– “C” is the CET1 Coefficient resulting from compliance with the CET1 target for 2019 described in section (c) above.

(v) Other terms of the award

(a) *Continuity, malus and clawback terms*

In addition to continuity of the beneficiary within the Group[4], the accrual of the deferred award (whether or not subject to performance) is subject to none of the circumstances giving rise to the application of *malus* provisions as set out in the *malus* and clawback chapter of the Group's remuneration policy having occurred during the period before each of the deliveries. Likewise, amounts of the award already paid shall be subject to possible clawback by the Bank in the instances and for the period described in said policy, all upon the terms and conditions set forth therein.

The application of *malus* and clawback provisions are activated in those events in which there is a deficient financial performance of the entity as a whole or of a specific division or area thereof or exposures generated by the staff, and which must take into account at least the following factors:

(i) Significant failures in risk management committed by the entity or by a business or risk control unit.

(ii) An increase in the capital needs of the entity or a business unit that was not expected at the time the exposures were generated.

(iii) Regulatory sanctions or court sentences for facts that might be attributable to the unit or to the staff responsible for them. Also a breach of the entity's internal codes of conduct.

(iv) Improper conduct, whether individual or collective. Negative effects from the sale of unsuitable products and the responsibilities of the persons or bodies making such decision shall be especially considered.

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[4] If the relationship with Banco Santander or another entity of Grupo Santander is terminated due to retirement, early retirement or pre-retirement of the beneficiary, a dismissal considered by the courts to be improper, unilateral withdrawal for good cause by an employee (which includes, in any case, the situations set forth in section 10.3 of Royal Decree 1382/1985, of 1 August, governing the special relationship of senior management, for the persons subject to these rules), permanent disability or death, or as a result of an employer other than Banco Santander ceasing to belong to the Santander Group, as well as in those cases of mandatory redundancy, the right to receive the award shall remain under the same conditions in force as if none of such circumstances had occurred.

In the event of death, the right shall pass to the successors of the beneficiary.

In cases of justified temporary leave due to temporary disability, suspension of the employment contract due to maternity or paternity leave, or leave to care for children or a relative, there shall be no change in the rights of the beneficiary.

If the beneficiary goes to another company of the Santander Group (including through international assignment and/or expatriation), there shall be no change in the rights thereof.

If the relationship terminates by mutual agreement or because the beneficiary obtains a leave not referred to in any of the preceding paragraphs, the terms of the termination or temporary leave agreement shall apply.

None of the above circumstances shall give the right to receive the deferred amount of the award in advance. If the beneficiary or the successors thereof maintain the right to receive the deferred amount of the award, it shall be delivered within the periods and under the terms provided in the rules for the plans.

The basic terms and conditions of the contracts of the executive directors, besides those relating to the remuneration, are the following:

(a) Exclusivity and non-competition

Executive directors may not enter into contracts to provide services to other companies or entities except where expressly authorized by the board of directors. In all cases, a duty of non-competition is established with respect to companies and activities similar in nature to those of the Bank and its consolidated Group.

Likewise, the contracts of the executive directors provide for certain prohibitions against competition and the poaching of clients, employees and suppliers that may be enforced for two years after the termination thereof for reasons other than pre-retirement or a breach by the Bank. The compensation to be paid by the Bank for this prohibition against competition is 80% of the fixed remuneration of the corresponding director, payable 40% on termination of the contract and 60% at the end of the 2-year period.

(b) Code of conduct

There is an obligation to strictly observe the provisions of the Group’s General Code and of the Code of Conduct in Securities Markets, in particular with respect to rules of confidentiality, professional ethics and conflicts of interest.

(c) Termination

The contracts are of indefinite duration and do not provide for any severance payment in the case of termination other than as may be required by law.

Notwithstanding the foregoing, if Mr Rodrigo Echenique Gordillo’s contract is terminated before 1 January 2018 for reasons other than his own decision, death or permanent disability or to a serious breach of his obligations, he shall be entitled to receive a severance payment amounting to twice his gross annual salary.

In the event of termination of her contract by the Bank, Ms Ana Botín-Sanz de Sautuola y O’Shea must remain available to the Bank for a period of four months to ensure a proper transition, during which period she would continue to receive her gross annual salary.

(d) Pre-retirement and benefit plans

The contracts of the following executive directors acknowledge their right to pre-retire under the terms stated below when they have not yet reached retirement age:

- Ms Ana Botín-Sanz de Sautuola will be entitled to pre-retirement in the event of leaving her post for reasons other than breach of duty. In this case, she will be entitled to an annual allotment equal to the sum of her fixed remuneration and 30% of the average amount of her last variable remunerations, to a maximum of three. This allotment shall be reduced by 16% in the event of voluntary termination prior to the age of 60. This allotment shall be subject to the *malus* and clawback conditions in effect for a period of 5 years.
- Mr José Antonio Álvarez Álvarez shall be entitled to pre-retire in the event of cessation for reasons other than his own free will or breach of duty. In such case, he shall be entitled to an annual allocation equivalent to the fixed remuneration corresponding to him as a senior executive vice president. This allotment shall be subject to the *malus* and *clawback* conditions in effect for a period of 5 years.

- In addition, Mr Matías Rodríguez Inciarte shall be entitled to retire at any time and, therefore, claim the corresponding benefits from the insurance company to which the benefit plan described in previous sections is outsourced and the Bank will be under no obligation in such event.

The executive directors other than Mr Rodrigo Echenique participate in the defined benefit system created in 2012, which covers the contingencies of retirement, disability and death. The Bank makes annual contributions to the benefit plans for the benefit of the other executive directors, except in the case of Mr Matías Rodríguez Inciarte, for whom new contributions are not made. The annual contributions are calculated in proportion to the respective pensionable bases of the executive directors, and shall continue to be made until they leave the Group or until their retirement within the Group, or their death or disability (including, if applicable, during pre-retirement). The pensionable base for purposes of the annual contributions for Ms Ana Botín-Sanz de Sautuola and for Mr José Antonio Álvarez is the sum of their fixed remuneration plus 30% of the average of their last three variable remuneration payments (or, in the case of pre-retirement of Mr José Antonio Álvarez, his fixed remuneration as senior executive vice president), with the amount of the contributions being 55% in both cases.

The amount of the pension corresponding to contributions linked to variable remuneration shall be invested in Santander shares for 5 years on the date of retirement, or if before then, on the date of cessation in office, and shall be collected in cash after the passage of such period, or if subsequently, on the date of retirement. The *malus* and clawback clauses corresponding to the variable contributions shall apply for the same period as the bonus or award upon which said contributions depend.

The benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., and the economic rights of the foregoing directors thereunder belong to them regardless of whether or not they are active in the Bank at the time of their retirement, death or disability. As stated in section c) above, the contracts of these directors do not provide for any severance payment in the case of termination other than as may be required by law.

Mr Rodrigo Echenique Gordillo's contract does not provide for any charge to Banco Santander regarding benefits, without prejudice to the pension rights to which Mr Echenique was entitled prior to his appointment as executive director.

Finally, the contracts of Ms Ana Botín-Sanz de Sautuola and Mr José Antonio Álvarez Álvarez include a supplemental benefit scheme for the contingencies of death (surviving spouse and child benefits) and permanent disability of serving directors, which entitles the widow/widower and any children under the age of 25 in the case of death, or the director in case of disability, the right to a pension supplemental to that which they would be entitled to receive from Social Security up to an annual maximum amount equal to their respective pensionable bases, as indicated above in connection with the pre-retirement (refers to fixed remuneration as chief executive officer in the case of Mr Álvarez). Income to be received from the benefit system described above and the income that may be acquired from the amount of tax advance payments from contributions to the benefit system shall be deducted from the amount of the supplemental benefit, and the supplemental pension could reach zero (but not less than zero).

The Bank contemplates the possibility of modifying the benefit system and/or the rules for supplemental benefits in cases of death or disability during 2017.

In the case of the benefits system, the rights vested through such time would be maintained on the terms in effect through the date hereof and described above, and would end upon the making of future contributions to this system, which would be replaced by contributions to medium- or long-term savings systems (such as systematic savings plans, investment funds or other savings products). In any event, if the modification occurs, it would not entail an increase in the Bank's cost of the corresponding contributions.

As to the rules for supplemental benefits in the cases of death or disability, the change would be an elimination of the supplemental benefits system, with a payment of compensation to the beneficiaries thereof that could not exceed the cost to the Bank of maintaining such system.

The decision to proceed with one or more of the above changes, as well as the determination of the final terms thereof, subject to the above, shall be the responsibility of the board of directors, upon a proposal of the remuneration committee and with the approval of the directors affected. If the change is made, the board shall approve the changes to be made in the contracts of the above-referenced directors.

(e) Insurance and other benefits in kind

The Group has arranged life and health insurance policies for the directors.

In 2017, the premiums for this insurance amounted to 578 thousand euros. In 2018 and 2019, these premiums could vary in the event of a change in the fixed remuneration of directors or in their actuarial circumstances.

The executive directors are also covered by the Bank's civil liability policy.

Finally, the executive directors may receive other benefits in kind (such as employee loans) in accordance with the Bank's general policy and with the corresponding tax treatment.

(f) Confidentiality and return of documents

A strict duty of confidentiality is established during the relationship and following termination thereof, pursuant to which executive directors must return to the Bank the documents and items related to their activities that are in their possession.

(g) Other terms and conditions

The advance notice periods contained in the contracts with the executive directors are as follows:

	By decision of the Bank (months)	By decision of the director (months)
Ms Ana Botín-Sanz de Sautuola y O'Shea	–	4
Mr José Antonio Álvarez Álvarez	–	–
Mr Rodrigo Echenique Gordillo	–	–
Mr Matías Rodríguez Inciarte	4	4

Payment clauses in place of pre-notice periods are not contemplated.

(E) APPOINTMENT OF NEW EXECUTIVE DIRECTORS

The components of remuneration and basic structure of the agreements described in this remunerations policy will apply to any new director that is given executive functions, notwithstanding the possibility of amending specific terms of agreements so that, overall, they have conditions similar to those previously described.

In particular, the total remuneration of said director for performing executive duties may not be greater than the highest remuneration received by the current executive directors of the company pursuant to the remuneration policy approved by the shareholders. The same rules shall apply if a director assumes new duties that said director did not previously discharge or becomes an executive director.

If executive responsibilities are assumed with respect to a specific division or country, the board of directors, at the proposal of the remuneration committee, may adapt the metrics used for the establishing and accrual of the award in order to take into account not just the Group but also the respective division or country.

As regards the remuneration of directors in their capacity as such, it shall be included within the maximum distributable amount set by the shareholders and to be distributed by the board of directors as described above.

Additionally, if the new director comes from an entity not included within the Santander Group, he/she could be the beneficiary of a buy-out to offset the loss of variable remuneration corresponding to his/her prior post if he/she had not accepted the engagement offer of the Group. According to the buy-out policy approved by the board, following a proposal by the remuneration committee, compensation could be paid fully or partly in shares, subject to the delivery limits approved at the general shareholders' meeting. Therefore, at the next meeting, authorisation is expected to be sought to deliver a specified maximum number of shares as part of any hires to which the buy-out policy applies.

Proposal:

To approve, pursuant to the provisions of section 529 *novodecies* of the Spanish Capital Corporations Law (*Ley de Sociedades de Capital*), the director remuneration policy of Banco Santander, S.A. for financial years 2017, 2018 and 2019, the text of which has been made available to the shareholders within the framework of the call to the general shareholders' meeting and which, regarding the variable components of the remuneration of executive directors for 2017 and to the extent that they make up a remuneration system that includes the delivery of shares of the Bank or of rights thereto, is also submitted to the general shareholders' meeting under Item Eleven A.

<u>Item Nine</u> **Director remuneration system: setting of the maximum amount of total annual remuneration of directors in their capacity as directors.**

<u>Proposal:</u>

To approve, for purposes of the provisions in sub-section 2 of article 58 of the Bylaws, the fixed total annual amount of remuneration of the directors acting as such of 6,000,000 euros, an amount that shall be applicable to remuneration corresponding to financial year 2017 and that shall remain effective until the shareholders acting at a general shareholders' meeting resolve to amend it, the board of directors being able to reduce it on the terms established in the aforementioned provision of the Bylaws.

Item Ten **Remuneration system: approval of maximum ratio between fixed and variable components of total remuneration of executive directors and other employees belonging to categories which professional activities impact significantly on the risk profile.**

REASONED PROPOSAL AND DETAILED RECOMMENDATION SUBMITTED BY THE BOARD OF DIRECTORS OF BANCO SANTANDER, S.A. REGARDING ITEM TEN OF THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 6 APRIL 2017, ON FIRST CALL, AND FOR 7 APRIL 2017, ON SECOND CALL

Under item Ten of the agenda, the establishment of the maximum limit for the variable components of the total remuneration of a certain group within Banco Santander, S.A. (the "**Bank**" or the "**Company**") and its Group is submitted to the shareholders for approval at the general shareholders' meeting, such limit being stated as the maximum percentage that the variable components of remuneration represent with respect to the fixed components thereof (the "**Maximum Variable Remuneration Ratio**").

Article 58.6 of the Bylaws and Law 10/2014 of 26 June on organisation, supervision and solvency of credit institutions ("**Law 10/2014**"), which transposes in Spain the content of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive CRD IV**"), provide for the need to submit to the shareholders for approval at a general shareholders' meeting the establishment of a Maximum Variable Remuneration Ratio in excess of 100%, which, in any event, shall not exceed 200%.

The group with respect to which such approval is required is made up of certain persons included within the scope of application of section 32.1 of Law 10/2014, *i.e.*, persons belonging to "*categories of staff whose professional activities have a material impact on the risk profile of the institution, its group, parent company or subsidiaries*" (the group defined by said provision, the "**Identified Staff**"). This definition, –which includes the executive directors of the Bank, among others–, derives from article 92(2) of Directive CRD IV and has been further developed by Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (the "**Delegated Regulation**"). The proposal submitted to the shareholders at the general shareholders' meeting entails renewing the authorisation of a Maximum Variable Remuneration Ratio of 200% but only for a portion of the Identified Staff of the Santander Group and not for all members thereof, as in prior years.

The remuneration policy for the Identified Staff within the Santander Group is guided by principles similar to those described in connection with executive directors in the director remuneration policy, which is submitted to the shareholders for approval under item Eight of the agenda. Therefore, the purpose of variable remuneration of the Identified Staff[1] is to reward employee performance consistently with rigorous risk management, without

[1] In accordance with the standards established by the Delegated Regulation, certain persons that do not currently receive variable remuneration, such as the Bank's non-executive directors, are included in the Identified Staff at the Santander Group.

encouraging inappropriate risk-taking and seeking an alignment with the interests of the shareholders and with the Group's strategic objectives, thus fostering the creation of value over the long term.

Without prejudice to the foregoing, the total remuneration package for each employee and the structure thereof must be competitive, such that it facilitates attracting and retaining, as well as adequately remunerating, the persons included in the Identified Staff, taking into account the duties and responsibilities assigned to each of them. In this regard, the following considerations are in order:

- Compliance with the regulatory provisions mentioned above (Law 10/2014 and Directive CRD IV) is required of European credit institutions regardless of where they operate, whereas non-European Community institutions are required to comply with them only with respect to their activities in Europe. As a consequence, global institutions like the Santander Group must compete in terms of talent attraction and retention with institutions that are not subject to the same regulations, such that it is advisable to have maximum flexibility in remuneration matters within applicable legal limits.

- Even in the European banking sector, the Bank has verified that its main competitors approved Maximum Variable Remuneration Ratios in excess of 100% in financial year 2016, as they did in prior years. Therefore, the proposal submitted to the shareholders at the general shareholders' meeting under item Ten of the agenda will allow Banco Santander to compete on similar terms with the European institutions whose activities and size are similar to those of Banco Santander.

- The renewal of the resolution for a portion of the Identified Staff is due to the advisability of maintaining the Bank's flexibility to compete in the international markets, without provision being made for the ratios to exceed 100% in all cases, whilst at the same time taking into account the remunerative structure for each group of employees when more precisely defining the group benefiting from the resolution being proposed at the general meeting.

  In practice, the average ratio of variable components to fixed components of the remuneration of all of the categories of management or employees within the Identified Staff during the past financial year is far less than the approved maximum percentage of 200%. Specifically, on average in 2016, the variable components of remuneration of Identified Staff represented 94% of the fixed components (133% for the executive directors of the Bank). Approximately 44% of members of the Identified Staff exceeded the ratio of 100% in 2016, the median being a 91% ratio and percentile 75 reaching a 129% ratio. Just 4% of the Identified Staff reached a ratio of over 195%.

- In addition, the renewal of Maximum Variable Remuneration Ratios of 200% for certain members of the Identified Staff continues to allow for simpler and more efficient payroll management. The annual adjustment of the components of remuneration of the members of the Identified Staff with a view to maintaining an appropriate level of motivation, the high level of internal mobility within the Group, and the remuneration structure that is peculiar to each business area[2] make it advisable to have as much flexibility as possible.

- Without prejudice to the foregoing, the Group takes into account applicable regulations and best practices as regards remuneration and, in particular, during financial year 2017 will update the compensation mix of Identified Staff members performing internal control functions (i.e., risk management, compliance and internal audit) or other control functions in light of the Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No. 575/2013, which were published by the European Banking Authority (EBA) on 21 December 2015 and are in effect as from 1 January 2017.

  In particular, the reduction in the number of beneficiaries of the resolution to approve the Maximum Variable Remuneration Ratios of 200% is based on the exclusion from said proposal of a large portion of the employees assigned to risk management, compliance, internal audit and other control functions pursuant to the Group's corporate governance model and certain employees assigned to the finance or management control divisions.

- Moreover, the authorisation of higher Maximum Variable Remuneration Ratios within legal limits is more efficient as a tool to retain talent in view of possible competitor moves than increasing the amount of the fixed components of remuneration to cover items traditionally associated with the variable components of remuneration, which, if it occurred, might entail an increase in the Group's fixed costs.

- Finally, without prejudice to all other regulations applicable in the area of remuneration in order to avoid excessive risk-taking by Group employees, a Maximum Variable Remuneration Ratio of up to 200% would also allow, in certain positions that are key to the prudent achievement of results and business objectives, for a more significant portion of total remuneration to be subject to the achievement of such results and objectives, thus making it possible to reward outstanding performance where necessary.

The foregoing constitutes the rationale for the proposal submitted to the shareholders for approval at the general shareholders' meeting under item Ten of the agenda. In addition, as stated above, the authorisation of a Maximum Variable Remuneration Ratio for certain categories of employees that is higher than that generally applicable gives the Bank greater flexibility to adapt the remuneration schemes applicable to each employee profile, without jeopardising the general objectives of bringing the remuneration policy into line with the Group's risk profile, as such ratio is subject in all cases to the legal limit of 200%, to the remuneration policy approved by the Company, and to all other legal restrictions applicable to variable remuneration.

[2] For example, a feature of the wholesale business is that it adopts remuneration structures in which the weight of variable remuneration over fixed remuneration is more significant than in other businesses. Talent attraction and retention in this business requires maintaining remuneration structures that are aligned with market practices, and therefore, it is particularly desirable to obtain the authorisation to pay a Maximum Variable Remuneration Ratio in excess of 100% to those who perform duties in this area. In this regard, approximately 24% of the Identified Staff performs duties in the Group's wholesale business.

In this regard, the remuneration policy for the members of the Identified Staff follows standards that are similar to those included with respect to the executive directors in the director remuneration policy that is submitted to the shareholders at the general shareholders' meeting for approval under item Eight of the agenda. Thus, the variable components of remuneration of this group for 2017 include, inter alia, an Award (whether Award A or Award B, according to the definition of these terms in the directors' report and the proposed resolutions included under item Eleven below), to be received partly in cash and partly in shares, with collection of a portion of such Award being deferred over a period of three to five or even seven years (depending on the beneficiary's profile and any local regulations that might apply). The accrual of the Award is subject to metrics that allow for the alignment thereof with the Group's strategic plan and which take into account, among other aspects, the quality of the results achieved, the appropriate management of risk and the efficient use of capital, in addition to the accrual of part of the deferred remuneration in the case of Award A being subject to fulfilment of specific long-term metrics allowing for confirmation, if applicable, that the decisions initially made have resulted in sustainable long-term results[3].

For purposes of calculating the Maximum Variable Remuneration Ratio in compliance with the aforementioned provisions, the total remuneration of the relevant members of the Identified Staff members for all items has been taken into account, with a breakdown into variable components (i.e. those the accrual of which is subject to the achievement of results or specific objectives) and fixed components (all other remuneration items), as described in more detail in the director remuneration policy.

For the purposes of this agreement, the persons in respect of whom authorisation of a Maximum Variable Remuneration Ratio of 200% is being sought for the aforementioned reasons have been selected from the total members of the Identified Staff as of 31 December 2016. The Exhibit to this report includes a breakdown of the aforementioned number of beneficiaries at 31 December 2016 and the respective positions thereof. Despite that, the natural evolution of members of the Identified Staff, the possibility of regulatory changes to the definition thereof and the possibility of new people joining such staff recommends seeking shareholders' at a general shareholders' meeting consent so that new people not included in the Exhibit, up to a maximum of 150, may also benefit from a Maximum Variable Remuneration Ratio of 200%, resulting in a maximum number of members of the Identified Staff for which the authorisation is sought of 1,000 (0.52% of the workforce).

As stated, the ratio of 200% is not expected to be reached for all the members of the Identified Staff for which this limit is requested, taking into account their benchmark awards and the variable remuneration policy established for this financial year. In fact, under a standard scenario of fulfilment of targets, the total amount of the variable components of the remuneration would be equivalent to the total amount of the fixed components thereof (i.e., an average ratio of 92%). Assuming a scenario where targets are fulfilled at 125%, the excess of the variable components of remuneration over 100% of the fixed components would be 114 million euros, only considering those who would exceed a ratio of 100%. Not all the members of the Identified Staff benefiting from a 200% ratio would have reached a ratio in excess of 100% in such estimate, though it is not possible to estimate the number of persons that in fact

[3] Further information on the metrics and conditions to which the Award is subject can be found in the report from the remuneration committee and in the directors' report regarding item Eleven of the agenda.

would, since this will depend on the level of achievement of the Group's objectives in 2017, among other circumstances.

The hypothetical maximum amount in 2017 of the excess of the variable components of remuneration over 100% of the fixed components for the 850 benefiting from this proposal at 31 December 2016, if all such persons reached the Maximum Variable Remuneration Ratio of 200%, would be 315 million euros.

In view of this data and of the considerations set forth above regarding the alignment of remuneration with the Group's long-term interests, it is noted that the decision to approve a maximum level of variable remuneration for the persons indicated above would not affect the Bank's maintenance of a solid equity base or its obligations under the solvency rules. Specifically, the impact on the total phase-in capital ratio of the Santander Group at 31 December 2016 in the aforementioned circumstances estimated by the Bank (114 million euros of excess of variable remuneration over 100% of the fixed components) would amount to 2 basis points, only considering those exceeding a ratio of 100%, and, in the circumstance of the ratio of the Identified Staff members for whom authorisation is sought reaching 200%, would amount to 5 basis points. Furthermore, for purposes of the provisions of rule 39, section 6 of Circular 2/2016 of 2 February from Banco de España to credit institutions on supervision and solvency, which completes the adjustment of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no 575/2013, it is noted that the board has especially taken into consideration the fact that Banco Santander is not expected to be subject to restrictions on its dividend policy during financial year 2017 pursuant to the current recommendations of the European Central Bank[4] and the levels of and progression in the solvency of the Group.

Moreover, the proposed resolution is understood without prejudice to the need for the companies of the Group in which the members of the Identified Staff whom this agreement refers to provide services to comply with the obligations that correspond thereto in each case for purposes of permitting the 100% ratio to be exceeded.

[4] Recommendation of the European Central Bank of 13 December 2016 on dividend distribution policies (ECB/2016/44).

EXHIBIT

IDENTIFIED STAFF MEMBERS AT 31 DECEMBER 2016 FOR WHOM AUTHORISATION OF A MAXIMUM VARIABLE REMUNERATION RATIO OF 200% IS SOUGHT

Role	No.	Role	No.
HQ			**202**
GENERAL MANAGER	3	DTOR INVERSIONES	1
ASSET & LIABILITY MANAGER	2	DTOR INVERSIONES Y PARTICIPA	1
BRANCH MANAGER	3	DTOR MEDIOS PAGO Y CREDITO	1
BUSINESS DEVELOPMENT MGR II	1	DTOR NEW GEOBAN	1
CASH EQUITIES & RESEARCH EUROPE	1	DTOR PLANIFICACIÓN ESTRATÉGICA	1
CHIEF REPRESENTATIVE	1	DTOR PROD Y MEJORES PRÁCTICAS	1
CIB	3	DTOR PYMES	1
PRESIDENTE	1	DTOR RELACIONES CON INVERSORES	1
CONSEJERO DELEGADO	1	DTOR T&O FINANZAS	1
VICEPRESIDENTE	2	DTOR UNIVERSIA HOLDING	1
COO	1	ESPECIALISTA	1
CORPORATE & INVESTMENT BANKING	2	FIG	1
CORPORATE SALES, GLOBAL MARKETS	1	FINANCIAL INST. SALES, GLOBAL MKTS	1
DIRECTOR	4	FINANCING SOLUTIONS & ADVISORY	1
DIRECTOR AQUANIMA	1	GENERAL MANAGER	1
DIRECTOR DE AREA	43	GEOS NO MODELO	1
DIRECTOR DE CLIENTES ASG	2	GLOBAL HEAD	14
DIRECTOR ESTRATEGIA DIGITAL	1	GLOBAL MARKETS SALES	2
DIRECTOR GENERAL	4	GLOBAL TRANSACTION BANKING	1
DIRECTOR GEO	3	HEAD	9
DIRECTOR GEOBAN UK	1	HEAD OF ASSET & CAPITAL STRUCTURING	1
DIRECTOR GLOBAL	1	HEAD OF CIB	2
DIRECTOR INTEGRACIÓN DATOS	1	HEAD OF CIB, CHINA	1
DIRECTOR PROYECTO TRANSFORMACIÓN	1	HEAD OF CORPORATE FINANCE, ASIA PACIFIC	1
DTOR ANÁLISIS ESTRATÉG Y FINAN	1	HEAD OF FINANCIAL INSTITUTIONS GROUP	1
DTOR ÁREA CORPORATIVA	4	HEAD OF FINANCIAL SOLUTIONS & ADVISORY	1
DTOR ÁREA CORPORATIVA COSTES	1	HEAD OF GLOBAL MKTS SALES, ASIA PACIFIC	1
DTOR AS JURÍDICA CORPORATIVA	1	HEAD OF GLOBAL MARKETS, ASIA PACIFIC	1
DTOR ASESORÍA FISCAL	1	HEAD OF GTS UK	1
DTOR ASUNTOS INSTITUCIONALESUE	1	HEAD OF TRADING, HONG KONG	1

DTOR BANCA TRANSACCIONAL	1	MARKETS	4
DTOR COMERCIAL	1	MD	2
DTOR COORDINAC.SUPERV.EUROPEOS	1	MD, HEAD OF GTB, ASIA PACIFIC	1
DTOR COORDINACIÓN PAÍSES	3	PRODUCT MANAGER	3
DTOR COSTES	1	QUANT SENIOR	1
DTOR DESARROLLO CORPORATIVO	1	REGIONAL HEAD	1
DTOR DESARROLLO NEGOCIO	1	RESEARCH ANALYST I	1
DTOR DIVISIÓN	1	RESEARCH MANAGER	1
DTOR DIVISIÓN	5	SALES MANAGER	2
DTOR DIVISIÓN ADJUNTO	1	HEAD BANK OF SHANGHAI PROJECT	1
DTOR DOMINIO	4	T&O	2
DTOR EMISIONES INSTITUCIONALES	1	TECHONOLOGY	1
DTOR EMPRESAS	1	TRADER SENIOR	1
DTOR ESTRATEGIA	1	TRADING MANAGER	7
DTOR GESBAN	1	TREASURY SALES	1
DTOR GESTIÓN FINAN MERCADOS	1	DTOR GESTIÓN RRHH NEG GLOBALES	1
DTOR GESTIÓN RR.HH.	1		

Role	No.	Role	No.
UK			**124**
AFM STAFF	4	HEAD OF CORPORATE BANK	1
ASSET & LIABILITY MANAGER	1	HEAD OF CORP. DEV. AND STRATEGY	1
CHIEF COMMS OFFICER	1	HEAD OF CREDIT SALES EUROPE (EX IBERIA)	1
CHIEF EXECUTIVE OFFICER	1	HEAD OF E-COMMERCE FX/RATES	1
CHIEF INFORMATION OFFICER	1	HEAD OF EQUITY- QUANTS	1
CHIEF MARKETING OFFICER	1	HEAD OF FI DERIVATIVES TRADING & LVA	1
CHIEF OPERATING OFFICER	1	HEAD OF FI NORTHERN EUROPE	1
CHRO & GENERAL COUNSEL	1	HEAD OF FINANCIAL INSTITUTIONS GROUP	1
CHIEF TRANSFORMATION OFFICER	1	HEAD OF GTB UK	1
CIO SGCB	1	HEAD OF GOVIES, INSTITUTIONAL SALES	1
COMPANY SECRETARY	1	HEAD OF INNOVATION	1
SENIOR MANAGER	3	HEAD OF MARKETS (SGCB)	1
CORPORATE BANKING	1	HEAD OF PRIVATE BANKING	1
COMPANY SECRETARY AND REG. AFFAIRS	1	HEAD OF PRIVATE PLACEMENTS	1
DIRECTOR FOR CUSTOMER INTELLIGENCE, COMMERCIAL MODEL & TOOLS	1	HEAD OF RETAIL AND BUSINESS BANKING SERVICE DELIVERY	1
DIRECTOR OF ALM	1	HEAD OF PROCESS MANAGEMENT	1
DIRECTOR OF CAPITAL MANAGEMENT	1	HEAD OF RETAIL BANKING AND DEPUTY CEO	1
DIRECTOR OF COMMUNICATIONS	1	HEAD OF RETAIL STRUCTURED PRODUCTS	1
DIRECTOR OF DIGITAL	1	HEAD OF SECURITISATION	1
DIRECTOR OF EXTERNAL REPORTING	1	HEAD OF SGBM UK	1
DIRECTOR OF FINANCE T&O	1	HEAD OF SGBM UK CREDIT MARKETS	1
DIRECTOR OF FINANCIAL CRIME & UK MLRO	1	HEAD OF SOLUTIONS	1
DIRECTOR OF FUNDING	1	HEAD OF STRUCTURED TRADE FINANCE	1
DIRECTOR OF LEGAL	1	HR DIRECTOR	1
DIRECTOR OF OMNI-CHANNEL TRANSFORMATION, STRATEGY & CO-ORDINATION	1	INNOVENTURES FUND	1
DIRECTOR OF PENSIONS	1	LARGE CORPORATE GROUP UK	1
DIRECTOR OF RECOVERIES	1	MD – CIB, HEAD OF MINING & METALS	1
DIRECTOR OF RETAIL PRODUCTS	1	MD & HEAD OF SYNDICATED LOANS ORIGINATION	1
DIRECTOR OF UK RETAIL CONTACT CENTRES	1	MD, COO, SGBM	1
DIRECTOR OF UNIVERSITIES	1	MD, CUSTOMER EXPERIENCE & CHANNELS	1
DIRECTOR OF WHOLESALE T&O	1	MD, HEAD OF CORPORATE SALES	1
DIRECTOR, BANKING REFORM	1	MD, HEAD OF FIXED INCOME FINANCING	1
DIRECTOR, COST MANAGEMENT AND DECISIONING, FINANCE	1	MD, INTERNATIONAL	1

DIRECTOR, INSURANCE	1	MD, MORTGAGES	1
DIRECTOR, SGBM LEGAL	1	MD, REAL ESTATE	1
DIVISIONAL MANAGING DIRECTOR, MIDLANDS & WALES	1	MD, RETAIL DISTRIBUTION	1
DIVISIONAL MANAGING DIRECTOR	7	NON EXECUTIVE DIRECTOR	5
ED, TECH, TELECOMS AND MEDIA, CIB	1	NON FLOW UK & CONTINENTAL EUROPE (EXCL. IBERIA)	1
ESTRATEGIA	1	PORTFOLIO MANAGEMENT	1
FINANCE DIRECTOR	1	PRODUCT MANAGER	4
GLOBAL HEAD OF CIB AND SGBM	1	SALES MANAGER	5
HEAD OF ACPM	1	SENIOR BANKER	5
HEAD OF CIB	1	SMALL BUSINESS & BUSINESS BANKING	1
TRADING MANAGER	7	STRUCTURED FINANCE	1
UK SERVICE DELIVERY DIRECTOR	1	STRUCTURED PRODUCTS MANAGER I	1
WEALTH MANAGEMENT	1	STRUCTURED REAL ESTATE FINANCE	1

Role	No.	Role	No.
BRAZIL			**181**
BANKER SENIOR II	2	SUPTE EXEC RECUP CREDITO	2
DIR PRESIDENTE	1	SUPTE EXEC REDE	6
DIR VICE PRESIDENTE EXEC	8	SUPTE EXEC REL IMPRENSA	1
DIR VICE PRESIDENTE EXEC SR	2	SUPTE EXEC REL INSTITUCIONAIS	1
DIRECTOR DE AREA	1	SUPTE EXEC SEGMENTO	1
DIRETOR	25	SUPTE EXEC TECNOLOGIA	2
DIRETOR ADM FIDUCIARIA SSS	1	SUPTE EXECUTIVO	14
DIRETOR EXECUTIVO	2	TRADER GBM III	5
DIRETOR.	1	TRADER GBM SENIOR	5
ECONOMISTA CHEFE	1	TRADER SENIOR	1
MEMBRO CONSELHO ADMINISTRACAO	1	TRADING MANAGER	5
PRESID CONSELHO ADMINISTRACAO	1	SUPTE EXEC NEG IMOB	1
PRESIDENTE	1	SUPTE EXEC PARCERIAS	1
RESEARCH MANAGER	1	SUPTE EXEC PATRIMONIO	1
SALES MANAGER	2	SUPTE EXEC PREV COMPLEMENTAR	1
SALES MANAGER GBM I	1	SUPTE EXEC PRIVATE BANKING	2
SENIOR EXECUTIVE	29	SUPTE EXEC PROC OPER GLOBAIS	1
SENIOR INVESTIMENT BANKER	6	SUPTE EXEC PRODUTOS	2
SUPTE COML PRIVATE BANKING	3	SUPTE EXEC PRODUTOS CARTOES	1
SUPTE CORPORATE	1	SUPTE EXEC PROJETOS	1
SUPTE EXEC CANAIS RELAC	5	SUPTE EXEC REC HUMANOS	4
SUPTE EXEC COMERCIAL	2	SUPTE EXEC FINANCEIRO	4
SUPTE EXEC COML NEG IMOB PJ	2	SUPTE EXEC GEST COML	1
SUPTE EXEC COML PRIV BANKING	1	SUPTE EXEC INVESTIMENTOS	1
SUPTE EXEC COML VAREJO	1	SUPTE EXEC JUR NEGOCIOS	1
SUPTE EXEC CORPORATE	8	SUPTE EXEC JURIDICO	2
SUPTE EXEC CRED CONSIGNADO	1	SUPTE EXEC MARKETING	1
SUPTE EXEC DESENV CORPORATIVO	1	SUPTE EXEC DESENV SUSTENTAVEL	1
		SUPTE EXEC EMPRESAS	1

Role	No.
MEXICO	**37**
DGA ESTR ASU PUB JEF GAB PR EJ	1
DGA RECURS CORPOR RECUPERACION	1
DIR CORP SGC PRINCIPAL	1
DIR EJEC ACPM	1
DIR EJEC CASH EQUITY RESEARCH	1
DIR EJEC CIB CORPOR INVEST BAN	1
DIR EJEC DESLLO Y ESTR CANALES	1
DIR EJEC EQUITY	1
DIR EJEC FINAN SOLUTI ADVISORY	1
DIR EJEC FISCAL	1
DIR EJEC GESTION FINANCIERA	1
DIR EJEC GLOB TRANSACT BANKING	1
DIR EJEC INNOVACION	1
DIR EJEC INSTITUCIONALES	1
DIR EJEC MERCADOS	2
DIR EJEC RED BCA PRIVADA	1
DIR EJEC REGIONAL	1
DIR EJEC SEGMENTO UNIVERSIDADE	1
DIR EJEC SOLUCIONES FINANCIERA	1
DIR GRAL ADJ BCA EMP E INST	1
DIR GRAL ADJ CANALES Y DISTRIB	1
DIR GRAL ADJ CLIENTES	1
DIR GRAL ADJ GLOBAL CORP BANK	1
DIR GRAL ADJ PRODUCTOS	1
DIR GRAL ADJ TECNOL OP Y RRHH	1
DIR MARKET MAKING PRINCIPAL	3
DIR PRODUCT MGR II	1
DIR PRODUCT PRINCIPAL	1
DIR SALES PRINCIPAL	1
DIR TRADING MGR I	2
PRESIDENTE EJEC DIR GRAL GF	1
VICEPRESIDENTE ADMON Y FINANZ	1
VICEPRESIDENTE BANCA COMERCIAL	1

Role	No.
SPAIN	**70**
ASSET & LIABILITY MANAGER	1
DIRECTOR	4
COUNTRY HEAD	1
DIRECTOR ADJUNTO EMPRESAS	1
DIRECTOR DE AREA	16
DIRECTOR GRANDES EMPRESAS	2
DIRECTOR RRHH	1
DTOR ADJUNTO	2
DTOR ANÁLISIS Y GESTIÓN BALANC	1
DTOR AS JURIDICA BCA COMERCIAL	1
DTOR ASESORÍA JCA MAYORISTA	1
DTOR BANCA COMERCIAL	1
DTOR COMPENSACIÓN Y BENEFICIOS	1
DTOR COSTES	1
DTOR DE PROTECCION DE DATOS	1
DTOR GESTIÓN DE PRECIOS	1
DTOR INSTITUCIONES	1
DTOR INTELIGENCIA COM. Y CRM	1
DTOR OPERACIONES BCE	1
DTOR ORGANIZACIÓN	1
DTOR POLÍTICAS Y GESTIÓN ALM	1
DTOR PROCESOS Y GESTIÓN CAMBIO	1
DTOR TECNOLOGÍA	1
DTOR TECNOLOGÍA Y OPERACIONES	4
DTOR TERRITORIAL	13
DTOR TITULIZACIÓN	1
HEAD	6
PRODUCT MANAGER	1
SALES MANAGER	2
PERU	**1**
CHIEF EXECUTIVE OFFICER	1
URUGUAY	**1**
GERENTE GENERAL	1

Role	No.	Role	No.
USA			**103**
ACCOUNT EXECUTIVE	3	MG DIR RETAIL NETWORK	1
CHIEF ADMINISTRATIVE OFFICER	1	PMO PROGRAM DIRECTOR	1
CHIEF EXEC OFFICER SHUSA	1	PRESIDENT SCI	1
CHIEF EXECUTIVE OFFICER	3	RE & COML BKG MANAGING DIR	1
CHIEF HUMAN RESOURCES OFFICER	2	REGIONAL DIRECTOR	2
CHIEF INFORMATION OFFICER	1	RESEARCH	1
CHIEF INFORMATION SECURITY OFFICER	1	SALES DIRECTOR	1
CHIEF INNOVATION OFFICER SHUSA	1	SECTOR HEAD	3
CHIEF LEGAL OFFICER	1	SENIOR BANKER	5
CHIEF OPERATING OFFICER	2	SHUSA TREASURER	1
CHIEF OPERATING OFFICER - GCB	1	SR. CHIEF LEGAL OFFICER	1
CHIEF PRODUCT, MKTING & ONLINE	1	SVP COMPENSATION AND BENEFITS	1
CHIEF TECHNOLOGY OFFICER	2	TREASURER	1
CIB DIRECTOR	1	US CHIEF TAX OFFICER	1
CIO CONS&BB,COMM & CORP ATTACH	1	US COMPENSATION DIRECTOR	1
COML BKG MANAGING DIR	1	EVP HEAD OF ORIGINATIONS	1
SENIOR MANAGER	13	EVP HEAD OF SERVICING	1
CRP MARKET DIRECTOR I	1	EVP PERSONAL LENDING	1
CRP MARKET DIRECTOR II	1	EVP STRATEGIC OPS	1
DEPUTY OF IT STAT TRANS AND DA	1	FHC	1
DIR GBM CREDIT	1	FIC	9
DIR OF STRAT & CAP PLANNING	1	FIG	1
DIR, SANTANDER INVSTMNT SVCS	1	FSA	6
DIRECTOR - CUSTOMER EXPERIENCE	1	GENERAL COUNSEL	1
DIRECTOR OF OPERATIONS	1	HD OF GOV AFRS & PUBLIC POLICY	1
DIRECTOR OF PRODUCTS	1	HEAD OF COMPENSATION	1
DIRECTOR, CHANGE MGT	1	HEAD OF CONSUMER & BUS BANKING	1
EQUITY	4	HEAD OF HR STRATEGY & OPS	1
EVP CAPITAL MARKETS AND TREASURER	1	MANAGING DIRECTOR	1
EVP CHRYSLER CAPITAL	1	MD MORTGAGE BANKING & OPS	1
		MG DIR GLOBAL BKG	1

Role	No.
PORTUGAL	**39**
ADJ ADM ACORES E MADEIRA	1
ADJ ADM AREA BMG	1
ADJ ADM AREA EMPRESAS	1
ADJ ADM AREA FINANCEIRA	1
ADJ ADM AREA INTELIG COMERCIAL	1
ADJ ADM INTERM. PROTECAO E INV	1
ADJ ADM RECUP. DESINVESTIMENTO	1
ADM AREA DE MEIOS	1
ADM AREA FINANCEIRA	1
ADM COMUN INSTIT IMAG E QUALID	1
ADM GBM CIB EMP CI FOMENT CONT	1
ADM JURID SEC GER INSP E PBC	1
ADM MARKETING, PRODUTOS E SEGU	1
ADM P&N PRIVAT PMI DCCDR INTER	1
ADMINISTRADOR	2
DIRECTOR	4
D NEGÓCIO INTERNACIONAL	1
DC ASSESSORIA JURÍDICA NEGÓCIO	1
DC CDR-P&N	1
DC CLIENTES INSTITUCIONAIS	1
DC FINANCING SOLUTIONS E ADVISORY	1
DC FUNDOS INVEST IMOBIL	1
DC INTERNACIONAL-RES.ESTRANG.	1
DC OPERAÇÕES	1
DC PRIVATE BANKING	1
DC RECUPERAÇÕES	1
DC REDE PART.NEG.NORTE	1
DC REDE PART.NEG.SUL	1
DC TECNOLOGIA E PROCESSOS	1
DIR AGREGADO CE - CCG	1
DIR AGREGADO CE - RH, OC	1
PRESIDENTE ASSET MANAGEMENT	1
PRESIDENTE EXECUTIVO DA CE	1
RESP AREA FOMENTO CONSTRUCAO	1
RESP AREA OPT CUSTOS ORGANIZ	1
CHILE	**17**
DIRECTOR JURIDICO CORPORATIVO	1
GERENTE GENERAL	1
HEAD	3
HEAD CIB	1
HEAD GCB	1
JEFE AREA II.	2
JEFE DIVISION	6
JEFE FINANZAS I	1
SUBGERENTE GENERAL	1
SCF	**31**
CHIEF EXECUTIVE OFFICER	4
DEPUTY MD	1
DIRECTOR	1
DIRECTOR DE AREA	1
DIRECTOR UNIDAD SCF	1
DTOR AREA	10
DTOR DIVISIÓN	1
GENERAL AGENT	1
HEAD OF CONSUMER FINANCE	1
MANAGEMENT BOARD	7
SCF COMMERCIAL DIRECTOR	1
SCF FINANCE DIRECTOR	1
SCF TECHNOLOGY & OPERATIONS DIRECTOR	1
ARGENTINA	**8**
GERENTE PRINCIPAL	7
PRESIDENTE	1
POLAND	**8**
CHIEF EXECUTIVE OFFICER	1
CZŁONEK ZARZĄDU	6
DYR. OBSZ. RESTR. KREDYT. I ZARZ. AKTYW.	1

Role	No.
BPI SWITZERLAND	**3**
GENERAL MANAGER	1
TEAM LEADER, EXECUTIVE BANKER	1
TEAM LEADER, SENIOR BANKER	1

Role	No.
COLOMBIA	**1**
PRESIDENTE EJECUTIVO	1
OTHERS	**24**
VARIOS	24

TOTAL	**850**

Proposal:

To approve a maximum ratio of 200% between the variable and fixed components of the total remuneration of the executive directors and of certain employees belonging to categories with professional activities that have a material impact on the risk profile of the Group upon the terms set forth below:

(i) Number of affected persons: certain members of the Identified Staff (850 at 31 December 2016, as described in the Exhibit to the detailed recommendation prepared by the board of directors), and up to 150 additional beneficiaries, up to a maximum of 1,000 persons in total.

The beneficiaries of this resolution include the executive directors of Banco Santander and other employees of Banco Santander or other companies of the Group belonging to the "**Identified Staff**", i.e. to categories with professional activities that have a significant impact on the risk profile of the Bank or of the Group, including senior executives, risk-taking employees or employees engaged in control functions, as well as other workers whose total remuneration places them within the same remuneration bracket as that of the preceding categories. However, it is noted that the categories of personnel who engage in control duties are generally excluded from the scope of this resolution. The members of the Identified Staff have been identified pursuant to the standards established in Commission Delegated Regulation (EU) No 604/2014, of 4 March 2014, supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify the categories of staff whose professional activities have a material impact on an institution's risk profile and those of the policy for determining the Group's Identified Staff.

(ii) Authorisation.

Without prejudice to the general provisions set forth in item Twelve or to the powers of the board of directors in remuneration matters under the Bylaws and the rules and regulations of the board, the board of directors of the Bank is hereby authorised, to the extent required, to implement this resolution, with the power to elaborate, as necessary, on the content hereof and that of the agreements and other documents to be used or adapted for such purpose. Specifically, and merely by way of example, the board of directors shall have the following powers:

(a) To determine any modifications that should be made in the group of Identified Staff members that benefit from the resolution, within the maximum limit established by the shareholders at the general shareholders' meeting, as well as the composition and amount of the fixed and variable components of the total remuneration of said persons.

(b) To approve the basic contents of the agreements and of such other supplementary documentation as may be necessary or appropriate.

(c) To approve all such notices and supplementary documentation as may be necessary or appropriate to file with the European Central Bank, the Bank of Spain or any other public or private entity.

(d) To take any action, carry out any procedure or make any statement before any public or private entity or agency to secure any required authorisation or verification.

(e) To interpret the foregoing resolutions, with powers to adapt them to the circumstances that may arise at any time without affecting their basic content, including any regulations or provisions or supervisor's recommendations that may prevent their implementation upon the terms approved or that require the adjustment thereof.

(f) In general, to take any actions and execute all such documents as may be necessary or appropriate.

The board of directors may delegate to the executive committee all the powers conferred in this resolution Ten (except for those that may not be delegated under the law).

The Company shall communicate the approval of this agreement to all Group companies engaging executives or employees belonging to the Identified Staff and who are beneficiaries of this resolution, without prejudice to the exercise by such of the Bank's subsidiaries as may be appropriate in each case of the powers they hold to implement the remuneration policy with respect to those executives and employees and, if applicable, to adjust such policy to regulations or to the requirements of competent authorities in the respective jurisdiction, as well as to comply with the obligations that bind them for such purpose.

<u>**Item Eleven**</u>	**Approval of the application of remuneration plans which entail the delivery of shares or options on shares.**
Eleven A.	**Deferred Multiyear Objectives Variable Remuneration Plan.**
Eleven B.	**Deferred and Conditional Variable Remuneration Plan.**
Eleven C.	**Application of the Group's buy-out policy.**
Eleven D.	**Plan for employees of Santander UK plc. and other companies of the Group in the United Kingdom by means of options on shares of the Bank linked to the contribution of periodic monetary amounts and to certain continuity requirements.**

REPORT AND PROPOSALS SUBMITTED BY THE BOARD OF DIRECTORS OF BANCO SANTANDER, S.A. REGARDING ITEMS ELEVEN A, ELEVEN B AND ELEVEN C OF THE AGENDA FOR THE GENERAL SHAREHOLDERS' MEETING CALLED FOR 6 APRIL 2017, ON FIRST CALL, AND FOR 7 APRIL 2017, ON SECOND CALL

Within the framework of its policy on remuneration tied to the delivery of shares, Banco Santander, S.A. (the "**Bank**" or the "**Company**") has maintained the Deferred and Conditional Variable Remuneration Plan (*Plan de Retribución Variable Diferida y Condicionada*) in effect since 2011, which plan conformed at that time to Directive 2010/76/EU of 24 November and to the Guidelines on Remuneration Policies and Practices approved by the Committee of European Banking Supervisors (CEBS), published on 10 December 2010, and which since financial year 2014 has conformed to Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive CRD IV**").

Directive CRD IV, which was transposed into Spanish law by Law 10/2014 of 26 June on organisation, supervision and solvency of credit institutions ("**Law 10/2014**"), entailed a revision of the rules previously in effect in two ways: (i) there was a tightening of the rules governing the variable remuneration of a certain group of employees of the relevant institutions (for example, by setting limits on the amount of the variable components of remuneration; see the report on item Ten of the agenda), and (ii) the group to which such rules apply (hereinafter, the "**Identified Staff**") was redefined in more stringent terms. As stated above, such changes were already reflected by the Bank in the policy on variable remuneration for the Identified Staff for financial years 2014, 2015 and 2016.

In particular, for financial year 2016, changes were made to the policy on variable remuneration of the Identified Staff taking into account changes in the best international practices as regards remuneration and the recommendations issued in this respect by the competent authorities, including the recent Guidelines on Sound Remuneration Policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and Disclosures under Article 450 of Regulation (EU) No 575/2013, published by the European Banking Authority (EBA) on 21 December 2015 and which have applied since 1 January 2017, superseding the aforementioned Guidelines on Remuneration Policies and Practices of 2010.

The main new features of said policy were intended to: (i) simplify the beneficiary remuneration structure, by integrating the variable components of the total remuneration within a single plan[1]; (ii) improve the *ex ante* risk adjustment of the variable remuneration, using a single group of annual quantitative and qualitative metrics that allow appropriate decisions within the appropriate risk framework to be compensated and strengthen the alignment of the variable remuneration with the long-term interests and objectives of the Bank; and (iii) increase the impact of the long-term elements and the multiyear performance measures, particularly for those members of the Identified Staff who have the largest impact on the institution's risk profile, and combine more effectively the short-term and long-term objectives (since fulfilment of short-term objectives would determine the maximum amount of the long-term amount and such amount could only be reduced, but not increased).

Furthermore, as a result of the approval and entry into force of Circular 2/2016 of 2 February from Banco de España to credit institutions on supervision and solvency, which completes the adjustment of the Spanish legal system to Directive 2013/36/EU and to Regulation (EU) no 575/2013, recovery or "clawback" clauses were introduced into the variable components of remuneration for financial year 2016, approving a new *malus* and clawback policy as part of the Group's remuneration policies.

The variable remuneration policy for the Identified Staff for financial year 2017 (hereinafter, the "**2017 Variable Remuneration Policy**") is a continuation of the policy applied during financial year 2016, as no significant new aspects are introduced.

The main features of the 2017 Variable Remuneration Policy are described below.

I. Purpose and Beneficiaries

The 2017 Variable Remuneration Policy, which is applicable to all of the Identified Staff[2], regulates the provisions for the payment and, where applicable, quantification of the variable remuneration of said Identified Staff in line with the objectives of the Bank's remuneration policies and in compliance with applicable laws and regulations.

Taking into account the varying impacts that different members of the Identified Staff may have on the Santander Group's risk profile, the variable remuneration for financial year 2017 is implemented as follows:

(i) for executive directors, vice presidents, country heads, other key executives of the main countries in which the Group operates, and, in general, Faro executives of the Group, through the second cycle of a new plan called the Deferred Multiyear Objectives Variable Remuneration Plan (the variable remuneration calculated through this plan, "**Award A**"), to which item Eleven A of the agenda refers; and

(ii) for the rest of the Identified Staff, through a seventh cycle of the Deferred and Conditional Variable Remuneration Plan (the variable remuneration calculated through this plan, "**Award B**" and, together with Award A, the "**Award**"), to which item Eleven B of the agenda refers.

The beneficiaries of Award A will not receive Award B, and vice versa.

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[1] Except, where applicable, for contributions to benefits schemes that are calculated based on the variable remuneration and are therefore considered a variable component of total remuneration.

[2] It is noted that pursuant to the standards established in Commission Delegated Regulation (EU) No 604/2014, the Identified Staff includes certain persons who do not receive any variable remuneration. Therefore, such persons do not form part of the group of beneficiaries of the 2017 Variable Remuneration Policy.

The envisaged number of beneficiaries of Award A is approximately 300 persons, and the number of beneficiaries of Award B is approximately 1,100 persons (without prejudice to the specific number of appointments, removals and promotions that finally occur during financial year 2017).

II. General Features of the Variable Remuneration of the Identified Staff

– *Components of variable remuneration*. The variable components of the total remuneration of the beneficiaries of the 2017 Variable Remuneration Policy will include an Award (Award A or Award B, as appropriate), to be received partly in cash and partly in shares, while deferring collection of a portion thereof over a period of three or five years, as applicable, according to the beneficiary's profile[3].

– *Scope of application*. As stated, the 2017 Variable Remuneration Policy will apply to all of the members of the Identified Staff who receive variable remuneration (at 31 December 2016, the Identified Staff is comprised of 1,130 persons, without prejudice to the final number of persons that will be part of this group in 2017) and provides for the delivery of shares or similar instruments of Banco Santander or, if applicable, of shares or similar instruments of its listed subsidiaries. Specifically, the possibility of total or partial delivery of securities of the respective listed subsidiary in Mexico, Chile, Brazil, Poland and Santander Consumer USA is contemplated. The board of directors, upon a proposal of the remuneration committee, may approve total or partial payment in shares of Banco Santander and/or of the corresponding subsidiary in the proportion that it deems appropriate in each case and subject, in any case, to the maximum number of Santander shares that the shareholders at the general shareholders' meeting resolve to deliver and to any regulatory restrictions that may be applicable in each jurisdiction.

  Taking the foregoing into account, the proposals submitted to the shareholders at the general shareholders' meeting under items Eleven A and Eleven B only contemplate a decision on the application of a second cycle of the Deferred Multiyear Objectives Variable Remuneration Plan and of a seventh cycle of the Deferred and Conditional Variable Remuneration Plan to authorise the delivery of shares of the Company (and not of the respective subsidiaries) to the members of the Identified Staff.

– *Limitations on variable remuneration*. Any variable components of total remuneration that will be paid to each member of the Identified Staff in connection with financial year 2017 shall not exceed 100% of the fixed components or, for some members of this group, 200% of such fixed components if the resolution contemplated in item Ten of the agenda is approved.

– *Buy-out policy*. During financial year 2016, at the proposal of the remuneration committee, the board of directors approved a buy-out policy aimed at establishing homogeneous rules applicable to hiring by any entity of the Santander Group in which such entity assumes, as a part of the offer to the corresponding executive or employee

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[3] In relation to certain members of the Identified Staff, the variable components of their remuneration include contributions to benefits schemes calculated based on the variable remuneration of the corresponding member.

On the other hand, in certain countries, the deferral period or percentage may be longer to comply with applicable local regulations or with the requirements of the competent authority in each case.

(whether or not he or she belongs to the Identified Staff), the cost of the variable remuneration that such persons would have been paid by their previous company and that they would lose as a consequence of accepting the offer from the Group. This type of policy is compatible with the regulations and recommendations applicable to the Company and is widespread in the market; the purpose is to maintain a degree of flexibility to be able to attract the best talent and to be fair with respect to the loss of rights that an executive or employee assumes due to joining the Group.

Until then, the Group generally paid the executive or employee the corresponding amounts in cash. However, the new buy-out policy introduced the possibility of paying such amounts in Santander shares, which permits a better alignment with the Company's long-term interests.

The delivery of shares of the Bank within the framework of the application of the aforementioned policy with respect to hiring during 2017 and before the next ordinary general shareholders' meeting (whether or not the person hired will be included within Identified Staff) is submitted for the approval of the shareholders at this general shareholders' meeting under item Eleven C of the agenda. Therefore, the application of this buy-out policy will be regardless of the possible inclusion of the executive or employee hired among the beneficiaries of Award A or of Award B, as applicable and depending on the category to which they are assigned within the Group. In addition, such proposal also provides that the authorisation to deliver shares may also be applied to buy-outs related to hires prior to financial year 2017 in order to replace, in total or in part, the amounts initially agreed in cash by an equivalent delivery of shares.

III. Award

– *Determination of Award.* At the beginning of 2018 and following a proposal of the remuneration committee, the board of directors will verify if the targets on which the maximum amount of the 2017 Award is contingent have been met. Subsequently, if applicable, the 2017 Award for each member of the Identified Staff will be established based on the benchmark award for such financial year. The Award setting will take into account the quantitative metrics and qualitative factors applicable to the Award and which have been revised with respect to those of previous financial years.

– *Form of payment of the Award*. The Award will be paid 50% in cash and 50% in shares, part in 2018 and part on a deferred basis over three or five years, as follows:

Beneficiaries of Award A:

- 40% to 60% of Award A, depending on the category to which the beneficiary belongs, will be paid in 2018, in halves and net of taxes, in cash and in shares (this part of the total amount of Award A, the "**Immediate Payment Amount**").
- The amount corresponding to the remaining percentage (the "**Deferred Amount**") will be deferred by thirds or fifths, as applicable, in the case of Award A and by thirds in the case of Award B, and will be paid, if applicable, in the following financial years (until financial year 2021 or 2023, as applicable). Each year the respective amount will be paid, net of taxes, half in cash and half in shares.

These deferral periods and the deferred amount may be increased (but not reduced) in certain territories to conform them to applicable legal provisions in such jurisdiction or to the requirements of the competent authority.

Beneficiaries of Award B:

- 40 to 60% of Award B, depending of the level of the beneficiary's remuneration, will be paid in 2018, in halves and net of taxes, in cash and in shares (this part of the total amount of Award A or of Award B, the "**Immediate Payment Amount**").
- The amount corresponding to the remaining percentage (the "**Deferred Amount**") will be deferred by thirds or fifths, as applicable, and will be paid, if applicable, in the following financial years (until financial year 2021 or 2023, as applicable). Each year the respective amount will be paid, net of taxes, half in cash and half in shares.

This deferral period may be extended (but not reduced) in certain territories to conform it to applicable legal provisions in such jurisdiction or to the requirements of the competent authority.

By way of exception, if the regulations so allow, it is possible that Awards payments of less than 50,000 euros will not be deferred.

– *Conditions for the accrual of the deferred portion of the Award*. In addition to the beneficiary remaining with the Santander Group, the accrual of the deferred part of both Award A and Award B is conditional upon the non-existence of so called *malus* provisions revealing improper risk-taking in accordance with the Group's malus and clawback policy.

Furthermore, pursuant to applicable legal provisions, the amounts paid for the Award shall be subject to clawback clauses in the instances provided for in the applicable policy of the Bank.

Additionally, the accrual of the deferred portion of Award A to be paid in financial years 2021 and, if applicable, 2022 and 2023 (the "**Deferred Portion Subject to Objectives**") is subject to compliance with certain targets for the 2017-2019 period (the "**Multiyear Objectives**") and to the metrics and compliance scales associated with such Multiyear Objectives, which are those set forth below:

(a) Compliance with consolidated earnings-per-share ("**EPS**") growth target of Banco Santander for 2019 compared to 2016. The coefficient corresponding to this target (the "**EPS Coefficient**") will be obtained from the following table:

2019 EPS growth (% compared to 2016)	**EPS Coefficient**
≥ 25%	1
≥ 0% but < 25%	0 – 1 (*)
< 0%	0

(*) Straight-line increase in EPS Coefficient based on the specific percentage of growth of 2018's EPS with respect to 2016's EPS within this bracket of the scale.

(b) Relative performance of total shareholder return ("**TSR**") of the Bank for the 2017-2019 period compared to the TSRs of a group of 17 credit institutions (the "**Peer Group**"), assigning the corresponding TSR Coefficient depending on the Bank's TSR position within the Peer Group.

TSR position of Santander	"TSR Coefficient"
Exceeding 66 percentile	1
Between 33 and 66 percentiles	0-1(*)
Below 33 percentile	0

(*) Proportional increase in TSR Coefficient according to the number of positions moved up in the ranking within this line of the scale.

TSR measures a shareholder's return on investment as the sum of the change in the share price plus dividends and other similar items (including the *Santander Dividendo Elección* scrip dividend scheme) that the shareholder may receive during the period under consideration.

The Peer Group will be made up of the following entities: Itaú, JP Morgan, Bank of America, HSBC, BNP Paribas, Standard Chartered, Citi, Société Générale, ING, Barclays, Wells Fargo, BBVA, Lloyds, UBS, Intesa San Paolo, Deutsche Bank and Unicredit.

(c) Compliance with the fully-loaded common equity tier 1 ("**CET1**") ratio target of the Santander Group for financial year 2019. The coefficient corresponding to this target (the "**CET1 Coefficient**") will be obtained from the following table:

CET1 in 2019	CET1 Coefficient
≥ 11.30%	1
≥ 11% but < 11.30%	0.5 – 1 (*)
< 11%	0

(*) Straight-line increase in CET1 Coefficient based on 2019's CET1 within this bracket of the scale.

In order to verify if this target has been met, any potential increase in CET1 deriving from share capital increases (other than those implemented under the *Santander Dividendo Elección* scrip dividend scheme) will be disregarded. Moreover, the CET1 ratio at 31 December 2019 may be adjusted in order to remove the effects of any regulatory change on the calculation rules thereof that may occur until such date.

The following formula will be applied to determine the annual amount of the Deferred Portion Subject to Objectives, if any, for each beneficiary in financial years 2021 and, if applicable, 2022 and 2023 (each one of these payments, a "**Final Annual Payment**"), without prejudice to any adjustments that may result from "bad actor" (*malus*) clauses:

Final Annual Payment = Amt. x (1/3 x A + 1/3 x B + 1/3 x C)

where,

- "**Amt.**" corresponds to a fifth or a third, based on the beneficiary's profile, of the Deferred Amount of Award A.
- "**A**" is the EPS Coefficient according to the scale in paragraph (a) above based on EPS growth in 2019 compared to 2016.
- "**B**" is the TSR Coefficient according to the scale in paragraph (b) above based on the relative performance of the TSR of the Bank for the 2017-2019 period with respect to the Peer Group.
- "**C**" is the CET1 Coefficient resulting from compliance with the CET1 target for 2019 described in paragraph (c) above.

Finally, and in relation to the Deferred Multiyear Objectives Variable Remuneration Plan, provision is made to include within the board's powers the ability to adjust positively or negatively, following a proposal of the remuneration committee, the level of achievement of the Multiyear Objectives when inorganic transactions, material changes to the Group's composition or dimension or other extraordinary circumstances have occurred which affect the suitability of the metric and achievement scale approved in each case and resulting in an impact not related to the performance of the executive directors and senior executives being evaluated. Such possibility would also apply to the first cycle of the aforementioned Plan, which application was agreed at the ordinary general shareholders' meeting of the Bank held on 18 March 2016 under item Thirteen A.

Proposals[1]:

Eleven A

Deferred Multiyear Objectives Variable Remuneration Plan

To approve the implementation of the second cycle of the Deferred Multiyear Objectives Variable Remuneration Plan, inasmuch as it is a remuneration system that includes the delivery of shares of the Bank or rights thereon, which has been approved by the board of directors on the terms and conditions described below:

I. Purpose and Beneficiaries

The second cycle of the Deferred Multiyear Objectives Variable Remuneration Plan will be implemented in connection with the variable remuneration or award (hereinafter, "**Award A**") for financial year 2017 that is approved by the board of directors or the appropriate body in each case, for executive directors of Banco Santander, vice presidents, country heads, other key executives from the main countries in which the Group operates and, in general, the Faro executives of the Group, all of them belonging to the "**Identified Staff**" (that is, to categories of staff whose professional activities have a material impact on the risk profile of the institution or its Group in accordance with section 32.1 of Law 10/2014 of 26 June on organisation, supervision and solvency of credit institutions, and the regulations in implementation thereof).

The number of beneficiaries of Award A is expected to be 300 persons, though this resolution does not affect those persons whose Award A is not paid, either in whole or in part, in shares or similar instruments of Banco Santander, but rather in shares or similar instruments of subsidiaries of Banco Santander. Taking into account possible changes in the workforce, the number of beneficiaries of this resolution may change. The board of directors, or the executive committee acting by delegation therefrom, may approve inclusions (through promotion or hiring at the Santander Group) or exclusions from the Identified Staff, without at any time changing the authorised maximum total number of shares to be delivered.

The purpose of this second cycle of the Deferred Multiyear Objectives Variable Remuneration Plan is (a) to defer a portion of Award A over a period of three to five years, depending on the beneficiary, subject to the non-occurrence of certain circumstances, (b) in turn, to link a portion of such amount to the performance of the Bank over a multiyear period, (c) for its payment, if applicable, in cash and in Santander shares, and (d) also paying the other portion of such variable remuneration in cash and in Santander shares upon commencement, all in accordance with the rules set forth below.

[1] Each of the items Eleven A to Eleven D shall be submitted to a separate vote.

II. Operation

Award A of the beneficiaries for financial year 2017 will be paid according to the following percentages, depending on the time of payment and on the group to which the beneficiary belongs (the "**Immediate Payment Percentage**", to identify the portion for which payment is not deferred, and the "**Deferred Percentage**", to identify the portion for which payment is deferred):

	Immediate Payment Percentage	Deferred Percentage (*)	Deferral Period (*)	Deferred Portion Subject to Objectives (*)
Executive directors and members of the Identified Staff whose target(**) total variable remuneration is ≥ €2.7 mill. (***)	40%	60%	5 years	Last 3 years (3/5 of Deferred Percentage)
Vice presidents, country heads of countries representing at least 1% of the Group's financial capital and other Faro executives whose target(**) total variable remuneration is ≥ €1.7 mill. (< €2.7 mill.). (***)	50%	50%	5 years	Last 3 years (3/5 of Deferred Percentage)
Rest of Faro executives who are beneficiaries of Award A(***)	60%	40%	3 years	Last year (1/3 of Deferred Percentage)

(*) In certain countries, the deferral percentage and the deferral period may also be different to comply with applicable local regulations or with the requirements of the competent authority in each case. Similarly, the deferred part subject to objectives can be applied to years that are not the last ones, but not before the third year.

(**) Reference variable remuneration for an standard compliance (100% of the objectives).

(***) For the purposes of the assignation of a beneficiary to the corresponding category, for those variable remunerations not denominated in euros, it will be taken into account the average closing exchange rate corresponding to the last fifteen trading sessions prior to the Friday (exclusive) of the previous week to the date on which the board of directors agreed the variable remuneration of the Bank's executive directors for 2016 (24 January 2017).

Taking the foregoing into account, Award A for financial year 2017 will be paid as follows:

(i) Each beneficiary will receive in 2018, depending on the group to which such beneficiary belongs, the Immediate Payment Percentage applicable in each case, in halves and net of taxes (or withholdings), in cash and in Santander shares (the "**Initial Date**", meaning the specific date on which the Immediate Payment Percentage is paid).

(ii) Payment of the Deferred Percentage of Award A applicable in each case depending on the group to which the beneficiary belongs will be deferred over a period of 3 or 5 years (the "**Deferral Period**") and will be paid in thirds or fifths, as applicable, within thirty days of the anniversaries of the Initial Date in 2019, 2020 and 2021 and, if applicable, 2022 and 2023 (the "**Anniversaries**"), provided that the conditions described below are met.

(iii) The deferred portion will be paid in thirds or fifths (each one, an "**Annual Payment**"), which will determine the maximum amount to be paid, if applicable, on each one of the Anniversaries.

(iv) Each one of the payments that are applicable on the Anniversaries will be paid 50% in cash and the other 50% in Santander shares, after applying any withholding or interim payments applicable at any time.

(v) The beneficiaries receiving Santander shares pursuant to paragraphs (i) to (iv) above may not transfer them or hedge them directly or indirectly for one year as from each delivery of shares. The beneficiaries may likewise not hedge the shares directly or indirectly prior to delivery thereof.

In addition to continuity of the beneficiary within the Santander Group[2], the accrual of all Annual Payments is subject to none of the circumstances giving rise to the application of *malus* provisions as set out in the *malus* and clawback chapter of the Group's remuneration policy having occurred during the period before each of the deliveries. Likewise, amounts of Award A already paid shall be subject to possible clawback by the Bank in the instances and for the period described in said policy, all upon the terms and conditions set forth therein.

The application of *malus* and clawback provisions are activated in those events in which there is a deficient financial performance of the entity as a whole or of a specific division or area thereof or exposures generated by the staff, and which must take into account at least the following factors:

(i) Significant failures in risk management committed by the entity or by a business or risk control unit.

(ii) An increase in the capital needs of the entity or a business unit that was not expected at the time the exposures were generated.

(iii) Regulatory sanctions or court sentences for facts that might be attributable to the unit or to the staff responsible for them. Also a breach of the entity's internal codes of conduct.

(iv) Improper conduct, whether individual or collective. Negative effects from the sale of unsuitable products and the responsibilities of the persons or bodies making such decision shall be especially considered.

The individual policies of each country may also include any other standard regard by legal provisions or by local regulators.

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[2] When termination of the relationship with Banco Santander or another entity of the Santander Group is due to retirement, early retirement or pre-retirement of the beneficiary, for a termination judicially declared to be improper, unilateral separation for good cause by an employee (which includes, in any case, the situations set forth in section 10.3 of Royal Decree 1382/1985 of 1 August governing the special relationship of senior management, for the persons subject to these rules), permanent disability or death, or as a result of an employer other than Banco Santander ceasing to belong to the Santander Group, as well as in those cases of mandatory redundancy, the right to delivery of the shares and the cash amounts that have been deferred shall remain under the same conditions in force as if none of such circumstances had occurred.

In the event of death, the right shall pass to the successors of the beneficiary.

In cases of justified temporary leave due to temporary disability, suspension of the contract of employment due to maternity or paternity, or leave to care for children or a relative, there shall be no change in the rights of the beneficiary.

If the beneficiary goes to another company of the Santander Group (including through international assignment and/or expatriation), there shall be no change in the rights thereof.

If the relationship terminates by mutual agreement or because the beneficiary obtains a leave not referred to in any of the preceding paragraphs, the terms of the termination or temporary leave agreement shall apply.

None of the above circumstances shall give the right to receive the deferred amount in advance. If the beneficiary or the successors thereof maintain the right to receive deferred remuneration in shares and in cash, such remuneration shall be delivered within the periods and upon the terms set forth in the plan rules.

Additionally, the accrual of the third and, if applicable, fourth and fifth Annual Payments (these Annual Payments, together, the "**Deferred Portion Subject to Objectives**") is subject to compliance with certain targets referring to the 2017-2019 period (the "**Multiyear Objectives**") and to the metrics and compliance scales associated with such Multiyear Objectives, which are those set forth below:

(a) Compliance with consolidated earnings-per-share ("**EPS**") growth target of Banco Santander for 2019 compared to 2016. The coefficient corresponding to this target (the "**EPS Coefficient**") will be obtained from the following table:

2019 EPS growth (% compared to 2016)	EPS Coefficient
≥ 25%	1
≥ 0% but < 25%	0 – 1 (*)
< 0%	0

(*) Straight-line increase in EPS Coefficient based on the specific percentage of growth of 2019's EPS with respect to 2016's EPS within this bracket of the scale.

(b) Relative performance of total shareholder return ("**TSR**") of the Bank for the 2017-2019 period compared to the TSRs of a peer group of 17 credit institutions.

For these purposes:

– "**TSR**" means the difference (expressed as a percentage) between the final value of an investment in ordinary shares of Banco Santander and the initial value of the same investment, taking into account that for the calculation of such final value, dividends or other similar items (such as the *Santander Dividendo Elección* scrip dividend scheme) received by the shareholder due to such investment during the corresponding period of time will be considered as if they had been invested in more shares of the same class at the first date on which the dividend or similar item is owed to the shareholders and at the average weighted listing price on said date. To calculate TSR, the average weighted daily volume of the average weighted listing prices corresponding to the fifteen trading sessions prior to 1 January 2017 (excluded) (for the calculation of the initial value) and of the fifteen trading sessions prior to 1 January 2020 (excluded) (for the calculation of the final value) will be taken into account.

– "**Peer Group**", the group made up of the following 17 financial institutions: Itaú, JP Morgan, Bank of America, HSBC, BNP Paribas, Standard Chartered, Citi, Société Générale, ING, Barclays, Wells Fargo, BBVA, Lloyds, UBS, Intesa San Paolo, Deutsche Bank and Unicredit.

For this TSR metric, the following achievement scale is established:

TSR position of Santander	"TSR Coefficient"
Exceeding 66 percentile	1
Between 33 and 66 percentiles	0-1(*)
Below 33 percentile	0

(*) Proportional increase in TSR Coefficient according to the number of positions moved up in the ranking within this line of the scale.

(c) Compliance with the fully-loaded common equity tier 1 (“**CET1**”) ratio target of the Santander Group for financial year 2019. The Coefficient corresponding to this target (the “**CET1 Coefficient**”) will be obtained from the following table:

CET1 in 2019	CET1 Coefficient
≥ 11.30%	1
≥ 11% but < 11.30%	0.5 – 1 (*)
< 11%	0

(*) Straight-line increase in CET1 Coefficient based on 2019’s CET1 within this bracket of the scale.

In order to verify if this target has been met, any potential increase in CET1 deriving from share capital increases (other than those implemented under the *Santander Dividendo Elección* scrip dividend scheme) will be disregarded. Moreover, the CET1 ratio at 31 December 2019 may be adjusted in order to remove the effects of any regulatory change on the calculation rules thereof that may occur until such date.

To determine the amount of the Deferred Portion Subject to Objectives that, if applicable, must be paid to each beneficiary on the corresponding Anniversaries (each payment, a “**Final Annual Payment**”), and without prejudice to the adjustments that may result from application of the aforementioned *malus* policy:

Final Annual Payment = Amt. x (1/3 x A + 1/3 x B + 1/3 x C)

where,

– “**Amt.**” corresponds to the amount of Award A equivalent to an Annual Payment.

– “**A**” is the EPS Coefficient according to the scale in paragraph (a) above based on EPS growth in 2019 compared to 2016.

– “**B**” is the TSR Coefficient according to the scale in paragraph (b) above based on the relative performance of the TSR of the Bank for the 2017-2019 period with respect to the Peer Group.

– “**C**” is the CET1 Coefficient resulting from compliance with the CET1 target for 2019 described in paragraph (c) above.

III. Maximum Number of Shares to Be Delivered

The final number of shares delivered to each beneficiary, including both those for immediate payment and those for deferred payment, shall be calculated taking into account: (i) the amount resulting from applying applicable taxes (or withholdings), and (ii) the average weighted daily volume of the average weighted listing prices of the shares of Santander for the fifteen trading sessions prior to the Friday (exclusive) of the previous week to the date on which the board of directors approves Award A for the executive directors of the Bank for financial year 2017 (hereinafter, the “**2018 Listing Price**”).

Taking into account that the board of directors has estimated that the maximum amount of Award A to be delivered in shares to the beneficiaries of the second cycle of the Deferred Multiyear Objectives Variable Remuneration Plan will come to 135 million euros (the “**Maximum Amount of Award A Distributable in Shares**” or “**MAAADS**”), the maximum number of shares of Santander that may be delivered to such beneficiaries under this plan (the

"**Limit of Award A in Shares**" or "**LAAS**") will be determined, after deducting any applicable taxes (or withholdings), by applying the following formula:

$$\text{LAAS} = \frac{\text{MAAADS}}{\text{2018 Listing Price}}$$

Included in the Maximum Amount of Award A Distributable in Shares is the estimated maximum amount of Award A to be delivered in shares to the executive directors of the Bank, which comes to 11.5 million euros (the "**Maximum Amount Distributable in Shares for Executive Directors**" or "**MADSED**"). The maximum number of Santander shares that may be delivered to the executive directors under this plan (the "**Limit on Shares for Executive Directors**" or "**LSED**") will be determined, after deducting any applicable taxes (or withholdings), by applying the following formula:

$$\text{LSED} = \frac{\text{MADSED}}{\text{2018 Listing Price}}$$

IV. <u>Other Rules</u>

In the event of a change in the number of shares due to a decrease or increase in the par value of the shares or a transaction with an equivalent effect, the number of shares to be delivered will be modified so as to maintain the percentage of the total share capital represented by them.

Information from the stock exchange with the largest trading volume will be used to determine the listing price of the share.

If necessary or appropriate for legal, regulatory or other similar reasons, the delivery mechanisms provided for herein may be adapted in specific cases without altering the maximum number of shares linked to the plan or the basic conditions upon which the delivery thereof is made contingent. Such adaptations may include the substitution of the delivery of shares with the delivery of equivalent amounts in cash, or vice versa.

The shares to be delivered may be owned by the Bank or by any of its subsidiaries, be newly-issued shares, or be obtained from third parties with whom agreements have been signed to ensure that the commitments made will be met.

V. <u>Authorisation</u>

Without prejudice to the general provisions set forth in item Twelve or in preceding sections or to the powers of the board of directors in remuneration matters under the Bylaws and the rules and regulations of the board, the board of directors of the Bank is hereby authorised, to the extent required, to implement this resolution, with the power to elaborate, as necessary, on the rules set forth herein and on the content of the agreements and other documents to be used. This attribution of powers is also applicable, *mutatis mutandis*, to agreement Thirteen A of those approved at the ordinary general shareholders' meeting of the Bank held on 18 March 2016 regarding the application of the first cycle of the Deferred Multiyear Objectives Variable Remuneration Plan. Specifically, and merely by way of example, the board of directors shall have the following powers:

(i) To approve the basic contents of the agreements and of such other supplementary documentation as may be necessary or appropriate.

(ii) To approve all such notices and supplementary documentation as may be necessary or appropriate to file with any government agency or private entity, including, if required, the respective prospectuses.

(iii) To take any action, carry out any procedure or make any statement before any public or private entity or agency to secure any required authorisation or verification.

(iv) To determine the specific number of shares to be received by each of the beneficiaries of the plan to which this resolution refers, observing the established maximum limits.

(v) To specify which executives or employees are beneficiaries of Award A and to determine the assignment of the beneficiaries of the plan to one category or another of those described in this resolution, without altering the maximum amount of Award A to be delivered in shares, except in the event that Faro executives or executives in a similar category initially ascribed to the remuneration plan to which item Eleven B refers are finally ascribed to this plan implementing Award A, in which case the board will be entitled to use for Award A the excess of the maximum amount set under item Eleven B (so that, altogether, the maximum amount set under items Eleven A and Eleven B is under no circumstances exceeded).

Additionally, the board will be entitled to apply the measures and mechanisms that may be appropriate to compensate for the dilution effect, if any, that may occur as a result of corporate transactions or distributions to shareholders while the shares have not been delivered to the beneficiaries; and, in the event that the maximum amount distributable in shares to be delivered is exceeded with relation to any of the three groups to which the plan is directed, to authorise the deferral and payment of the excess in cash.

(vi) To approve, where applicable, the engagement of one or more internationally recognised third parties to verify the achievement of the Multiyear Objectives. In particular, and merely by way of example, it may ask such third parties: to obtain, from appropriate sources, the data upon which the calculations of TSR are to be based; to perform the calculations of the TSR of the Bank and the TSRs of the Peer Group's entities; to compare the Bank's TSR with the TSRs of the institutions within the Peer Group; to recalculate CET1 removing the effects of share capital increases and regulatory changes; and to provide advice on the decision as to how to act in the event of unexpected changes in the Peer Group that may require adjustments to the rules for comparison among them or on the amendment of the Peer Group in light of objective circumstances that justify such amendment (such as inorganic transactions or other extraordinary circumstances).

(vii) To interpret the foregoing resolutions, with powers to adapt them, without affecting their basic content, to the circumstances that may arise at any time, including in particular adapting the delivery mechanisms, without altering the maximum number of shares linked to the plan or the basic conditions upon which the delivery thereof is made contingent, which may include the substitution of the delivery of shares with the delivery of equivalent amounts in cash, or the alteration of the mechanisms for net delivery of shares under the procedures that are established for the payment of taxes. In addition, the board may adapt the aforementioned plan (including the adjustment or removal of any metrics and scales of compliance for the Multiyear Objectives, the inclusion of additional targets for the delivery of any deferred amount of Award A or the increase of the Deferred Percentages or of the Deferral Period) to any mandatory regulations or administrative interpretation that may prevent the implementation thereof on the approved terms.

(viii) To adjust positively or negatively, following a proposal of the remuneration committee, the level of achievement of the Multiyear Objectives when inorganic transactions, material changes to the Group's composition or dimension or other extraordinary circumstances have occurred which affect the suitability of the metric and achievement scale approved in each case and resulting in an impact not related to the performance of the executive directors and senior executives being evaluated.

(ix) To develop and specify the conditions upon which the receipt by the beneficiaries of the corresponding shares or deferred amounts is contingent, as well as to determine whether, according to the plan to which this resolution refers, the conditions upon which the receipt by the beneficiaries of the respective shares or cash amounts is made contingent have been fulfilled, with the power to modulate the cash amounts and the number of shares to be delivered depending on the existing circumstances, all following a proposal of the remuneration committee.

(x) In general, to take any actions and execute all such documents as may be necessary or appropriate.

The board of directors may delegate to the executive committee all the powers conferred in this resolution Eleven A (except for those that may not be delegated under the law).

The provisions of this resolution are deemed to be without prejudice to the exercise by such of the Bank's subsidiaries as may be appropriate in each case of the powers they hold to implement the variable remuneration policy, the plan and the cycles thereof with respect to their own executives and employees and, if applicable, to adjust them to regulations or to the requirements of competent authorities in the respective jurisdiction.

Eleven B

Deferred and Conditional Variable Remuneration Plan

To approve the implementation of the seventh cycle of the Deferred and Conditional Variable Remuneration Plan, inasmuch as it is a remuneration system that includes the delivery of shares of the Bank or of rights thereon, which has been approved by the board of directors on the terms and conditions described below:

I. Purpose and Beneficiaries

The seventh cycle of the Deferred and Conditional Variable Remuneration Plan will be implemented with respect to the variable remuneration or award (hereinafter, "**Award B**") to be approved by the board of directors, or by the appropriate body in each case, for financial year 2017 for categories of staff whose professional activities have a material impact on the risk profile of the institution or its Group (all of them together, the "**Identified Staff**" and identified under section 32.1 of Law 10/2014 of 26 June on the organisation, supervision and solvency of credit institutions, and the regulations in implementation thereof), or other persons included in this group under regulatory or corporate standards in a specific country, and who are not beneficiaries of the plan to which item Eleven A above refers.

The number of members of the Identified Staff who would be beneficiaries of this plan comes to approximately 1,100 persons, though this resolution does not affect those whose Award is not paid, either in whole or in part, in shares or similar instruments of Banco Santander, but rather in shares or similar instruments of subsidiaries of Banco Santander. Taking into account possible changes in the workforce, the number of beneficiaries of this resolution may change. The board of directors, or the executive committee acting by delegation therefrom, may approve inclusions (through promotion or hiring at the Group) in or exclusions from the members of the Identified Staff that are beneficiaries of this plan, without at any time changing the authorised maximum total number of shares to be delivered.

The purpose of this seventh cycle of the Deferred and Conditional Variable Remuneration Plan is to defer a portion of Award B for a period of three years (or five years in the case of beneficiaries with incentive levels comparable to those of certain categories of Award A) for its payment, if applicable, in cash and in Santander shares (subject to the non-occurrence of certain circumstances), also paying the other portion of such variable remuneration in cash and in Santander shares at the outset, all in accordance with the rules set forth below.

II. Operation

Award B of the beneficiaries for financial year 2017 will be paid according to the following percentages, depending on the time of payment and on the level of the beneficiary's remuneration (the "**Immediate Payment Percentage**", to identify the portion for which payment is not deferred, and the "**Deferred Percentage**", to identify the portion for which payment is deferred):

	Immediate Payment Percentage	**Deferred Percentage (*)**	**Deferral Period (*)**
Beneficiaries of Award B whose target(**) total variable remuneration is ≥ €2.7 mill. (***)	40%	60%	5 years
Beneficiaries of Award B whose target(**) total variable remuneration is ≥ €1.7 mill. (< €2.7 mill.). (***)	50%	50%	5 years
Other beneficiaries of Award B. (***)	60%	40%	3 years

(*) In certain countries, the deferral percentage and the deferral period may also be different to comply with applicable local regulations or with the requirements of the competent authority in each case. Similarly, the deferred part subject to objectives can be applied to years that are not the last ones, but not before the third year.

(**) Reference variable remuneration for an standard compliance (100% of the objectives).

(***) For the purposes of the assignation of a beneficiary to the corresponding category, for those variable remunerations not denominated in euros, it will be taken into account the average closing exchange rate corresponding to the last fifteen trading sessions prior to the Friday (exclusive) of the previous week to the date on which the board of directors agreed the variable remuneration of the Bank's executive directors for 2016 (24 January 2017).

Taking into account the foregoing, the Award B for financial year 2017 will be paid as follows:

(i) Each beneficiary will receive the Immediate Payment Percentage of Award B in 2018, in halves and net of taxes (or withholdings), in cash and in Santander shares (the "**Initial Date**", meaning the specific date on which said percentage of Award B is paid).

(ii) Payment of the Deferred Percentage of Award B will be deferred over a period of 3 or 5 years (the "**Deferral Period**") and will be paid in thirds or fifths, as applicable, within thirty days of the anniversaries of the Initial Date in 2019, 2020 and 2021 and, if applicable, 2022 and 2023 (the "**Anniversaries**"), provided that the conditions described below are met.

(iii) The deferred portion will be paid in thirds or fifths (each one, an "**Annual Payment**"), which will determine the maximum amount to be paid, if applicable, on each one of the Anniversaries.

(iv) Each one of the payments that are applicable on the Anniversaries will be paid 50% in cash and the other 50% in Santander shares, after applying any withholding or interim payments applicable at any time.

(v) The beneficiaries receiving Santander shares pursuant to paragraphs (i) to (iv) above may not transfer them or hedge them directly or indirectly for one year as from each delivery of shares. The beneficiaries may likewise not hedge the shares directly or indirectly prior to delivery thereof.

In addition to continuity of the beneficiary within the Santander Group[3], the accrual of all Annual Payments is subject to none of the circumstances giving rise to the application of *malus* provisions as set out in the *malus* and clawback chapter of the Group's remuneration policy having occurred during the period before each of the deliveries. Likewise, amounts of Award B already paid shall be subject to possible clawback by the Bank in the instances and for the period described in said policy, all upon the terms and conditions set forth therein.

The application of *malus* and clawback provisions are activated in those events in which there is a deficient financial performance of the entity as a whole or of a specific division or area thereof or exposures generated by the staff, and which must take into account at least the following factors:

(i) Significant failures in risk management committed by the entity or by a business or risk control unit.

(ii) An increase in the capital needs of the entity or a business unit that was not expected at the time the exposures were generated.

(iii) Regulatory sanctions or court sentences for facts that might be attributable to the unit or to the staff responsible for them. Also a breach of the entity's internal codes of conduct.

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[3] When termination of the relationship with Banco Santander or another entity of the Santander Group is due to retirement, early retirement or pre-retirement of the beneficiary, for a termination judicially declared to be improper, unilateral separation for good cause by an employee (which includes, in any case, the situations set forth in section 10.3 of Royal Decree 1382/1985 of 1 August governing the special relationship of senior management, for the persons subject to these rules), permanent disability or death, or as a result of an employer other than Banco Santander ceasing to belong to the Santander Group, as well as in those cases of mandatory redundancy, the right to delivery of the shares and the cash amounts that have been deferred shall remain under the same conditions in force as if none of such circumstances had occurred.

In the event of death, the right shall pass to the successors of the beneficiary.

In cases of justified temporary leave due to temporary disability, suspension of the contract of employment due to maternity or paternity, or leave to care for children or a relative, there shall be no change in the rights of the beneficiary.

If the beneficiary goes to another company of the Santander Group (including through international assignment and/or expatriation), there shall be no change in the rights thereof.

If the relationship terminates by mutual agreement or because the beneficiary obtains a leave not referred to in any of the preceding paragraphs, the terms of the termination or temporary leave agreement shall apply.

None of the above circumstances shall give the right to receive the deferred amount in advance. If the beneficiary or the successors thereof maintain the right to receive deferred remuneration in shares and in cash, such remuneration shall be delivered within the periods and upon the terms set forth in the plan rules.

(iv) Improper conduct, whether individual or collective. Negative effects from the sale of unsuitable products and the responsibilities of the persons or bodies making such decision shall be especially considered.

The individual policies of each country may also include any other standard regard by legal provisions or by local regulators.

If the foregoing requirements are met on each Anniversary, the beneficiaries shall receive the cash and shares, in thirds or fifths, as applicable, within thirty days of the first, second, third and, if applicable, fourth and fifth Anniversary.

III. Maximum Number of Shares to Be Delivered

The final number of shares to be delivered to each beneficiary, including both those for immediate payment and those for deferred payment, shall be calculated taking into account: (i) the amount resulting from applying applicable taxes (or withholdings), and (ii) the average weighted daily volume of the average weighted listing prices of the shares of Santander for the fifteen trading sessions prior to the Friday (exclusive) of the previous week to the date on which the board of directors approves Award A for the executive directors of the Bank for financial year 2017 (hereinafter, the "**2018 Listing Price**").

Taking into account that the board of directors has estimated that the maximum amount of Award B to be delivered in shares to the beneficiaries of the seventh cycle of the Deferred and Conditional Variable Remuneration Plan comes to 145 million euros (the "**Maximum Amount of Award B Distributable in Shares**" or "**MAABDS**"), the maximum number of Santander shares that may be delivered to such beneficiaries under this plan (the "**Limit of Award B in Shares**" or "**LABS**") will be determined, after deducting any applicable taxes (or withholdings), by applying the following formula:

$$\mathrm{LABS} = \frac{\mathrm{MAABDS}}{\text{2018 Listing Price}}$$

IV. Other Rules

In the event of a change in the number of shares due to a decrease or increase in the par value of the shares or a transaction with an equivalent effect, the number of shares to be delivered will be modified so as to maintain the percentage of the total share capital represented by them.

Information from the stock exchange with the largest trading volume will be used to determine the listing price of the share.

If necessary or appropriate for legal, regulatory or other similar reasons, the delivery mechanisms provided for herein may be adapted in specific cases without altering the maximum number of shares linked to the plan or the basic conditions upon which the delivery thereof is made contingent. Such adaptations may include the substitution of the delivery of shares with the delivery of equivalent amounts in cash, or vice versa.

The shares to be delivered may be owned by the Bank or by any of its subsidiaries, be newly-issued shares, or be obtained from third parties with whom agreements have been signed to ensure that the commitments made will be met.

V. Authorisation

Without prejudice to the general provisions set forth in item Twelve or in preceding sections or to the powers of the board of directors in remuneration matters under the Bylaws and the rules and regulations of the board, the board of directors of the Bank is hereby authorised, to the extent required, to implement this resolution, with the power to elaborate, as necessary, on the rules set forth herein and on the content of the agreements and other documents to be used. Specifically, and merely by way of example, the board of directors shall have the following powers:

(i) To approve the basic contents of the agreements and of such other supplementary documentation as may be necessary or appropriate.

(ii) To approve all such notices and supplementary documentation as may be necessary or appropriate to file with any government agency or private entity, including, if required, the respective prospectuses.

(iii) To take any action, carry out any procedure or make any statement before any public or private entity or agency to secure any required authorisation or verification.

(iv) To determine the specific number of shares to be received by each of the beneficiaries of the plan to which this resolution refers, observing the established maximum limits.

(v) To set, without altering the maximum amount of Award B to be delivered in shares, which executives or employees are beneficiaries of the plan; to apply the measures and mechanisms that may be appropriate to compensate for the dilution effect, if any, that may occur as a result of corporate transactions or distributions to shareholders while the shares have not been delivered to the beneficiaries; and, in the event that the maximum amount distributable in shares to be delivered to the beneficiaries of the plan is exceeded, to authorise the deferral and payment of the excess in cash.

(vi) To interpret the foregoing resolutions, with powers to adapt them, without affecting their basic content, to the circumstances that may arise at any time, including in particular adapting the delivery mechanisms, without altering the maximum number of shares linked to the plan or the basic conditions upon which the delivery thereof is made contingent, which may include the substitution of the delivery of shares with the delivery of equivalent amounts in cash, or the alteration of the mechanisms for net delivery of shares under the procedures that are established for the payment of taxes. In addition, the board may adapt the aforementioned plan (including the introduction of new conditions for the delivery of any deferred amount of Award B or the amendment of existing conditions and, if applicable, the increase of the deferred percentages or the deferral period) to any mandatory regulations or administrative interpretation that may prevent the implementation thereof on the approved terms.

(vii) To develop and specify the conditions upon which the receipt by the beneficiaries of the corresponding shares or deferred amounts is contingent, as well as to determine whether, according to the plan to which this resolution refers, the conditions upon which the receipt by the beneficiaries of the respective shares or cash amounts is made contingent have been fulfilled, with the power to modulate the cash amounts and the number of shares to be delivered depending on the existing circumstances, all following a proposal of the remuneration committee.

(viii) In general, to take any actions and execute all such documents as may be necessary or appropriate.

The board of directors may delegate to the executive committee all the powers conferred in this resolution Eleven B (except for those that may not be delegated under the law).

The provisions of this resolution are deemed to be without prejudice to the exercise by such of the Bank's subsidiaries as may be appropriate in each case of the powers they hold to implement the variable remuneration policy, the plan and the cycles thereof with respect to their own executives and employees and, if applicable, to adjust them to regulations or to the requirements of competent authorities in the respective jurisdiction.

Eleven C

Application of Santander Group's buy-out policy

To authorise, inasmuch as it is a remuneration system that includes the delivery of shares of the Bank or of rights thereon or that is linked to the price of the shares, the (immediate or deferred) delivery of shares of the Bank within the application of the Group's buy-out policy which has been approved by the board of directors of the Bank, following a proposal of the remuneration committee.

Such buy-out policy is an instrument to be selectively used in the engagement of executives or employees who, as a result of accepting a job offer from the Bank (or from other Santander Group's companies), lose the right to receive certain variable remuneration from their previous company. Therefore, this policy, which takes into account regulations and recommendations that apply to the Bank, allows the maintenance of certain flexibility to be able to attract the best talent and to be fair with respect to the loss of rights that an executive or employee assumes due to joining the Group, given that the conditions of the buy-out take into account the conditions applicable to the remunerations the loss of which is compensated.

The maximum number of shares that may be delivered under this resolution is a number such that, multiplying the number of shares delivered (or recognised) on each occasion by the average weighted daily volume of the averaged weighted listing prices for Santander shares corresponding to the fifteen trading sessions prior to the date on which they are delivered (or recognised), does not exceed the amount of 40 million euros.

The authorisation granted hereby may be used to undertake commitments to deliver shares with relation to the engagements that occur during financial year 2017 and until the following ordinary general shareholders' meeting is held. This authorisation may also be applied to buy-outs related to hires prior to financial year 2017 in order to replace, in total or in part, the amounts initially agreed in cash by an equivalent delivery of shares.

Eleven D

Plan for employees of Santander UK plc. and of other Group companies in the United Kingdom by means of options on shares of the Bank and linked to the contribution of periodic cash amounts and to certain continuity requirements.

To approve, inasmuch as it is a remuneration system that includes the delivery of shares of the Bank or of rights thereon or that is linked to the price of the shares, the implementation of a voluntary savings plan ("sharesave scheme") intended for the employees of Santander UK plc, of companies within the subgroup thereof and of the other companies of the Santander Group registered in the United Kingdom (in which the Group directly or indirectly holds at least 90% of the capital), including employees at United Kingdom branches of Banco Santander, S.A. or of companies within its Group (and in which the Group directly or indirectly holds at least 90% of the capital), which has been approved by the board of directors on the terms and conditions described below:

A plan in which between 5 and 500 pounds Sterling is deducted from the employee's net pay every month, as chosen by the employee, who may, at the end of the chosen period (3 or 5 years), choose between collecting the amount contributed, the interest accrued and a bonus (tax-exempt in the United Kingdom), or exercising options on shares of Banco Santander, S.A. in an amount equal to the sum of such three amounts at a fixed price. In case of voluntary resignation, the employee will recover the amount contributed to that time, but will forfeit the right to exercise the options.

The exercise price in pounds Sterling will be the result of reducing by up to a maximum of 20% the average of the purchase and sale prices of Santander shares at the close of trading in London for the 3 trading days prior to the reference date. In the event that these listing prices are unavailable for any reason, such reduction will be applied to the average price weighted by average traded volumes on the Spanish *Mercado Continuo* for the 15 trading days prior to the reference date. This amount will be converted into pounds Sterling using, for each day of listing, the average exchange rate for that day as published in the Financial Times, London edition, on the following day. The reference date will be set in the final approval of the plan by the British Tax Authority ("invitation date") and will occur between 21 and 41 days following the date of publication of the consolidated results of Banco Santander, S.A. for the first half of 2017.

The employees must decide upon their participation in the plan within a period between 42 and 63 days following publication of the consolidated results of Banco Santander, S.A. for the first half of 2017.

The maximum monthly amount that each employee may assign to all voluntary savings plans subscribed by such employee (whether for the plan to which this resolution refers or for other past or future "sharesave schemes") is 500 pounds Sterling.

The maximum number of shares of Banco Santander, S.A. to be delivered under this plan, approved for 2017, is 15,500,000, equal to 0.1063% of the share capital as of the date of the call to meeting.

The plan is subject to the approval of the tax authorities of the United Kingdom. Each of the subgroups and companies covered by the plan will ultimately decide whether or not to implement this plan in connection with its employees.

Without prejudice to the generality of the provisions of resolution Twelve below, and without prejudice to the powers of the board of directors in remuneration matters under the Bylaws and the rules and regulations of the board, the board of directors is hereby authorised, as required, to the broadest extent permitted by law and with the express power of delegation to the executive committee, to carry out any acts that may be necessary or merely appropriate in order to implement the aforementioned plan, as well as to further develop and elaborate, to the extent required, on the rules set forth herein. All of the foregoing will also be deemed to be without prejudice to the acts that the decision-making bodies of Santander UK plc, of companies within the subgroup thereof and of the other companies of the Santander Group registered in the United Kingdom or having branches therein and referred to in the first paragraph above, have already performed or may hereafter perform in the exercise of their powers, within the framework defined by this resolution of the shareholders acting at the general shareholders’ meeting, in order to implement the plan and to establish, develop and elaborate on the rules applicable thereto.

Item Twelve **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.**

Proposal:

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 adaptation thereof 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 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 Twelve.

B) To authorise Ms Ana Patricia Botín-Sanz de Sautuola y O´Shea, Mr José Antonio Álvarez Álvarez, Mr Rodrigo Echenique Gordillo, Mr Matías Rodríguez Inciarte, 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. In addition, the aforementioned persons are empowered, also on a several basis, to carry out the required filing of the annual accounts and other documentation with the Commercial Registry.

ITEM TO BE SUBMITTED TO A CONSULTATIVE VOTE

Item Thirteen **Annual director remuneration report.**

Annual director remuneration report

The shareholders are asked to provide a consultative vote on the annual director remuneration report, approved by the board of directors, following a proposal of the remuneration committee, on the terms established by law and in Circular 4/2013, of 12 June, of the National Securities Market Commission (as amended by Circular 7/2015, of 22 December).