

FIRST SUPPLEMENT

(dated 2 July 2019)

to the

BASE PROSPECTUS

(dated 31 May 2019)



BANCO SANTANDER TOTTA, S.A.

(incorporated with limited liability in Portugal)

€12,500,000,000

COVERED BONDS PROGRAMME

This Supplement dated 2 July 2019 (the “**Supplement**”) to the Base Prospectus dated 31 May 2019 (the “**Base Prospectus**”) constitutes a supplement to the Base Prospectus for the purposes of Articles 135-C, 142 and 238 of the Portuguese Securities Code prepared in connection with the €12,500,000,000 Covered Bonds Programme (the “**Programme**”) established by Banco Santander Totta, S.A. (the “**Issuer**”, as fully identified in the Base Prospectus). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

For the purposes of the applicable legal provisions, each of the Issuer, the members of its Board of Directors, the members of its Audit Committee and its Statutory Auditor (see “*Governing bodies of Banco Santander Totta, S.A. in 2018*” in the Base Prospectus) hereby declare that, to the best of their knowledge (each having taken all reasonable care to ensure that such is the case), the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus. To the extent that there is any inconsistency between any statement in this Supplement and any other statement in, or incorporated by reference in, the Base Prospectus, the statements in this Supplement will prevail.

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

I. GENERAL AMENDMENTS

1. References to, and the definitions of, the Base Prospectus shall be construed as referring to the base prospectus dated 31 May 2019, prepared in connection with the Programme, as supplemented by this Supplement dated 2 July 2019.
2. References to, and the definitions of, the Resolution Fund 2017 Accounts shall be construed as referring to the Resolution Fund 2018 Accounts.

II. COVER PAGE

1. The first sentence of the third paragraph of the second page of the cover page of the Base Prospectus, with the wording:

“The Issuer has been assigned a long-term debt rating of “Baa3” with a stable outlook from Moody’s Investors Service Ltd. (“**Moody’s**”), “BBB” with a stable outlook from Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), “BBB +” with a stable outlook from Fitch Ratings Limited (“**Fitch**”) and “A” with a stable outlook from DBRS, Inc. (“**DBRS**”).” shall be amended as follows:

“The Issuer has been assigned a long-term debt rating of “Baa3” with a negative outlook from Moody’s Investors Service Ltd. (“**Moody’s**”), “BBB” with a stable outlook from Standard & Poor’s Credit Market Services Europe Limited (“**S&P**”), “BBB +” with a stable outlook from Fitch Ratings Limited (“**Fitch**”) and “A” with a stable outlook from DBRS, Inc. (“**DBRS**”).”.

III. RISK FACTORS

1. Paragraphs eleven to nineteen of the risk factor headed “**The impact on the Issuer of the recent resolution measures in Portugal cannot be anticipated**”, in the section headed “**Risks Specific to the Issuer**”, under the chapter headed “**Risk Factors**” of the Base Prospectus shall be replaced by the following:

“The Portuguese Resolution Fund has disclosed on its website (www.fundoderesolucao.pt) its annual management report and accounts for the financial year ended on 31 December

2018 (“**Resolution Fund 2018 Accounts**”), from which some of the information below has been summarised or extracted.

On 31 December 2018, the Portuguese Resolution Fund’s own resources registered a negative balance of EUR 6,114 million, comparable to the negative balance of EUR 5,104 million registered at the year-end 2017.

The difference in the negative balance registered in 2018 (of negative EUR 1010 million) is essentially due to the following negative contributions to own resources of the Portuguese Resolution Fund: (1) recognition of a provision in the amount of EUR 1,149 million related to the use of the contingent funding mechanism agreed with Novo Banco in the context of the respective sale process; (2) recognition of provisions in the amount of circa EUR 1 million related to other liabilities arising from the agreements entered into concerning the sale of Novo Banco; (3) registration of the obligation emerging from the contingent capitalization agreement (CCA) entered into with Novo Banco concerning the duties of the Verification Agent as foreseen and defined therein, in the amount of EUR 0.2 million; and (4) incorporation of the negative results generated during the 2018 financial year, in the amount of EUR 106 million (see page 19 of the Resolution Fund 2018 Accounts).

The three main drives to the evolution of the Portuguese Resolution Fund’s own resources in 2018 are: (1) the contributions received by the Portuguese Resolution Fund from, either directly or indirectly, the banking sector, which global value amounted to EUR 246 million, (2) the financial impact still resulting from the application of resolution measures, which global net value amounted to negative EUR 1,150 million and expenses relating to the financing of the Portuguese Resolution Fund, which global value amounted to EUR 106 million and is reflected in the net result for the fiscal year (see page 19 of the Resolution Fund 2018 Accounts).

It should further be noted that, as at 31 December 2018, the Portuguese Resolution Fund was involved in several legal proceedings, either as a defendant or as an interested counterparty. In particular, emphasis should be placed on the several legal proceedings brought by credit institutions challenging the settlement of the respective contributions due from the banking sector (one of the sources of funding of the Portuguese Resolution Fund) with the purpose of reversing the same. Until this moment, all such legal proceedings have been rejected by the Lisbon Tax Court, except for two proceedings which challenge the periodical contributions to the Portuguese Resolution Fund that have not yet been judged by the Lisbon Tax Court. Emphasis should also be placed on the resolution measure applied to BES, in the form of a transfer of the majority of its activity and assets to a bridge bank (Novo Banco), which remains one of the main causes of a significant number of lawsuits

brought against the Portuguese Resolution Fund. It should be noted that lawsuits regarding the application of resolution measures are legally unprecedented, which makes it impossible to apply related case-law in their assessment and to estimate the possible associated contingent financial effect on the Portuguese Resolution Fund and therefore on the Issuer. Notwithstanding, on 12 March 2019 the Lisbon Administrative First Instance Court deliberated by unanimity that the Portuguese resolution regime does not infringe the Portuguese Constitution and that the resolution measure applied to BES on 3 August 2014 was legal, and on the 13 March 2019 the Administrative Supreme Court ruled in favour of the Portuguese Resolution Fund in proceedings challenging the sale process of Novo Banco (see page 49, note 23 of the Resolution Fund 2018 Accounts).

On 30 March 2016, the Memorandum of Understanding on the Dialogue Procedure with Unqualified Investors which are Holders of Commercial Paper of the Espírito Santo Group (*Memorando de Entendimento sobre um Procedimento de Diálogo com os Investidores não Qualificados Titulares de Papel Comercial do Grupo Espírito Santo*) was signed between the Portuguese Government, the Bank of Portugal, the Portuguese Securities Market Commission (CMVM), BES and AIPEC - *Associação de Indignados e Enganados do Papel Comercial*. The work developed in the context of this dialogue procedure resulted in a solution framework which implies the express renunciation, by those investors in agreement, of all rights, claims and legal proceedings against the Portuguese Resolution Fund, and against Novo Banco S.A. and its future shareholders. Subsequently, in August 2017, Law no. 69/2017 of 11 of August regulating credit recovery funds (“**Law no. 69/2017**”) was published and, in November of the same year, Ministerial Order no. 343-A/2017 of 10 of November establishing the procedure for the creation of State guarantees under said Law no. 69/2017 was published. Still during the course of 2017, CMVM approved CMVM Regulation no. 3/2017 on credit recovery funds, which further develops the regime created by Law no. 69/2017 by establishing the content and format of the document containing the fundamental information to be provided to potential participants in such funds. The fulfilment of the Memorandum of Understanding has been an element for the reduction of potential judicial contingencies affecting the Portuguese Resolution Fund (see page 50, note 23.2 of the Resolution Fund 2018 Accounts).

In accordance with the law, the Portuguese Resolution Fund has to pay compensation to the shareholders and to the creditors of a credit institution subject to a resolution measure in the event that it is determined that they have borne losses in excess to those which they would have borne had the resolution measure not been applied and had the credit institution subject to resolution entered into liquidation at the moment the measure was applied. For

the purpose of such assessment, the Bank of Portugal has designated an independent entity for the purposes of carrying out an estimate of the credit recovery levels of each class of creditors of BES in the hypothetical scenario of liquidation on 3 August 2014, had the resolution measure not been applied. According to the estimates of the designated entity, under a liquidation scenario the level of subordinated credit recovery would have been null, and the level of common credit recovery would have been of 31.7%. As announced by the Bank of Portugal on 6 July 2016, the contents of the report of the designated entity and the respective conclusions do not correspond to understandings and/or positions of the Bank of Portugal, due to the independent nature of the report. This statement also presents a summary of the results of the independent estimate carried out by the designated entity and clarifies that BES' secured and privileged credits were transferred to Novo Banco under the terms of the resolution measure established by the Bank of Portugal. In relation to the ordinary creditors whose credits were not transferred to Novo Banco, the right to receive compensation from the Portuguese Resolution Fund, will only be determined at the close of BES' liquidation process. Until then, it will still be necessary to further clarify a complex set of legal and operational questions, notably concerning entitlement to the right to receive compensation from the Portuguese Resolution Fund. As such and all things considered, it is impossible for the time being to estimate the compensation amount to be paid upon termination of the BES liquidation. The Portuguese Resolution Fund considers that, to date, there are still insufficient elements to assess the existence and/or value of this potential liability, both in terms of the resolution measure applied to BES and the resolution measure applied to Banif (see page 51, note 24.2 of the Resolution Fund 2018 Accounts).

On 29 December 2015, the Bank of Portugal clarified that the Portuguese Resolution Fund is responsible for neutralising, by way of compensation to Novo Banco, any possible negative effects of future decisions arising from the resolution procedure, and which result in liabilities for the bank. In the context of the sale of Novo Banco completed on 18 October 2017 the agreements include specific clauses that have a similar effect similar to the one from the resolution of the Board of Directors of the Bank of Portugal, now with contractual source, therefore the framework of contingent liabilities of the Portuguese Resolution Fund remains. As for legal proceedings targeting Novo Banco, emphasis should be placed on the series of favourable rulings issued by the Portuguese courts. Concerning legal proceedings in the Spanish jurisdiction, during the year of 2018 four rulings were passed condemning Novo Banco, Sucursal em Espanha, in relation to which compensation is being sought from the Portuguese Resolution Fund, which is currently analysing the grounds for such compensation being demanded. In 2019, the Portuguese Resolution Fund mandated a Spanish law firm to monitor and intervene (when necessary) in the legal

proceedings which target Novo Banco, Sucursal em Espanha. Considering the lack of judicial precedent in this regard, it is impossible to reliably estimate the potential contingent financial effect on the Portuguese Resolution Fund and therefore on the Issuer (see pages 51 and 52, note 24.3 of the Resolution Fund 2018 Accounts).

The Portuguese Resolution Fund has provided a guarantee in the amount of EUR 746,000.0 thousand over the bonds issued by Oitante S.A. With the aim of ensuring that the Fund will have the necessary financial resources at its disposal for the payment of this guarantee, at the maturity date, if Oitante, the principal debtor, defaults on its obligations, the Portuguese State has counter-guaranteed the abovementioned bond issue. Up to 31 December 2018, Oitante S.A. carried out early partial redemptions in the total amount of EUR 360,961.2 thousand, thereby reducing the amount of the guarantee provided by the Portuguese Resolution Fund to EUR 385,038.8 thousand (see page 50, note 24.1 of the Resolution Fund 2018 Accounts).

On 18 October 2017, the sale process of Novo Banco was concluded, resulting in the sale of a 75% stake. On 24 May 2018, the Portuguese Resolution Fund paid EUR 791,695 thousand to Novo Banco under the CCA. The Portuguese Resolution Fund used its own resources, resulting from the contributions over the banking sector, complemented by a loan in the amount of EUR 430,000.0 thousand provided by the Portuguese State (see page 35, note 1 of the Resolution Fund 2018 Accounts).”.

IV. OVERVIEW OF THE COVERED BONDS PROGRAMME

1. The first sentence of the paragraph that makes up the section headed “**Listing and Admission to Trading**”, under the chapter headed “**Overview of the Covered Bonds Programme**” of the Base Prospectus, with the wording:

“This document dated 31 May 2019 has been approved by the CMVM as a base prospectus and application will be made to Euronext for the admission of Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon.” shall be amended as follows:

“This document dated 31 May 2019 and further supplemented on 2 July 2019, has been approved by the CMVM as a base prospectus and application will be made to Euronext for the admission of Covered Bonds issued under the Programme to trading on the regulated market Euronext Lisbon.”