EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING OF BANCO SANTANDER, S.A. - JULY 2019

<u>Item One</u> **Increases in share capital by such amount as may be determined pursuant to the terms of the resolution, by means of the issuance and placement into circulation of new ordinary shares that will be fully subscribed and paid up by means of in-kind contributions, to be used to acquire all of the securities representing the share capital of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ("Santander México") not held by the Santander Group in an exchange offer. The two capital increases would be used to settle the exchange offer in two steps, although only one of them may be implemented if the settlement finally takes place all at once:**

- Increase in share capital by such amount as may be determined pursuant to the terms of the resolution, by means of the issuance and placement into circulation of new ordinary shares having a par value of one-half (0.50) euro each, with a share premium to be determined by the board of directors, or by any of its delegated decision-making bodies or by any director, by delegation therefrom, pursuant to Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the resolution. The new shares will be fully subscribed and paid up by means of in-kind contributions consisting of securities representing the share capital of Santander México, i.e. ordinary series B shares (including those represented through American Depositary Shares (ADSs)) of Santander México, in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to such shares, whether or not represented by certificates (the "Primary Increase"). Express provision for the possibility of incomplete subscription.

- Increase in share capital by such amount as may be determined pursuant to the terms of the resolution, by means of the issuance and placement into circulation of new ordinary shares having a par value of one-half (0.50) euro each, with a share premium to be determined by the board of directors, or by any of its delegated decision-making bodies or by any director, by delegation therefrom,

pursuant to Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the resolution. The new shares will be fully subscribed and paid up by means of in-kind contributions consisting of securities representing the share capital of Santander México, i.e. ordinary series B shares (including those represented through American Depositary Shares (ADSs)) of Santander México, in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to such shares, whether or not represented by certificates (the “Complementary Increase”). Express provision for the possibility of incomplete subscription.

Delegation of powers to the board of directors, which may in turn delegate such powers to any of its delegated decision-making bodies or to any director, to establish the terms and conditions of the increases as to all matters not provided for by the shareholders at the general shareholders’ meeting, to take such actions as may be required for implementation hereof, to amend the text of sections 1 and 2 of Article 5 of the Bylaws to reflect the new amount of share capital, and to execute such documents as may be necessary or appropriate to carry out the increases.

Application to the appropriate domestic and foreign authorities for admission to trading of the new shares on the Madrid, Barcelona, Valencia and Bilbao stock exchanges through Spain’s Automated Quotation System (Continuous Market) and on the foreign stock exchanges on which the shares of the Bank are listed (currently London, Warsaw and, through ADSs, on the New York Stock Exchange), as well as on the Mexican Stock Exchange, all in the manner required by each of such stock exchanges.

REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF BANCO SANTANDER, S.A. REGARDING THE PROPOSAL INCLUDED IN ITEM ONE ON THE AGENDA FOR THE EXTRAORDINARY GENERAL SHAREHOLDERS’ MEETING CALLED TO BE HELD ON 22 JULY 2019, ON FIRST CALL, OR IF A SUFFICIENT QUORUM IS NOT MET ON SUCH CALL, ON THE FOLLOWING DAY, 23 JULY 2019, ON SECOND CALL.

This report is submitted in connection with the proposed increase in share capital to be submitted for approval under item One of the agenda for the extraordinary general shareholders' meeting of Banco Santander, S.A. (hereinafter, "**Banco Santander**", the "**Bank**" or the "**Company**") called to be held in Santander, at the Palacio de Exposiciones y Congresos (Avenida del Racing, s/n), on 23 July 2019, at 8:30 a.m., on second call in the event that, due to failure to reach the required quorum, such meeting cannot be held on first call in the same place and at the same time on 22 July 2019. The increase in capital, which may be implemented through two separate increases or as a single increase, is a unitary transaction and is intended to allow the making of an offer to acquire all of the securities representing the share capital of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ("**Santander México**") not held by the Santander Group, which was announced on 12 April 2019.

The report is issued in compliance with the requirements established in Sections 286 and 296 (with respect to the capital increase resolution and the resulting bylaw amendments) and 300.1 (with respect to the in-kind contribution expected as consideration for the two increases covered by the resolution) of the Restated Text of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010 of 2 July (the "**Spanish Capital Corporations Law**").

In order to facilitate an understanding of the transaction upon which the proposed increase in capital is based, the shareholders are first provided with a description and summary of the main terms thereof. Next, the reports required by the aforementioned sections of the Spanish Capital Corporations Law are provided together, although set out in different sections. Last, the proposed resolution to increase share capital which is submitted for the approval of the shareholders at the general meeting is included.

I. DESCRIPTION OF THE TRANSACTION

1. General description of the Transaction

On 11 April 2019, the board of directors of Banco Santander approved the making of a public offering for all of the securities representing the share capital of Santander México not held by the Santander Group with the delivery of consideration to the holders of such securities consisting of new shares of the Bank, either directly as ordinary shares or as represented by American Depositary Shares (hereinafter, "**Banco Santander ADSs**") (the transaction as a whole, the "**Transaction**"). In particular, the securities representing the share capital of Santander México that are not held by the Santander Group and to which the offer is directed are all those registered, ordinary, freely subscribable series B shares (such shares of Santander México, the "**Series B Shares**"), and which are currently traded (i) individually, on the Bolsa Mexicana de Valores, S.A.B. de C.V. ("**BMV**"), and (ii) by means of American Depositary Shares, each representing five Series B Shares, on the New York Stock Exchange (the "**NYSE**" and the "**Santander México ADSs**"). The Series B Shares and the Santander México ADSs will hereinafter be referred to indistinctly as the "**Santander México Shares**".

The Transaction was announced on 12 April 2019 by means of a notice of relevant fact (*hecho relevante*) sent to the Spanish Securities Market Commission (*Comisión Nacional del*

Mercado de Valores) (hereinafter, the "**CNMV**"). Pursuant to the terms thereof, the holders of Santander México Shares that accept the Offering (as such term is hereinafter defined) will receive, in the form of Banco Santander ADSs or new ordinary shares of the Bank, as applicable, (a) 0.337 new shares for each Series B Share (approximately one newly-issued share of Banco Santander for each 2.967 Series B Shares), or (b) 1.685 Banco Santander ADSs for each Santander México ADS (approximately one Banco Santander ADS for each 0.593 Santander México ADS).

It is expected that the Transaction will be settled prior to the record date for any dividends or other forms of shareholder remuneration, if any, which are paid by Santander México or by Banco Santander after the date of the announcement of the Transaction, except for (i) the supplemental dividend charged to 2018 results that Banco Santander paid at the beginning of May 2019, and (ii) the dividend approved by the shareholders at the ordinary annual general meeting of Santander México on 29 April 2019. In the event of a delay regarding the estimated schedule and (i) that after payment of such dividend at the beginning of May 2019, Banco Santander pays any dividends or other forms of shareholder remuneration that, because the record date therefor is prior to the close of the applicable increase in capital of the two increases referred to in this report, are not received by the holders of Santander México Shares who accept the Offering (as this term is hereinafter defined), or (ii) that Santander México pays other dividends or forms of shareholder remuneration other than the aforementioned dividend approved at the ordinary annual general meeting of 29 April 2019 that are not received by Banco Santander because the Offering is not consummated prior to the record date therefor, there will be an adjustment in the Exchange Ratio (as this term is hereinafter defined) in the corresponding direction (i.e. positive regarding the remuneration from Banco Santander not received by the holders of Santander México Shares who accept the Offering, and negative regarding the remuneration from Santander México not received by Santander) and which will take into account the amount of said dividends or remuneration (the "**Remuneration Adjustment**"). If a positive Remuneration Adjustment applies, Banco Santander may choose to use all or part of the shares it holds in treasury instead of newly-issued shares to deliver the number of additional shares of Banco Santander resulting from the Remuneration Adjustment to the holders of Santander México Shares who are beneficiaries of the Remuneration Adjustment. The Remuneration Adjustment guarantees to the shareholders of Santander México who accept the Offering that, if it is delayed compared to the expected schedule, they will benefit from the first interim dividend of Banco Santander charged to 2019 that is expected to be paid between October and November 2019, which was taken into account in setting the Exchange Ratio for the Offering.

The making in Mexico of the offering of which the Transaction consists requires that the shares of Banco Santander, which are currently listed in Mexico on the International Quotation System of the BMV, be recorded in the National Securities Registry (*Registro Nacional de Valores*) ("**RNV**") and listed on the BMV, which has been approved by the board of directors of Banco Santander.

As explained in more detail in this report, the securities representing the share capital of Santander México held by Banco Santander (either directly or through any entity belonging to the corporate group of which the Bank is the parent entity) may not participate in the Offering (except for securities held for the account of third parties, including, for example, in investment or pension funds).

The Transaction is consistent with the Santander Group's strategy of increasing its weight in growth markets and reflects Banco Santander's confidence in Mexico and its Mexican subsidiary as well as their long-term growth potential. The board of directors believes that the Transaction is beneficial to the shareholders of Banco Santander, given that it is estimated that it will increase the growth profile of the Santander Group as well as its capacity to generate capital organically. It is expected that the transaction with have a return on investment (ROI) of approximately 14.5%, that it will be neutral in earnings per share, and that it will contribute positively to the CET1 ratio of the Santander Group.

2. Implementation of the Transaction

The Transaction –which includes the acquisition by Banco Santander of the Santander México Shares from those holders who agree thereto, an increase in the capital of Banco Santander by means of in-kind contributions and the delivery of newly-issued shares of Banco Santander (directly as ordinary shares or represented in the form of Banco Santander ADSs, as applicable) to the accepting parties– will be structured so as to allow compliance with the requirements of both Mexican legal provisions and U.S. legal provisions that are applicable thereto, as well as any requirements that apply to the issue of shares under the Spanish legal system.

Thus, subject to any changes that may be necessary or appropriate pursuant to the legal provisions or procedures that apply in the various jurisdictions involved, it is expected that the Transaction will be implemented by means of two public offerings for the acquisition and reciprocal subscription (*suscripción recíproca*) of securities made (i) in the United States, with respect to all of the holders of Series B Shares that are resident or have their domicile in the United States, as well as with respect to any holders of Santander México ADSs, regardless of their place of residence (the "**U.S. Offering**"), and (ii) in Mexico, with respect to all of the holders of Series B Shares (including any holders of Series B Shares who can participate in the U.S. Offering but choose not to do so (the "**Mexican Offering**")). The U.S. Offering and the Mexican Offering will hereinafter be referred to collectively as the "**Offering**".

The Offering –if authorised by the relevant U.S. and Mexican regulatory authorities– will most likely have an acceptance period covering at least 20 working days (such period will hereinafter be referred to as the "**Acceptance Period**"). Thereafter the Santander México Shares that have accepted the Offering will be transferred to Banco Santander (in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver to Banco Santander rights to such shares, whether or not represented by certificates), which is expected to occur between the first and second working day after the date on which the Acceptance Period expires. Thereafter, the Bank will implement the relevant increase or increases in capital and take all actions necessary for the delivery of the new shares –in the form of Banco Santander ADSs or directly as ordinary shares of Banco Santander, as applicable– to the parties accepting the Offering.

It is expected that the U.S. Offering and the Mexican Offering could be consummated on the same date, implementing a single increase in capital of Banco Santander in which all of the shares of the Bank to be delivered to holders of Santander México Shares who have accepted the Offering will be issued. Notwithstanding the foregoing, if due to the requirements of applicable legal provisions, the needs for coordination among the various clearing and settlement systems involved or any other circumstances, a different settlement schedule is necessary or appropriate for all or part of the U.S. Offering or the Mexican Offering, it is provided that said offerings may be settled in two separate increases in capital over time (the first of such increases to occur, the "**Primary Increase**" and the second, the "**Complementary Increase**", and both of them, the "**Increases**"). If applicable, on occasion of each of these two Increases, the Bank must issue the corresponding number of shares and the actions required will be taken for there to be a delivery of the shares of the Company (directly as ordinary shares or represented through Banco Santander ADSs, as applicable) corresponding to the holders of Santander México Shares who have accepted the portion of the Offering that is being settled in the corresponding Increase.

On the other hand, if it is possible and appropriate to implement the Offering on a joint basis in a single increase, all of the shares of the Bank to be delivered to the Santander México Shareholders who have accepted the Offering will be issued in the Primary Increase, and the Complementary Increase will be null and void. In any event, the total number of shares that might be issued pursuant to the two Increases will not exceed the maximum number of shares to be issued in the first of them, which is the number that would be issued if all of the Santander México Shares not held by the Santander Group (other than those held for the account of third parties) accepted the Offering.

It is estimated that the maximum number of shares of the Bank that could ultimately be issued through the implementation of the Offering, whether only in the Primary Increase or collectively in the Increases, will be approximately 568,573,021 shares (assuming that there is no Remuneration Adjustment for purposes of determining the Exchange Ratio, as this term is hereinafter defined). This figure represents approximately 3.5% of the share capital of Banco Santander as at the date of this report. The Bank will deliver to the holders of Santander México Shares who have accepted the Offering the corresponding ordinary shares and Banco Santander ADSs in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to the aforementioned securities, whether or not represented by certificates, to said holders.

A number of steps must be taken in order to complete the Transaction:

1) <u>Resolution of the shareholders of Banco Santander</u>: In order to carry out the Transaction, the shareholders acting at a general shareholders' meeting of Banco Santander must

adopt a resolution approving the Increases referred to in this report and pursuant to which new shares of Banco Santander will be issued and delivered in consideration for the Santander México Shares that accept the Offering.

2) Approval and registration of the Offering by the corresponding government authorities of the United States and Mexico, including the admission to trading of the ordinary shares of Banco Santander on the BMV, and absence of circumstances entailing the termination of the Offering under the terms thereof: In order to carry out the Offering, the Offering and the documentation by which it is implemented in the United States and Mexico must be approved by and registered with the Securities Exchange Commission ("**SEC**") and the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) ("**CNBV**"), respectively. In particular, in Mexico this also includes the registration of the ordinary shares of Banco Santander with the RNV and admission to trading thereof on the BMV (as at the date of this report, Banco Santander is submitting the applications required to obtain these government approvals). Furthermore, it is required that there be no circumstances that, pursuant to the terms of the Offering, cause it not to be completed.

3) Opinion of the board of directors of Santander México: pursuant to Mexican law, within a period of 10 working days following the commencement of the Acceptance Period, the board of directors of Santander México must prepare and publish (i) its opinion regarding the price of the Offering, (ii) any conflicts of interest that any of the members of the board of Santander México might have in relation to the Offering, and (iii) as regards each member of the board and the general manager (*director general*) of Santander México, disclose whether they will accept the Offering with respect to their Santander México Shares. U.S. legislation also requires that, within a period of ten working days from the commencement of the Acceptance Period, Santander México register with the SEC and distribute to its shareholders a statement as to whether or not it recommends acceptance of the Offering, or state that it has no position (whether favourable or not) with respect to the Offering, or even conclude that it cannot take a position with respect thereto. In any event, the board of directors must explain the grounds upon which it adopts any of such positions.

4) Acceptance of the Offering and transfer of the Santander México Shares to the Bank: Banco Santander will receive all those Santander México Shares with respect to which the Offering has been accepted during the Acceptance Period and will commence all procedures necessary for the issue –in implementation of the Increases– and subsequent delivery –in the form of Banco Santander ADSs or ordinary shares of Banco Santander, as applicable– of the newly-issued shares corresponding to the accepting parties in accordance with the Exchange Ratio (as such term is hereinafter defined). For this purpose, Banco Santander must have obtained confirmation that the ordinary shares of Banco Santander and the Banco Santander ADSs issued in implementation of the Offering will be registered and admitted to trading on the BMV and the NYSE, respectively.

The Offering may be accepted by all holders of Santander México Shares other than the Santander Group, for which purpose they must comply with the requirements contained in the prospectus for the U.S. Offering or in the prospectus for the Mexican Offering, as applicable.

The new shares of Banco Santander issued on occasion of the Increases will have the right to all dividends, distributions or any other forms of remuneration of Banco Santander whose record date is subsequent to the date of implementation of the corresponding Increase. It is expected that the Increases will be implemented prior to the record date for the first interim dividend of Banco Santander charged to 2019, which is expected to be paid between October and November 2019, and therefore, that the holders of the new shares issued in favour of those who accept the Offering during the Acceptance Period will be entitled to receive it. If this does not occur for one or both Increases (or if there is only one increase, for the Primary Increase), the holders of Santander México Shares who accept the Offering and receive the shares issued in the Increase implemented on a date after the record date for said interim dividend will be entitled to the corresponding Remuneration Adjustment pursuant to the terms stated above.

3. Conditions to the Transaction

It is expected that the Transaction will be subject to, among other terms, the condition that (1) no authority of Mexico, the United States, Spain or any other relevant jurisdiction (a) has promulgated, issued, implemented or adopted any law, rule, regulation, code, generally applicable legal provisions, orders, decrees, judgements, court orders, notices or agreements that (i) hinder or prohibit the making of the Offering; (ii) adversely affect the terms and/or conditions of the Offering; (iii) impose material limitations on the ability of Banco Santander to acquire, maintain or exercise full ownership rights in the Santander México Shares, including, without limitation, voting rights; (iv) prohibit, restrict or are intended to affect the legality, existence or validity of the acts performed or carried out to consummate the Offering, especially the acquisition of the Santander México Shares and the exchange for shares of Banco Santander; (v) restrict or limit the commercial operations of Santander México; (vi) impose or attempt to impose any material term on the Offering other than the terms established in the documents governing the Offering, or any proceeding has been commenced to take any of the above actions or cause any of the above events to occur; or (vii) impose any limitation on the participation of any holder of Santander México Shares covered by the Offering; or (b) has threatened or is likely to promulgate, publish or issue any law, rule, regulation, code or other generally applicable legal provisions, or orders, decrees, judgements, court orders, notices or agreements resulting in or intended to bring about any event or action in accordance with the foregoing; and (2) there has not occurred, nor might there occur, any event or circumstance affecting Santander México or any of its subsidiaries that has or might have a material adverse effect on any of these entities.

The terms to which the Transaction is subject are established for the sole benefit of Banco Santander and may be waived by the Company's board of directors (or by its delegated decision-making bodies or any director, by delegation therefrom), provided that such waiver does not violate any applicable legal provisions.

4. Other aspects of the Transaction or related thereto

Settlement of the Transaction. Given that the Santander México Shares are traded on the NYSE and on the BMV, and given that it is generally the intent of Banco Santander for the holders of the Santander México Shares accepting the Offering to be able to receive in consideration therefor securities that are listed on the same markets on which such shares were listed, it is necessary to coordinate the clearing and settlement procedures applicable in the United States, Mexico and Spain.

For this purpose, it is expected that, pursuant to the terms of the Offering, the valid acceptance thereof by the holders of Santander México Shares will entail, once the Acceptance Period has expired, their irrevocable consent to the contribution to Banco Santander of their Santander México Shares for the disbursement of the new ordinary shares of Banco Santander to be issued in the Increases covered by this report, as well as to the subscription of said shares, which will be made for their account through the procedures and entities participating in the respective clearing and settlement systems and with the assistance of the intermediaries designated for the Offering.

In the case of the U.S. Offering, the depositary of the Banco Santander ADS programme, which is currently The Bank of New York Mellon (hereinafter, the "**Banco Santander ADS Depositary**"), will also act as exchange agent. In this way, once the corresponding Increase has been implemented, the new shares of Banco Santander corresponding to the holders of the Santander México ADSs who have accepted the Offering will be recorded in the name of the Banco Santander ADS Depositary with the corresponding participant in Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear), and the Banco Santander ADS Depositary will issue the new Banco Santander ADSs, each representing one share of the Company, which will be delivered to the holders of the Santander México ADSs who have accepted the Offering.

In the case of the Mexican Offering, Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México ("**Casa de Bolsa**") will act as intermediary. Once the corresponding Increase has been implemented, the new shares of Banco Santander corresponding to the holders of the Series B Shares who have accepted the Offering (in either of the two countries) will be recorded with the corresponding Iberclear participant for the account of S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V. (hereinafter, "**Indeval**"), the entity in charge of the deposit, clearing, settlement and transfer of the securities listed on the BMV, and in turn the new shares of Banco Santander corresponding to the holders of Series B Shares who have accepted the Offering will be recorded with the Indeval participants.

Based on all of the foregoing, and in order to allow for the Offering to be made, the board of directors of Banco Santander, at its meeting held on the date of this report, has resolved to call a general shareholders' meeting, to which there will be submitted, under item One of the agenda therefor, the approval of two increases in capital by means of the issue and placement into circulation of the number of ordinary shares for each increase provided in section II below and in the amount also provided in such section (as defined, the Increases). The new shares that might be issued in the Increases will be fully paid up with in-kind contributions consisting of Series B Shares and Santander México ADSs upon the terms set forth above, and there is express provision for the possibility of an incomplete subscription, as described below. This report specifically covers said Increases.

II. REPORT OF THE BOARD OF DIRECTORS FOR PURPOSES OF SECTIONS 286 AND 296 OF THE SPANISH CAPITAL CORPORATIONS LAW

1. Purpose of and rationale for the Increases covered by this report

As stated in the preceding section of this report, the Increases proposed to the shareholders at the general shareholders' meeting are intended to permit the implementation of the Offering by means of the delivery of newly-issued shares of Banco Santander, for which purpose it is appropriate, in view of the potential requirements of the Offering, for the shareholders at a general meeting of Banco Santander to adopt a resolution approving two increases in the share capital of the Bank. As stated above, the second one (as defined, the Complementary Increase) is intended to allow for settlement of the Offering at two different times if necessary or appropriate due to the requirements of applicable legal provisions, the needs for coordination among the various clearing and settlement systems or any other circumstances, such that it will be null and void if it is possible and appropriate to fully implement the Offering by means of the Primary Increase.

Pursuant to the provisions of Section 304 of the Spanish Capital Corporations Law, the current shareholders of Banco Santander will not have pre-emptive rights to the shares to be issued on occasion of the Increases. As stated above, the Complementary Increase will only be implemented if it is necessary or appropriate to settle all or part of the Offering at different times, in which case the number of shares to be issued in the Complementary Increase will depend on the number of Santander México Shares that have accepted the portion of the Offering that could not be settled in the Primary Increase.

The performance of the Transaction will allow Banco Santander to acquire the Santander México Shares whose holders have accepted the Offering. In exchange, said holders will receive, in the form of Banco Santander ADSs or new ordinary shares of the Bank, after delivery to Banco Santander of their respective Santander México Shares (including those underlying the Santander México ADSs), (a) 0.337 newly-issued shares of the Company for each Series B Share with respect to which they have accepted the Offering (approximately one newly-issued share of Banco Santander for each 2.967 Series B Shares), or (b) 1.685 newly-issued Banco Santander ADSs for each Santander México ADS with respect to which they have accepted the Offering (approximately one Banco Santander ADS for each 0.593 Santander México ADS). Hereinafter, as this ratio results pursuant the formula set out below, the "**Exchange Ratio**".

As explained in this report, the holders of the Santander México Shares that accept the Offering will have the right to the Remuneration Adjustment to which they might be entitled pursuant to section I above, which will be taken into account for purposes of finally setting the applicable Exchange Ratio upon the terms set out below.

The aforementioned Exchange Ratio was determined by the board of directors of Banco Santander (i) taking into account the closing prices for the shares of Banco Santander and Santander México on the market at 11 April 2019 (last close of trading prior to the announcement of the Offering), which were 4.477 euros and 28.40 pesos, respectively, as well as an exchange rate of 21.2826 pesos per euro at said date; (ii) taking into account, for the adjustment of such prices, both the dividend charged to 2018 results approved by the shareholders of Santander México at its ordinary general meeting of 29 April that has already been paid to the shareholders of Santander México and the supplemental dividend of Banco Santander charged to 2018 results that was paid to the shareholders of Banco Santander on 2 May, and (iii) also assuming that each of the Increases is implemented prior to the record date for the first interim dividend of Banco Santander charged to 2019, which is expected to be paid between October and November 2019, and that there are no other distributions from Santander México, for which reason the Remuneration Adjustment would not apply.

Taking into account the factors described in the preceding paragraph, this Exchange Ratio entails a share premium of 14% over the closing listing price of Santander México at 11 April 2019. It also entails valuing each Series B Share to be received by Banco Santander at 31.663 pesos (1.488 euros, taking into account the aforementioned exchange rate of 21.2826 pesos per euro), which for the shareholders of Santander México equals 32.376 pesos taking into account the dividend of 0.713 pesos paid by Santander México on 28 May. Said amount of 32.376 pesos is a 22% premium over the weighted average price by volume for the month prior to 11 April 2019.

The Transaction is consistent with the Santander Group's strategy of increasing its weight in growth markets and reflects Banco Santander's confidence in Mexico and its Mexican subsidiary as well as their long-term growth potential. Banco Santander offers Santander Mexico's shareholders the opportunity to exchange their shares for a premium or to remain as shareholders of Santander Mexico. The Transaction is attractive both for the shareholders of Santander México and for the shareholders of Banco Santander.

The minority shareholders of Santander México would benefit from the Transaction given that the price offered is higher than the consensus target price of analysts for the shares of Santander México on the date of announcement of the Transaction[1]. Furthermore, given that the consideration would be in shares of Banco Santander, minority shareholders who accept the Offering would continue to benefit from the exposure to Mexico as well as from a security with high geographic diversification.

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[1] Based on the average of the target price per share of Santander México published by analysts that cover Santander México.

The Transaction is also beneficial to the shareholders of Banco Santander, given that it is expected that it will increase the growth profile of the Santander Group as well as its ability to generate capital organically. It is expected that the Transaction will have a return on investment (ROI) of approximately 14.5%, that it will be neutral in earnings per share, and that it will contribute positively to the CET1 ratio of the Santander Group.

2. Amount and number of shares to issue in each of the Increases covered by this report

The number of shares to issue in each of the Increases will be the product of multiplying the maximum number of Series B Shares (including those underlying the Santander México ADSs) that can be contributed as consideration in the corresponding Increase by the value of the applicable Exchange Ratio at the time of the decision to implement the corresponding Increase, and which will be determined as provided herein by application of the formula set out below:

Exchange Ratio = 0.337 + Remuneration Adjustment

where,

Remuneration Adjustment = Banco Santander Remuneration - Santander México Remuneration

For the purposes hereof,

"**Banco Santander Remuneration**" is:

(i) for all dividends paid by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the corresponding Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Banco Santander for each 0.337 shares on each of the dates of payment of such dividends at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend; and

(ii) for all Santander Scrip Dividend programmes implemented by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the corresponding Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that 0.337 shares of the Bank would be entitled to receive in each of such programmes (this number in each Santander Scrip Dividend programme, the "**SSD Shares**"). The SSD Shares of each Santander Scrip Dividend programme will be calculated pursuant to the following formula:

SSD Shares = 0.337 x (1 / N)

where,

N is equal to the number of shares of Banco Santander needed to receive one newly-issued share of the Bank pursuant to the terms of the Santander Scrip Dividend programme in question.

"**Santander México Remuneration**" is the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Santander México for each Series B Share in the form of dividends or other forms of shareholder remuneration with a record date after that of the dividend paid last 28 May (inclusive) and before the date of implementation of the corresponding Increase (exclusive) at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend, taking into account the euro / Mexican peso exchange rate published by the European Central Bank for such date.

If the Remuneration Adjustment (i.e. the difference between the Banco Santander Remuneration and the Santander México Remuneration) is positive, the additional number of shares of the Bank (or Banco Santander ADSs) deriving from the Remuneration Adjustment may be paid to those accepting the Offering by means of the Bank's treasury shares, in which case the Remuneration Adjustment will be equal to 0 for purposes of determining the Exchange Ratio for this Increase, which will therefore be equal to 0.337.

Specifically, the maximum number of shares of Banco Santander to be issued on occasion of each of the Increases corresponds to the product of multiplying the Exchange Ratio by 1,687,160,301, which is the maximum number of Series B Shares that can accept the Offering (including those underlying the Santander México ADSs) during the Acceptance Period.

In any case, if due to the requirements of applicable legal provisions, the competent authorities or the settlement and clearing procedures involved, it is not possible or appropriate to issue all of the shares of the Bank to be delivered to the parties accepting the Offering in the Primary Increase and the Complementary Increase must also be implemented, the total maximum number of shares of Banco Santander to be issued by virtue of the implementation of the Increases will be the same as the number of shares that would be issued if the entirety of the Offering were settled by means of the Primary Increase and the Complementary Increase were null and void.

Once the number of new shares to be issued in each of the Increases is determined, the amount of the corresponding Increase (nominal value plus share premium) will be the result of multiplying such number of new shares by the sum of their nominal value (0.5 euro per share) and the value of the share premium at which they are issued (which will be determined as set out below).

In view of the foregoing, the board of directors of Banco Santander has resolved to propose to the shareholders at the extraordinary general shareholders' meeting the adoption of a resolution approving the Increases, which will be implemented by means of the issuance and placement into circulation of the number of shares with a nominal value of one-half (0.5) euro that results from multiplying (a) the maximum number of Series B Shares that can accept the Offering (including those underlying the Santander México ADSs), i.e. 1,687,160,301, by (b) the Exchange Ratio, which will be determined by applying the formula described above, the consideration for which will consist of in-kind contributions consisting of the maximum number of Series B Shares that can accept the Offering (including those underlying the Santander México ADSs). The shares will be issued at their nominal value plus a share premium that will be determined as provided below.

3. Procedure to apply to fractions of shares

Those holders of Santander México Shares that accept the Offering with a number of Series B Shares or Santander México ADSs that, applying the Exchange Ratio, result in a non-whole number of shares of Banco Santander, and that therefore would have the right to receive a fraction of share of Banco Santander (the "**Fraction**" or the "**Fractions**") in addition to any whole number of shares, will not receive such Fractions. The terms of the Offering will establish the procedure to apply in relation to these Fractions.

Taking the approved Exchange Ratio into account, and the existence of up to three types of holders of Santander México Shares who might accept the Offering (i.e. the holders of Santander México ADSs who accept the U.S. Offering, the holders of Series B Shares who accept the U.S. Offering and the holders of Series B Shares who accept the Mexican Offering), it is probable that the total number of shares of the Bank to be delivered to each type of holder of Santander México Shares will not be a whole number. Therefore, the proposed resolution provides for the possibility (i) on occasion of each Increase, of using one, two or three shares of Banco Santander held in treasury, as necessary, to deliver the Fraction corresponding to each type of holder of Santander México Shares that has accepted the Offering; and (ii) that the total number of shares of Banco Santander to be issued in the Primary Increase and, if any, the Complementary Increase be rounded downward as a result.

In addition, and to the extent necessary or convenient to allow the appropriate clearing and settlement of the Offering and the functioning of the settlement procedure that is established for Fractions, it is foreseen that the Bank may deliver additional shares from the shares it holds in treasury up to the amount of the additional Fractions that need to be settled.

4. Issue price and valuation of the Increases

The issue price (nominal plus issue premium) of each new share of Banco Santander issued in each of the Increases will be determined by the board of directors (or its delegated decision-making bodies or a director, by delegation therefrom) in accordance with the following rules:

(i) the issue price determined shall in no case be less than 0.5 euro (nominal value of the shares of Banco Santander); and

(ii) the issue price determined shall in no case be greater than 4.41 euros, which value corresponds to the closing price of the ordinary shares of Banco Santander on the Spanish stock exchanges on 11 April 2019, adjusted by the value of the supplemental dividend of Banco Santander charged to 2018 results and paid by Banco Santander (the "**Maximum Issue Price**").

The issue price (and therefore, the share premium) of each new share will be determined by the board of directors, which, in turn, may delegate this authority to its delegated decision-making bodies or directors, in accordance with the preceding guidelines and taking into consideration, among other factors, the listing price of the shares and whether or not there has been a Remuneration Adjustment, under the terms of Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the corresponding Increase.

The consideration for each of the Increases will consist entirely of in-kind contributions to the capital of Banco Santander, which will consist of Series B Shares and Santander México ADSs (in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver to Banco Santander rights to such shares, whether or not represented by certificates).

5. Implementation of Increases and delegation of powers

As already indicated, at the end of the Acceptance Period, the Santander México Shares with respect to which the Offering has been accepted will be transferred to Banco Santander. In exchange, the holders of such Santander México Shares will have the right to subsequently receive the newly-issued shares of the Company (as ordinary shares of Banco Santander or shares represented in the form of Banco Santander ADSs, as applicable) to which they are entitled pursuant to the terms of the applicable Exchange Ratio and to the rule applicable to Fractions that is established, all upon the terms and in accordance with the procedures described above. The Bank will deliver to the holders of Santander México Shares who have accepted the Offering the corresponding ordinary shares and Banco Santander ADSs in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to the aforementioned securities, whether or not represented by certificates, to said holders.

In this way, the Primary Increase and, if any, the Complementary Increase will be subscribed and paid up through the contribution of the Santander México Shares whose holders have accepted the Offering. The resolution approving the Increases will involve an amendment of the amount of the share capital and of the number of shares into which it is divided as reflected in sections 1 and 2 of Article 5 of the Bylaws.

Implementation and delegation of powers with respect to the Primary Increase

Pursuant to Section 297.1.a) of the Spanish Capital Corporations Law, and as already stated, the Primary Increase provides for the delegation of powers to the board of directors in order to set the date of implementation of such increase and to complete the terms thereof, and also allows the board to in turn delegate these powers to its delegated decision-making bodies or to other directors. Notwithstanding the foregoing, if the board of directors, or its delegated decision-making bodies or other directors acting by delegation, after taking into account other issues like the terms of the Offering and attendant circumstances (like market conditions), does not consider it advisable to carry out the Primary Increase, it will be entitled to decide not to carry out such Increase, in which case it will be required to report such decision to the shareholders at the next general shareholders' meeting. The Primary Increase will be null and void if the board of directors (or its delegated decision-making bodies or directors) does not exercise the powers delegated thereto within the one-year period established by the shareholders for implementation of the Primary Increase.

In addition, given that the Primary Increase provides for the issue of the number of shares of Banco Santander that would be necessary if all holders of Santander México Shares accepted the Offering, there is express provision for an incomplete subscription for the purposes set forth in Section 311.1 of the Spanish Capital Corporations Law in the event that not all of the holders of Santander México Shares accept the Offering.

Implementation and delegation of powers with respect to the Complementary Increase

Pursuant to Section 297.1.a) of the Spanish Capital Corporations Law, and as already stated, the Complementary Increase provides for the delegation of powers to the board of directors in order to set the date of implementation of such increase and to complete the terms thereof, and also allows the board to in turn delegate these powers to its delegated decision-making bodies or other directors. Notwithstanding the foregoing, if the board of directors, or its delegated decision-making bodies or other directors acting by delegation, after taking into account other issues like the terms of the Offering and attendant circumstances (like market conditions), does not consider it advisable to carry out the Complementary Increase, it will be entitled to decide not to carry out such Increase, in which case it will be required to report such decision to the shareholders at the next general shareholders' meeting. The Complementary Increase will be null and void if the board of directors (or its delegated decision-making bodies or other directors) does not exercise the powers delegated thereto within the one-year period established by the shareholders for implementation of the Complementary Increase. In addition, the Complementary Increase will be null and void if all of the shares of Banco Santander to be issued for delivery (directly or through Banco Santander ADSs) to the holders of Santander México Shares who have accepted the Offering are issued in the Primary Increase (i.e. if the entirety of both the U.S. Offering and the Mexican Offering are settled by means of the Primary Increase).

In addition, given that the Complementary Increase provides for the issue of the number of shares of Banco Santander that would be necessary if all holders of Santander México Shares accepted the Offering, there is express provision for an incomplete subscription for the purposes set forth in Section 311.1 of the Spanish Capital Corporations Law, also taking into account that, if the Complementary Increase is implemented, a portion of the shares to be delivered to the holders of Santander México Shares who have accepted the Offering will already have been issued in the Primary Increase.

III. REPORT OF THE BOARD OF DIRECTORS FOR PURPOSES OF SECTION 300.1 OF THE SPANISH CAPITAL CORPORATIONS LAW

As the consideration for the Increases consists of in-kind contributions, and pursuant to the provisions of Section 300.1 of the Spanish Capital Corporations Law, a report must be issued describing in detail the projected contributions, the persons that are to make them, the number and nominal value of the shares to be delivered and the guarantees adopted based on the nature of the assets making up the contribution.

In compliance with such legal requirement, the directors state the following:

One.- The expected contributions to be included within the capital of Banco Santander will consist of Series B Shares and Santander México ADSs (in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver to Banco Santander rights to such shares, whether or not represented by certificates). In this way, after the Acceptance Period, Banco Santander will increase its equity interest in the capital of Santander México by the amount of the Series B Shares acquired (whether directly or as securities underlying the Santander México ADSs).

The registered office of Santander México is at Avenida Prolongación Paseo de La Reforma 500, Colonia Lomas De Santa Fe, 01219, Ciudad de México, Mexico. Its Series B Shares are admitted to trading on the BMV with the ticker symbol BSMX, while its Santander México ADSs are listed on the NYSE with the ticker symbol BSMX.

Santander México is a leading multi-purpose banking institution in Mexico. At 31 December 2018, Santander México was the second largest bank in Mexico based on total assets, the third largest bank based on total loans and net profits, and the fourth largest based on deposit volume, calculated in accordance with the accounting standards applicable in Mexico (CNBV Accounting Standards).

All of the Series B Shares or Banco Santander ADSs that are not held by the Santander Group (or, as previously stated, that are only held for the account of third parties, including, for example, in investment or pension funds) may participate in the Offering, and therefore may form part of the projected in-kind contributions for purposes of the Increases covered by this report.

The maximum number of Series B Shares (including those underlying the Santander México ADSs) that can participate in the Offering is 1,687,160,301.

As stated above, the holders of Santander México Shares that accept the Offering will have the right to receive the number of ordinary shares of Banco Santander (as ordinary shares of Banco Santander or represented through Banco Santander ADSs, as applicable) resulting from the application of the Exchange Ratio for each Series B Share or Santander México ADS with respect to which the Offering has been accepted. This Exchange Ratio entails valuing each Santander México Share according to the terms set forth above. As stated above, the Bank will deliver to the holders of Santander México Shares who have accepted the Offering the corresponding ordinary shares and Banco Santander ADSs in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to the aforementioned securities, whether or not represented by certificates, to said holders.

Two.- As described, the persons who will make the contributions will be the holders of Santander México ADSs or Series B Shares who accept the Offering. For this purpose, pursuant to the terms of the Offering, the valid acceptance thereof by the holders of Santander México Shares entails, once the Acceptance Period has expired, their irrevocable consent to the contribution to Banco Santander of their Santander México Shares for the disbursement of the new ordinary shares of Banco Santander to be issued in the Increases, as well as to the subscription of said shares, which will be made for their account through the procedures and entities participating in the respective clearing and settlement systems and with the assistance of the intermediaries designated for the Offering.

Three.- As stated above, the maximum number of shares to be issued in each of the Increases will be the product of multiplying the Exchange Ratio resulting from the formula set forth above by 1,687,160,301, which is the maximum number of Series B Shares that can accept the Offering (including those underlying the Santander México ADSs). The new shares will have a nominal value of one-half (0.5) euro each.

However, the specific number of Banco Santander shares that will be subscribed in the Primary Increase and, if any, the Complementary Increase will be the number resulting from the applicable Exchange Ratio and taking into account the number of Santander México Shares with respect to which the Offering is accepted during the Acceptance Period (but, if the Offering must be implemented partially on a separate basis, such that both the Primary Increase and the Complementary Increase are implemented, the number of Santander México Shares that have accepted the portion of the Offering implemented in each case must be taken into account), as well as what has already been described with respect to the Fractions. For this reason, pursuant to the provisions of Section 311.1 of the Spanish Capital Corporations Law, there is an express provision for the possibility of an incomplete subscription of each of the Increases. If all of the Offering is implemented by means of the Primary Increase, the Complementary Increase will be null and void.

Four.- Last, regarding the guarantees adopted based on the nature of the assets making up the contribution, in compliance with the provisions of Section 67 of the Spanish Capital Corporations Law, the Commercial Registry of Cantabria has appointed an independent expert who will describe the in-kind contribution, with its identifying data, as well as the valuation criteria adopted, indicating whether the resulting valuation corresponds to the number, nominal value and share premium of the shares to be issued as consideration.

IV. PROPOSED RESOLUTION TO BE SUBMITTED TO THE SHAREHOLDERS AT THE GENERAL MEETING

The full text of the proposed increase in capital that is submitted to the shareholders at the extraordinary general shareholders' meeting under item One of the agenda, which includes two possible increases in capital at different times, is as follows:

"Increase in share capital by means of in-kind contributions

It is hereby resolved to increase the share capital of Banco Santander, S.A. ("**Banco Santander**", the "**Bank**" or the "**Company**") by means of one or two increases carried out at different times (the first of said increases to occur, the "**Primary Increase**" and the second, the "**Complementary Increase**", and both, the "**Increases**"), with the possibility that only the Primary Increase be implemented, in accordance with the following terms:

(A) Terms of the Primary Increase

1. Increase in share capital by means of in-kind contributions

1.1 New shares to be issued

It is hereby resolved to increase the share capital by the amount that results from multiplying (a) the nominal value of one-half (0.5) euro per share of the Bank by (b) the determinable number of new shares of Banco Santander resulting from the following formula:

New Shares to be Issued = Maximum Number of Securities to Contribute x Exchange Ratio

where,

"**New Shares to be Issued**" = Number of new shares of Banco Santander to issue in the Primary Increase;

"**Maximum Number of Securities to Contribute**" = maximum number of ordinary freely-subscribable series B shares (including those represented through American Depositary Shares (ADSs)) of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México (such entity, "**Santander México**", said shares, the "**Series B Shares**", and the ADSs through which some of them are represented, the "**Santander México ADSs**", each representing five Series B Shares) to be contributed as consideration for the Primary Increase in implementation of the public offering for the acquisition of securities of Santander México (the "**Offering**"), which is 1,687,160,301; and

"**Exchange Ratio**" = Number of newly-issued shares of Banco Santander that are to be delivered for each Series B Share of Santander México that is contributed to the Bank within the framework of the Offering (whether as a Series B Share or as a security underlying a Santander México ADS, each Santander México ADS representing five Series B Shares) and which shall be the result of applying the following formula:

Exchange Ratio = 0.337 + Remuneration Adjustment

where,

Remuneration Adjustment = Banco Santander Remuneration - Santander México Remuneration

For the purposes hereof,

"**Banco Santander Remuneration**" is:

(i) for all dividends paid by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the Primary Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Banco Santander for each 0.337 shares on each of the dates of payment of such dividends at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend; and

(ii) for all Santander Scrip Dividend programmes implemented by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the Primary Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that 0.337 shares of the Bank would be entitled to receive in each of such programmes (this number in each Santander Scrip Dividend programme, the "**SSD Shares**"). The SSD Shares of each Santander Scrip Dividend programme shall be calculated pursuant to the following formula:

SSD Shares = 0.337 x (1 / N)

where,

N is equal to the number of shares of Banco Santander needed to receive one newly-issued share of the Bank pursuant to the terms of the Santander Scrip Dividend programme in question.

"**Santander México Remuneration**" is the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Santander México for each Series B Share in the form of dividends or other forms of shareholder remuneration with a record date after that of the dividend paid last 28 May (inclusive) and before the date of implementation of the Primary Increase (exclusive) at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend, taking into account the euro / Mexican peso exchange rate published by the European Central Bank for such date.

If the Remuneration Adjustment (i.e. the difference between the Banco Santander Remuneration and the Santander México Remuneration) is positive, the additional number of shares of the Bank to be issued that derives from the Remuneration Adjustment may be paid to those accepting the Offering by means of the Bank's treasury shares, in which case the Remuneration Adjustment will be equal to zero for purposes of determining the Exchange Ratio for the Primary Increase, which will therefore be equal to 0.337.

The shares issued in implementation of the Primary Increase shall be of the same class and series as those currently outstanding, which shall be represented by book entries and shall be issued for their nominal value of one-half (0.5) euro plus a share premium to be determined by the board of directors, the board also being allowed to delegate these powers to its delegated decision-making bodies or other directors pursuant to the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the Primary Increase, as described below. Pursuant to the provisions of section 3 below, the amount of the share premium may not be greater than 3.91 euros per share. Thus, the issue price that is set may not be greater than 4.41 euros per share.

1.2 Contributions that will serve as consideration for the Primary Increase

The shares issued in implementation of the Primary Increase shall be fully paid up by means of in-kind contributions consisting of securities representing the share capital of Santander México; i.e. Series B Shares and Santander México ADSs (collectively, the "**Santander México Shares**") (in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver to Banco Santander rights to such shares, whether or not represented by certificates).

Based on whether the Series B Shares are contributed directly or through Santander México ADSs representing them, Banco Santander must receive (a) one Series B Share in exchange for the number of newly-issued shares of the Bank that is determined by the Exchange Ratio, and (b) one Santander México ADS (representing five Series B Shares) in exchange for five times the number of newly-issued shares of the Bank that is determined by the Exchange Ratio (represented in the form of Banco Santander ADSs). It is stated for the record that if there is no Banco Santander Remuneration or Santander México Remuneration, or if there is either such remuneration and it is decided to implement the Remuneration Adjustment using shares of the Bank held in treasury, the number of newly-issued shares of Banco Santander would be, as applicable, (a) 0.337 new shares of the Company for each Series B Share contributed to the Bank, and (b) 1.685 ordinary shares of Banco Santander (represented through ADS, each representing one ordinary share of the Bank) for each Santander México ADS contributed to the Bank.

The Bank will deliver to the holders of Santander México Shares who have accepted the Offering the corresponding ordinary shares and Banco Santander ADSs in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to the aforementioned securities, whether or not represented by certificates, to said holders.

1.3 Treatment of fractions of shares

Those holders of Santander México Shares that accept the Offering with a number of Series B Shares or Santander México ADSs that, applying the Exchange Ratio, give a non-whole number of shares of Banco Santander, and that therefore would have the right to receive a fraction of share of Banco Santander in addition to any whole number of shares, shall not receive such fractions. The terms of the Offering shall establish the procedure to apply in relation to these fractions.

The total number of Banco Santander shares to be delivered to all of the holders of Santander México ADSs who have accepted the Offering in the United States may be rounded downward to the closest whole number and the exchange corresponding to the decimals so rounded shall be covered by using one Banco Santander treasury share. Likewise, the total number of Banco Santander shares to be delivered to all of the holders of Series B Shares who have accepted the Offering in the United States and the total number of Banco Santander shares to be delivered to all of the holders of Series B Shares who have accepted the Offering in Mexico may be rounded downward to the closest whole number in each case, and the exchange corresponding to the decimals so rounded shall be covered by using one or two shares held by the Bank in treasury, if necessary.

In this way, the total number of shares of Banco Santander to be issued in implementation of the Primary Increase shall be rounded downward in accordance with the provisions of the preceding paragraph.

In addition, and to the extent necessary or convenient to allow the appropriate clearing and settlement of the Offering and the functioning of the settlement procedure that is established for fractions, it is foreseen that the Bank may deliver additional shares from the shares it holds in treasury up to the amount of the additional fractions that need to be settled.

2. Incomplete subscription

In the event that the number of Series B Shares (including those underlying the Santander México ADSs) actually contributed as consideration for the Primary Increase is lower than the Maximum Number of Securities to Contribute, the New Shares to be Issued shall not be subscribed and paid up in full, and the capital shall be increased only to such extent as is appropriate.

For this reason, pursuant to the provisions of Section 311.1 of the Spanish Capital Corporations Law, there is an express provision for the possibility of an incomplete subscription of the Primary Increase.

3. Determination of the issue price and share premium

Under the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, the amount of the share premium for the new shares shall be established by the board of directors, the board also being allowed to delegate these powers to its delegated decision-making bodies or to other directors, no later than the date of implementation of the Primary Increase, as described below:

(i) the issue price determined shall in no case be less than 0.5 euro (nominal value of the shares of Banco Santander); and

(ii) the issue price determined shall in no case be greater than 4.41 euros, which value corresponds to the closing price of the ordinary shares of Banco Santander on the Spanish stock exchanges on 11 April 2019, adjusted by the value of the supplemental dividend of Banco Santander charged to 2018 results and paid by Banco Santander (the "**Maximum Issue Price**").

The issue price (and therefore, the share premium) of each new share shall be determined by the board of directors, which, in turn, may also delegate this authority to its delegated decision-making bodies or other directors, in accordance with the preceding guidelines and taking into consideration, among other factors, the listing price of the shares and whether or not there has been a Remuneration Adjustment, under the terms of Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the Primary Increase.

The share premium for each new share shall be the result of subtracting the nominal value of each new share (0.50 euro) from the issue price so fixed. Therefore, the share premium for each new share shall be a maximum of 3.91 euros per share.

4. <u>No pre-emptive rights</u>

Pursuant to the provisions of Section 304 of the Spanish Capital Corporations Law, and given that the consideration for the increase consists of in-kind contributions, the shareholders of Banco Santander shall not have pre-emptive rights to the shares to be issued on occasion of the Primary Increase.

5. <u>Representation of the new shares</u>

The shares to be issued shall be represented in book-entry form and the relevant records shall be kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its member entities.

6. <u>Rights of the new shares</u>

From the time the Primary Increase is declared to be subscribed and paid up by the board of directors or the party to whom it delegates authority to do so, the new shares shall give their holders the same rights as the Banco Santander shares outstanding at that time. In particular, those acquiring the new shares shall have the right to participate in the Santander Scrip Dividend programmes with a record date that is after the implementation of the Primary Increase as well as to receive the amounts of interim dividends and supplemental dividends that are paid as from that time.

7. <u>Information made available to the shareholders</u>

The resolution approving the Primary Increase has been adopted after making available to the shareholders the proposal and report of the board of directors, in compliance with the provisions of the Spanish Capital Corporations Law.

8. Application for admission to official trading

It is hereby resolved to apply for the admission to trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through Spain's Automated Quotation System (Continuous Market), as well as to take the steps and actions that may be necessary and file the required documents with the competent authorities of the foreign Stock Exchanges on which Banco Santander shares are from time to time listed for the new shares issued as a result of the Primary Increase to be admitted to trading, expressly stating Banco Santander's submission to such rules as may now be in force or hereafter be issued on stock exchange matters and, especially, on trading, continued listing and delisting.

It is expressly stated for the record that, if the delisting of the Banco Santander shares is subsequently requested, the delisting resolution shall be adopted with the same formalities that may be applicable and, in such event, the interests of shareholders opposing or not voting on the delisting resolution shall be safeguarded in compliance with the requirements established in the Spanish Capital Corporations Law and related provisions, all in accordance with the provisions of the restated text of the Securities Market Law and its implementing provisions in force at any time.

9. No implementation

Within one year of the date of approval of the Primary Increase by the shareholders at the general meeting, the board of directors, or the delegated decision-making bodies or other directors, by delegation therefrom, may resolve to carry out the Primary Increase and to set the terms and conditions therefor as to all matters not provided for in the resolution approving the Primary Increase. However, if the board of directors does not consider it advisable to carry out the increase in capital, it may decide not to do so and shall report such decision to the shareholders at the first general shareholders' meeting held thereafter. In particular, in deciding to implement the increase, the terms of the Offering and attendant circumstances (like market conditions), among other issues, shall be analysed and taken into account, and in the case that such conditions or other elements mean it is not advisable in the view thereof to implement the increase, it may be decided not to implement it, with such decision being reported to the shareholders at the general meeting on the aforementioned terms. The Primary Increase shall be null and void if the board of directors (or its delegated decision-making bodies or other directors, by delegation therefrom) does not exercise the powers delegated thereto within the one-year period established by the shareholders for implementation of the Primary Increase.

10. Delegation for purposes of implementation

Pursuant to the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, it is hereby resolved to delegate to the board of directors, with express authority to delegate to its delegated decision-making bodies and to any director, the power to establish the terms and conditions of the Primary Increase as to all matters not provided for in the resolution approving said increase. Specifically, and merely by way of example, the following powers are delegated:

1) To set the date on which the Primary Increase should be carried out, within a period of one year from approval of the Primary Increase by the shareholders at the general meeting.

2) To set, if applicable and pursuant to the formulas described in section 1.1 above, the number of newly-issued shares of Banco Santander to be delivered through the Primary Increase for each Santander México Share contributed to the Bank within the context of the Offering, to decide that the Remuneration Adjustment may be carried out through shares of Banco Santander that the Company holds in treasury and to establish that additional shares held in treasury are delivered, if that turns necessary or convenient for the settlement of the share fractions in accordance with the procedure established in the Offering.

3) To establish the terms and conditions of the Primary Increase as to all matters not provided for by the shareholders at this general meeting, including the determination of the share premium pursuant to the procedure established for such purpose under Section 297.1.a) of the Spanish Capital Corporations Law, as well as, if technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, to determine the contribution to the Bank of the Santander México Shares by means of the delivery to Banco Santander of rights to such shares, whether or not represented by certificates.

4) To declare the Primary Increase to be closed and implemented.

5) To amend sections 1 and 2 of Article 5 of Banco Santander's Bylaws regarding share capital to conform it to the new amount of share capital and number of resulting shares.

6) To take such actions as may be necessary or appropriate to implement and formalise the Primary Increase before any public or private, Spanish or foreign authorities or agencies, including actions for purposes of statement, supplementation or correction of defects or omissions that might prevent or hinder the full effectiveness of the resolution approving the Primary Increase, as well as, if necessary to comply with the requirements imposed by the regulatory authorities in the countries in which the Offering is made, in case the new shares issued in the Primary Increase cannot be delivered within the periods established in accordance with the terms thereof, to acquire by swap or purchase the Banco Santander shares issued pursuant to the Primary Increase, delivering in exchange the Santander México Shares contributed to Banco Santander in such increase in capital or any other applicable asset.

7) To carry out all formalities that may be necessary for the shares issued on occasion of the Primary Increase to be registered in the book-entry register of Iberclear and admitted to listing on the domestic and foreign Stock Exchanges on which the shares of the Bank

are listed at any time, in accordance with the procedures established at each of such Stock Exchanges.

(B) Terms of the Complementary Increase

1. Increase in share capital by means of in-kind contributions

1.1 New shares to be issued

It is hereby resolved to increase the share capital by the amount that results from multiplying (a) the nominal value of one-half (0.5) euro per share of the Bank by (b) the determinable number of new shares of Banco Santander resulting from the following formula:

New Shares to be Issued = Maximum Number of Securities to Contribute x Exchange Ratio

where,

“**New Shares to be Issued**” = Number of new shares of Banco Santander to issue in the Complementary Increase;

“**Maximum Number of Securities to Contribute**”= maximum number of Series B Shares to be contributed (whether directly or as securities underlying the Santander México ADSs, with each Santander México ADS representing five Series B Shares) as consideration for the Complementary Increase in implementation of the Offering, which is 1,687,160,301; and

“**Exchange Ratio**” = Number of newly-issued shares of Banco Santander that are to be delivered for each Series B Share of Santander México that is contributed to the Bank within the framework of the Offering (whether as a Series B Share or as a security underlying a Santander México ADS, with each Santander México ADS representing five Series B Shares) and which shall be the result of applying the following formula:

Exchange Ratio = 0.337 + Remuneration Adjustment

where,

Remuneration Adjustment = Banco Santander Remuneration - Santander México Remuneration

For the purposes hereof,

“**Banco Santander Remuneration**” is:

(i) for all dividends paid by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the Complementary Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Banco Santander for each 0.337 shares on each of the dates of payment of such dividends at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend; and

(ii) for all Santander Scrip Dividend programmes implemented by Banco Santander with a record date between 29 April 2019 (inclusive) and the date of implementation of the Complementary Increase (exclusive), the number of shares of Banco Santander (rounded to the nearest third decimal) that 0.337 shares of the Bank would be entitled to receive in each of such programmes (this number in each Santander Scrip Dividend programme, the "**SSD Shares**"). The SSD Shares of each Santander Scrip Dividend programme shall be calculated pursuant to the following formula:

SSD Shares = 0.337 x (1 / N)

where,

N is equal to the number of shares of Banco Santander needed to receive one newly-issued share of the Bank pursuant to the terms of the Santander Scrip Dividend programme in question.

"**Santander México Remuneration**" is the number of shares of Banco Santander (rounded to the nearest third decimal) that could be acquired on the market with the gross amount paid by Santander México for each Series B Share in the form of dividends or other forms of shareholder remuneration with a record date after that of the dividend paid last 28 May (inclusive) and before the date of implementation of the Complementary Increase (exclusive) at the closing price of these shares on the Spanish Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE) of the Spanish stock exchanges on the record date for the corresponding dividend, taking into account the euro / Mexican peso exchange rate published by the European Central Bank for such date.

If the Remuneration Adjustment (i.e. the difference between the Banco Santander Remuneration and the Santander México Remuneration) is positive, the additional number of shares of the Bank to be issued that derives from the Remuneration Adjustment may be paid to those accepting the Offering by means of the Bank's treasury shares, in which case the Remuneration Adjustment will be equal to zero for purposes of determining the Exchange Ratio for the Complementary Increase, which will therefore be equal to 0.337.

The shares issued in implementation of the Complementary Increase shall be of the same class and series as those currently outstanding, which shall be represented by book entries and shall be issued for their nominal value of one-half (0.5) euro plus a share premium to be determined by the board of directors, the board also being allowed to delegate these powers to its delegated decision-making bodies or other directors pursuant to the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the Complementary Increase, as described below. Pursuant to the provisions of section 3 below, the amount of the share premium may not be greater than 3.91 euros per share. Thus, the issue price that is set may not be greater than 4.41 euros per share.

1.2 Contributions that will serve as consideration for the Complementary Increase

The shares issued in implementation of the Complementary Increase shall be fully paid up by means of in-kind contributions consisting of securities representing the share capital of Santander México; i.e. Series B Shares and Santander México ADSs (collectively, the "**Santander México Shares**") (in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver to Banco Santander rights to such shares, whether or not represented by certificates).

Based on whether the Series B Shares are contributed directly or through Santander México ADSs representing them, Banco Santander must receive (a) one Series B Share in exchange for the number of newly-issued shares of the Bank that is determined by the Exchange Ratio, and (b) one Santander México ADS (representing five Series B Shares) in exchange for five times the number of newly-issued shares of the Bank that is determined by the Exchange Ratio (represented in the form of Banco Santander ADSs). It is stated for the record that if there is no Banco Santander Remuneration or Santander México Remuneration, or if there is either such remuneration and it is decided to implement the Remuneration Adjustment using shares of the Bank held in treasury, the number of newly-issued shares of Banco Santander would be, as applicable, (a) 0.337 new shares of the Company for each Series B Share contributed to the Bank, and (b) 1.685 ordinary shares of Banco Santander (represented through ADS, each representing one ordinary share of the Bank) for each Santander México ADS contributed to the Bank.

The Bank will deliver to the holders of Santander México Shares who have accepted the Offering the corresponding ordinary shares and Banco Santander ADSs in the form technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, including, without limitation, the ability to deliver rights to the aforementioned securities, whether or not represented by certificates, to said holders.

1.3 Treatment of fractions of shares

Those holders of Santander México Shares that accept the Offering with a number of Series B Shares or Santander México ADSs that, applying the Exchange Ratio, give a non-whole number of shares of Banco Santander, and that therefore would have the right to receive a fraction of share of Banco Santander in addition to any whole number of shares, shall not receive such fractions. The terms of the Offering shall establish the procedure to apply in relation to these fractions.

The total number of Banco Santander shares to be delivered to all of the holders of Santander México ADSs who have accepted the Offering in the United States may be rounded downward to the closest whole number and the exchange corresponding to the decimals so rounded shall be covered by using one Banco Santander treasury share. Likewise, the total number of Banco Santander shares to be delivered to all of the holders of Series B Shares who have accepted the Offering in the United States and the total number of Banco Santander shares to be delivered to all of the holders of Series B Shares who have accepted the Offering in Mexico may be rounded downward to the closest whole number in each case, and the exchange corresponding to the decimals so rounded shall be covered by using one or two shares held by the Bank in treasury, if necessary.

In this way, the total number of shares of Banco Santander to be issued pursuant to the Complementary Increase shall be rounded downward in accordance with the provisions of the preceding paragraph.

In addition, and to the extent necessary or convenient to allow the appropriate clearing and settlement of the Offering and the functioning of the settlement procedure that is established for Fractions, it is foreseen that the Bank may deliver additional shares from the shares it holds in treasury up to the amount of the additional Fractions that need to be settled.

2. <u>Incomplete subscription</u>

The Complementary Increase shall only be implemented if it is necessary or appropriate for the Offering to be implemented in two increases at different times, such that a portion is paid from the Primary Increase, and the remaining portion of the Offering by means of this increase, the Complementary Increase. Therefore, if the Complementary Increase is implemented, the New Shares to be Issued shall not be fully subscribed and paid up, and the capital shall be increased only to the extent needed to settle the portion of the Offering that has not been settled by means of the Primary Increase.

For this reason, pursuant to the provisions of Section 311.1 of the Spanish Capital Corporations Law, there is an express provision for the possibility of an incomplete subscription of the Complementary Increase.

3. <u>Determination of the issue price and share premium</u>

Under the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, the amount of the share premium for the new shares shall be established by the board of directors, the board also being allowed to delegate these powers to its delegated decision-making bodies or to other directors, no later than the date of implementation of the Complementary Increase, as described below:

(i) the issue price determined shall in no case be less than 0.5 euro (nominal value of the shares of Banco Santander); and

(ii) the issue price determined shall in no case be greater than 4.41 euros, which value corresponds to the closing price of the ordinary shares of Banco Santander on the Spanish stock exchanges on 11 April 2019, adjusted by the value of the supplemental dividend of Banco Santander charged to 2018 results and paid by Banco Santander (the "**Maximum Issue Price**").

The issue price (and therefore, the share premium) of each new share shall be determined by the board of directors, which, in turn, may also delegate this authority to its delegated decision-making bodies or other directors, in accordance with the preceding guidelines and taking into consideration, among other factors, the listing price of the shares and whether or not there has been a Remuneration Adjustment, under the terms of Section 297.1.a) of the Spanish Capital Corporations Law, no later than the date of implementation of the Complementary Increase.

The share premium for each new share shall be the result of subtracting the nominal value of each new share (0.50 euro) from the issue price so fixed. Therefore, the share premium for each new share shall be a maximum of 3.91 euros per share.

4. No pre-emptive rights

Pursuant to the provisions of Section 304 of the Spanish Capital Corporations Law, and given that the consideration for the Complementary Increase consists of in-kind contributions, the shareholders of Banco Santander shall not have pre-emptive rights to the shares to be issued on occasion of the Complementary Increase.

5. Representation of the new shares

The shares to be issued shall be represented in book-entry form and the relevant records shall be kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) and its member entities.

6. Rights of the new shares

From the time the Complementary Increase is declared to be subscribed and paid up by the board of directors or the party to whom it delegates authority to do so, the new shares shall give their holders the same rights as the Banco Santander shares outstanding at that time. In particular, those acquiring the new shares shall have the right to participate in the Santander Scrip Dividend programmes with a record date that is after the implementation of the Complementary Increase as well as to receive the amounts of interim dividends and supplemental dividends that are paid as from that time.

7. Information made available to the shareholders

The adoption of the resolution approving the Complementary Increase has been adopted after making available to the shareholders the proposal and report of the board of directors, in compliance with the provisions of the Spanish Capital Corporations Law.

8. Application for admission to official trading

It is hereby resolved to apply for the trading of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through Spain's Automated Quotation System (Continuous Market), as well as to take the steps and actions that may be necessary and file the required documents with the competent authorities of the foreign Stock Exchanges on which Banco Santander shares are from time to time listed for the new shares issued as a result of the Complementary Increase to be admitted to trading, expressly stating Banco Santander's submission to such rules as may now be in force or hereafter be issued on stock exchange matters and, especially, on trading, continued listing and delisting.

It is expressly stated for the record that, if the delisting of the Banco Santander shares is subsequently requested, the delisting resolution shall be adopted with the same formalities that may be applicable and, in such event, the interests of shareholders opposing or not voting on the delisting resolution shall be safeguarded in compliance with the requirements established in the Spanish Capital Corporations Law and related provisions, all in accordance with the provisions of the restated text of the Securities Market Law and its implementing provisions in force at any time.

9. No implementation

Within one year of the date of approval of the Complementary Increase by the shareholders at the general meeting, the board of directors, or the delegated decision-making bodies or other directors, by delegation therefrom, may resolve to carry out the Complementary Increase and to set the terms and conditions therefor as to all matters not provided for in the resolution approving the Complementary Increase. Notwithstanding the foregoing, if the board of directors does not consider it advisable to carry out the Complementary Increase, it may decide not to do so and shall report such decision to the shareholders at the first general shareholders' meeting held thereafter. In particular, in deciding to implement the Complementary Increase, the terms of the Offering and attendant circumstances (like market conditions), among other issues, shall be analysed and taken into account, and in the case that such conditions or other elements mean it is not advisable in the view thereof to implement the increase, it may be decided not to implement it, with such decision being reported to the shareholders at the general meeting on the aforementioned terms. The Complementary Increase shall be null and void if the board of directors (or its delegated decision-making bodies or other directors) does not exercise the powers delegated thereto within the one-year period established by the shareholders for implementation of the Complementary Increase. In addition, if the board of directors (or its delegated decision-making bodies or other director, by delegation therefrom) determines that it is possible and appropriate to implement the entire Offering by means of the Primary Increase, the Complementary Increase shall be null and void.

10. Delegation for purposes of implementation

Pursuant to the provisions of Section 297.1.a) of the Spanish Capital Corporations Law, it is hereby resolved to delegate to the board of directors, with express authority to delegate to its delegated decision-making bodies and to any director, the power to establish the terms and conditions of the Complementary Increase as to all matters not provided for in the resolution approving said increase. Specifically, and merely by way of example, the following powers are delegated:

1) To set the date on which the Complementary Increase should be carried out, within a period of one year from approval of the Complementary Increase by the shareholders at the general meeting.
2) To set, if applicable and pursuant to the formulas described in section 1.1 above, the number of newly-issued shares of Banco Santander to be delivered through the Complementary Increase for each Santander México Share contributed to the Bank within the context of the Offering, to decide that the Remuneration Adjustment may be carried out through shares of Banco Santander that the Company holds in treasury and to establish that additional shares held in treasury are delivered, if that turns necessary or convenient for the settlement of the share fractions in accordance with the procedure established in the Offering.
3) To establish the terms and conditions of the Complementary Increase as to all matters not provided for by the shareholders at this general meeting, including the determination of the share premium pursuant to the procedure established for such purpose under Section 297.1.a) of the Spanish Capital Corporations Law, as well as, if technically and legally appropriate to coordinate the various clearing and settlement systems and the legal provisions applicable in Spain, Mexico and the United States, to determine the contribution to the Bank of the Santander México Shares by means of the delivery to Banco Santander of rights to such shares, whether or not represented by certificates.
4) To declare the Complementary Increase to be closed and implemented.
5) To amend sections 1 and 2 of Article 5 of Banco Santander’s Bylaws regarding share capital to conform it to the new amount of share capital and number of resulting shares.
6) To take such actions as may be necessary or appropriate to implement and formalise the Complementary Increase before any public or private, Spanish or foreign authorities or agencies, including actions for purposes of statement, supplementation or correction of defects or omissions that might prevent or hinder the full effectiveness of the resolution approving the Complementary Increase, as well as, if necessary to comply with the requirements imposed by the regulatory authorities in the countries in which the Offering is made, in case the new shares issued in the Complementary Increase cannot be delivered within the periods established in accordance with the terms thereof, to acquire by swap or purchase the Banco Santander shares issued pursuant to this increase in capital, delivering in exchange the Santander México Shares contributed to Banco Santander in such increase in capital or any other applicable asset.
7) To carry out all formalities that may be necessary for the shares issued on occasion of the Complementary Increase to be registered in the book-entry register of Iberclear and admitted to listing on the domestic and foreign Stock Exchanges on which the shares of the Bank are listed at any time, in accordance with the procedures established at each of such Stock Exchanges”.

In consideration of the foregoing, the shareholders are requested to approve the proposal submitted by the board of directors.

Item Two **Authorisation to the board of directors to interpret, remedy, supplement, implement and develop the resolutions approved by the shareholders at the meeting, as well as to delegate the powers received from the shareholders at the meeting, and grant of powers to convert such resolutions into notarial instruments.**

Without prejudice to the delegations of powers contained in the preceding resolutions, it is hereby resolved:

A) To authorise the board of directors to interpret, remedy, supplement, carry out and further develop the preceding resolutions, including the adjustment thereof to conform to verbal or written evaluations of the Commercial Registry or of any other authorities, officials or institutions which are competent to do so, as well as to comply with any requirements that may legally need to be satisfied for the effectiveness thereof, and in particular, to delegate to the executive committee or to any director with delegated powers all or any of the powers received from the shareholders at this general shareholders' meeting by virtue of the preceding resolutions as well as under this Resolution Two.

B) To authorise Ms Ana Patricia Botín-Sanz de Sautuola y O'Shea, Mr José Antonio Álvarez Álvarez, Mr Jaime Pérez Renovales and Mr Óscar García Maceiras so that any of them, acting severally and without prejudice to any other existing power of attorney whereby authority is granted to record the corporate resolutions in a public instrument, may appear before a Notary Public and execute, on behalf of the Bank, any public instruments that may be required or appropriate in connection with the resolutions adopted by the shareholders at this general shareholders' meeting.