments for Settlement established in section 3.4.6 (d) of the Additional Building Block.

Redemption of principal of Series C Bonds ranks seventh (7<sup>th</sup>) in the Order of Priority of Payments for Settlement established in section 3.4.6 (d) of the Additional Building Block.

**4.7 Description of rights attached to the securities and procedure for exercising said rights.**

Pursuant to applicable law, the Bonds detailed in this Securities Note will not vest any present and/or future voting rights in respect of the Fund in the investor acquiring them.

The economic and financial rights for the investor associated with the acquisition and holding of the Bonds will be those deriving from the interest rate conditions, returns and form of redemption with which they are issued and which are reflected in sections 4.8 and 4.9 below.

The financial servicing of the Bonds issued against the Fund shall be handled by Santander, as Paying Agent, which, on each of the Payment Dates of the Bonds, shall pay the interest and repay the principal on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant Iberclear member entities, in whose records the Bonds are registered, as per the applicable procedures for said service.

Bondholders will have no action against the Manager unless the latter breaches its obligations described in this Prospectus, in the Deed of Incorporation, or those provided by law. The Manager is the only authorized representative of the Fund before third parties and in any kind of legal proceedings, pursuant to applicable legislation.

Any issue, discrepancy or dispute relating to the Fund or the Bonds issued against the Fund and arising during the operation or settlement of the Fund, whether between the holders of the Bonds or between these and the Manager, will be heard before the Spanish courts, with the parties expressly waiving any other forum or venue to which they may be entitled.

Bondholders shall not have any action against Debtors of the Assets that are in default of their payments obligations, with the Manager being the party entitled to proceed accordingly as the representative of the Fund.

**4.8 The nominal interest rate and provisions relating to interest payments.**

Without prejudice to the provisions of section 4.6.a) a.3 above with regards to the Extraordinary Part of the interest on the Series C Bonds, the returns on the Bonds shall be determined for each Series (including the Ordinary Part of the interest accrued on Series C Bonds) by using a variable interest rate, pursuant to the following provisions:

- a) From their Disbursement Date (November 28, 2013) until redeemed in full, all Bond Series shall accrue variable annual nominal interest payable quarterly. The interest will be paid quarterly in arrears on each Payment Date, provided the Fund has

sufficient Liquid Funds in the Cash Account or Interest Account, as the case may be, in accordance with the Order of Priority of Payments envisaged for each Series under section 3.4.6 (b) of the Additional Building Block or in accordance with the Order of Priority of Payments for Settlement described in section 3.4.6. (d) of the Additional Building Block and shall be calculated upon the Outstanding Principal Balance of the Bonds of each Series at the immediately preceding Payment Date.

Any withholding, contributions or taxes established or to be established in the future on the principal, interest or returns on the Bonds shall be met exclusively by the holders of the Bonds, and the amount thereof, if any, will be deducted by the Manager, acting on behalf of the Fund, through the Paying Agent, in the manner legally established.

b) For the purposes of the accrual of interest on Bonds from all Series, the duration of the issue shall be divided into successive Interest Accrual Periods comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date and excluding the final Payment Date. The first Accrual Period shall have a duration of less than a quarter, equivalent to the duration between the Disbursement Date (November 28, 2013) and the First Payment Date (January 15, 2014). Under no circumstances may the last Interest Accrual Period extend beyond the Legal Maturity Date of the Fund.

c) The Nominal Annual Interest Rate applicable to each Bonds Series for each Interest Accrual Period will be obtained by adding: (i) the Benchmark Interest Rate, determined in accordance with letter e) below, common to all Bond Series, plus (ii) the applicable margin for each Bond Series, determined in accordance with letter d) below, rounded out to the closest one-thousandth of a percent (if the proximity for rounding up or down is identical, then the figure will invariably be rounded up). The Nominal Interest Rate will be calculated in accordance with the rules described in this section. The Rate Setting Time for the Nominal Interest Rate will be the second (2<sup>nd</sup>) Business Day prior to the Payment Date that marks the start of the corresponding Interest Accrual Period. Under exceptional circumstances, for the First Accrual Period the Rate Setting Time will be the Incorporation Date.

The Nominal Interest Rate on the Bonds for the first Interest Accrual Period will be determined on the basis of the Benchmark Interest Rate existing at 11:00 a.m. (CET time) on the Incorporation Date and subject to the provisions of section e) below.

The Nominal Interest Rate determined for all Bond Series for successive Interest Accrual Periods shall be notified to the Bondholders within the term and in the manner envisaged under section 4 of the Additional Building Block.

The Manager will report to the CNMV, as additional information, the Nominal Interest Rate of the Bonds for the first Interest Accrual Period.

d) The Nominal Interest Rate determined for each Interest Accrual Period for each Series shall be that resulting from adding together: (i) the EURIBOR Benchmark Interest Rate at three (3) months or, otherwise, its substitute (as described under letter e) below) and (ii) the applicable spread, as described below for each Series:

- 1.00% for Series A Bonds;
- 1.10% for Series B Bonds;
- 0.50% for Series C Bonds;

The resulting figure will be rounded up/down to the nearest one thousandth of a percent, and rounded up in the event of equidistance.

e) The Benchmark Interest Rate for determining the Nominal Interest Rate applicable to all the Bonds shall be the EURIBOR rate at three (3) months or, where necessary, its substitute rate, determined as follows:

(i) The EURIBOR rate (*Euro Interbank Offered Rate*) is the money market reference rate for deposits in euros at three (3) months' maturity. The EURIBOR rate at three (3) months shall be that displayed on the REUTERS screen, page "EURIBOR01" (or any such other page as may come to take over this service) at 11.00 a.m. (CET time) on the corresponding Rate Setting Time.

In exceptional circumstances, and given the number of days of the first Interest Accrual Period, the Benchmark Interest Rate for the first Interest Accrual Period will be the rate resulting from the linear interpolation between the one (1)-month EURIBOR and the two (2)-month EURIBOR rates displayed on the EURIBOR01 Reuters screen at 11.00 a.m. (CET) on the Incorporation Date, considering the number of days of the first Interest Accrual Period.

(ii) If there are no rates available as provided by section (i) above, the following shall apply as the substitute Benchmark Interest Rate: the interest rate obtained by taking the simple arithmetic mean of the three (3) month interbank rates for deposits in euros (EURIBOR) of the following institutions, as soon as possible after 11:00 a.m. (CET) at the corresponding Rate Setting Time:

- Banco Santander, Sucursal en Londres;
- Bank of America N.T.&S.A., Sucursal en Londres; and
- J.P. Morgan Securities Limited.

with the resulting figure to be rounded up or down to the closest one-thousandth of a percent (if the figure is at a mid-point, it will be rounded up).

If it proves impossible to apply the aforementioned substitute Benchmark Interest Rate as a consequence of one of the aforesaid institutions failing to report rate quotations on a continuous basis, the applicable interest rate will be the simple arithmetic mean of the interest rates reported by the remaining two (2) institutions.

If one of the two (2) remaining institutions mentioned above should cease to furnish quotations, the last Nominal Interest Rate applicable to the most recent Interest Accrual Period will apply, and so on for successive Interest Accrual Periods, as long as said situation persists.

If at least two (2) of the aforementioned institutions should once again provide quotations, the subsidiary substitute Benchmark Interest Rate shall once again apply, as per the above rules.

The Manager shall keep the lists detailing the contents of the REUTERS screens or, as the case may be, the reported quotations of the institutions mentioned above, as documents evidencing the relevant rate.

At each Rate Setting Time, the Paying Agent shall notify the Manager of the Benchmark Interest Rate to serve as the base for calculating the nominal interest rate applicable to each Bond Series.

- f) The Nominal Interest Rate shall accrue on the days effectively transpired during each Interest Accrual Period for which the rate has been determined, calculated on the basis of a year containing three hundred and sixty (360) days.
- g) The interest rate attached to the Bonds belonging to all Series will be payable quarterly on each Payment Date, i.e. January 15, April 15, July 15 and October 15 of each year, until redeemed in full, provided that the Fund has sufficient Liquid Funds in the Cash Account or Interest Account, as the case may be, in accordance with the Order of Priority of Payments envisaged for each Series under section 3.4.6.(b) of the Additional Building Block.

If any date established in the above paragraph does not fall on a Business Day, the interest payment shall be made on the immediately following Business Day, with interest pertaining to the Interest Accrual Period in progress accruing up to but not including the first abovementioned Business Day.

- h) The first interest payment on the Bonds belonging to all Series will be effected on January 15, 2014, with interest accruing at the relevant Nominal Interest Rate from the Disbursement Date (inclusive) until January 15, 2014 (non-inclusive).
- i) Interest to be paid on each Payment Date for each Bond Series (excluding the Extraordinary Part of Series C) and for each Interest Accrual Period will be calculated in accordance with the following formula:

$$I = \frac{P \times R \times d}{36000}$$

Where:

I = Interest to be paid on a given Payment Date.

P = Outstanding Principal Balance of the Bonds on the Calculation Date (i.e. the fifth (5<sup>th</sup>) Business Day ahead of each Payment Date) pertaining to said Payment Date.

R = Nominal interest rate expressed as a percent per annum.

d = Number of effective days pertaining to each Interest Accrual Period.

Both the interest resulting in favor of the Bondholders, calculated as provided above, and the amount of interest accrued and not paid, shall be notified to the Bondholders in the manner described under section 4 of the Additional Building Block at least one (1) calendar day ahead of each relevant Payment Date.

Interest on the Extraordinary Part of the Series C Bonds will be the result of distributing, on a pro-rated basis, the amount described for such concept in section 4.6.a)a.3 above among the Series C Bonds.

- j) Accrued interest will be paid on each Payment Date, provided that the Fund has sufficient Liquid Funds for such purpose in the Cash Account or Interest Account, as the case may be, in accordance with the Order of Priority of Payments envisaged under section 3.4.6.(b) of the Additional Building Block or, where appropriate, at the Maturity Date or when the Early Settlement of the Fund takes place pursuant to



section 4.4.3. of the Registration Document, in accordance with the Order of Priority of Payments for Settlement set out in section 3.4.6.(d) of the Additional Building Block.

**4.8.1 Valid period in which interest can be claimed.**

In the event that on a Payment Date the Fund cannot meet full or partial payment of the interest accrued on the Bonds of any of the Series, in accordance with the Order of Priority of Payments established under section 3.4.6 (b) of the Additional Building Block, the amount of interest that the Bondholders do not effectively receive will be added and accumulated on the next Payment Date to the interest of the Series in question payable on that same Payment Date, and shall be paid at the next Payment Date on which, according to the Order of Priority of Payments, the Fund has sufficient liquidity, or in order of maturity in the event it is not possible to be paid in full due to insufficient Liquid Funds.

Unpaid amounts of due interest will not accrue additional or default interest and will not be added to the Outstanding Principal Balance of the Bonds.

The Fund, through its Manager, may not defer payment of interest on the Bonds beyond the Legal Maturity Date, with the provisions of sections 4.4.3.(2) (iv) and 4.4.3(3) of the Registration Document to apply at such date.

**4.8.2 Description of any event distorting the market of the underlying.**

Not applicable.

**4.8.3 Rules for adjusting the underlying.**

Not applicable

**4.8.4 Calculation agent.**

The Nominal Interest Rate for each Bond Series will be calculated by the Manager.

**4.9 Redemption price and provisions concerning maturity of the securities.**

**4.9.1 Redemption price of the Bonds.**

The redemption price for the Bonds of each Series will be ONE HUNDRED THOUSAND EUROS (€100,000) per Bond, equivalent to their nominal value, free of expenses and taxes for the Bondholder, and payable progressively at each Payment Date, as established in the following sections.

Each and every Bond from the same Series will be redeemed in the same amount by reducing the nominal amount of each of them.

**4.9.2 Maturity of the Bonds.**

Maturity of the Bonds of all Series will take place at the Payment Date on which they are fully redeemed or at the Legal Maturity Date of the Fund.

**4.9.3 Redemption dates for the Bonds.**

Series A and B Bonds shall be redeemed by reducing their nominal value on each Payment Date (i.e. on January 15, April 15, July 15 and October 15 of each year, or, if any of these days is not a Business Day, on the next Business Day) until redeemed in full, in accordance with the redemption rules established below.

Series C Bonds will be redeemed by reducing their nominal value on each Payment Date (i.e. on January 15, April 15, July 15 and October 15 of each year, or, if any of these days is not a Business Day, on the next Business Day) beginning on the Payment Date on which a

partial release of the Reserve Fund takes place, in accordance with the redemption rules established below.

#### 4.9.4 Distribution of Liquid Funds for Redemption.

Liquid Funds for Redemption on each Payment Date is the amount to be earmarked for the redemption of Series A or B Bonds on each Payment Date, and which will be the lower of the following amounts:

- (i) the Amount Accrued for Redemption for Series A and B Bonds, less any downward variations of the Credit Lines on the Calculation Date prior to each Payment Date. The downward variations mentioned here will not consider the total redemptions of the Credit Lines; and
- (ii) depending on the Liquid Funds on each Payment Date, the remaining Liquid Funds (as defined in section 3.4.6(a) of the Additional Building Block), less any downward variations of the Credit Lines on the Calculation Date before each Payment Date. The downward variations mentioned here will not consider the total repayments of the Credit Lines. Furthermore this amount will include the balance transferred from the Interest Account, as appropriate, less the amounts applied to the items described in points 1 to 3 of the Order of Priority of Payments explained in section 3.4.6 (b) of the Additional Building Block.

Amount Accrued for Redemption of the Series A and B Bonds means the difference (if positive) between the following, with no distinction between Series A and B:

- (a) the total Outstanding Principal Balance on Series A and B Bonds on the Calculation Date prior to each Payment Date; and
- (b) the Outstanding Balance of the Performing Assets on that same date. For the purposes of this Prospectus, the term “**Performing Assets**” refers to Assets that are not considered Non-Performing Assets. The term “**Non-Performing Assets**”, for the purposes set out in this prospectus, on the other hand, refers to Assets Santander considers non-recoverable or on which payments, on a given date, are twelve (12) months or more in arrears, in the case of Loans, and six (6) months in the case of Credit Lines.

Any downward variation of the Credit Lines does not imply the direct redemption of the Bonds, with such amount remaining in the Cash Account as described in Section 3.4.4.1 of this Additional Building Block.

The direct redemption of the Bonds from the Credit Lines only occurs on the Payment Date immediately following the maturity date of the Credit Lines, provided there are Liquid Funds for Redemption.

For increased comprehension, two (2) practical examples are provided.

Data on the Date of Incorporation:

Bonds: €1,000

Outstanding Balance of the Assets: € 1,000, comprised of loans (€500) and credit lines (€500).

Reserve Fund (deposited in the Interest Account): €200.

#### **Example 1**

These are the data on the first Calculation Date:

Bonds: €1,000

Outstanding Balance of Performing Assets: €800, comprised of loans (€400) and credit lines (€400).

Reserve Fund: €200

Downward variations of the credit lines (considering only decreases in balances drawn from uncanceled or unexpired credit lines): €50

Credit line redemptions (decreases in balances drawn owing to the cancellation or maturity of credit lines): €50

Liquid Funds: €200 (Cash Account) + €200 (Interest Account) = €400

Quantity Accrued for Redemption: 1,000 (Bonds) – 800 (Outstanding Balance of Performing Assets) = 200

Liquid Funds for Redemptions (according to the definitions), is the lesser of:

- (i) €200 (Quantity Accrued for Redemption) - €50 (Downward variations of the Credit Lines) = €150
- (ii) €400 (Liquid Funds) - €50 (Downward variations of the Credit Lines) = €350

Therefore, in this case the Funds Available for Redemption would be €150.

### **Example 2**

These are the data on the first Calculation Date:

Bonds: €1,000

Outstanding Balance of the Performing Assets: €1,050, comprised of loans (€400) and credit lines (€650).

Reserve Fund: €200

Downward variations of the credit lines (considering only decreases in balances drawn from uncanceled or unexpired credit lines): €0

Credit line redemptions: €0

Upward variations of the credit lines: €150

Liquid Funds: €0 (Cash Account) + €200 (Interest Account) = €200

Quantity Accrued for Redemption: 1,000 (Bonds) – 1,050 (Outstanding Balance of Performing Assets) = -50

Liquid Funds for Redemptions: lesser of (according to the definitions):

- (i) €50 (Quantity Accrued for Redemption) - €0 (Downward variations of the Credit Lines) = €50
- (ii) €200 (Liquid Funds) - €0 (Downward variations of the Credit Lines) = €200

Since the lesser of the two amounts in paragraphs (i) and (ii) above is negative, the Funds Available for Redemption would be €0, i.e., null.

The Fund, through the Manager, may not postpone the redemption of the Bonds beyond the Legal Maturity Date or, if not a Business Day, beyond the immediately following Business Day.

#### **4.9.5 Ordinary and extraordinary rules for redemption.**

##### **a) Series A and B**

- **Redemption of Series A Bonds:**

Principal on the Series A Bonds will be redeemed through partial redemptions at each Payment Date until redeemed in full, based on the Liquid Funds for Redemption.

The first redemption payment on the Series A Bonds shall take place, if applicable, at the Payment Date on January 15, 2014.

- **Redemption of Series B Bonds:**

Once the Series A Bonds have been redeemed, principal on the Series B Bonds will be redeemed at each Payment Date through partial redemptions until fully redeemed, based on the Liquid Funds for Redemption.

##### **b) Series C:**

The Series C Bonds will be partially redeemed on each of the Payment Dates, running from the Payment Date on which their redemption commences through to the total redemption thereof, in an amount equal to the Amount Accrued for Redemption of Series C withheld in accordance with the Order of Priority of Payments, this being equivalent to the positive difference existing between the Outstanding Principal Balance for Series C at the Calculation Date corresponding to a Payment Date, and the Required Level of the Reserve Fund at the corresponding Payment Date.

Notwithstanding the foregoing, the Manager is authorized to proceed with the Early Settlement of the Fund and, with it, the Early Redemption at any time of the entire issue of the Bonds, pursuant to the terms established under section 4.4.3 of the Registration Document.

The Fund, through the Manager, may not postpone the redemption of the Bonds beyond the Legal Maturity Date or, if not a Business Day, beyond the following Business Day.

#### **4.9.6 Early Redemption of the Bond issue.**

Independently to the obligation of the Fund, through the Manager, to proceed with the final redemption of the Bonds at the Legal Maturity Date or with redemptions of each Series prior to the Legal Maturity Date, the Manager, after notifying the CNMV, is authorized to proceed, where appropriate, with the Early Settlement of the Fund and consequently the Early Redemption of the whole Bond issue, in accordance with the situations of Early Settlement and the requirements detailed in section 4.4.3 of the Registration Document, and subject to the Order of Priority of Payments for Settlement described in section 3.4.6 (d) of the Additional Building Block.

#### **4.9.7 Legal Maturity Date.**

The Legal Maturity Date, and consequently, the final redemption of the Bonds is July 15, 2036 or, if not a Business Day, the following Business Day, without prejudice to the fact that Manager may, in name and on behalf of the Fund, and in accordance with that provided

in section 4.9, redeem some or all the Series of the Bond issue prior to the Legal Maturity Date.

#### **4.10 Indication of investor returns and calculation method**

The main feature of the Bonds lies in the fact that their periodic redemption and, therefore, their average life and duration, largely depends on the speed with which the Debtors decide to pay off their Loans and Credit Lines.

In this regard, the prepayments that the Debtors decide to make continuously change and are estimated using various future constant CPRs. Consequently, they will directly affect the speed of repayment of the Loans and Credit Lines and, therefore, the average life and duration of the Bonds.

There are similarly other variables subject to continuous changes affecting the average life and duration of the Bonds. These variables and their hypothetical values reflected in all the tables appearing in this section are:

- (i) The interest rate on the Loans and Credit Lines which has been used to calculate the repayments and interest on each of the Loans, and interest rate calculations in the case of the Selected Credit Lines, is the interest rate of each of the selected Loans and Credit Lines at October 23, 2013;

The maintenance of the selected Loan repayment systems at October 23, 2013, including, where appropriate, the pending repayment of principal, and the due date of the installments;

The Credit Lines are considered to have repayment at maturity;

- (ii) Asset default: 9.00% of the Outstanding Balance of the Assets on each Payment Date with 50% recovery between 90 days and 12 months in arrears. Accordingly, there will be no partial redemption of the Series C bonds until the latter date in accordance with the terms of section 3.4.2.2 of the Additional Building Block;
- (iii) Non-Performing Assets in the portfolio of Loans and Credit Lines: 4.50% of the Outstanding Balance of the Assets with 30% recovery at 12 and 6 months from being flagged as Non-Performing for the case of Loans and Credit Lines respectively;
- (iv) The Disbursement Date of the Bonds is November 28, 2013;
- (v) The annual CPRs (3%, 5% and 7%) hold constant over the life of the Bonds;
- (vi) Aggregate non-performing assets of the Loan and Credit Line portfolio of 5.00% with a CPR of 3%, 4.75% with a CPR of 5% and 4.25% with a CPR of 7% with regard to the Outstanding Balance of the Assets at Incorporation Date.
- (vii) There will always be Funds Available for Redemption.
- (viii) The non-occurrence of example 2 of Section 4.9.4 of the Securities Note.
- (ix) There is no postponement in the payment of interest on the Series B Bonds.

Variables (ii), (iii), (v) and (vi) above, which are used in the tables below, come from the historical data provided by the Originator concerning portfolios with similar characteristics to the credit rights granted by the Commercial Banking Division of Santander to individuals or legal persons exercising economic activities, residing in Spain, excluding Santander Group Companies for the purpose of financing their short, medium and long-term economic activities, acquiring and developing real estate, rural and urban property, land, plots, machinery and tools related to their economic activity, property construction, improving

property, refinancing and financing working capital. In the case of refinancing, these operations do not arise from refinancing transactions of loans or credit lines in default, and correspond only to debt consolidation operations.

In preparing the tables included below, the grace periods for the principal of the Assets and the periodicity in the payment of the corresponding installments have both been taken into account.

Finally, the duration of the Bonds will also depend on their variable interest rate, and in all the tables included in this section constants have been assumed of 1.222% for Series A, 1.322% for Series B, and 0.722% for Series C, taking the 3-month EURIBOR on October 23, 2013 as a reference, i.e., 0.222%, plus a margin of 1.00% for Series A, 1.10% for Series B, and 0.50% on the ordinary part of the interest for Series C. Taking the margins stated above for each Series into consideration, the weighted average interest rate of the issue is 1.386%.

Assuming that the Manager, acting on behalf of the Fund, effects the Early Settlement of the Fund as envisaged under section 4.4.3 of the Registration Document when the nominal amount of the Assets of the Issue is less than ten percent (10%) of the Outstanding Balance of the Assets on the Incorporation Date, the average life, duration, maturity and IRR of the Bonds would be as follows based on the different annual CPRs (3%, 5% and 7%):

CPR	3%	5%	7%
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	Serie A Bonds		
Average life (years)	0.89	0.87	0.85
IRR	1.245%	1.245%	1.245%
Duration (years)	0.88	0.85	0.83
Final maturity	04/15/2016	01/15/2016	01/15/2016
(in years)	2.42	2.17	2.17

	Serie B Bonds		
Average life (years)	3.20	3.06	3.01
IRR	1.347%	1.347%	1.347%
Duration (years)	3.09	2.95	2.91
Final maturity	07/17/2017	04/17/2017	04/17/2017
(in years)	3.67	3.42	3.42

	Serie C Bonds		
Average life (years)	2.50	2.36	2.34
IRR	0.734%	0.734%	0.734%
Duration (years)	2.46	2.32	2.30
Final maturity	07/17/2017	04/17/2017	04/17/2017
(in years)	3.67	3.42	3.42

The Manager expressly warrants that the financial service chart for each of the Series described below are purely theoretical and are intended for illustrative purposes.

The financial service chart of each Series for the 3%, 5% and 7% CPR is as follows:

FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BONDHOLDER (EUROS)									
CPR=3.00%									
Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow
<b>TOTALS</b>	<b>1,360,000,000.00</b>	<b>14,471,226.76</b>	<b>1,374,471,226.76</b>	<b>340,000,000.00</b>	<b>14,435,369.22</b>	<b>354,435,369.22</b>	<b>340,000,000.00</b>	<b>9,035,027.78</b>	<b>349,035,027.78</b>
11/28/2013									
01/15/2014	79,941,573.90	2,215,893.33	82,157,467.23	0.00	599,306.67	599,306.67	0.00	327,306.67	327,306.67
04/15/2014	347,427,596.24	3,910,578.49	351,338,174.74	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2014	315,481,136.96	2,880,844.82	318,361,981.78	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2014	231,777,049.25	1,927,289.92	233,704,339.17	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2015	73,343,184.57	1,203,475.95	74,546,660.52	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
04/15/2015	94,598,379.82	953,250.00	95,551,629.81	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2015	78,289,190.60	671,632.52	78,960,823.12	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2015	67,178,285.02	434,524.66	67,612,809.67	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2016	56,099,696.00	224,734.34	56,324,430.34	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
04/15/2016	15,863,907.56	49,002.73	15,912,910.38	36,542,653.37	1,136,185.56	37,678,838.93	0.00	620,518.89	620,518.89
07/15/2016	0.00	0.00	0.00	52,402,345.15	1,014,070.16	53,416,415.31	0.00	620,518.89	620,518.89
10/17/2016	0.00	0.00	0.00	49,321,139.11	848,175.37	50,169,314.48	0.00	627,337.78	627,337.78
01/16/2017	0.00	0.00	0.00	31,394,966.48	681,546.65	32,076,513.13	0.00	627,337.78	627,337.78
04/17/2017	0.00	0.00	0.00	27,101,612.56	562,970.05	27,664,582.61	0.00	613,700.00	613,700.00
07/17/2017	0.00	0.00	0.00	143,237,283.33	478,659.21	143,715,942.54	340,000,000.00	620,518.89	340,620,518.89

FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BONDHOLDER (EUROS)									
CPR=5.00%									
Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow
<b>TOTALS</b>	<b>1,360,000,000.00</b>	<b>14,076,153.92</b>	<b>1,374,076,153.92</b>	<b>340,000,000.00</b>	<b>13,778,187.00</b>	<b>353,778,187.00</b>	<b>340,000,000.00</b>	<b>8,414,508.89</b>	<b>348,414,508.89</b>
11/28/2013									
01/15/2014	87,390,848.30	2,215,893.33	89,606,741.63	0.00	599,306.67	599,306.67	0.00	327,306.67	327,306.67
04/15/2014	352,321,327.18	3,887,820.96	356,209,148.14	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2014	317,143,765.56	2,842,717.96	319,986,483.53	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2014	231,706,804.68	1,883,551.88	233,590,356.57	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2015	74,763,923.56	1,159,957.27	75,923,880.83	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
04/15/2015	95,053,342.92	906,337.03	95,959,680.94	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2015	78,783,666.35	622,793.25	79,406,459.60	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2015	67,286,014.11	383,604.49	67,669,618.60	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2016	55,550,406.33	173,477.75	55,723,884.08	345,705.31	1,148,671.11	1,494,376.42	0.00	627,337.78	627,337.78
04/15/2016	0.00	0.00	0.00	51,569,488.80	1,135,030.30	52,704,519.11	0.00	620,518.89	620,518.89
07/15/2016	0.00	0.00	0.00	51,046,667.36	962,699.40	52,009,366.76	0.00	620,518.89	620,518.89
10/17/2016	0.00	0.00	0.00	47,589,429.76	800,820.18	48,390,249.94	0.00	627,337.78	627,337.78
01/16/2017	0.00	0.00	0.00	30,346,452.91	640,041.94	30,986,494.85	0.00	627,337.78	627,337.78
04/17/2017	0.00	0.00	0.00	159,102,255.86	525,832.96	159,628,088.82	340,000,000.00	613,700.00	340,613,700.00

FLOWS FOR EACH BOND WITHOUT WITHHOLDING FOR THE BONDHOLDER (EUROS)									
CPR=7.00%									
Payment Date	Series A Bonds			Series B Bonds			Series C Bonds		
	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow	Principal Repaid	Gross Interest	Total Flow
<b>TOTALS</b>	<b>1,360,000,000.00</b>	<b>13,731,865.76</b>	<b>1,373,731,865.76</b>	<b>340,000,000.00</b>	<b>13,555,035.02</b>	<b>353,555,035.02</b>	<b>340,000,000.00</b>	<b>8,414,508.89</b>	<b>348,414,508.89</b>
11/28/2013									
01/15/2014	94,964,535.23	2,215,893.33	97,180,428.56	0.00	599,306.67	599,306.67	0.00	327,306.67	327,306.67
04/15/2014	357,224,959.76	3,864,683.34	361,089,643.10	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2014	318,742,548.06	2,804,176.22	321,546,724.28	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2014	231,554,353.45	1,839,593.78	233,393,947.23	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2015	76,098,555.40	1,116,475.26	77,215,030.66	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
04/15/2015	95,430,135.52	859,722.97	96,289,858.49	0.00	1,123,700.00	1,123,700.00	0.00	613,700.00	613,700.00
07/15/2015	79,191,190.82	574,497.06	79,765,687.88	0.00	1,136,185.56	1,136,185.56	0.00	620,518.89	620,518.89
10/15/2015	67,305,007.43	333,504.93	67,638,512.35	0.00	1,148,671.11	1,148,671.11	0.00	627,337.78	627,337.78
01/15/2016	39,488,714.33	123,318.87	39,612,033.20	16,120,634.48	1,148,671.11	17,269,305.59	0.00	627,337.78	627,337.78
04/15/2016	0.00	0.00	0.00	50,675,502.14	1,082,314.87	51,757,817.02	0.00	620,518.89	620,518.89
07/15/2016	0.00	0.00	0.00	49,661,101.70	912,971.42	50,574,073.12	0.00	620,518.89	620,518.89
10/17/2016	0.00	0.00	0.00	45,858,252.63	755,226.80	46,613,479.43	0.00	627,337.78	627,337.78
01/16/2017	0.00	0.00	0.00	29,284,370.29	600,297.24	29,884,667.53	0.00	627,337.78	627,337.78
04/17/2017	0.00	0.00	0.00	148,400,138.76	490,462.46	148,890,601.22	340,000,000.00	613,700.00	340,613,700.00



### **Representation of the security holders.**

For the securitization Bonds, a Bondholder Syndicate will not be established.

As provided for in article 12 of Royal Decree 926/1998, the Manager, as manager of third-party business, shall represent and defend the interests of the holder of the Bonds issued against the Fund and the remaining ordinary creditors of the Fund. As a consequence, the Manager shall ensure that it acts in their defense and in accordance with the provisions provided for from time to time.

### **4.11 Resolutions, authorizations and approvals under which the securities are issued.**

The resolutions, approvals and authorizations under which this Bond issue is to be made are those set forth below:

- a) Corporate resolutions:
  - a.1 Resolution of the Executive Committee of the Originator dated October 7, 2013, authorizing the transfer of the Assets to the Fund and the issue of the Mortgage Transfer Certificates for their subscription by the Manager on behalf of the Fund.
  - a.2 Resolution of the Manager's Board of Directors dated September 2, 2013, which authorized the incorporation of the Fund, the acquisition of the assets from the Originator and the subscription of the Mortgage Transfer Certificates issued by the Originator.
- b) The filing of this Prospectus with the CNMV, which took place on November 19, 2013.
- c) Execution of the Deed of Incorporation, which will take place on November 25, 2013, a copy of which shall be sent to the CNMV and Iberclear prior to the Subscription Date.

### **4.12 Issue date.**

The issue date of the Bonds, which will coincide with the Incorporation Date, will be November 25, 2013.

#### **4.12.1 Effects of the subscription on the Bondholders.**

Subscription of the Bonds implies for each Bondholder acceptance of the terms of the Deed of Incorporation and this Prospectus.

#### **4.12.2 Potential investors.**

There will be no market placement of the Bonds since Santander irrevocably undertakes to subscribe them in full by virtue of the Management, Subscription and Paying Agency Agreement, such that one hundred per cent (100%) of the Bond issue will be subscribed by Santander.

On subscribing the Bonds, Santander intends to use them as security assets in Eurosystem credit transactions, without this limiting any other possible use or the eventual disposal thereof. Since the issue shall be fully subscribed by Santander and, consequently, its price will not be subject to contrast through market transactions, it cannot be claimed that the economic terms of the Bonds correspond to those that may be in force on the secondary market on the Incorporation Date of the Fund. These comments regarding the valuation of the Bonds are intended for third parties,

particularly investors or those parties holding the Bonds as security, as is the case of the European Central Bank in Eurosystem credit operations.

Subscription of the Bonds implies for each Bondholder acceptance of the terms of the Deed of Incorporation and this Prospectus.

#### **4.12.3 Subscription Date.**

The Subscription Date of the Bonds will be from ten a.m. (10:00) until midday (12:00) on November 28, 2013.

#### **4.12.4 Where and before whom the Bonds may be subscribed.**

Not applicable.

#### **4.12.5 Placement and award of the Bonds.**

Not applicable.

#### **4.12.6 Disbursement Date and procedure.**

The Disbursement Date will be November 28, 2013, from midday (12:00).

Purchase of the Bonds will be at the issue price of 100% of their nominal value, that is, ONE HUNDRED THOUSAND EUROS (€100,000).

As Paying Agent, Santander will pay the Fund the amount of the issue before 14:00 p.m. (Madrid time) on the Disbursement Date with value date on that same day, by paying the relevant amount into the Cash Account.

#### **4.13 Restrictions on the free transferability of the securities.**

The Bonds may be freely transferred by any legal admissible means and according to AIAF rules. Ownership of each Bond will be transferred by transfer in the accounts. The act of recording the transfer in favor of the purchaser in the accounts will have the same effect as transfer of possession ("*tradición de los títulos*") of the securities and thereafter the transfer will be enforceable against third parties. On this point, no claim may be brought against a third party that acquires the Bonds represented in book-entry form for valuable consideration from a person who, according to the account entries, is entitled to transfer them, unless at the moment of the acquisition the third party acted in bad faith or with gross negligence.

The creation of limited real rights or other kinds of encumbrance over the Bonds must be registered in the relevant account. Pledges, when registered, will be tantamount to transfer of possession of the security.

Encumbrances will be effective against third parties from the time the relevant registration is made.

### **5. ADMISSION TO TRADING AND TRADING ARRANGEMENTS.**

#### **5.1 Indication of the market where the securities will be traded.**

In compliance with the provisions of article 3 of Royal Decree 926/1998, the Manager, on behalf of and representing the Fund, will request admission to official trading of this Bond issue on the AIAF fixed income market, once the Fund is set up but before the Bonds are purchased, such that the Bonds start trading within a term of no greater than one (1) month running from the Disbursement Date.

The Manager will also, on behalf of the Fund, apply for inclusion of the issue with Iberclear, such that the clearing and settlement of the Bonds is carried out in accordance with the rules

of operation established or to be approved in the future by Iberclear with respect to securities admitted to trading on the AIAF market.

In the event that this deadline is not met, the Manager shall disclose the causes of the breach to the CNMV and the public, in addition to informing the CNMV of a material fact, by publishing an announcement in a nationally-circulated newspaper or in the Daily Journal of AIAF Transactions, or in any other media widely accepted by the market, insofar as such publication ensures adequate circulation of the information in due time and content, including the reasons for why the deadline was not met and the new date forecast for admission to trading of the issued securities, the foregoing without prejudice to any possible liability stemming from the delay.

The Manager hereby states that it is familiar with the requirements and conditions required for admission to trading, permanence and exclusion of the Bonds on/from the AIAF market pursuant to currently existing laws, as well as the requirements of its governing bodies and hereby undertakes to abide by them.

There is no plan to contract any entity to provide liquidity to the Bonds during the life of the issue.

## **5.2 Paying Agent and Custodian Entities.**

### **a) Paying Agent:**

The Manager, acting on behalf of the Fund, appoints Santander, which accepts, as the Paying Agent to carry out the financial service of the Bond issue. Banco Santander will not charge any commissions in its capacity as Paying Agent. The obligations assumed by Santander, in its capacity as Paying Agent under the Management, Subscription and Paying Agent Agreement, are as follows:

- **Disbursement of the issue.**

The Paying Agent shall pay the amount of the issue to the Fund prior to 14:00 (Madrid time) on the Disbursement Date with value date that same day, and by means of deposit into the Cash Account.

- **Notice of the EURIBOR Reference Rate.**

At each of the Rate Setting Times, the Paying Agent shall notify the Manager of the Benchmark Interest Rate to serve as the base for calculating the Nominal Interest Rate applicable to each Bond Series.

- **Payments against the Fund.**

On each of the Bond Payment Dates, the Paying Agent shall pay interest and redeem principal on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant institutions participating in Iberclear, in whose records the Bonds are registered, as per the applicable procedures for said service.

If, on a Payment Date, there are no Liquid Funds for Redemption in the Cash Account or Interest Account, as the case may be, the Paying Agent will not be required to make any payment.

- **Taxes and expenses**

All costs, expenses and taxes incurred from discharging the preceding obligations will be met by the Paying Agent or the substituted paying agent.

- **Obligations in case of rating downgrade**

The Paying Agent undertakes to inform the Manager of any downgrade or withdrawal of its credit rating issued by the Rating Agencies as soon as it becomes aware of any such downgrade or withdrawal. In the event that the Paying Agent is replaced, the costs derived from said replacement will be met by the replaced Paying Agent.

**Criteria of Moody's Investors Service España, S.A.**

In the event that the credit rating of the Paying Agent for its short-term non-subordinated and non-secured debt as awarded by Moody's falls below Baa3 or P-3 for its long-term and short-term risk, respectively, or is not rated, the Paying Agent must put into practice, on behalf of the Fund and within a maximum period of thirty (30) Business Days of the moment at which such situation takes place and following notice to the Rating Agencies, one of the necessary alternatives described below, and which allow the maintenance of an adequate level of guarantee with respect to the commitments deriving from the functions contained in the Management, Subscription and Paying Agent Agreement:

- (i) To obtain a first-demand guarantee, at the simple request of the Manager, that secures the timely payment by the Paying Agent of its obligations, from a credit entity or entities with a credit rating for their debt of no less than Baa3 or P-3 for their long-term and short-term risk, respectively, that secures the commitments assumed by the Paying Agent;
- (ii) To replace the Paying Agent with an entity with a rating for its debt of no less than Baa3 or P-3 for their long-term and short-term risk, respectively, to assume, under the same conditions, the functions of the affected entity established in the respective agreement.

**Criteria of DBRS Ratings Limited**

If the DBRS rating of the Paying Agent is reduced to lower than BBB (high) for long-term debt, or if its rating is withdrawn, the Manager must implement, on behalf of the Fund, within a period of thirty (30) calendar days from the date said situation arises and after notifying the Rating Agencies, any of the required options described below the aim being to maintain a suitable level of security in relation to the commitments deriving from the duties set forth in the respective agreement and to ensure that the rating awarded to the Bonds by DBRS is not downgraded.

- (i) To obtain similar guarantees or commitments from a credit entity or entities with a DBRS Rating of no lower than BBB (high) (without such rating being "Under Review (Negative)") for long-term debt, so as to guarantee the undertakings assumed by the Paying Agent. In such case, all expenses will be met by the Paying Agent.

- (ii) Replace the Paying Agent with an entity with a DBRS Rating of no lower than BBB (high) (without this rating “Under Review (Negative)”) for long-term debt, in order for the new entity to assume, under the same conditions, the functions of the affected Paying Agent as established in its respective agreement.

The Paying Agent will also be able to terminate the Management, Subscription and Paying Agent Agreement by providing at least two months’ notice to the Manager, in accordance with the terms of the Management, Subscription and Paying Agent Agreement and provided that (i) another lender with financial characteristics similar to the Paying Agent and with a credit rating of at least BBB (high) (without said rating being “Under Review (Negative)”) for long-term debt, according to DBRS and Baa3 or P-3 for its long and short-term risk, respectively, according to Moody’s, accepted by the Manager, replaces it in the duties assumed under the Management, Subscription and Paying Agent Agreement and; (ii) the CNMV and Rating Agencies are informed. In the event of replacement resulting from the resignation of the Party being replaced, all costs derived from the replacement process will be borne by the latter, as will any commission payable to the new Paying Agent.

**b) Custodian entities:**

Not applicable.

**6. EXPENSES OF THE OFFER AND ADMISSION TO TRADING**

The following expenses have been envisaged:

	<b>Euros</b>
<b>a) Incorporation costs (expenses related to documentation, advertising and official charges):</b>	
CNMV charges (for the offer and admission to trading):	€3,042.70
AIAF charges:	€66,658.90
Iberclear charges:	€2,196.15
Other (Rating Agencies, legal advice, Notary, audit and miscellaneous fees)	€88,102.25,
<b>Subtotal:</b>	<b>€10,000.00</b>
<b>b) Issue expenses:</b>	
Structuring fee of the Manager	€0,000.00
<b>Subtotal:</b>	<b>€0,000.00</b>
<b>GRAND TOTAL</b>	<b>€800,000.00</b>

The Manager shall charge a structuring fee to be paid in one sole payment on the Disbursement Date of NINETY THOUSAND EUROS (€90,000), VAT included where applicable, as consideration for its work as Fund promoter, and for the financial design of the transaction structure and for coordinating the Originator, Rating Agencies and oversight authorities,

The incorporation and issue expenses stated herein will be paid against the Subordinated Loan described under section 3.4.3 of the Additional Building Block.

## 7. ADDITIONAL INFORMATION

### 7.1 Persons and entities advising on the issue.

- a) SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A. is intervening as legal and financial adviser in relation to the structure of the program.
- b) CUATRECASAS GONÇALVES PEREIRA, S.L.P. is intervening as legal adviser to the program structure and has reviewed the tax regime applicable to the Fund contained in section 4.5 d) of the Registration Document as an independent third party.

### 7.2 Information in the Securities Note reviewed by the auditors.

Not applicable.

### 7.3 Expert statements or reports.

The Loans and Credit Lines will be audited by Deloitte by means of the Attribute Audit Report described in section 2.2.2 of the Additional Building Block. Deloitte has also audited the annual financial statements of the Manager and of Santander for the last three fiscal years.

### 7.4 Information furnished by third parties.

As part of its duty to check the information contained in this Prospectus, the Manager has received confirmation from the Originator concerning the veracity of the features of the Originator and of the Assets, as contained within section 2.2.8 of the Additional Building Block, as well as the remaining information on the Originator and the Assets as contained in this Prospectus. The Originator shall, for the benefit of the Manager, reconfirm compliance with these characteristics at the Incorporation Date in the Deed of Incorporation.

The Manager confirms that the information received from the Originator on both the Assets and the Originator itself has been reproduced accurately and that, to the best of its knowledge and as far as it is able to determine in light of the information provided by the Originator, no fact has been omitted that would make the reproduced information inaccurate or misleading; and moreover that this Prospectus does not omit facts or significant data that could prove relevant to investors.

### 7.5 Ratings.

The Bonds included in this Securities Note have been assigned the following provisional ratings by the Rating Agencies:

<i>Bond series</i>	<i>DBRS</i>	<i>Moody's</i>
<b>Series A</b>	A (high) (sf)	A3 (sf)
<b>Series B</b>	BB (high) (sf)	Ba1 (sf)
<b>Series C</b>	C (sf)	Ca (sf)

#### Considerations regarding ratings:

##### DBRS considerations:

The ratings assigned to the Series A Bonds described above constitute an opinion regarding the timely payment of interest and principal prior to or on the Legal Maturity Date, in accordance with the documents relating to the transaction.

The ratings assigned to the Series B Bonds and Series C Bonds described above constitute an opinion regarding the timely payment of interest and principal, of the aforementioned Bonds, prior to or on the Legal Maturity Date, in accordance with the documents relating to the transaction.

Moody's considerations:

As described in Moody's *Rating Symbols & Definitions*, available on [www.moodys.com](http://www.moodys.com), Moody's long-term ratings reflect the probability of default with respect to the promise of payment established contractually and the financial loss sustained in the event of default.

The credit ratings issued by Moody's represent the current opinions of Moody's with respect to the credit risk, credit or debt commitments and securities equivalent to the debt of each entity under analysis, and do not entail the disclosure of present or past events. Moody's credit ratings evaluate credit risk only, without considering risk elements other than this and including without limitation, liquidity risk, market value risk or price volatility. Such risks other than credit risks may have a significant impact on investor return.

The ratings of the Rating Agencies take into account the structure of the Bond issue, the legal aspects thereof and of the Fund issuing the Bonds, the features of the loans selected for transfer to the Fund and the regularity and continuity of the flows from the operation.

The ratings of the Rating Agencies do not constitute an assessment as to the probability of the debtors effecting early payments of principal, nor as to the extent to which such early payments will differ from that originally planned. In no way do the ratings qualify the actuarial levels of returns.

The assigned ratings and all reviews or suspensions thereof:

- (i) have been formulated by the Rating Agencies from the wealth of information received and provide no guarantee as to the accuracy or completeness of such information. Under no circumstances, therefore, will the Rating Agencies be held liable for the ratings; and
- (ii) do not constitute and, therefore, may not be interpreted as an invitation, recommendation or incitement aimed at investors to carry out any kind of operation in relation to the Bonds, and in particular, to acquire, conserve, encumber or sell the Bonds.

Final ratings may be reviewed, suspended or withdrawn at any time by the Rating Agencies depending on any information that may come to light. These situations, which will not constitute grounds for Early Settlement of the Fund, will be immediately reported to the CNMV and to the Bondholders in accordance with section 4 of the Additional Building Block.

In order to carry out the rating and follow-up procedure, the Rating Agencies have relied on the accuracy and completeness of the information provided by Santander, the Manager, the auditors, the legal advisors and other experts.

The abovementioned credit ratings are intended purely as an opinion and should not prevent potential investors from conducting their own analyses of the securities to be acquired.

If, before 10:00 a.m. on the Bond Subscription Date, the Rating Agencies do not confirm any of the provisional ratings assigned, this will be reported immediately to the CNMV and

made public as provided for in section 4 of the Additional Building Block. This circumstance will result in the termination of the incorporation of the Fund, the Bond issue, all agreements save for the Subordinated Loan Agreement in relation to the costs incurred from incorporating the Fund, the Bond issue and the transfer of the Bonds.

The abovementioned Rating Agencies have being registered and authorized by the ESMA as of October 31, 2011 as European Union Credit Rating Agencies in accordance with the provisions of European Community Regulation No 1060/2009 of the European Parliament and of the Council of September 16, 2009, on Credit Rating Agencies.



## ADDITIONAL BUILDING BLOCK TO THE SECURITIES NOTE

### 1. SECURITIES

#### 1.1 Amount of the issue.

The Fund will be constituted with Assets that Santander will transfer to the Fund at the Incorporation Date, the total principal of which will be equal to or slightly more than ONE BILLION SEVEN HUNDRED MILLION (€1,700,000,000).

In view of the information furnished by the Originator in relation to the repayment rate and defaults on the Loans and Credit Lines, the Manager estimates that the Outstanding Balance of the Assets as at the registration date of this Prospectus is sufficient to set up the Fund with the initial assets described in the preceding paragraph.

#### 1.2 Confirmation that the information relating to a company or debtor not involved in the issue has been reproduced.

Not applicable.

### 2. UNDERLYING ASSETS.

#### 2.1 Confirmation of the capacity of the Assets to generate funds to service payments on the securities.

According to the information provided by the Originator, the Manager confirms that the flows of principal, interest and any other amounts generated by the Assets are sufficient, as per their contractual features, to meet payments due and payable on the Bonds.

Notwithstanding the above, and in order to cover possible non-payments by the Debtors, a series of credit enhancement operations have been planned to mitigate the risk of default, with respect to both principal and interest on the Bonds. These enhancements are described under section 3.4.2 of this Additional Building Block. In exceptional circumstances, these enhancement operations could prove insufficient.

Not all of the Bonds have the same risk of default, as reflected in the different credit ratings assigned to the different Bond series and which are detailed under section 7.5 of the Securities Note.

When, due to changes in existing regulations or upon the occurrence of exceptional circumstances, the Manager has reason to believe that the Fund has become substantially unbalanced or permanently impaired, or when a default indicative of a serious and permanent imbalance in relation to any of the Bonds takes place or is foreseen to take place, the Manager may proceed with the Early Settlement of the Fund and the consequent Early Redemption of the Bond issue in accordance with the terms provided for in section 4.4.3. of the Registration Document.

#### 2.2 Assets backing the Bond issue.

The credit rights to be pooled together as the assets of the Fund are derived from loans and drawdowns on credit lines, which will be used to back this Bond issue.

The loans have been granted by Santander to small- and medium-sized enterprises (SMEs, known in Spanish as PYMEs) and self-employed workers residing in Spain, except for companies of the Santander Group and syndicated loans, that meet the requirements of Commission Recommendation 2003/361/EC of May 6, 2003 for the purpose of financing economic activities or financing working capital or acquiring machinery and tools or improving property or acquiring real estate or constructing buildings related to their

economic activity or acquiring rural property, urban property, and plots. For this last purpose loans destined to property construction and real estate development are excluded, however, there may be loans intended for the purchase of land for subsequent development and sale, with no subsequent subrogation or division into condominiums. Furthermore, in the case of refinancing, these operations do not arise from refinancing transactions of loans or Credit Lines in default, and correspond only to debt consolidation operations. These loans will be pooled into two categories: loans with mortgage guarantee (“**Mortgage Loans**”) and loans with no specific security, with personal guarantee from third parties (surety) and/or with real guarantees other than a mortgage loan (“**Non-Mortgage Loans**” or, when referred to jointly with Mortgage Loans, “**Loans**”).

The main characteristics of the Loans pooled in the Preliminary Portfolio are described below in section 2.2.2 of this Additional Building Block.

On the other hand, in terms of drawdowns on the credit lines, these are credit line drawdowns without specific collateral, with the personal third-party guarantee (surety) and/or real guarantee other than a mortgage (hereinafter, the “**Credit Lines**”) granted by Santander to small and medium-sized enterprises (SMEs) and self-employed individuals residing in Spain with the exception of companies of the Santander Group and syndicated credit lines that comply with Commission Recommendation 2003/361/EC, May 6, 2003, to finance its short and medium-term economic activities and for the aforementioned purposes of the loans.

The Credit Lines will consist of commercial agreements in which the Originator grants a line of liquidity for a maximum amount provided for under the terms of the agreement to one or more borrowers. In order to draw down all or part of the loan amount, the borrower must make successive drawdown requests by delivering a drawdown notice, as provided for in the terms of the agreement. The Credit Lines will accrue interest in accordance with the terms of the agreement, accrued during the period of interest and settled as established by the agreement. The Credit Lines will have a maturity as specified in the agreement, and the borrower must proceed with the total reimbursement of the amounts drawn down under the credit line in accordance with the terms of the agreement. Credit Lines do not have a fixed schedule for the repayment of the principal.

Any downward variation of the Credit Lines shall not imply the direct redemption of the Bonds, with such amount remaining in the Cash Account as described in Section 3.4.4.1 of this Additional Building Block.

The direct redemption of the Bonds from the Credit Lines only occurs on the Payment Date immediately following the maturity date of the Credit Lines, provided there are Liquid Funds for Redemption.

The following defines the main characteristics of the Credit Lines contained in the Preliminary Portfolio that are likewise contained below in section 2.2.2 of this Additional Building Block: they have an average weighted length of 57.00 months although the average weighted maturity is of 7.66 months; they are drawn on a weighted average of 85.60% of the maximum amounts and 4.05% of the balance drawn on the Credit Lines of the Preliminary Portfolio are in excess of 100% of with respect to their initial limit as reflected in the policy or deed, with the maximum overlimit standing at 155.95% of the initial amount (see table 2.2.2 q).

The Credit Lines of the Preliminary Portfolio may come from renewals or from the original formalization thereof.

The Credit Lines will not be understood as automatically renewed on their maturity date for the effects of remaining in the Fund. On the maturity date of the Credits Lines the

agreement is legally cancelled, notwithstanding that the Bank may renew the Credit Lines with the customer, which will no longer be a part of the Fund.

The Credit Lines will enter into default if, upon their maturity date, the debtor fails to pay the amount drawn on such date or, in the event of overlimits (if the maximum limit of 105% is exceeded), which are generated as explained below, as of the moment at which these are exceeded.

With regard to interest accrued on the Credit Lines, this will be capitalized in accordance with Article 317 of the Code of Commerce, increasing the amount drawn and in turn accruing new interest at the corresponding rate applicable in accordance with the corresponding credit agreements. This interest on the Credit Lines in turn creates an increase in the balance available in such Credit Lines. As provided in section 3.4.3. b) of the Additional Building Block, the upward variations of the Credit Lines resulting from the capitalization of interests and/or increased drawdowns shall be offset daily with potential downward variations of other Credit Lines, and those amounts arising from the Assets (credit rights derived from the Loans and amounts drawn from the Credit Lines) as repayment of the Principal. The Liquidity Line may therefore have a negative balance (against the Fund) only if the amounts drawn in one day cannot be met with the amounts deposited in the Cash Account and that come from downward variations and/or repayment of principal of the Loans.

As of the moment at which the interest on the Credit Lines themselves is paid, the Bank receives (collects) that amount, charged to the same Credit Lines. The charge on the Credit Lines entails the collection of interest by the Bank and of the payment thereof to the Fund in the Interest Account.

With respect to any Credit Line overlimits, these may be caused in two ways: i) by the additional drawdowns made by the Debtors in the Credit Lines after surpassing the maximum limit available; and ii) when the maximum available limit of the Credit Lines is surpassed as a result of the capitalization of the interest thereof described in the preceding paragraphs. In this case, the overlimit is covered by the initial credit policy executed between the Bank and the Debtor so that no authorization by any Bank authority is required. The Debtor should in all cases remedy the excess in the terms required by the Bank in its policy for granting loans and credit lines contained in section 2.2.7. of the Additional Building Block of this Prospectus.

If the overlimit is not covered by the corresponding credit policy and falls under paragraph i) above, the criteria to be applied by the Bank are as follows:

**1) Authorization by the competent authority:** Any excess over the limit should be **duly authorized by the competent authority**, in other words, by the corresponding Lending Committee by virtue of the powers vested by the Risk Committee (the Offices, the Regional Lending Committee, the Lending Committee of the Risk Area and the Risk Committee itself), attributed to each one of the authorities on the basis of the amount, term and guarantees granted for each borrower and/or group. For these purposes, as a general rule, the competent authority does not authorize the Debtor to exceed the limit unless the previous overlimit has been remedied.

**2. Authorization on the basis of the credit rating of the debtor:** In the decision to grant a credit line overlimit the **credit quality of the client** is assessed with the following requirements: rating greater than five, (or scoring approved for cases of private risks) risk rating in a normal situation, proven repayment capacity sufficient to cover the overlimit within the period granted (normally these are very short periods referring to days) and appropriate guarantees/solvency.

**3. Internal alarms and recovery operations:** In an overlimit situation, alarms are of an internal nature and appear in a **computer system known as GSI or “Irregular Situation Management”** to which offices and central services at the risk and recovery level have access. As established in internal circulars of the Bank, the Offices and risk analysis should perform a daily review of these lists in order to manage the settlement of these positions. Furthermore, from the start any overlimits form a part of the “Recovery Circuit” included in section 2 on the *Claim and recoveries policy* included in section 2.2.7.1 of the Additional Building Block, and will be removed only in the event of the settlement of their situation.

**4. Overlimit documentation:** The overlimit is documented by means of the processing of a new risk proposal that should be approved by the competent authority and not by underwriting a new policy.

The credit rights derived from the Loans and the Credit Lines mentioned above will be jointly referred to as the “**Assets**”.

Assets derived from Loans and, as appropriate, from the balance drawn by the Borrowers on each Credit Line on a specific date (the “Quantities Drawn on the Credit Lines”) will be assigned to the Fund. Therefore any variations, whether upward or downward, that occur in the Credit Lines will be transferred daily to the Fund by means of the corresponding adjustment to the Liquidity Facility, so that the balances actually drawn on the Credit Lines at any given time are assigned to the Fund, all pursuant to the terms detailed in section 3.4.3.b below of this Additional Building Block.

For the purpose of the foregoing, balances drawn on the Credit Lines will be understood as the difference between the drawdowns and repayments corresponding to the Credit Lines, including if applicable, the interest accrued and capitalized. This difference will be calculated at the Business Day immediately before the reference date.

The assignment to the Fund of Assets derived from Loans will take place via the issue of Mortgage Transfer Certificates, while Assets derived from Non-Mortgage Loans and from Quantities Drawn on the Credit Lines will be assigned directly in the Deed of Incorporation and, with regard to upward drawdowns of the Credit Lines, via the corresponding adjustment of the Liquidity Facility, as indicated in section 3.4.3.b of this Additional Building Block.

### **2.2.1 Legal jurisdiction governing the pool of Assets.**

The Assets are governed by the laws of Spain.

### **2.2.2 General features of the debtors and the economic climate, as well as statistical data relating to the assets to be securitized.**

The Assets to be pooled in the Fund at the Incorporation Date will comprise credit rights derived from the Loans and the Credit Lines awarded by Santander to small- and medium-sized enterprises (SMEs) and self-employed individuals, except for the Santander Group companies and syndicated loans, that meet the requirements of Commission Recommendation 2003/361/EC of May 6, 2003, all such loans denominated in euros. For the above purposes Commission Recommendation 2003/361/EC of May 6, 2003, also includes micro-enterprises and self-employed individuals.

#### ***Attribute Audit Report.***

In order to comply with provisions of article 5 of Royal Decree 926/1998 of May 14, the Preliminary Portfolio of Loans and Credit Lines from which the credit rights are derived is covered in an audit report prepared by Deloitte (the “**Attribute Audit Report**”). The purpose of the report is to verify the following attributes:

- Nature of the assigned debtor
- Identification of the assigned debtor
- Assignment of the assets
- Accreditation of self-employed individuals, micro-, small- and medium-sized enterprises
- Formalization date
- Maturity date
- Initial amount of the loan or last renewal of the credit line
- Current/drawn balance on the loan or credit line
- Interest rate or benchmark index
- Interest rate spread
- Interest rate applied
- Delays in payment
- Purpose
- Ownership
- Formalization of the loan or credit line
- Frequency of payments
- Insolvency status
- Risk concession policy
- Loans or credit lines extended to developers or leasing companies.
- Existence or nature of guarantees

The following have also been audited in the case of Mortgage Loans:

- Mortgage guarantee
- Rating of the mortgage guarantee
- Formalization of the mortgage guarantee
- Registration of the mortgage guarantee
- Address of the mortgaged property and/or registered property
- Appraisal
- Appraisal value
- Current Loan Balance/Appraisal Value ratio

In addition, for Credit Lines:

- “Balance Drawn on the Credit Line/Maximum Amount” ratio

The Preliminary Portfolio from which the Assets will be drawn comprises 16,432 Loans and 9,526 Credit Lines, the outstanding balance of which, at October 8, 2013 amounted to €87,542,516.48 and €21,908,295.80, respectively.

The following tables show the distribution of Assets according to different criteria:

**a) Distribution of the Loans and Credit Lines according to type of collateral and asset.**

The following tables detail the key features of the composition of the Preliminary Portfolio:

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by type of guarantee				
	Credit Rights		Outstanding principal	
	number	%	euros	%
Non-Mortgage Credit rights without specific collateral	17,296	66.83%	803,590,350.73	44.41%
Non-Mortgage Credit rights with personal collateral (bank guarantee)	7,114	27.40%	727,657,259.95	40.22%
Non-Mortgage Credit rights with real guarantee (other than a mortgage)	1,523	5.87%	226,805,434.40	12.53%
Mortgage Loans (with mortgage guarantee)	25	0.10%	51,379,767.20	2.84%
<b>Total</b>	<b>25,958</b>	<b>100.00%</b>	<b>1,809,350,812.28</b>	<b>100.00%</b>

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by type of asset				
Type of asset	Credit Rights		Outstanding principal	
	number	%	euros	%
Mortgage loans	25	0.10%	51,379,767.20	2.84%
Credit lines	9,526	36.70%	821,908,295.80	45.42%
Personal loans	16,407	63.21%	936,162,749.28	51.74%
<b>Total</b>	<b>25,958</b>	<b>100.00%</b>	<b>1,809,450,812.28</b>	<b>100.00%</b>

The Credit Lines mentioned in the preceding table include amounts derived from overlimits, as defined in section 2.2. of the Additional Building Block and capitalized interest.

All the Non-Mortgage Loans “with no specific collateral” and Credit Lines “with no specific collateral” are secured with the assets of the Debtor who shall respond with all his property (assets and rights), present and future, in general without applying to any specific asset in particular.

Additionally, certain Non-Mortgage Loans and certain Credit Lines are secured with personal collateral (bank guarantees), meaning they are secured with assets from third parties other than the Debtor (sureties), and when the personal guarantee is insufficient and there is therefore another in rem guarantee other than a real-estate mortgage charge, this includes, among others: cash deposits, pledges of holdings in investment funds and other securities and pledges of public funds.

There can be no guarantee as to the final proportions of Assets derived from Mortgage Loans, Non-Mortgage Loans and Credit Lines that are ultimately assigned to the Fund, since no specific criteria will be applied to select the securitized portfolio; all without prejudice to the provisions of section 2.2.8 of this Additional Building Block.

The following table illustrates the distribution of the real estate mortgage-backed Loans on the basis of asset type.

For the purposes of the Prospectus, rural property shall mean land destined to agricultural, livestock or forestry use, including constructions or structures contained therein; and lot shall mean a portion of land that has been built or is destined for building.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by type of asset mortgaged				
	Credit Rights		Outstanding principal	
	number	%	euros	%
INDUSTRIAL BUILDING	1	4.00	10,323,443.55	20.09
RURAL PROPERTY	1	4.00	278,214.35	0.54
PARKING GARAGE	1	4.00	183,333.36	0.36
BUSINESS PREMISES	1	4.00	50,000.05	0.10
INDUSTRIAL PREMISES	5	20.00	15,484,783.16	30.14
OFFICES	1	4.00	7,496,296.28	14.59
OTHER	2	8.00	5,237,468.16	10.19
LOT	2	8.00	5,517,917.30	10.74
COMPLETED HOUSING UNITS	11	44.00	6,808,310.99	13.25
<b>Total</b>	<b>25</b>	<b>100.00</b>	<b>51,379,767.20</b>	<b>100.00</b>

Table prepared with the type of asset with the highest appraised value.

The heading “Others” includes real estate assets that are not covered by the other headings such as developed plots or land, storage units or sports facilities.

**b) Distribution of Loans and Credit Lines by Debtor type**

By Debtor type pooled by “economic group”, the Loans and Credit Lines included in the Preliminary Portfolio are distributed as follows:

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by type of enterprise				
	Loans		Outstanding principal	
	number	%	euros	%
Self-employed individuals	14,351	55.29	202,227,651.11	11.18
Medium-sized enterprises	738	2.84	535,152,569.33	29.58
Micro-enterprises	8,251	31.79	671,808,294.96	37.13
Small enterprises	2,618	10.09	400,262,296.88	22.12
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>

The Loans and Credit Lines have been classified in accordance with the definitions of freelance, micro-, small- and medium-sized enterprise set forth in Commission Recommendation of May 6, 2003, relating to the number of workers, annual turnover and annual balance sheet.

**c) Twenty largest debtors**

The following table shows the twenty largest debtors pooled by “economic group” (as defined in the Loan Granting Policy envisaged in section 2.2.7.1 of this Additional Block).

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013					
Classification by largest debtors					
Debtor	Credit Rights		Outstanding principal		Business activity
	number	%	euros	%	
1	1	0.00	15,125,606.19	0.84	Manufacturing
2	3	0.01	13,986,238.14	0.77	Administrative and ancillary services
3	2	0.01	13,973,003.93	0.77	Wholesale and retail trade, and motor vehicle and motorcycle repair
4	1	0.00	13,806,738.83	0.76	Real estate activities
5	1	0.00	13,018,180.00	0.72	Transport and storage
6	3	0.01	12,323,331.06	0.68	Manufacturing
7	2	0.01	11,856,332.31	0.66	Manufacturing
8	1	0.00	11,553,042.64	0.64	Professional, scientific and technological activities
9	1	0.00	11,547,697.66	0.64	Professional, scientific and technological activities
10	1	0.00	11,491,667.54	0.64	Transport and storage
11	1	0.00	11,250,000.00	0.62	Manufacturing
12	1	0.00	10,616,475.57	0.59	Real estate activities
13	1	0.00	10,323,443.55	0.57	Finance and insurance activities
14	1	0.00	10,000,000.00	0.55	Real estate activities
15	1	0.00	10,000,000.00	0.55	Artistic, recreational and entertainment activities
16	1	0.00	10,000,000.00	0.55	Real estate activities
17	1	0.00	9,612,231.31	0.53	IT and communications
18	3	0.01	9,428,676.22	0.52	Finance and insurance activities
19	6	0.02	9,230,058.76	0.51	Manufacturing
20	1	0.00	9,000,000.00	0.50	Manufacturing
Other 24,984	25,925	99.87	1,581,308,088.57	87.39	
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>	

None of the debtor economic groups of the Preliminary Portfolio exceeds 1.00% of the Pending Principal at October 23, 2013. Furthermore the twenty largest debtors make up 12.61% of the Pending Principal of the Preliminary Portfolio.

The Assignor has no information regarding the existence of financial ratios in the Loans and the Credit Lines.

The twenty largest economic groups make up 67% of the Reserve Fund paid out on the Incorporation Date (€340,000,000).

#### d) Distribution of Loans and Credit Lines by purpose

The table below reflects the distribution by purpose of the Loans and Credit Lines included in the Preliminary Portfolio:



Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification according to the purpose of the Loan or Credit Facility				
Purpose	Loans		Outstanding principal	
	number	%	euros	%
ACQUISITION OF REAL ESTATE	101	0.39	9,837,707.17	0.54
ACQUISITION OF RURAL AND URBAN PROPERTY, LAND AND PLOTS	332	1.28	14,990,081.22	0.83
ACQUISITION OF MACHINERY AND TOOLS	680	2.62	60,803,704.93	3.36
PROPERTY CONSTRUCTION	8	0.03	4,935,416.71	0.27
FUNDING OF FINANCIAL ACTIVITIES	18,596	71.64	1,260,044,108.02	69.64
WORKING CAPITAL FINANCING	3,153	12.15	328,589,396.71	18.16
FACILITY IMPROVEMENTS	1,573	6.06	103,323,086.20	5.71
REFINANCING	1,515	5.84	26,927,311.32	1.49
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>

The Assets granted for the purpose of Refinancing correspond to Loans or Credit Lines that the Bank grants to its clients for the reunification of their debts with the Bank, without any of these being in situations of insolvency at the time of reunification of the debts.

**e) Maximum, minimum and average values of outstanding principal on the Loans and Credit Lines.**

The following tables provide a breakdown (i) by outstanding principal on the Loans in the Preliminary Portfolio, and (ii) in the case of Credit Lines, their balances drawn.

The following table shows the detail of the Loans.

Portfolio of Loans to SMEs at October 23, 2013						
Outstanding amount						
Outstanding amount interval			Loans		Outstanding principal	
			number	%	euros	%
0,00	-	100,000	15,163	92.28	226,103,457.90	22.90
100,000.00	-	200,000	521	3.17	72,006,904.86	7.29
200,000.00	-	300,000	215	1.31	50,799,109.75	5.14
300,000.00	-	400,000	129	0.79	42,932,256.25	4.35
400,000.00	-	500,000	89	0.54	38,947,866.98	3.94
500,000.00	-	600,000	56	0.34	28,485,937.72	2.88
600,000.00	-	700,000	36	0.22	22,739,394.58	2.30
700,000.00	-	800,000	28	0.17	20,522,470.44	2.08
800,000.00	-	900,000	18	0.11	15,098,075.32	1.53
900,000.00	-	1,000,000	15	0.09	13,875,542.94	1.41
1,000,000.00	-	1,100,000	35	0.21	35,093,567.62	3.55
1,100,000.00	-	1,200,000	5	0.03	5,791,838.89	0.59
1,200,000.00	-	1,300,000	6	0.04	7,387,762.55	0.75
1,300,000.00	-	1,400,000	16	0.10	21,360,797.53	2.16
1,400,000.00	-	1,500,000	5	0.03	7,065,390.56	0.72
1,500,000.00	-	1,600,000	9	0.05	13,627,040.63	1.38
1,600,000.00	-	1,700,000	4	0.02	6,595,884.14	0.67

Portfolio of Loans to SMEs at October 23, 2013					
Outstanding amount					
Outstanding amount interval	Loans		Outstanding principal		
	number	%	euros	%	
1,700,000.00 - 1,800,000	9	0.05	15,754,356.20	1.60	
1,800,000.00 - 1,900,000	2	0.01	3,634,623.52	0.37	
1,900,000.00 - 2,000,000	1	0.01	1,900,000.00	0.19	
2,000,000.00 - 15,125,606	70	0.43	337,820,238.10	34.21	
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>987,542,516.48</b>	<b>100.00</b>	
<b>Average:</b>			<b>60,098.74</b>		
<b>Minimum:</b>			<b>38.35</b>		
<b>Maximum:</b>			<b>13,018,180.00</b>		

The following table contains the balances drawn on the Credit Lines included in the Preliminary Portfolio.

Portfolio of Credit Lines to SMEs at October 23, 2013					
Amount drawn					
Drawn amount interval	Credit Lines		Principal drawn		
	number	%	euros	%	
0.00 - 100,000	8,188	85.95	197,736,909.57	24.06	
100,000.00 - 200,000	795	8.35	114,256,036.25	13.90	
200,000.00 - 300,000	193	2.03	48,825,049.42	5.94	
300,000.00 - 400,000	76	0.80	26,829,974.61	3.26	
400,000.00 - 500,000	71	0.75	32,329,340.04	3.93	
500,000.00 - 600,000	35	0.37	19,132,143.06	2.33	
600,000.00 - 700,000	18	0.19	11,589,067.72	1.41	
700,000.00 - 800,000	16	0.17	11,932,681.45	1.45	
800,000.00 - 900,000	15	0.16	12,871,847.21	1.57	
900,000.00 - 1,000,000	15	0.16	14,387,613.44	1.75	
1,000,000.00 - 1,100,000	9	0.09	9,434,340.30	1.15	
1,100,000.00 - 1,200,000	5	0.05	5,815,493.78	0.71	
1,200,000.00 - 1,300,000	2	0.02	2,519,301.30	0.31	
1,300,000.00 - 1,400,000	7	0.07	9,570,876.52	1.16	
1,400,000.00 - 1,500,000	7	0.07	10,330,240.17	1.26	
1,500,000.00 - 1,600,000	5	0.05	7,801,944.59	0.95	
1,600,000.00 - 1,700,000	7	0.07	11,487,226.00	1.40	
1,700,000.00 - 1,800,000	3	0.03	5,274,915.96	0.64	
1,800,000.00 - 1,900,000	2	0.02	3,716,922.97	0.45	
1,900,000.00 - 2,000,000	12	0.13	23,574,625.98	2.87	
2,000,000.00 - 15,125,606	45	0.47	242,491,745.46	29.50	
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>821,908,295.80</b>	<b>100.00</b>	
<b>Average:</b>			<b>86,280.53</b>		
<b>Minimum:</b>			<b>0.00</b>		
<b>Maximum:</b>			<b>15,125,616.19</b>		

f) **Maximum, minimum and average values of the initial amounts of the Loans and Credit Lines**

The following table contains the initial amounts of the Loans included in the Preliminary Portfolio.

<b>Portfolio of Loans to SMEs at October 23, 2013</b>					
<b>Initial amount</b>					
<b>Initial amount interval</b>	<b>Loans</b>		<b>Initial principal</b>		
	<b>number</b>	<b>%</b>	<b>euros</b>	<b>%</b>	
0.00 - 100,000	14,897	90.66	276,563,901.62	22.50	
100,000.00 - 200,000	645	3.93	79,597,054.34	6.48	
200,000.00 - 300,000	264	1.61	58,870,994.63	4.79	
300,000.00 - 400,000	134	0.82	42,384,451.25	3.45	
400,000.00 - 500,000	71	0.43	29,729,549.85	2.42	
500,000.00 - 600,000	109	0.66	55,001,617.02	4.48	
600,000.00 - 700,000	27	0.16	16,764,600.00	1.36	
700,000.00 - 800,000	18	0.11	12,989,288.00	1.06	
800,000.00 - 900,000	12	0.07	10,018,062.00	0.82	
900,000.00 - 1,000,000	12	0.07	11,043,250.00	0.90	
1,000,000.00 - 1,100,000	79	0.48	79,096,758.00	6.44	
1,100,000.00 - 1,200,000	2	0.01	2,220,000.00	0.18	
1,200,000.00 - 1,300,000	8	0.05	9,774,004.50	0.80	
1,300,000.00 - 1,400,000	10	0.06	13,372,072.17	1.09	
1,400,000.00 - 1,500,000	7	0.04	10,053,100.00	0.82	
1,500,000.00 - 1,600,000	29	0.18	43,550,000.00	3.54	
1,700,000.00 - 1,800,000	2	0.01	3,484,062.00	0.28	
1,800,000.00 - 1,900,000	2	0.01	3,600,000.00	0.29	
1,900,000.00 - 2,000,000	1	0.01	1,900,000.00	0.15	
2,000,000.00 - 15,126,606	103	0.63	468,933,641.04	38.16	
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>1,228,946,406.42</b>	<b>100.00</b>	
<b>Average:</b>			<b>74,789.83</b>		
<b>Minimum:</b>			<b>309.57</b>		
<b>Maximum:</b>			<b>15,000,000.00</b>		

The following table contains the maximum amounts available on the Credit Lines included in the Preliminary Portfolio reflected in the policies or deeds.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013						
Initial amount						
Initial amount interval	Credit Lines		Initial principal			
	number	%	euros	%		
0.00 - 100,000	7,198	75.56	227,574,425.13	15.95		
100,000.00 - 200,000	1,279	13.43	167,481,871.48	11.74		
200,000.00 - 300,000	380	3.99	82,541,832.35	5.79		
300,000.00 - 400,000	190	1.99	58,970,306.05	4.13		
400,000.00 - 500,000	56	0.59	23,113,582.47	1.62		
500,000.00 - 600,000	109	1.14	54,883,500.00	3.85		
600,000.00 - 700,000	47	0.49	28,296,012.00	1.98		
700,000.00 - 800,000	21	0.22	15,390,000.00	1.08		
800,000.00 - 900,000	6	0.06	4,800,000.00	0.34		
900,000.00 - 1,000,000	11	0.12	10,005,000.00	0.70		
1,000,000.00 - 1,100,000	72	0.76	72,075,000.00	5.05		
1,100,000.00 - 1,200,000	3	0.03	3,300,000.00	0.23		
1,200,000.00 - 1,300,000	8	0.08	9,720,000.00	0.68		
1,300,000.00 - 1,400,000	2	0.02	2,600,000.00	0.18		
1,500,000.00 - 1,600,000	18	0.19	27,050,000.00	1.90		
1,600,000.00 - 1,700,000	2	0.02	3,225,000.00	0.23		
1,700,000.00 - 1,800,000	4	0.04	6,883,500.00	0.48		
1,800,000.00 - 1,900,000	3	0.03	5,400,000.00	0.38		
1,900,000.00 - 2,000,000	3	0.03	5,790,000.00	0.41		
2,000,000.00 - 30,000,000	114	1.20	617,618,425.10	43.29		
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>1,426,718,454.58</b>	<b>100.00</b>		
<b>Average:</b>			<b>149,770.99</b>			
<b>Minimum:</b>			<b>0.00</b>			
<b>Maximum:</b>			<b>30,000,000.00</b>			

105% of the amount of the Credit lines as at October 23, 2013 stands at 1,498,054,377.31 euros.

**g) Effective interest rate or finance charge applicable at the present time: maximum, minimum and average rates on the Loans and Credit Lines.**

The overall weighted average interest rate for the Loans and Credit Lines included in the Preliminary Portfolio is 5.19%. None of the Loans or Credit Lines has maximum or minimum interest rates. The following table shows the breakdown of the Loans by their reference indices.

Portfolio of Loans and credit lines to SMEs at October 23, 2013						
Classification by reference index						
Reference index	Credit Lines		Outstanding principal		Average weighted interest	Average weighted spread
	number	%	euros	%		
FIXED	13,332	51.36	321,366,222.27	17.76	7.22	0.00
EUR 12M	10,500	40.45	1,149,641,422.98	63.54	5.06	4.36
EUR 1M	3	0.01	10,206,707.03	0.56	3.19	3.06
EUR 3M	93	0.36	104,525,229.20	5.78	3.03	2.78
EUR 6M	1,866	7.19	193,129,909.08	10.67	4.30	2.54
Other	19	0.07	256,118.63	0.01	6.48	6.48
ICF (QUARTERLY)	4	0.02	942,093.99	0.05	0.65	0.65
ICO	136	0.52	28,630,741.16	1.58	2.49	1.41
IVF (HALF-YEARLY)	2	0.01	5,100.00	0.00	5.10	2.00
Bank credit line	1	0.00	738,319.00	0.04	1.50	1.50
X.GALICIA-IGAPE/AVAL	2	0.01	8,948.94	0.00	3.98	0.25
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>	<b>5.19</b>	<b>3.94</b>
<b>Average:</b>					<b>8.41</b>	<b>5.74</b>
<b>Minimum:</b>					<b>0.32</b>	<b>0.00</b>
<b>Maximum:</b>					<b>22.00</b>	<b>18.50</b>

The following table shows a breakdown of the Loans and Credit Lines by the current nominal interest rate.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013						
Classification by nominal interest rate						
Nominal interest	Loans		Outstanding principal		Average weighted interest	
	number	%	euros	%		
0.00 - 1.00	37	0.14	7,605,713.76	0.42	0.80	
1.00 - 2.00	134	0.52	51,226,650.35	2.83	1.25	
2.00 - 3.00	443	1.71	175,545,642.07	9.70	2.68	
3.00 - 4.00	1,076	4.15	408,074,695.34	22.55	3.63	
4.00 - 5.00	2,342	9.02	376,794,662.16	20.82	4.43	
5.00 - 6.00	2,354	9.07	177,440,216.01	9.81	5.34	
6.00 - 7.00	3,418	13.17	273,741,709.36	15.13	6.45	
7.00 - 8.00	3,367	12.97	150,256,098.32	8.30	7.56	
8.00 - 9.00	3,024	11.65	67,944,417.87	3.75	8.39	
9.00 - 10.00	4,263	16.42	79,691,081.38	4.40	9.06	
10.00 - 11.00	873	3.36	8,436,689.42	0.47	10.41	
11.00 - 12.00	658	2.53	5,995,076.23	0.33	11.37	
12.00 - 13.00	277	1.07	3,080,627.95	0.17	12.41	
13.00 - 14.00	211	0.81	1,661,537.92	0.09	13.29	
14.00 - 15.00	403	1.55	2,908,035.27	0.16	14.33	
15.00 - 16.00	1,548	5.96	9,656,546.91	0.53	15.40	
16.00 - 17.00	1,271	4.90	7,870,925.14	0.43	16.04	
17.00 - 18.00	132	0.51	812,933.29	0.04	17.36	
18.00 - 19.00	18	0.07	91,258.23	0.01	18.09	

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013						
Classification by nominal interest rate						
Nominal interest	Loans		Outstanding principal		Average weighted interest	
	number	%	euros	%		
19.00 - 20.00	97	0.37	558,429.03	0.03	19.47	
20.00 - 21.00	11	0.04	54,950.28	0.00	20.14	
22.00 - 23.00	1	0.00	2,915.99	0.00	22.00	
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>		
<b>Average:</b>					<b>8.41</b>	
<b>Minimum:</b>					<b>0.32</b>	
<b>Maximum:</b>					<b>22.00</b>	
<b>Weighted average:</b>					<b>5.19</b>	

The Loans and Credit Lines will accrue interest at a fixed rate or variable rate pegged to a market index, without there ever being any floor or ceiling on the applicable interest rate.

**h) Year of execution of the Loans and Credit Lines**

The following table shows the distribution of the Loans in the Preliminary Portfolio by year of execution or origination.

Portfolio of Loans to SMEs at October 23, 2013						
Classification by Loan origination date						
Origination date	Loans		Outstanding principal		Weighted origination date	
	number	%	euros	%		
01/10/2008 - /31/2008	1,255	7.64	62,952,396.62	6.37	05/06/2007	78.70
12/31/2008 - /30/2009	601	3.66	9,766,043.55	0.99	05/08/2009	54.28
06/30/2009 - /31/2009	376	2.29	17,351,239.58	1.76	09/05/2009	50.29
12/31/2009 - /30/2010	327	1.99	6,338,106.10	0.64	03/24/2010	43.63
06/30/2010 - /31/2010	315	1.92	3,523,259.26	0.36	10/08/2010	37.01
12/31/2010 - /30/2011	677	4.12	16,235,190.42	1.64	02/10/2011	32.84
06/30/2011 - /31/2011	667	4.06	65,287,075.01	6.61	11/04/2011	23.94
12/31/2011 - /30/2012	1,243	7.56	75,263,374.07	7.62	05/07/2012	17.77
06/30/2012 - /31/2012	2,225	13.54	193,137,398.56	19.56	09/30/2012	12.92
12/31/2012 - /30/2013	7,251	44.13	384,098,339.62	38.89	04/23/2013	6.08
06/30/2013 - /31/2013	1,495	9.10	153,590,093.69	15.55	07/26/2013	2.95
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>987,542,516.48</b>	<b>100.00</b>		
<b>Average:</b>					<b>04/10/2012</b>	<b>18.70</b>

Portfolio of Loans to SMEs at October 23, 2013					
Classification by Loan origination date					
Origination date	Loans		Outstanding principal		Weighted origination date
	number	%	euros	%	
<b>Minimum:</b>			<b>01/10/2006</b>	<b>94.77</b>	
<b>Maximum:</b>			<b>08/30/2013</b>	<b>1.80</b>	
<b>Weighted average:</b>			<b>07/09/2012</b>	<b>15.68</b>	

The weighted average age of the Loans is 15.68 months.

The following table illustrates the distribution of the Preliminary Portfolio Credit Lines by the first formalization thereof.

Portfolio of Credit Lines to SMEs at October 23, 2013							
Classification by the First Granting of the Credit Lines							
First Formalization date	Credit Lines		Outstanding principal		Weighted origination date		
	number	%	euros	%			
07/11/1967 - 12/31/2008	1,626	17.07	281,619,435.18	34.26	04/19/2003	127.99	
12/31/2008 - 06/30/2009	283	2.97	24,584,210.04	2.99	04/07/2009	55.32	
06/30/2009 - 12/31/2009	158	1.66	10,971,442.82	1.33	09/27/2009	49.56	
12/31/2009 - 06/30/2010	317	3.33	38,124,521.66	4.64	04/24/2010	42.59	
06/30/2010 - 12/31/2010	205	2.15	17,562,504.98	2.14	09/18/2010	37.70	
12/31/2010 - 06/30/2011	689	7.23	63,430,813.95	7.72	04/14/2011	30.75	
06/30/2011 - 12/31/2011	363	3.81	40,184,411.04	4.89	10/23/2011	24.36	
12/31/2011 - 06/30/2012	1,466	15.39	101,590,564.17	12.36	03/26/2012	19.19	
06/30/2012 - 12/31/2012	467	4.90	54,530,123.89	6.63	10/20/2012	12.27	
12/31/2012 - 06/30/2013	3,078	32.31	149,962,552.87	18.25	04/16/2013	6.31	
06/30/2013 - 12/31/2013	874	9.17	39,347,715.20	4.79	07/25/2013	2.99	
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>821,908,295.80</b>	<b>100.00</b>			
<b>Average:</b>					<b>11/12/2010</b>	<b>35.85</b>	
<b>Minimum:</b>					<b>07/11/1967</b>	<b>563.53</b>	
<b>Maximum:</b>					<b>08/30/2013</b>	<b>1.80</b>	
<b>Weighted average:</b>					<b>02/16/2009</b>	<b>57.00</b>	

The average weighted age of the Credit Lines is 57.00 months from the first granting to the debtor.

The average weighted age of the Loans and Credit Lines is 33.85 months.

**i) Final maturity date**

The following table shows the breakdown of the Loans in the Preliminary Portfolio by final loan repayment date in annual intervals:

Portfolio of Loans to SMEs at October 23, 2013							
Classification by Loan Maturity Date							
Maturity date	Loans		Outstanding principal		Weighted maturity date		
	number	%	euros	%			
12/31/2012 - 12/31/2013	174	1.06	6,345,775.55	0.64	12/24/2013	2.10	
12/31/2013 - 12/31/2014	2,926	17.81	140,586,516.76	14.24	06/08/2014	7.71	
12/31/2014 - 12/31/2015	2,166	13.18	109,344,346.91	11.07	06/27/2015	20.43	
12/31/2015 - 12/31/2016	4,020	24.46	208,947,324.16	21.16	07/14/2016	33.18	
12/31/2016 - 12/31/2017	3,192	19.43	203,107,571.32	20.57	08/11/2017	46.29	
12/31/2017 - 12/31/2018	3,935	23.95	202,968,019.36	20.55	05/07/2018	55.28	
12/31/2018 - 12/31/2019	8	0.05	40,515,140.82	4.10	05/18/2019	67.79	
12/31/2019 - 12/31/2020	2	0.01	14,500,000.00	1.47	09/22/2020	84.22	
12/31/2020 - 12/31/2021	1	0.01	5,330,417.30	0.54	11/29/2021	110.80	
12/31/2021 - 12/31/2022	1	0.01	4,940,566.51	0.50	09/09/2022	120.27	
12/31/2022 - 12/31/2023	7	0.04	50,956,837.79	5.16	09/01/2023	185.24	
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>987,542,516.48</b>	<b>100.00</b>			
<b>Average:</b>					<b>08/11/2016</b>	<b>34.10</b>	
<b>Minimum:</b>					<b>12/01/2013</b>	<b>1.30</b>	
<b>Maximum:</b>					<b>05/01/2023</b>	<b>237.67</b>	
<b>Weighted average:</b>					<b>08/04/2017</b>	<b>46.05</b>	

The weighted average maturity of the Loans is 46.05 months.

The following table illustrates the distribution of the Preliminary Portfolio Credit Lines according to the final payment date thereof in annual intervals.



Portfolio of Loans and Credit Lines to SMEs at October 23, 2013							
Classification by Credit Line Maturity Date							
Maturity date	Loans		Outstanding principal		Weighted maturity date		
	number	%	euros	%			
12/31/2012 - 12/31/2013	683	7.17	92,182,939.05	11.22	12/20/2013	1.96	
12/31/2013 - 12/31/2014	8,793	92.31	645,430,091.48	78.53	05/03/2014	6.41	
12/31/2014 - 12/31/2015	37	0.39	53,542,169.75	6.51	04/25/2015	18.30	
12/31/2015 - 12/31/2016	13	0.14	30,753,095.52	3.74	06/26/2016	32.59	
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>821,908,295.80</b>	<b>100.00</b>			
<b>Average:</b>					<b>04/22/2014</b>	<b>6.03</b>	
<b>Minimum:</b>					<b>12/01/2013</b>	<b>1.30</b>	
<b>Maximum:</b>					<b>12/20/2016</b>	<b>38.47</b>	
<b>Weighted average:</b>					<b>06/09/2014</b>	<b>7.66</b>	

The average weighted maturity of the Credit Lines is 7.66 months.

The average weighted maturity of the Loans and Credit Lines is 28.62 months.

**j) Distribution by economic activity (Spanish national economic activity classification, or CNAE) of the Debtors.**

The table below shows the distribution of the Loans and Credit Lines by economic activity (CNAE), performed according to the new distribution valid since January 2009.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by Business Activity				
Index by Business Activity	Loans		Outstanding principal	
	number	%	euros	%
Self-employed individuals	14,351	55.29	202,227,651.11	11.18
Administrative and ancillary service activities	358	1.38	47,833,416.51	2.64
Artistic, recreational and entertainment activities	196	0.76	31,015,577.78	1.71
Activities for households such as employers of domestic personnel, producers of goods and services for own use	5	0.02	212,552.20	0.01
Finance and insurance activities	107	0.41	87,124,213.84	4.81
Real estate activities	220	0.85	143,433,059.66	7.93
Professional, scientific and technological activities	893	3.44	100,105,941.54	5.53
Healthcare activities and social services	241	0.93	19,331,641.04	1.07
Public administration and defense; Mandatory social security	1	0.00	22,955.43	0.00
Agriculture, livestock, forestry and fisheries	529	2.04	97,294,040.74	5.38
Wholesale and retail trade, and motor vehicle and motorcycle repair	4,115	15.85	327,219,354.60	18.08
Construction	343	1.32	39,995,001.52	2.21
Education	145	0.56	6,602,862.31	0.36
Hospitality	666	2.57	63,861,683.74	3.53
Manufacturing	2,333	8.99	452,474,009.97	25.01
Extractive industries	39	0.15	13,582,519.44	0.75
IT and communications	360	1.39	37,387,989.37	2.07
Other services	288	1.11	21,078,666.63	1.16
Supply of water, water treatment, waste and decontamination management	67	0.26	5,585,494.70	0.31
Supply of electricity, gas, steam and air conditioning	88	0.34	16,674,804.07	0.92
Transport and storage	613	2.36	96,387,376.08	5.33
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>

Of the Loans and Credit Lines selected for assignment of the Assets to the Fund upon incorporation, the debtors whose CNAE activity represents a larger concentration are those belonging to the following categories:

- “*Manufacturing*”, with outstanding principal of €452,474,009.97, equivalent to 25.01% of the total Preliminary Portfolio;
- “*Wholesale and retail trade, and motor vehicle and motorcycle repair*” with outstanding principal of €327,219,354.60, equivalent to 18.08% of the total Preliminary Portfolio; and
- “*Real estate activities*”, with an outstanding principal of €143,433,059.66, equivalent to 7.93% of the total Preliminary Portfolio. This heading includes 5.91% corresponding to “*Rental and sale of real estate on own behalf*”
- “*Financial and insurance activities*” with outstanding principal of €87,124,213.84, equivalent to 4.81% of the total Preliminary Portfolio. This heading includes “*Activities in Holding Companies*”, “*Mediation activities in transactions with*

*securities and other assets*” and “Other auxiliary financial service activities, except insurance and pension funds”, equivalent to 4.40%, 0.31% and 0.10% of the total Preliminary Portfolio, respectively.

- *The Preliminary Portfolio* contains €202,227,651.11, equivalent to 11.18% of the total, granted to Self-Employed individuals whose economic activity is not known.

The Preliminary Portfolio does not contain any Loans granted to financial corporations (excluded by the European Central Bank as eligible collateral for the issuance of the Bonds).

**k) Indication of geographic breakdown by Autonomous Community.**

The following table shows the geographic breakdown of the Preliminary Portfolio in Spain (broken down by Autonomous Community in which the registered addresses of the Debtors are located).

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by Autonomous Community				
Autonomous Community	Credit Rights		Outstanding principal	
	number	%	euros	%
Andalusia	4,086	15.74	203,802,457.16	11.26
Aragon	899	3.46	62,571,224.65	3.46
Asturias	442	1.70	37,127,672.34	2.05
Balearic Islands	588	2.27	29,477,890.94	1.63
Canary Islands	1,638	6.31	70,755,152.40	3.91
Cantabria	871	3.36	35,740,823.85	1.98
Castile-La Mancha	1,180	4.55	51,579,291.31	2.85
Castile-Leon	1,691	6.51	83,815,743.87	4.63
Catalonia	4,017	15.47	403,943,222.93	22.32
Ceuta	23	0.09	686,325.25	0.04
Extremadura	670	2.58	22,856,394.99	1.26
Galicia	1,580	6.09	82,963,966.81	4.59
La Rioja	205	0.79	11,707,083.72	0.65
Madrid	4,231	16.30	360,264,284.76	19.91
Meiilla	31	0.12	351,887.44	0.02
Murcia	524	2.02	45,555,713.87	2.52
Navarra	228	0.88	13,012,822.54	0.72
Basque Country	877	3.38	107,156,231.02	5.92
Valencia	2,177	8.39	186,082,622.43	10.28
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>

**l) Default on the Preliminary Portfolio**

None of the Assets to be assigned to the Fund will present outstanding payments on the respective transfer date, and neither will the overlimits be assigned.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by days in default				
Days in default	Credit Rights		Outstanding principal	
	number	%	euros	%
Up to date with payments	25,689	98.96	1,799,242,014.21	99.44
0 - 5	269	1.04	10,208,798.07	0.56
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>

m) **Frequency of payments**

The table below shows the distribution of Loans of the Preliminary Portfolio by the frequency of payments of principal and/or interest (only interest in the case of Loans with repayment on maturity).

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013				
Classification by Loan payment frequency				
Payment frequency	Loans		Outstanding principal	
	number	%	euros	%
YEARLY	23	0.14	2,672,163.21	0.27
MONTHLY	15,805	96.18	687,613,039.35	69.63
HALF YEARLY	64	0.39	57,505,049.64	5.82
QUARTERLY	540	3.29	239,752,264.28	24.28
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>987,542,516.48</b>	<b>100.00</b>

The following table illustrates the distribution of the Credit Lines of the Preliminary Portfolio, according to the frequency in the payment of interest:

Portfolio of Loans to SMEs at October 23, 2013				
Classification by Credit Line payment frequency				
Payment frequency	Loans		Outstanding principal	
	number	%	euros	%
YEARLY	3	0.03	333,476.78	0.04
MONTHLY	6	0.06	13,254,396.88	1.61
QUARTERLY	9,517	99.91	808,320,422.14	98.35
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>821,908,295.80</b>	<b>100.00</b>

n) **Grace Period**

The following charts show the Loans in the Preliminary Portfolio that have a grace period for the repayment of principal. Loans with a grace period are those on which no payments are to be made on the principal for a given period of time. Once this period has ended, the principal is repaid periodically. Under the terms of their respective contracts, the Debtors cannot demand a grace period in addition to the initial grace period.

The table below details the year in which the grace period of the Loans ends:

Portfolio of Loans to SMEs at October 23, 2013						
Classification by Year the grace period of the loans ends						
Grace period	Loans		Outstanding principal		Weighted grace period	
	number	%	euros	%		
No grace period	16,026	97.53	885,203,434.09	89.64		
2013	1	0.36	21,028,170.81	2.13	11/21/2013	1.00
2014	341	2.08	78,395,911.58	7.94	05/17/2014	6.89
2015	3	0.02	1,455,000.00	0.15	06/11/2015	19.88
2016	2	0.01	1,200,000.00	0.12	05/23/2016	31.45
2017	1	0.01	260,000.00	0.03	06/27/2017	44.77
<b>Total</b>	<b>16,432</b>	<b>100.00</b>	<b>987,542,516.48</b>	<b>100</b>		
<b>Average:</b>					<b>04/24/2014</b>	<b>6.10</b>
<b>Minimum:</b>					<b>10/24/2013</b>	<b>0.03</b>
<b>Maximum:</b>					<b>06/27/2016</b>	<b>44.77</b>
<b>Weighted average:</b>					<b>04/28/2014</b>	<b>6.25</b>

**o) Repayment system**

The Credit Lines do not have a pre-determined schedule for the repayment of the principal. The table below shows loans the loan repayment system:

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013					
Classification according to repayment date					
Repayment	Credit Rights		Outstanding Principal		
	number	%	euros	%	
Bullet	10	0.04	6,041,000.00	0.33	
French	16,422	63.26	981,501,516.48	54.24	
Credit Lines	9,526	36.70	821,908,295.80	45.42	
<b>Total</b>	<b>25,958</b>	<b>100.00</b>	<b>1,809,450,812.28</b>	<b>100.00</b>	

**p) Appraisal value**

The table below shows the distribution of the mortgage-backed Loans in their various intervals:

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013						
Classification by the Loan to Value (LTV) ratio of the outstanding principal						
LTV Interval	Loans		Outstanding principal		Weighted LTV	
	number	%	euros	%		
60 - 70	1	4.00	91,666.69	0.18	66.67	
70 - 80	9	36.00	38,573,564.77	75.08	75.74	
80 - 90	5	20.00	5,517,211.66	10.74	85.90	
90 - 100	3	12.00	461,448.61	0.90	91.37	
100 - 110	3	12.00	5,633,750.66	10.96	107.06	
110 - 120	2	8.00	696,377.04	1.36	115.58	
120 - 130	2	8.00	405,747.77	0.79	123.82	
<b>Total</b>	<b>25</b>	<b>100.00</b>	<b>51,379,767.20</b>	<b>100.00</b>	<b>81.31</b>	
<b>Average:</b>					<b>88.80</b>	
<b>Minimum:</b>					<b>66.67</b>	
<b>Maximum:</b>					<b>125.43</b>	

2.84% of the outstanding principal of the assigned portfolio are mortgage-backed loans, of which 24.75% (which represents 0.70% of the total outstanding principal of the portfolio at October 23, 2013) has a ratio, expressed as a percentage between the outstanding principal and the appraisal value (Loan to Value, or LTV) of over 80%, with the weighted average LTV being 81.31%.

For the preparation of the above table, and therefore for the purpose of determining the denominator of the ratio, the appraised value of all the guarantees assigned to the funding operations have been taken into account.

The securities of the Mortgage Loans consist of a first mortgage over a freehold mortgaged property or, if applicable, of a lower level although Santander has documents relating to the cancellation of debts originated by the previous mortgages and the process of cancelling their registration is pending.

**q) Ratio of balances drawn and maximum limits the Credit Lines policies or agreements**

The following table illustrates the distribution between the balances drawn and the maximum limits available on the Credit Lines in their various intervals.

Portfolio of Loans and Credit Lines to SMEs at October 23, 2013							
Ratio of the amount drawn down to the Credit Line maximum limit							
Initial amount interval	Credit Lines		Principal drawn down		Weighted ratio		
	number	%	euros	%			
0 - 10	1,412	14.82	2,466,070.04	0.30	4.75		
10 - 20	332	3.49	10,554,050.80	1.28	14.64		
20 - 30	357	3.75	21,888,414.48	2.66	24.25		
30 - 40	373	3.92	21,786,138.35	2.65	35.48		
40 - 50	513	5.39	26,181,142.00	3.19	45.59		
50 - 60	583	6.12	30,085,081.60	3.66	55.73		
60 - 70	662	6.95	62,592,175.64	7.62	65.61		
70 - 80	817	8.58	106,579,758.23	12.97	75.55		
80 - 90	1,150	12.07	156,657,211.66	19.06	85.17		
90 - 100	2,941	30.87	346,860,975.63	42.20	97.19		
100 - 110	386	4.05	36,257,277.37	4.41	101.25		
<b>Total</b>	<b>9,526</b>	<b>100.00</b>	<b>821,908,295.80</b>	<b>100.00</b>	<b>81.79</b>		
<b>Average:</b>			<b>64.14</b>				
<b>Minimum:</b>			<b>0.00</b>				
<b>Maximum:</b>			<b>155.95</b>				

4.05% of the amounts drawn on the Credit Lines are in excess of 100%, with the maximum overlimit percentage being 155.95%.

At the Date of Incorporation of the Fund, Credit Lines in excess of 100% will not be transferred.

### 2.2.3 Legal nature of the Assets.

The Assets to be securitized through transfer to the Fund are credit rights arising from Loans and Credit Lines granted by Santander.

The Assets are classified, on the basis of the associated collateral, as: (i) Non-Mortgage Loans and Credit Lines without specific collateral (secured with a personal guarantee of the debtor), (ii) Non-Mortgage Loans and Credit Lines without specific collateral, with personal third-party guarantee (surety) (iii) Non-Mortgage Loans and Credit Lines with real guarantee (other than a real estate mortgage), and (iv) Real Estate Mortgages (with real estate mortgage guarantee).

The transfer of the Assets deriving from the Non-Mortgage Loans and Assets deriving from Quantities Drawn on the Credit Lines is governed by the laws of Spain with nationwide application, i.e. articles 1,526 et seq. of the Spanish Civil Code.

With regard to the transfer of the Assets deriving from Mortgage Loans, the laws of Spain with nationwide application naturally apply to the transfer, which is to be effected through

the issuance by Santander of the MTCs (each representing a one hundred per cent (100%) interest in the outstanding balance of the Assets deriving from the Mortgage Loans to which they pertain), which will be fully subscribed by the Fund in accordance with Additional Provision 5 of Law 3/1994; Law 2/1981, of March 25, on the regulation of the mortgage market; Royal Decree 716/2009, of April 24; and other regulations in force from time to time and applicable to the transferability and acquisition of mortgage market securities. The issuance, representation, transferability and filing of the MTC are explained under section 3.3.1.b) of this Additional Building Block.

#### **2.2.4 Maturity date(s) of the Assets.**

Each of the selected Loans and Credit Lines has a maturity date, without prejudice to partial periodical repayments of the Loans, in accordance with the specific terms and conditions of each.

At any point during the life of the Loans and Credit Lines, the Debtors may make early repayments of all or part of the outstanding principal, thus preventing interest from accruing on the portion repaid early from the date on which the repayment is made.

All of the Loans and Credit Lines have a maturity date prior to May 1, 2033 (the “**Final Maturity Date of the Fund**”).

#### **2.2.5 Amount of the Assets.**

The Fund will comprise the Assets that Santander is to transfer to the Fund on the Incorporation Date, the principal of which will be equal or slightly higher than ONE BILLION SEVEN HUNDRED MILLION EUROS (€1,700,000,000).

#### **2.2.6 Loan to value ratio or level of overcollateralization.**

There is no overcollateralization in the Fund.

#### **2.2.7 Description of the procedures established by Santander for the granting of loans and credit facilities to the corporate segment (“Loan Granting Policy”) and claims and recoveries procedure.**

The Assets granted in the fiscal years 2012 and 2013 equivalent to a percentage of 23% and 40% respectively of the Outstanding Balance of the Assets as at October 23, 2013, have followed the procedures established by Santander for the granting of Loans and Credit Lines to the corporate segment (“**Granting Policy**”). Notwithstanding the foregoing, the rest of the Loans have followed risk policies that do not differ substantially from the Granting Policy.

### **1- Granting policy.**

The current risk policy followed by Santander, in force during the financial year 2012 and for 2013 up to the present date, for granting Loans and Credit Lines to the corporate segment is as follows:

#### **a) INTRODUCTION: RISK MODEL AT SANTANDER**

The risk model is based upon the following principles:

a.1 Segmentation: each kind of risk needs to be dealt with in a different manner, according to its features (different analysis methodology, powers, systems and procedures). To accomplish this, clients are segmented in two groups:

- Companies, including microenterprises, with group risks equal to or over FIVE HUNDRED THOUSAND EUROS (€500,000). See criteria for inclusion in the portfolio.



- Remaining clients: essentially comprising companies with group risks in excess of FIVE HUNDRED THOUSAND EUROS (€500,000).
- a.2 Integrity: the risk is managed entirely from one sole area, namely the SCBRA or Spanish Commercial Banking Risk Area. Thus, the first two phases of the cycle (admission, follow-up) are managed from Risks, while the third (collection/recovery) is handled by Recoveries.
- a.3 Autonomy: the Risks function is independent from the Commercial Network, which it supports and serves by helping it to achieve its goals.

b) CRITERIA FOR INCLUSION IN THE PORTFOLIO

In order to provide individual treatment to those client risks that are flagged for individual treatment on account of their features and amounts, a cut-off is established, from which point the analysis and follow-up function is performed by “specialized” analysts. This has the following consequences:

- b.1 Clients are treated, from a risk standpoint, in the Companies Analysis Units (CAU).
- b.2 Each client is managed by an analyst that has the client included in his or her client portfolio.
- b.3 The criteria employed for including these clients in the portfolio is as follows:
- The economic-financial group (considered a risk unit) must have loans and advances with Santander subject to limits or drawn – the greater of the two- for at least FIVE HUNDRED THOUSAND EUROS (€500,000) (portfolio cut-off).
  - Within the context of an ordinary relationship with Santander, it must be possible that the economic-financial group exceeds the aforementioned cut-off amount.

c) PROCEDURE FOR PORTFOLIO INCLUSION. RISK FOR PORTFOLIO INCLUDED COMPANIES (NON-STANDARDIZED)

c.1 Risk phases

In the life of credit risk, Santander draws a distinction between three stages: admission, follow-up and collection/recovery:

1. Admission: this stage starts with the commercial manager identifying the financing needs of the client and culminates with a decision on the proposed operation. In this phase the analyst, in collaboration with the client’s commercial manager, analyzes all the risks factors that Santander can run into and together decide on whether to approve the risk within the scope of their powers, or, if exceeded, pass the matter on to a higher decision-making authority.
2. Follow-up: this stage starts with Santander and the client formalizing the risk operation up to the maturity or cancellation thereof before preceding to the Recoveries Unit. During this phase, the duty of the corresponding risk teams is to monitor changes in the credit quality of the debtor and of the collateral posted, such that the operations are repaid without loss for Santander.

3. Collection: if the maturity date of the operation arrives without ordinary repayment having occurred, the risk becomes the competency of the Recoveries Unit, whose goal, as its name suggests, is to collect everything that is owed to the entity by any legally admissible means.

c.2. Admission

As stated previously, responsibility for this phase rests with the company analyst in collaboration with the client's commercial manager. The aim is to conduct an individual analysis of the client/group so as to reach a decision on the proposed operation that minimizes the risks to be assumed by Santander.

To discharge this function properly, the analyst relies on different tasks and/or systems, of which we would highlight:

1. Visits to the client and debt limit: once or twice a year the analyst must visit the client in order to find out all the circumstances influencing the client's businesses and activities, obtain economic and financial information and request explanations when necessary, along with future investment plans, etc.

In this regard, it is advisable to distinguish whether the operation concerns a mortgage or non-mortgage loan in the documentation required by the Bank from the client/group for the purpose of analyzing the risk.

In relation to Mortgage Loans, the following documentation is requested:

- The mortgage charge attaching to the asset, the credit of which should not exceed 60% of the lower of the following two values: purchase price or appraisal value (this percentage may be higher or lower depending on the type of mortgaged asset and the credit quality of the client).
- Balance sheet for the last three fiscal years and provisional balance sheet for the year in progress.
- Declaration from the Risk Information Centre of the Bank of Spain (CIRBE, *Central de Información de Riesgos de Banco de España*).
- Annotations at the Registry of Unpaid Acceptances (RAI, *Registro de Aceptaciones Impagadas*).
- Statement detailing the assets of the guarantors.
- Forecasts are requested (financial burden, income/expenses) for the coming financial years from the client/group according to the years of the loan term up to maturity.

With respect to Non-Mortgage Loans, all of the aforementioned documentation is requested from the client except for the mortgage charge attaching to the asset.

In relation to unsecured loans, Santander requests the following:

- Balance sheets for the last three closed fiscal years and provisional balance sheet for the year in progress.
- Declaration of the assets of the client (in the case of private loans), including registry confirmation in the event that they are not up to date.
- Current CIRBE statement.
- Up-to-date log of internal and external payments (GSI, RAI, ASNEF, CIRBE, legal incidents).
- Forecasts on the future activity of the client, allowing the bank to anticipate the expected use of the funds.

With respect to Loans with a personal guarantee from third parties: in addition to the documentation required for unsecured loans, the following must be provided in relation to each of the guarantors:

- Declaration of assets, including current registry verifications.
- Current economic data (balance sheets for the last three closed fiscal years and provisional balance sheet for the year in progress for companies and income tax and wealth tax returns for natural persons).
- Current CIRBE statement.
- Up-to-date log of internal and external payments (GSI, RAI, ASNEF, CIRBE, legal incidents).

In relation to Loans with other in rem collateral (not mortgages): in addition to the documentation required for unsecured loans, the following must be provided on each of the assets securing the operation:

- In the case of monetary guarantees, a custody and valuation certificate must be obtained. If these guarantees are deposited with Santander, this will not be necessary as they can be consulted via the Bank's own IT system.
- For other in rem guarantees (fixed-income securities, equities, holdings in funds, etc.), a custody certificate and estimate of their market value must be obtained.
- In all cases, these types of guarantees must be pledged in order to ensure repayment of the loan extended.

In relation to the maximum debt permitted by Santander, a difference is made between debt of the firm itself and debt with respect to the CIRBE:

- Debt of the firm itself: with respect to the amount of the approved loan, debt may not exceed 60% of equity, and capital assigned may not exceed twice the amount of operating earnings.
- Debt with respect to the CIRBE: in general, it may not be higher than 25% of the debt presented by the company at the CIRBE.

2. Rating: by valuing six (6) areas, namely 1) Product, Demand, Market; 2) Shareholders, Management; 3) Access to Borrowing (valuation of the company's ability to access borrowing with other financial entities); 4) Profitability, Profit; 5) Generating funds; and 6) Solvency, the Bank is able to classify the credit quality of the client, the operation under analysis and the combined risk thereof. This valuation system constitutes a common framework and language in treating and managing risk over the different stages and at different levels of responsibility.

- Client rating: expresses numerically, on a scale of 1-9 (with 9 being the best), the client's ability to meet its payment commitments upon maturity of the instrument, or early if required by Santander for any reason, in at least the following twelve (12) months.
- Transaction rating: determines the loss that will probably occur in a current transaction or on assigning a specific rating to the client. Accordingly, this rating depends upon: the client's rating, the term of the transaction, the existing collateral and the type/format of product/risk.
- Risk rating: this tells us the expected loss from the total risk of a client. There are also other specific rating systems for real estate developers and public institutions.

3. Powers: in approving the proposed risk for a client/group, there are different levels of decision-making, depending on the amount, the term and the collateral of the operation. The highest level is the Executive Risks Committee, which apart from deciding on operations that fall within its remit, delegates decision-making up to certain amounts and durations on other bodies. These other bodies are: 1) Delegated Risks Committee, 2) Risks Committee of the Credit Risks Division and 3) Committees of the Territorial Risk Units.

The Territorial Risk Committee is the supreme decision-making authority at territorial level. It can delegate decision-making powers upon its risk teams (analysts, BAU manager, etc.). For transactions that exceed the limits assigned to the Territorial Risk Committee, the committee will pass the matter to the Credit Risks Division.

The Risks Committee attached to the Credit Risks Division reaches decisions within the scope of its assigned powers. If the amount it is authorized to decide on is exceeded, the committee passes the risk up to the Executive Risks Committee for final approval.

The risk approval bodies are as follows, from lowest to highest decision-making power:

- Analyst
- Manager of the BAU (Business Analysis Unit)
- Risks Committee
- Territorial Risks Committee
- Committee attached to the Credit Risks Division
- Delegated Risks Committee
- Executive Risks Committee

The Executive Risks Committee, which includes the President and board members of Santander, is considered the supreme body for approving the proposed risk and meets once per week. Although its powers are unlimited, its decisions must be reached jointly.

### c.3 Follow-up

As with the preceding phase (admission), here coordination between commercial management and risk management is essential, all the more so when success of the transaction depends largely on the evolution of the client's credit quality during the life of the operation. During this stage, there are also a series of tasks and systems that allow for optimum management of the phase.

1. Companies under Special Surveillance (FEVE in Spanish): this risk management system displays and monitors the credit quality of the client and its operations. The client analysis conducted initially between the admission analyst and the follow-up analyst allows us to classify it as normal or flag it for special surveillance. When the company is flagged for special surveillance, the policy to be followed and the associated risks must be indicated. Different rating levels are assigned, depending on the severity of the alerts.

FEVE alerts are as follows:

- Bad situation affecting the market/product/sector.
- Difficulties/changes in financial group/shareholding.
- High debt.
- Drop in sales.
- Losses in the current financial year.
- Decrease in margins.
- Negative working capital.
- Drop in solvency.
- Lack of access to credit.
- Financial economic information not updated.
- Rating suspended.
- Incorrect formalization of the transaction.

- Internal alerts (unpaid or irregular items).
- External alerts (CIRBE, RAI, claims).
- Automatic activation (exit from pre-litigious stage and entry into litigious, Rating below 5).

The policy or criteria to be followed from this moment forward will be one of those detailed below, depending on the FEVE severity:

- FEVE situation: ELIMINATE: eliminate all kinds of risk.
- FEVE situation: GUARANTEE: provide collateral with *in rem* or personal guarantees, or reinforce by other means.
- FEVE situation: REDUCE: reduce short- or long-term risk.
- FEVE situation: CONTINUE: do not increase risks, or treat as normal.

2. Rating: the system for valuing companies is as described above (common throughout all of Santander and applicable to any risk stage) according to which a follow up is performed over the whole life of the Loan. For such purpose, the following criteria have been established for reviewing the rating:

- Twice a year, in all cases.
- Four times a year, if the client is under FEVE (special surveillance).
- When an alert arises.
- When new information is provided (for example, new annual accounts).
- When the risk is reviewed with a client/group or a new transaction studied.

Please note however that there are also specific rating systems for companies engaged in real estate development and public institutions.

3. Risk review: in addition to the periodical reviews conducted by the admission analyst and the follow-up analyst within the territorial units, reviews are carried out by other higher bodies, according to the risk amount assumed with the client/group. These reviews are carried out by the Risk Departments of the Territorial Units – Credit Risks Division or Executive Risks Committee. In all cases, the commercial manager of the client is involved in the decision on the risks policy to be followed with the client/group.

D) RISK ANALYSIS PROCEDURE FOR COMPANIES NOT INCLUDED IN THE PORTFOLIO (STANDARDIZED)

D1 Introduction:

This section includes “Standardized Companies”, meaning all the risk operations of the entire Spanish commercial banking system corresponding to legal entities not assigned to a specific analyst (“portfolio-excluded”).

The generic threshold for inclusion in the portfolio is 500,000 euros of risk within the Bank.

D2 Application for transactions:

Admission of transactions within the portfolio of Standardized Companies can begin upon the request of the client via a risk application submitted at a Bank branch (Universal or Corporate Banking), or upon the request of the Bank as part of the relevant campaigns for “Pre-Awarded” products.

In the former case, it is the Bank’s sales force that creates the relationship with the various target companies. In this case, the request for risk operations begins with the collection of data and entry thereof into the systems authorized for this purpose. This data must invariably come from original documentation.

In this case, a risk application begins via the Partenón proposal system or the Motivator proposal system. The application contains the details of the request and the economic data of the applicant firm, recording this in the business analysis system (SAPE). The proposal thus recorded is automatically analyzed through the “StrategyWare” application, together with data extracted from the other information systems: personal accounts, external files (RAI, ASNEF and EXPERIAN), the position of the firm and group, incident management and follow-up (GSI) and TRIAD output files.

The branch is ultimately responsible for deciding on the operation, and may reject it when it considers this appropriate. In other words, operations recommended by the automatic decision-making system will require the commercial authorization needed to formalize them.

“StrategyWare” integrates the management of risk decision strategies in the portfolio-excluded natural person and companies segment (small and medium-sized enterprises, businesses and freelancers), allowing the use of different scoring models as well as the incorporation of risk policies and criteria, applied differently according to the characteristics of the operations and profiles of the applicants. Each strategy is a different decision-making tree comprising a combination of decision-making models and rules focused on the automatic resolution of applications falling within each segment.

“TRIAD” is a behavior scoring system that assigns maximum limits for each product typology based on information on experience with the applicant. This information is also incorporated into the StrategyWare System (STW).

Depending on the information extracted from the Decision-Making Model, the proposal can be authorized automatically (directly at the branch), denied or referred on to an analyst for manual appraisal. In the first case, it will only be necessary to formalize and record the operation.

D.3 Capture and resolution of the transaction by the analyst:

In the vast majority of cases, the processing of operations in the portfolio of Standardized Companies begins at the branch where the finance is sought.

To process an operation, the branch must collect all the economic information on the company and record it under the corresponding section of the Business Analysis System (SAPE).

Process to be followed, requirements and minimum documentation for a risk application by the branch:

- 1) Application signed by the client.
- 2) Minimum documentation.

Company tax: where information on annual accounts is recorded: balance sheet and income statement. Information must be current. On occasion, the company's last two available balance sheets will be loaded automatically following an agreement between the Bank and Informa. In addition, the branch will be able to introduce estimated or provisional balance sheets.

- 3) It is recommended that the following also be provided:

VAT documentation for recent quarters.

Form 347. Annual declaration of operations with third parties: the information is intended purely for informative purposes and does not involve any actual payment. Clients and suppliers > €3,005.06. Also includes subsidies from public and private entities, collections on behalf of partners, advance payments from clients and suppliers/creditors. It provides us with important information on concentration levels within a particular client/supplier.

- 4) Minimum information to include in SAPE:

Incorporation date of the company.

Registered address.

Activity of the company.

Names of owners.

Information on the workforce.

Name of module on assets and date of registry verification.

#### D.4 Evaluation of Applications: SCORING System.

The admissions process for operations not managed by risk analysts is based on an automatic decision-making system called SCORING, which analyses each proposed operation to determine the probability of non-payment by the client in the future. Santander's policies establish an acceptable level of non-payment, and based on that, the Scoring system returns an opinion on the operation, differentiating between the following SCORING opinions:

Non-Viable Operations: operations presenting a high probability of non-payment on the part of the client, or when the characteristics of



the operation are not permitted under Santander's Admission Policies.

**Viable Operations:** operations for which there is a low probability of non-payment by the client and the operation profile falls within the Risk policies defined by Santander.

**Operations to Review:** operations in which the established probability of non-compliance is not decisive in reaching a decision.

Operations referred to UDO (Transaction Decision Unit) Admisión are resolved by the analysts based on the information provided by the Scoring and the Manual designed for this purpose.

#### D.5 Formalization and disbursement of loans and credit lines:

Once the operation is authorized, this is recorded in the system so that the branch can secure the relevant terms and conditions and proceed to formalize the loan, to which effect the branch will coordinate the signing of the contract with the client and the signatory notary, if any. Once this procedure is finalized, the branch will pay the amount awarded to the client into the account open at the same branch. In case of mortgage collateral, it will be noted during the signing that the collateral is to be filed with the Land Registry so as to guarantee that the mortgage is duly registered.

After formalizing the credit line the client is empowered to draw the funds up to the maximum of the total authorized limit. Within this limit, the client may draw a greater or lesser amount at its choice. At maturity it should cancel any amount drawn through that time, unless the renewal of the facility is authorized.

## **2. Claims and recovery policy**

Responsibility for the Commercial Banking recovery policies rests with the Recovery Business Area of the Commercial Banking division. Since the beginning of 2009, its functions have been as follows:

2.1 Establish the plans of action needed to control the portfolio of irregular loans and loans in default and, through forward-looking management, prevent new accounts going into default:

- Analyzing and setting out proposed actions and products designed to reduce irregularity and defaults.
- Performing and monitoring the overall follow-up for portfolios and clients in an irregular position or in default.
- Identifying action plans for critical products or groups and conducting follow-ups on the defined plans.

2.2 Control and analyses compliance with the policies and strategies defined for each party involved in the recovery process.

2.3 Coordinate and generate available information on management cycles, detailing products, segments and zones/territories, etc. for dissemination and management of the information.

2.4 Establish the policies and strategies for action of the Collection Center.

2.5 Establish the policies and strategies for external suppliers of legal and extrajudicial recovery services.

2.6 Coordinate the task of defining objectives within the branch network and monitor the extent to which these objectives are met.

2.7 Define the commercial procedure for recoveries.

2.8 Oversee relations with internal and external structures (Banco de España, internal and external audits, etc.).

Santander's policy on claims and collections is based on a procedure called "Recovery Circuit," and begins with breach by the client of its voluntary payment obligations, moving through the following stages:

#### **1. IRREGULAR STAGE (1 to 90 days):**

From the first day of non-compliance to 90 days thereafter. In this stage, the following agents cooperate in the recovery process:

Branch: via the objectives and incentives policies on the management of irregular accounts and accounts in default.

Telephone Collection Center: call centers tasked with managing specific clients and products. As a reference point, the centers manage all irregular standardized accounts from 1 to 30 days overdue and the rest of the cycle depending on the amount (client risk) determined at any given time, always as a complement to management at branch-level.

Irregular Account Managers: specific portfolios are assigned to the managers for management between 31 and 90 days after an account becomes overdue, based on the client risk determined at any given time.

Standardized Monitoring Managers: managers working in territorial units and at central services that carry out risk control and monitoring for standardized clients (standardized SMEs and freelancers).

Analysts of the Business Analysis Units (BAU): the same admission analysts that supervise "portfolio-included" firms (firms with larger investment volumes) monitor these firms, as they have a greater knowledge of the client. There is also a structure in the territorial units, attached to the Recoveries Business Area, which manages these clients alongside the analysts, since this management cycle is the responsibility of the Recoveries area.

#### **2. DEFAULT (90-150 days)**

Payments between 90 and 150 days overdue. In this stage, the following agents cooperate in the recovery process:

Branch: via the objectives and incentives policies on the management of irregular accounts and accounts in default.

External collection companies: specialist firms that handle the recovery process in this area of management, applying policies and strategies defined by the Bank.

Default Managers: clients are assigned to their portfolios on the basis of the client risk they present at any time.

Standardized Monitoring Managers: managers of territorial units and central services that monitor the risk posed by standardized clients (SMEs and freelancers).

Analysts of the Business Analysis Units (BAU): the same admission analysts that supervise “portfolioed” firms (firms with larger investment volumes) monitor these firms, as they have a greater knowledge of the client. There is also a structure within the territorial units, attached to the Recoveries Area, which manages these clients alongside the analysts, since this management cycle is the responsibility of the Recoveries area.

### **3. PRE-CONTENTIOUS AND CONTENTIOUS:**

This stage, which is managed as follows, will begin 150 days after an account becomes overdue, or earlier if it has been classified as such through applicable criteria:

Mass loan recovery companies: these companies specialize in legal and extrajudicial recovery and are appointed by the Bank to recover smaller sums (currently with client risk of less than 50,000 euros).

At present there are three suppliers acting under the supervision of the Resources Division, based on the policies, strategies and procedures defined by the Recoveries Area.

Clients whose unpaid sums exceed the aforementioned amount are assigned to recovery managers distributed across all territories and handling the portfolios to be managed.

If out-of-court proceedings prove unsuccessful, the corresponding legal procedures are initiated, depending on the nature of the loan or credit instrument. These include attachments of money, mortgage foreclosures, ordinary enforcement proceedings, etc.

Without prejudice to the proceedings that might be initiated in each case, court proceedings take place in conjunction with out-of-court proceedings, which seek the following four objectives:

- 1) **SETTLEMENT:** although court proceedings may be under way, payment is sought for outstanding installments, interest and legal costs.
- 2) **REFINANCING:** involves arranging a new operation with new personal and in rem collateral and with payment of the corresponding interest.

3) **DATION IN PAYMENT:** faced with the manifest insolvency or decreased economic capacity of the client, the property is handed over as payment of the debt.

4) **PAYMENTS IN CASH:** cash payments are accepted with partial release of the debt, this being a further possibility when the client has little economic solvency.

Complementarily, in this contentious phase, and provided an early solution such as those described above is not found, the bank will seek court awards or court auctions of the mortgaged or seized assets.

Following the foreclosure, the property in question is transferred to the Bank's Property Department, which has the following management procedure in place for foreclosed property:

#### DESCRIPTION OF THE PROCESS:

##### **1) Registration of the property**

The property must be in the process of being recorded with the land registry upon arriving from the Recoveries Business Area. The documentation must include:

- Deed of ownership
- Appraisal for court purposes

The amount of the awarded property in the information sent by the Recoveries Business Area (property registration file) is compared with the litigation account and the Bank confirms that the amount to be reported is no more than 90% of the appraisal value.

The property is then recognized in the accounts on the basis of this information.

##### **2) Legal disencumbrance**

The legal team of Santander Global Facility (SGF) examines the legal situation of the property (chiefly ownership, encumbrances and possession) to determine whether there are any factors that could prevent it from being sold.

##### **3) Commercial disencumbrance**

If there are no legal problems (mainly possession), the property is disencumbered commercially.

Properties are added to the portfolio of each of the Bank's Commercial Officers, who are spread among the regions and tasked with identifying and determining the characteristics of the property.

To such end, the External Collaborating Agent (ECA), which is a realtor company operating in the specific region in question and with an agreement in effect with the Bank prior to the approval process, prepares a report containing specific information on the property, such as floor area, external appearance and sales outlook for the area. The ECA also conducts a valuation of the property.

##### **4) Valuation of assets**

The corresponding Committees with sufficient powers are ultimately responsible for determining the final price which are: 1) *the Junior Committee* chaired by the Head of Foreclosed Properties, together with all of the Bank's sales officers and, above this; 2) *the Senior Committee*, chaired by the Head of the Real Estate Assets Unit and including also the Head of Foreclosed Properties. This committee approves prices in the event the other committee has insufficient powers for such purpose.

Third-party appraisals are used for determining the "market price", such as the reference values given by marketing entities, for which real estate of similar characteristics in the area are taken into consideration and, on given occasions, any of the Committees may request updated appraisals as well as statistic evaluation tools.

The prices determined by the corresponding committees are non-negotiable for the client and may be reviewed every three months, with the price reflecting market conditions or those of the Bank.

## **5) Commercialization**

The prices approved at the corresponding committee meetings are then published on the corporate website.

Clients have various channels open to them:

*Realtor company*: customers seeking a property can visit the offices of a realtor company, where Bank-owned properties may be on display.

*Corporate website*: clients interested in a property seen on the website can leave their contact details. The website then transfers their details to the realtor company, which attempts to arrange a visit.

*Intranet*: same as for the corporate website, but for employees, who enjoy a 10% discount.

*Groups*: same access as for employees. Agreements only reached with specific groups.

*Call Center*: the client sees the for sale board or sign outside the home and calls the Call Center, which transfers his or her contact details to the realtor company on the path to arranging a visit.

*Commercial Banking Branches*: act as business motivators and generate sales opportunities with clients, which are then taken up by the realtor companies.

## **6) Completion of the sale**

Once the client decides to buy, the relevant documents (down payment agreement, money laundering form) are sent to the Bank's Money Laundering Department via the Realtor Company. After reviewing and approving the documents, the property is removed from the corporate website and the parties take the necessary steps leading to completion of the sale before notary public (as with any sale of real estate).

The Bank has a procedure in place for providing financing to these clients under special terms and conditions.

## 7) Derecognition of the asset

Once the public deed of sale has been signed, a copy is sent for the following purposes:

- Derecognize the asset and report the sale in the accounts.
- Pay the commission to the realtor company that made the sale.

## 4. DERECOGNITION

Once the contracts of a client have been derecognized due to their age, there is no change in the way they are managed and the relevant legal and extrajudicial procedures continue.

Notwithstanding the above, and after exhausting the legal avenues for recovering payment from a particular client, the account is removed from the portfolio of the account manager or lawyer and handed over to external collection companies.

These external collection companies specialize in this segment of the market and are paid their commission on a no win, no fee basis. These companies continue to manage these accounts until they become statute-barred. During this period, portfolios are rotated among the different suppliers.

## 3. Criteria applied by Banco Santander regarding Credit Line overlimits

1) **AUTHORIZATION BY THE COMPETENT AUTHORITY:** Any excess over the limit should be duly authorized by the competent authority, in other words, by the corresponding Lending Committee by virtue of the powers vested by the Risk Committee (the Offices, the Territorial Lending Committee, the Lending Committee of the Risk Area and the Risk Committee itself), powers attributed to each one of the authorities on the basis of the amount, term and guarantees granted for each borrower and/or group. For these purposes, as a general rule, the competent authority does not authorize the Debtor to exceed the limit unless the previous overlimit has been remedied.

2. **AUTHORIZATION ON THE BASIS OF THE CREDIT RATING OF THE CLIENT:** In the decision to grant an overlimit on a credit line, the credit quality of the client is assessed with the following requirements: rating greater than five, (or scoring approved for cases of private risks) risk rating in a normal situation, proven repayment capacity sufficient to cover the excess within the period granted (normally these are very short periods referring to days) and appropriate guarantees/solvency.

3. **INTERNAL ALARMS AND RECOVERY OPERATIONS:** In an overlimit situation, alarms are of an internal nature and appear in a computer system known as GSI or "Irregular Situation Management" to which offices and central services at the risk and recovery level have access. As established in internal circulars of the Bank, the Offices and risk analysis should perform a daily review of these lists in order to manage the settlement of these positions. Furthermore, from the start any overlimits form a part of the "Recovery Circuit" included in section 2 on the *Claim and recoveries policy* included in section 2.2.7.1 of the Additional Building Block, and will be removed only in the event of the settlement of their situation.

4. OVERLIMIT DOCUMENTATION: The overlimit is documented by means of the processing of a new risk proposal that should be approved by the competent authority.

### **2.2.8 Representations and other warranties given to the Issuer in relation to the Assets.**

Santander, as holder of the Loans and Credit Lines from which the Assets to be transferred to the Fund derive and as issuing entity of the MTC, represents and warrants the following to the Manager, for and on behalf of the Fund, and in relation to the Fund Incorporation Date:

**(a) Regarding Santander:**

- (1) Santander is a credit institution duly incorporated under the current laws of Spain, and is filed with the Mercantile Registry of Santander.
- (2) Santander's governing bodies have validly adopted all necessary corporate resolutions for assignment of the Assets to the Fund and in order to execute the corresponding Deed of Incorporation and the Contracts.
- (3) Neither as at the date of the Registration of the Prospectus, nor at any time after incorporation of the Fund, has Santander been subject to a situation of insolvency, creditors' procedures, temporary receivership or bankruptcy.
- (4) Santander has had its annual financial statements (individual and consolidated) relating to fiscal years 2010, 2011 and 2012 duly audited through unqualified audit reports. The audited annual financial statements pertaining to the fiscal years closed at December 31, 2010, 2011 and 2012 have already been filed with the CNMV and with the Mercantile Registry in accordance with current regulations in force.

**(b) Regarding the Loans, Credit Lines and the Assets:**

- (1) The Loans and Credit Lines are real, valid and enforceable in accordance with applicable law, and in establishing them all current legal provisions have been duly observed.
- (2) The information included in the Prospectus and in the Deed of Incorporation in relation to the Loans and Credit Lines will accurately reflect their situation as at the portfolio selection and assignment dates respectively.
- (3) As from the time of their granting or subrogation, as the case may be, the Loans and Credit Lines have been and are being serviced by Santander in accordance with its standard procedures.
- (4) The Assets granted in the fiscal years 2012 and 2013, equivalent to a percentage of 23% and 40% respectively of the Outstanding Balance of the Assets as at October 23, 2013, have followed the procedures established by Santander for the granting of Loans and Credit Lines to the corporate segment ("Granting Policy"). Notwithstanding the foregoing, the rest of the Loans have followed risk policies that do not differ substantially from the Granting Policy.
- (5) The Assets are derived from loans granted by Santander to small- and medium-sized enterprises (SMEs) and self-employed individuals residing in Spain with the exception of companies of the Santander Group and syndicated loans that meet the terms of Commission Recommendation 2003/361/EC of 6 May 2003 for the purpose of financing economic activities or financing working capital or acquiring machinery and tools or

improving property or acquiring real estate or constructing buildings related to their economic activity or acquiring rural property, urban property, and plots. For this last purpose, loans destined to property construction and real estate development are excluded, however, there may be loans intended for the purchase of land for subsequent development and sale, with no subsequent subrogation or division into condominiums. Furthermore, in the case of refinancing, these operations do not arise from refinancing transactions of loans or Credit Lines in default, and correspond only to debt consolidation operations; and credit lines granted by the Originator to small and medium-sized enterprises (SMEs) and self-employed individuals residing in Spain with the exception of companies of the Santander Group and syndicated credit lines that comply with Commission Recommendation 2003/361/EC, May 6, 2003, for funding their short and medium-term economic activities and any of the aforementioned purposes.

- (6) The Assets are denominated and payable in euros and are secured: (i) in the case of Assets derived from Mortgage Loans, through mortgage charge and; (ii) in the case of Assets deriving from Non-Mortgage Loans and Credit Lines, with the Debtor's equity (without specific collateral), with a third-party personal guarantee (surety) and/or, where applicable, in rem collateral other than a mortgage charge.
- (7) The Loans and Credit Lines shall accrue interest at a fixed or variable rate pegged to a given market index, without there being any floor or ceiling on the applicable interest rate.
- (8) All of the Assets have a maturity date on or before May 1, 2033.
- (9) Payments of principal and/or interest arising from the financing arrangement formalized via the Loans or Credit Lines (only interest payments for those credit lines or loans with repayment at maturity) are monthly, quarterly, half-yearly, yearly, or at maturity, there being no clauses permitting the deferred payment of interest or principal other than possible initial grace periods on principal repayments at the start of the Loan in question.
- (10) That in the case of Credit Lines there are no clauses allowing a grace period on principal repayments.
- (11) The Loans and Credit Lines have been originated in the ordinary course of Santander's business through Banco Santander's branch network.
- (12) Santander is the owner of the Assets, which are free of liens and claims, without Santander having received any notice of claim or compensation prior to their assignment to the Fund.
- (13) The payments of the Debtor deriving from the Loans and Credit Lines are not subject to any tax deduction or withholding.
- (14) There are no impediments limiting the free transfer of the Assets to the Fund, and if the Debtor's consent is necessary, then its consent has been duly obtained.
- (15) The Assets impose a valid and binding payment obligation on the Debtor and are enforceable in accordance with their own terms.
- (16) Payment of principal and interest with regard to the Loans and interest with regard to the Credit Lines takes place through direct bank debit generated



automatically and authorized by the relevant Debtor at the time the transaction is formalized.

- (17) The Assets are governed by the laws of Spain.
- (18) Although developer loans or financing are not included (mortgage loans for financing the construction and promotion of dwellings, garages, business premises and industrial building, destined for sale or lease to individuals or companies, with the possibility of the buyers standing in for the developer under the same conditions or through any of the different mortgage loan methods) , there may be loans and/or credit lines intended for the purchase of land for subsequent development and sale, with no subsequent subrogation or division into condominiums.
- (19) The Assets do not derive from the renegotiation of Loans or Credit Lines that are in default.
- (20) No person holds any preferred or pre-emptive right over the Fund with respect to the Assets.
- (21) The Preliminary Portfolio does not contain non-payments in excess of five (5) days. However, at the time of the transfer, no Mortgage Loan, Non-Mortgage Loan or Credit Line will be subject to any kind of non-payment.
- (22) Santander has no knowledge of any of the Debtors being holder of any credit rights *vis-à-vis* Santander entitling them to seek compensation from the Bank and which may adversely affect the Assets, this without prejudice to the rights of Debtors who hold deposits or demand accounts with the Originator.
- (23) As at the Incorporation Date, Santander has not received any notice of full or partial prepayment of the Loans or Credit Lines.
- (24) None of the Assets corresponds to credit rights deriving from financial leasing transactions.
- (25) The collateral for the Loans and Credit Lines, as appropriate, is valid and enforceable pursuant to applicable law and the Originator is not aware of any circumstance that could prevent enforcement thereof.
- (26) Santander has no knowledge of any legal proceedings affecting the Loans and Credit Lines that could harm their validity and enforceability.
- (27) The Mortgage Loans are documented in public instrument, while the Non-Mortgage Loans and Credit Lines are documented in an agreement executed before a notary public, with the Originator retaining the first copy of the public deed or a copy of the notarized agreement.
- (28) The Loans and Credit Lines are clearly identified in the computer systems of Santander from the moment they are granted, and are continuously managed, analyzed and monitored by Santander in accordance with the standard procedures that Santander has in place, such procedures as summarized under section 2.2.7 above.
- (29) The Loans transferred to the Fund have been effectively drawn in full by the Debtors prior to their transfer to the Fund.
- (30) At the time the Loans and Credit Lines are transferred to the Fund, none of the Debtors is subject to insolvency or arrangements with creditors.

- (31) The Assets derived from the Credit Lines have a credit balance in favor of the Originator. That on the Date of Incorporation undrawn Credit Lines will not be assigned to the Fund.
- (32) At the moment of the assignment, the Outstanding Balance of the Assets for “refinancing” will not be greater than 1.50% of the amount of the Outstanding Balance of the Assets assigned to the Fund.
- (33) That on the Date of Incorporation overlimits on the Credit Lines will not be assigned to the Fund.

**(c) Regarding the Mortgage Loans:**

- (1) Each of the Mortgage Loans is secured by mortgage charge, without the mortgaged properties being subject to any prohibitions on disposal, conditions subsequent or any other restriction on ownership.
- (2) All of the Mortgage Loans are formalized in public instrument and all the mortgages are duly established and recorded with the pertinent Land Registries. Registration of the mortgaged properties is current and effective and without contradiction.
- (3) The Mortgage Loans are not instrumented via any type of security, whether registered, negotiable, or bearer.
- (4) The Mortgage Loans are not subject to any mortgage bonds, mortgage participations or mortgage transfer certificates other than the Mortgage Transfer Certificates issued for their transfer to this Fund.
- (5) The properties mortgaged by virtue of the Mortgage Loans are not classified as excluded assets for acceptance as collateral pursuant to article 11 of Royal Decree 716/2009.
- (6) The Mortgage Loans do not have any of the defining characteristics of loans or credits excluded or restricted under article 12.1 a), c), d) and f) of Royal Decree 716/2009.
- (7) Copies of all of the mortgage deeds referring to the Mortgage Loans have been duly filed in Santander’s systems, which are adequate for such purpose, and remain at the disposal of the Manager, acting on behalf of the Fund. Likewise, all of the Mortgage Loans are clearly identified, both in electronic format and in their corresponding public instruments.
- (8) Santander has no knowledge of any litigation relating to the Mortgage Loans that could affect their validity or incur the provisions of article 1,535 of the Spanish Civil Code; or of any circumstances that could render ineffective the contract to acquire the mortgaged property as collateral for the Mortgage Loans.
- (9) Santander has no knowledge of any circumstance that could prevent foreclosure or enforcement of the mortgage charge.
- (10) The mortgages are established on real estate (and if this includes buildings, these are built and finished), including those assets listed in section 2.2.2.a) of this Additional Building Block, insofar as they are not excluded by article 12.1.a), c), d) and f) of Royal Decree 716/2009, located in Spain and belonging to the mortgagor in fee simple and full title, Santander having no knowledge of any litigation concerning ownership of the real estate that could harm the mortgages. Likewise, the Originator declares that, to the best

of its understanding, as at the Incorporation Date of the Mortgages it was not aware of any prohibition on the disposal of the mortgaged real estate.

- (11) The collateral on the Mortgage Loans is established as a first mortgage affecting full ownership of the mortgaged property or, as the case may be, with a different seniority, even though Santander may have documentation relating to the cancellation of the debts arising from earlier mortgages, and even when such previous mortgages have still to be cancelled with the corresponding registries.
- (12) All of the mortgaged properties have been valued by appraisal companies duly registered with the Banco de España at the time of the appraisal, with said appraisal accredited by the corresponding certificate. All completed appraisals meet all of the requirements stipulated in mortgage market legislation.

**(d) In relation to the Mortgage Transfer Certificates:**

- (1) The MTCs are issued in accordance with the provisions of (i) Law 2/1981, (ii) Royal Decree 716/2009, (iii) Additional Provision Five of Law 3/1994, of April 14, and (iv) other applicable regulations.
- (2) MTCs are issued because the Mortgage Loans are not eligible as mortgage participations in that they do not meet the requirements prescribed by Chapter II, article 3 of Royal Decree 716/2009. This information will be compliant with the provisions of Annex I of Royal Decree 716/2009 governing the special accounting of mortgage loans and credits.
- (3) The MTCs are issued for the remaining term up until the maturity of, and at the same interest rate as, each of the Mortgage Loans to which they pertain.
- (4) On the date of issue of the MTCs, the Outstanding Balance of each of the Mortgage Loans is equivalent to the capital stated on the corresponding Mortgage Transfer Certificate.
- (5) The respective governing body of Santander has validly adopted all the resolutions needed to issue the MTCs.
- (6) The Manager has obtained from Santander, as Originator of the Assets, the representations and warranties concerning the characteristics and features of the Mortgage Loans, the MTCs and the Originator itself, as described in this section and as ratified in the Deed of Incorporation.

## **Compliance with Royal Decree 216/2008**

In compliance with the provisions of article 40 bis of Royal Decree 216/2008 of December 20, on the equity of financial institutions (“**Royal Decree 216/2008**”), as introduced by Royal Decree 771/2011 of June 3, the Originator has notified the Manager that it will retain a significant net financial interest in the Fund on an ongoing basis under the terms required by the Bank of Spain. For these purposes, the Originator has notified the Manager that by “ongoing basis” it is understood that the retained net financial interest is neither hedged nor sold, save for the adjustments deriving from the redemption of the bonds described below and which do not affect fulfillment of the withholding commitment. The Originator will undertake in the Deed of Incorporation to include, on the website of the Santander Group [www.santander.com](http://www.santander.com) (or any other site that may replace it in the future), reference to the location where all the updated details can be found on the requirement to retain a net financial interest.

Without prejudice to the foregoing, certain details on this withholding are provided below in this Prospectus. In particular:

In accordance with the provisions of subsection d) of the aforementioned article 40 bis.1, the Originator, in its capacity as securitization originator, will undertake in the Deed of Incorporation to retain, on an ongoing basis, Series C Bonds representing at all times at least five per cent (5%) of the nominal value of the securitized exposures, all the foregoing pursuant to the terms required for this purpose by the Bank of Spain.

The Originator will undertake in the Deed of Incorporation to notify the Manager, on a monthly basis, that it continues to retain the aforementioned interest, such that the latter may, in turn, publish such confirmation on the website of the Managing Company ([www.santanderdetitulizacion.es](http://www.santanderdetitulizacion.es)). For the purposes of this notice, the Originator must explicitly declare that it has not acted in any way (hedging of the credit risk, sale, taking of short positions, etc.) that could undermine the application of the withholding requirement.

In compliance with the second paragraph of article 40.4 of Royal Decree 216/2008, the Originator must ensure that possible investors can easily access all pertinent data so that they may comply with their due diligence obligations. Accordingly, if securitization bonds are transferred to third parties, and regardless of the amount transferred, the Originator will include on the website of the Managing Company ([www.santanderdetitulizacion.es](http://www.santanderdetitulizacion.es), or any other site that may replace it in the future) reference to the location where such data is available. This location will include, insofar as deemed relevant, information on the credit quality and changes in the underlying exposures, cash flows and the *in rem* collateral backing the underlying exposures, and any other information deemed necessary for the purpose of conducting meticulous and properly documented stress tests with respect to the cash flows and the value of the *in rem* guarantees backing the underlying exposures.

### **2.2.9 Replacement of the Assets.**

#### **2.2.9.1 Replacement of Assets derived from Mortgage Loans**

In the event that any of the Assets derived from Mortgage Loans is affected by latent defects as a consequence of not meeting, at the Incorporation Date, the requirements that such Assets must meet in order to be eligible for transfer to the Fund, and/or not conforming to the representations made to such effect by the Originator to the Manager, as reproduced

under section 2.2.8 above of this Additional Building Block to the Securities Note, or not having the characteristics reported by the Originator to the Manager on the Incorporation Date, then the Party that becomes aware of such a situation, be it the Originator or the Manager, shall notify the other Party in writing. The Originator will have fifteen (15) Business Days from the date of said notification to rectify the latent defect or, if such defect cannot be rectified, replace the affected Asset with another or others with a total outstanding balance slightly less than or equal to that of the Asset thus replaced. Said asset(s) must meet the requirements and comply with the representations indicated above and be the same in terms of residual term to maturity, interest rate, outstanding principal, mortgage seniority, loan to value ratio of the mortgaged property or properties and quality of the collateral, thus ensuring that the financial equilibrium of the Fund and the rating of the Bonds are not affected by the replacement. The Originator shall notify the Manager of the characteristics of the replacement mortgage loans it wishes to transfer to the Fund.

The replacement will be carried out via the early redemption of the affected Mortgage Transfer Certificate and the issue by the Fund of the replacement Mortgage Transfer Certificate (with the Originator issuing a new multiple certificate detailing the number of MTCs that exist at that date, and which will be exchanged for the certificate delivered initially or on the previous replacement date). This issue of Mortgage Transfer Certificates by the Originator and replacement by the Manager, on behalf of the Fund, shall be carried out by executing the corresponding notarial certificate, which will include details of the Mortgage Transfer Certificate to be replaced and the underlying Mortgage Loan, as well as details of the new Mortgage Transfer Certificate issued and of the corresponding Mortgage Loan, along with the reason for the replacement and the variables making both Mortgage Transfer Certificates substantially similar, as described above. A copy of the notarial certificate will be delivered to the CNMV, Iberclear and AIAF and also to the Rating Agencies. The Originator shall reimburse the Fund for any unpaid amounts relating to the replaced Asset by paying the corresponding amount into the Cash Account or Interest Account, as the case may be. Likewise, in the event that the Outstanding Balance of the replacement Asset is slightly less than that of the replaced Asset, the Originator shall reimburse the Fund for the difference, taking into account the nominal value, any accrued and not yet due interest, and any unpaid amounts regarding that Asset, through credit thereof into the Cash Account or Interest Account, as the case may be, on the relevant date.

In particular, the modification by the Originator, during the life of the Assets, of their terms and conditions without observing the limits established by applicable special legislation and the terms agreed upon between the Fund and the Originator in the Deed of Incorporation and those stipulated in this Prospectus, in section 3.7.1 of the Additional Building Block, and therefore, absolutely exceptionally, would constitute a breach by the Originator of its obligations, which should not be met by the Fund. In the event of such a breach, the Fund, through the Manager, may (i) request the corresponding compensation for damage and loss and (ii) request the replacement or repurchase of the affected Assets, pursuant to the provisions of this section, without this meaning that the Originator guarantees the successful outcome of the transaction, but rather that it guarantees the required curing of the effects caused by the breach of its obligations, in accordance with article 1,124 of the Spanish Civil Code. The Manager will notify the CNMV immediately of any replacements or redemptions of Assets affected as a consequence of breach by the Originator. The costs incurred from actions taken to remedy the breach of the Originator will be borne by the Originator, which may not then seek recovery of such costs from the Fund.

In the event that the abovementioned replacement cannot take place or does not occur within ten (10) Business Days, the Manager will redeem the Mortgage Transfer Certificate in question early, with the Originator in this case undertaking to buy it back and reimburse the

Fund for the Outstanding Balance thereof, plus any interest accrued and not paid as well as any monies not paid in relation to said Assets via the deposit of said monies into the Cash Account or Interest Account, as the case may be.

#### **2.2.9.2 Termination of the transfer of the Assets derived from Non-Mortgage Loans and Credit Lines in the event of latent defects**

If any of the Assets derived from Non-Mortgage Loans and Quantities Drawn on the Credit Lines is affected by a latent defect as a consequence of not meeting the requirements that such Assets must meet at the Incorporation Date in order to be eligible for transfer to the Fund, and/or not conforming to the representations made to such effect by the Originator to the Manager, as reproduced under section 2.2.8 above of this Additional Building Block to the Securities Note, or does not have the characteristics reported by the Originator to the Manager, then the Party aware of such circumstances, be it the Originator or the Manager, shall notify the other Party in writing. The Manager will terminate the transfer of the Asset affected by the hidden defect, with the Originator undertaking to reimburse the Fund for the Outstanding Balance thereof, plus any interest accrued and not paid as well as any monies not paid in relation to said Assets via the deposit of said monies into the Cash Account or Interest Account, as the case may be.

In particular, the modification by the Originator, during the life of the Assets, of their terms and conditions without observing the limits established in applicable special legislation and the terms agreed upon between the Fund and the Originator in the Deed of Incorporation and those stipulated in this Prospectus, in section 3.7.1 of the Additional Building Block, and therefore, absolutely exceptionally, would constitute breach by the Originator of its obligations, which should not be met by the Fund. In the event of such a breach, the Fund, acting through the Manager, may (i) request the corresponding compensation for damage and loss and (ii) request the replacement or repurchase of the affected Assets, pursuant to the provisions of this section, without that meaning that the Originator guarantees the successful outcome of the transaction, but rather that it guarantees the necessary curing of the effects produced by the breach of its obligations, pursuant to article 1,124 of the Spanish Civil Code. The Manager will notify the CNMV immediately of any replacements or redemptions of Assets carried out as a consequence of the breach by the Originator. The costs incurred from actions taken to remedy the breach of the Originator will be borne by the Originator, which may not then seek recovery of such costs from the Fund.

#### **2.2.10 Relevant Insurance Policies relating to the Loans.**

The Originator will formalize, in the same act and in tandem with the issue of the Mortgage Transfer Certificates, the transfer of its rights, where applicable, as beneficiary of any insurance contracts against damage signed by the Debtors or any other insurance policy that provides equivalent coverage. All amounts received by the Originator in this capacity, where applicable, will thus be paid to the Fund as owner of the Mortgage Transfer Certificates.

Data on insurance company concentration are not included because the insurance policies signed by the Debtors and their details are not supported by or updated in Santander's computer records. There may, however, be a concentration of Santander insurance companies since initially the damage insurance policies are taken out with Santander.

#### **2.2.11 Information relating to Debtors in cases when the Assets comprise debt obligations of five (5) or fewer Debtors that are legal entities, or when a Debtor**

**accounts for twenty per cent (20%) or more of the Assets, or when a Debtor accounts for a material portion of the Assets.**

Not applicable.

**2.2.12 Details of the relationship between the issuer, the guarantor and the Obligor, if significant.**

There are no significant relations for the purposes of this Prospectus between the Fund, the Originator, the Manager and other parties involved in the transaction other than those described under section 5.2 of the Registration Document.

**2.2.13 Where the Assets comprise fixed income securities, details of main terms and conditions.**

Not applicable.

**2.2.14 Where the Assets comprise equities, details of the main terms and conditions.**

Not applicable.

**2.2.15 Where more than ten percent (10%) of the Assets comprise equity securities not traded on a regulated or equivalent market, details of the main terms and conditions.**

Not applicable.

**2.2.16 Where a material portion of the Assets are secured on or backed by real property, valuation reports relating to the properties detailing both the value of the properties and cash flow/income.**

The real estate appraisal values of the real estate posted as collateral for the Mortgage Loans are effectively the appraisals conducted by the appraisal entities for the purpose of granting and executing the Mortgage Loans. The real estate acting as collateral for the Mortgage Loans have not been revalued for the purpose of transferring the latter to the Fund.

**2.3 Actively managed assets backing the issue.**

Not applicable.

**2.4 Declaration if the issuer wishes to issue further securities backed by the same Assets, and description of how the holders of the assets will be informed.**

Not applicable.

**3. STRUCTURE AND CASH FLOW**

**3.1 Description of the structure of the transaction.**

By means of the current securitization arrangement, Santander shall transfer the Assets to the Fund, which will acquire the Assets and issue the Bonds. This transaction will be formalized through the Deed of Incorporation, which will be signed by the Manager, acting on behalf of the Fund, and by Santander. The following will therefore take place upon execution of the Deed of Incorporation of the Fund:

- a) assignment to the Fund of the Assets deriving from the Mortgage Loans and from the Non-Mortgage Loans and Quantities Drawn on the Credit Lines;
- b) issuance of the Mortgage Issuance Certificates by Santander and the subscription thereof by the Fund; and

- c) issuance of TWENTY THOUSAND FOUR HUNDRED (20,400) Bonds, distributed among the three (3) Bond Series.

A copy of the Deed of Incorporation shall be submitted to the CNMV and Iberclear prior to the Bond Subscription Date.

The Manager will likewise provide the CNMV on a monthly basis with information relative to the adjustment of the balances drawn on the Credit Lines described in section 3.4.3.b below by means of the execution of the corresponding public deed that will include any information furnished to it by the corresponding Originator with respect to any upward variations that the Credit Lines may have had during the month underway, and that they comply with the statements under section 2.2.8.b) of this Additional Building Block, for their verification pursuant to the requirements of Article 2.2.c).2<sup>nd</sup> of Royal Decree 926/1998.

Additionally, and with a view to consolidating its financial structure and hedging as much as possible against the risks inherent in the issue, the Manager, acting on behalf of the Fund, shall formalize, *inter alia*, the contracts described below, with the power, for the purpose of ensuring that the Fund continues to operate in accordance with applicable law, to extend or amend such agreements, replace each of the providers of services to the Fund as detailed in the agreements and also, if necessary, enter into further agreements, after notifying the CNMV and, as the case may be, obtaining the pertinent authorization, provided that such powers do not harm the rights of the Bondholders and, in particular, provided that their rating is not downgraded.

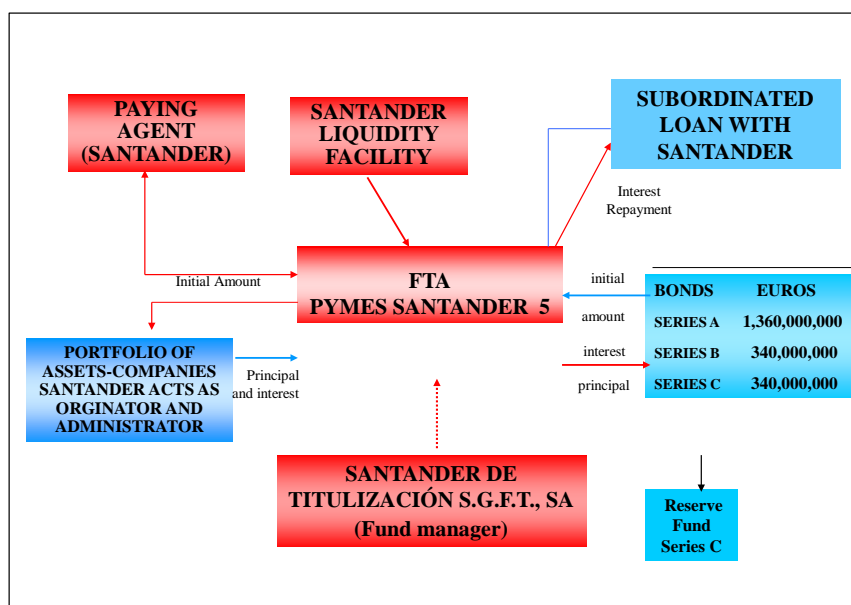
The Manager shall enter into the following agreements with the Originator:

- (i) Guaranteed Rate Reinvestment Agreement (Cash Account), by virtue of which the Originator shall guarantee variable returns on the amounts deposited into the Cash Account by the Fund acting through the Manager.
- (ii) Guaranteed Rate Reinvestment Agreement (Interest Account), by virtue of which the Originator will guarantee a variable return on the quantities deposited into the Interest Account by the Fund acting through the Manager.
- (iii) Subordinated Loan Agreement, which will be used to finance the initial costs of setting up the Fund, issuing the Bonds and part of the cost of acquiring the Assets, where applicable.
- (iv) Liquidity Facility Agreement so that any variations, whether upward or downward, that occur in the Credit Lines may be simultaneously transferred to the Fund on a daily basis, by means of the corresponding adjustment in the Liquidity Facility. Likewise any possible upward variations of the Credit Lines will be compensated daily with possible downward variations of other Credit Lines, as well as with the amounts from the Assets as repayment of the principal.
- (v) Finally, the Manager, acting on behalf of the Fund, will enter into the Management, Subscription and Paying Agency Agreement with the Originator.

Furthermore, the Reserve Fund will be endowed with the funds obtained from subscribing and paying up the Series C Bonds, as detailed under section 3.4.2.2 of this Additional Building Block.

The transaction is explained in the diagram below:





**Initial Balance Sheet of the Fund**

The Fund’s Balance Sheet as at the close of the Disbursement Date shall be as follows:

FIXED ASSETS		BOND ISSUES	
Assets (credit rights on Non-Mortgage Loans, Credit Lines and MTCs)	€1,700,000,00	Series A Bonds	€1,360,000,000
		Series B Bonds	€40,000,000
		Series C Bonds	€40,000,000
CURRENT ASSETS		OTHER PAYABLES	
Interest Account	€800,000	Subordinated Loan	€800,000
Reserve Fund	€40,000,000		
<b>Total Assets</b>	<b>€2,040,800,000</b>	<b>Total Liabilities</b>	<b>€2,040,800,000</b>

**3.2 Description of entities taking part in the issue and of their duties.**

The entities taking part in the issue and their respective roles are explained under section 5.2 of the Registration Document.

**3.3 Description of the method and date of sale, transfer, novation or transfer of the assets.**

Santander will, on the Incorporation Date, transfer to the Fund those Assets whose total principal is equal or slightly higher than ONE BILLION SEVEN HUNDRED MILLION EUROS (€1,700,000,000).

### **3.3.1. Assignment of the Assets.**

Santander shall assign the Assets at the time the Fund is incorporated, such transfer to be instrumented through the Deed of Incorporation and to be carried out as explained below, with a difference drawn between Assets deriving from Mortgage Loans and Assets deriving from Non-Mortgage Loans and the Quantities Drawn on the Credit Lines.

The Originator shall receive no amount for deferring payment of the Loans and Credit Lines between the assignment date and the Disbursement Date.

**a) Assignment of the Assets deriving from Non-Mortgage Loans and the Quantities Drawn, at the Date of Incorporation, on the Credit Lines:**

Assets derived from Non-Mortgage Loans and the Quantities Drawn, at the Date of Incorporation, on the Credit Lines will be transferred directly to the Fund by virtue of the Deed of Incorporation, which will contain the necessary terms and conditions for effecting said assignment.

**b) Assignment of the Assets deriving from Mortgage Loans:**

The Assets deriving from Mortgage Loans will be transferred by virtue of the Deed of Incorporation, which shall contain the necessary terms and conditions governing the issuance, by Santander, of Mortgage Transfer Certificates, in accordance with the provisions of Additional Provision Five of Law 3/1994, by virtue of which current law in force applicable to mortgage units or participations likewise applies to issues of MTCs, such MTCs to be subscribed by the Manager on behalf of the Fund; Law 2/1981, of March 25, on Regulation of the Mortgage Market; Royal Decree 716/2009 of 24 April; and other law or regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities.

Transfer of the Mortgage Transfer Certificates (MTC) by the Originator will be carried out through the Deed of Incorporation in accordance with the following procedure:

- (i) Each MTC will represent a share of one hundred per cent (100%) of the outstanding principal pending maturity of the Assets deriving from Mortgage Loans to which the MTCs pertain, and similarly, from the transfer date, of any ordinary and default interest, monies or assets received from legal or notarial enforcement of the collateral, from disposal or exploitation of the foreclosed properties awarded to the Fund due to enforcement of the mortgage charges, or due to interim administration and possession of the property (in process of being foreclosed) up to the amounts owed by the Debtor in question, as well as the right to acquire the property at the price received at auction or at the price determined by a court of law, and all other possible rights and compensation to which the Originator may be entitled, including not only those derived from any insurance contracts that the Originator may have assigned to the

Fund, but also those derived from any other rights attaching to the Assets.

- (ii) The MTCs will be represented in one multiple registered certificate, which will contain the minimum information stipulated in article 29 of Royal Decree 716/2009.

In the event that any MTC has to be replaced, or if the Manager, acting on behalf of the Fund, or Santander, must proceed with the foreclosure of a Mortgage Loan on which a given MTC has been issued, or if the MTCs must be sold upon Early Settlement of the Fund, in accordance with the situations and under the conditions provided for in section 4.4.3 of the Registration Document, the Originator undertakes to fraction, as the case may be, any multiple certificate into as many individual or global certificates as may be necessary, or to replace or exchange it in order to achieve the aforementioned purposes.

- (iii) As established by Royal Decree 716/2009, the MTCs may be transferred by means of written declaration on the certificate itself and, in general, by any other legally admissible means. The acquiring party must notify the Originator of the transfer of the MTC and the address of the new holder.

The transferor will not be liable for the solvency of the Originator or of the Obligor of the Mortgage Loan, nor for the sufficiency of the mortgage it secures.

- (iv) The Originator, as issuer of the MTCs, shall keep a special log to record the MTCs issued on each Mortgage Loan, as well as any transfers thereof that are communicated to the Originator. The book itself shall reflect any changes of address notified by the holders of the MTCs to the Originator.

Said log shall also contain the following data:

- Opening and maturity date of the Mortgage Loan, initial amount thereof and form of settlement; and
- Registry details of the mortgage.

- (v) Given the nature of qualified investor of the Fund and the subscription by the latter of the MTCs, for the purposes of paragraph two of Additional Provision One of Royal Decree 716/2009, the issuance of the MTCs will not be subject to a marginal notation in each recording of the mortgage pertaining to each of the Mortgage Loans at the Land Registry.

**(c) Upward variations of the Credit Lines**

The assignment to the Fund of upward variations, relative to the increase on initially-drawn balances (at the time of their assignment to the Fund) from the Credit Lines will be carried out in accordance with section 3.4.3.b below. To this regard, these variations will be transferred daily to the Fund by means of the corresponding adjustment to the Liquidity Facility, so that any balances actually drawn from the Credit Lines at any given time are assigned to the Fund. For these purposes, a public document will be executed monthly for delivery to the CNMV, which will include the information

with respect to any upward variations that the Credit Lines may have experienced during the month underway.

### **3.3.2. Terms and conditions governing the transfer of the Assets.**

The Assets will be transferred to the Fund under the following conditions:

- (i) The transfer of the Assets shall comprise the entire Outstanding Balance of the Assets, as well as all ordinary and default interest accruing from the Incorporation Date of the Fund.

This will likewise include any overlimits on the Credit Lines that take place as of the Incorporation Date with a limit equal to five percent (5%) of the maximum amount available on each Credit Line. Notwithstanding the foregoing, in the case of Credit Lines in which overlimits exceed the aforementioned five percent (5%) and providing that these are not Default Assets (in other words, Assets that at a given date are in default for a period greater than ninety (90) days and are not considered as Non-Performing Assets), Santander will be obligated to repurchase the Asset and reimburse the Fund for the Outstanding Balance thereof, together with any corresponding interest that has accrued and has not been settled relative to such Assets by deposit in the Cash Account or Interest Account, as the case may be.

- (ii) The transfer to the Fund of the Assets will be full and unconditional and for the entire remaining term through to maturity thereof.
- (iii) The transfer price of the Assets shall be at par, i.e. the Outstanding Balance on the Assets pooled into the Fund on the Incorporation Date.

The transfer price shall be paid in full prior to 15:00 (CET time) on the Disbursement Date, for value that same day. Payment shall be made by order sent by the Manager to Santander instructing the latter to debit the Cash Account open at Santander in the name of the Fund for the purchase price of the Assets.

In the event that the incorporation of the Fund is terminated, thus frustrating the transfer of the Assets pursuant to section 4.4.3 of the Registration Document: (i) the obligation of the Fund to pay the total price for the transfer of the Assets will be extinguished; and (ii) the Manager will be obliged to re-vest in Santander any rights that may have passed to the Fund due to the transfer of the Assets.

- (iv) The transfer of the Assets will also comprise the creditor rights or credit rights over any in-rem or personal guarantees that may have been posted as collateral for each Asset and any rights attaching thereto, such as rights or indemnities pertaining to the Originator by virtue of any insurance agreements covering any assets that may have been mortgaged as collateral for the Mortgage Loans.
- (v) As stipulated in section 3.7.1 (11) below, it has been agreed that the Debtors will not be notified of the transfer of the Assets. Nevertheless, if said notification is provided, the notice will have effects envisaged in said section.
- (vi) The Originator shall not be liable for the solvency of the Debtors or for the sufficiency of the collateral on the Assets.

The Originator will only be liable for the existence and legitimacy of the Assets at the time of the transfer pursuant to the terms and conditions set forth in the Prospectus, as well as for the legal status under which it effects the assignment and for the representations contained within section 2.2.8 of this Additional Building Block.

- (vii) In the exceptional event that, despite the representations contained in statement 22 of section 2.2.8. of this Additional Building Block, a Debtor should seek to offset its debts with Santander against one of the Assets, Santander will be liable to the Fund for any damage or loss experienced by the latter as a result of any such Debtor exercising its right to set-off debts, undertaking to pay the Fund an amount equal to that set off by the relevant Debtor plus any interest accrued on such amount from and including the date on which the set-off took place through to, but not including, the date on which Santander pays the interest to the Fund, such interest calculated at the rate established in the relevant Asset.
- (viii) Without prejudice to the terms of section 2.2.9 of this Additional Building Block and paragraph (i) of this section 3.3.2, Santander shall not assume any repurchase obligation in respect of the Assets.
- (ix) The transfer of the Assets is subject to the laws of Spain with nationwide application. In accordance prevailing Spanish legislation, the transfer of the Assets to the Fund by the Originator will only be valid if there is no impediment limiting the free transfer of the Assets to the Fund and, if the consent of the Obligor is required, said consent has been effectively obtained.

In accordance with article 1,527 of the Spanish Civil Code, any Obligor who pays its creditor before becoming aware of the transfer will be released from the obligation. For this purpose, the Originator shall notify (itself or through a notary public) the assignment, when necessary or required in accordance with the terms of the pertinent Asset, to the respective Obligors, within a period of twenty (20) Business Days following the execution of the Deed of Incorporation, or at any subsequent time if so required by the Manager and, in any case, in the event of insolvency of the Originator. Once the transfer has been notified to the Obligors, they will only be discharged from their obligations through payment to the Fund. In accordance with article 1,198 of the Spanish Civil Code, an Obligor who has consented to the assignment may not enforce against the Fund the set-off right off to which it would have been entitled vis-à-vis the Originator.

Notwithstanding the above, in the event of insolvency or indications thereof, intervention by the Bank of Spain, settlement or replacement of the Administrator or because the Manager deems it justified on reasonable grounds, the Manager may instruct the Administrator to notify the Debtors (and, where applicable, third party guarantors and insurance companies) of the transfer to the Fund of the outstanding Assets pending payment, and to inform them that payments deriving from such Assets will only release them from their payment obligations if made into the Cash Account or Interest Account, as the case may be, open in the name of the Fund. However, if the Administrator fails to notify the Debtors and, where applicable, the third-party guarantors and insurance companies within fifteen (15) Business Days following receipt of the request, or in the event that the Administrator becomes insolvent or enters into settlement, the Manager, should it so wish, will, either directly or through a new Administrator appointed by the Manager, carry out the notification to the Debtors and, where applicable, to the third-party guarantors and insurance companies.

As described above, the Manager may instruct the Administrator to carry out any such acts and fulfill any such formalities as may be required, including notifications to third parties and recordings in the relevant accounts, so as to ensure the maximum effectiveness of the transfer of the Assets and the accessory guarantees against third parties.

The Originator shall also vest in the Manager the broadest powers required by law so that the Manager may, on behalf of the Fund, notify the transfer to the Debtors whenever it deems this appropriate.

The Originator will bear the expenses incurred from notifying the Debtors, even when the notification is carried out by the Manager.

**3.3.3. Description of the rights which, in favor of their holder, are conferred by the Assets on the Loans and Credit Lines backing them.**

The Fund, as holder of the Assets, shall hold the rights recognized to the assignee in article 1,528 of the Spanish Civil Code.

Specifically, the Assets confer the following rights:

- a) all amounts accruing due to repayment of capital or principal of the Assets;
- b) all amounts accruing due to ordinary interest on the Assets;
- c) all amounts accruing due to default interest on the Assets;
- d) any quantities accrued for the overlimits corresponding to the Assets derived from the Quantities Drawn on the Credit Lines with a limit equal to five percent (5%) of the maximum limit available on each Credit Line.
- e) any amounts or assets received from judicial or notary enforcement of the guarantees or, in the case of the Mortgage Loans, from judicial or notary foreclosure of the mortgage, from the disposal or exploitation of the properties awarded to the Fund due to foreclosure of the mortgage charges, or due to interim administration and possession of the property (in process of being foreclosed) up to the amount of the sums owed by the respective Obligor; and the right to acquire the property in question at the auction price or at the price determined by court ruling; and
- f) all possible rights or compensation to which Santander may be entitled, including not only those deriving from any insurance contracts that Santander may have transferred to the Fund, but also those deriving from any rights attaching to the Assets.

The assignment of the Assets shall embrace the entire principal, plus ordinary and default interest and the other outstanding amounts described above from the Incorporation Date of the Fund. Fees and commissions payable on the transferred Assets will not be transferred to the Fund.

All of the aforementioned rights will be vested in the Fund from the Incorporation Date.

The rights of the Fund resulting from the Assets are tied to the payments made by the Obligors against the Loans and Credit Lines and, therefore, are directly affected by the evolution, delays, advance payment or any other incident relating thereto.

**3.4 Explanation of the flow of funds, including:**

**3.4.1 How the cash flow from the Assets will meet the issuer's obligations with the holders of the securities.**

The amounts received by the Fund and deriving from the Assets shall be paid by the Administrator into the Cash Account or Interest Account, as the case may be, and in all cases within the forty-eight (48) hours following the day on which they are received.

Notwithstanding the foregoing, for any quantities that correspond to the Fund and arise from any upward or downward variations in the balance pending payment of the Credit Lines, the procedure described in section 3.4.3.b below will be followed.

### **3.4.2 Information on any credit enhancements.**

#### **3.4.2.1 Description of credit enhancements.**

The Fund structure envisages the following credit enhancement operations:

**a) *Reserve fund***

Incorporated using funds from Series C, the Reserve Fund will allow for Fund payments in accordance with the Order of Priority of Payments contained in section 3.4.6 (b) below or, where applicable, in accordance with the Order of Priority of Payments for Settlement envisaged in section 3.4.6 (d) below.

**b) *Guaranteed Rate Reinvestment Agreements***

The Cash Account and Interest Account are remunerated at set rates, thus guaranteeing a minimum return on the balance of the Cash Account and Interest Account, respectively.

**c) *Subordination of the Bond Series***

Subordination and postponement in the payment of interest and repayment of principal between the Bonds from the different Series.

#### **3.4.2.2 The Reserve Fund.**

**(i) Required Level:**

- a) The Reserve Fund will be endowed with the amount paid on Series C, that is, THREE HUNDRED FORTY MILLION EUROS (€340,000,000), likewise equivalent to twenty percent (20%) of the initial amount of the Series A and Series B Bonds on the Disbursement Date.
- b) Later, on each Payment Date, the Reserve Fund will, where applicable, be endowed with Liquid Funds in accordance with the Order of Priority of Payments until the balance of the Fund reaches a level equal (the “**Required Level of the Reserve Fund**”) to the smaller of the following amounts:
- (i) THREE HUNDRED FORTY MILLION EUROS (€340,000,000) i.e. the initial amount of the Reserve Fund; and
  - (ii) The greater of the following amounts:
    - (1) 40% of the Outstanding Principal on the Series A and Series B Bonds on the previous Calculation Date; and
    - (2) 10% of the Outstanding Principal on the Series A and Series B Bonds on the Disbursement Date.

Notwithstanding the above, the Required Level of the Reserve Fund will not be reduced on the corresponding Payment Date and will remain at the Required Level of the Reserve Fund as at the previous Payment Date when any of the following circumstances arise:

- (i) if on the previous Payment Date the balance of the Reserve Fund did not meet the Required Level of the Reserve Fund; or
- (ii) if, on the Calculation Date immediately preceding the corresponding Payment Date, the Outstanding Balance of the Assets in Default exceeds 1% of the Outstanding Balance on said

Payment Date of all the Assets that are not classified as Non-Performing Assets;

- (iii) insofar as two (2) years have not elapsed from the Incorporation Date of the Fund.

**(ii) Use:**

The Reserve Fund shall be applied, on each Payment Date, towards performance of the payment obligations contained in the Order of Priority of Payments set forth in section 3.4.6.(b) below, or, where applicable, in the Order of Priority of Payments for Settlement provided in section 3.4.6 (d) below.

**(iii) Yield:**

The amount of the Reserve Fund will be paid into the Interest Account at the Disbursement Date, and will be the subject to the Guaranteed Rate Reinvestment Agreement to be signed with Santander in accordance with section 3.4.4. of this Additional Building Block.

**3.4.3 Details of any subordinated debt finance.**

**a) Subordinated Loan Agreement.**

The Manager, acting for and on behalf of the Fund, shall enter into with Santander the commercial Subordinated Loan Agreement for the total sum of EIGHT HUNDRED THOUSAND EUROS (€800,000), which shall be used to finance the Fund's incorporation expenses and the Bond issue and, where applicable, to finance part of the cost of acquiring the Assets.

The amount of the Subordinated Loan shall be disbursed into the Interest Account on the Disbursement Date.

The loan will accrue an annual nominal interest rate, determined quarterly for each Interest Accrual Period, and obtained as adding: (i) the Benchmark Interest Rate determined for the Bonds, and (ii) a spread of zero point six five per cent (0.65%).

The interest accrued by the Subordinated Loan shall be paid only if the Fund has sufficient Liquid Funds in accordance with the Order of Priority of Payments envisaged in section 3.4.6 (b) of this Additional Building Block or, where applicable, with the Order of Priority of Payments for Settlement provided in section 3.4.6 (d) of this Additional Building Block. Accrued interest, which must be paid on a specific Payment Date, will be calculated by taking as a base: (i) the actual days existing in each Interest Accrual Period, and (ii) a year containing three hundred and sixty (360) days.

Interests accrued and not paid on a Payment Date shall accumulate, accruing interest at the same rate as the nominal interest on the Subordinated Loan, and shall be paid, provided that the Fund has sufficient Liquid Funds and in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block, on the immediately following Payment Date or, where applicable, on the date that the application of the Order of Priority of Payments for Settlement provided in section 3.4.6.(d) of this Additional Building Block takes place.

The Subordinated Loan will be repaid quarterly on a straight line basis during the first three (3) years running from the incorporation of the Fund and the Bond issue, save for the excess of Funds earmarked to cover the costs of incorporating the Fund and issuing the Bonds, which will be repaid early at the first Payment Date, all the foregoing provided that the Fund has sufficient Liquid Funds in accordance with the



Order of Priority of Payments envisaged in section 3.4.6. (d) of this Additional Building Block.

This loan, due to its subordinated nature, will be junior in ranking with respect to the other creditors of the Fund under the terms provided for in section 3.4.6. (b) of this Additional Building Block, or, where applicable, the Order of Priority of Payments for Settlement provided in section 3.4.6. (b) of this Additional Building Block, including the Bondholders.

If, before 10:00 a.m. on the Date of Subscription, the Rating Agencies do not confirm as definitive any of the provisional ratings assigned, this circumstance will lead to the termination of the Subordinated Loan Agreement, except for in relation to the initial cost of incorporating the Fund and issuing the Bonds.

**b) Liquidity Facility**

**Purpose and variations to the Credit Lines**

The Manager, in the name and on behalf of the Fund, will execute with the Originator, simultaneously upon the execution of the Deed of Incorporation, a commercial liquidity facility agreement associated with the Cash Account (the “**Liquidity Facility**”) so that any variations, upward as well as downward, occurring in the Credit Lines, as well as the repayments of the Loans and the Credit Lines, are transferred daily to the Fund by means of the corresponding adjustment in the Liquidity Facility.

Any possible upward variations of the Credit Lines will be offset daily with possible downward variations of other Credit Lines, as well as with any amounts from the Assets (credit rights derived from the Loans and from the Quantities Drawn on the Credit Lines) as repayment of principal. The Liquidity Facility may then have a debit balance (against the Fund) only upward drawdowns made occasionally on a given day cannot be covered with the amounts deposited in the Cash Account and which come from downward variations and/or repayments of principal on the Loans.

**Maximum balance of the Liquidity Facility**

For the sole purpose of having liquid assets that may be utilized as guarantee in Eurosystem transactions, as of the Date of Incorporation the Fund will have, throughout its lifetime, a Liquidity Facility in an amount less than 20% of the Balance of Principal Pending Payment of the Series A Bonds. If the Originator guarantees the Fund with liquidity in a quantity equal to or greater than 20% via the Liquidity Facility, such assets may not be used as a guarantee in Eurosystem transactions.

If at any time the Originator guarantees the Fund with liquidity in an amount equal to or greater than the aforementioned 20%, the Manager shall proceed with the early settlement of the Fund as provided in section 4.4.3. of the Registration Document. As of that moment and until the Early Settlement Date the Maximum Amount of the Liquidity Facility that may be drawn will be equal to the difference between 105% of the maximum of the Credit Lines and the amount drawn at that time.

**Return**

When the difference between (i) the amounts drawn and pending payment against the Credit Lines and (ii) the initial amounts drawn and pending payment (at the time of their assignment to the Fund) of the outstanding Credit Lines assigned to the Fund plus the amounts of principal repaid on the Loans, where appropriate, and

deposited in the Cash Account, and the value on that same date is positive, the Liquidity Facility will have a debit balance (against the Fund). In this case, the aforementioned debit balance (against the Fund) will accrue interest daily and will be calculated and settled quarterly on each Payment Date in accordance with the Order of Priority of Payments established in section 3.4.6.(b) below or, where appropriate, the Order of Priority of Payments established in section 3.4.6.(d) below, at an interest rate equal to the three (3) month Euribor plus a margin of 0.45%, on the basis of the days that have actually elapsed during which the Cash Account has a debit balance (against the Fund) and a 365-day year.

#### **Information to be sent to the CNMV**

On a monthly basis the Manager will send information to the CNMV relative to the increase to the balances initially drawn (at the time of their assignment to the Fund) on the Credit Lines by means of the corresponding public deed that will include any information furnished to it by the Originator with respect to any upward variations that may have taken place to the Credit Lines in the month underway as well as those that comply with the representations contained in section 2.2.8.b) of this Additional Building Bloc, in the terms described in section 3.1 above, for their verification in accordance with the requirements of Article 2.2.c)2 of Royal Decree 926/1998.

#### **Payment of the Assets derived from Credit Lines**

The Assets derived from the Quantities Drawn on the Credit Lines that reach maturity are repaid in their entirety.

#### **Interest accrued and repayment of the principal of the Liquidity Facility**

All quantities that should be paid to the Originator as interest accrued by the Liquidity Facility will be paid on each Payment Date, in all case subject to the Order of Priority of Payments established in section 3.4.6.(b) below, or where applicable, to the Order of Priority of Payments established in section 3.4.6.(d) below.

On the other hand, the entirety of any quantities that should be paid to the Originator as repayment of the principal, by the Liquidity Facility, will be paid by means of the corresponding adjustments in the Liquidity Facility in accordance with the adjustment procedure described in section 3.4.3.b herein.

#### **Special interrelation of the Liquidity Facility and the Cash Account. Duration and cancellation of the Liquidity Facility**

As a result of the interrelation between the existence of the Liquidity Facility, the assignment of the Assets derived from the Quantities Drawn on the Credit Lines and the opening of the Cash Account, the Liquidity Facility will be cancelled as soon as all Credit Lines whose amounts drawn have been assigned to the Fund have been repaid in their entirety.

Once the Liquidity Facility has been cancelled (i) the Cash Account will be cancelled, transferring any balances deposited therein at that time to the Interest Account, and (ii) all collections and payments as of that moment during the life of the issue of the Bonds will be centralized in the Interest Account.

#### **Actions in the event of a downgrading of the credit rating of Santander**

If the non-subordinated and non-secured debt of Santander should experience, at any time during the life of the Bonds, a downgrading of its rating below Baa3 or P-2

for its long and short-term risk, respectively, in the case of Moody's or, in accordance with the Rating of DBRS, the long-term credit risk of Santander were to be downgraded to a rating less than BBB (high), or such rating was withdrawn, Santander should establish a deposit within a period of thirty (30) calendar days in an amount equal to the difference between 105% of the maximum of the Credit Lines and the amount drawn at that same time in an entity with a minimum rating of Baa3 or P-3 for its long and short-term risk, respectively, in the case of Moody's, and in accordance with the long-term Rating of DBRS of at least BBB (high) (without such rating being "Under Review (Negative)"), with the Manager making drawdowns against that deposit solely when the Cash Account has a debit balance (against the Fund), so that any upward variations of the Credit Lines are transferred to the Fund as envisaged in section 3.4.3.(b) herein.

Furthermore, on the other hand, if the non-subordinated and non-secured debt of Santander, as depositary of the Cash Account should experience, at any time during the life of the Bonds, a downgrading of its rating below Baa3 or P.3 for its long and short-term risk, respectively, in the case of Moody's or, in accordance with the Rating of DBRS, the long-term credit risk of the depositary of the Cash Account were to be downgraded below BBB (high) or such rating was withdrawn, the Manager should carry out the actions established in section 3.4.4.3 below.

#### **3.4.4 Indication of any investment parameters for investing temporary excess liquidity and description of the parties responsible for such investment.**

##### **3.4.4.1. Cash Account**

Insofar as the Cash Account is directly related to the existence of Credit Lines, the Manager, acting for and on behalf of the Fund, and the Originator, at the same time the Deed of Incorporation is signed, shall enter into the Guaranteed Rate Reinvestment Agreement (Cash Account), whereby the Originator shall guarantee certain returns on the amounts deposited by the Fund, through its Manager, into the Cash Account. Specifically, the Guaranteed Rate Reinvestment Agreement (Cash Account) will state that the amounts received by the Fund as:

- (i) principal on the Assets, including the repayments of the Loans and the downward variations of the Credit Lines insofar as the Credit Lines have not been integrally and totally repaid;
- (ii) amounts of the returns obtained on the balance of the Cash Account; and
- (iii) the quantities received for the issue of the Series A and B Bonds shall be deposited into the Cash Account.

Downward variations of the Credit Lines shall mean, insofar as the Credit Lines have not be fully and entirely repaid, the reduction in the Outstanding Balance of the Credit Lines at all times with regard to the Outstanding Balance of said Credit Lines at the Date of Incorporation. The Fund, represented by the Manager, against the Cash Account, will acquire the Assets assigned by the Originator at their initial amount.

The Cash Account will also allow upward variations of the Credit Lines, understood as an increase of the Outstanding Balance of the Credit Lines at all times with regard to the Outstanding Balance of said Credit Lines at the Date of Incorporation, up to the initial limit

described in the policy or deed. For this, the potential upward variations of the Credit Lines will be offset daily with all the possible downward variations of other Credit Lines, and likewise the amounts from Assets (credit rights derived from the Loans and the Amounts Drawn from the Credit Lines) as repayment of the Principal, as described in the above paragraph. Given the operation of the Liquidity Facility, only if the balance of this compensation is positive (the Cash Account would thus have a debit balance) the Fund will have a Liquidity Facility up the maximum amount described in section 3.4.3.b) of this Additional Building Block.

In the event of a credit balance (in favor of the Fund), any quantities deposited in the Cash Account will accrue interest daily and will be calculated and settled monthly on the 5<sup>th</sup> of each month, with the first date of settlement taking place on January 5, 2014 at the Benchmark Interest Rate for the Bonds in force at the start of each month on the basis of the days that have actually elapsed during which the Cash Account has a credit balance (in favor of the Fund) and a 365-day year.

In the event of a debit balance (against the Fund), these quantities will accrue interest daily, and will be calculated and settled quarterly on each Payment Date in accordance with the Order of Priority of Payments established in section 3.4.6.(b) below or in the Order of Priority of Payments established in section 3.4.6.(d) below, at an interest rate equal to the three (3) month Euribor plus a margin of 0.45%, on the basis of the days that have actually elapsed during which the Cash Account has a debit balance (against the Fund) and a 365-day year.

On each Calculation Date, the amount of the Cash Account (with the exception of downward variations) will be transferred to the Interest Account. The downward variations of the Credit Lines, which all times belong in the Cash Account, are for the sole purpose of covering the differences, if any, between the principal drawn from the Credit Lines and Outstanding Balance of the Credit Lines at the moment they are assigned to the Fund.

#### **3.4.4.2 Interest Account**

In addition the Manager, in the name and on behalf of the Fund, and the Originator, simultaneously upon the execution of the Deed of Incorporation, will execute an Interest Account Agreement by virtue of which the Originator will guarantee a return on the quantities deposited by the Fund via the Manager in the Interest Account. Specifically, the Interest Account Agreement will determine that the quantities received by the Fund as:

- interest on Assets
- quantities to which the return amounts as obtained from the balance of the Interest Account.
- the Subordinated Loan
- any other quantities derived from the Assets, other than the principal;
- the quantities constituting the Reserve Fund at any given time;
- if the Credit Lines have been integrally and fully repaid, the principal of the Assets will be deposited in the Interest Account.

On the Disbursement Date, the Interest Account will receive the initial amount of the Subordinated Loan with which to cover the costs of incorporation.

The Interest Account on each Calculation Date will receive the amount from the Cash Account, with the exception of downward variations.

The amount of the Interest Account, with the exception of interest settled to the Fund between the Calculation Date and the Payment Date, will be transferred in its entirety on each Payment Date to the Cash Account, where appropriate, so that it may be deemed as Liquid Funds on the Payment Dates.

The quantities deposited accrue interest daily, and will be calculated and settled monthly on the 2<sup>nd</sup> of each month, with the first settlement date being December 2, 2013, at the Benchmark Interest Rate for Bonds in force at the start of each month on the basis of the days that have actually elapsed and a 365-day year.

By means of the Interest Account the amounts deposited therein will be isolated so that they may not be drawn to cover any possible upward drawdowns on the Credit Lines.

**Relationship between the Cash Account, Interest Account, Liquidity Facility and interest on Assets (Credit Lines).**

The settlement of interest of the Credit Lines occurs against the Credit Lines themselves causing, together with the additional draw downs at any time if any, an increase thereof. This amount will be transferred by the Originator to the Interest Account and at the same time this amount will be made available in the Cash Account by the Fund to meet the increase in the Credit Lines. The situation may arise, as described in section 3.4.4.1 above, where the income described in paragraph (i) of this section is less than the upward variation described in this case, which will cause the Fund to have a Liquidity Facility. Otherwise it will not be necessary to have the Liquidity Facility since the upward variations will be compensated by the income described in paragraph (i) above.

**3.4.4.3. Joint drawdowns**

In accordance with the foregoing, all collections and payments will be centralized in the Cash Account and Interest Account throughout the life of the issue of the Bonds unless the cancellation of the Liquidity Facility takes place in the terms of section 3.4.3.b) above, in which case only the Interest Account will be maintained, (ii) transferring any balances deposited in the Cash Account at that time to it, and (ii) centralizing all collections and payments to be made as of that moment therein.

Banco Santander will carry out no withholdings when settling interest on the Cash Account or Interest Account as established in section 59, paragraph k of Royal Decree 1777/2004. In the event that any party were to carry out undue withholdings, Santander agrees to pay to the Fund the same amounts to which the Fund would have been entitled had the withholdings not been made.

**Downgrade in credit rating**

**Criteria of Moody's Investors Service España, S.A.:**

If the non-subordinated and non-guaranteed debt of the holder of the Cash and/or Interest Account experiences, at any time during the life of the Bonds, a downgrade in its rating below Baa3 or P-3 for its long and short-term risk, respectively, in the case of Moody's, or another equivalent one recognized expressly by Moody's, the Manager must, within a maximum period of thirty (30) Business Days of the day this situation arises, adopt one of the options described below which allows an appropriate level of guarantee to be maintained with respect to the commitments deriving from the Cash Account and the Interest Account:

- i. obtain from a credit entity with a minimum credit rating for its non-subordinated and non-guaranteed long and short-term debt, respectively, in the case of Moody's and without this adversely affecting the rating granted to the Bonds by the Rating Agencies, an unconditional and irrevocable guarantee on first demand securing, at the simple request of the Manager, the timely compliance by the Account holder of

- its obligation to repay the amounts deposited in the Cash Account or Interest Account for the duration of the loss of Baa3 or P-3 rating in the case of Moody's;
- ii. transfer the Cash and our Interest Account to an entity whose non-subordinated and non-guaranteed debt has a minimum rating of Baa3 or P-3 for its long and short-term risk, respectively, in the case of Moody's and to arrange the highest possible return on their balances, which may be different from the one arranged with the holder of the Account by virtue of such agreement.

**Criteria of DBRS Ratings Limited:**

In the event that the long-term credit rating awarded by DBRS of the Holder of the Cash or Interest Account, as the case may be, is downgraded to below BBB (high) at any time during the life of the Bonds, or if this rating is otherwise withdrawn, the Manager must carry out, after consulting the Rating Agencies and within no more than thirty (30) Calendar Days from the time this situation arises, one of the measures described below so as to maintain an adequate level of guarantee in respect of the commitments and duties set forth in the respective agreement and provided the rating given to the bonds issued by the Fund is not adversely affected:

- i) obtain, from an institution with a long-term DBRS rating equal to or higher than BBB (high) without such rating being "Under Review (Negative)", and without this adversely affecting the rating assigned to the Bonds by DBRS, an unconditional and irrevocable surety enforceable on first request and guaranteeing the Fund, upon a simple request from the Manager, timely repayment by the holder of the Cash Account or Interest Account, as the case may be, of the amounts deposited in said account, for the duration of the loss of the long-term BBB (high) rating by the holder of the Cash or Interest Account, as the case may be.
- ii) transfer the Cash and Interest Account to an entity with a DBRS long-term rating equal to or higher than BBB (high) (without such rating being "Under Review (Negative)"), and arrange the highest possible returns for the balances held therein, which may be different from that agreed with the Holder of the Cash or Interest Account, as the case may be.

In the event that the DBRS rating of the holder of the Cash or Interest Account should once again reach BBB (high) (without such rating being "Under Review (Negative)") in the long-term, and if situation (ii) above arises, the Manager shall once again transfer the balances to the new holder of the Cash or Interest Account under the Guaranteed Rate Reinvestment Agreement (Cash Account) and the Guaranteed Rate Reinvestment Agreement (Interest Account) respectively. In the event of having opted for option (i) above, this will not be necessary.

All costs, expenses and taxes incurred from carrying out and formalizing the preceding options will be met by the holder of the accounts or, where appropriate, the replacement holder.

Banco Santander, as of the moment of the downgrade in its credit rating, undertakes to bring this to the knowledge of the Manager and to take reasonable commercial efforts to ensure that the Manager is able to adopt any of the foregoing options.

Banco Santander expressly and irrevocably waives any offset right against the Fund to which it might otherwise be entitled by virtue of any agreement it maintains with the Fund.

**3.4.5 Method for receiving payments in respect of the Assets.**

As collection manager, Santander shall receive, on behalf of the Fund, any such sums of money as may be paid by the Debtors and deriving from the Assets, both for principal and interest, as well as any other concept transferred to the Fund and proceed to immediately deposit all amounts pertaining to the Fund into the Cash or Interest Account, as the case may be and, in any case, within the maximum term of forty-eight (48) hours.

Notwithstanding the foregoing, the procedure described in section 3.4.3.b above will be followed with respect to any quantities that correspond to the Fund and arise from any upward or downward variations in the balance pending repayment of the Credit Lines.

**Powers of the owner of the Assets in the event the Debtors or the Administrator breach their obligations.**

The Originator, as Administrator of the Assets, will apply the same diligence and follow the same procedure for claiming unpaid amounts as it applies to other loans in its portfolio and, in particular, institute the appropriate legal proceedings if previous internal attempts at seeking satisfactory payment on behalf of the Fund within the established timeframes prove unsuccessful. The Originator shall, in all cases, resort to legal proceedings if the Manager, as representative of the Fund, and following an analysis of the specific circumstances of the case, agrees that such proceedings are the correct course of action.

In addition, the Originator is obliged to inform the Manager each quarter, as representative of the Fund, of defaults and early repayments and of any sporadic demands for payment, official notice served on the debtors, legal action and any other circumstances that may affect the Assets. In addition, the Originator will provide the Manager with all information required by the latter in relation to said Assets and, in particular, the precise documentation required for the Manager to initiate legal action, where applicable.

**a) Action against the Debtors of the Assets.**

The Fund, as owner of the Assets, shall have all the legal causes of actions inherent to ownership of the Assets pursuant to applicable law. Said action must be exercised in accordance with applicable court procedure pursuant to the provisions of articles 517 *et seq* of the Spanish Civil Procedure Law (*Ley de Enjuiciamiento Civil*). Since the Credit Lines are documented in a policy executed by a notary, any recovery actions relative to the amounts drawn on the Credit Lines, as well as any overlimits that may have been generated therein as a result of interest capitalization may be processed by enforcement procedure. To the contrary, all overlimits of the Credit Lines that are not caused by interest capitalization but are instead caused by additional drawdowns of the Debtors, should be processed by declaratory procedure.

For the above purposes, the Management Company shall, in tandem with the signing of the Deed of Incorporation, execute a power of attorney as broad and sufficient as required by law in favor of the Originator so that the latter, acting through any of its attorneys-in-fact sufficiently empowered for such purpose, may, on behalf of the Manager, demand from the debtors of any of the Assets payment of its debt and initiate court action against the debtors, including all other powers required to discharge its duties as Administrator. These powers may also be granted in a deed other than the Deed of Incorporation or extended if necessary for the performance of said duties.

**b) Action against the Administrator.**

The Manager, acting on behalf of the Fund, will be entitled to pursue summary proceedings against the Administrator to enforce payment at maturity of the Assets as way of principal and interest and any other monies, insofar as breach of the

obligation to pay said sums does not result from non-payment by the Debtors of the Assets and is attributable to the Administrator.

The Administrator will not be responsible for action taken while following instructions received from the Manager.

In addition, in the event that the Originator does not meet the obligations described in section 3.7.1 of this Additional Building Block, the Fund, via the Manager, will in any case be able to pursue declarative action against the Originator for its failure to meet said obligations in respect of the Assets. All of the above is in accordance with the procedures stipulated for said process provided for in the Civil Procedure Law.

Similarly, and under the same circumstances, the Manager may request that the Administrator carry out any acts and fulfill any formalities necessary, including notification to third parties and entries in the relevant registers, in order to guarantee that the transfer of the Assets and the accessory guarantees are fully enforceable and effective vis-à-vis third parties.

With the Assets extinguished, the Fund, via the Manager, will retain the right to proceed against the Administrator until the latter has met its obligations.

**c) Actions in case of non-payment of the Mortgage Loans.**

In the event of the foreclosure of a mortgage when the Land Registry contains records in relation to the property encumbered by the mortgage by virtue of which action is taken, of other mortgages that are senior to the one in question but which have been extinguished, the Originator will adopt all measures permitted by law to ensure that the registry details and the legal reality match. In cases where the relevant documentation is available, this process will take place in accordance with the provisions of article 40 and Section IV of the Spanish Mortgage Law (*Ley Hipotecaria*) and, in other cases, in accordance with article 209 of the same Law.

The Fund, as the owner of the Assets derived from the Mortgage Loans, shall be entitled to bring all legal actions arising from ownership of said Assets, as per the legislation in force. Said suit shall be brought through summary enforcement proceedings in accordance with the provisions of articles 517 *et seq.* of the Civil Procedure Law (for enforcement procedures).

In the event of non-payment of principal or interest on a Mortgage Transfer Certificate as a consequence of the non-payment by the Debtor of the Mortgage Loan, the Manager, acting on behalf of the Fund, shall have the following powers and authorities as provided for in article 31 of Royal Decree 716/2009:

- (i) compel the Originator as Administrator to bring mortgage foreclosure proceedings;
- (ii) appear with equal rights alongside the Originator, as the issuer of the Mortgage Transfer Certificates, in the foreclosure proceedings brought by the latter against the debtor, appearing for such purpose at any foreclosure procedure brought by the Originator;
- (iii) if the Originator does not initiate proceedings within sixty (60) calendar days from the formal demand for payment of the debt dispatched through the service of a notary public, the Manager, acting on behalf of the Fund, will also be authorized to seek foreclosure of the mortgage in respect of the Mortgage Loan in the amount corresponding to the percentage of its participation. For such purposes, the Originator will be required to issue a certificate accrediting the existing balance on the Mortgage Loan;



- (iv) in case of a stay in the procedure brought by the Originator, the Fund, duly represented by the Manager, as holder of the relevant Mortgage Transfer Certificate, may subrogate the position of the Originator and see the foreclosure proceedings through to completion, with no need for the above-mentioned time period to transpire.

In the cases described in paragraphs (iii) and (iv) above, the Manager, on behalf of the Fund, may request the competent judge to bring or continue the pertinent mortgage foreclosure proceedings, including with the lawsuit the original Mortgage Transfer Certificate with its breakdown, the formal demand served by notary public stated in section (iii) above, and a registry certificate evidencing the filing and continued existence of the mortgage in the case of the Mortgage Transfer Certificates, along with the document confirming the balance being claimed.

If legally required, and for the purposes of articles 581.2 and 686.2 of the Civil Procedure Law and article 236.c of the Mortgage Regulations, the Administrator, in the Deed of Incorporation, shall grant an irrevocable power of attorney as broad and sufficient as is required by Law, so that the Manager, acting on behalf of the Administrator, may seek payment of its debt, via notary, from the obligors under any of the Mortgage Loans.

The Fund, as holder of the Mortgage Transfer Certificates, may also, through the Manager, appear with equal rights alongside the Administrator in the foreclosure proceedings and, in this regard and pursuant to the terms of articles 691 *et seq.* of the Civil Procedure Law, request adjudication of the mortgaged property in payment of its debt. In the event that properties or other assets are awarded to the Fund, the Administrator shall continue to manage and administer the Fund until such properties or assets are sold, applying for such purpose the same diligence and following the same procedure as that for the other assets in its portfolio. To such end, the Administrator undertakes to follow the instructions received from the Manager on behalf of the Fund. Section 2.2.7.1.2 of the Additional Building Block contains a detailed description of this foreclosure procedure. Notwithstanding the above, the Manager may, if it deems such a move appropriate, sell the awarded properties or assets itself or through third parties within the shortest timeframe possible and at arm's length conditions, with the Administrator actively lending its assistance with the sale.

The Fund shall meet the corresponding costs and provide the funds required to pursue the enforcement proceedings indicated in this section.

#### 3.4.6 Origin and Application of Funds.

- (a) **Origin:** the Liquid Funds calculated at the Calculation Date prior to the Payment Date will be the amounts received by the Fund in the Cash Account or, if this does not exist, in the Interest Account as principal, returns on the Cash Account, as well as any quantities received by the Fund in the Interest Account as interest and any other concepts from the Assets, the return from the Interest Account, the Reserve Fund and any other amounts the Fund may receive.

Until the Cash Account has been cancelled and therefore for as long as it remains in force, any amounts deposited in the Interest Account will also be considered as Liquid Funds on the Calculation Dates prior to the Payment Dates for calculation purposes, since they will be transferred to the Cash Account on each Payment Date.

- (b) **Application:** the Manager, on behalf of the Fund, shall apply on each Payment Date (insofar as not the Legal Maturity Date, and neither when the Early Settlement of

the Fund takes place under the terms of section 4.4.3 (1) of the Registration Document) the Liquid Funds to the following payments and withholdings, in accordance with the Order of Priority of Payments described below:

1. Payment of taxes and ordinary and extraordinary expenses of the Fund, whether or not met by the Manager, and payment of the periodic management fee pertaining to the Manager; in the event that Santander is replaced as Administrator by a new entity that is not part of the consolidated Santander group, payment of an administration fee and in the event that Santander is replaced as Paying Agent by a new entity that is not part of the consolidated Santander group, payment of a paying agency fee.
2. Payment of interest accruing on the Series A Bonds and, where appropriate, payment of the interest on the Liquidity Facility prorated among both.
3. Payment of interest accruing on the Series B Bonds, unless this payment is downgraded to fifth (5<sup>th</sup>) place in the Order of Priority of Payments as described in section 3.4.6 c) of this Additional Building Block.
4. Withholding of the Amount Accrued for Redemption of the Series A and B Bonds.
5. Payment of interest accruing on Series B Bonds when this payment is downgraded from third (3<sup>rd</sup>) place in the Order of Priority of Payments in accordance with the terms of the section c) below.
6. Withholding of the amount required to maintain the Reserve Fund at the Required Level from time to time, as described in section 3.4.2.2 of this Additional Building Block
7. Payment of the Ordinary Part of the interest accruing on the Series C Bonds.
8. Withholding of an amount equal to the Amount Accrued for Redemption of Series C.
9. Payment of interest accruing on the Subordinated Loan.
10. Repayment of principal under the Subordinated Loan.
11. Payment of the administration fee provided the replacement does not occur.
12. Payment of the Extraordinary Part of the interest on the Series C Bonds (with this being a variable amount equal to the excess liquidity after paying the concepts stated in numbers 1 to 11 of this Order of Priority of Payments).

**The expenses reflected in first place in the above Order of Priority of Payments are broken down into the following:**

The following are deemed ordinary expenses:

- expenses incurred from the annual audits of the Fund's financial statements;
- expenses derived from maintaining the ratings of the three (3) Bond Series;
- expenses that could arise from the compulsory verifications, registrations and administrative authorizations;
- expenses relating to redemption of the Bonds;

- expenses related to any notices which, in accordance with the provisions of this Prospectus, must be given to the holders of the outstanding Bonds;
- expenses relating to the accounting and books of the Bonds due to their representation in book-entry form, their admission to trading on the AIAF market and the associated maintenance of this;
- fee of the Manager or the manager that may replace it;
- in general, any other expenses borne by the Manager, and arising out of its duties to represent and manage the Fund.

The following are deemed extraordinary expenses:

- any expenses incurred from presenting and formalizing amendments to the Deed of Incorporation and the agreements, as well as from entering into additional agreements;
- expenses required to execute the Loans and Credit Lines underlying the Assets;
- the corresponding reserve in order to pay the final termination and settlement costs, whether administrative or relating to taxes or publicity;
- in general, any other extraordinary expenses met by the Fund or the Manager acting on behalf of the Fund.

**(c) Exceptional rules on priority of payments to be met by the Fund:**

In the event Santander is replaced as Administrator of the Loans by another entity that does not belong to Santander's consolidated group, a fee shall accrue in favor of the new third-party administrator, such fee to move from 11<sup>th</sup> to 1<sup>st</sup> place in the Order of Priority of Payments established under section 3.4.6 (b) above.

Payment of interest on the Series B Bonds with respect to the Amount Accrued for Redemption will be moved down to fifth (5<sup>th</sup>) position in the Order of Priority of Payments when, on the Calculation Date preceding the relevant Payment Date, the accumulated Outstanding Balance of the Non-Performing Assets, excluding the amounts recovered, from the incorporation of the Fund, exceeds five per cent (5%) of the Outstanding Balance of the Assets at the Incorporation Date and provided the Series A Bonds have not been redeemed in full and this is not going to occur on the corresponding Payment Date.

In the event that the Fund, on a Payment Date, is unable to meet total or partial payment of the interests accruing on the Bonds of any of the Series, in accordance with the Order of Priority of Payments established in section 3.4.6 b) above, the amounts not effectively paid to the Bondholders will be added to the interest payable on the same Series at the following Payment Date, and will be paid on the following Payment Date when, according to the Order of Priority of Payments, the Fund has sufficient Liquid Funds for such purpose, and in order of interest maturity if it was not possible to pay all the interest due to insufficient Liquid Funds. Unpaid outstanding interest will not accrue additional or default interest and will not be added to the Outstanding Principal Balance of the Bonds.

**(d) Order of Priority of Payments for Settlement:**

The Manager will proceed to liquidate the Fund when such settlement takes place at the Legal Maturity Date or on any Payment Date when Early Settlement of the Fund is to take place, pursuant to section 4.4.3 (3) of the Registration Document, by

applying the Liquid Funds for Settlement in the following Order of Priority of Payments for Settlement:

1. Payment of the taxes and ordinary and extraordinary expenses of the Fund, whether or not met by the Manager, and payment of the periodic management fee pertaining to the Manager; in the event that Santander is replaced as Administrator by a new entity that does not belong to the consolidated Santander group, payment of an administration fee and, in the event Santander is replaced as Paying Agent, payment of the fee set by the Manager in favor of the replacement agent.
2. Payment of interest accruing on the Series A Bonds and, where appropriate, payment of interest on the Liquidity Facility prorated among both.
3. Repayment of principal on the Series A Bonds and, where appropriate, repayment of the Liquidity Facility by its balance drawn, prorated among both.
4. Payment of interest accruing on the Series B Bonds.
5. Repayment of principal on the Series B Bonds.
6. Payment of the Ordinary Part of the interest accruing on the Series C Bonds.
7. Payment of the Amount Accrued for Redemption of Series C.
8. Payment of interest accruing on the Subordinated Loan.
9. Repayment of principal on the Subordinated Loan.
10. Payment of the administration fee provided the replacement does not occur.
11. Payment of the Extraordinary Part of the interest accruing on the Series B Bonds (this being a variable amount equal to the excess liquidity after paying the concepts mentioned in numbers 1 through 10 of this Order of Priority of Payments for Settlement).

The following will be Liquid Funds for Settlement:

- a) the Liquid Funds; and
- b) the amounts obtained by the Fund from the sale of the remaining Assets and any other assets in the event of Early Settlement of the Fund pursuant to the requirements established in section 4.4.3 (3) of the Registration Document.

**3.4.7 Details of other agreements affecting interest and principal payments to the Bondholders.**

Not applicable.

**3.5 Name, address and significant business activities of the Originator.**

The Originator of the Assets is Banco Santander, S.A., with registered office in Santander, at Paseo de Pereda 9-12, 39004, and with its operational headquarters located at Ciudad Grupo Santander, Avenida de Cantabria s/n, 28660 Boadilla del Monte (Madrid).

The principal financial activities of Santander are those characteristic of any bank, in accordance with the specific nature of such entities and as established by law. In this regard, the following core activities should be highlighted:

- capture of funds (through demand savings passbooks, current accounts, term savings passbooks, mutual funds, pension plans, insured retirement plans, assignment of assets, issuance of securities, unit linked and annuities, among others);
- financing activities, primarily through personal loans, mortgage loans, credit facility accounts, discounting documents, bank guarantees and leasing, factoring and reverse factoring transactions;
- provision of services, such as credit and debit cards, merchant payment systems, collection services, debit order services, transfers, asset management, currency exchange, etc.;
- the information that follows is the audited consolidated financial information of Banco Santander as at December 31, 2012, 2011 and 2010;
- the consolidated information to December 31, 2012, expressed in millions of euros, has been prepared in accordance with International Financial Reporting Standards applicable to Banco Santander under Regulation EC 1606/2002 and Banco de España Circular 6/2008.

	9M '13	9M '12	Variation		2012
			Absolute	%	
<b>Balance and Profit/loss (millions of euros)</b>					
Total assets	1,192,181	1,300,006	(107,825)	(8.3)	1,269,598
Customer loans (net)	686,821	752,680	(65,859)	(8.7)	719,112
Customer deposits	633,433	630,072	3,361	0.5	626,639
Managed customer funds	954,500	976,938	(22,438)	(2.3)	968,987
Shareholders' funds	83,954	81,281	2,672	3.3	80,921
Total managed funds	1,316,513	1,421,634	(105,121)	(7.4)	1,387,740
<b>Profit/loss* (millions of euros)</b>					
Net interest income	19,659	22,823	(3,165)	(13.9)	29,923
Gross income	30,348	33,123	(2,775)	(8.4)	43,406
Pre-provision income	15,490	18,079	(2,589)	(14.3)	23,422
Profit/loss from continuing operations	4,121	2,451	1,670	68.1	2,993
Profit/loss attributable to the group	3,310	1,872	1,439	76.9	2,295

(\*) – Variations without exchange rate:

Q3'13 / Q2'13: Net interest Income: -0.6%; Gross income: -0.4%; Pre-provision income: -2.2%; Profit/Loss Attributable: +8.5%  
9M'13 / 9M'12: Net interest Income: -8.1%; Gross income: -2.7%; Pre-provision income: -8.2%; Profit/Loss Attributable: +110.4%

#### EPS, returns and efficiency (%)

Earnings per share (euro)	0.31	0.19	0.12	59.8	0.23
ROE	5.48	3.17			2.91
ROTE	7.83	4.68			4.28
ROA	0.44	0.26			0.25
RoRWA	1.01	0.59			0.56
Efficiency (with amortization)	49.0	45.4			46.0

#### BIS II ratios and default (%)

Core capital (BIS II)	11.56	10.38			10.33
Delinquency rate*	5.43	4.34			4.54
Delinquency coverage*	63.9	69.5			72.4

#### The share and capitalization

Number of shares (millions)	11,092	9,899	1,193	12.1	10,321
Share price (euro)	6,028	5,795	0,233	4.0	6,100
Market capitalization (million euros)	66,863	57,363	9,500	16.6	62,959
Shareholders' funds per share (euro)	7.58	8.08			7.88
Price / shareholders' funds per share (x)	0.79	0.72			0.77
PER (price / EPS) (x)	14.61	22.45			25.96

#### Other information

Number of shareholders	3,281,450	3,283,913	(2,463)	(0.1)	3,296,270
Number of employees	184,786	188,146	(3,360)	(1.8)	186,763
Continental Europe	14,561	14,496	65	0.4	14,392

#### Ordinary earnings information

Profit/loss attributable to the group	3,310	4,318	(1,007)	(23.3)	5,341
Earnings per share (euro)	0.31	0.45	(0.14)	(30.7)	0.55
ROE	5.48	7.31			6.78
ROTE	7.83	10.79			9.97
ROA	0.44	0.51			0.48
RoRWA	1.01	1.16			1.10
PER (price / earnings per share ratio) (multiple)	14.61	9.73			11.15

(\*) Variations without exchange rate: Q3'13 / Q2'13: +8.5%; 9M'13 / 9M'12: -17.7%

Note: The financial information contained here is not audited. However, it has been approved by the board of directors of the Company at its meeting of October 21, 2013, following the favorable report of the audit and compliance committee dated October 14, 2013. In its review, the audit and compliance committee endeavored to ensure that the quarterly financial data was prepared according to the same principles and practices as the annual accounts.

	09.30.13	09.30.13	Variation		12.31.12
			Absolute	%	
Core Capital	58,085	58,370	(285)	(0,5)	57,558
Basic equity	62,502	63,122	(620)	(1.0)	62,234
Tier 2 capital	10,545	12,710	(2,165)	(17.0)	11,981
Deductions	(1,211)	(1,248)	38	(3.0)	(1,279)
<b>Capital Base</b>	<b>71,836</b>	<b>74,584</b>	<b>(2,748)</b>	<b>(3.7)</b>	<b>72,936</b>
Weighted assets	502,297	562,285	(59,988)	(10.7)	557,030
<b>BIS II Ratio</b>	<b>14.30</b>	<b>13.26</b>	<b>1.04 p.</b>		<b>13.09</b>
Tier I (before deductions)	12.44	11.23	1.21 p.		11.17
<b>Core capital</b>	<b>11.56</b>	<b>10.38</b>	<b>1.18 p.</b>		<b>10.33</b>
Shareholders' equity surplus (BIS II ratio)	31,652	29,601	2,051	6.9	28,374

**3.6 Return on and/or repayment of the securities related to others that are not assets of the issuer.**

Not applicable.

**3.7 Administrator and duties of the Manager as administrator.**

**3.7.1 Administrator.**

The Originator, in accordance with the provisions of article 2.2 of Royal Decree 926/1998 and article 26.3 of Royal Decree 716/2009, must exercise custody and administration of the Assets and the deposit of the Mortgage Transfer Certificates, with relations between the Fund and the Originator as regulated in this Prospectus and the Deed of Incorporation.

The Originator shall accept the mandate received from the Manager and, by virtue of such mandate, agrees as follows:

- (i) to administer and manage the Assets acquired by the Fund in accordance with the system and the standard administration and management procedures established herein;
- (ii) to continue administering the Assets, dedicating the same time and attention and the same level of expertise, care and diligence in the administration thereof as that it would devote and exercise in administering its own loans and, in any case, the Originator shall exercise an adequate level of expertise, care and diligence in providing the services envisaged in this Additional Building Block;
- (iii) to ensure that the procedures it applies now and in the future for administering and managing the Assets are and will continue to be in accordance with applicable laws and rules in force;
- (iv) to obey the instructions given to it by the Manager, with due loyalty;
- (v) to indemnify the Fund for and damage or loss that may derive from breach of the obligations assumed.

The following sections describe the system and the standard procedures for administration and custody of the Assets and for the deposit of the Mortgage Transfer Certificates.

**(1) Duration.**

The services shall be rendered by the Originator until, once all of the Assets have been redeemed, all of the obligations assumed by the Originator in relation to said Assets have been discharged, this without prejudice to the possible early revocation of its mandate.

In the event of the Administrator being declared insolvent, intervention by the Banco de España, failure by the Administrator to meet its obligations as per this Additional Building Block, or a change in the financial position of the Administrator that entails an impairment or risk on the financial structure of the Fund or on the rights and interests of the Bondholders, the Manager may, should it consider it necessary, insofar as legally possible, and once it has informed the CNMV, carry out one or more of the following actions, among others, so as to ensure that the rating given to the Bonds by the Rating Agencies is not compromised:

- (i) require the Administrator to subcontract or delegate to another entity the performance of said obligations, such other entity having, in the judgment of

the Manager, sufficient legal capacity and resources, and provided that this does not adversely impact the rating of the Bonds;

- (ii) guarantee through a third entity of a sufficient rating and credit quality all or part of the obligations of the Administrator; or
- (iii) revoke the appointment of the Administrator; in this case, the Manager should first appoint a new Administrator of sufficient credit quality prepared to accept the obligations contained in this Additional Building Block. Any additional expenditure or cost derived from such actions will be met by the Administrator and, under no circumstances, by the Fund or the Manager.

If the Administrator is declared insolvent, (iii) will be the only possible course of action.

The Manager shall bear in mind the proposals that it receives from the Administrator in relation to the subcontracting, delegation or appointment of the substitute in the performance of its obligations, as well as on the entity that could secure performance of its obligations.

The Administrator, in turn, may voluntarily resign from carrying the administration and management of the Assets, if possible in accordance with current law in force from time to time, and provided that (i) this is authorized by the Manager; (ii) the Manager has already appointed a new Administrator; and (iii) the Administrator has already indemnified the Fund for any damage and loss caused thereto by the resignation and substitution. In addition, the Administrator shall meet all additional costs and may not, therefore, claim these from the Fund, and (iv) no adverse impact on the rating of the Bonds takes place. Said change of Administrator must first be communicated to the CNMV.

**(2) Liability of the Originator in keeping custody of and administering the Assets and depositing the Mortgage Transfer Certificates.**

The Originator agrees to keep custody of and administer the Assets and deposit the Mortgage Transfer Certificates with all due diligence, and shall be liable to the Fund, through its Manager, for any damage or loss that may arise from its negligence.

The Originator shall indemnify the Fund, through its Manager, for any damage, loss or expense incurred as a consequence of it breaching its obligations relating to custody and/or administration of the Assets and deposit of the Mortgage Transfer Certificates.

**(3) Liability of the Originator in collection management.**

The Originator agrees to manage collections on the Assets with all due diligence, and shall be liable to the Fund, through its Manager, for any damage or loss that may derive from its negligence.

The Originator assumes no liability whatsoever in directly or indirectly guaranteeing the successful completion of the transaction, nor will it grant guarantees or bank guarantees, or subject itself to repurchase agreements in respect of the Assets, with the exception of the provisions governing the replacement of credit rights set forth in section 2.2.9 of this Additional Building Block, paragraph (i) of section 3.3.2 of this Additional Building Block and the terms of section 3.7.1(8) of this Additional Building Block.

**(4) Custody of contracts, deeds, documents and files.**



The Administrator shall maintain all deeds, notarized agreements, documents and database records related to the Assets under safe custody and shall not abandon the possession, custody or control thereof without the prior written consent of the Manager, unless a document is requested from the Administrator for the purpose of foreclosing or enforcing an Asset.

The Administrator shall reasonably provide access, at all times, to said deeds, notarized agreements, documents and records to the Manager or to the Fund's auditor, duly authorized by the latter. Furthermore, and if so requested, the Manager shall furnish, within five (5) Business Days following the corresponding request, free of charge, a copy or photocopy of any of such contracts, deeds and documents. The Administrator shall respond in kind in the case of requests received for information from the Fund's auditor.

The Administrator invariably waives the privileges granted to it by law in its capacity as collection manager of the Fund and custodian of the credit rights and, in particular, those provided by articles 1,730 and 1,780 of the Spanish Civil Code (relating to retention under pledge of property placed on deposit) and 276 of the Spanish Commercial Code (similar guarantee to retention under pledge of property placed on deposit).

**(5) Collection management.**

As collection manager, the Originator shall receive, on behalf of the Fund, any such amounts as may be paid by the Debtors and deriving from the Assets, and shall deposit into the Cash Account or Interest Account, as the case may be and depending upon whether it is principal or interest, any amounts pertaining to the Fund immediately and, in any case, within the maximum term of forty-eight (48) hours.

Notwithstanding the foregoing, the procedure described in section 3.4.3.b above will be followed with respect to the quantities that correspond to the Fund and arise from upward or downward variations in the balance pending repayment of the Credit Lines.

Santander shall in no case advance any amount it has not previously received from the Debtors as principal or outstanding installment, interest, prepayment, etc. derived from the Assets.

**(6) Reporting.**

The Administrator shall report periodically to the Manager on the degree of compliance by the Debtors with the obligations deriving from the Assets, on compliance by the Administrator with its obligation to deposit the amounts received as deriving from the Assets, on the actions carried out in the event of default and sale by auction of any collateral, and on the existence of any hidden defects in the Assets.

The Administrator shall prepare and submit to the Manager such additional information as, in relation to the Loans and Credit Lines or the rights deriving therefrom, may be reasonably requested by the Manager.

The Originator will provide the Rating Agencies with an update of the same information previously delivered, thus allowing the latter to issue the qualifications of the Bonds. The Originator shall make every effort to provide the Rating Agencies with any additional information deemed necessary.

**(7) Subrogation of the Debtors.**

The Administrator shall be authorized to allow substitutions in the position of Debtor under the Loans and Credit Lines, but limited to cases in which the characteristics of the new Debtor are similar to those of the former one, and provided the new Debtor meets the criteria for granting loans and credit described in section 2.2.7 of this Additional Building Block, and that the expenses deriving from this modification are paid in full by the Debtors. The Manager may totally restrict this power of the Administrator when such substitutions could adversely affect the ratings awarded to the Bonds by the Rating Agencies.

In any case, the Administrator shall report any such subrogation made in accordance with the provisions of the above paragraph to the Manager immediately.

In relation to the Mortgage Loans, the Debtor may request subrogation from the Administrator in accordance with the provisions of Law 2/1994. The subrogation of a new creditor in the Mortgage Loan and the consequent payment of the amount owed will result in the early repayment of the Mortgage Loan and of the relevant Mortgage Transfer Certificate.

**(8) Powers and actions in relation to the renegotiation of the Loans and Credit Lines.**

The Manager authorizes the Administrator on a general basis to carry out renegotiations without its prior consent in accordance with the terms and conditions described below.

The Administrator may not voluntarily cancel the collateral securing the Loans and Credit Lines for reasons other than the payment thereof, nor otherwise waive or accept settlements in respect of the Loans, abandon a claim on the Assets in whole or in part or extend them, nor in general carry out any act that would lower the ranking, legal effectiveness or economic value of the collateral or of the Assets, without prejudice to its duty to service requests from the Debtors with the same diligence and procedure as if dealing with other loans.

Notwithstanding the above, the Administrator will be able to accept settlements on the Mortgage Loans by accepting, on behalf of the Fund, dations in payment for properties that constitute the collateral for the Mortgage Loans, in clear cases of insolvency or impediment of the debtor's financial capacity, all in the same terms as the Administrator acts in relation to its own loans and provided no instructions to the contrary are received from the Manager. In this case, the proceeds from the dation will correspond in full to the Fund until the Mortgage Loan in question has been repaid in full.

Under no circumstances may the Administrator start, on its own initiative, and without a request from the Debtors, interest rate renegotiations that may lead to a decrease in the applicable interest rate or amendments to the Final Maturity Date of a Loan or Credit Line that could result in the extension of the same.

The Manager authorizes the Administrator to proceed with renegotiation of the interest rate applicable to the Loans and Credit Lines insofar as this is requested by the Debtors, subject to the following requirements:

The Originator shall ensure, when the interest rate is being renegotiated, that the new conditions reflect market interest rates and are no different to the rates the Administrator was applying when renegotiating or awarding its Loans or Credit Lines at floating or fixed interest rates.

This notwithstanding, the Administrator may only novate the Loans or Credit Lines in the following cases:

- If, following the novation process of the applicable interest rate of the loan or credit line referenced to a EURIBOR rate, the spread is equal to or more than the weighted average spread of the Bonds as of the novation date and, at the same time, the weighted average spread of the Loans and Credit Lines subject to floating rates exceeds 1.00%.
- To novate a floating rate to a fixed rate Loan or Credit Line, the weighted average rate of such Loans and Credit Lines will be calculated on the Disbursement Date by applying the difference between this and the weighted average rate of the Bonds. The interest rate resulting from the novation less the weighted average rate of the Bonds at the novation date may not be less than 80% of the aforementioned difference calculated on the Disbursement Date. The maximum Outstanding Balance that may be novated in this particular case over the life of the Fund may not exceed 5% of the Outstanding Balance on the Loans and Credit Lines at the Fund Incorporation Date.

Likewise, the power to renegotiate recognized to the Administrator in this section is subject to the following restrictions:

- a) under no circumstances may the amount of the Loan or Credit Line be increased (except with regard to overlimits).
- b) the frequency of installment payments may not be amended (except in the event of an extension to the maturity date, subject to the provisions of section (c) below);
- c) the maturity term of an Asset derived from a specific Loan or Credit Line (including those with repayment of principal in a single payment on maturity) may be extended provided that the following requisites are met:
  - the amount of the sum of capital or principal assigned to the Fund from the Loans and Credit Lines whose maturity has been extended may not be more than 10% of the initial Outstanding Balance of the Assets on the Incorporation Date;
  - the frequency of interest payments and repayment of principal on the Loan or Credit Line in question must be maintained or increased (i.e. Payment Dates occur more frequently), and the same system of redemption maintained;
  - the new final maturity date or final repayment of the Loan or Credit Line may be no later than the maturity date falling on or prior to May 1, 2033.

In any case, after any renegotiation has taken place in accordance with the provisions of this section, the Administrator shall immediately notify the Manager of the conditions resulting from each renegotiation. Said communication will be issued using the software or computer file provided to update the conditions of the Loans and Credit Lines. Inform about such renegotiations shall be provided to the Rating Agencies upon request.

The Manager, on behalf of the Fund, may, in exceptional circumstances, suspend or modify the renegotiation authorization and requirements granted to the Administrator under this section.

If the Administrator fails to comply with the provisions of this section governing renegotiation of any of the Loans and Credit Lines, the procedure of substitution established in section 2.2.9 of this Additional Building Block of the Securities Note will apply to the asset in question. The Administrator undertakes to compensate the Fund for any damages, loss or expenditure incurred by the same due to the failure of the Administrator to meet the obligations described in this section.

**(9) Fee for provision of services.**

As consideration for the custody, administration and management of the Assets and deposit of the physical Mortgage Transfer Certificates, the Administrator will be entitled to receive, in arrears for periods effectively ended and on each Payment Date, a fixed administration fee of SIX THOUSAND EUROS (€6,000) per quarter, including VAT.

If the Originator is replaced in its administration of said Assets by another entity not belonging to the consolidated group of the Originator, the replacement entity will be entitled to receive an administration fee that will rank first (1<sup>st</sup>) in the Order of Priority of Payments or, where applicable, in the Order of Priority of Payments for Settlement described in sections 3.4.6 (b) and 3.4.6 (d) of the Additional Building Block, respectively (in both cases, the fee is considered an ordinary expense of the Fund).

If the Fund, through its Manager, does not pay on a Payment Date the entire fee because it lacks sufficient liquidity in the Cash Account or Interest Account, as the case may be, in accordance with the Order of Priority of Payments, the amounts not effectively paid shall accumulate, without prejudice to the fee that must be paid on the next Payment Date, and will be paid on this following Payment Date.

On the other hand, the Originator, on each Payment Date, may claim reimbursement of any exceptional expenses incurred in relation to the administration of the Assets, subject to justification thereof to the Manager. Said expenses will include, among others, those incurred from enforcing the guarantees and, where applicable, selling the properties, and shall be paid insofar as the Fund has sufficient liquidity in the Cash Account or the Interest Account, as the case may be, and will rank first (1<sup>st</sup>) in accordance with the Order of Priority of Payments or, where applicable, the Order of Priority of Payments for Settlement as described in sections 3.4.6 (b) and 3.4.6 (d) of the Additional Building Block, respectively.

**(10) Subcontracting**

The Administrator may subcontract any of the services that it has undertaken to provide by virtue of the above, save for those that are non-delegable in accordance with applicable law. Under no circumstances may this subcontracting entail any additional cost or expense for the Fund or the Manager and may not give rise to a decrease in the rating granted by the Rating Agencies. Notwithstanding any subcontracting or delegation, the Administrator shall not be exonerated or released, by virtue of said subcontracting or delegation, from any of the liabilities assumed or legally attributed to or required of it.

**(11) Notifications**

Without prejudice to the provisions of section 3.4.5 of this Additional Building Block governing breach by the Administrator, the Manager and the Originator have agreed not to notify the relevant Debtors of the transfer. For such purposes, notification is not a requirement for the transfer of the Assets to be valid.

However, the Originator will confer the broadest powers required by law upon the Manager so that it may, on behalf of the Fund, notify the transfer to the Debtors whenever it deems this appropriate.

Notwithstanding the above, and in the event of insolvency or indications thereof, intervention by the Bank of Spain, settlement or replacement of the Administrator or because the Manager deems it justified on reasonable grounds, the Manager may instruct the Administrator to notify the Debtors (and, where applicable, third party guarantors and insurance companies) of the transfer to the Fund of the outstanding Assets pending payment, and to inform them that payments deriving from such Assets will only release them from their payment obligations if made into the Cash Account or Interest Account, as the case may be, open in the name of the Fund. However, if the Administrator fails to notify the Debtors and, where applicable, the third-party guarantors and insurance companies within fifteen (15) Business Days following receipt of the request, or in the event that the Administrator becomes insolvent or enters into settlement, the Manager, should it so wish, will, either directly or through a new Administrator appointed by the Manager, carry out the notification to the Debtors and, where applicable, to the third-party guarantors and insurance companies.

Similarly, and under the same circumstances, the Manager may instruct the Administrator to perform any acts and carry out any formalities deemed necessary, including issuing notifications to third parties and recordings in the relevant accounts, so as to ensure the maximum effectiveness of the transfer of the Assets and the accessory guarantees against third parties.

The Originator will assume the costs notifying the Debtors even if the notification is carried out by the Manager.

**(12) Rating downgrade**

If the DBRS rating for the Administrator is lowered to less than BBB (low) for long-term, or is otherwise withdrawn, the Administrator must, within the maximum term of 30 calendar days, carry out any of the following actions: (i) seek an entity with sufficient rating to replace it in its duties as Administrator; (ii) seek a back-up administrator; or (iii) post a cash deposit in favor of the Fund for an amount that meets DBRS criteria.

**(13) Management of the assets deriving from enforcement of the Loan collateral**

The Originator undertakes to administer and manage the assets awarded to the Fund due to enforcement of the collateral on the Loans until such time as all of the awarded assets are sold. In managing the assets, the Originator shall apply the same diligence as that applied in managing the Assets. In any event, the Originator undertakes to deal with any incident arising from the assignment of the property to the Fund, by correcting errors, material or procedural, and filing any appeals or claims, of a legal, administrative or registration nature in any proceedings that may be initiated.

For such purposes, the Originator shall observe the instructions, if applicable, given by the Manager. If such instructions are not given, the Originator shall act on its own initiative without the need to receive such instructions from the Manager, as

though the loans were its own. In any event the Originator undertakes to report periodically to the Manager on the situation and state of such assets.

Likewise, the Originator shall compensate the Fund for any damage or loss suffered by the latter should the Originator breach its obligations.

Likewise, the Originator, as the Manager of the Assets, undertakes to keep them in good state of repair and to meet any payments associated with the management thereof (service charges, municipal taxes and rates, etc.), and to act with all due diligence during the foreclosure proceedings and subsequent sale.

### **3.7.2 Manager**

The administration and legal representation of the Fund is vested in the Manager, whose name, address and significant business activities are detailed under section 5.2 of the Registration Document in the terms provided by Royal Decree 926/1998, and other applicable regulations.

The Manager, as manager of third-party businesses, is also responsible for representing and defending the interests of the Bondholders and of the remaining ordinary creditors of the Fund. Accordingly, the Manager shall at all times protect the interests of the Bondholders, conditioning its actions to the defense thereof and adhering to applicable law and regulations for such purpose.

The actions to be performed by the Manager in furtherance of its duties of administration and legal representation of the Fund are, purely as a matter of illustration and without prejudice to other actions envisaged under this Additional Building Block, as follows:

- (i) open, in the name of the Fund, the Cash Account and Interest Account with the Originator and ensure that the funds received and collected are deposited in said accounts, under the terms provided for in this Prospectus;
- (ii) exercise the rights attaching to ownership of the Assets of the Fund and, in general, carry out any such acts of administration and disposal as deemed necessary for the proper performance of the administration and legal representation of the Fund;
- (iii) carry the financial servicing of the Assets with diligence and rigor, without prejudice to the management duties assumed by the Originator in its capacity as Administrator in accordance with the provisions of section 3.7.1 above;
- (iv) where applicable, replace the Administrator in accordance with the provisions of section 3.7.1.(1) above;
- (v) verify that the amount of income effectively received by the Fund corresponds to the amounts to be received by the Fund in accordance with the conditions of each Loan and Credit Line and the terms and conditions of the various contracts;
- (vi) validate and control the information it receives from the Administrator regarding the Loans, Credit Lines and Assets;
- (vii) calculate the liquid funds and fund movements it must make once the application of the funds has been carried out in accordance with the relevant order of priority of payments, for such purpose ordering transfers of funds between the various asset and liability accounts and the applicable payment instructions, including those assigned to meet the financial servicing of the Issue;
- (viii) calculate and settle the amounts which, for interest and fees, must be received and paid by the various asset and liability financial accounts, as well as the fees to be

paid for the various financial services arranged and the amounts pertaining to the issued Bonds due to repayment;

- (ix) comply with its calculation obligations envisaged in this Additional Building Block and those undertaken by virtue of the agreements envisaged in the Deed of Incorporation;
- (x) monitor the actions of the Administrator in recovering payments in default, giving instructions, when applicable, in order to bring the relevant enforcement procedure and, where appropriate, on the stance to adopt at property auctions; act accordingly when required by prevailing circumstances;
- (xi) carry the accounting of the Fund with due separation from the accounting of the Manager, and render accounts and comply with the tax or other legal obligations applicable to the Fund;
- (xii) furnish the holders of the Bonds issued against the Fund, the CNMV and the Rating Agencies with any information and notifications provided for in current laws and, in particular, in respect of the latter two entities, those contemplated in section 4 of the Additional Building Block of this Prospectus;
- (xiii) so as to ensure that the Fund operates in accordance with the terms set forth herein and by law in force from time to time, the Manager shall enter into, extend or amend agreements it has executed on behalf of the Fund, substitute each of the providers of services to the Fund by virtue of such agreements, and also, if necessary, enter into additional agreements, all the foregoing subject to applicable law, after obtaining the prior authorization, if required, from the CNMV or competent administrative body, and after notifying the Rating Agencies, and provided that such actions do not lead to a decrease in the rating of the Series and do not impair the interests of the Bondholders;
- (xiv) appoint and replace, as the case may be, the financial auditor charged with auditing the annual financial statements of the Fund;
- (xv) prepare and submit to the CNMV and the competent bodies, all documents and information that must be submitted pursuant to applicable law and the terms of this Prospectus, or when such documents and information are requested of it, and likewise to prepare and submit to the Rating Agencies any information they may reasonably request;
- (xvi) adopt the appropriate decisions in relation to the settlement of the Fund, in accordance with the provisions of this Prospectus;
- (xvii) refrain from any actions that could lower the rating on the Bonds and adopt any measures reasonably within its reach to help ensure that such rating is not adversely affected at any time;
- (xviii) establish systems or procedures for analyzing the historic returns on the Assets acquired from the Originator and that allow it to analyze and control the composition and yield of said Assets;
- (xix) maintain systems for monitoring the Bonds issued against the Fund;
- (xx) manage the Fund in such a manner that the net asset value thereof is always zero;
- (xxi) pay the ordinary and extraordinary costs incurred by the Manager on behalf of the Fund.

The Manager shall discharge its duties with the diligence required of it under the terms of Royal Decree 926/1998, representing the Fund and defending the interests of the Bondholders and of the remaining creditors of the Fund as if dealing with its own interests, ensuring due levels of diligence, reporting and defense in relation to the interests of the Bondholders, avoiding situations that could entail conflicts of interest, giving priority to the interests of the Bondholders and of the remaining creditors of the Fund ahead of its own interests. The Manager will be liable to the Bondholders and remaining creditors of the Fund for all damages caused thereto from breach of its obligations. Furthermore, it will be liable as regards sanctions applicable thereto pursuant to the provisions of Law 19/1992.

The Manager possesses the necessary resources, including suitable information systems, to discharge its duties of administering the Fund as attributed thereto by Royal Decree 926/1998.

The Manager has established Internal Rules of Conduct in application of the provisions of Chapter II of Royal Decree 217/2008 of February 15, on the legal structure of investment services companies and other entities that provide investment services, and which amends in part the Regulations of Law 35/2003 of November 4, on collective investment schemes, as approved by Royal Decree 1309/2005 of November 4. Its Internal Rules of Conduct were duly reported to the CNMV.

### **3.7.3 Replacement of the Manager.**

The Manager shall be replaced in the administration and representation of the Fund in accordance with the provisions established by applicable law. Thus, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, the replacement of the Manager shall be carried out through the following procedure:

- (i) the Manager may stand down when it deems this pertinent and voluntarily request its replacement by letter addressed to the CNMV, containing the appointment of the replacement manager. Included with such letter shall be that of the new manager, duly authorized and registered as such in the special registries of the CNMV, in which the latter declares it is willing to accept such duties and wishes to seek the pertinent authorization. The resignation of the Manager and appointment of a new company as manager of the Fund must be approved by the CNMV. Under no circumstances may the Manager waive performance of its duties until completion and satisfaction of all the requirements and formalities for its replacement to be able to fully assume its duties in relation to the Fund, nor may the Manager waive its duties if due to the aforesaid replacement the rating awarded to any of the Series should decrease. All expenses generated as a consequence of such replacement shall be paid by the Manager itself, and may not be attributed, in any case, to the Fund;
- (ii) in the event that the Manager falls within any of the causes for dissolution envisaged under articles 360 *et. seq.* of the Spanish Capital Enterprise Act (*Ley de Sociedades de Capital*), the Manager will be replaced. The Manager shall notify the CNMV of the occurrence of any of such causes. In this case, the Manager must comply with the provisions of section (i) above prior to its dissolution;
- (iii) in the event that the Manager is declared insolvent, or has its authorization revoked, a replacement manager must be appointed. The replacement must be made effective within the four (4) months running from the date on which the event determining the replacement took place. If four (4) months elapse from the determining event without the Manager having appointed a new manager, the Early Settlement of the Fund and the redemption of the Bonds shall proceed, whereupon the procedure envisaged under section 4.4.3 of the Registration Document will be followed;



- (iv) the replacement of the Manager and appointment of the new company, approved by the CNMV in accordance with the provisions of the above paragraphs, shall be reported to the Rating Agencies and published within fifteen (15) days by legal notice in two nationally-circulated newspapers and in the gazette of the AIAF.

The Manager must execute any such public or private documents deemed necessary in order to proceed with its replacement by another manager in accordance with the procedure explained in the preceding paragraphs of this section.

The replacement manager shall be subrogated in the rights and obligations which, in relation to this Prospectus, are vested in the Manager. Furthermore, the Manager shall deliver to the new manager any documents and accounting and database records relating to the Fund as are in its possession.

### **Remuneration payable to the Manager for performance of its duties**

The Manager will be entitled to receive:

- (i) a structuring fee payable on the Disbursement Date on a lump-sum, one-off basis and for the sum of NINETY THOUSAND EUROS (€90,000), including VAT where applicable, as consideration for its work as promoter of the Fund, for designing the financial structure of the operation and for its coordinating role in relation to the Originator, the Rating Agencies and the supervisory authorities;
- (ii) on each Payment Date of the Bonds, a periodic management fee equal to zero point zero two per cent (0.02%) per annum, including VAT where applicable, with a minimum of SEVENTY THOUSAND EUROS (€70,000) a year, to accrue on the actual days of each Interest Accrual Period, payable quarterly on each Payment Date, and calculated on the sum of the Outstanding Principal Balance on the Bonds of all Series on the Calculation Date relating to the Payment Date in question. The fee accruing from the Incorporation Date of the Fund up to the first Payment Date of the Bonds shall be adjusted in proportion to the days transpiring between both dates, calculated on the face value of the issued Bonds.

The periodic management fee payable on a given Payment Date will be calculated in accordance with the following formula:

$$A = B \times 0.02 \frac{d}{365 \times 100}$$

where:

A = Fee payable on a given Payment Date.

B = Balance of Outstanding Principal on the Bonds, on the Calculation Date pertaining to the Payment Date in question.

d = Number of days transpiring during each Interest Accrual Period.

### **3.8 Name and address and brief description of any counterparties in swap, lending, liquidity or accounts operations.**

The Originator is the counterparty of the Fund in the contracts described below.

#### **a) Guaranteed Rate Reinvestment Agreements.**

The Cash Account and Interest Account will be initially opened with the Originator. A description of the agreements is contained within section 3.4.4.1 (for the Cash Account); 3.4.4.2 (for the Interest Account) and 3.4.3.3 (Joint Drawdowns) of this Additional Building Block.

**b) Subordinated Loan Agreement.**

A description of the agreement is contained in section 3.4.3.a of this Additional Building Block.

**c) Liquidity Facility**

A description of the agreement is contained in section 3.4.3.b of this Additional Building Block.

**4. POST-ISSUE REPORTING**

**a) Obligations and deadlines envisaged for the preparation, auditing and approval of the annual financial statements and management report.**

The Manager shall present to the CNMV the Fund's annual financial statements, together with the auditors' report in respect thereof, within four (4) months following the close of the Fund's fiscal year, which shall coincide with the calendar year (i.e. prior to April 30 of each year).

**b) Obligations and deadlines envisaged for the making public and forwarding to the CNMV and the Rating Agencies of periodic information on the economic and financial status of the Fund.**

The Manager, as part of its duty to manage and administer the Fund, agrees to furnish, with the utmost diligence possible or within the stipulated timeframes, the information described below, or any other kind of information requested of it, insofar as reasonable.

**b.1. Ordinary periodic notifications.**

The Manager undertakes to effect the following notifications to the CNMV, AIAF and Iberclear within a term between the Rate Setting Time and the Payment Date (unless this falls on a public holiday in Madrid, in which case it will pass to next Business Day):

- i. the resulting nominal interest rates for each Bond Series for the following Interest Accrual Period;
- ii. the resulting interest on the Bonds together with the redemption thereof;
- iii. the Average Prepayment Rates for the Assets as at the Calculation Date corresponding to the Payment date in question;
- iv. the average residual life of the Bonds calculated pursuant to the assumptions regarding said actual prepayment rate;
- v. the Outstanding Principal Balance (after the repayment to be made on each Payment Date) of each Bond, and the percentage that such Outstanding Principal Balance represents of the total initial face value of each Bond.

In addition, the Manager shall submit semiannually to the CNMV the interim financial information of the Fund, in the terms and formats prescribed by Circular 2/2009.

The notifications shall be sent as provided by section b.3 below.

**b.2 Extraordinary notifications.**

The Fund, through its Manager, shall also report to the Bondholders and the Rating Agencies, any material fact that may occur in relation to the Assets, the Bonds, the Fund, and the Manager itself, and that may noticeably affect the trading of the Bonds and, in

general, any relevant modification to the assets or liabilities of the Fund and any amendment to the Deed of Incorporation. It shall likewise report any eventual decision regarding the Early Redemption of the Bonds for any of the causes provided in the Prospectus. In such case, the certificate executed before notary evidencing the settlement and procedure described in section 4.4.3 (3) of the Registration Document must also be submitted to the CNMV.

Also, prior to the Disbursement Date, the Manager shall inform the CNMV of the interest rate applicable for the First Accrual Period, by submitting the Deed of Incorporation containing the rate, as provided for in section 3.1 of the Additional Building Block.

This section likewise includes, among others, notifications of changes to the ratings awarded to the Bonds, along with the steps to be taken if the triggers are activated owing to a downgrade in the rating of the counterparty to the financial agreements or owing to any other cause.

### **b.3 Procedure**

Notices to Bondholders which, as per the above, must be given by the Fund, through its Manager, shall be given as follows:

1. the ordinary periodic notices described under section b.1) above: by publication either in the AIAF daily gazette, or any other that may come to replace it in the future or other of similar characteristics, either via publication with the Spanish CNMV as a material event (*hecho relevante*), or via publication in a newspaper with large circulation in Spain;
2. the extraordinary notices described under section b.2) above, except the interest rate for the First Period of Accrual: by publication with the Spanish CNMV as a material event.

In addition, the above notices may be given by publication in other generally-disseminated media.

These notices shall be deemed to be given on the date they are published, with any day of the calendar, whether or not a Business Day, being suitable for this purpose (for purposes of this Prospectus).

#### **(c) Reporting to the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores, or CNMV*).**

Information on the Fund will be sent to the CNMV by completing the forms prescribed by CNMV Circular 2 of March 25, 2009, governing accounting standards, annual accounts, public financial statements and confidential statements containing statistical information on securitization funds, as well as any information which, irrespective of the above, may be requested by the CNMV or required by applicable law.

#### **(d) Reporting to the Rating Agencies.**

The Manager shall send the Rating Agencies periodic information on the situation of the Fund and the performance of the Loans so that the agencies may review the rating assigned to the Bonds, and shall also send them the extraordinary notifications when required. It shall likewise make every effort to furnish such information when requested, insofar as the request is reasonable, and, in all cases, upon any significant change in the status or condition of the Fund, in the contracts signed by the Fund through its Manager, or in the interested parties.

#### **(e) Information to be furnished by Santander to the Manager.**

In addition, Santander undertakes to inform the Manager, on behalf of the Fund, on a quarterly basis and, in all cases, at the request thereof, of any non-payments, prepayments and modifications of interest rates, and of any sporadic demands for payment, court proceedings, and any other circumstances affecting the Loans and Credit Lines.

Furthermore, Santander shall furnish the Manager with all documentation the latter may request of it in relation to the Loans and Credit Lines and, especially, the documentation required by the Manager to initiate possible legal proceedings.

**IGNACIO ORTEGA GAVARA, for and on behalf of SANTANDER DE TITULIZACIÓN, S.G.F.T., in his capacity as Director Manager hereby signs this Prospectus in Madrid on November 19, 2013.**

## DEFINITIONS

To ensure that this Prospectus is interpreted as intended, capitalized terms shall be construed in accordance with the definition given to each such term below, unless any other meaning is expressly attributed thereto. Any terms not expressly defined shall be construed in their natural and obvious sense according to the general usage thereof. Furthermore, it is stated for the record that terms in the singular shall include the plural and vice versa, whenever the context so requires.

The capitalized terms listed below shall have the following meanings:

“**Assets**”: means the credit rights arising from the Loans and Quantities Drawn on the Credit Lines granted by Santander and to be transferred to the Fund.

“**Non-Performing Assets**”: means the Assets that Santander believes it will not recover or those which, at a given date, have been in default and overdue for a period equal to or greater than twelve (12) months for the case of Loans and six (6) months for the case of Credit Lines.

“**Assets in Default**”: means Assets on which, on a particular date, payments are more than ninety (90) days overdue and are not considered Non-Performing Assets in accordance with the preceding definition.

“**Performing Assets**”: embraces all Assets not classified as Non-Performing Assets.

“**Administrator**”: means Banco Santander, S.A. (unless replaced as administrator of the Loans, in which case it will be the replaced entity).

“**Rating Agencies**”: means Moody’s and DBRS.

“**Paying Agent**”: means Banco Santander, S.A.

“**AIAF**”: means AIAF, Mercado de Renta Fija (*AIAF Fixed Income Securities Market*).

“**Early Redemption**”: means the redemption of the Bonds on a date preceding the Legal Maturity Date in cases of Early Settlement of the Fund in accordance with the requirements provided for in section 4.4.3 (3) of the Registration Document.

“**Bonds**”: means the asset- and mortgage-backed securities issued against the Fund.

“**DBRS Rating**”: means the public rating assigned by DBRS or, in the absence thereof, the private rating or internal valuations carried out by DBRS.

“**Amount Accrued for Redemption**”: means, at each Payment Date, the difference (if positive) between (i) the total Outstanding Principal Balance of the Series A and B Bonds on the Calculation Date prior to each Payment Date; and (ii) the Outstanding Balance of the Performing Assets on that same date.

“**Amount Accrued for Redemption of Series C**”: means, for each Payment Date, the positive difference existing between the Outstanding Principal Balance of Series C at the Calculation Date corresponding to each Payment Date and the amount of the Reserve Fund required at such corresponding Payment Date.

“**Quantities Drawn on the Credit Lines**”: means the balances drawn by the Debtors of each Credit Line on a determined date.

“**Preliminary Portfolio**”: means the preliminary portfolio of loans and credit lines, preselected on October 23, 2013 and from which the Assets will be extracted for transfer to the Fund on the Incorporation Date.

“**Originator**”: means Banco Santander, S.A.

**“Mortgage Transfer Certificates”** or **“MTC”**: means the mortgage transfer certificates to be issued by Santander in accordance with section 3.3.1 b) of the Additional Building Block.

**“CET”**: means Central European Time.

**“Circular 4/2004”**: means Bank of Spain Circular 4/2004, of December 22, to credit entities, governing rules on public and confidential financial information and standard models for financial statements.

**“Circular 2/2009”**: means CNMV Circular 2/2009, of March 25, on accounting rules, annual accounts, public financial statements and confidential statements containing statistical information on securitization funds.

**“CNMV”**: means Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*).

**“Management, Subscription and Paying Agent Agreement”**: means the management, Bond subscription and paying agency agreement to be entered into by the Manager, on behalf of the Fund, and the Lead Manager, and which dictates the obligations and responsibilities of Santander as Paying Agent and as Subscriber of one hundred per cent (100%) of the Bonds.

**“Liquidity Facility Agreement”**: means the liquidity facility agreement to be executed by the Manager, in the name and on behalf of the Fund, and the Originator.

**“Subordinated Loan Agreement”**: means the subordinated loan agreement for the sum of EIGHT HUNDRED THOUSAND EUROS (€800,000) to be signed by the Manager, on behalf of the Fund, and Santander, such amount to be used to finance the expenses incurred from incorporating the Fund and issuing the Bonds and, where appropriate, to partially finance the acquisition of the Assets.

**“Guaranteed Rate Reinvestment Agreement (Interest Account)”**: means the guaranteed interest rate reinvestment agreement in respect of the Interest Account, to be entered into by the Manager, acting on behalf of the Fund, and the Originator, whereby the Originator will guarantee variable returns on the amounts deposited by the Fund (through its Manager) into the Interest Account.

**“Guaranteed Rate Reinvestment Agreement (Cash Account)”**: means the guaranteed interest rate reinvestment agreement in respect of the Cash Account, to be entered into by the Manager, acting on behalf of the Fund, and the Originator, whereby the Originator will guarantee variable returns on the amounts deposited by the Fund (through its Manager) into the Cash Account.

**“Interest Account”**: means the account to be opened at the Originator in the name of the Fund by the Manager, whose operation will be governed by the Guaranteed Rate Reinvestment Agreement (Interest Account).

**“Cash Account”**: means the account to be opened at the Originator in the name of the Fund, by the Manager, the operation will be governed by the Guaranteed Rate Reinvestment Agreement (Cash Account).

**“Unsecured Credit”**: means any financing operation (mainly loans) without additional guarantees other than those provided by the holder.

**“DBRS”**: means DBRS Ratings Limited.

**“Debtors”**: means the small- and medium-sized enterprises (SMEs) and self-employed individuals that meet the terms of Commission Recommendation 2003/361/EC of May 6, 2003, to whom the Originator has granted the Loans and Credit Lines from which the Assets subject to securitization are derived.

**“Business Day”**: means any day except:

- (i) Saturday;
- (ii) Sunday;
- (iii) Holidays as per the TARGET 2 calendar (for the sole purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period). This includes, apart from the days stated in sections (i) and (ii) above, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and
- (iv) Holidays in Madrid (for the purpose of determining the applicable Nominal Interest Rate for each Interest Accrual Period and for the remaining conditions of the issue).

**“Calendar Day”**: means all days of the year, including Sundays and holidays.

**“Registration Document”**: means the registration document included as Annex VII, as approved by the CNMV on November 19, 2013.

**“Lead Manager”**: means Banco Santander, S.A.

**“Subscriber”**: means Banco Santander, S.A.

**“Deed of Incorporation”**: means the Deed of Incorporation of the securitization fund “Fondo de Titulización de Activos PYMES Santander 7”, transfer of Assets and issue of Asset- and Mortgage-Backed Securities.

**“EURIBOR”**: means *“Euro Interbank Borrowing Offered Rate”*.

**“Risk Factors”**: means the description of the main risk factors associated with the Bond issue, the securities and the assets backing the Bond issue.

**“Incorporation Date”**: means the date on which the Deed of Incorporation is executed, scheduled for November 25, 2013.

**“Disbursement Date”**: means November 28, 2013, from midday (12:00) onwards.

**“Subscription Date”**: means November 28, 2013 between ten a.m. (10:00) until midday (12:00), the date on which the Bond issue will be wholly subscribed by Santander.

**“Final Maturity Date of the Fund”**: means May 1 2033, the final maturity date of the Loans and Credit Lines or, if not a Business Day, the Business Day immediately thereafter.

**“Legal Maturity Date”**: the first Payment date immediately following the Final Maturity Date of the Fund plus 36 months. This means July 15, 2036 or, if not a Business Day, the Business Day immediately thereafter.

**“Calculation Dates”**: means the fifth (5<sup>th</sup>) Business Day prior to each Payment Date.

**“Payment Dates”**: means January 15, April 15, July 15 and October 15 of each year or, if any of these dates is not a Business Day, the Business Day immediately thereafter.

**“Prospectus”**: means, collectively, the table of contents, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block and the glossary of definitions.

**“Fund”** or **“Issuer”**: means Fondo de Titulización de Activos, PYMES SANTANDER 7.

**“Reserve Fund”**: means the reserve fund to be endowed by the Manager, acting on behalf of the Fund, in accordance with the provisions of section 3.4.2.2 of the Additional Building Block.

**“Liquid Funds”**: means the amounts received by the Fund as principal, interest or any other monies from the Assets, the returns on the Cash Account and Interest Account, the Reserve Fund and any other amounts received by the Fund, as established in section 3.4.6 a) of the Additional Building

Block, such Liquid Funds to be applied at each Payment Date to the payments stipulated in the Order of Priority of Payments provided for in section 3.4.6 b) of the Additional Building Block.

**“Liquid Funds for Redemption”**: means the amount to be earmarked for redemption of the Series A and B Bonds on each Payment Date. The Liquid Funds for Redemption will be calculated in accordance with the provisions of section 4.9.4 of the Securities Note.

**“Liquid Funds for Settlement”**: means

- a) the Liquid Funds; and
- b) the amounts obtained by the Fund from the sale of the remaining Assets and any other assets in the event of Early Settlement of the Fund in accordance with the requirements established in section 4.4.3 (3) of the Registration Document.

**“Iberclear”**: means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (*securities registration, clearing and settlement management company*).

**“V.A.T.”**: means Value Added Tax.

**“Law 13/1985”**: means Law 13/1985 of May 25, on investment coefficients, capital and reporting obligations of financial intermediaries.

**“Law 19/1992”**: means Law 19/1992 of July 7, on the system governing real estate investment companies and funds and mortgage securitization funds.

**“Law 2/1981”**: means Law 2/1981 of March 25, on the regulation of the mortgage market (as per its current wording).

**“Law 37/1992”**: means Law 37/1992 of December 28, on Value Added Tax.

**“Insolvency Procedures Law”**: means Law 22/2003 of July 9, on insolvency procedures.

**“Civil Procedure Law”**: means Law 1/2000 of January 7, on civil procedure.

**“Mortgage Law”**: means the Spanish Mortgage Law of February 8, 1946 (according to the wording currently in force).

**“Spanish Corporate Enterprise Act”**: means Royal Decree 1/2010 of July 2, which enacted the revised text of the Spanish Corporate Enterprise Act.

**“Securities Market Law”** or **“Law 24/1988”**: means Law 24/1988, of July 28, regulating the securities market, as amended by Law 37/1998, of November 16, by Law 44/2002, of November 22 and by Royal Decree Law 5/2005, of March 11.

**“Liquidity Facility”**: Means the commercial liquidity facility agreement to which section 3.4.3.b of the Additional Building Block to the Securities Note refers, that the Manager, in the name and on behalf of the Fund, will execute with the Originator simultaneously upon the execution of the Deed of Incorporation, so that any upward or downward variations to the Credit Lines are simultaneously transferred to the Fund on a daily basis, by means of the corresponding adjustment in the Liquidity Facility.

**“Credit Lines”**: Means the credit lines without specific collateral, with personal third party guarantee (surety) and or real guarantee other than the mortgage granted by Santander to small and medium-sized enterprises (SMEs) and self-employed individuals residing in Spain excluding companies in the Santander Group and syndicated loans, that comply with Commission Recommendation 2003/361/EC, May 6, 2003, for the purpose of financing economic activities or financing working capital or acquiring machinery and tools or improving property or acquiring real estate or constructing buildings related to their economic activity or acquiring rural property, urban property, and plots. For this last purpose loans destined to property construction and real estate development are excluded, however, there may be loans intended for the purchase of land for



subsequent development and sale, with no subsequent subrogation or division into condominiums. Furthermore, in the case of refinancing, these operations do not arise from refinancing transactions of loans or Credit Lines in default, and correspond only to debt consolidation operations.

**“Early Settlement”**: means the settlement of the Fund before July 15, 2036, and therefore the Early Redemption at a Payment Date of the whole Bond issue in the circumstances and subject to the procedure established in section 4.4.3 of the Registration Document.

**“AIAF Market”**: means the fixed income market of the Spanish Asociación de Intermediarios de Activos Financieros.

**“Additional Building Block”**: means the additional building block to the securities note relating to the Bond issue, as prepared in accordance with Annex VIII of Regulation (EC) no. 809/2004, as approved by the CNMV on November 19, 2013.

**“Rate Setting Time”**: means the second (2<sup>nd</sup>) Business Day as per the TARGET 2 calendar (*Transeuropean Automated Real-time Gross Settlement Express Transfer System 2*) preceding each Payment Date, at 11:00 a.m. (Madrid time) on said day. Exceptionally, the Rate Setting Time for the first Interest Accrual Period will coincide with the Incorporation Date.

**“Moody’s”**: Means Moody’s Investors Service España, S.A.

**“Required Level of the Reserve Fund”**: means the amount that the Reserve Fund must have at each Payment Date, pursuant to section 3.4.2.2 of the Additional Building Block.

**“International Financial Reporting Standards”**: means the International Financial Reporting Standards applicable to the information provided by Santander in accordance with Regulation (EC) 1606/2002 and Circular 4/2004 of the Bank of Spain.

**“Securities Note”**: Means the securities note relating to the Bond issue, as prepared in accordance with Annex XIII of Regulation (EC) 809/2004, as approved by the CNMV on November 19, 2013 and which forms part of this Prospectus.

**“Order 3537/2005 of the Spanish Ministry of the Economy and Finance”**: means Order 3537/2005 of the Spanish Ministry for the Economy and Finance, of November 10, implementing article 27.4 of the Spanish Securities Market Law 24/1998, of July 28.

**“Ordinary Part”**: means the Nominal Interest Rate applicable to the Series C Bonds for each Interest Accrual Period (equal to the result of: (i) the Benchmark Interest Rate, common to all Bond Series, plus (ii) a margin of [●] ([●]%), calculated in accordance with the provisions of section 4.8 of the Securities Note.

**“Extraordinary Part”**: means, on each Payment Date on which the Fund has sufficient liquidity for this, the extraordinary interest accruing on the Series C Bonds, this being a variable amount equal to the excess liquidity of the Liquid Funds after paying those concepts with a higher ranking on the Order of Priority of Payments, or, where applicable, on the Order of Priority of Payments for Settlement.

**“Calculation Periods”**: means the period spanning two consecutive Calculation Dates, excluding the initial Calculation Date and including the final Calculation Date. The first Calculation Period will have a duration equivalent to the time between the Incorporation Date and the Calculation Date prior to the first Payment Date.

**“Interest Accrual Periods”**: means each of the periods into which the Bond issue is divided, comprising the days effectively elapsed between each Payment Date, including in each Interest Accrual Period the initial Payment Date of the corresponding period and excluding the final Payment Date of the corresponding period. The first Interest Accrual Period will have a duration of less than three months, equivalent to the time between the Disbursement Date (November 28, 2013) and the first Payment Date (January 15, 2014).

**“Concession Policy”**: means the policy of the Originator on the concession of loans and credit as stated in section 2.2.7 of the Additional Building Block, which will be included in the Deed of Incorporation.

**“Subordinated Loan”**: means the subordinated loan agreement for EIGHT HUNDRED THOUSAND EUROS (€800,000) to be entered into between the Manager, on behalf of the Fund, and Banco Santander, and which will be used to finance the costs of incorporating the Fund and issuing the Bonds, and to part-finance the acquisition of the Assets.

**“Loans”**: means the Mortgage Loans and Non-Mortgage Loans collectively.

**“Mortgage Loans”**: means loans secured with mortgage charge granted by the Originator to small- and medium-sized enterprises (PYMES) and self-employed individuals that meet the terms of Commission Recommendation 2003/361/EC of May 6, 2003, for the purpose of financing economic activities or financing working capital or acquiring machinery and tools or improving property or acquiring real estate or constructing buildings ascribed to their economic activity or acquiring rural property, urban property, and plots. For this last purpose, loans destined to property construction and real estate development are excluded, however, there may be loans intended for the purchase of land for subsequent development and sale, with no subsequent subrogation or division into condominiums. Furthermore, in the case of refinancing, these operations do not arise from refinancing transactions of loans or Credit Lines in default, and correspond only to debt consolidation operations.

**“Non-Mortgage Loans”**: means Loans without specific guarantee, with personal third-party guarantee (sureties), or with in rem guarantees other than mortgages, as granted by the Originator to small- and medium-sized enterprises (SMEs) and self-employed individuals that meet the terms of Commission Recommendation 2003/361/EC of May 6, 2003 for the purpose of financing economic activities or financing working capital or acquiring machinery and tools or improving property or acquiring real estate or constructing buildings ascribed to their economic activity or acquiring rural property, urban property, and plots. For this last purpose, loans destined to property construction and real estate development are excluded, however, there may be loans intended for the purchase of land for subsequent development and sale, with no subsequent subrogation or division into condominiums. Furthermore, in the case of refinancing, these operations do not arise from refinancing transactions of loans or Credit Lines in default, and correspond only to debt consolidation operations.

**“Royal Decree 926/1998”**: means Royal Decree 926/1998 of May 14, regulating asset securitization funds and securitization fund managers.

**“Royal Decree 1777/2004”**: means Royal Decree 1777/2004 of July 30, approving the Corporate Income Tax Regulations.

**“Royal Decree 1310/2005”**: means Royal Decree 1310/2005 November 4, partially implementing Law 24/1988 July 28, on the securities market, regarding admission to trading of securities in secondary official markets, public offerings or subscriptions and the applicable prospectus.

**“Royal Decree 1514/2007”**: means Royal Decree 1514/2007 of November 16, approving the Spanish General Chart of Accounts (*Plan General Contable*).

**“Royal Decree 1065/2007”**: means Royal Decree 1065/2007 of July 27, which enacted the General Regulations on tax inspection and management actions and procedures and implementing the common rules on applicable tax procedures.

**“Royal Decree 716/2009”**: means Royal Decree 716/2009 of April 24, which implemented some aspects of Law 2/1981 of March 25, regulating the mortgage market, and other rules of the mortgage and financial systems.

“**Royal Legislative Decree 1/1993**”: means Royal Legislative Decree 1/1993 of September 24, approving the revised text of the Spanish Transfer Tax/Stamp Duty Law.

“**Royal Legislative Decree 4/2004**”: means Royal Legislative Decree 4/2004 of March 5, approving the revised text of the Corporate Income Tax Law (*Ley del Impuesto sobre Sociedades*).

“**Royal Legislative Decree 6/2004**”: means Royal Legislative Decree 6/2004 of October 29, reforming the system governing significant shareholdings in investment services companies, lending institutions and insurance companies.

“**Regulation (EC) no. 809/2004**”: means Regulation (EC) no. 809/2004, of the European Commission, of April 29, 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

“**Mortgage Regulations**”: means the Regulations for Enforcement of the Mortgage Law of February 14, 1947.

“**Internal Rules of Conduct**”: means the Internal Rules of Conduct of the Manager regulating the acts of the management bodies, employees and representatives of the Manager according to Chapter II of Royal Decree 217/2008 of February 15, on the legal structure of investment services companies and other entities which render investment services and through which the Regulatory Framework of Law 35/2003 of November 4 was partially amended for collective investment schemes, as approved by Royal Decree 1309/2005 of November 4. The Internal Rules of Conduct have been reported to the CNMV.

“**Outstanding Principal Balance on the Bonds**”: means the total outstanding balances of the Bonds of all Series (i.e. the principal amount of the Bonds pending redemption).

“**Outstanding Balance of the Assets**” or “**Outstanding Balance**”: means the due and payable amounts of principal on the Loans yet to be received by the Fund on a particular date, plus not yet accrued principal pending maturity on the Loans as well as Quantities Drawn on the Credit Lines not collected by the Fund at said date.

“**Outstanding Balance of the Assets in Default**”: means the principal pending maturity of the Assets in Default, plus the amounts of the Assets in Default due but not paid to the Fund.

“**Santander**”: means Banco Santander, S.A.

“**Series**”: means each of the three (3) series into which the total amount of the Bond issue is divided.

“**Series A**”: means the Series with a total face value of ONE BILLION THREE HUNDRED SIXTY MILLION EUROS (€1,360,000,000), comprising THIRTEEN THOUSAND SIX HUNDRED (13,600) Bonds, each of a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

“**Series B**”: means the Series with a total face value of THREE HUNDRED FORTY MILLION EUROS (€340,000,000), comprising THREE THOUSAND FOUR HUNDRED (3,400) Bonds, each of a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

“**Series C**”: means the Series with a total face value of THREE HUNDRED FORTY MILLION EUROS (€340,000,000), comprising THREE THOUSAND FOUR HUNDRED (3,400) Bonds, each of a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

“**Manager**”: means Santander de Titulización, S.G.F.T., S.A.

“**Annual CPR**”: means the annual Constant Prepayment Rate.

“**IRR**”: means the internal rate of return for the holders of each Bond Series.

**“Nominal Interest Rate”**: means the annual nominal interest rate variable quarterly to which the Bonds will accrue interest in accordance with section 4.8 and related provisions of the Securities Note.

**“Benchmark Interest Rate”**: means the Benchmark Interest Rate used to calculate the Nominal Interest Rate and which will be the EURIBOR at three (3) months or the substitute rate if necessary, as calculated in accordance with section 4.8.e of the Securities Note. EURIBOR is the reference rate in the euro money market.