Information
on the provision of investment services

Santander

Content

// Introduction

In accordance with the provisions of current regulations governing investment services , Banco Santander, S.A. hereby provides its customers with general relevant information both about the entity and about the different financial instruments and services it provides.

Further information about the content of this document can be found on our website www.bancosantander.es, which is constantly being updated and contains all the information that shall be provided to customers through prospectuses and presentations for the provision of different services.

In addition, if you need any clarifications, you can use our branch network or the Superlínea Santander service (phone number (+34) 915 123 123) and Santander Persona if you have subscribed to it.

// Information about Banco Santander

General information

Banco Santander, S.A., with tax identification number A-39000013 and registered office at Santander, Paseo de Pereda, 9-12, is registered in the Official Register of the Bank of Spain with number 0049.

BANCO SANTANDER, S.A. is a credit institution duly incorporated in accordance with Spanish laws, of Spanish nationality and based in Spain. It is subject to the supervision of the Bank of Spain (www.bde.es) and the National Securities Market Commission (www.cnmv.es), and is duly registered in the registers of both Spanish supervisory entities with numbers 49 and 1, respectively.

Commercially, it uses certain brands such as the Santander Private Banking brand for private banking, the Santander Select brand for personal banking, and Santander Corporate Investment Banking for wholesale banking.

The services provided by the bank are subject to current legislation and are supervised by the Bank of Spain, the National Securities Market Commission and other regulatory bodies.

For more information, please contact:

Banco de España
c/ Alcalá 48
28014-Madrid (Spain)
Tfno. 913 385 000
www.bde.es

Comisión Nacional del Mercado de Valores
Calle Edison 4
Oficina de atención al inversor
28006-Madrid (Spain)
Tfno. 902 149 200
www.cnmv.es

1. Directive 2014/65/EU of the European Parliament and of the Council, of 15 May 2014, on the markets in financial instruments and its two implementing provisions in the Commission Delegated Directive (EU) 2017/593 of 7 April 2016 and Commission Delegated Regulation (EU) 2017/565 of 25 Abril 2016. As well as Royal Legislative Decree 4/2015, which approves the Consolidated Securities Market Law (SML) and Royal Decree 217/2008, of 15 February, on the legal regime of investment services companies and other entities that provide investment services.

Communications with customers – Language – Communication methods – recordings and minutes

Communications from Banco Santander, S.A. to its customers shall be in Spanish. If you would like to ask for these communications to be made in a different language, contact your branch where you can request more information about this.

The general methods available to communicate with the bank include:

- in person through the bank's own network of branches, including the specialised Santander Private Banking and Santander Empresas networks, and the network of credit institution agents.
- by telephone through Santander Personal or Superlínea ((+34) 915 123 123).
- online through the website www.bancosantander.es or through the mobile banking app for customers who have subscribed to these remote banking services.
- through the channels established for the submission of claims and formal complaints to the Claims and Customer Service department (Servicio de Reclamaciones y Atención del Cliente), calle Josefa Valcárcel, 30, Edificio Merrimack IV, 2ª planta, 28027 Madrid, in a letter sent to the indicated address or by email sent to: atenclie@gruposantander.es; or to the Customer Ombudsman Office (Oficina del Defensor del Cliente), Apartado de Correos 14.019, 28080 Madrid, with email address: oficina@defensorcliente.es.
- Regarding the means, channels and forms of sending orders on financial instruments, these are specifically described in each of the contractual documents that regulate transactions involving such orders. These orders can be sent through the bank's branch network, internet banking service (website), mobile banking (app) or telephone banking, if the customer has subscribed to those services with the bank and they are available for this.

The bank may

- send any information relating to the agreement in hard copy, digital format or in any other durable medium so that the customer may save it and copy it, for example, if they need it for legal matters or in relation to taxes.
- record minutes of the face-to-face meetings held between the bank and the customer, related to the receipt, submission and execution of orders; these minutes shall be available to the customer for a maximum period of five (5) years.
- record, in accordance with the established legal regime, telephone conversations and electronic communications through email or the internet platform, and keep a copy of the recording of electronic conversations and communications at the customer's disposal, upon request, for a period of five (5) years from when the telephone conversation or electronic communication occurs.

Acting through credit institution agents

Banco Santander, S.A. may act through a credit institution agent.

Agents are natural persons or legal entities that, under a commercial relationship with Banco Santander, carry out work on the latter's behalf to promote its services, capture business, receive and transmit customer orders, market financial instruments and, if authorised to do so by the bank, provide advisory services on the financial instruments and investment services offered by Banco Santander.

The agents appointed by Banco Santander, S.A. carry out their activity pursuant to criteria of confidentiality, objectivity, information transparency, professionalism and impartiality, seeking to protect the customer's interests and acting in accordance with established codes and practices of conduct for such activities.

In accordance with Circular 4/2010, of 30 July, of the Bank of Spain, Banco Santander verifies the professional capability of its agents and verifies that their work conforms to prevailing regulations.

The agents of Banco Santander, S.A. are registered in the dedicated registry set up by the Bank of Spain.

// Nature and frequency of notices on execution of orders and periodic statements of financial instruments

Banco Santander, S.A. shall make available information on execution of orders, in accordance with the law, to customers to whom it provides services of investment, execution or receipt and transmission of orders on financial instruments.

In cases where a notice confirming the execution of an order must be provided to customers no later than the first business day after execution or, if confirmation is received from a third party, no later than the first business day from the receipt of the third party's confirmation, the bank shall make this notice available to customers in a durable medium.

Where portfolio management services are offered, a statement or extract of the portfolio management activities carried out on customers' behalf shall be made available to them (including details of the transactions carried out in the period) with the frequency established in the contract regulating this service, on a quarterly basis at the very least.

The bank shall also deliver to customers, at least quarterly, a statement detailing the financial instruments held on their behalf, unless such information has been previously provided in another periodic information statement.

Mechanisms for the protection of customers assets

Banco Santander, S.A. is an institution of recognised capital adequacy and it upholds and applies specific procedures to ensure the safeguarding of the assets it holds on behalf of its customers, in relation to both financial instruments and funds.

Likewise, and with respect to the funds and financial instruments held on behalf of its customers, Banco Santander, S.A. has adhered to the Deposit Guarantee Fund for Credit Institutions (DGF) which offers a guarantee to depositors, up to the maximum amount provided for by law (at the date of revising this prospectus, this amount is €100,000), that credit balances held in their account shall be returned to them, including funds from transitory situations due to traffic operations and registered deposit certificates that the entity is obliged to return under the applicable legal and contractual conditions, regardless of their currency of denomination and provided that they are constituted in Spain or in another European Union Member State.

Deposits in securities and financial instruments entrusted to a credit institution are guaranteed up to a maximum amount of €100,000 (at the date of revising this prospectus), per depositor at the credit institution, regardless of the guarantee for cash deposits that may be held in the same entity, in accordance with the terms set forth in prevailing regulations.

For informational purposes, it is stated that the DGF has its registered office at José Ortega y Gasset, número 22, 28006 Madrid, telephone number (+34) 91.431.66.45, email address: fogade@fgd.es, and website www.fgd.es. Banco Santander, S.A. provides its customers with detailed information regarding the DGF, how it works, as well as situations in which claims can be lodged and how, the guarantee, its scope and regulation, etc. Customers can find this information by clicking on the following link http://bsan.es/fondo_garantia_depositos, on the notice board available on the bank's website, www.bancosantander.es, as well as in any of the bank's branches.

Conflicts of Interest Policy

Banco Santander, S.A. has a Conflicts of Interest Policy as well as specific procedures enabling it to prevent, identify, record, proactively manage and, when unavoidable, reveal to its customers possible situations of conflict of interest that might be damaging to them.

The Conflict of Interest Policy and the procedures used to enforce it are intended to:

- Identify and classify, including but not limited to, the activities, services, decisions or transactions in which conflicts of interest may arise as a result of the provision of investment or ancillary services, or a combination of both, and the existence of which may undermine the interests of one or more customers.
- List the guidelines to be followed to prevent possible conflicts of interest, which include ensuring that the competent persons carrying out the affected activities are suitably independent; that the particular interests of the employees do not prevail over those of the customers or the bank; or that no customer receives special treatment or conditions based on personal, family or other ties.
- Specify the procedures to be followed and the measures to be adopted for the management of conflicts of interest that may arise, in order to identify and evaluate their relevance, decide the measures to mitigate them, and report any relevant conflict of interest (whether identified or potential), according to an internal escalation system.
- In the event that the measures adopted have not been sufficient to guarantee, with reasonable certainty, that the situation of conflict of interest can be avoided, the bank has established specific procedures to disclose to its customers, before providing the investment or ancillary service that may be affected by it, the origin and nature of the conflict and the organisational or administrative measures adopted by the bank to prevent or mitigate it. As a consequence, customers have the necessary information to determine whether or not the provision of the service is appropriate.

In the event that the customer wishes to request more information, they can make use of any of the channels listed in the section

"Communications with customers – Language –

Communication methods – recordings and minutes"

// Customer classification

Classification system

The applicable regulations establish a system for classifying customers into three different categories that are intended to reflect both their level of knowledge and experience in financial markets and their ability to assume the risks resulting from their investment decisions, with the aim of adapting the regulations for protection to them:

- Retail customer (basically all individuals who act as natural persons, SMEs, local entities, etc.): they receive the highest level of protection provided by the law both with regard to the performance of suitability and appropriateness assessments and in the scope of the documents and information provided before and after concluding the contract, which must be made available to them.
- Professional customer (basically institutional and experienced investors, regional governments, etc): they receive a medium level of protection, since it is assumed that they have the experience, knowledge and qualifications necessary to make their own investment decisions and understand and assume the risks involved.
- Eligible counterparty customer (banks, savings banks, investment and pension funds, supranational bodies and equivalent third-country entities, SICAVs, securities companies, central banks, insurance companies, national governments or public administrations and autonomous communities, for example): the Law provides for a basic level of protection for this type of customer, given that they are entities accustomed to acting directly in financial markets.

The regulations establish objective criteria for customer classification, which have been strictly observed by Banco Santander, S.A. The classification results were then notified individually to its customers.

The classification notified by the bank is equally valid for the purposes of the classification carried out by other Santander Group companies, such as Santander Private Banking Gestión, S.A., SGIIC and Santander Asset Management, S.A., SGICC in any cases where shared services are provided through the intermediation of Banco Santander.

Right to request changes in the assigned classification

In accordance with the "Customer Classification Policy" established in Banco Santander, the following changes in classification may be requested:

Original classification	Possible classification changes
Retail customer	Professional customer Eligible counterparty customer
Professional customer	Retail customer Eligible counterparty customer
Eligible counterparty customer	Professional customer Retail customer

The request for a change in classification must be submitted by the customer in writing, and the request must include the customer's signature and the date from which the new classification shall take effect. Customers may submit their request in person at the bank's branches or through the form available on www.bancosantander.es/espacio-mifid. Acceptance by the bank of the request shall depend on the customer's compliance with the legal and regulatory requirements established at all times for the effectiveness of the change.

In the specific case of a request to change from Retail customer to Professional customer, this specifically involves an express waiver of treatment as a Retail customer and the associated level of protection. In this case, the declarations of compliance with at least two of the three requirements indicated below and required by law must be marked on the aforementioned form, and submitted alongside it, in the event that the bank does not have the details it needs to directly verify, find out about and adequately justify said requirements:

- Having carried out transactions of significant size on the securities markets with an average frequency of more than ten transactions per quarter during the previous four quarters;
- The cash and value of the financial instruments deposited with financial institutions is greater than €500,000;
- Holding or having held a professional position in the financial sector that requires knowledge of the operations or services envisaged for at least one year in the past.

Prior to changing to professional customers, retail customers must also carry out an appropriateness/suitability test that proves that they have the necessary knowledge and experience.

Based on the request for change submitted, the bank shall notify the customer, where appropriate, of whether the new classification has been assigned or rejected. This new notification is equally valid for the purposes of the classification carried out by other Santander Group companies, such as Santander Private Banking Gestión, S.A., SGIIC and Santander Asset Management, S.A., SGICC in any cases where shared services are provided through the intermediation of Banco Santander.

If the new classification arises from data that the bank cannot directly verify or cannot verify completely and is based on information provided by the customer, the latter shall be liable for the accuracy and truthfulness of the same, where the bank shall be exempt from any damages or liabilities that should arise from the inaccuracy or absence of veracity of such data and information. However, the bank may ask the customer for the additional information necessary to verify said data if this is necessary for the assignment of the requested classification.

// Procedure for the provision of investment and ancillary services

Prior to the provision of any investment or ancillary service, in the event of a face-to-face meeting with the customer/potential customer, the employee must start taking minutes of the face-to-face meetings held between the bank and the customer/potential customer, whether or not they result in a contract. These minutes must be signed by all attendees once the meeting is over. These minutes shall be available to the customer for a maximum period of five (5) years.

Advice

The investment advisory service is provided exclusively to customers classified as retail or professional. Said advisory service may be independent or non-independent, and shall comply with the terms and procedures established by the bank. In any case, the customer shall be duly informed, in the basic agreement for the provision of investment services and in any individual agreements, about the independent or non-independent nature of the advisory service provided by the bank.

Both for non-independent advice and independent advice, the bank takes into account sustainability risks in the advisory processes for the provision of the service in accordance with the Environmental, Social and Climate Change Risks Policy that it has established, and which is available on www.bancosantander.es. In this policy, the bank sets criteria for the identification, assessment, monitoring and management of environmental and social risks and other activities related to climate change. In accordance with this policy, the bank performs an assessment of the most relevant impacts of environmental and social risk on the investments considered for the advisory service.

These risks correspond to environmental, social or governance events or conditions and depend, among others, on the type of issuer, the activity sector or its geographical location. Sustainability risks can have a material impact on the value of investments by manifesting themselves as financial risks on investments, such as market risk (for example, because of a reduction in demand due to changing consumer preferences), operational risk (for example, by increasing operating expenses) and legal risks. These risks can reduce profits and available capital and result in changes to price of assets or their non-payment, which can lead to an impact on credit and liquidity.

The bank has tools and procedures in place for integrating sustainability risks into advisory processes and continuously monitors its ESG (environmental, social and good governance) policies and procedures.

The non-independent advisory service allows incentives to be received from third parties that the bank uses to provide the service or whose products it distributes.

In cases where the bank provides an independent advisory service, the bank shall not receive or, where appropriate, shall not withhold incentives from the entities it uses to provide the service, except in the case of minor non-monetary benefits that are reasonable and proportionate, which do not undermine the Bank's independence and may increase the quality of the service provided.

Receipt of incentives does not compromise the bank's work on behalf of customers' best interest.

The bank shall provide access to a wide range of financial instruments that are appropriate for the customer and sufficiently diversified, based on the criteria of proportionality and representativeness of available financial instruments and in accordance with the characteristics and scope of the service provided, and its independent or non-independent nature. The bank has established a process for selecting and cataloguing the financial instruments considered for inclusion in the two types of advisory service.

Provision of the advisory service requires a suitability assessment, in order to comply with the Securities Market Law. To do this, the bank shall collect the information from its customers that it needs to assess their suitability and make sure they continue to be suitable. This information shall be collected through questionnaires adapted to the advisory service to be provided, which shall allow the bank to gain information about their knowledge and experience, financial position (including their ability to bear losses) and investment objectives (including their risk tolerance). Please remember that it is important to collect complete and accurate information, so that the bank can recommend suitable products or services to the customer. Without

this information, the bank cannot provide the services that require a suitability assessment and, therefore, issue recommendations to customers.

With this information, the bank shall be able to verify that the products recommended to customers under the advisory service are compatible with the target market defined by the manufacturer and the distributor of the product.

The bank provides advisory services in six areas:

1. **Recurring investment advice for private banking customers,** where the bank has an ongoing relationship with the customer and presents investment recommendations in exchange for receiving an advisory fee. This recurring advisory service is non-independent in nature and is called "Santander Asesora". The bank only provides this service for private banking customers

   For the provision of this service, the customer's overall position is taken into account, except for positions held under the independent advisory service.

   For this service, the bank provides customers with a wide range of investment products that includes shares and equity interests from national and foreign collective investment undertakings, and any financial instrument or marketable securities of fixed income or equity, both listed or non-listed, in official secondary markets, multilateral trading facilities or organised trading facilities, whether regulated or non-regulated, or national or foreign. The range of products includes collective investment undertakings from third-party providers, as well as financial instruments issued, guaranteed or managed by entities belonging to Santander Group or entities linked contractually or otherwise to the bank.

   In this service, the bank monitors the customer's investments and prepares a monthly report with their follow-up.

2. **Independent investment advice for private banking customers.**

   The bank provides customers with an independent recurring advisory service on investments in financial instruments and regularly provides them with recommendations. The bank only provides this private banking service for customers in this segment whose equity in the bank exceeds a certain amount.

Customers pay the bank an advisory fee for this service.

   In return for the provision of this independent advisory service, the bank shall not receive or, where appropriate, shall not withhold commissions, fees or non-monetary benefits from third parties (including Santander Group entities or entities linked contractually or otherwise to the bank), except in the case of minor non-monetary benefits that are reasonable and proportionate, which do not undermine the bank's independence and have the potential to increase the quality of the service provided.

   For the provision of this service, the bank only takes into account the positions held under the independent advisory service, and does not include the rest of the positions in the bank.

   For this service, the bank provides customers with a wide range of investment products from third-party providers or issuers, which also includes financial instruments issued, guaranteed or managed by entities belonging to Santander Group or entities linked contractually or otherwise to the bank. The universe of products considered by the bank to make its recommendations includes a wide range of financial instruments diversified in terms of their rates and their issuers or providers, the number and variety of which shall be sufficiently representative of those available in the market for each type of instrument to ensure that the customer's investment goals can be adequately met.

   The bank periodically monitors the customer's investments, and sends the customer a periodic report showing their performance.

3. Ad-hoc investment advice.

Meaning personalised recommendations given to customers for investment products, taking into account the customer's overall position, excluding positions held under the independent advisory service. For the provision of this service, an investment proposal is prepared, ensuring that the recommendations included therein are adapted to the customer's investor profile, according to the parameters that have been defined.

For this service, the bank provides customers with a wide range of investment products that includes shares and equity interests from national and foreign collective investment undertakings, and any financial instrument or marketable securities of fixed income or equity, both listed or non-listed, in official secondary markets, multilateral trading facilities or organised trading facilities, whether regulated or non-regulated, or national or foreign. The range of products includes collective investment undertakings from third-party providers, as well as financial instruments issued, guaranteed or managed by entities belonging to Santander Group or entities linked contractually or otherwise to the bank.

The bank periodically monitors the customer's investments, and sends the customer a periodic report showing their performance.

4. Ad-hoc advice on hedging instruments.

The bank provides non-independent advice through personalised recommendations on hedging financial instruments, made to corporate customers that are not classified as eligible counterparties, in the scope of their commercial and financing transactions, with respect to each financial hedging instrument. Customers must answer specific questions in the suitability test for this type of service.

The bank shall report, at least quarterly, the valuation of the hedging instrument subscribed to pursuant to the advisory service.

In its ad-hoc advisory service for hedging instruments, the bank shall only recommend products originated by Santander Group entities, within a wide range of possibilities.

5. Ad-hoc advice on investment and hedging for wholesale banking customers, understood as non-independent advice provided by the bank through personalised recommendations to corporate customers that are not classified as eligible counterparties and that belong to the wholesale banking segment (Corporate Investment Banking (CIB)), given their business activity.

The bank shall report, at least quarterly, the valuation of the investment instrument subscribed to pursuant to the advisory service.

6. Simplified investment advice, a non-independent, limited and ad-hoc advisory service, via a product called "Santander Orienta". It is aimed at customers who do not require a global service. This is a limited and sporadic service where the bank shall not review the overall situation of the customer's positions, but just the suitability of the recommended product alone.

For this service, the suitability assessment shall be carried out each time by asking specific questions regarding the customer's investment goals for that transaction and their financial position in relation to it. An appropriateness test must have been completed by the customer beforehand, which allows the bank to assess their financial knowledge and experience. In the case of customers who already have a suitability test because they have subscribed to the portfolio management service, only the knowledge and experience section shall be taken into consideration for this service, and the suitability process shall be completed with questions about the process. This suitability assessment is proportional to the advisory service being provided.

In this service, the bank provides customers with a wide range of investment products that includes structured notes issued by Santander Group, as well as equity interests in collective investment undertakings, whether national and foreign, issued, guaranteed or managed by entities belonging to Santander Group.

In addition, at least once a year, the bank sends the customers a report containing a review of the suitability of the products subscribed to under the service.

For independent and non-independent advice in the Private Banking segment, the suitability assessment shall be carried out by completing the so-called suitability test, which allows the bank to identify the customer's investment profile, a requirement in global advisory services.

In the case of independent advice, the test shall be unique to that service, and the resulting profile cannot be used for other types of advice.

Both suitability tests shall be valid for three years, although any change in the customer's personal circumstances requires that they be updated by completing a new test. The suitability test carried out for both the independent and non-independent advisory service shall always be completed on the first holder, using the latter's risk profile.

In independent and non-independent advice, the bank shall make investment recommendations to the primary holder for a given position. Recommendations or the service shall be provided in accordance with the investment profile and the suitability result assigned to the primary holder as a consequence of the suitability test carried out. Consequently, the other holders accept the performance of investments ordered based on the advisory provided pursuant to such investment profile and suitability result; without prejudice to the performance of other investments that, in relation to such position, may be ordered by any of the other holders if empowered to do so and which shall also be binding upon all holders.

It is presumed that the primary holder of a position has more knowledge and experience of the financial products and services than the other holders.

Co-holders may jointly agree to issue orders in writing or in another durable medium to the bank to change the order of the holders, such that the primary holder shall be the holder with the most knowledge and experience, and whose investment profile they deem to be more appropriate for the position or service in a co-holder arrangement.

The bank shall inform the co-holders of the investment profile that has been assigned to the primary holder as a result of the suitability assessment and the other circumstances indicated above, in writing or in another durable medium.

For ad-hoc advice relating to hedging instruments, the bank's recommendation is made by analysing the individual suitability of each instrument, the specific result of hedge-related questions under the suitability test, and provided the instrument is appropriate to the customer's level of financial knowledge and experience.

For ad-hoc advice provided by CIB, a wholesale bank, the recommendation is made by individually analysing the suitability of each recommended instrument against the customer's risk profile based on the information currently available to the bank and the knowledge of its characteristics and requirements.

Non-advised contracts

For non-advised contracts for either complex or non-complex products, and for retail, professional or counterparty customers, Banco Santander, S.A. has controls in place in its computerised trading platform that generate the necessary alerts.

The bank provides customers with **tools that help them to make investment decisions,** providing complete and adequate information, within a wide range of investment products that includes shares and equity interests from national and foreign collective investment undertakings, and any financial instrument or marketable securities of fixed income or equity, both listed or non-listed, in official secondary markets, multilateral trading facilities or organised trading facilities, whether regulated or non-regulated, or national or foreign.

Depending on the segment, the bank provides customers with a range of products, which includes collective investment undertakings from third-party providers, as well as financial instruments issued, guaranteed or managed by entities belonging to Santander Group or entities linked contractually or otherwise to the bank.

All customers can use non-face-to-face channels to enter into non-advised contracts through the investment platforms that the bank makes available to customers at all times. These tools allow customers to access complete and detailed information on products, to find out about the market situation and track their investments. In addition, customers can use analysis tools, which make it easy to search for products. They are also able to perform simulations and comparisons. The range of products arranged through the platforms includes collective investment undertakings from third-party providers, as well as financial instruments issued, guaranteed or managed by entities belonging to Santander Group or entities linked contractually or otherwise to the bank.

The bank shall send the customer, at least quarterly, position statements with the valuation of the instruments traded.

In the case of complex and non-complex products which the Bank actively markets to retail clients, as required by the MiFID Directive and its Spanish transposition, an appropriateness assessment is carried out and if the transaction to be carried out is not appropriate, the customer shall be notified promptly.

In order to perform **the appropriateness** assessment, the appropriateness test shall be completed. This test shall be valid for one year and may be renewed for up to three years. However, if the customer has a valid suitability test in force, the bank may choose to use the information on appropriateness (knowledge and experience) included in such a suitability test, for reasons of efficiency and process automation and without having to complete a different questionnaire. The suitability test gathers information on the customer's knowledge and experience and, for this reason, it includes the appropriateness test. However, performing the aforementioned suitability test for the suitability assessment does not mean that the bank is obliged to provide an advisory service on investment or portfolio management. If a customer does not wish to receive advisory or discretionary management services, it shall be sufficient to process the appropriateness test only. This test only includes questions about financial knowledge and experience.

In general, the bank shall ensure, with the appropriate tools, that complex and non-complex products are properly marketed to retail customers through the appropriateness assessment. Hence, when customers request a complex and non-complex product without having completed the aforementioned suitability or appropriateness tests, it shall be understood that they are doing so at their own initiative.

To assess the appropriateness of products that are arranged without advice, the bank shall only consider the responses given by customers to questions relating to their financial knowledge and experience set out in either the appropriateness test or the suitability test. For certain transactions that are carried out at the customer's initiative, as a simple execution, on non-complex products, the bank may not assess the appropriateness of said transactions for the customer, and shall duly inform the latter of this (except in the case of subscriptions to collective investment undertakings, for which the bank shall always carry out an appropriateness assessment).

Orders directly instructed by the customer on non-complex products, through the non-contact channels that the bank has available at any time, are deemed to be at the customer's initiative and may not be assessed.

In the case of retail customers, they must take the appropriateness test if they wish to purchase complex financial instruments. The bank shall notify the customer when the result is not appropriate for this type of financial asset.

Portfolio management

The portfolio management service is provided exclusively to customers classified as retail or professional and is conditional on having a valid suitability test, in order to comply with the Securities Market Law. Consequently, Banco Santander, S.A. does not provide the portfolio management service to customers that do not have a suitability test. Therefore, management shall be carried out in accordance with the mandate conferred and the information provided by the customer on their knowledge and experience, their financial position (including their ability to bear losses) and their investment goals (including their tolerance for risk).

The customer's mandate to the bank is contained in a portfolio management agreement that the customer signs with the bank. This agreement states, for example, the risk involved in the portfolio arranged, the financial assets in which the bank can invest on the customer's orders and a benchmark indicator so that the customer can compare the performance of the managed portfolio investments.

The customer pays the bank a management fee for this service.

The control of the portfolio's risk level shall be equal to or lower than the profile resulting from the customer's suitability test. In the case of customers from the Private Banking model, control of the level of risk against the investor profile resulting from the test shall be performed considering not only the financial assets in their managed portfolio, but also the rest of the customer's investments as sole holder or primary holder (where there are joint holders) held at the bank. In this case, the financial instruments from the customer's management portfolio shall be added to the rest of their investments to establish the customer's risk level, except for the positions held by the customer in independent advisory portfolios.

The bank shall regularly review the performance and risk of the management portfolios, paying special attention to the degree of concentration, investment strategies, and the financial instruments selected by the bank, and shall send customers a quarterly report that includes said data. Each portfolio shall have a benchmark indicator so that the customer can check how their investment is performing.

The pre-contractual information on the sustainability of the managed portfolio that the customer wishes to subscribe to shall be made available to them prior to arranging the service.

The bank shall inform the customer of any depreciations in the value of the managed portfolio that are equal to or greater than 10%, or multiples of this percentage, of the value as measured at the start of each reporting period.

In addition, managed portfolios are also subject to constant control of the risk they accept, both in general terms and by type of asset or degree of concentration.

The following assets are eligible for managed portfolios: securities listed on stock exchanges or organised trading facilities; shares or equity interests in collective investment undertakings; money market instruments; financial liabilities (at Banco Santander); listed fixed-income securities and hybrid instruments with an available market price; and derivative financial instruments. The method of valuating these assets shall depend on their type, and such method shall be set out in the contract for the managed portfolio.

In its portfolio management activity, the bank shall perform all manner of transactions related to purchases,

sales, subscriptions and redemptions (direct and in a transfer), amortisations, swaps and conversions in the aforementioned asset categories and, generally, any transactions necessary to carry out the mandated portfolio management and administration. In no event shall the commitments acquired in contracted transactions exceed the market value of equity of the portfolio under management, especially with respect to the possible use of derivative instruments.

The bank shall not carry out securities lending operations on assets included in a managed portfolio; nor shall it carry out transactions with derivative financial instruments involving commodities that are settled in kind.

The foregoing shall apply pursuant to the terms agreed in any contract for investment portfolio management and administration that the customer should sign with the bank.

In return for the provision of this portfolio management service, the bank shall not receive or, where appropriate, shall not withhold commissions, fees or non-monetary benefits from third parties (including Santander Group entities or entities linked contractually or otherwise to the bank), except in the case of minor non-monetary benefits that are reasonable and proportionate, which do not undermine the bank's independence and have the potential to increase the quality of the service provided.

The bank may delegate the management of managed portfolios to other entities, where such delegation shall not constitute a limitation of the bank's liability to the customer.

Custody and administration of financial instruments.

The bank safeguards the physical securities for the financial instruments that the customer invests in through the investment services provided. If these financial instruments are represented by book entries, the bank shall make this entry and keep it updated.

The customer must have a securities account or a portfolio of financial instruments to receive the administration and custody service. Likewise, the customer must have a current account associated with the securities account or the portfolio of financial instruments.

The bank shall pay into the associated account the amounts of sales, reimbursements, interest, cash dividends, nominal returns, rounding for contributions or any other income derived from investments being held. The bank shall collect from the associated account the amounts corresponding to the acquisition of the financial instruments which the customer invests in as well as the commissions, expenses and taxes associated with the services provided and the assets in custody.

Unless the customer gives specific instructions to the bank with sufficient notice, the bank may take any action and perform any transaction to ensure that the financial assets in custody retain the rights connected with them.

The bank may use sub-custodians to provide the service of custody, administration and registration of financial assets, whenever it is necessary to offer an efficient service. In addition, the bank may delegate the individualised registration of financial assets to third parties, although the bank shall maintain its responsibility to the customer for custody and administration unless the applicable regulations or the contracts that are signed establish otherwise.

The bank shall choose sub-custodians with the same care as if it were depositing its own financial assets and shall ensure that they are reputable and prestigious financial institutions. Customers can find all the information they need on the international sub-custodians at http://bsan.es/subcustodios_info

Receipt, transmission and execution of orders:

The bank receives and transmits orders on certain financial instruments, such as certain shares and equity interests in collective investment undertakings of managers not linked to Santander Group or unlisted investment funds (except for collective investment undertakings of third-party managers), shares, bonds, derivatives in organised markets and over-the-counter products.

To act in the best interest of the customer, the bank may directly execute the customer's orders or may send the order to a third party to execute it, selecting entities that have adopted order execution policies that comply with current regulations. The bank may only select one entity, provided that this entity has adopted appropriate measures to ensure that the bank is acting in the customer's best interest.

Customers are responsible for the orders they give, which must be clear and accurate so that the bank may execute them correctly. The bank shall execute or give the execution order to another entity, following the customer's instructions and following the bank's Code of Conduct in Securities Markets and Order Execution Policy. Orders that need to be executed through a regulated market, a multilateral trading facility (MTF) or an organised trading facility (OTF), or other types of execution venues, shall comply with the rules of the multilateral facility in which they are executed.

The customer may give specific orders outside the bank's Order Execution Policy. Executing an order outside the bank's Execution Policy may prevent the best possible result from being obtained.

The bank reserves the right to:

- Accept or reject orders with specific instructions.
- Refuse to sell securities on behalf of the customer if they are not deposited into the securities account or the financial instruments portfolio held by the customer at the bank before the sale is executed.
- Decide whether or not to execute a securities purchase order above the available balance in the account associated with the financial instruments portfolio or securities account.
- Decide whether or not to execute an order when one or several of the following situations arises:
    - // The bank requirements are not met.
    - // It is not signed by the customer.
    - // The customer has given the order by means other than those that the bank has.

  The customer must confirm with the bank that the order meets these requirements for it to be executed.
- Repurchase financial instruments on behalf, and at the expense, of the customer when the customer has already given an order to sell them, but the sale does not take place because:
    - // There is a defect with the instruments when they are delivered.
    - // The instruments cannot be accepted pursuant to the clearing and settlement system regulations in which the order should be executed.
    - // The customer has not delivered the instruments to the bank with enough time for them to be issued to the buyer.
    - // Decide whether or not to execute credit or instalment orders for buying and selling financial instruments.

Other investment and ancillary services

The investment and/or ancillary services that Banco Santander may provide to its customers include the underwriting and/or placement of financial instruments, the preparation of investment reports and financial analysis and the participation in the bond issuance schemes of entities in both the public and private sectors, by preparing the transaction according to the customer's needs.

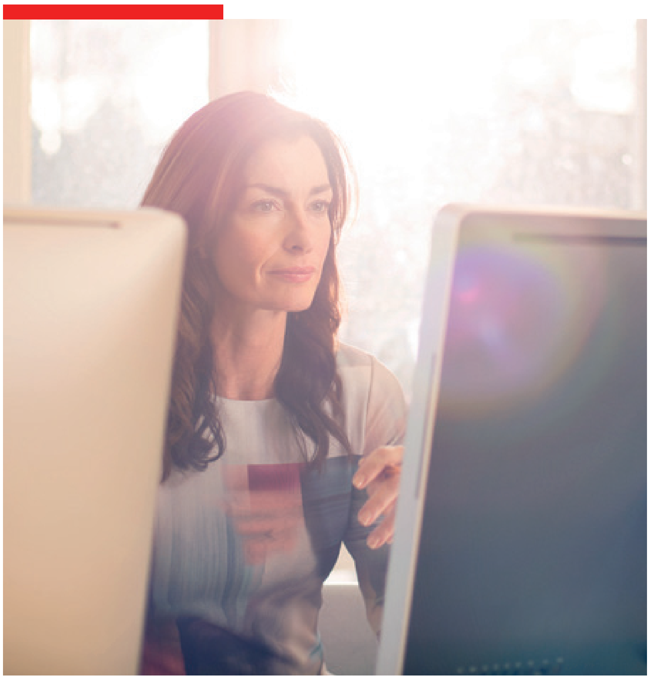
Likewise, the bank may carry out the following operations for its customers: flotation (through IPO, subscription offering or a combination of both), accelerated bookbuilds (ABBs), capital increases and other operations related to advising issuers on all activities related to strategic actions on the capital of companies (takeover bids, spin-offs, etc.)

// Information with a view to safeguarding financial instruments held on customers' account

Banco Santander, S.A. has adequate internal mechanisms and measures in place in accordance with the regulations applicable to the deposit of financial instruments and securities in order to ensure, as far as possible, the due protection of customers' assets. By providing the service of administration and custody of financial instruments on behalf of its customers in both discretionary management portfolios and in solely depository portfolios, the bank may engage, in certain cases, the services of sub-custodians when necessary or appropriate for custody and effective administration of the financial instruments involved.

The bank may delegate the individual recording of financial assets to third parties, although the bank shall continue to be held responsible to the customer for their custody and administration, unless stated otherwise by legislation, the basic agreement or the individual agreements.

When using sub-custodians and omnibus accounts, the bank's responsibility involves taking care to assess, select, engage, maintain and monitor the sub-custodians, applying demanding criteria and requirements in relation to capital adequacy, operational or legal risk and service quality. In addition, the bank is responsible for informing the customer in a clear, comprehensive and understandable manner of the risks entailed in depositing with international sub-custodians.



In the execution of transactions with financial instruments in foreign markets where usual practice requires the use of omnibus accounts, the aforementioned financial instruments shall be deposited in an omnibus account opened in the name of the custodian of the securities, i.e. the bank (or a third party assigned for this purpose), at an international sub-custodian, where the financial instruments belonging to a group of customers shall be held in custody. In this case, both the bank and the appointed sub-custodians shall adopt the necessary measures to ensure that these financial instruments remain permanently identified, within the custody structure described, as belonging to customers and duly segregated from the assets of the bank and the sub-custodian. The Bank and the sub-custodians shall keep the required internal records to be able to demonstrate, immediately and at all times, the financial instrument positions and transactions in progress for each of their customers.

The bank shall act with due competence, attention and diligence in the selection, appointment and periodic review of the sub-custodians, ensuring that they are entities with a strong reputation in terms of experience and prestige in the market.

In certain cases, it may be that the accounts containing customers' financial instruments are or shall be subject to a legal system other than that of a Member State of the European Union, therefore the rights relating to these financial instruments may differ accordingly. If the customer does not wish to assume these possible risks or accept the operating methods of the omnibus accounts held with sub-custodians, they should abstain from performing transactions involving foreign financial assets.

As this information is abundant and liable to change over time (due to the potentially large number of international sub-custodians that may be used according to the customer's investment decisions), in compliance with prevailing regulations on the protection of customer assets, the bank makes available to its customers full, updated and precise information on the identity, country of origin, credit rating, requirements and rules on asset segregation and specific risks relating to the use of omnibus accounts in each of the international sub-custodians, recommending that these be studied and analysed carefully before proceeding to trade with or deposit foreign securities in their accounts.

Said information can be found on www.bancosantander.es, in the section titled "Legal information – MiFID – Information about the Sub-custodians (in Spanish only)" or at the following link http://bsan.es/subcustodios_info

For shares and holdings in Spanish collective investment undertakings managed by asset management companies registered or established in Spain, the bank can also use omnibus accounts for shares and holdings in Spanish investment funds. Holdings in funds shall be recorded in the asset management company's records under the name of the bank on the customer's behalf. This shall require an agreement to be in place between the bank and the investment fund management company. The bank must keep a record of the customer's holdings and the value of the same.

The bank may also use omnibus accounts in the case of collective investment undertakings, venture capital firms and closed-end collective investment undertakings not established in Spain. Subscribed shares or holdings shall be recorded in an omnibus account held in the nominee's name at the management company. The nominee shall be the bank or a third party designated by the bank.

Rights of guarantee, withholding and offset

In securities transactions, pursuant to legislation on the securities market, in the event of non-compliance or default on the part of the customers in order to make the settlements corresponding to the transactions ordered by them, there is a right to a financial guarantee for the exchange members, for the central counterparty entities and for the central depositories on the securities or cash after the settlement of the transactions, when they have advanced the cash or securities to meet said settlement. This guarantee covers the price of the securities, the cash, and the amount of any sanctions or penalties.

Likewise, in the custody of foreign financial instruments, it is usual practice for sub-custodians, in order to provide the services set down in the corresponding agreements, to insist that customers recognise their right to hold, guarantee, realise or dispose of the securities as a way of ensuring against the risk of non-compliance with the financial obligations established in the agreement.

The bank shall charge the portfolio-associated account or securities account for any amounts necessary to cover fees, expenses and taxes for custody owed by the customer. If there are insufficient funds in the associated account, it may charge any of the current accounts, or any of the savings accounts held at the bank in the customer's name. If there is insufficient balance in these accounts, the bank may sell the financial instruments deposited, registered or administered and offset the relevant amounts from the resulting proceeds, without prejudice of the bank's legal right to make withholdings on the customer's financial instruments as a guarantee of the remuneration owed.

The bank shall act in the same way if the customer defaults when it has advanced the capital or the financial instruments for the settlement of investments.

// Incentives

Incentives are fees, commissions and non-monetary benefits that the bank pays or charges to/from other entities for marketing or distributing products and/or providing investment or ancillary services to its customers.

The bank has configured the investment or ancillary services that it provides to its customers so that they include additional or higher-level elements that improve their quality, in accordance with prevailing regulations. These elements include value-added tools with the necessary information to assist customers in making investment decisions, and sufficient information to properly monitor their investments.

The bank shall give customers information regarding incentives received or paid for a service or for a transaction involving a specific product.

// Information on associated costs and expenses

The customer must pay the bank the costs and expenses relating to:

- The products and services arranged.
- Postal charges relating to the investment services and products that the customer has arranged.
- The corresponding taxes related to the products and services arranged, according to prevailing regulations.
- The expenses for correspondent banks, brokers, clearing and settlement systems and any other institution as necessary for fulfilment of their orders or instructions.

The current maximum fees and charges that the bank charges for investment and ancillary products and services are included in the "Brochure on maximum rates for Stock Market operations and services". Any modification that the bank makes to its fees and charges rate for trading on investment instruments shall be communicated to the customer in durable medium, and may nevertheless be incorporated into any periodic information that the bank must provide.

The rates brochure is available at any of the bank's branches and on the website www.bancosantander.es in the "Announcement board" section.

When the bank recommends or markets financial instruments, it shall inform customers sufficiently in advance of all the costs and expenses of the investment services and ancillary services, and of those related to the financial instrument recommended or marketed. This information shall include the applicable form of payment, which may be explicit via a charge to a current account, or implicit in the price of the instrument, and either upon signing the contract, or on a recurring basis. The information shall include data on the exchange rate and costs applied to any transactions in a currency other than the euro.

The above information shall be provided, in any case, for financial instruments that have a KID under PRIIP regulations, or a KIID under UCITS regulations[2].

If the bank is unable to provide a breakdown of the costs and expenses prior to providing the service, it shall provide customers with a reasonable estimate thereof.

Subsequent to provision of the service, the bank shall inform customers of the total costs and expenses of the transaction and customers may request a detailed breakdown thereof.

If the bank is recommending or marketing the instruments, or if services are provided on a recurring basis, the bank shall send aggregate data of the costs and expenses of the investments at least once a year.

The annex to this prospectus contains explanatory tables of the costs and expenses associated with non-complex equity and fixed-income trades in trading venues, as well as for fixed income instruments issued by credit institutions and investment services companies that do not include an embedded derivative.

// Information on Order Execution Policy

Prevailing regulations require that entities providing execution and/or receipt and transmission of orders establish measures that allow customers to get the best possible results.

The bank has established an Order Execution Policy or Best Execution Policy available at: www.bancosantander.es/espacio-mifid. This Best Execution Policy covers the mechanisms and procedures adopted in order to achieve the best result for its customers classified as Retail or Professional customers in the provision of both services, taking into consideration the various factors: price, costs, speed, likelihood of execution, likelihood of settlement, volume, nature and type of order, with the total consideration (price and costs) being the priority factor for retail customers. In OTC (Over the Counter) transactions, where the bank acts as a counterparty, the Best Execution Policy aims to achieve equity in the price offered in transactions.

2. KID: document with key data about the investment. (Key investment document)
PRIIPs: European regulation on packaged retail and insurance-based investment products (PRIIPs)
KIID: key investor information document.
UCITS: European Directive on Undertakings for the Collective Investment in Transferable Securities.

This Order Execution Policy is not applicable to any other financial instruments not expressly stated in it.

The bank shall publish, on the website www.bancosantander.es, on an annual basis, and for all classes of financial instruments, the five main venues of order execution for retail and professional customers, in terms of trading volumes, in which customer orders were executed in the previous year. Additionally, the bank shall publish, on an annual basis, the five main investment service companies to which it has transmitted customer orders for execution in the previous year for every class of financial instrument in which transmission to a third party for execution is necessary.

For transactions with financial instruments in which the bank executes orders for retail customers, the bank shall provide the link to information regarding the execution quality of transactions published by each trading venue considered in this policy on the website www.bancosantander.es.

For certain financial instruments, the bank acts as a systematic internaliser[3]. The Banco Santander website www.bancosantander.es contains the list of these instruments.

The bank shall provide its customers with appropriate information on any major change in the Order Execution policy through its website (www.bancosantander.es, in the section titled MiFID).

Depending on the type of financial instrument, the above policy distinguishes between:

Reception and transmission of orders:

As mentioned, for certain instruments, the bank sends customer orders to a third party for execution.

- Holdings in collective investment undertakings of management companies not related to Santander Group[4] (third-party managers) and criteria for determining share classes:

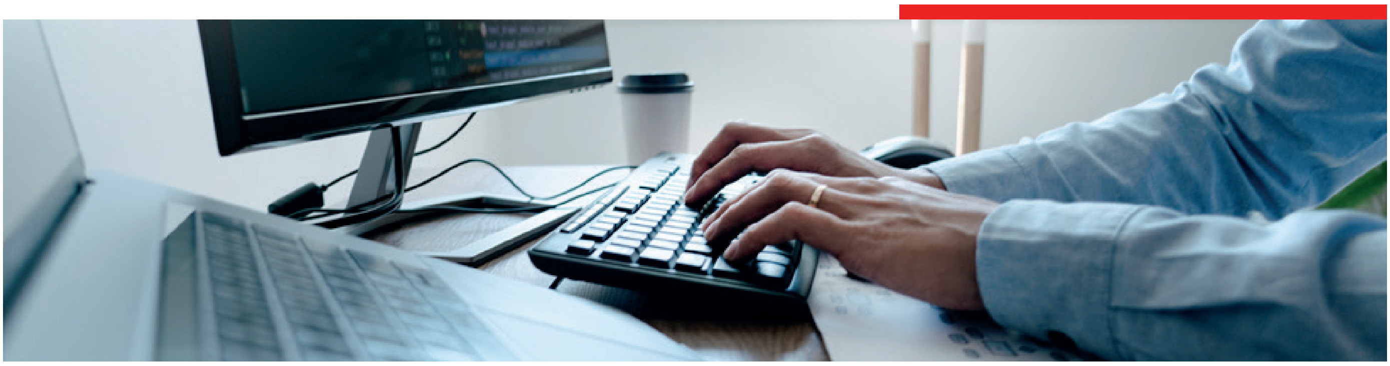
The execution of the subscription and redemption orders of shares and holdings of collective investment undertakings of third-party managers can be carried out through trading platforms for this type of assets.

The bank has selected Allfunds Bank, S.A. as the preferred platform for processing orders on UCITS of third-party managers, through the corresponding sub-distribution agreements.

Allfunds Bank has reasonable measures in place to guarantee the optimal execution of the subscription and redemption orders of the UCITS, taking into account the price, costs, speed and likelihood of the execution and settlement of the corresponding order. In relation to the price, the orders are executed at the applicable net asset value for each UCITS depending on the cut-off time established by the manager in question, and the execution and settlement of the orders through Allfunds Bank do not involve an additional charge.

Banco Santander's automatic connection to Allfunds Bank provides access to the legal information of different UCITS, speeds up the processing of orders and settlements, and reduces operational risks.

Especially when the bank processes investment orders or decisions on collective investment undertakings with different classes registered with the CNMV for marketing in Spain and available through Allfunds Bank, resulting from the provision of advisory services or discretionary portfolio management, such orders shall be transferred for execution on the class most beneficial to the customer depending on the requirements involved in each class and contained in the prospectus.



3. Systematic Internaliser: investment firms which, on an organised, frequent, systematic and substantial basis, deal on own account when executing customer orders outside a regulated market, an MTF or an OTF.
4. Transactions on UCITS managed by Santander Asset Management Luxembourg, S.A. shall also be processed under the scheme described in this section.

In the event that the bank receives any reimbursement, considered an incentive for the purposes of securities regulations, on positions in discretionary managed portfolios, said reimbursement shall be paid to the customer.

Holdings in collective investment undertakings of managers related to Santander Group[5]:

The execution of the subscription and redemption orders is carried out directly at the Spanish management companies of Santander Group for their own funds registered for marketing in Spain.

This model of direct execution in the management companies of Santander Group ensures customers get the best possible result as total consideration, provided that:

- the price of the financial instrument corresponds to the net asset value of the unit calculated by the management company in accordance with the regulations governing UCITS.
- there are no further costs directly related to the execution than those established in the respective fund prospectus.

Furthermore, the bank considers that:

- the speed of execution is ensured and is that provided directly by the fund management company on assigning to the customer order the unit net asset value calculated in accordance with the specific regulations governing UCITS, in terms of the time of receipt of the customer's subscription or redemption order, in accordance with the cut-off times established by the management company itself and the criteria outlined in the relevant UCITS prospectus.
- the likelihood of execution and settlement is very high, since the management companies ensure the execution of customer subscription and redemption orders whenever the requirements set out in the UCITS prospectuses are met.
- there are no restrictions in the execution volume of the customer subscription and redemption orders if they respect the prospectuses, especially in classes of funds with minimum subscription and/or redemption amounts.
- the nature of the order given is not an applicable factor, since only the execution of customer subscription or redemption orders in the terms established in the prospectuses of the funds is provided for.
- these orders shall be transferred for execution on the most beneficial class for the customer based on the requirements demanded in each class and included in the prospectus.

  In portfolio management, the classes selected shall be those defined by managers for this type of service, where the UCITS management fee cannot be reimbursed. In the event that the bank receives any reimbursement, considered an incentive for the purposes of securities regulations, on positions in managed portfolios, said reimbursement shall be paid to the customer.

Listed equities, SICAV shares traded on secondary markets, some fixed income instruments, warrants, certificates and Exchange-Traded Funds (ETFs):

In transactions on these instruments traded in markets where the bank is not a member, it acts as recipient of orders from its customers and transmitter of these orders to the intermediary, which is ultimately responsible for execution at the execution venues selected.

These transactions may be channelled through different intermediaries with access to the execution venues where the instruments are traded: regulated markets, multilateral trading facilities (MTF) or organised trading facilities (OTF). The bank, acting through intermediaries, shall direct the equity transactions of its retail customers preferably towards regulated markets, provided such markets offer conditions for optimal execution, or to MTFs.

With respect to the evaluation of the execution venues by intermediaries eligible for selection, the following factors are taken into account:

5. With the exception of transactions on UCITS managed by Santander Asset Management Luxembourg, S.A. that are transmitted to a third party for execution, as indicated above.

- **Liquidity:** Priority is given to trading venues that provide significant and sufficient liquidity, measured against the database of the number of past transactions and average daily trading volumes, with the aim of ensuring the execution of customers' orders at the best available prices at all times.

- **Clearing and settlement:** Priority is given to trading venues that clear and settle transactions through recognised central counterparties under the securities payment and settlement rules, or through clearing and settlement systems with high credit ratings.

The list of execution venues and intermediaries that the bank can access to execute its customers' orders is available in the Order Execution Policy on www.bancosantander.es/espacio-mifid.

In the Order Execution Policy and internal procedures, the bank has defined the criteria for selecting the intermediaries through which to trade on these instruments. According to these regulations, the intermediary must:

- have their own order execution policy;

- have access to execution venues;

- have agreements for the clearing and settlement of transactions with entities that are members of the central counterparties or clearing and settlement systems of the selected execution venues;

- be able to systematically and consistently obtain, in the relevant execution venues contained in its order execution policy, the best possible result for the orders of the bank's customers.

Intermediaries are chosen from among entities of recognised solvency that meet the above requirements, and taking account the following: hedging of securities, operating capacity and level of service. The choice of intermediaries for the execution of a specific order may be determined by the type of order, the instrument to which the order relates, the characteristics of the execution venue in which it may be executed and the instructions received from the customer.

The bank shall review intermediaries' quality of execution in terms of speed and operational flexibility on an annual basis. This analysis shall include a review of the total costs (including price and fees) for the execution of the transactions, distinguishing by execution venues in which the intermediaries used operate.

- Some derivatives in organised markets:

The bank receives and transmits orders on these financial instruments only from professional customers and eligible counterparties.

The bank shall engage the services of an intermediary for the execution of orders where the bank (i) is not a member and has no direct access to organised markets in which derivatives are traded, or it (ii) has access to these markets but prefers to use an intermediary owing to either the conditions of the markets or the size of the customer's order.

Intermediaries that the following requirements shall be considered for selection:

- Provision of an order execution policy that meets all the requirements established by the regulations.

- Access to execution venues: intermediaries that have access to the execution venues in which these instruments are traded shall be chosen, either directly or by sending the order to another intermediary who has access to said venues.

The bank chooses its intermediaries from among those who meet the requirements indicated above, taking into account factors such as: i) their global reach, ii) security of execution and iii) specialisation by type of product.

Order execution:

- Listed equities, SICAV shares, warrants, certificates and Exchange-Traded Funds (ETFs), traded in secondary markets where the bank is an exchange member:

  These transactions may be carried out in different execution venues where the above instruments are traded, provided the bank is a member: regulated markets, multilateral trading facilities (MTF) or organised trading facilities (OTF). The bank shall direct the transactions of its retail customers preferably towards regulated markets, provided that the conditions for optimal execution are met.

The bank has identified key execution venues for the different securities and transmits execution orders to those specific venues.

In the selection of the execution venue for transactions with instruments traded in more than one venue of which the bank is a member, the following factors shall be taken into account: direct access cost, price, liquidity, depth, freedom of access, investor protection and transparency and clearing and settlement of the transaction. Execution venues are chosen as outlined above for transactions transmitted to an intermediary for execution.

The execution venues for retail customers shall be selected taking account of the total consideration.

Every year, the bank shall publish on its website www.bancosantander.es the five main venues for executing orders from retail and professional customers in relation to each class of financial instrument. The bank shall also review, on an annual basis, the quality of execution obtained in the various venues based on market liquidity and depth data, and clearing and settlement transactions. The analysis shall include a review of total costs (including price and fees) for execution of transactions.

The bank shall be able to execute the orders of a customer (or type of customer) in a single venue provided that, once the different execution venues are analysed, it is reasonable to conclude that the venue satisfies overall (i) the best execution requirements of its customers and (ii) the premise of obtaining results which are just as good as those which could be reasonably expected if an alternative execution venue were used.

- Fixed-income instruments and other financial instruments:

  // OTC traded transactions:

  These are transactions carried out outside of a trading venue, in which the volume, liquidity or price allows the bank to execute orders received from its customers with the bank itself acting as the counterparty of the customers' transactions. For these transactions, the bank shall provide an equitable and fair price, taking into account comparable data for financial instruments within the current market price ranges or other mechanisms which exist in the bank, including established costs and margins when these are implicit in the final price for the customer.

  // Transactions in trading venues where Banco Santander is an exchange member.

  The bank may execute orders from its customers through these trading venues after analysing the variables of traded volume, liquidity, speed and price. These orders shall be processed in accordance with the established regulations in each of the trading venues and the established intermediation fees shall apply.

  The bank does not act as its customers' counterparty in transactions described in this section.

- Derivatives and securities financing transactions:

  // Derivatives in organised markets:

  With respect to derivatives traded in execution venues of which Banco Santander is a member and/or has direct access to, Banco Santander receives, processes and directly executes its customers' orders. These execution venues are the only possible execution venues for these derivative financial instruments, and they consistently achieve the best possible result for customers in terms of price and costs because there are no other options for their execution.

// Derivatives and securities financing transactions on the OTC market

The bank acts as the customer's counterparty in these transactions.

In the trading of these products, including bespoke transactions, the bank shall calculate an equitable and fair initial base price based on market data, to which the envisaged intermediation costs and margins shall be added when they are implicit in the final transaction price. The final price for the customer is therefore determined including:

- // the bid and ask price, calculated taking into account certain adjustments for various items of objective market risks;
- // depending on the instrument type, adjustments for risk items are added according to the nature and size of the customer and transaction (customer credit risk, liquidity risk, funding risk, etc.).
- // other transaction costs and expenses for the customer when they are implicit in the price, including margins.

Exclusions from the Best Execution Policy:

The following fall outside the scope of the obligations of the Order Execution Policy, among others:

- // Transactions in the primary market that can be sold only through private placements to qualified investors.
- // Transactions in the primary market sold through public placements.
- // Trading carried out by the bank for the management of its own portfolio and the bank's actions as amarket maker in regulated markets and/or multilateral trading facilities.
- // Transactions in large order markets when orders directed to these markets have special conditions in terms of volume.

Consideration of specific customer instructions.

Specific instructions issued by customers outside the Order Execution Policy established by Banco Santander may hinder achievement of the best possible result by excluding the mechanisms and measures contained in the policy.

In case there is a specific customer instruction, the bank shall execute the order in accordance with the instruction, while considering that it has met requirements for best execution for said order, or at least for factors of the order affected by the instruction.

The following shall be considered specific customer instructions:

- // The express instruction by the customer of the execution venue or of the intermediaries to which the order is transmitted.
- // Express instructions by the customer as to the currency of the order, in the case of financial instruments listed indifferent currencies.
- // Certain types of orders such as stop-loss, that are executed in accordance with certain prices.

In all these cases, the measures and mechanisms set out in the Order Execution Policy shall not apply, although they shall be applicable concerning the other items in the order.

In cases in which the bank provides professional customers direct market access services or direct strategy access in which the customer chooses an algorithm for executing the order, the customer shall be solely responsible for achieving best execution as this usage is considered to be a specific instruction. The bank has no decision-making authority over the execution of these transactions and accepts no liability for the parameters selected by the customer.

The bank reserves the right to accept orders with specific instructions.

Transactions on equity and fixed income instruments carried out under the Portfolio Management service.

Banco Santander provides a portfolio management service to its customers. It delegates the provision of this service to Santander Private Banking Gestión, S.A. SGIIC or Santander Asset Management, S.A., SGIIC.

Their respective order execution policies apply in the investment or disinvestment decisions on fixed income and equities instruments that either manager may make with portfolios whose management has been delegated by the bank.

The bank shall check that both management companies observe the principles set out in their own best execution policy.

// Information on financial instruments and their respective investment risks

Below, Banco Santander, S.A. sets out the main characteristics and most common risks associated with the most common financial instruments, within those included in the MiFID regulations and the Securities Market Law that may be subject to the provision of investment services, by the bank to its customers.

The information contained in this document does not remove the bank's obligation, when it presents a specific financial product or instrument to a customer, even if different from those included herein, to provide specific information about it.

In any case, the bank shall make the legally required information available to its customers in each case or shall deliver it, if applicable. In the case of products affected by the PRIIPs or UCITS regulations, the bank shall provide customers with the key information document corresponding to the product they are seeking to invest in. In the event that there are official prospectuses duly registered with the relevant supervisory bodies in relation to an issue of financial instruments offered to the customer, the bank shall inform the customer that they are available.

The acquisition of a financial instrument, either with the aim of investing, hedging, speculation, etc., carries financial risks that must be assessed by the customers before they commit. Within the same financial instrument there may even be different risks that shall vary depending on its characteristics.

Risk is an inherent element in financial instruments. Investing can bring uncertainty and this involves the possibility of not only obtaining lower or higher returns than expected, but also, in the worst-case scenario, losing part or all of the capital invested.

Risk and return are related. As a general rule, the higher the expected return, the greater the risk

1. Fixed income and hybrid instruments

Fixed income assets are a broad set of marketable securities issued by both private companies and public institutions.

Economically, they represent loans that the issuing entities of these financial instruments receive from investors. Unlike what happens with equities, the holder of fixed income securities has economic but not voting rights, since they do not hold any title to the shares of the company issuing the financial instrument in question. The most important element is the right to receive the agreed remuneration and the return of all or part of the invested capital on a given date.

Hybrid instruments are financial assets that constitute a form of financing for issuers that combines characteristics of debt (degree of subordination in settlement) and capital (participation in the company's profit/loss to various degrees).

Risk factors

Fixed income assets and hybrid instruments to a greater extent are subject to a number of risks that can lead to the total or partial loss of the investment.

Below we detail the main significant sources of risk that may affect these financial assets.

- Risk due to interest rate trends. Duration:

  The price risk covers the possibility that, when the investor wishes to sell the asset before its maturity, its selling price is lower than the buying price. In the case of fixed income, this risk is fundamentally linked to interest rate trends.

When an investor buys an asset with a maturity that extends beyond their own investment period, they shall have to sell it on the secondary market when that date arrives. **If during that time interest rates have risen,** they could obtain a lower return than expected at the time the bond was acquired, and **they might even post losses.**

On the contrary, decreases in interest rates could yield higher returns than those initially expected at the time the bond is acquired (this effect is less significant in certain fixed income securities that pay at variable rates which include fluctuations in interest rates).

Price sensitivity to changes in interest rates is measured by duration, which is the average life of a fixed income security, taking into account the number of outstanding coupons, their distribution and amount, and the rest of the income to be received over time.

It is very important to estimate the risk that a certain security entails. A longer duration entails greater risk because, in the event of increases or decreases of the same extent in interest rates, the price of the product shall vary to a greater extent.

Credit or insolvency risk

Risk that the issuer of a security shall not be able to meet its payments, both in terms of coupons and repayment of the principal, or that there is a delay paying them. The issuer may be a company, financial institution, a government or a public body.

When the issuer of the (fixed income) securities is a government, the credit risk is called country risk. On some occasions there have been unilateral suspensions in the payment of interest on the external public debt issued by countries.

Historically and in a normal market context, the issues of the most important governments of the OECD are deemed risk-free assets, provided that they are held until maturity (if the securities are sold on the secondary market before repayment, the price that the market is willing to pay at that time shall be obtained). Any private issuer, regardless of its solvency, comes with a risk that is usually higher than the risk of public securities; therefore, higher returns are often demanded.

Before investing, the credit quality of the issuer should be taken into account. To this end, the ratings set by specialised agencies on the credit quality and financial strength of the issuing companies, governments and public administrations can be consulted.

These ratings may apply to the issuer, or in the case of private issuers, on these and/or each of their issues. However, it should be noted that a credit rating does not constitute a recommendation to buy, sell or subscribe securities, and that the credit rating may be suspended, modified or withdrawn at any time by the corresponding rating agency.

The key criterion used to evaluate the solvency of an issuer is usually the capacity that it has to generate profits in the future and, consequently, the capacity to meet its payment commitments. On occasions, the solvency of a specific issue may be linked to the offering of additional guarantees (as in the case of securitisations).

In situations where the issuer becomes insolvent, it is important to be aware of how the different types of issues are considered and the order of priority of the credit. In the event of insolvency proceedings or declared insolvency of the issuer or guarantor, the order of priority of credits shall not necessarily coincide with the order of recovery for collection established in the product prospectus. Holders of subordinated debt, preference stock and preference shares would not recover their investment until after preferential and ordinary creditors in accordance with the insolvency regulation in force, and only after all other unsubordinated creditors have collected theirs and only before ordinary shareholders. For this reason, when it comes to subordinated debt, preference stock and preference shares, the risk of total or partial loss of the investment is higher

Fixed income instruments, including unsubordinated instruments, issued by credit institutions and investment firms involve very specific circumstances. Law 11/2015 of 18 June, on the recovery and resolution of credit institutions and investment services companies, provides for, in certain cases, the possibility of repayment and conversion of said instruments, which could lead to the loss of the investment before a resolution of the credit institution or investment services company.

It is normal for issuers with less financial strength (lower rating) to be required to get higher returns to compensate for the greater risk assumed by the investor.

Risk of absence of trading market and lack of liquidity:

The risk of lack of liquidity is the difficulty that investors who wish to transform the acquired financial instrument into cash may face, either because there is no trading or relevant market in which they can easily or quickly undo their position, or because in the relevant market there is no demand for said instrument in the short term or for the term in which the investor wishes to sell it. As a general rule, financial instruments traded on organised markets are more liquid than those not traded on such markets.

The issuer of the securities cannot ensure that a market can be created or maintained for the trading of these securities, nor that there may be a regular price and/or valuation for the securities. Consequently, there is the possibility that these securities lack liquidity, which may make it difficult for their holders to sell them and they may have to remain in the investment until maturity, if any. Likewise, if there is a third party willing to acquire these securities, the price may not reflect the market value of the product and be lower than the nominal and/or the buying price paid by the investor. Consequently, the risk of lack of liquidity may adversely affect the price obtained by undoing the investment, in the event that it is necessary to carry out a quick sale

Risk due to limitations on remuneration:

There are risks that may affect the remuneration that holders receive in the form of coupons. These risks shall be more relevant depending on the type of issue in question.

The collection of returns on an issue may be limited by various factors, including: i) the lack of sufficient distributable earnings on the part of the issuer to meet the payment, ii) the existence of regulatory restrictions, iii) the need to first make other higher-ranking payments, iv) when the remuneration to investors is at the discretion of the issuer who is not obliged to pay it if it considers that it may affect its financial position and solvency situation, and/or v) due to the terms of the issue.

If the income is not paid in full on one of the agreed dates, the proportion not received may not be recovered, even when the issuer generates profits in the future.

Risk of NO repayment or conditional repayment:

Some fixed income issues are perpetual so they do not have a maturity date. There are also issues that may have an early repayment date. In this case, it must be taken into consideration that normally this right can only be exercised by the issuer in accordance with the terms and conditions of the issue, so that the investor could be obliged to maintain their investment for a long time.

Exchangeable or convertible bonds give their owner the right to exchange them for shares on a specified date. Upon the exchange date, the investor has two options: to exercise the conversion option, if the price of the shares offered in exchange/conversion is lower than their market price; or to keep the bonds until the date of the next conversion option or until they mature. In practice, this involves exposure to equity market risk.

With "compulsory convertible" bonds, the holder cannot choose to reject the exchange, which shall take place on the date or dates set forth in the prospectus in accordance with the established equation. In short, it is an agreement to buy a certain number of shares in the future, therefore, the value of the bonds shall fluctuate depending on the fluctuations of the shares they shall be converted into. Thus, depending on the price of the shares at the time of conversion, the exchange may be detrimental to the investor and cause losses.

- Other circumstances that may affect the price:

The price of fixed income securities is exposed to various other factors, in addition to those indicated above, which may adversely affect it. Therefore, the product are riskier and may lead to losses. These include: downgrading of the issuer's rating, adverse performance of the issuer's businesses, non-payment of issuance yields on the agreed dates, exchange rate trends on issues denominated in foreign currency.

- Reinvestment risk:

If the asset purchased generates coupons or cash flows prior to the maturity date, the interest rate at which they may be reinvested until this asset matures is unknown. The initial return will have been calculated assuming a reinvestment of said coupons at the same rate, so if said reinvestment were to take place at a lower rate, the total return would also be lower.

Fixed income financial instruments

- Public debt

These are **fixed income,** securities issued by the government, the autonomous communities and other public bodies. In general, they are liquid securities with lower credit risk than private fixed income instruments.

Depending on the terms and features, there are different types of public debt. In the case of the Spanish Treasury, these are:

// Spanish government bonds ("bonos" and "obligaciones"). These are the main medium-term ("bonds") and long-term ("obligaciones") fixed income instruments issued by the government. This involves issues with explicit return. Currently, 3- and 5-year "bonos" and 10-, 15- and 30-year "obligaciones" are issued. Throughout their life, these assets accrue a fixed interest rate that is paid through annual coupons.

Some long-term public debt issues take the form of separable securities or "strips", where the principal and each of the coupons the original bond comes with can be purchased separately.

// Debt of autonomous communications and of other public bodies. The autonomous communities, local corporations and various public entities issue short-term (promissory notes) and long-term securities. They have similar characteristics to treasury bills and government bonds, respectively.

- Mortgage-backed bonds

Fixed income securities issued exclusively by credit institutions (banks and savings banks), and backed globally by their mortgage loan portfolio.

They are usually long-term issues and have different options in terms of interest rate and repayment conditions. Specifically, the issuing entity reserves the right to repay part or all of the issue early during its life, in accordance with the provisions of the law that regulates the mortgage market.

Corporate or private fixed income (long and medium term)

Medium- and long-term bonds issued by companies are medium- and long-term fixed income securities. Their features can vary considerably between issuers, and even for different issues from the same company. These differences may involve the maturity date, interest rate, coupon frequency, issue and repayment prices, repayment clauses and other conditions of the issue, as well as the convertibility options, if any, the priority of rights in case of settlement, or the guarantees offered, among others.

Hybrid instruments

Preference shares

Securities issued by a company that do not grant any interest in its capital or voting rights. They are perpetual and return, which is generally variable, is not guaranteed. They are complex, high-risk instruments.

Given the subordination of these issues and the order of priority in the event of insolvency proceedings, there is a risk of total loss of the investment due to the issuing company being in such a situation.

Contingent convertible bonds (CoCos)

A type of hybrid debt and equity issues, with a defined coupon that can be redeemed at the request of the issuer, where the issuing entity has the option to convert into shares under predetermined conditions, usually if its capital ratio falls below a certain level. It is a complex instrument with risk that the whole investment could be lost, so it is not suitable for non-expert investors.

Convertible and/or exchangeable long- and medium bonds

Long- or medium-term bonds that can be converted into a share or other class of bond. The difference between exchange and conversion is that, in the first case, the transformation into shares is carried out by delivering old shares that are part of the issuer's treasury stock, while in the second case, new shares are delivered.

Until the conversion date, the holder receives the interest by collecting the periodic coupons. The number of shares to be delivered for each bond, the way in which prices are determined, as well as the dates of exchange or conversion are specified in the product prospectus.

Relevant features for analysing fixed income assets and hybrid instruments

Below we point out some of these features, which directly influence the degree of complexity and risk of the instrument.

- // Issue category in case of insolvency: secured bonds, whether senior or subordinated
- // Duration and maturity period
- // Type of coupon: fixed, floating or indexed
- // Type of repayment: at maturity, perpetual or exchangeable or convertible or mandatory convertible bonds
- // Trading market

Hybrid instruments and complex fixed income instruments, issued by financial institutions in the European Union, are considered products subject to the regulation on PRIIPs (packaged retail and insurance-based investment products). The features of the instrument in question, its risks, possible scenarios of positive or negative performance, as well as its target audience are included in the Key Investor Information Document (KIID) that is delivered to retail customers prior to trading on such instruments.

Regulatory classification of fixed income

For the purposes of Order ECC/2316/2015, of 4 November, regarding the obligations of information and classification of financial products, fixed income instruments are[6] classified according to their level of risk, liquidity and complexity as follows.

6. This rule does not apply to Spanish public debt and debt issued by the institutions, bodies or authorities of the European Union and the central governments, regional or local authorities or other public authorities, bodies governed by public law or public enterprises in EU Member States similar to Spanish bodies.

Risk level:

The regulation classifies products into six (6) risk levels based on whether they are subordinated, their currency, percentage of the commitment to return the principal invested, term and credit rating of the originator, issuer or guarantor.

- Class 1:
  - unstructured bank deposits/Euros.
- Class 2:
  - Unsubordinated issues in euros
  - 100% principal guaranteed
  - Term <= 3 years
  - Credit quality level 1 BBB + or higher
- Class 3:
  - Unsubordinated issues in euros
  - 100% principal guaranteed
  - Term >3 and <= 5 years
  - Credit quality level 2 BBB- or BBB
- Class 4:
  - • Unsubordinated issues in euros
  - 100% principal guaranteed
  - Term >5 and <= 10 years
  - Credit quality level 2 BBB- or BBB
- Class 5 - 1:
  - Unsubordinated issues in euros
  - 100% principal guaranteed
  - Term > 10 years
  - Credit quality level 2 BBB- or BBB
- Class 5 - 2:
  - Unsubordinated issues in euros
  - 90% principal guaranteed
  - Term <= 3 years
  - Credit quality level 2 BBB- or BBB
- Class 6:
  - Rest of products not included in another category

Liquidity:

Alerts on possible liquidity limitations and on the risks of selling the financial product early.

Complexity:

In accordance with securities regulations (MiFID and Securities Market Law), fixed income instruments with embedded derivative and perpetual issues are considered complex products for the purposes of the Securities Market Law, so it is necessary to assess their appropriateness for retail customers when being marketed.

Likewise, fixed income financial instruments that are eligible for bail-in, bonds issued by EU credit institutions with a senior or unsecure or lower ranking, are considered complex products, so it is necessary for the entity to evaluate how appropriate these are for retail customers.9

For other fixed income instruments, considered as non-complex products, it is not necessary to assess appropriateness when a customer asks to arrange them from the entity, on their own initiative.

In the case of non-complex fixed income assets, as well as those issued by credit institutions and investment services companies that do not include an embedded derivative, these attributes are notified to customers in the general description of the asset's nature and risks delivered before purchase. The following information is provided:

- Risk indicator:

  A figure indicating the product's level of risk and the warning: "This number is indicative of the risk of the product, with 1/6 indicating the lowest risk and 6/6 the highest risk".

- Indication of liquidity:

  One or two padlocks will be shown depending on the commitment to return the product at maturity, possible limitations regarding liquidity, and the risks of early sale of the financial product (existence of fees and commissions or penalties for early cancellation, notice periods)

- Indication of complexity: !

  Notice that this is not a straightforward financial product and that it may be difficult to understand.

For complex fixed income instruments (with the exception of those issued by credit institutions and investment services companies that do not include an embedded derivative), information on the characteristics, risks and possible performance scenarios of these instruments is included in the KID for PRIIPs to be delivered to retail customers.

Regulatory classification of hybrid instruments

In accordance with the securities regulations (MiFID and Securities Market Law), hybrid instruments are considered complex products. That is why it is necessary to assess the appropriateness of these instruments when acquired by retail customers.

The information on the characteristics, risks and possible performance scenarios of these instruments is contained in the KID for PRIIPs that shall be delivered to retail customers.

Scenarios for the possible performance of non-complex fixed income

In the potential positive and negative scenarios for the performance of an investment in fixed income, the following must be considered:

- Whether the investment is kept until its maturity, in which case the repayment will be for the nominal value of the securities, which would be compared with its buying price.
- The progress of the asset's valuation, before the repayment date, based on the interest rates and the duration of the instrument in question, as well as the other risk factors mentioned above, based on the buying price of said securities by the investor.
- The amount of coupons that might be received

The worst-case scenario of an investment in fixed income is losses for the investor, which may take place in the event of a continuous rise in interest rates and other negative events related to the issuing entity and/or its market, as a result of the customer needing to sell before the maturity date. The longer the term of the securities, the more pronounced this effect on the price of the security.

The best-case scenario is one in which the instrument's valuation exceeds the nominal value due to a fall in interest rates and that therefore entails additional income on top of the coupons to be received, in the event of sale before maturity.

The neutral scenario for an investor is the receipt of coupons and repayment at maturity for the nominal value of the securities.

2. Money market instruments

Money market instruments are short-term assets that are usually traded on the money market and have a maturity of less than or equal to 25 months.

Risk factors

The risk factors associated with money market instruments are the same as those described in the previous section.

Financial money market instruments

- Spanish treasury bills

Short-term assets (maximum 18 months) issued by the government through the Directorate General for the Treasury. They are always discounted (implicit return) and are represented exclusively by book entries, without the existence of the security certificate. The Treasury regularly issues these securities through competitive auctions, as a method of financing the government. Currently, three types of bills are offered depending on their term of maturity: 6, 12 and 18 months.

- Corporate promissory notes

These are zero coupon fixed income securities issued at a discount, so return is obtained by the difference between the buying price and the nominal value of the promissory note that is received on the repayment date. They are short-term, and usually have maturities between 3 days and 25 months.

Placement of the promissory notes in the primary market is carried out either through competitive auctions in which the buying price is determined, or by direct negotiation between the investor and the financial institution.

In the Spanish market, they can be traded on AIAF. Although this investment is suitable for retail customers, it is important to check the information disseminated by the markets on issues, prices, volumes and cross transactions, and analyse whether the liquidity of the security is adequate for the specific requirements that the investor has raised in this regard.

- European Commercial Paper (ECP)

Debt instruments issued in the short term, in the international capital market. They are not liquid and they do not have a secondary trading market. They are usually issued at a discount over their nominal value. They may be issued in different currencies in which case they include the risk of currency performance.

Regulatory classification of money market instruments

Corporate promissory notes and ECPs are subject to Order ECC/2316/2015, of 4 November, regarding the obligations of information and classification of financial products, and are classified according to their level of risk, liquidity and complexity, as described in the fixed income section. These attributes are notified to customers in the general description of the financial instrument's nature and risks delivered prior to the contract.

Money market instruments are considered non-complex products for the purposes of MiFID and the Securities Market Law, so it is not necessary to assess their appropriateness when a customer asks to arrange them from the entity, on their own initiative.

Money market financial instruments that are eligible for bail-in, whose issuers are EU credit institutions with a senior or unsecure or lower ranking, are considered complex products. As such, the entity must evaluate how appropriate these are for retail customers.10

The scenarios for the performance of money market instruments are similar to those included in non-complex fixed income, with a lower impact of possible fluctuations in expected return due to (i) the shorter duration of these instruments, which means possible variations in their valuation are reduced and (ii) being zero coupon instruments purchased at a discount and therefore without any periodic coupons.

3. Equities

The main equity instrument is shares, where it is not possible to be certain of the return from the investment, since both the price at which they may be sold and the dividends to be received while held are uncertain.

Other equity instruments are preemptive subscription rights.

Risk factors

It should be noted that risk, as an inherent characteristic of equity securities, is synonymous with uncertainty, and this involves the possibility not only of obtaining lower returns than expected, but also, and with the same probability, of obtaining higher returns. This translates into the possibility of total or partial loss of the investment made in shares.

- Risk due to quote price trends:

  The price of a share always depends on the valuation that market participants make of the issuing company. This valuation depends on different factors. The main factors are expectations about the company's future profit and its growth rate.

  Other factors also play a role, such as expectations about different macroeconomic indicators, investor confidence, exchange rate trends in shares listed in other currencies, etc. as well as news of an economic, political and any nature that affect the financial instrument markets, the financial system and the economy in general.

  Logically, the present value of these expectations varies constantly and, as a consequence, so do the volumes of securities that are offered and demanded at each price. The result is that the prices at which the orders are crossed are modified throughout the entire trading session, and from one session to another.

  Additionally, certain corporate events will also influence the share price, including dividend payments, tender offers, public offering or capital increases. Downgrades in a company's credit rating also have a negative effect on its price.

  In general, when talking about the risk of a listed company (depending on the source), only the price risk is usually considered, since it is understood that the rest of the risks are already included.

  As such, it possible to calculate the past risk of a security or an index by measuring volatility.

  A critical situation affecting a listed company can lead to the total loss of value of its shares, which could involve the loss of the entire investment made in said shares.

- Risk due to interest rate trends:

  In general, expectations of interest rate rises cause falls in prices because:

  - Fixed income securities, which generally carry less uncertainty for the investor (i.e. lower risk), offer a higher return, which can trigger a transfer of funds from equity positions to fixed income.
  - They make the cost of financing companies more expensive, so lower future profits are expected.

- Risk of lack of liquidity:

  Shares can be differentiated according to the listed market. Regulated markets facilitate the trading of securities and therefore their liquidity, allowing shareholders to easily dispose of their positions

  However, there may be circumstances that limit this liquidity, such as a company's listing suspensions for a period of time or certain companies leaving the stock market, in which case the shareholders would lose their ability to sell on the market.

  In general, "narrow" stocks are considered to be the least liquid. This may be influenced by different factors, which include the market capitalisation of a company (number of shares listed multiplied by their price) and its depth (supply and demand for shares of a company trading in a specific market).

  Given the wide range of specific circumstances of equity markets, whether regulated or not, as well as possible multilateral trading facilities, there are many ways the liquidity of securities may vary. In any case, it should be noted that the risk of lack of liquidity can adversely affect the price obtained by undoing the investment

- Risk in remuneration:

  The remuneration in equities can be understood as two concepts: one based on the difference between the buying price and the selling price and that is therefore exposed to the risks described above in the performance of the listed prices; and other based on the dividend remuneration policy that the company has in place. The dividends paid by each company will be based on their profits and growth expectations.

Regulatory classification of equities

For the purposes of Order ECC/2316/2015, of 4 November, regarding the obligations of information and classification of financial products, equity instruments are classified according to their level of risk, liquidity and complexity as follows:

Risk level:

The regulation classifies products into six (6) risk levels based on whether they are subordinated, their currency, percentage of the commitment to return the principal invested, term and credit rating of the originator, issuer or guarantor. The six levels are explained in the fixed income classification section.

Liquidity:

Alerts on possible liquidity limitations and on the risks of selling the financial product early.

Complexity:

In accordance with the securities regulations (MiFID and the Securities Market Law), the shares admitted to trading on a regulated market or equivalent in a third country are considered non-complex products, so it is not necessary to assess their appropriateness when a customer asks to arrange them from the entity, on their own initiative.

Preemptive subscription rights are treated as complex or non-complex depending on whether they are acquired to complete the rounding-off determined in the capital increase in question (non-complex); or when they are part of an additional acquisition of rights (complex).

Unlisted shares or shares listed on unregulated markets are classified as complex products, so it is necessary to evaluate their appropriateness for retail customers if being marketed.

In financial events, these attributes are notified to the customer in the general description of the product's nature and risks (Scrip dividend, capital increases, exchanges, etc.) delivered before purchase. The following information is provided:

// Risk indicator:

A figure indicating the product's level of risk and the warning: "This number is indicative of the risk of the product, with 1/6 indicating the lowest risk and 6/6 the highest risk".

// Indication of liquidity:

One or two padlocks are shown depending on the commitment to return the product at maturity, possible limitations regarding liquidity, and on the risks of early sale of the financial product (existence of fees and commissions or penalties for early cancellation, notice periods)

// Indication of complexity: !

Notice that this is not a straightforward financial product and that it may be difficult to understand.

Notice that this is not a straightforward financial product and that it may be difficult to understand.:

6 / 6

Este número es indicativo del riesgo del producto, siendo 1 / 6 indicativo de menor riesgo y 6 / 6 de mayor riesgo

! Preemptive subscription rights acquired with the aim of meeting a capital increase and that do not correspond to the securities previously contained in the portfolio or those required for rounding, are considered complex instruments.

Scenarios of possible performance of equities

In the possible positive and negative scenarios of the performance of an investment in shares, the following must be considered:

- the positive or negative fluctuation of the price from the price of acquisition of said securities by the investor;
- the amount of dividends that might be received;
- the impact of possible financial events (share subscription premiums, sale of preemptive rights in capital increases, scrip dividends, etc.) that include income for the customer but may affect the share's valuation.

The worst-case scenario of an investment in equities is one that involves the total loss of the investment, in the event that the share price becomes zero. This extreme situation may occur in the event of insolvency proceedings or resolution of the entity issuing the shares.

The best-case scenario is one in which there is a continuous upward trend of the share price, together with sustained payment of dividends by the listed company. However, the intrinsic volatility in the equity market must be considered to be able to understand that the price of the shares suffers ups and downs, and it is necessary to establish a time horizon for the investment to assess whether its performance has been as the investor expected.

Within the range between the two scenarios described (worst- and best-case scenarios, respectively), there are intermediate scenarios characterised in any case by the highly volatile nature of shares and the existence of rises and falls in the price. These are more or less continuous and of greater or lesser intensity, depending on the different factors impacting the price, both of a macroeconomic and sectoral nature and also in terms of specific aspects of the entity that issued the share.

4. Collective investment undertakings (UCITS)

Collective investment undertakings vary widely due to the markets in which their investments are made, and the sectors, geographical areas, types of assets, currencies, etc. they invest in. Their results depend on the management that is carried out, as well as the movements of the markets and may lead to losses of the investment made.

The characteristics of the collective investment undertaking in question and its management style are set out in the prospectus that must be filed with the regulatory entity of the manager's country (CNMV in Spain). The Key Investor Information Document (KIID) can be used to understand the essential characteristics, the nature and the risks of the collective investment undertaking and to take well-researched investment decisions.[7]

The following are considered collective investment undertakings (classification made according to their legal form):

- investment funds.
- open-ended investment schemes (SICAVs).

7. Since January 2020, the KIID for UCITS has been replaced by the KID for PRIIPs.

Risk factors of collective investment undertakings

The nature and scope of the risks will depend on the type of collective investment undertaking, its individual characteristics (defined in the prospectus) and the assets in which its wealth is invested. Therefore, the specific risks of the different types of assets included in this document will apply.

Consequently, the choice between the different types of collective investment undertakings must be made taking into account the ability and desire to assume risks on the part of the saver, as well as their investment time frame.

In terms of additional risks to those inherent in assets which investments are made in, we must consider:

Risk due to the performance of the net asset value

It is vital to be aware of the portfolio's composition and the fund's investment vocation, because it allows investors to get an idea of the risk that is assumed, according to the investment percentages in each type of financial assets, in euros or in other currencies, in one or more other geographical area, etc. The portfolio's performance will determine the net asset value at which customers can redeem their investment in the fund.

In general, the following observations can be made:

- Investing in equities, by its very nature, is generally more risky than investing in fixed income, but there can also be losses in fixed income, and the investor should be aware of this fact. See the "Risk factors" sections for fixed income and equities.
- Some collective investment undertakings, due to their investment policy, may hold securities in their portfolios that include greater credit or counterparty risk. Also, investment in securities of emerging countries, both in fixed income and equities, can add risk to the fund as these are markets with greater volatility, that are less stable and have less depth. Investing in assets expressed in currencies other than the euro involves a risk, called currency risk, resulting from possible fluctuations in exchange rates.
- Another circumstance to take into account is that when the collective investment undertaking invests in securities that are not traded on regulated markets, this leads to additional risk, as there is less control over its issuers. In addition, the valuation of these assets is more complicated, since there is no target market price.

Leverage risk (risk from investment in derivative financial instruments)

Collective investment undertakings that invest in derivative financial instruments (futures, options) may involve a higher risk, due to the inherent characteristics of these products (for example, leverage). Therefore, it is possible that portfolio losses will increase, although gains could also increase.

However, it should be noted that some collective investment undertakings use derivatives exclusively or primarily for the purpose of reducing the risks of the cash portfolio (hedging). The description of the investment policy, included in the prospectus, must indicate whether the derivatives will be used for investment or hedging purposes.

The use of OTC derivatives also entails counterparty risk, as it is exposed to the derivative's counterparty's solvency and ability to comply with the contractual terms and conditions.

Risk of lack of liquidity

To assess the liquidity risk, it is essential to consider how often the net asset value is published, the possible existence of notice periods for requesting redemptions and the possible existence of settlement terms for the requested redemptions. All these details are included in the fund's prospectus.

Most collective investment undertakings considered UCITS III/IV have a daily net asset value; they have not established notice periods for redemptions; and their settlement is quite agile, so they are not affected by this situation.

Other aspects to consider in terms of liquidity is the possibility of "closing" a fund, in which case the investor must maintain their investment in it until redemptions can be made again.

In the case of SICAVs, the obligation to maintain a minimum amount of capital may sometimes lead to delays in completing the requested redemptions.

Currency risk

This can be considered in two ways. If the investments made by the collective investment undertaking are denominated in a currency other than that used to calculate the net asset value, the fluctuation in their prices will directly influence the valuation.

In the case of collective investment undertakings whose net asset value is denominated in a currency other than the reference currency of the customer investing, the investor assumes an additional risk in the event of adverse performance of said currency.

Types of collective investment undertakings

Collective investment undertakings are widely varied, however we focus more on certain types that stand out or have special characteristics.

- Collective investment undertakings (UCITS) :

  Collective investment undertakings harmonised at European level and therefore subject to regulations that establish limitations and obligations with regard to the management and control of investments. These measures are aimed at providing investors with greater protection. Most of the collective investment undertakings marketed at the bank are UCITS.

- Hedge funds

  They are characterised by i) greater flexibility when it comes to making their investments, which sometimes involves less transparency, ii) their borrowing capacity, which if not properly controlled can become high, and iii) lower liquidity due to specific notice periods for subscriptions and redemptions and settlement periods.

  They are subject to risks of a different nature and degree to those of ordinary collective investment undertakings. Their performance may not be related to the trend of the equity or fixed income markets.

  We can differentiate between hedge funds that take positions directly based on the alternative management strategy or strategies they want to develop, and those that invest in other hedge funds. The latter are called funds of hedge funds.

  Due to the specific way they work, this type of collective investment undertaking is not recommended for customers who do not have sufficient financial knowledge and experience to fully understand their characteristics and risks.

- Real estate funds

  These are collective investment undertakings whose investment takes place in real estate and which therefore depend on how this market performs. As this is a less liquid market than financial markets, the calculation and publication of the net asset value is performed less frequently and the possible redemption dates are also lower.

- Venture capital or private equity funds

  These are undertakings that take direct positions in businesses or companies with a long-term business investment vocation. For this reason, their liquidity is normally limited until certain redemption dates. Investors may also commit to additional contributions at the beginning of their investment.

- Exchange-traded funds (ETFs):

  These are investment funds whose main feature is that they are traded in secondary securities markets. These are funds that can invest in different markets and types of asset, like other collective investment undertakings.

  They operate by tracking the composition and behaviour of the index that they use as reference

MiFID classification of collective investment undertakings

In general, the collective investment undertakings harmonised at European level (UCITS) are considered non-complex products, so it is not necessary to assess appropriateness when a customer asks to arrange them from the entity, on their own initiative.
The holdings and shares of structured collective investment undertakings are considered a complex product.
When dealing with non-European collective investment undertakings or collective investment undertakings that are not UCITS, they are always considered complex.
Hedge funds, real estate funds and venture capital funds are classified as complex products, so it is necessary to evaluate their appropriateness for retail customers if being marketed.

5. Derivatives

These are sophisticated products that in some cases carry the risk of total investment loss and in other cases involve assuming commitments that may involve losses. Therefore, to invest in them it is necessary to have specific knowledge, both in terms of the products and the way in which the trading systems operate. It is also necessary to be strongly predisposed to taking high risks, and to be able to bear them.

Investing in derivative products requires financial knowledge and constant monitoring of positions.

Derivative products can be used for different purposes: to totally or partially limit the risk of loss of a portfolio or a fund; or to add risk to an investment (), in order to achieve higher returns.

A characteristic common to all derivative products is the leverage effect, which defines the relationship between the capital invested and the result obtained. For the same amount, the possible gains or losses obtained from trading with derivatives may be higher than those that would be obtained if the underlying assets were traded directly.

The main distinction between derivatives is whether or not they are listed on an organised market. In the latter case, they are called OTC (Over the counter).

Derivatives issued by European Union entities and when the customer's counterparty is a European Union entity, in the case of OTC derivatives, are considered products subject to the regulation on PRIIPs (packaged retail and insurance-based investment products). The characteristics of the derivative in question, its risks, possible scenarios of positive or negative performance, as well as its target audience are included in the Key Investor Information Document (KIID) that is delivered to retail customers prior to trading on such instruments. For customers classified as professional or eligible counterparties, the bank shall provide the necessary pre-contractual information, adapted to its cataloguing and the type of derivative instrument for trading, including a description of its characteristics and risks.

Risk factors of derivatives

All derivative products carry a high risk. Even derivatives whose aim is to hedge another position, when considered in isolation, involve risk.

There are many risk factors and therefore derivatives require constant monitoring of the position. Some of these risks are summarised below:

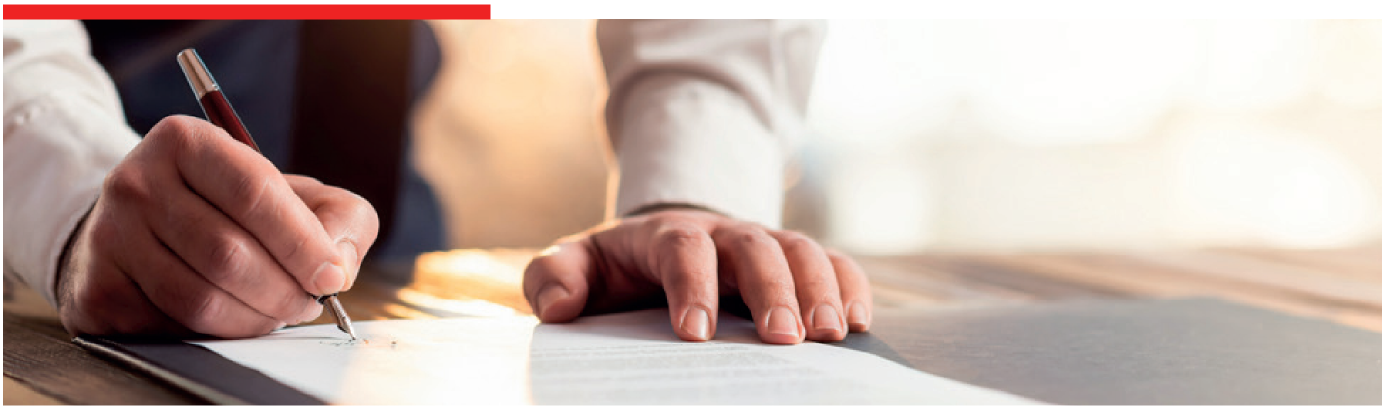
- Interest rate risk

  This is one of the variables that directly affects the valuation of derivatives. Therefore, interest rate trends will cause their price or valuation to fluctuate.

- Risk of performance of the underlying assets and their volatility and other factors

  All derivatives are linked to an underlying that can be indices, inflation rate, stocks, exchange rates, interest rates, commodities, etc. The performance of said underlying asset in its trading market affects the changes in the price or valuation of the derivative and its result at maturity, which may lead to the partial or total loss of the investment.

  The volatility of the underlying asset is vital in calculating the price or valuation of these assets. The greater the volatility, the greater the possibility of profit but also the greater the risk of loss.



In the valuation of derivatives, in addition to the performance of underlying assets and changes in volatility and interest rates, other factors play a role, such as the passage of time and/or currency exchange rates. The effect of these factors has to be analysed together. As a consequence, it is possible that despite a positive performance of its underlying assets, the value of the financial derivative at a given date may be reduced as a result of the negative change in one or more of the remaining factors.

- Credit/counterparty risk

For OTC derivatives where the counterparty assumes obligations on maturity of the derivative, there is a risk that it will cease to meet its obligations and produce a financial loss for the customer.

In the case of derivatives on the organised market, there is a clearing house that intervenes between the contracting parties and subrogates the obligations of the parties, limiting this risk, which becomes dependent on said clearing house.

- Liquidity risk

When it comes to derivatives in the organised market, they are listed in such a way that a position can be undone at public prices, lending liquidity to said position.

In the case of OTC derivatives, the possibility of undoing the position rests with the counterparty which the derivative was closed with and the agreement reached previously.

- Leverage risk

As mentioned before, leverage is an inherent element of derivatives, which allows gains to be multiplied, but also potential losses, when they are not limited according to the type of derivative in question.

- Risk of assuming additional financial commitments isk of assuming additional financial commitments

Depending on the type of derivative in question, the position to be taken may directly involve assuming financial commitments upon maturity of the derivative, which means that at that date the holder has to meet those commitments.

For this reason, organised markets require guarantees that must be deposited in accounts opened for this purpose, when the position involves obligations

- Risk of number of days to maturity

The passage of time detracts from the options. Therefore, as the maturity date approaches, the value of the option may be lower for this reason.

Types of derivatives

There is a wide variety of types of derivatives. Their potential underlying assets, complexity and heterogeneity make it unfeasible to cover all possibilities in this section.

- Futures

A future is a contract, whereby the parties agree to purchase and sell a specific quantity of a security (underlying asset) at a predetermined future date, at a price agreed in advance. In other words, these are forward contracts covering instruments of a financial nature (securities, indices, loans or deposits, etc.) or commodities (i.e., merchandise; these might be agricultural products, raw materials, etc.).

Futures can be traded on organised markets or non-organised markets; in the latter case, they are called OTC (Over the counter).

Futures can be settled by physical delivery or by differences.

Trading in futures requires constant monitoring of the position. They carry a high risk if they are not managed properly. In certain circumstances, the customer may see losses in their portfolio.

Particular attention should be drawn to **currency forward** which are agreements between two parties to buy or sell a specific amount of a currency at a specified price at a future date. At the time of closing there is no exchange of funds, only on the maturity or expiry date.

Options

An option is a contract that carries the right or obligation to buy or sell a certain amount of the underlying asset, at a certain price (exercise price), and within the stipulated period.

Options can be traded on organised markets or non-organised markets. In the latter case, they are called OTC (Over the counter).

Options can be settled by physical delivery or by differences.

Trading in options requires constant monitoring of the position. They carry a high risk if they are not managed properly. Premium value can change considerably in a very short time. In certain circumstances, part or all of the investment may be lost.

The price of the option depends on different factors: the market price of the underlying asset at any given time (share, index, interest rate, currency, etc.), the exercise price of the option, the volatility of the underlying asset, the risk-free interest rate, the time remaining until maturity, and other factors that depend on the nature of the underlying asset (the dividend in the case of stocks or index options; or the interest rate differential between currencies, for interest rate options).

With options, it is essential to distinguish between the buyer's situation and the seller's situation. The buyer has the right, but not the obligation, to buy or sell at maturity (depending on the type of option); on the contrary, the seller (or issuer) is obliged to buy or sell if the buyer decides to exercise their right.

The option price is what the buyer pays to obtain that right, and is called the premium. When the maturity date arrives, the buyer will seek to exercise it or not depending on the difference between the price set for the transaction (exercise or "strike" price) and the price that the underlying asset has at that time in the cash market. In exceptional circumstances, when the options are American, the exercise of the option may occur at any time during the life of the product and when they are of the Bermuda type, said exercise may occur at certain times throughout the life of the product.

As refers to purchased options, the loss will be limited to the entire premium paid. In the case of options sold, the loss can be unlimited.

Swaps

These are swaps or agreements between two parties, by which they mutually oblige each other to exchange assets or cash flows in the previously agreed terms and subject to previously established conditions, where a certain variable has an uncertain performance.

Swaps can be:

- // Interest Rate Swaps;
- // Basis Swaps;
- // Currency Swaps;
- // Inflation Swaps;
- // Credit Default Swaps;
- // Cross-Currency Rate Swaps;
- // Commodity Swaps;
- // Equity Swaps/Equity Index Swaps;
- // Any type that is traded in the financial markets.

Due to the obligations involved, they carry a certain risk linked to the counterparty's credit, which is why the parties may request guarantees.

Warrants

A warrant is a marketable security that incorporates the right to buy or sell an asset (underlying) at a specific exercise price. Therefore, this is a derivative product.

Trading in warrants requires constant monitoring of the position. They carry a high risk if they are not managed properly. Premium value can change considerably in a very short time. In certain circumstances, part or all of the investment may be lost.

As in the case of options, the buyer of the warrant has the right but not the obligation to buy or sell the underlying asset on the maturity date. Whether or not they exercise that right will depend on what the price of the underlying asset is at that time (settlement price), in relation to the exercise price. Normally it is settled by differences, giving the holder the difference between both prices.

The price of the warrant depends on different factors as we have already indicated in the case of options.

The main advantage, and at the same time the greatest risk of investing in warrants, is the leverage effect, which generally characterises derivative products: fluctuations in the underlying prices lead to higher percentage variations in the value of the premium. On the other hand, price changes that do not meet expectations can lead to the loss of the entire investment. Leverage indicates the number of purchase (call warrant) or sale (put warrant) rights that can be acquired for the price of one unit of underlying asset.

The family of warrants includes other instruments with more complex option structures, such as:

- Turbo warrants, which allow investors to position an underlying asset both up and down, with greater leverage.
- Multiple warrants, which follow the performance of indices with multiple levels of leverage.

Certificates

These are derivative products, and as such they carry a high risk. They involve taking a gamble on the performance of the price of an underlying asset. They may generate positive returns, but if said asset performs contrary to expected, it is possible that no profit will be obtained, or part or all of the invested amount could even be lost.

Their main characteristics vary according to the terms and conditions established by each issuer: the underlying asset on which they are issued and, where appropriate, the practical rules for substituting said asset, the term, the issue price, the return calculation system. Since these securities are very heterogeneous, in order to find out about the specific product, is necessary to check the product prospectus, registered with the corresponding regulatory body (CNMV in Spain).

They can be issued on a perpetual basis; in this case, subscribers have early repayment options.

The return for the investor consists of the gain or loss resulting from the difference between the price of issue or acquisition of the certificate, and its price at the time of its exercise, sale or early redemption.

MiFID classification of derivatives

All types of derivatives are considered complex products, as expressly stated in Article 217.3 of the Securities Market Law. Therefore, it is necessary to evaluate whether they are appropriate for retail customers if they are being marketed.

6. Structured or indexed products

These are products that provide investors, on predetermined dates, with remuneration calculated according to an algorithm and linked to the performance of financial assets, indices, etc. They normally combine a position in a fixed income instrument or deposit with a derivative indexed to different underlying assets. Therefore, their return will depend on the structure used, which is determined by the combination of both positions and by the type of derivative in question.

They make it possible to limit the risks in an investment with this combination of derivative products and/or fixed income instruments, designing investment and financing operations tailored to the risk/return profile of the investor or issuer.

Given the variety of these instruments and the high number of factors that influence how the structured product's value performs as well as its final result, it is important to read the product prospectuses. These documents contain more detail about the their characteristics and possible risks that could affect such financial products. These are the base prospectus in the case of structured bond issuance schemes and the final conditions of each issue; and the structured investment fund prospectuses that are registered with the regulatory entity of the manager's country (in our case, CNMV).

In addition to this information, structured products issued by entities in the European Union are considered products subject to the regulation on PRIIPs (packaged retail and insurance-based investment products). The characteristics of the product in question, its risks, possible scenarios of positive or negative performance, as well as its target audience are included in the Key Investor Information Document (KIID) that is delivered to retail customers prior to trading on such instruments[8].

For customers classified as professional or eligible counterparties, the bank shall provide the necessary pre-contractual information, adapted to its cataloguing and the type of structured product for trading, including a description of its characteristics and risks.

Risk factors of structured or indexed products

These are products whose level of risk depends on the specific structure used. The risk can be high, and products can generate a higher return than that of lower risk assets at the same term, but can also cause partial or total losses of the principal invested.

Given the existence of a derivative in the composition of the structured product in this investment, the risks outlined in the section on Risk factors in derivatives must be taken into account.

Since a fixed income asset is also included in its structure, it is affected by the possible risks outlined in the Risk factors section for fixed income.

The main risks include but are not limited to: risk of performance of the underlying, risks due to insolvency of the issuer or guarantor, economic, political and any risks that affect the markets for financial instruments, the financial system and the economy in general. Any of these factors are contingencies that may occur, which could adversely affect the investment.

Special attention must be paid to the following risks, which have not been expressly covered in the previous sections:

- Issuer risk and guarantor risk

  In the case of structured financial liabilities and structured bonds or notes, where the activities of the issuer and, where appropriate, the guarantor, are related to the financial sector, the capacity of the issuer and/or, where appropriate, the guarantor, to fulfil and meet its obligations may be affected by (1) the inability of third parties to fulfil their obligations towards the issuer and/or, where appropriate, the guarantor, including risks related to the credit quality of the borrowers, as well as due to (2) the behaviour of the group to which they belong and the risks inherent to it, (3) the risks associated with liquidity and financing, (4) fluctuations in interest rates, currency exchange rates, prices of bonds and stocks, (5) operational risks (related to data processing systems, financial, accounting, breakdowns in electrical grids, telecommunications or computer systems, among others) and (6) the risks associated with increased competition in the financial services sector, as well as possible conflicts of interest that could arise if the issuer and/or guarantor were, at the same time, calculation agent and/or distributor of the investment undertaken.

8. For UCITS investment funds, the KIID (or the equivalent document in the country of origin of the UCITS) shall be issued.

The credit ratings of the issuer and guarantor may not reflect all risks. One or more credit rating agencies may assign a rating to the issue which a bond or note forms part of. These ratings may not reflect the potential impact of all risks related to the structure, the market and other factors whether considered previously or not that may affect the value of the financial product. A credit rating does not constitute a recommendation to buy, sell or hold the bond(s) and can be reviewed or withdrawn by the rating agency at any time.

The issuer and/or the guarantor may act as a party to contracts with third parties that have agreed to provide services in relation to the structured financial product (such as between other payment agents and settlement and clearing entities). In the event that said third parties do not fulfil their obligations, the issuer and/or guarantor may be unable to fulfil their obligations with respect to the financial product acquired.

Risk in the event of early sale

In the event that the principal of the product is guaranteed at maturity by the issuer and/or the guarantor, the investor in this type of asset must assume that if it is disposed of on a date prior to the maturity date, they may not recover the principal invested, or get any return, since the guarantee that the principal will be recovered only exists at the maturity date as long as the issuer and, where appropriate, the guarantor meets the payment.

A similar situation exists in the case of guaranteed investment funds, whose guarantee is only triggered on maturity, under the conditions stipulated in the prospectus.

Hedging risk

When issuing this type of financial product, the issuer, the guarantor and/or any of their respective subsidiaries or other parties may enter into one or more hedging transactions related to the underlying assets, which could affect the market price, the liquidity or the value of the financial product and that could be considered negative for the interests of the customers.

Types of structured or indexed products

These products can be classified according to the investment vehicle in question:

- Investment fund
- Bond or note
- Financial liabilities (including financial contracts)

They can also be classified according to their type of structure. Depending on their structure, and the percentage of repayment of the principal, they can be:

Guaranteed products

They come with guarantees for the total or partial recovery of the invested capital: at maturity, the investor will receive at least the investment made or the percentage of their investment that has been secured.

This guarantee may be affected if the conditions established in the product prospectus are not met, or in a situation of bankruptcy of the issuer or guarantor in the case of structured bonds or notes and financial liabilities.

However, they do not necessarily guarantee additional return, but instead this will depend on the performance of the underlying product and the specific conditions of each of the structures.

- Non-guaranteed products

  Losses of the principal invested may occur. These are products designed considering the return/risk ratio, and respond to specific market expectations. Some examples:

  // **Coupon products:** They offer attractive coupons in specific market situations, and are even able to benefit from sideways or bearish markets.

  // **Products with an interest:** Their result is directly linked to the behaviour of an underlying asset (indices, securities, etc.), which is more efficient than investing separately in the underlying asset.

  // **Leverage products:** They may allow similar or higher returns than the underlying asset, without the need to pay the cost of the latter, since it is possible to contribute a smaller amount thanks to combinations of options, financing, etc.

MiFID classification of structured products

In general, structured and indexed products, because they contain a derivative, are considered complex products. Therefore, it is necessary to evaluate whether they are appropriate for retail customers if they are being marketed.

The exception is structured funds classified as UCITS III/IV. Since they are subject to the control standards implied by European harmonisation, they are considered non-complex products. Structured funds subject to the supervision of the CNMV that have the characteristics indicated in the section on collective investment undertakings may also be considered non-complex.

An ETF or exchange-traded fund is a fund that can invest in different markets and types of assets, like other collective investment undertakings. They offer a wide range of diversification options in terms of sectors, geographical areas, underlying assets and strategies used on them, but with some additional features of listed shares.

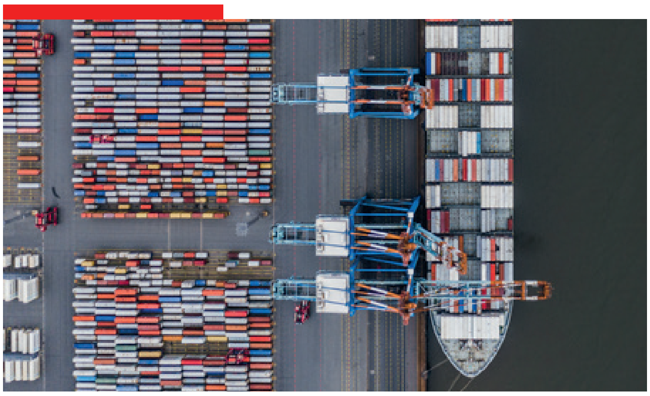
Their main characteristics are i) liquidity when listing on a secondary market and having market makers offering a listing, ii) diversification, since they allow access to a wide range of types of assets and strategies, including short-selling of an index or asset (inverse) and leverage, iii) flexibility by being able to be traded as long as the market is open with a quote price at any time and with price limits.

ETNs (exchange-traded note) and ETCs (exchange-traded commodities) are similar to ETFs in terms of characteristics, but they may be more complex in terms of the type of assets in which the investment is realised. In general, ETNs can be described as structured notes or products that are listed on the stock market. ETCs are very varied and use various other legal structures to realise investment, including baskets of commodities. Therefore, an important difference with ETFs is the different tax and legal treatment that ETCs and ETNs may receive in different jurisdictions.

ETPs managed by entities of the European Union are subject to the regulation on PRIIP (packaged retail and insurance-based investment products). The characteristics of the product in question, its risks, possible scenarios of positive or negative performance, as well as its target audience at are included in the Key Investor Information Document (KIID) that is delivered to retail customers prior to trading on such instruments[9] for execution in the market where they are traded.

7. ETPs: ETFs, ETNs and ETCs

ETPs (Exchange-Traded Products) include ETFs (exchange-traded funds), ETNs (exchange-traded notes) and ETCs (Exchange-traded commodities). These are funds, notes and products listed on the stock market. Due to their heterogeneity and the possibilities of using derivatives, they can be highly complex. Extensive financial knowledge and special vigilance is required on the part of the investor.



9. For ETFs classified as UCITS, the KIID is made available to the customer if requested.

Risk factors of ETFs, ETNs and ETCs

- Liquidity and trading price risks

The agility of the sale will depend on the existing supply and demand for the specific ETF at any given time and may involve significant discounts in the price over its net asset value.

When trading ETFs on the market, discounts and premiums can be issued on the net asset value of the fund. As such, a sale may be carried out below said value.

With ETFs, ETCs or ETNs that include derivatives, especially in commodities, the lack of liquidity of these positions can affect the liquidity of the ETP.

- Risk of performance being different from the reference asset

It is especially relevant in those ETFs that track indices and where deviations from the performance of the benchmark in such cases may not be expected. The management costs of the ETF lead to a deviation of its price compared to the behaviour of the index that it tracks.

With ETCs and ETNs on commodities that track the behaviour of a future, the daily valuation adjustments may involve distancing on the performance of the tracked future.

- Leverage risk

Some ETFs are leveraged, which can lead to increased profits and losses, and these can be high. In addition, the internal workings of the ETF itself with the adjustments of the positions in derivatives may lead to additional losses.

The complexity of these instruments means that they are not recommended for investors who do not have a lot of experience and financial knowledge.

- Counterparty risk due to the use of derivatives

By using derivatives traded with a credit institution, ETFs, ETCs and ETNs will be exposed to counterparty risk due to breach of the counterparty's obligations on maturity of the derivative positions.

- Other risks

The risk factors mentioned in the Equities and Fixed income section must be considered, depending on the market in which the ETF investment takes place.

MiFID classification of ETFs, ETCs and ETNs

In general, ETFs, ETCs and ETNs are considered complex products. Therefore, it is necessary to evaluate whether they are appropriate for retail customers if they are being marketed.

The exception is ETFs that are classified as UCITS and are, therefore, subject to the control standards implied by European harmonisation, and can be considered non-complex products, when they are not inverse or leveraged.

8. Other considerations

Other financial commitments may be acquired as a result of transactions with certain financial instruments.

There is also a probability that the risks associated with a financial instrument made up of two or more different instruments will be greater than the risks associated with any of its components.

// Appendix: Information on costs and expenses associated with non-complex equities and fixed income transactions (transactions in trading venues)

As indicated in the section "Information on associated costs and expenses" in this document, we have provide an estimate of the aggregate details of all the costs and expenses that will be incurred throughout the life of the investment, associated with the purchase at trading venues of non-complex equity and fixed income instruments or issued by credit institutions and investment services companies that do not involve an embedded derivative.

These estimates are mainly based on the application of the general conditions set out in the bank's rates brochure and are made on an investment basis of €10,000. The categories of costs and expenses in the explanatory tables of this appendix are explained below:

- Initial costs and expenses:

  all the costs incurred as a result of the purchase of the financial instrument and that are not incurred again during the investment's life. Transactions with securities issued in a currency other than the euro involve, where appropriate, the expenses resulting from the conversion of euros into the corresponding currency, which would need to be carried out to execute the transaction.

- Current costs and expenses:

  all the costs incurred in relation to the services provided to the customer as regards the transaction and other costs resulting from the custody and/or administration of the financial instrument itself. T his amount is provided on an annual basis, so that the customer can consider the accumulated impact that these costs will have on their investment based on the time horizon that they have planned for it.

- Disposal costs and expenses: all costs incurred as a result of the sale of the financial instrument. Transactions with securities issued in a currency other than the euro would involve expenses resulting from the conversion of the corresponding currency into euros, which would need to be carried out to execute the transaction. In the specific case of fixed income securities, for the purposes of the estimate, it is assumed that the customer will hold the investment to maturity.

As these are estimates, largely based on what is included in the bank's rates brochure, the costs and expenses that are ultimately incurred in the transaction may differ from those contained in these estimates since the fees listed in the rates brochure refer to maximum amounts. Costs and expenses that are associated with any type of tax are included in the calculation itself.

If you would like further details of the costs and expenses that will be applied in relation to these types of transaction throughout its life, also taking into account particular conditions you may have agreed with the bank, you may obtain this information from a branch.

1. Estimate of costs and expenses related to domestic equity transactions (includes shares and holdings in ETFs):

Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€90,85	**€30,25**	**€70,85**	**€191,95**	**1,92 %**

Recipient of costs and expenses out of total

Received by the bank (amount)	Received by third parties (amount)
€160,25	**€31,70**

2. Estimate of costs and expenses related to foreign equity transactions denominated in euros (includes shares and holdings in ETFs):

Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€100	**€121**	**€100**	**€321**	**3,21 %**

Recipient of costs and expenses out of total

Received by the bank (amount)	Received by third parties (amount)
€311	**€10**

3. Estimate of costs and expenses related to foreign equity transactions denominated in a currency other than the euro (*) (includes shares and holdings in ETFs):

Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€190	**€121**	**€190**	**€501**	**5,01 %**

Recipient of costs and expenses out of total

Received by the bank (amount)	Received by third parties (amount)
€491	**€10**

(*) If you have a current account open in the currency you are investing in, the costs associated with the transaction would be equivalent to those included in the table of foreign equities denominated in euros.

4. Estimate of costs and expenses related to domestic fixed income transactions managed through the SEND market:

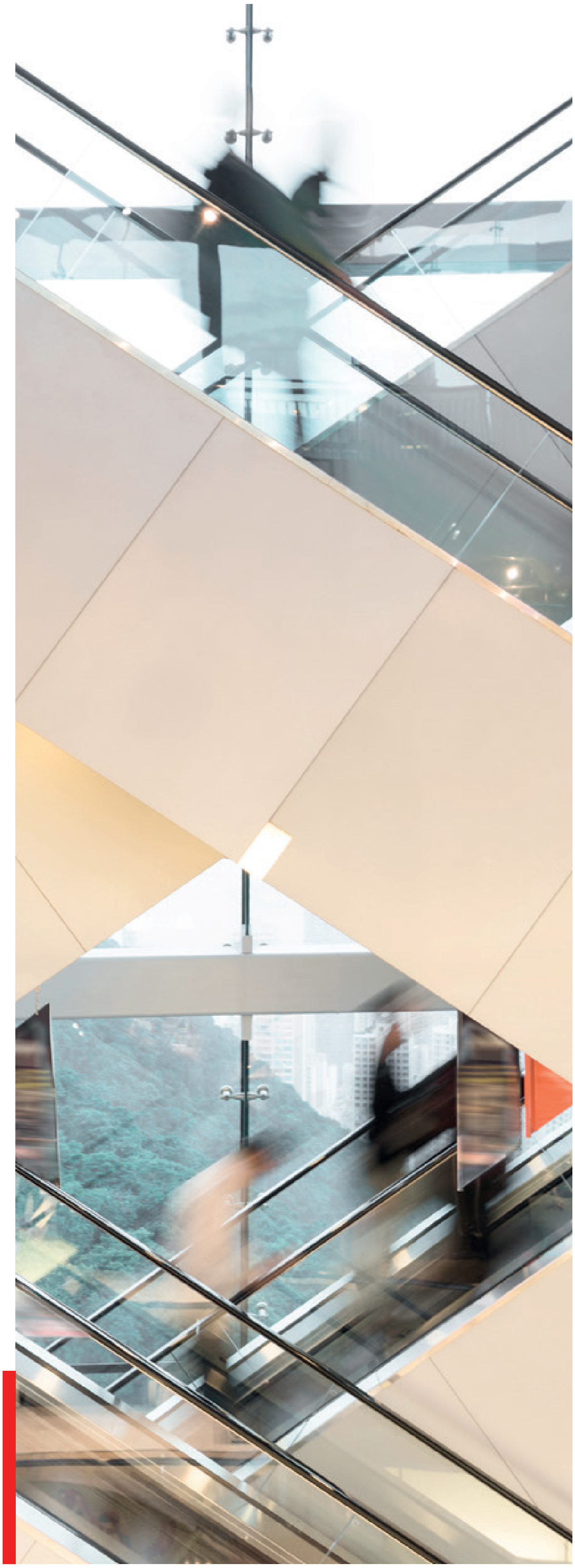
Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€200	**€30,25**	**-€**	**€230,25**	**2,30 %**
Recipient of costs and expenses out of total				
Received by the bank (amount)		Received by third parties (amount)		
€230,25		**- €**		

5. Estimate of costs and expenses related to foreign fixed income transactions denominated in euros:

Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€200	**€121**	**- €**	**€321**	**3,21 %**
Recipient of costs and expenses out of total				
Received by the bank (amount)		Received by third parties (amount)		
€321		**- €**		

6. Estimate of costs and expenses related to foreign fixed income transactions denominated in a currency other than the euro (*):

Initial (amount)	Current (amount)	Disposal (amount)	Totals (amount)	Totals (in %)
€290	**€121**	**€90**	**€501**	**5,01 %**
Recipient of costs and expenses out of total				
Received by the bank (amount)		Received by third parties (amount)		
€501		**- €**		



(*) If you have a current account open in the currency you are investing in, the costs associated with the transaction would be equivalent to those included in the table of foreign fixed income denominated in euros.

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