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Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México

U.S.$1,300,000,000

5.950% Tier 2 Subordinated Preferred Capital Notes due 2028

Interest payable on April 1 and October 1

Issue Price: 100.000%

We are offering U.S.$1,300,000,000 of our 5.950% Tier 2 Subordinated Preferred Capital Notes due 2028 (the "Notes"). The Notes will mature on October 1, 2028, or the "Maturity Date," unless previously redeemed as described in this offering memorandum. **WE HAVE THE OPTION, BUT NOT THE OBLIGATION, TO REDEEM THE NOTES, SUBJECT TO CERTAIN CONDITIONS SET OUT IN THIS OFFERING MEMORANDUM, ON THE OPTIONAL CALL DATE (AS DEFINED IN THIS OFFERING MEMORANDUM), OR AT ANY TIME IF THERE ARE SPECIFIED CHANGES IN (I) THE MEXICAN LAWS AFFECTING THE WITHHOLDING TAX APPLICABLE TO PAYMENTS OF INTEREST UNDER THE NOTES, (II) THE MEXICAN LAWS THAT RESULT IN A CAPITAL EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OR (III) THE APPLICABLE TAX LAWS THAT RESULT IN INTEREST ON THE NOTES NOT BEING DEDUCTIBLE BY US FOR MEXICAN INCOME TAX PURPOSES. SEE "DESCRIPTION OF NOTES—REDEMPTION" IN THIS OFFERING MEMORANDUM.**

PRINCIPAL AND INTEREST ON THE NOTES WILL BE DEFERRED AND WILL NOT BE PAID UNDER CERTAIN CIRCUMSTANCES. IF A TRIGGER EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OCCURS, THE PRINCIPAL AMOUNT OF THE NOTES WILL BE WRITTEN DOWN AS DESCRIBED IN THIS OFFERING MEMORANDUM WITHOUT THE POSSIBILITY OF ANY FUTURE WRITE UP OR REINSTATEMENT OF PRINCIPAL AND HOLDERS OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED THEIR RIGHT TO CLAIM OR RECEIVE REPAYMENT OF ANY WRITTEN DOWN PRINCIPAL AMOUNT OF THE NOTES, AND ANY AND ALL ACCRUED AND UNPAID INTEREST WITH RESPECT THERETO, AS FURTHER DESCRIBED IN THIS OFFERING MEMORANDUM. SEE "DESCRIPTION OF NOTES—WRITE-DOWN." IF A CAPITAL RATIO EVENT OR A MEXICAN REGULATORY EVENT (IN EACH CASE, AS DEFINED IN THIS OFFERING MEMORANDUM) OCCURS, WE WILL SUSPEND PAYMENT OF INTEREST ON THE NOTES OR PAYMENT OF PRINCIPAL AT MATURITY UNTIL THE END OF THE RELATED SUSPENSION PERIOD (AS DEFINED IN THIS OFFERING MEMORANDUM), SUBJECT TO THE OCCURRENCE OF A WRITE-DOWN IN THE EVENT THAT DURING SUCH SUSPENSION PERIOD A TRIGGER EVENT SHALL HAVE OCCURRED. SEE "DESCRIPTION OF NOTES—TREATMENT OF INTEREST AND PRINCIPAL DURING A SUSPENSION PERIOD."

The Notes are denominated in U.S. dollars and will bear interest from (and including) October 1, 2018, or the "Issue Date," to (but excluding) October 1, 2023, or the Optional Call Date, at a fixed rate per annum equal to 5.950%, payable semi-annually in arrears on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing on April 1, 2019. From (and including) the Optional Call Date to (but excluding) the Maturity Date, the Notes will bear interest at a rate that will be reset on the Optional Call Date as described under "Description of Notes—Principal and Interest," payable semi-annually in arrears on each Interest Payment Date.

The Notes will be our general, unsecured and subordinated, preferred obligations. In the event of our bankruptcy, including *liquidación* or *resolución* (liquidation or dissolution) under Mexican law, the Notes will rank (i) subordinate and junior in right of payment and in liquidation to all of our present and future senior indebtedness, (ii) *pari passu* without preference among themselves and with all of our other present and future unsecured subordinated preferred indebtedness, and (iii) senior only to all of our present and future subordinated and non-preferred indebtedness and all classes of our equity or capital stock, as described in this offering memorandum. See "Description of Notes—Subordination." Payment of principal, interest and other amounts due on or with respect to the Notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution. In accordance with the Mexican Capitalization Requirements (as defined in this offering memorandum), there will be no right of acceleration of the then outstanding principal amount of the Notes in the case of any of the other events of default under the Indenture relating to the Notes, including a default in the payment of principal or interest in respect of the Notes, or in the case of any write-down in respect of the Notes. See "Description of Notes—Events of Default, Notice and Waiver." The Notes are not convertible and grant no voting rights.

THE NOTES WILL BE UNSECURED AND ARE NOT INSURED OR GUARANTEED BY THE MEXICAN SAVINGS PROTECTION AGENCY (INSTITUTO PARA LA PROTECCION AL AHORRO BANCARIO, OR IPAB) OR ANY OTHER MEXICAN GOVERNMENT AGENCY OR BY ANY OF OUR SUBSIDIARIES OR AFFILIATES, INCLUDING BY GRUPO FINANCIERO SANTANDER MEXICO, S.A. DE C.V., OUR MEXICAN HOLDING COMPANY, OR BANCO SANTANDER, S.A. THE NOTES WILL BE GOVERNED BY NEW YORK LAW; HOWEVER, CERTAIN REGULATORY AND TAX MATTERS AFFECTING THE NOTES WILL BE GOVERNED BY THE LAWS OF MEXICO AS DESCRIBED UNDER "DESCRIPTION OF NOTES—GOVERNING LAW; CONSENT TO JURISDICTION."

We will apply to list the Notes on the Official List of the Euronext Dublin, or "ISE," and for trading on the Global Exchange Market. However, no assurance can be given that this application will be approved.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 45.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (REGISTRO NACIONAL DE VALORES, OR RNV) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (COMISION NACIONAL BANCARIA Y DE VALORES, OR CNBV), AND MAY NOT BE OFFERED OR SOLD PUBLICLY IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED TO MEXICAN INVESTORS THAT QUALIFY AS INSTITUTIONAL OR ACCREDITED INVESTORS, PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (LEY DEL MERCADO DE VALORES), AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY, AND THE DELIVERY OF SUCH NOTICE TO AND THE RECEIPT THEREOF BY THE CNBV IS NOT A REQUIREMENT FOR THE VALIDITY OF THE NOTES AND DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE ACQUISITION OF THE NOTES BY AN

INVESTOR WHO IS A RESIDENT OF MEXICO WILL BE MADE UNDER SUCH INVESTOR'S OWN RESPONSIBILITY.

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The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

The Notes are not intended to be sold and should not be sold to retail clients in the European Economic Area (the "EEA"), as defined in the rules set out in the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "UK Financial Conduct Authority–Restrictions on marketing and sales to retail investors in the European Economic Area" on page iv of this offering memorandum for further information.

This offering memorandum has been prepared on the basis that any offer of the Notes in any member state of the EEA ("Member State") will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Member State of Notes which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish or supplement a prospectus for such offer. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the Notes contemplated in this offering memorandum.

The expression Prospectus Directive means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), any state securities laws or the securities laws of any other jurisdiction. Therefore, we may not offer or sell the Notes within the United States or to, or for the account or benefit of, any U.S. person, unless the offer or sale would qualify for a registration exemption from the Securities Act and applicable state securities laws. Accordingly, we are only offering the Notes (i) to qualified institutional buyers (as defined in Rule 144A under the Securities Act) and (ii) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. See "Plan of Distribution" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.

None of the CNBV, the U.S. Securities and Exchange Commission (the "SEC"), or any U.S. state or foreign securities commission has approved or disapproved of these securities or determined if this offering memorandum is accurate or complete. Any representation to the contrary is a criminal offense.

We expect that delivery of the Notes will be made to investors in book-entry form through the facilities of The Depository Trust Company ("DTC") on or about October 1, 2018.

Joint Book-Running Managers

Goldman Sachs & Co. LLC **Santander**

September 20, 2018.

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BANCO DE MÉXICO (THE "MEXICAN CENTRAL BANK") HAS AUTHORIZED THE ISSUANCE OF THE NOTES, AS REQUIRED UNDER APPLICABLE MEXICAN LAW. FURTHERMORE, THE INDENTURE WILL BE EXECUTED BY AN OFFICER OF THE CNBV, AS REQUIRED UNDER MEXICAN LAW. AUTHORIZATION OF THE ISSUANCE OF THE NOTES BY THE MEXICAN CENTRAL BANK DOES NOT ADDRESS THE LEGAL, TAX OR OTHER CONSEQUENCES TO THE HOLDERS OF THE NOTES, NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR AS TO THE BANK'S SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, OR THE TRANSLATION OF THE TERMS OF APPLICABLE MEXICAN LAW AND REGULATION, INCLUDING ARTICLES 121 AND 122 OF THE MEXICAN BANKING LAW (*LEY DE INSTITUCIONES DE CRÉDITO*), RELEVANT PROVISIONS OF CIRCULAR 3/2012 ISSUED BY THE MEXICAN CENTRAL BANK AND THE GENERAL RULES APPLICABLE TO MEXICAN BANKS ISSUED BY THE CNBV (*DISPOSICIONES DE CARÁCTER GENERAL APLICABLES A LAS INSTITUCIONES DE CRÉDITO*).

We and the initial purchasers listed on the cover page of this offering memorandum have not authorized anyone to provide any information other than that contained in this offering memorandum. We and the initial purchasers take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, financial condition, results of operations and prospects may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

IMPORTANT NOTICES TO READERS

THE NOTES ARE NOT DEPOSITS WITH US AND ARE NOT INSURED OR GUARANTEED BY THE UNITED STATES FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER UNITED STATES GOVERNMENTAL AGENCY OR ANY MEXICAN GOVERNMENTAL AGENCY, INCLUDING, WITHOUT LIMITATION, THE MEXICAN SAVINGS PROTECTION AGENCY (*INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO* OR "IPAB").

For the sale of the Notes in the United States, we are relying upon an exemption from registration under the Securities Act for an offer and sale of securities that do not involve a public offering. By accepting delivery of this offering memorandum or purchasing Notes, you will be deemed to have made certain acknowledgments, representations, restrictions and agreements as set forth under "Transfer Restrictions" in this offering memorandum. Neither we nor any initial purchasers are making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment.

We are submitting this offering memorandum solely to a limited number of qualified institutional buyers in the United States and in offshore transactions to persons other than U.S. persons so they can consider a purchase of the Notes. This offering memorandum has been prepared solely for use in connection with the placement of the Notes, for the listing of the Notes on the Official List of the Euronext Dublin, or "ISE," and for trading on the Global Exchange Market. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to prospective investors to whom it is provided and, if you do not purchase the Notes, or the offering is terminated for any reason, this offering memorandum and other related offering materials must be returned to the initial purchasers. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this offering memorandum to any person other than the offeree and any person retained to advise such offeree is unauthorized, and any disclosure of any of the contents hereof without our prior written consent is prohibited. By accepting delivery of this offering memorandum, you are deemed to have agreed to these restrictions.

By your purchase of the Notes, you will also be deemed to have acknowledged that (i) neither we nor any person representing us, including the initial purchasers, has made any representation to you with respect to us or the offering and sale of the Notes other than the information contained in this offering memorandum and, if given or made, any such other information or representation must not be relied upon as having been authorized by us or any person representing us, including the initial purchasers, (ii) you have received a copy of this offering memorandum and have had access to such financial and other information, including the information in this offering memorandum, and have been offered the opportunity to ask us questions and received answers thereto, as you deemed necessary in connection with the decision to purchase the Notes, and (iii) you are relying only on the information contained in this offering memorandum in making your investment decision with respect to the Notes. In making an investment decision, you must rely on your own examination of us and the terms of the offering and the Notes, including the merits and risks involved.

While any Notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4)(i) under the Securities Act, during any period in which we are not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the "Exchange Act," or exempt from the requirements of the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

This offering memorandum is based on information provided by us and other sources that we believe to be reliable. Neither we nor the initial purchasers can assure you that such information provided is accurate or complete. This offering memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this offering memorandum.

We are not making any representation to any purchaser regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own counsel, accountant, business advisor and tax advisor for legal, tax, business and financial advice regarding any investment in the Notes.

You should contact us or the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering memorandum.

This offering memorandum does not constitute an offer of, or an invitation by or on behalf of, us or the initial purchasers or any of our or their respective directors, officers or affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. You must comply with all applicable laws and regulations in force in your jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in your jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the initial purchasers will have any responsibility therefor.

The Notes will be issued under an indenture to be entered into among Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, as issuer, and The Bank of New York Mellon, as trustee, paying agent, transfer agent and registrar (the "Indenture"), which will be acknowledged by an officer of CNBV.

The Notes may not be offered or sold, directly or indirectly, in Mexico or to any resident of Mexico, except as permitted by applicable Mexican law.

This offering memorandum contains some of our trademarks, trade names and service marks, including our logos. Each trademark, trade name or service mark of any company appearing in this offering memorandum belongs to its respective holder.

We reserve the right to withdraw this offering of the Notes at any time, and we and the initial purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part, for any reason, and to allot to any prospective investor less than the full amount of Notes sought by that investor. The initial purchasers and certain related entities may acquire for their own account a portion of the Notes.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for the offer of the Notes. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or

investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

U.K. Financial Conduct Authority—Restrictions on marketing and sales of the Notes to retail investors in the European Economic Area

The Notes described in this offering memorandum are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the U.K. Financial Conduct Authority (the "**FCA**") published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 which took effect from October 1, 2015 (the "**PI Instrument**"). Under the rules set out in the PI Instrument (as amended or replaced from time to time, the "**PI Rules**"), (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA**,** and (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such Notes (or the beneficial interest in such Notes) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The initial purchasers are subject to, and required to comply with, the PI Rules, or, if not subject to the PI Rules, they will comply with them as if they were subject to the PI Rules. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any initial purchaser or its affiliates, you represent, warrant, agree with and undertake to the Issuer, each of the initial purchasers and each of their affiliates that:

(i) you are not a retail client in the EEA (as defined in the PI Rules);

(ii) whether or not you are subject to the PI Rules, you will not:

(a) sell or offer the Notes (or any beneficial interests therein) to retail clients in the EEA; or;

(b) communicate (including the distribution of the Preliminary Offering Memorandum or the final offering memorandum relating to the Notes) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein) and (b) you have at all times acted in relation to such sale or offer in compliance with MiFID II to the extent it applies to you or, to the extent MiFID II does not apply to you, in a manner which would be in compliance with MiFID II if it were to apply to you; and

(iii) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) the restrictions contained in the section titled "Plan of Distribution" of the Preliminary Offering Memorandum and any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the PI Rules.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer, any initial purchaser and/or any initial purchaser affiliate, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

In connection with the issue of the Notes, Goldman Sachs & Co. LLC (the "Stabilization Manager") (or persons acting on behalf of the Stabilization Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilization action or over-allotment must be conducted by the Stabilization Manager (or person(s) acting on behalf of the Stabilization Manager) in accordance with all applicable laws and rules.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Definitions

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to "Banco Santander Mexico," the "Bank," "we," "our," "ours," "us" or similar terms, refer to Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, together with its consolidated subsidiaries.

When we refer to "Banco Santander Parent" or the "Parent," we refer to our controlling shareholder, Banco Santander, S.A., a Spanish bank.

When we refer to "Former Holding Company," we refer to Grupo Financiero Santander México, S.A.B. de C.V., our former parent company. When we refer to "Grupo Financiero Santander Mexico" we refer to Grupo Financiero Santander México, S.A. de C.V. our new parent company as of January 1, 2018, which is not a public company and is a wholly-owned subsidiary of Banco Santander Parent. When we refer to Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México, a Mexican broker-dealer, we refer to the Former Holding Company's brokerage subsidiary, which is now owned by Grupo Financiero Santander México.

When we refer to "Gestión Santander," we refer to SAM Asset Management, S.A. de C.V., Sociedad Operadora de Sociedades de Inversión (formerly known as Gestión Santander, S.A. de C.V., Grupo Financiero Santander México) (entity sold in December 2013). When we refer to "Seguros Santander" we refer to Zurich Santander Seguros México, S.A. (formerly known as Seguros Santander, S.A., Grupo Financiero Santander) (entity sold in November 2011).

When we refer to the "Santander Group," we refer to the worldwide Banco Santander Parent conglomerate and its consolidated subsidiaries.

Unless otherwise indicated, all references in this offering memorandum to "initial purchasers" refer to Goldman Sachs & Co. LLC and Santander Investment Securities Inc.

References in this offering memorandum to certain financial terms have the following meanings:

- References to "IFRS" are to the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee.

- References to "Mexican Banking GAAP" are to the accounting standards and regulations prescribed by the CNBV for credit institutions, as amended.

- References to our "audited financial statements" are to the audited consolidated financial statements of Banco Santander Mexico as of December 31, 2016 and 2017, and for each of the fiscal years ended December 31, 2015, 2016 and 2017, together with the notes thereto. The audited financial statements were prepared in accordance with IFRS and are contained in our annual report on Form 20-F for the year ended December 31, 2017, which is incorporated by reference into this offering memorandum.

- References to our "unaudited condensed consolidated interim financial statements" are to the unaudited condensed consolidated interim financial statements of Banco Santander Mexico as of June 30, 2018 and for each of the six-month periods ended June 30, 2017 and 2018, together with the notes thereto. The unaudited condensed consolidated interim financial statements were prepared in accordance with IFRS and are contained in our report on Form 6-K, dated September 18, 2018, which is incorporated by reference into this offering memorandum.

- References herein to "UDIs" are to *Unidades de Inversión*, a peso-equivalent unit of account indexed for Mexican inflation. UDIs are units of account created by the Mexican Central Bank on April 4, 1995, the value of which in pesos is indexed to inflation on a daily basis, as measured by the change in the National Consumer Price Index (*Índice Nacional de Precios al Consumidor*). Under a UDI-based loan or financial instrument, the borrower's nominal peso principal balance is converted either at origination or upon

restructuring to a UDI principal balance and interest on the loan or financial instrument is calculated on the outstanding UDI balance of the loan or financial instrument. Principal and interest payments are made by the borrower in an amount of pesos equivalent to the amount due in UDIs at the stated value of UDIs on the day of payment. As of June 30, 2018 and December 31, 2017, one UDI was equal to Ps.6.012993 (U.S.$0.3054) and Ps.5.934551 (U.S.$0.3018), respectively.

For terms relating to our capital adequacy, see "Description of Notes—Terms Relating to Our Capital Adequacy."

In this offering memorandum, the term "Mexico" refers to the United Mexican States. The terms "Mexican government" or the "government" refer to the federal government of Mexico, and the term "Mexican Central Bank" refers to *Banco de México*. References to "U.S.$," "U.S. dollars" and "dollars" are to United States dollars, and references to "Mexican pesos," "pesos," or "Ps." are to Mexican pesos. References to "euros" or "€" are to the common legal currency of the member states participating in the European Economic and Monetary Union.

Financial and Other Information

Market position. We make statements in this offering memorandum about our competitive position and market share in the Mexican financial services industry and the market size of the Mexican financial services industry. We have made these statements on the basis of statistics and other information from third-party sources, primarily the CNBV, that we believe are reliable.

Currency and accounting standards. We maintain our financial books and records in pesos. Our consolidated income statement data for each of the years ended December 31, 2014, 2015, 2016 and 2017 and our consolidated balance sheet data as of January 1, 2014 and as of December 31, 2014, 2015, 2016 and 2017, incorporated by reference in this offering memorandum, have been audited under the standards of the Public Company Accounting Oversight Board ("PCAOB"), and are prepared in accordance with IFRS. Our unaudited condensed consolidated income statement data for the six months ended June 30, 2017 and 2018 and our consolidated balance sheet as of December 31, 2017 and June 30, 2018 are also prepared in accordance with IFRS. For regulatory purposes, including Mexican Central Bank regulations and the reporting requirements of the CNBV, we concurrently prepare and will continue to prepare and make available to our shareholders, statutory financial statements in accordance with Mexican Banking GAAP, which prescribes generally accepted accounting criteria for all financial institutions in Mexico.

We adopted IFRS in 2014. While we have prepared our consolidated financial data as of January 1, 2014, for the years ended December 31, 2014, 2015, 2016 and 2017 and for the six months ended June 30, 2017 and 2018 in accordance with IFRS, data reported by the CNBV for the Mexican financial sector as a whole as well as individual financial institutions in Mexico, including our own, is prepared in accordance with Mexican Banking GAAP and, thus, may not be comparable to our results prepared in accordance with IFRS. IFRS differs in certain significant respects from Mexican Banking GAAP. All statements in this offering memorandum and the documents incorporated by reference herein regarding our relative market position and financial performance vis-à-vis the financial services sector in Mexico, including financial information as to net income, return-on-average equity and non-performing loans, among others, are based, out of necessity, on information obtained from CNBV reports, and accordingly are presented in accordance with Mexican Banking GAAP. Unless otherwise indicated, all financial information provided, or incorporated by reference, in this offering memorandum has been prepared in accordance with IFRS.

Effect of rounding. Certain amounts and percentages included, or incorporated by reference, in this offering memorandum and in our audited financial statements have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts may vary from those obtained by performing the same calculations using the figures in our audited financial statements. Certain other amounts may not sum due to rounding.

Exchange rates and translation into U.S. dollars. This offering memorandum and the documents incorporated by reference herein contain translations of certain peso amounts into U.S. dollars at specified rates solely for your

convenience. These translations should not be construed as representations by us that the peso amounts actually represent such U.S. dollar amounts or could, at any time, be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated peso amounts into U.S. dollars at an exchange rate of Ps.19.69 to U.S.$1.00, the rate calculated on June 29, 2018 (the last business day in June) and published on July 2, 2018 in the Federal Official Gazette (*Diario Oficial de la Federación*) by the Mexican Central Bank, as the exchange rate for the payment of obligations denominated in currencies other than pesos and payable within Mexico (*tipo de cambio para solventar obligaciones denominadas en moneda extranjera*). The translation of income statement transactions expressed in pesos using such rates may result in presentation of dollar amounts that differ from the U.S. dollar amounts that would have been obtained by translating Mexican pesos into U.S. dollars at the exchange rate prevailing when such transactions were recorded. See "Item 1. Selected Consolidated Financial Data—Exchange Rates" in our report on Form 6-K dated September 18, 2018 and "Item 3. Key Information—A. Selected Financial Data—Exchange Rates" included in our annual report on Form 20-F for the year ended December 31, 2017 for information regarding exchange rates between the peso and the U.S. dollar for the periods specified therein.

Refinements to our impairment models. During 2015, we revised our estimates for allowance for impairment losses on loans and receivables of all loan portfolios and for the provision for off-balance sheet risk with the purpose of making certain refinements to the impairment models as part of our policy to continuously refine the existing impairment models and accounting estimates. Our application of these refined models for the year ended December 31, 2015 does not materially affect the comparability of our financial position, results of operations and several financial measures when compared to prior years. See Note 2.h to our audited financial statements included in our annual report on Form 20-F for the year ended December 31, 2017 for more details on our change in accounting estimates regarding our refinements to impairment models.

New impairment model. IFRS 9 *Financial instruments* establishes new recognition and measurement requirements for financial instruments and became mandatory for financial statement periods commencing January 1, 2018. As of January 1, 2018, we now classify our financial assets in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and (ii) those to be measured at amortized cost. We determine the applicable category of a financial asset based on the business model for managing that financial asset. We applied IFRS 9 in a retrospective manner, by adjusting the opening balance of affected financial instruments at January 1, 2018, without restating prior period amounts. Regarding the recognition of credit risk impairment, the most important change is that the new accounting standard introduces the concept of expected loss, whereas the previous model was based on incurred loss. As of January 1, 2018, the allowance for impairment losses and provisions for off-balance sheet risk increased from Ps.17,961 million to Ps.21,217 million as result of the application of IFRS 9. The Bank has applied these requirements in a retrospective manner, by adjusting the opening balance at January 1, 2018, without restating the comparative consolidated financial statements, and as a result, there was no income statement impact. The primary reasons for this increase are the requirements to recognize (i) an allowance for impairment losses for the expected life of the transaction for financial instruments where a significant risk increase has been identified after initial recognition and (ii) use of forward-looking information as the application of this impairment methdology looks to whether there has been a significant increase in credit risk in the allowance for impairment losses and in the provisions for off-balance sheet risk. See Note 1.b to our audited financial statements included in our annual report on Form 20-F for the year ended December 31, 2017 incorporated by reference herein and Note 1.b, Note 1.c and Note 2.b to our unaudited condensed consolidated financial statements included in our report on Form 6-K dated September 18, 2018.

WHERE YOU CAN FIND MORE INFORMATION

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. You may inspect and copy reports and other information filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

Application will be made to list the Notes on the ISE. However, we cannot assure you that the application will be approved.

INCORPORATION BY REFERENCE

We incorporate herein by reference:

- our annual report on Form 20-F for the year ended December 31, 2017, which was filed with the SEC on March 28, 2018, as amended on May 14, 2018, and
- our report on Form 6-K which was filed with the SEC on September 18, 2018.

The annual report on Form 20-F and our report on Form 6-K incorporated by reference in this offering memorandum are available on the SEC's website, http://www.sec.gov. All information contained in this offering memorandum is qualified in its entirety by the information contained in the Form 20-F and our reports on Form 6-K incorporated by reference in this offering memorandum.

You may obtain a copy of the Form 20-F and our reports on Form 6-K incorporated by reference in this offering memorandum at no cost by writing or calling us at the following address:

Banco Santander (México), S.A.
Attn: Departamento de Relación con Inversionistas
Avenida Prolongación Paseo de la Reforma 500
Colonia Lomas de Santa Fe
Delegación Álvaro Obregón
01219 Mexico City
México
Email: investor@santander.com.mx

ENFORCEMENT OF CIVIL LIABILITIES

We are a commercial bank (*institución de banca múltiple*), incorporated in accordance with the laws of Mexico as a corporation with limited liability (*sociedad anónima*). All of our directors and officers and experts named herein are non-residents of the United States, and substantially all of the assets of such persons and substantially all of our assets are located outside the United States. As a result, it may not be possible for holders of the Notes to effect service of process within the United States upon us or these persons with respect to matters arising under United States federal securities or other U.S. laws or to enforce against us or any of them judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof.

We have been advised by our special Mexican counsel, Ritch, Mueller, Heather y Nicolau, S.C., that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of United States courts obtained in actions predicated upon the civil liability provisions of U.S. federal securities laws. We have been advised by such special Mexican counsel that no bilateral treaty is currently in effect between the United States and Mexico that covers the reciprocal enforcement of civil foreign judgments. In the past, Mexican courts have enforced judgments rendered in the United States by virtue of the legal principles of reciprocity and comity, consisting of the review in Mexico of the United States judgment, in order to ascertain, among other matters, whether Mexican legal principles of due process and public policy (*orden público*) have been complied with, without reviewing the merits of the subject-matter of the case.

We will appoint CT Corporation System as our authorized agent upon which process may be served in any action which may be instituted in any United States federal or state court having subject-matter jurisdiction in the Borough of Manhattan, The City of New York, New York arising out of or based upon the Notes or the Indenture governing the Notes. See “Description of Notes.”

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

We have made statements in this offering memorandum, our annual report on Form 20-F for the year ended December 31, 2017 and our report on Form 6-K dated September 18, 2018 that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear throughout this offering memorandum and include statements regarding our intent, belief or current expectations in connection with:

- asset growth and sources of funding;
- growth of our fee-based business;
- expansion of our distribution network;
- financing plans;
- competition;
- impact of regulation and the interpretation thereof;
- action to modify or revoke our banking license;
- exposure to market risks including interest rate risk, foreign exchange risk and equity price risk;
- exposure to credit risks including credit default risk and settlement risk;
- projected capital expenditures;
- capitalization requirements and level of reserves;
- investment in our information technology platform;
- liquidity;
- trends affecting the economy generally; and
- trends affecting our financial condition and our results of operations.

Many important factors, in addition to those discussed in "Risk Factors" in this offering memorandum and incorporated herein by reference to our annual report on Form 20-F for the year ended December 31, 2017 and our report on Form 6-K dated September 18, 2018, could cause our actual results to differ substantially from those anticipated in our forward-looking statements, including, among other things:

- changes in capital markets in general that may affect policies or attitudes towards lending to Mexico or Mexican companies;
- changes in economic conditions, in Mexico in particular, in the United States or globally;
- the monetary, foreign exchange and interest rate policies of the Mexican Central Bank;
- inflation;
- deflation;
- unemployment;
- unanticipated turbulence in interest rates;

- the renegotiation of NAFTA or the deterioration of the terms of trade between Mexico and the United States;
- the implementation of new economic policy by the new administration in Mexico;
- movements in foreign exchange rates;
- movements in equity prices or other rates or prices;
- changes in Mexican and foreign policies, legislation and regulations;
- changes in requirements to make contributions to, for the receipt of support from programs organized by or requiring deposits to be made or assessments observed or imposed by, the Mexican government;
- changes in taxes and tax laws;
- competition, changes in competition and pricing environments;
- our inability to hedge certain risks economically;
- economic conditions that affect consumer spending and the ability of customers to comply with obligations;
- the adequacy of allowance for impairment losses and other losses;
- increased default by borrowers;
- our inability to successfully and effectively integrate acquisitions or to evaluate risks arising from asset acquisitions;
- technological changes;
- changes in consumer spending and saving habits;
- increased costs;
- unanticipated increases in financing and other costs or the inability to obtain additional debt or equity financing on attractive terms;
- changes in, or failure to comply with, banking regulations or their interpretation; and
- the other risk factors discussed under "Risk Factors" in this offering memorandum.

The words "believe," "may," "will," "aim," "estimate," "continue," "anticipate," "intend," "expect," "forecast," "project," "plan" and similar words are intended to identify forward-looking statements. You should not place undue reliance on such statements, which speak only as of the date they were made. We undertake no obligation to update publicly or to revise any forward-looking statements after we distribute this offering memorandum because of new information, future events or other factors. Our independent public accountants have neither examined nor compiled the forward-looking statements and, accordingly, do not provide any assurance with respect to such statements. In light of the risks and uncertainties described above, the future events and circumstances discussed in this offering memorandum might not occur and are not guarantees of future performance. Because of these uncertainties, you should not make any investment decision based upon these estimates and forward-looking statements.

SUMMARY

This summary highlights selected information appearing elsewhere, or incorporated by reference, in this offering memorandum. While this summary highlights what we consider to be the most important information about us, you should carefully read this offering memorandum in its entirety before making an investment decision, including the "Risk Factors" section included elsewhere in this offering memorandum, as well as the documents incorporated by reference, including our annual report on Form 20-F for the year ended December 31, 2017 and our audited financial statements and related notes included therein, and our report on Form 6-K dated September 18, 2018 and our unaudited condensed consolidated interim financial statements and related notes included therein.

Overview

Our Business

We are the second-largest bank in Mexico based on total assets and the third-largest bank in Mexico based on total loans, deposits and net income as of June 30, 2018, in each case as determined in accordance with Mexican Banking GAAP, according to information published by the CNBV. As a bank and through our subsidiaries, we provide a wide range of financial and related services, principally in Mexico, including retail and commercial banking and securities underwriting.

As of June 30, 2018, we had total assets of Ps.1,396,978 million (U.S.$70,944 million), total equity of Ps.120,271 million (U.S.$6,107 million), and a market capitalization of Ps.203,949 million (U.S.$10,358 million), and for the six months ended June 30, 2018, we had net income of Ps.9,867 million (U.S.$501 million), which represented a return-on-average equity, or ROAE, of 16.97% for that period. As of June 30, 2018, we had total loans, net of allowance for impairment losses, of Ps.643,356 million (U.S.$32,674 million), total deposits of Ps.835,779 million (U.S.$42,777 million) and 1,376 offices located throughout Mexico.

We offer a differentiated financial services platform in Mexico focused on the client segments that we believe are most profitable, such as high- and mid-income individuals, small and medium-sized enterprises ("SMEs"), and middle-market and large corporations in Mexico, while also providing integrated financial services to low-income individuals. We developed our client segmentation strategy in 2008 with clearly defined client segments: high- and mid-income individuals, SMEs and middle-market corporations. Since then, we have focused our efforts on further refining our client segmentation, developing our product offerings, information technology systems and internal practices, as well as enhancing our distribution channels in order to maximize service in our key client segments.

The following chart sets forth our Retail Banking and Global Corporate Banking operating segments and their main focus.

Retail Banking	Global Corporate Banking
Focusing on the following categories of clients: • *Individuals*, for individuals with net wealth of less than Ps.8 million, categorized as classic, preferred, premier or select • *Private banking*, for individuals with net wealth in excess of Ps.15 million. Individuals, with a net wealth between Ps.8 million and Ps.15 million are attended to by either the individuals segment or the Private Banking segment, depending on the product offerings that would suit them best	Offering our largest clients (mainly Mexican and multinational corporations, financial groups and large institutional clients) financial services and products such as: • *Global transaction banking (GTB)*, which includes cash management, working capital solutions, security services and trade finance solutions

- *SMEs*, with annual gross revenues of less than Ps.250 million
- *Middle-market corporations*, with annual gross revenues in excess of Ps.250 million that are not clients of our Global Corporate Banking
- *Government institutions*, comprised of Mexican federal government agencies, state agencies and municipalities, as well as Mexican universities
- *Global debt finance (GDF),* which includes origination, structuring and distribution of structured credit and debt products, project finance and asset based finance
- *Corporate finance,* which includes mergers and acquisitions
- Markets, which includes "plain vanilla" and tailored fixed income, foreign exchange and hedging solutions
- *Global Corporate Banking products and solutions for retail customers*, which offers retail segment clients' tailor-made corporate banking products and solutions in order to meet specific needs

In addition, we have a Corporate Activities operating segment comprised of all other operational and administrative activities that are not assigned to a specific segment or product listed above. These activities include the centralized management of our financial investments, the financial management of our structural interest rate risk and foreign exchange position and the management of our liquidity and equity through securities offerings and the management of assets and liabilities.

Grupo Financiero Santander México directly owns 74.96% of our capital stock. Banco Santander Parent owns 100% of the capital stock of Grupo Financiero Santander México and is our indirect controlling shareholder. We believe that our relationship with Banco Santander Parent and the Santander Group as a whole offers us significant competitive advantages over other banks in Mexico. As of June 30, 2018, the Santander Group had total assets of €1,433,833 million equity of €104,455 million and a market capitalization of €74,097 million, and for the six months ended June 30, 2018, it generated an attributable profit of €3,752 million. We represented approximately 7% of the Santander Group's attributable profit in the six months ended June 30, 2018, making us the fifth largest contributor of attributable profits to the Santander Group. We also represented approximately 4.4% of the Santander Group's assets as of June 30, 2018, according to the interim report of the Santander Group for the same period.

For a discussion of Banco Santander México's competitive strengths and strategy, please see "Item 4. Information on the Company—B. Business Overview—Our Competitive Strengths" and "—Our Strategy" in our annual report on Form 20-F for the year ended December 31, 2017, which is incorporated herein by reference.

Tender Offer

On September 20, 2018, we announced the launch of a tender offer to purchase for cash (the "Tender Offer") any and all of our outstanding 5.95% Tier 2 Subordinated Capital Notes due 2024 (the "Existing Tier 2 Notes").

We intend to use a portion of the proceeds from this offering to fund the cash payment to the holders of the Existing Tier 2 Notes under the Tender Offer and to pay the fees and expenses relating to the Tender Offer. See "Use of Proceeds." Goldman Sachs & Co. LLC and Santander Investment Securities Inc. are acting as dealer managers for the Tender Offer. The settlement of the Tender Offer would be conditioned upon authorization of Banco de México and the closing of this offering.

THE OFFERING

Issuer	Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México.
The Offering	We are offering our 5.950% Tier 2 subordinated preferred capital notes due 2028, which we refer to as the "Notes."
Purchase by our Parent	Our indirect parent company, Banco Santander, S.A., will purchase U.S.$975,000,000 of the aggregate principal amount of the Notes.
Terms of the Notes	
Principal Amount	Subject to an earlier redemption and to one or more Write-Downs (as defined below) upon the occurrence of a Trigger Event (as defined below), U.S.$1,300,000,000 aggregate principal amount of 5.950% Tier 2 subordinated notes due 2028.
Interest and Principal	Subject to deferral during any Suspension Period (as defined below), to an earlier redemption and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount (as defined below) from time to time outstanding from (and including) October 1, 2018, or the "Issue Date," to (but excluding) October 1, 2023, or the "Optional Call Date," at a fixed rate per annum equal to 5.950%, payable semi-annually in arrears on April 1 and October 1 of each year (each an "Interest Payment Date"), commencing on April 1, 2019. Subject to deferral during any Suspension Period, to an earlier redemption and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount from time to time outstanding from (and including) the Optional Call Date to (but excluding) October 1, 2028, or the "Maturity Date," at a fixed rate per annum equal to the sum of (a) the then-prevailing Treasury Yield (as defined herein) on the Optional Call Date and (b) 299.5 basis points, payable semi-annually in arrears on each Interest Payment Date. Upon the occurrence of a Write-Down, any holder of Notes will be deemed to have irrevocably waived its right to claim or receive the Written-Down Principal (as defined below) of the Notes or any interest with respect thereto (or Additional Amounts thereon), including any and all accrued and unpaid interest. If any Interest Payment Date would otherwise fall on a

	date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. For purposes hereof, "Business Day" shall mean any day other than a Saturday or a Sunday, or a day on which banking institutions in the City of New York or Mexico City are authorized or required by law or executive order to remain closed.
Issue Price.....	100.000% of the principal amount.
Issue Date	October 1, 2018.
Maturity Date.....	October 1, 2028.
Payment Upon Maturity	Subject to the occurrence of one or more Write-Downs, unless the Notes have been redeemed prior thereto or a Suspension Period is in effect on the Maturity Date, the Notes will be repaid on the Maturity Date at their Current Principal Amount outstanding, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts (as defined below), due thereunder, in each case as provided in this offering memorandum. We have the right to and will defer but not cancel (except pursuant to one or more Write-Downs) the payment of interest due on the Notes and defer but not cancel (except pursuant to one or more Write-Downs) the payment of principal thereof for the duration of any Suspension Period, as described below. In the event of a deferral of payment of interest on the Notes, subject to the occurrence of one or more Write-Downs, such interest will be payable (without any interest on such previously accrued interest) on the next succeeding Interest Payment Date on which a Suspension Period is no longer in effect, unless such Interest Payment Date occurs on a date that is less than 12 Business Days after such Suspension Period ends, in which case any and all interest then payable shall be paid on the date that is 12 Business Days after the date on which such Suspension Period ends. If a Suspension Period is in effect on the Maturity Date or any redemption date, or the Maturity Date or such redemption date is on a date that is less than 12 Business Days after a Suspension Period ends, payment of principal will be deferred with interest until the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such principal is cancelled pursuant to one

	or more Write-Downs. If a Write-Down occurs, the Written-Down Principal, and any interest accrued with respect thereto during any Suspension Period, will be cancelled.
Current Principal Amount.....	"Current Principal Amount" means in respect of each Note, at any time, the outstanding principal amount of such Note at such time, being the Original Principal Amount of such Note as such amount may have been reduced prior to that time, on one or more occasions, as a result of a Write-Down or an earlier redemption.
Original Principal Amount	"Original Principal Amount" means, in respect of each Note, the amount of the denomination of such Note on the Issue Date.
Additional Terms of the Notes	
Indenture.....	The Notes will be issued pursuant to an indenture (the "Indenture") dated as of September 27, 2018 between The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent (the "Trustee"), and us.
Unsecured; Not Guaranteed.....	**THE NOTES WILL NOT BE SECURED OR GUARANTEED (BY ANY COLLATERAL OR THROUGH A GUARANTEE OF A THIRD PARTY OR AFFILIATE), OR OTHERWISE ELIGIBLE FOR REIMBURSEMENT, BY THE IPAB OR ANY OTHER MEXICAN GOVERNMENTAL AGENCY, OR BY ANY OF OUR SUBSIDIARIES OR AFFILIATES INCLUDING BANCO SANTANDER PARENT OR ANY OTHER ENTITY THAT IS A PART OF GRUPO FINANCIERO SANTANDER MEXICO, AND THE NOTES ARE NOT CONVERTIBLE, BY THEIR TERMS, INTO ANY OF OUR DEBT SECURITIES, SHARES OR ANY OF OUR EQUITY CAPITAL OR ANY DEBT SECURITIES, SHARES OR EQUITY CAPITAL OF ANY OF OUR SUBSIDIARIES OR AFFILIATES.**
Additional Amounts	Payments of interest on the Notes to investors that are non-residents of Mexico for tax purposes, will generally be subject to Mexican withholding taxes at a rate of 4.9%. Subject to certain specified exceptions,

	we will pay such additional amounts as may be required so that the net amount received by holders of the Notes in respect of interest on the Notes, after any such withholding or deduction, will not be less than the amount that each holder of the Notes would have received in respect of interest on the Notes in the absence of any such withholding or deduction. For the avoidance of doubt, no additional amounts will be payable in respect of applicable Mexican withholding taxes, if any, in respect of taxable dispositions of Notes to any person other than us. See "Description of Notes—Payment of Additional Amounts."
Trigger Event.....	A "Trigger Event" will be deemed to have occurred if (i) the CNBV publishes a determination, in its official publication of capitalization levels for Mexican banks, that our Fundamental Capital Ratio (as defined herein), is equal to or below 4.5%; or (ii) both (A) the CNBV notifies us that it has made a determination, pursuant to Article 29 Bis of the Mexican Banking Law, that a cause for revocation of our license has occurred resulting from (x) our non-compliance with corrective measures imposed by the CNBV pursuant to the Mexican Banking Law, or (y) our non-compliance with the capitalization requirements set forth in the Mexican Capitalization Requirements, or (z) our assets being insufficient to satisfy our liabilities, and (B) we have not cured such cause for revocation, by (a) complying with such corrective measures, or (b)(1) submitting a capital restoration plan to, and receiving approval of such plan by, the CNBV, (2) transferring at least seventy five percent (75%) of our shares to an irrevocable trust, and (3) not being classified in Class III, IV, or V, or (c) remedying any capital deficiency, in each case, on or before the third (in the case of (A)(z)) or seventh (in the case of (A)(x) or (y)) business day in Mexico, as applicable following the date on which the CNBV notifies us of such determination.
Write-Down.....	**IF A TRIGGER EVENT OCCURS, THE FOLLOWING WRITE-DOWNS SHALL BE DEEMED TO HAVE OCCURRED ON THE WRITE-DOWN DATE (AS DEFINED BELOW), AUTOMATICALLY AND WITHOUT ANY ADDITIONAL ACTION BY US, THE TRUSTEE OR THE HOLDERS OF THE NOTES:** **(i) THE CURRENT PRINCIPAL**

AMOUNT OF THE NOTES WILL AUTOMATICALLY BE REDUCED BY THE APPLICABLE WRITE-DOWN AMOUNT (AS DEFINED BELOW)(A "WRITE DOWN") AND SUCH WRITE-DOWN SHALL NOT CONSTITUTE AN EVENT OF DEFAULT; AND

(ii) ANY HOLDER OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED ITS RIGHT TO CLAIM OR RECEIVE, AND WILL NOT HAVE ANY RIGHTS AGAINST US OR THE TRUSTEE WITH RESPECT TO, REPAYMENT OF, THE WRITTEN-DOWN PRINCIPAL OF THE NOTES OR ANY INTEREST WITH RESPECT THERETO (OR ADDITIONAL AMOUNTS PAYABLE IN CONNECTION THEREWITH), INCLUDING ANY AND ALL ACCRUED AND UNPAID INTEREST WITH RESPECT TO SUCH WRITTEN-DOWN PRINCIPAL AS OF THE WRITE-DOWN DATE, IRRESPECTIVE OF WHETHER SUCH AMOUNTS HAVE BECOME DUE AND PAYABLE PRIOR TO THE DATE ON WHICH THE TRIGGER EVENT SHALL HAVE OCCURRED.

WE SHALL PROVIDE NOTICE TO HOLDERS VIA THE APPLICABLE CLEARING SYSTEM AND WRITTEN NOTICE TO THE TRUSTEE THAT A TRIGGER EVENT HAS OCCURRED ON THE NEXT BUSINESS DAY SUCCEEDING SUCH TRIGGER EVENT

(A "WRITE-DOWN NOTICE").

ANY WRITE-DOWN NOTICE TO THE TRUSTEE MUST BE ACCOMPANIED BY A CERTIFICATE SIGNED BY TWO OF OUR OFFICERS STATING THAT A TRIGGER EVENT HAS OCCURRED AND SETTING OUT THE METHOD OF CALCULATION OF THE RELEVANT WRITE-DOWN AMOUNT.

"WRITE-DOWN AMOUNT" MEANS (I) AN AMOUNT OF THE CURRENT PRINCIPAL AMOUNT OF THE NOTES THAT WOULD BE SUFFICIENT, TOGETHER WITH ANY CONCURRENT *PRO RATA* WRITE DOWN OR CONVERSION OF ANY OTHER TIER 2 CAPITAL INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING (AFTER TAKING INTO ACCOUNT THE EFFECTS OF THE CONVERSION OR WRITE-DOWN OF ANY LOSS-ABSORBING TIER 1 CAPITAL INSTRUMENTS, IF APPLICABLE), TO RETURN OUR FUNDAMENTAL CAPITAL RATIO TO THE LEVELS OF THEN-APPLICABLE FUNDAMENTAL CAPITAL RATIO REQUIRED TO BE CLASSIFIED AS CLASS II UNDER ARTICLE 220 OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7.0%, WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER OF 2.5%), PLUS ANY APPLICABLE CAPITAL SUPPLEMENT (AS DEFINED HEREIN), OR (II) IF ANY WRITE-DOWN OF THE CURRENT PRINCIPAL AMOUNT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OR CONVERSION OF ANY OTHER TIER 2 CAPITAL INSTRUMENTS ISSUED BY US AND

THEN OUTSTANDING (AFTER TAKING INTO ACCOUNT THE EFFECTS OF THE CONVERSION OR WRITE-DOWN OF ANY LOSS-ABSORBING TIER 1 CAPITAL INSTRUMENTS, IF APPLICABLE), WOULD BE INSUFFICIENT TO RETURN OUR FUNDAMENTAL CAPITAL RATIO TO THE LEVELS OF FUNDAMENTAL CAPITAL RATIO REQUIRED TO BE CLASSIFIED AS CLASS II UNDER ARTICLE 220 OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7.0%, WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER OF 2.5%), PLUS ANY APPLICABLE CAPITAL SUPPLEMENT, THEN THE AMOUNT NECESSARY TO REDUCE THE CURRENT PRINCIPAL AMOUNT OF EACH OUTSTANDING NOTE TO ZERO.

"WRITE-DOWN DATE" MEANS THE DATE ON WHICH A WRITE-DOWN WILL BE DEEMED TO TAKE EFFECT, WHICH SHALL BE THE BUSINESS DAY NEXT SUCCEEDING THE DATE OF THE TRIGGER EVENT.

"WRITTEN-DOWN PRINCIPAL" MEANS THE AMOUNT BY WHICH THE PRINCIPAL OF ANY NOTE HAS BEEN WRITTEN DOWN BY ANY ONE OR MORE WRITE-DOWNS.

AS REQUIRED UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS, A FULL WRITE-DOWN (WHEREBY THE PRINCIPAL AMOUNT OF THE NOTES HAS BEEN WRITTEN DOWN TO ZERO) SHALL BE COMPLETED BEFORE ANY PUBLIC FUNDS ARE CONTRIBUTED OR ANY PUBLIC ASSISTANCE IS PROVIDED TO US

	PURSUANT TO THE TERMS OF ARTICLE 148, SECTION II, SUBSECTIONS A) AND B) OF THE MEXICAN BANKING LAW, INCLUDING, AMONG OTHERS, IN THE FORM OF (I) SUBSCRIPTION OF SHARES, (II) GRANTING OF LOANS, (III) PAYMENT OF OUR LIABILITIES, (IV) GRANTING OF GUARANTIES AND (V) THE TRANSFER OF ASSETS AND LIABILITIES.
Ranking.....	The Notes constitute subordinated preferred indebtedness, and will rank (i) subordinate and junior in right of payment and in liquidation to all of our present and future senior indebtedness, (ii) *pari passu* without preference among themselves and with all of our other present and future unsecured subordinated preferred indebtedness and (iii) senior only to all of our present and future subordinated non-preferred indebtedness and all classes of our equity or capital stock. As of June 30, 2018, we had approximately Ps.212,296 million (U.S.$10,787 million) aggregate principal amount of outstanding senior indebtedness (including secured indebtedness) that would be senior to the Notes, approximately Ps.25,597 million (U.S.$1,300 million) aggregate principal amount of outstanding subordinated preferred indebtedness that would rank *pari passu* with the Notes and approximately Ps.9,845 million (U.S.$500 million) aggregate principal amount of outstanding subordinated non-preferred indebtedness that would rank junior to the Notes. Pursuant to the concurrent Tender Offer, we expect to use the proceeds of this offering to repurchase a portion of our subordinated preferred indebtedness currently outstanding. The Indenture does not limit our ability to incur additional senior indebtedness or subordinated indebtedness from time to time.
Redemption.....	**WE MAY NOT REDEEM THE NOTES, IN WHOLE OR IN PART, OTHER THAN AS DESCRIBED BELOW UNDER "OPTIONAL REDEMPTION," "WITHHOLDING TAX REDEMPTION" AND "SPECIAL EVENT REDEMPTION," AND IN ALL CASES WITH THE PRIOR APPROVAL OF**

	BANCO DE MÉXICO.
Optional Redemption.....	**WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES ON THE OPTIONAL CALL DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) OR IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES AND ANY ADDITIONAL AMOUNTS, UP TO, BUT EXCLUDING, THE DATE OF REDEMPTION** **WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, (Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (*CAPITAL BÁSICO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z) 7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (CAPITAL BÁSICO FUNDAMENTAL), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE**

	ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.
Withholding Tax Redemption	**WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES AND ANY ADDITIONAL AMOUNTS, UP TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A WITHHOLDING TAX EVENT AFFECTING THE NOTES; PROVIDED, HOWEVER, THAT IN THE EVENT OF SUCH A WITHHOLDING TAX REDEMPTION, (I) WE SHALL BE IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-**

APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE: (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (CAPITAL NETO), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, (Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (CAPITAL BÁSICO), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z) 7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (*CAPITAL BÁSICO FUNDAMENTAL*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

A "WITHHOLDING TAX EVENT" IS THE OCCURRENCE OF CERTAIN CHANGES IN TAX LAW AND THE SATISFACTION OF CERTAIN

	CONDITIONS, AS IS DESCRIBED IN "DESCRIPTION OF NOTES—REDEMPTION—WITHHOLDING TAX REDEMPTION" AFFECTING THE INTEREST PAYMENTS UNDER THE NOTES.
Special Event Redemption.....	**WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES AND ANY ADDITIONAL AMOUNTS, UP TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A SPECIAL EVENT AFFECTING THE NOTES (A "SPECIAL EVENT REDEMPTION"); PROVIDED, HOWEVER, IN THE EVENT OF SUCH A SPECIAL EVENT REDEMPTION (I) WE SHALL BE IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE: (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER,**

	(Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (*CAPITAL BÁSICO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z) 7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (*CAPITAL BÁSICO FUNDAMENTAL*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION. **A "SPECIAL EVENT" SHALL MEAN THE OCCURRENCE OF CERTAIN CHANGES IN CAPITAL TREATMENT OR TAX DEDUCTIBILITY OF PAYMENTS UNDER THE NOTES AND THE SATISFACTION OF CERTAIN CONDITIONS, AND IS DESCRIBED IN "DESCRIPTION OF NOTES—REDEMPTION—SPECIAL EVENT REDEMPTION" AFFECTING THE NOTES.**
Suspension Period.....	**A SUSPENSION PERIOD WILL COMMENCE AND WE WILL DEFER BUT NOT CANCEL (EXCEPT**

PURSUANT TO ONE OR MORE WRITE-DOWNS AS SET FORTH HEREIN) THE PAYMENT OF INTEREST AND PRINCIPAL DUE ON THE NOTES, NEITHER OF WHICH DEFERRALS SHALL CONSTITUTE AN EVENT OF DEFAULT, IF (1) ANY OF THE FOLLOWING CAPITAL RATIOS APPLICABLE TO US DECLINES BELOW THE MINIMUM PERCENTAGE REQUIRED, FROM TIME TO TIME, BY THE MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE HEREOF ARE (I) 8.0% IN THE CASE OF TOTAL NET CAPITAL RATIO, OR (II) 6.0% IN THE CASE OF TIER 1 CAPITAL RATIO, PLUS, IN EACH CASE, ANY APPLICABLE CAPITAL SUPPLEMENT (A "CAPITAL RATIO EVENT"), OR (2) THE CNBV INSTITUTES A PREVENTIVE OR CORRECTIVE MEASURE AGAINST US PURSUANT TO EITHER ARTICLE 121 OR ARTICLE 122 OF THE MEXICAN BANKING LAW OR ANY SUCCESSOR PROVISIONS (INCLUDING THE CORRESPONDING RULES SET FORTH UNDER THE GENERAL RULES APPLICABLE TO MEXICAN BANKS) THAT REQUIRES DEFERRING OR CANCELING PAYMENTS OF INTEREST AND PRINCIPAL OTHERWISE DUE ON THE NOTES IF WE ARE CLASSIFIED AS CLASS III OR IV (OR EQUIVALENT CLASSIFICATION UNDER ANY SUCCESSOR PROVISIONS) UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS (EACH, A "MEXICAN REGULATORY EVENT").

NEITHER THE OCCURRENCE NOR THE CONTINUANCE OF A SUSPENSION PERIOD SHALL GIVE

RISE TO AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE NOTES.

SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS, A SUSPENSION PERIOD SHALL TERMINATE AND THE PAYMENT OF INTEREST DUE ON THE NOTES AND PAYMENT OF PRINCIPAL THEREOF WILL RESUME WHEN THE RELATED CAPITAL RATIO EVENT OR THE MEXICAN REGULATORY EVENT HAS TERMINATED.

UNLESS ALL PAYABLE ACCRUED INTEREST AND ANY ADDITIONAL AMOUNTS ON THE NOTES HAVE BEEN PAID OR BEEN CANCELLED PURSUANT TO ONE OR MORE WRITE-DOWNS, FOLLOWING TERMINATION OF SUCH SUSPENSION PERIOD, WE SHALL NOT (I) DECLARE OR PAY ANY DIVIDENDS OR DISTRIBUTIONS ON, OR REDEEM, PURCHASE, ACQUIRE, OR MAKE A LIQUIDATION PAYMENT WITH RESPECT TO, ANY OF OUR CAPITAL STOCK (WHICH INCLUDES COMMON AND PREFERRED STOCK); (II) MAKE ANY PAYMENT OF PREMIUM, IF ANY, OR INTEREST ON OR REPAY, REPURCHASE OR REDEEM ANY OF OUR DEBT SECURITIES THAT RANK *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES; (III) TO THE EXTENT ANY SUCH GUARANTY IS PERMITTED UNDER APPLICABLE LAW, MAKE ANY GUARANTY PAYMENTS WITH RESPECT TO ANY GUARANTY BY US OF THE DEBT SECURITIES OF ANY OF OUR SUBSIDIARIES IF SUCH GUARANTY

RANKS *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES; OR (IV) TAKE ANY OTHER ACTION IN VIOLATION OF ANY OTHER ORDER BY CNBV, *BANCO DE MÉXICO*, MINISTRY OF FINANCE AND PUBLIC CREDIT OR ANY OTHER RELEVANT MEXICAN AUTHORITY; *PROVIDED, HOWEVER*, THAT (X) THE FOREGOING SHALL NOT, TO THE EXTENT PERMITTED BY THE MEXICAN CAPITALIZATION REQUIREMENTS OR APPLICABLE LAW, PROHIBIT PAYMENT OF THE DIVIDEND EXCEPTIONS (AS DEFINED BELOW) AND (Y) THE FOREGOING SHALL NOT APPLY TO THE EXTENT THAT WE OBTAIN PRIOR REGULATORY CONSENT FOR ANY ACTION THAT WOULD OTHERWISE BE PROHIBITED.

"DIVIDEND EXCEPTIONS" SHALL MEAN (I) DIVIDENDS OR DISTRIBUTIONS IN SHARES OF, OR OPTIONS, WARRANTS OR RIGHTS TO SUBSCRIBE FOR OR PURCHASE SHARES OF, OUR COMMON STOCK; (II) ANY DECLARATION OF A STOCK DIVIDEND IN CONNECTION WITH THE IMPLEMENTATION OF A STOCKHOLDERS' RIGHTS PLAN, OR THE ISSUANCE OF STOCK UNDER ANY SUCH PLAN IN THE FUTURE; (III) ANY RECLASSIFICATION OF OUR CAPITAL STOCK OR THE EXCHANGE OR CONVERSION OF ONE CLASS OR SERIES OF OUR CAPITAL STOCK FOR ANOTHER CLASS OR SERIES OF OUR CAPITAL STOCK; (IV) THE PURCHASE OF FRACTIONAL INTERESTS IN SHARES OF OUR CAPITAL STOCK PURSUANT TO THE CONVERSION OR

	EXCHANGE PROVISIONS OF SUCH CAPITAL STOCK OR THE SECURITY BEING CONVERTED OR EXCHANGED; (V) PURCHASES OF COMMON STOCK RELATED TO THE ISSUANCE OF COMMON STOCK OR RIGHTS UNDER ANY OF OUR BENEFIT PLANS FOR OUR DIRECTORS, OFFICERS OR EMPLOYEES; AND (VI) OTHER EQUIVALENT TRANSACTIONS NOT INVOLVING PAYMENTS OR DISTRIBUTIONS IN CASH.
Deferral of Interest and Deferral of Principal Payments During a Suspension Period.....	We have the right to and will defer but not cancel (except pursuant to one or more Write-Downs) the payment of interest due on the Notes and defer but not cancel (except pursuant to one or more Write-Downs) the payment of principal thereof for the duration of any Suspension Period. In the event of a deferral of payment of interest on the Notes or deferral of payment of principal thereof, we will notify the holders of the Notes and the Trustee in accordance with the procedures described in the Indenture. Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest are deferred during a Suspension Period and subject to the occurrence of one or more Write-Downs, holders of the Notes will have the right to receive following the termination of the Suspension Period all interest accrued prior to and during a Suspension Period, but not paid as a result of such Suspension Period will be payable (without any interest on such previously accrued interest) on the next succeeding Interest Payment Date on which a Suspension Period is no longer in effect, unless such Interest Payment Date occurs on a date that is less than 12 Business Days after such Suspension Period ends, in which case any and all interest then payable shall be paid on the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such interest is cancelled pursuant to one or more Write-Downs. If a Suspension Period in effect on the Maturity Date or any redemption date, or the Maturity Date or such redemption date is on a date that is less than 12 Business Days after a Suspension Period ends, payment of principal will be deferred with interest until the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such principal is cancelled pursuant to one or

	more Write-Downs. When a Suspension Period is no longer in effect, we will notify the holders of the Notes of such circumstances in accordance with the procedures described in the Indenture. If a Write-Down occurs, the Written-Down Principal, and any interest accrued with respect thereto during any Suspension Period, will be cancelled.
Events of Default; No Acceleration Except in Case of Certain Events Involving Bankruptcy, Liquidation or Dissolution.....	An "Event of Default" is defined in the Indenture as (i) a default for 30 calendar days in the payment of interest or Additional Amounts, if applicable, due and payable on the Notes, other than during a Suspension Period; (ii) a default in the payment of the principal of the Notes, when the same shall become due and payable, other than during a Suspension Period; (iii) a payment by us, during a Suspension Period, of dividends or other distributions in respect of our capital stock, other than any Dividend Exceptions; or (iv) certain events involving our bankruptcy including *liquidación* or *resolución* (liquidation or dissolution). For the avoidance of doubt, the occurrence of one or more Write-Downs shall not constitute an Event of Default. Upon the occurrence of an Event of Default, holders of the Notes may have limited enforcement remedies, as described in this offering memorandum. The payment of the principal, interest and other amounts due on or with respect to the Notes may be accelerated only upon the occurrence of an Event of Default described in (iv) above (a "Liquidation Event of Default"). There is no right of acceleration upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. See "Risk Factors—Risks Relating to our Notes—If we do not satisfy our obligations under the Notes, whether due to a Write-Down or otherwise, your remedies will be limited." In addition, holders of the Notes may have no enforcement remedies for an Event of Default upon the occurrence of a Trigger Event and related Write-Down, as described above and in this offering memorandum.
Voting Rights.....	None.
Use of Proceeds	Our gross proceeds from the issuance and sale of the Notes, are estimated to be approximately U.S.$1,300,000,000. We intend to use the gross proceeds from the offering, after paying initial purchasers' fees and commissions and offering expenses, to finance the concurrent Tender Offer in order to extend the maturity profile of our Tier 2

	Capital (as defined herein) and for general corporate purposes.
Transfer Restrictions.....	The Notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. See "Transfer Restrictions" and "Plan of Distribution." The Notes will not be registered with the RNV and may not be offered or sold publicly in Mexico, as part of the initial distribution, except that the Notes may be offered to Mexican investors that qualify as institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law and the regulations thereunder. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico.
Listing.....	We will apply to list the Notes on the Official List of Euronext Dublin and to trade them on the Global Exchange Market. No assurance can be given that the Notes will be approved for admission to listing on Euronext Dublin and trading on the Global Exchange Market.
Taxation.....	You should review the discussion under "Taxation" and consult your tax adviser regarding the U.S. federal tax consequences and the Mexican federal income tax consequences of an investment in the Notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. The U.S. federal income tax consequences of your investment in the Notes are uncertain. We believe that it is more likely than not that the Notes will be treated as equity of the Issuer for U.S. federal income tax purposes.
Benefit Plan Investor Considerations	Sales of the Notes to specified types of employee benefit plans and affiliates are subject to certain conditions. See "Benefit Plan Investor Considerations."
Acquisition Restrictions	Under applicable Mexican law, we are prohibited from acquiring, directly or indirectly, the Notes. In addition, certain Mexican financial entities may not acquire the Notes. See "Description of Notes—Restrictions Applicable to Us and to Other Mexican Financial Institutions."
Governing Law	**THE INDENTURE AND THE NOTES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW**

YORK. WHETHER A TRIGGER EVENT (LEADING TO A WRITE-DOWN) OR A CAPITAL RATIO EVENT OR A MEXICAN REGULATORY EVENT (LEADING TO A SUSPENSION PERIOD) HAS OCCURRED IS BASED UPON A DETERMINATION BY THE APPLICABLE MEXICAN REGULATOR, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WHETHER A WITHHOLDING TAX EVENT OR A TAX EVENT HAS OCCURRED IS BASED UPON A DETERMINATION IN ACCORDANCE WITH MEXICAN LAW (OR OTHER APPLICABLE LAW IN THE CASE OF A WITHHOLDING TAX EVENT INVOLVING A JURISDICTION OTHER THAN MEXICO), AS AMENDED FROM TIME TO TIME, EVIDENCED BY AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM AND, IF REQUIRED, A CERTIFICATION BY US, AS SET FORTH IN THIS OFFERING MEMORANDUM. WHETHER A CAPITAL EVENT HAS OCCURRED IS DETERMINED BY US, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). THE RANKING AND SUBORDINATION OF THE NOTES, WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WE WILL WAIVE ANY RIGHTS WE MAY HAVE UNDER THE LAW OF THE STATE OF NEW YORK NOT TO GIVE EFFECT TO ANY SUCH DETERMINATION TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW. ANY PROCEEDINGS IN RESPECT OF OUR

	***LIQUIDACIÓN* OR *RESOLUCIÓN* WILL BE CONDUCTED IN ACCORDANCE WITH THE MEXICAN BANKING LAW, AND ANY MERGER OR CONSOLIDATION SHALL BE SUBJECT TO APPLICABLE APPROVALS UNDER THE MEXICAN BANKING LAW AND ANY OTHER APPLICABLE MEXICAN LAWS, AS AMENDED FROM TIME TO TIME.**
Form and Denomination	We will issue the Notes in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof and the Notes will, once issued, be represented by one or more global notes. The global notes representing the Notes will be deposited with a custodian for The Depository Trust Company ("DTC") and registered in the name of Cede & Co., as nominee for DTC. DTC will act as depositary.
Securities Identification Numbers	144A ISIN: US05969BAC72 144A CUSIP: 05969BAC7 Reg S ISIN: USP1507SAG23 Reg S CUSIP: P1507SAG2
Tender Offer	On September 20, 2018, we announced the launch of a tender offer (the "Tender Offer") to purchase for cash any and all of our outstanding 5.95% Tier 2 Subordinated Capital Notes due 2024 (the "Existing Tier 2 Notes"). Goldman Sachs & Co. LLC and Santander Investment Securities Inc. are acting as dealer managers for the Tender Offer.

We urge you to carefully review the risk factors beginning on page 45 for a discussion of factors you should consider before purchasing the Notes.

SUMMARY CONSOLIDATED FINANCIAL DATA

The tables below present summary financial data from our financial statements for each of the periods indicated and should be read in conjunction with, and are qualified in their entirety by, our audited financial statements and related notes included in our annual report on Form 20-F for the year ended December 31, 2017 and our unaudited condensed consolidated interim financial statements and related notes included in our report on Form 6-K dated September 18, 2018.

We have derived our selected consolidated income statement data for the years ended December 31, 2014, 2015, 2016 and 2017 and our selected consolidated balance sheet data as of January 1, 2014 and December 31, 2014, 2015, 2016 and 2017 from our audited financial statements, which have been prepared in accordance with IFRS. We have derived our selected consolidated income statement data for the six months ended June 30, 2017 and 2018 and our selected consolidated balance sheet data as of June 30, 2018 from our unaudited condensed consolidated financial statements, which have been prepared in accordance with IFRS.

	For the year ended December 31,					For the six months ended June 30,		
	2014	2015(9)	2016	2017	2017	2017	2018	2018
	(Millions of pesos)(1)				(Millions of U.S. dollars) (1)(2)	(Millions of pesos)(1)		(Millions of U.S. dollars) (1)(2)
Interest income and similar income(3)	Ps. 57,956	Ps. 64,230	Ps. 77,453	Ps. 98,002	U.S. 4,977	Ps. 47,209	Ps. 53,947	U.S. 2,740
Interest expenses and similar charges	(20,386)	(21,242)	(28,323)	(42,158)	(2,141)	(20,004)	(24,151)	(1,226)
Net interest income	**37,570**	**42,988**	**49,130**	**55,844**	**2,836**	**27,205**	**29,796**	**1,514**
Dividend income	137	104	94	150	7	147	142	7
Fee and commission income (net)	12,858	13,632	13,940	14,813	752	7,400	7,919	402
Gains/(losses) on financial assets and liabilities (net)	2,610	2,504	3,760	3,458	175	1,964	922	47
Exchange differences (net)	(11)	6	2	6	—	9	—	—
Other operating income	509	472	486	669	34	267	330	17
Other operating expenses	(2,472)	(3,010)	(3,361)	(3,614)	(183)	(1,721)	(2,243)	(114)
Total income	**51,201**	**56,696**	**64,051**	**71,326**	**3,622**	**35,271**	**36,866**	**1,873**
Administrative expenses	(19,290)	(20,780)	(22,655)	(25,437)	(1,292)	(12,193)	(13,783)	(700)
Personnel expenses	*(9,557)*	*(10,625)*	*(11,472)*	*(12,748)*	*(647)*	*(5,996)*	*(6,832)*	*(347)*
Other general administrative expenses	*(9,733)*	*(10,155)*	*(11,183)*	*(12,689)*	*(644)*	*(6,197)*	*(6,951)*	*(353)*
Depreciation and amortization	(1,682)	(1,863)	(2,058)	(2,533)	(128)	(1,218)	(1,447)	(73)
Impairment losses on financial assets (net)(10)	(13,132)	(16,041)	(16,661)	(18,820)	(955)	(9,865)	(8,488)	(431)
Financial assets at fair value through other comprehensive income	—	—	—	—	—	—	*(3)*	—
Loans and receivables(4)	*(13,132)*	*(16,041)*	*(16,661)*	*(18,820)*	*(955)*	*(9,865)*	*(8,485)*	*(431)*
Impairment losses on other assets (net)	(48)	—	—	—	—	(26)	—	—
Other intangible assets	—	—	—	—	—	—	—	—
Non-current assets held for sale	*(48)*	—	—	—	—	*(26)*	—	—
Provisions (net)(5)(10)	(137)	258	(881)	(437)	(22)	(118)	(358)	(18)
Gains/(losses) on disposal of assets not classified as non-current assets held for sale	2	7	20	6	—	2	3	—
Gains/(losses) on disposal of non-current assets held for sale not classified as discontinued operations	(15)	91	71	69	3	57	9	—

	For the year ended December 31,					For the six months ended June 30,		
	2014	2015(9)	2016	2017	2017	2017	2018	2018
	(Millions of pesos)(1)				(Millions of U.S. dollars) (1)(2)	(Millions of pesos)(1)		(Millions of U.S. dollars) (1)(2)
Operating profit before tax	**16,899**	**18,368**	**21,887**	**24,174**	**1,227**	**11,910**	**12,802**	**651**
Income tax	(3,539)	(4,304)	(5,351)	(5,496)	(279)	(2,595)	(2,935)	(150)
Profit from continuing operations	**13,360**	**14,064**	**16,536**	**18,678**	**948**	**9,315**	**9,867**	**501**
Profit from discontinued operations (net)	—	—	—	—	—	—	—	—
Consolidated profit for the year/period	**Ps 13,360**	**Ps. 14,064**	**Ps. 16,536**	**Ps. 18,678**	**U.S. 948**	**Ps. 9,315**	**Ps. 9,867**	**U.S. 501**
Profit attributable to the Parent	13,359	14,051	16,536	18,678	948	9,315	9,867	501
Profit attributable to non-controlling interests	1	13	—	—	—	—	—	—
Earnings per share from continuing and discontinued operations:								
Basic earnings per share	1.97	2.07	2.44	2.76	0.14	1.37	1.46	0.07
Diluted earnings per share	1.97	2.07	2.44	2.75	0.14	1.37	1.45	0.07
Earnings per share from continuing operations:								
Basic earnings per share(6)	1.97	2.08	2.44	2.76	0.14	1.37	1.46	0.07
Diluted earnings per share(6)(7)	1.97	2.07	2.44	2.75	0.13	1.37	1.45	0.07
Cash dividend per share(8)	0.51	1.00	2.58	1.31	0.06	0.62	0.63	0.03
Weighted average shares outstanding	6,777,381,551	6,777,381,551	6,777,381,551	6,777,381,551	6,777,381,551	6,777,381,551	6,777,167,728	6,777,167,728
Dilutive effect of rights on shares(7)	9,612,806	9,612,806	9,612,806	9,612,806	9,612,806	9,612,806	9,826,629	9,826,629
Adjusted number of shares	6,786,994,357	6,786,994,357	6,786,994,357	6,786,994,357	6,786,994,357	6,786,994,357	6,786,994,357	6,786,994,357
Dividend paid	3,473	6,760	17,468	8,910	452	4,234	4,279	217
Basic earnings per share	1.97	2.07	2.44	2.76	0.14	1.37	1.46	0.07
Diluted earnings per share	1.97	2.07	2.44	2.75	0.14	1.37	1.45	0.07
Dividend pay-out ratio	26.03%	48.18%	105.79%	47.77%	47.77%	22.76%	21.71%	21.69%

(1) Except per share amounts.

(2) Results for the year ended December 31, 2017 and for the six months ended June 30, 2018 have been translated into U.S. dollars, for convenience purposes only, at an exchange rate of Ps.19.69 to U.S.$1.00, the rate calculated on June 29, 2018 (the last business day in June) and published on July 2, 2018 in the Federal Official Gazette (*Diario Oficial de la Federación*) by the Mexican Central Bank, as the exchange rate for the payment of obligations denominated in currencies other than pesos and payable within Mexico (*tipo de cambio para solventar obligaciones denominadas en moneda extranjera*). Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate on the applicable date. These translations should not be construed as representations that the pesos amounts represent, have been or could have been converted into, U.S. dollars at such or at any other exchange rate.

(3) Interest income and similar income includes “Interest income from financial assets at fair value through profit or loss” that are presented as a separate line of the consolidated results of operations for the six months ended June 30, 2018.

(4) Impairment losses on loans and receivables less recoveries of loans previously charged off (net of legal expenses).

(5) Principally includes provisions for off-balance sheet risk and provisions for tax and legal matters. See “Item 5. Operating and Financial Review and Prospects” in our annual report on Form 20-F for the year ended December 31, 2017.

(6) Profit for calculation of basic and diluted earnings per share has been annualized for comparative purposes.

(7) To calculate diluted earnings per share, the amount of profit attributable to the Parent and the weighted average number of shares issued, net of treasury shares, are adjusted to consider all the dilutive effects inherent in potential share issuances. See Note 5.2.ii to our audited financial statements included in the 2017 Form 20-F.

(8) On December 29, 2014, we paid a dividend of Ps.3,473 million, equal to Ps.0.0430 per share. On May 29, 2015, we paid a dividend of Ps.3,534 million, equal to Ps.0.0437 per share. On December 22, 2015, we paid a dividend of Ps.3,226 million, equal to Ps.0.0399 per share. On May 26, 2016, we paid a dividend of Ps.3,844 million, equal to Ps.0.0475 per share. On December 30, 2016, we paid a dividend of Ps.13,624 million, equal to Ps.0.1685 per share. On May 30, 2017 we paid a dividend of Ps.4,234 million, equal to Ps.0.0524 per share. On December 27, 2017, we paid a dividend of Ps.4,676 million, equal to Ps.0.0578 per share. On June 29, 2018, we paid a dividend of Ps.4,279 million, equal to Ps.0.6314 per share.

(9) See Note 2.h to our audited financial statements included in our annual report on Form 20-F for December 31, 2017 for more details on our change in accounting estimates regarding our refinements to impairment models.

(10) See Note 1.b, Note 1.c and Note 2.b to our unaudited condensed consolidated financial statements included elsewhere in this report on Form 6-K regarding the changes in our accounting policies and accounting estimates for impairment of financial assets as result of adoption of IFRS 9 as of January 1, 2018.

	As of January 1,	As of December 31,					As of June 30,	
	2014	2014	2015	2016	2017	2017	2018(3)	2018
		(Millions of pesos)				(Millions of U.S. dollars)(1)	(Millions of pesos)	(Millions of U.S. dollars)(1)
Assets								
Cash and balances with Mexican Central Bank	Ps. 49,681	Ps. 51,823	Ps. 59,788	Ps. 78,663	Ps. 57,687	U.S. 2,929	Ps. 96,680	U.S. 4,910
Financial assets at fair value through profit or loss	—	—	—	—	—	—	300,241	15,247
Financial assets held for trading	176,395	207,651	326,872	342,582	315,570	16,026	—	—
Other financial assets at fair value through profit or loss	87,495	32,501	28,437	42,340	51,705	2,625	99,123	5,034
Financial assets at fair value through other comprehensive income	—	—	—	—	—	—	97,021	4,927
Available-for-sale financial assets	61,867	83,340	113,873	154,644	165,742	8,417	—	—
Financial assets at amortized cost	—	—	—	—	—	—	743,737	37,770
Loans and receivables	441,501	530,225	598,712	675,498	679,300	34,499	—	0
Hedging derivatives	300	4,740	12,121	15,003	15,116	767	16,325	829
Non-current assets held for sale	1,100	844	1,101	1,107	1,295	65	1,286	65
Tangible assets	4,764	5,259	5,547	5,692	6,498	330	6,411	326
Intangible assets	3,751	4,079	4,877	5,772	6,960	353	7,121	362
Tax assets	25,596	22,923	18,659	23,301	20,209	1,026	20,346	1,033
Other assets	5,671	6,209	5,847	6,335	9,109	462	8,687	441
Total assets	**Ps. 858,121**	**Ps. 949,594**	**Ps. 1,175,834**	**Ps. 1,350,937**	**Ps. 1,329,191**	**U.S. 67,505**	**Ps. 1,396,978**	**U.S. 70,944**
Liabilities								
Financial liabilities at fair value through profit or loss	—	—	—	—	—	—	Ps. 243,556	U.S. 12,369
Financial liabilities held for trading	Ps. 136,199	Ps. 136,805	Ps. 172,573	Ps. 266,828	Ps. 239,725	U.S. 12,174	—	—
Other financial liabilities at fair value through profit or loss	78,628	110,520	208,341	136,860	120,653	6,127	99,849	5,071
Financial liabilities at amortized cost	528,460	579,056	659,209	806,091	820,431	41,667	894,731	45,438
Hedging derivatives	1,392	4,403	9,568	14,287	11,091	563	9,348	475
Provisions(2)	5,615	5,988	6,580	7,202	6,730	341	6,670	339
Tax liabilities	38	26	643	44	71	3	69	4
Other liabilities	17,064	12,300	11,162	14,398	15,080	765	22,484	1,141
Total liabilities	**Ps. 767,396**	**Ps. 849,098**	**Ps. 1,068,076**	**Ps. 1,245,710**	**Ps. 1,213,781**	**U.S. 61,644**	**Ps. 1,276,707**	**U.S. 64,837**
Shareholders' equity	Ps. 91,082	Ps. 100,704	Ps. 107,328	Ps. 106,768	Ps. 116,558	U.S. 5,919	Ps. 120,311	U.S. 6,109
Share capital	8,086	Ps.8,086	8,086	8,086	8,086	410	25,660	1,303
Share premium	16,956	16,956	16,956	16,956	16,956	861	—	—
Accumulated reserves	53,725	62,303	68,235	65,190	72,838	3,699	84,784	4,305

	As of January 1,	As of December 31,					As of June 30,	
	2014	2014	2015	2016	2017	2017	2018(3)	2018
	(Millions of pesos)					(Millions of U.S. dollars)(1)	(Millions of pesos)	(Millions of U.S. dollars)(1)
Assets								
Profit for the year attributable to the Parent	12,315	13,359	14,051	16,536	18,678	948	9,867	501
Valuation adjustments	(419)	(253)	372	(1,596)	(1,177)	(59)	(61)	(3)
Non-controlling interests	62	45	58	55	29	1	21	1
Total equity	**90,725**	**100,496**	**107,758**	**105,227**	**115,410**	**5,861**	**120,271**	**6,107**
Total liabilities and equity	**Ps. 858,121**	**Ps. 949,594**	**Ps. 1,175,834**	**Ps. 1,350,937**	**Ps. 1,329,191**	**U.S. 67,505**	**Ps. 1,396,978**	**U.S. 70,944**

(1) Results for the year ended December 31, 2017 and for the six months ended June 30, 2018 have been translated into U.S. dollars, for convenience purposes only, at an exchange rate of Ps.19.69 to U.S.$1.00, the rate calculated on June 29, 2018 (the last business day in June) and published on July 2, 2018 in the Federal Official Gazette (*Diario Oficial de la Federación*) by the Mexican Central Bank, as the exchange rate for the payment of obligations denominated in currencies other than pesos and payable within Mexico (*tipo de cambio para solventar obligaciones denominadas en moneda extranjera*). Convenience translations into U.S. dollars of amounts in pesos have been made at the established exchange rate on the applicable date. These translations should not be construed as representations that the pesos amounts represent, have been or could have been converted into, U.S. dollars at such or at any other exchange rate.

(2) Includes provisions for pensions and similar obligations, provisions for off-balance sheet risk and provisions for tax and legal matters. See “Item 3. Operating and Financial Review and Prospects” in our annual report on Form 20-F for the year ended December 31, 2017.

(3) As a result of the application of IFRS 9 with effect from January 1, 2018, certain of our financial assets were reclassified, including the corresponding portion of the loan portfolio, which was reclassified from Loans and Receivables to Financial Assets at Amortized Cost. The reclassifications were not applied to prior periods. See Note 1.b, Note 1.c and Note 2.b to our unaudited condensed consolidated financial statements included elsewhere in this report on Form 6-K regarding the changes in our accounting policies and accounting estimates for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets as result of adoption of IFRS 9 as of January 1, 2018.

Selected Ratios and Other Data

The selected financial data and ratios presented below have been derived from and should be read in conjunction with our audited financial statements included elsewhere in this offering memorandum and the other financial information contained in this offering memorandum. Unless otherwise noted, the selected ratios and other data below (except for number of shares, branch and employee data) are presented in accordance with IFRS. Ratios and other data for the six month periods presented have not been annualized.

	As of and for the year ended December 31,				As of and for the six months ended June 30,	
	2014	2015	2016	2017	2017	2018
	(Millions of pesos or percentages, except per share, branch and employee data)					
Profitability and performance						
Net interest margin(1)	4.80%	4.88%	4.97%	5.34%	5.26%	5.49%
Total margin(2)	6.44%	6.42%	6.38%	6.76%	6.68%	6.94%
Return-on-average total assets (ROAA)(3)	1.44%	1.36%	1.50%	1.57%	1.63%	1.57%
Return-on-average equity (ROAE)(4)	14.17%	13.71%	14.89%	16.93%	17.38%	16.97%
Efficiency ratio(5)	40.96%	39.94%	38.58%	39.21%	38.02%	41.31%
Net fee and commission income as a percentage of operating expenses(6)	61.31%	60.20%	56.41%	52.96%	55.18%	52.00%
Gross Yield on average interest-earning assets	7.38%	7.27%	7.82%	9.35%	9.08%	9.90%
Average cost of interest-bearing liabilities	2.85%	2.60%	3.17%	4.52%	4.23%	5.01%
Net interest spread	4.53%	4.67%	4.65%	4.83%	4.85%	4.89%
Common stock dividend payout ratio(7)	26.00%	48.11%	105.64%	47.70%	22.76%	21.71%
Average interest-earning assets(8)	785,345	883,735	989,857	1,047,976	1,040,350	1,090,388
Average interest-bearing liabilities(8)	716,302	815,902	893,128	932,380	945,049	963,803
Capital adequacy						
Net tangible book value	96,417	102,881	99,455	108,450	104,980	113,515
Net tangible book value per share	1.19	1.27	1.23	1.34	15.49	16.70
Average equity as a percentage of average total assets	10.18%	9.94%	10.10%	9.28%	9.36%	
Total Capital (Mexican Banking GAAP)(9)	96,517	103,639	109,238	115,321	111,303	117,074
Tier 1 Capital (Mexican Banking GAAP)(9)	76,697	80,328	81,785	89,267	87,282	90,987
Tier 1 capital to risk-weighted assets (Mexican Banking GAAP)	12.85%	12.10%	11.79%	12.18%	12.68%	12.06%
Total capital to risk-weighted assets (Mexican Banking GAAP)(10)	16.17%	15.61%	15.74%	15.73%	16.17%	15.52%
Asset quality						
Non-performing loans as a percentage of total loans(11)	3.90%	3.56%	2.93%	2.89%	2.71%	2.75%
Non-performing loans as a percentage of computable credit risk(11)(12)	3.66%	3.32%	2.66%	2.57%	2.47%	2.44%
Loan charge-offs as a percentage of average total loans	3.10%	2.85%	3.48%	3.63%	1.80%	1.52%
Loan charge-offs as a percentage of computable credit risk(12)	2.68%	2.42%	3.03%	3.08%	1.60%	1.29%
Allowance for impairment losses as a percentage of average total loans(13)	3.49%	3.70%	3.10%	2.83%	3.09%	3.16%
Allowance for impairment losses as a percentage of non-performing loans(11)(13)	82.46%	94.97%	101.64%	93.36%	111.04%	110.42%
Allowance for impairment losses as a percentage of loan charge-offs(13)	112.49%	129.98%	89.21%	77.89%	171.70%	208.15%
Allowance for impairment losses as a percentage of total loans(13)	3.22%	3.38%	2.98%	2.70%	3.01%	3.04%
Liquidity						
Liquid assets as a percentage of deposits(14)	47.32%	46.05%	38.72%	35.41%	34.24%	37.56%
Total loans, net of allowances as a percentage of deposits(15)	102.15%	71.98%	73.08%	76.61%	68.23%	76.98%
Total loans as a percentage of total funding(16)	60.97%	64.88%	64.92%	67.52%	68.32%	68.22%
Deposits as a percentage of total funding(15)(16)	69.76%	87.09%	86.18%	85.75%	97.11%	85.94%
Operations						
Offices(17)	1,322	1,354	1,364	1,375	1,374	1,376
Employees (full-time equivalent)(18)	14,038	14,674	14,643	15,116	14,758	18,268

(1) Net interest margin is defined as net interest income (including dividend income) divided by average interest-earning assets, which are loans, receivables, debt instruments and other financial assets which, yield interest or similar income.

(2) Total margin is defined as net interest income (including dividend income) plus fee and commission income (net) over average interest-earning assets.

(3) Calculated based upon the average daily balance of total assets.

(4) Calculated based upon the average daily balance of equity.

(5) Efficiency ratio is defined as administrative expenses plus depreciation and amortization, divided by total income.

(6) Net fee and commission income divided by administrative expenses plus depreciation and amortization.

(7) Dividends paid per share divided by net income per share.

(8) Average balance sheet data has been calculated based upon the sum of the daily average for each month during the applicable period.

(9) "Total capital" and "Tier 1 capital" are calculated in accordance with the methodology established or adopted from time to time by the CNBV pursuant to the Mexican Capitalization Requirements.

(10) Tier 1 plus Tier 2 capital divided by total risk-weighted assets, calculated according to the Mexican Capitalization Requirements.

(11) Notwithstanding the adoption of IFRS 9 as of January 1, 2018, we continue to apply the same criteria to classify impaired loans and advances as applied as of December 31, 2017

Non-performing loans include (i) all credits past due by more than 90 days, and (ii) other doubtful credits. Other doubtful credits include (i) the sum of all transactions (loans granted) of a customer when the loan balances of such customer classified as impaired are more than 20% of the total outstanding amounts; and (ii) loans to borrowers in doubtful financial situations such as bankruptcy.

Prior to 2015, bullet maturity loans (i.e. loans with payment of principal at maturity) were classified as non-performing once more than 30 days past due and revolving loans were classified as past-due when more than 60 days past due.

See Note 2.b and Note 5.b to our unaudited condensed consolidated financial included elsewhere in this report on Form 6-K and Note 2.g. to our audited financial statements included in our annual report on Form 20-F for the year ended December 31, 2017 for more details on the classification of impaired loans.

See Note 1.b, Note 1.c and Note 2.b to our unaudited condensed consolidated financial statements regarding the changes in our accounting policies and accounting estimates for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets as result of adoption of IFRS 9 as of January 1, 2018.

(12) Computable credit risk is the sum of the face amounts of loans (including non-performing loans) plus guarantees and documentary credits. At December 31, 2017, total loans were Ps.626,349 million and total guarantees and documentary credits were Ps.78,811 million. At June 30, 2018, total loans were Ps.663,507 million and total guarantees and documentary credits were Ps.85,707 million. When guarantees or documentary credits are contracted, we record them as off-balance sheet accounts. We present the off-balance sheet information to better demonstrate our total managed credit risk.

(13) Allowance for impairment losses were Ps.15,198 million, Ps.18,749 million, Ps.17,883 million, Ps.16,929 million, Ps.18,092 million and Ps.20,151 million as of December 31, 2014, 2015, 2016 and 2017 and June 30, 2017 and 2018, respectively. See

Note 2.h of our audited financial statements included in our annual report on Form 20-F for the year ended December 31, 2017 for more details on our change in accounting estimates regarding our refinements to impairment models in 2015.

We have applied these requirements in a retrospective manner, by adjusting the opening balance at January 1, 2018, without restating the comparative consolidated financial statements. See Note 1.b, Note 1.c and Note 2.b to our unaudited condensed consolidated financial statements included elsewhere in this report on Form 6-K regarding the changes in our accounting policies and accounting estimates for impairment of financial assets as result of adoption of IFRS 9 as of January 1, 2018. Adoption of IFRS 9 added Ps.3,238 million to our allowance for impairment losses on January 1, 2018.

See Note 5.b to our unaudited condensed consolidated financial statements included elsewhere in this report on Form 6-K for more detail on the allowance for impairment losses.

The implementation of IFRS 9 contributed Ps.3,270 million of the increase in the allowance for impairment losses from December 31, 2017 to June 30, 2018.

(14) For the purpose of calculating this ratio, the amount of deposits includes the sum of demand deposits and time deposits. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Composition of Deposits" in our annual report on Form 20-F for the year ended December 31, 2017.

Liquid assets include cash due from banks and government securities recorded at market prices. We believe we could obtain cash for our liquid assets immediately, although under systemic stress scenarios, we would likely be subject to a discount to the face value of these assets. As of December 31, 2014, 2015, 2016 and 2017 and June 30, 2017 and 2018, we had a total amount of liquid assets of Ps.211,751 million, Ps.342,408 million, Ps.308,177 million, Ps.281,690 million, Ps.292,134 million and Ps.313,881 million, respectively. For the years ended December 31, 2014, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, the average amounts outstanding were Ps.203,061 million, Ps.291,828 million, Ps.315,660 million, Ps.343,395 million, Ps.346,565 million and Ps.294,943 million, respectively.

As of December 31, 2014, liquid assets were composed of the following: 24.5% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 31.6% debt instruments issued by the Mexican Government; and 43.9% debt instruments issued by the Mexican Central Bank.

As of December 31, 2015, liquid assets were composed of the following: 17.5% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 35.2% debt instruments issued by the Mexican Government; and 47.4% debt instruments issued by the Mexican Central Bank.

As of December 31, 2016, liquid assets were composed of the following: 25.5% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 41.7% debt instruments issued by the Mexican Government; and 32.8% debt instruments issued by the Mexican Central Bank.

As of December 31, 2017, liquid assets were composed of the following: 20.5% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 51.2% debt instruments issued by the Mexican Government; and 28.3% debt instruments issued by the Mexican Central Bank.

As of June 30, 2017, liquid assets were composed of the following: 16.3% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 57.9% debt instruments issued by the Mexican Government; and 25.8% debt instruments issued by the Mexican Central Bank.

As of June 30, 2018, liquid assets were composed of the following: 30.8% cash and balances with the Mexican Central Bank (cash at our branches and ATMs and the Depósito de Regulación Monetaria (Compulsory Deposits)); 46.8% debt instruments issued by the Mexican Government; and 22.4% debt instruments issued by the Mexican Central Bank.

(15) For the purpose of calculating this ratio, the amount of deposits includes the sum of demand deposits and time deposits. See "Item 3. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Composition of Deposits" in our annual report on Form 20-F for the year ended December 31, 2017.

(16) For the purpose of calculating this ratio, the amount of total funding comprises the total of our deposits and repurchase agreements, our total marketable debt securities and the amount of our subordinated liabilities.

For December 31, 2014, 2015, 2016 and 2017 and June 30, 2017 and 2018, our deposits and repurchase agreements amounted to Ps.598,721 million, Ps.743,632 million, Ps.795,852 million, Ps.795,440 million, Ps.853,082 million and Ps.835,779 million, respectively, and our marketable debt securities amounted to Ps.59,077 million, Ps.87,449 million, Ps.90,003 million, Ps.96,296 million, Ps.78,749 million and Ps.100,842 million, respectively. For December 31, 2014, 2015, 2016 and 2017 and June 30, 2017 and 2018, our subordinated liabilities amounted to Ps.19,446 million, Ps.22,788 million, Ps.37,576 million and Ps.35,885 million, Ps.32,933 million and Ps.35,914 million, respectively.

(17) Includes branches (including branches with Select service), SME's offices, SME's branches, cash desks (ventanillas—including cash desk with Select service), Santander Select offices (including Centros Select, Espacios Select, box offices and corner Select) and Santander Select units (módulos).

(18) As of January 1, 2018, all employees of our subdidiarires are employed by us. Prior to 2018, certain of our subsidiaries' employees were employed by the Former Holding Company and not directly by us.

Capital Ratios

We are currently classified as a Class I bank pursuant to the Mexican Capitalization Requirements. As of June 30, 2018, the minimum Capital Ratios applicable to us to remain classified as Class I pursuant to the Mexican Capitalization Requirements were 7.9% in the case of Fundamental Capital, 9.4% in the case of Tier 1 Capital and 11.4% in the case of Total Net Capital. The table below presents our risk-weighted assets and Capital Ratios as of December 31, 2015, 2016 and 2017 and June 30, 2017 and 2018.

	Mexican Banking GAAP				
	As of December 31,			As of June 30,	
	2015	2016	2017	2017	2018
	(Thousands of pesos, except percentages)				
Capital:					
CET1	Ps. 80,327,825	Ps. 71,487,285	Ps. 79,455,469	Ps. 78,263,455	Ps. 81,160,621
Tier 1	80,327,825	81,784,659	89,267,141	87,281,615	90,986,794
Tier 2	23,311,400	27,453,243	26,053,739	24,020,928	26,087,652
Total capital	103,639,225	109,237,902	115,320,880	111,302,543	117,074,446
Risk-weighted Assets:					
Credit risk	487,439,953	546,227,285	553,910,680	533,989,522	556,824,427
Market risk	112,427,480	108,027,290	137,991,688	116,961,404	151,146,373
Operational risk	64,255,011	39,609,492	41,443,619	37,156,125	46,441,307

	Mexican Banking GAAP				
	As of December 31,			As of June 30,	
	2015	2016	2017	2017	2018
	(Thousands of pesos, except percentages)				
Total risk-weighted assets	664,122,444	693,864,067	733,345,987	688,107,051	754,412,106
Required Regulatory Capital:					
Credit risk	38,995,196	43,698,183	44,312,854	42,719,162	44,545,954
Market risk	8,994,198	8,642,183	11,039,335	9,356,912	12,091,710
Operational risk	5,140,401	3,168,759	3,315,490	2,972,490	3,715,305
Total risk-weighted assets	Ps. 53,129,795	Ps. 55,509,125	Ps. 58,667,679	Ps. 55,048,564	Ps. 60,352,969
Capital Ratios (credit, market & operational risk)(*)					
CET 1 capital to risk-weighted assets				11.37%	10.76%
Tier 1 capital to risk-weighted assets				12.68%	12.06%
Tier 2 capital to risk-weighted assets				3.49%	3.46%
Total capital to risk-weighted assets(1)(2)				16.18%	15.52%

(*) The capital ratios included in this table are in accordance to the data published by the CNBV.

(1) Our Capitalization Index as of December 31, 2017 decreased one basis point from 15.74% as of December 31, 2016 to 15.73% on December 31, 2017, mainly due to increases of 4.6% (Ps.146.7 million) in regulatory capital required for operational risk, 27.7% (Ps.2,397.2 million) in regulatory capital required for market risk and 1.4% (Ps.614.7 million) in regulatory capital required for credit risk and 5.7% (Ps.3,158.6 million) in total capital.

(2) Our Capitalization Index as of June 30, 2018 decreased 21 basis points from 15.73% as of December 31, 2017 to 15.52% on June 30, 2018, mainly due to increases of 9.5% (Ps.1,052.4 million) in regulatory capital required for market risk, 12.1% (Ps.399.8 million) in regulatory capital required for operational risk and 0.5% (Ps.233.1 million) in regulatory capital required for credit risk.

RISK FACTORS

Our annual report on Form 20-F for the year ended December 31, 2017 and our report on Form 6-K dated September 18, 2018, each incorporated by reference in this offering memorandum, describe the risks with respect to our business and risks related to Mexico. You should carefully consider these risks and uncertainties and the ones set forth below, as well as the other information in this offering memorandum, before making an investment in the Notes. Our business, financial condition or results of operations could be materially and adversely affected if any of these risks occurs. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. This offering memorandum, our annual report on Form 20-F for the year ended December 31, 2017 and our report on Form 6-K dated September 18, 2018, each incorporated by reference herein, also contain forward-looking statements that involve risks and uncertainties. See "Cautionary Statement Regarding Forward-Looking Statements." Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors described in our annual report on Form 20-F for the year ended December 31, 2017 and our report on Form 6-K dated September 18, 2018, each incorporated by reference herein, or described below and elsewhere in this offering memorandum.

Risks Relating to Our Notes

The Notes will be unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present and future senior indebtedness.

The Notes, which constitute our subordinated preferred indebtedness (*obligaciones subordinadas preferentes*), will rank subordinate and junior in right of payment and in liquidation to all of our present and future senior indebtedness, and will rank *pari passu* without preference among themselves with all of our other present and future unsecured subordinated preferred indebtedness. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when (1) any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (2) the maturity of any senior indebtedness has been accelerated because of a default.

By reason of the subordination of the Notes, in the case of certain events involving bankruptcy, liquidation or dissolution, although the Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness has been paid in full. As of June 30, 2018, we had, on a consolidated basis, an aggregate outstanding principal of Ps.212,296 million of senior indebtedness (including secured indebtedness) and Ps.835,779 of deposits outstanding from the Mexican Central Bank and credit institutions and from customers that ranked senior to the Notes. Our remaining assets, if any, would then be available to pay amounts due to the holders of subordinated preferred indebtedness (including the Notes) on a *pari passu* basis. As of June 30, 2018, we had, on a consolidated basis, Ps.25,597 million in outstanding principal of subordinated preferred indebtedness consisting of our 5.95% Tier 2 Subordinated Capital Notes (the "Existing Tier 2 Notes"). Pursuant to the concurrent Tender Offer, we expect to use the proceeds of this offering to repurchase a portion of our subordinated preferred indebtedness currently outstanding. The Indenture does not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. See "Description of Notes—Subordination."

Early redemption of the Notes is at all times at our discretion, and an investor may not be able to reinvest the redemption proceeds at as effective a rate of return as that in respect of the Notes.

The Notes may be redeemed before the maturity date at our sole discretion on the Optional Call Date. Additionally, we may redeem the Notes at any time in the event of certain specific events relating to taxation or if the Notes cease to qualify as Tier 2 capital. Subject to deferral during any Suspension Period and to one or more Write-Downs, redemption of the Notes in each case will be at their principal amount together with accrued but unpaid interest, including any additional amounts, to (but excluding) the date of redemption, subject to the approval of the Mexican Central Bank. During any period when we may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. An investor may not be able to reinvest the redemption proceeds at an effective

interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If we do not satisfy our obligations under the Notes, whether due to a Write-Down or otherwise, your remedies will be limited.

Payment of principal on the Notes may be accelerated only in specified instances involving our bankruptcy, including *liquidación* or *resolución* (liquidation or dissolution), under Mexican law. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal or interest in connection with a Write-Down or otherwise. See "Description of Notes—Events of Default, Notice and Waiver."

Even if the payment of principal on the Notes is accelerated due to our bankruptcy, including *liquidación* or *resolución* (liquidation or dissolution), our assets will be available to pay those amounts only after:

- all of our senior obligations have been paid in full as described in "Description of Notes—Subordination"; and
- we are actually declared bankrupt or are dissolved or put into liquidation for purposes of Mexican law.

As a result, recoveries on the Notes may be substantially limited.

The Notes may be written down to zero, causing holders of the Notes to irrevocably waive their right to claim or receive repayment of the principal amount of the Notes and any accrued and unpaid interest with respect thereto.

If a Trigger Event occurs, the outstanding principal amount of the Notes will be written down in an aggregate amount as described in this offering memorandum without the possibility of any future write-up or reinstatement of principal and holders of the Notes will automatically be deemed to have irrevocably waived their right to claim or receive repayment of the written-down principal amount of the Notes then outstanding, and any unpaid interest with respect thereto. See "Description of the Notes—Write-Down."

The circumstances leading to a Write-Down are unpredictable and may be caused by factors outside of our control.

The circumstances leading to the occurrence of a Trigger Event resulting in a Write-Down are inherently unpredictable and depend on a number of factors, any of which may be outside of our control. The determination as to whether a Trigger Event has occurred will depend in part on the calculation of our Fundamental Capital and whether our Fundamental Capital Ratio is equal to or below 4.5%. Fluctuations in our Fundamental Capital may be caused by changes to Mexican Capitalization Requirements and applicable accounting rules or adverse economic developments, among other external factors, over which we have no control. The disclosure that any of our Capital Ratios, including our Fundamental Capital Ratio, are moving towards a level that would cause the occurrence of a Trigger Event may have an adverse effect on the market price and liquidity of the Notes.

Interest and principal payments to be made by us under the Notes will be deferred if a Capital Ratio Event or a Mexican Regulatory Event has occurred and is continuing.

Under the Mexican Capitalization Requirements, capital securities issued by us will be taken into account when assessing our risk-weighted capital adequacy. In order for the subordinated debentures represented by the Notes to qualify as our capital, the "Description of the Notes" section provides that interest and principal payments will be deferred if any Capital Ratio Event or Mexican Regulatory Event has occurred and is continuing. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period."

Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest are deferred during a Suspension Period, holders of the Notes will have the right to receive following the termination of the Suspension Period all interest accrued prior to and during the Suspension Period, but not paid as a result of such Suspension Period, subject to the occurrence of one or more Write-Downs. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period." No interest will accrue or be paid on any such

deferred interest. Any suspension of payments due to a Capital Ratio Event or a Mexican Regulatory Event would have a material adverse effect on our ability to make scheduled payments under the Notes.

We also have the right to defer but not cancel (except pursuant to one or more Write-Downs) the payment of principal for the duration of any Suspension Period. If a Suspension Period is in effect on the Maturity Date or any redemption date, or the Maturity Date or such redemption date is on a date that is less than 12 Business Days after a Suspension Period ends, payment of principal will be deferred with interest until the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such principal is cancelled pursuant to one or more Write-Downs.

The interest rate of the Notes will reset on the Optional Call Date, which can be expected to affect the interest payment on the Notes and the market value of the Notes.

Subject to deferral during any Suspension Period, to an earlier redemption and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount from time to time outstanding from (and including) the Issue Date, to (but excluding) the Optional Call Date, at a fixed rate set forth on the cover page of this offering memorandum. However, from (and including) the Optional Call Date to (but excluding) the Maturity Date, the interest rate will reset to a rate that will equal the sum of the then-prevailing Treasury Yield and the fixed spread determined at the pricing of this offering. This reset rate could be less than the initial interest rate and could affect the market value of the Notes.

The Notes are subject to redemption in the event of specific changes affecting the treatment of Notes under the Mexican Capitalization Requirements or changes affecting the taxation of the Notes.

Subject to a Suspension Period, to an earlier redemption and to one or more Write-Downs, upon the occurrence and continuation of certain specific changes affecting taxation of the Notes or treatment of the Notes as capital securities under the Mexican Capitalization Requirements, as described under "Description of Notes—Redemption—Withholding Tax Redemption" and "Description of Notes—Redemption—Special Event Redemption," we will have the option under the Indenture for the Notes, subject to any regulatory requirements, to redeem the Notes at any time prior to the Maturity Date, in whole but not in part, at 100% of their par value, together with all accrued and unpaid interest up to the redemption date.

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength and Mexican sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. A downgrade in or withdrawal of the rating of the Notes will not be an event of default under the Indenture. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of our financial strength, as well as its assessment of Mexican sovereign risk generally.

The U.S. federal income tax consequences of an investment in the Notes are uncertain.

There is no direct legal authority regarding the proper U.S. federal income tax treatment of an instrument such as the Notes that is denominated as a subordinated debt instrument but that provides for one or more Write-Downs under which an investor in the Notes could lose some or up to all of its investment in the Notes, and we do not plan to request a ruling from the Internal Revenue Service (the "IRS"). Consequently, significant aspects of the tax treatment of the Notes are uncertain, and the IRS or a court might not agree with the treatment of the Notes as equity of the Issuer, as described in the section of this offering memorandum entitled "Certain U.S. Federal Income Tax Considerations." If the IRS were successful in asserting an alternative treatment, the tax consequences of your ownership and disposition of the Notes could be adversely affected. You should review the discussion under "Certain U.S. Federal Income Tax Considerations" and consult your tax adviser regarding the U.S. federal tax consequences of an investment in the Notes, as well as tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

The Notes are a new issue of securities for which there is currently no public market and you may be unable to sell your Notes if a trading market for the Notes does not develop.

We have not and will not register the Notes with the RNV maintained by the CNBV, and therefore, we may not publicly offer the Notes or sell the Notes, nor can the Notes be the subject of brokerage activities, in Mexico, except that we may offer the Notes in Mexico to Mexican investors that qualify as institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law and the regulations thereunder. In addition, the offer and sale of the Notes have not been registered under the Securities Act or the securities law of any other jurisdiction and the Notes are being offered and sold only to qualified institutional buyers within the meaning of Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons pursuant to Regulation S under the Securities Act. We will apply to admit the Notes to listing on the Official List of Euronext Dublin and to trading on the Global Exchange Market, although no assurance can be given that such listing will be accomplished. The Notes will constitute a new issue of securities with no established trading market. If a trading market does not develop or is not maintained, holders of the Notes may experience difficulty in reselling the Notes or may be unable to sell them at all. Accordingly, we cannot assure you that an active trading market for the Notes will develop; that any market that develops for the Notes will be sufficiently liquid; or that you will be able to sell the Notes (or beneficial interests therein) at a favorable price or at all. In addition, in the event there are changes in the listing requirements, we may conclude that continued listing on Euronext Dublin is unduly burdensome.

Even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. The initial purchasers have informed us that they may make a market in the Notes. However, the initial purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to restrictions under the Securities Act. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

A significant portion of the Notes are expected to be purchased by Banco Santander Parent, which may materially affect the liquidity and market price of the Notes as well as your rights under the Notes.

Banco Santander Parent, our indirect parent company and majority shareholder, will purchase U.S.$975,000,000 of the principal amount of the Notes on issuance. The holding of most of the Notes by Banco Santander Parent could have a material adverse effect on the liquidity of the Notes and such illiquidity could adversely affect the market value of the Notes and your ability to dispose of the Notes. In addition, Banco Santander Parent may sell the Notes that it purchases at any time. Sales of a significant portion of its Notes by Banco Santander Parent for any reason, or the perception that such sales could occur, may adversely affect the market price of the Notes, making it difficult for investors in the Notes to sell their Notes at a time and price that they deem appropriate, or investors may only be able to sell their Notes at a price which may be significantly lower than the price at which they purchased their Notes.

Even if a market develops, the liquidity of any market for the Notes will depend on the number of holders of the Notes, the interest of securities dealers in making a market in the Notes and other factors. The initial purchasers have informed us that they may make a market in the Notes. However, the initial purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to restrictions under the Securities Act. Accordingly, we cannot assure you as to the development or liquidity of any market for the Notes. If an active trading market does not develop, the market price and liquidity of the Notes may be adversely affected. If the Notes are traded, they may trade at a discount from their initial offering price depending upon prevailing interest rates, the market for similar securities, general economic conditions, our performance and business prospects and other factors.

Although in determining whether the holders of the requisite aggregate principal amount of the outstanding Notes have given any request, demand, authorization, direction, declaration, notice, consent or waiver under the Indenture, Notes owned by Banco Santander Parent or any of our affiliates shall be disregarded and deemed not to be outstanding, a third party transferee of our parent's Notes that is not our affiliate would have the ability to exercise significant control over decisions requiring the consent of holders of a majority in aggregate principal amount of the outstanding Notes. In addition, under the Mexican Banking Law, upon our *liquidación* or *resolución*,

our parent could exercise significant control over decisions relating to us and our obligations under the Notes as a result of its ownership of a substantial majority of the principal amount of the Notes.

Our Capital Ratios are affected by business decisions made by us and our shareholders and, in making such decisions, these interests may not be aligned with those of the holders of Notes offered hereby.

The Notes being offered hereby have terms that are affected by the extent to which we are in compliance with Mexican Capitalization Requirements. See "Description of the Notes." Our Capital Ratios could be affected by a number of factors, including business decisions taken by us in coordination with our controlling shareholder, Banco Santander Parent. In this regard, our business strategy and operations may depend on the decisions of Banco Santander Parent relating to its overall business, including its Mexican operations carried on by us, as well as the overall management of our consolidated capital position. We have no obligation to consider the interests of the holders of the Notes offered hereby (or any other series of our indebtedness that may be outstanding) in connection with overall strategic decisions of Banco Santander Parent, including in respect of capital management, regardless of whether they result in the occurrence of a Trigger Event or Suspension Period. In addition, holders will not have any claim against us or our shareholders relating to decisions that affect the business and operations of the Santander Group, including its capital position, regardless of whether they result in the occurrence of any event that causes a suspension or cancellation of amounts due in respect of the Notes offered hereby. Such decisions could cause holders of the Notes offered hereby to lose all or part of the value of their investment in the Notes.

The Notes are novel and complex financial instruments that involve a high degree of risk and may not be a suitable investment for all investors.

The Notes are novel and complex financial instruments that involve a high degree of risk. As a result, an investment in the Notes will involve risks that are not common and are incremental to those applicable in respect of debt securities. Each potential investor of the Notes must determine the suitability (either alone or with the help of a financial adviser) of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this offering memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio and expected income;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e., U.S. dollars, is different from the currency in which such potential investor's financial activities are principally denominated and the possibility that the entire principal amount of the Notes be paid in a different currency and could be lost;
- understand thoroughly the terms of the Notes, such as the provisions governing the Write-Down (including, in particular, the calculation of the Fundamental Capital Ratio, as well as under what circumstances a Trigger Event will occur), and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate possible scenarios for economic, banking industry, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Sophisticated investors generally do not purchase complex financial instruments that bear a high degree of risk as stand-alone investments. They purchase such financial instruments as a way to enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules. A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of a Write-Down and the value of the Notes, and the impact this investment will have on the potential investor's overall investment portfolio. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this offering memorandum.

The Notes are subject to certain transfer restrictions.

The Notes are being offered in reliance upon an exemption from registration under the Securities Act. Therefore, the Notes may be transferred or resold only in a transaction registered under or exempt from the registration requirements of the Securities Act and in compliance with any other applicable securities law. We do not intend to provide registration rights to holders of the Notes and do not intend to file any registration statement with the SEC in respect of the Notes. See "Transfer Restrictions."

We may incur additional indebtedness that is senior to or ranks equally with the Notes or indebtedness that is secured.

The Indenture will permit us to issue additional debt that is senior to the Notes, secured indebtedness that is effectively senior to the Notes and subordinated preferred indebtedness that ranks on an equal and ratable basis with the Notes. The Notes will be subordinated and will rank junior in right of payment and in liquidation to all of our senior indebtedness. If we incur any additional debt that ranks on an equal and ratable basis with the Notes, the holders of that debt will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of us, subject to satisfaction of certain debt limitations. This may have the effect of reducing the amount of proceeds paid to you. We also have the ability to incur collateralized debt and such debt would be effectively senior to the Notes to the extent of such collateral.

Holders of Notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We and all of our subsidiaries are organized under the laws of Mexico. Our directors, officers and controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. Although we will appoint an agent for service of process in any action against us in the United States under the Indenture or the Notes, none of our directors, officers or controlling persons has consented to service of process in the United States or to the jurisdiction of any United States court. As a result, it may be difficult for investors to effect service of process within the United States on such persons.

Additionally, investors may experience difficulty in Mexico enforcing foreign judgments obtained against us and our executive officers, directors and controlling persons, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Mexican counsel, there is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. See "Enforcement of Civil Liabilities."

Mexican law does not require us to pay our foreign-currency judgments in a currency other than pesos.

Under the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to the Mexican Monetary Law, an obligation that is payable in Mexico in a currency other than Mexican currency, whether by agreement or as a result of the enforcement of a judgment, may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by the Mexican Central Bank every business banking day in Mexico and published the following business banking day in the Federal Official Gazette. Accordingly, we will be legally entitled to make payment of amounts due on the Notes in pesos, if payment of the Notes is sought in Mexico through the enforcement of a non-Mexican judgment or otherwise. If we elect to make payments due on the Notes in pesos in accordance with the Mexican Monetary Law, we cannot assure you that the amounts paid may be converted into U.S. dollars or that, if converted, such amounts would be sufficient to purchase U.S. dollars equal to the amount of principal, interest or additional amounts due on the Notes.

In addition, under the Mexican Banking Law, in the event of the revocation of our license to operate as a bank and consequent liquidation, our foreign currency-denominated liabilities would be converted into pesos at the prevailing rate of exchange on the date our license to operate as a bank is revoked. As a result, we cannot assure you that the amounts paid on the Notes under such circumstances, if converted to U.S. dollars, would be sufficient to purchase U.S. dollars equal to the principal, interest and any additional amounts due on the Notes.

If we were declared insolvent by the CNBV, we would be liquidated in a court procedure and the holders of the Notes may find it difficult to collect payment on the Notes.

Under the Mexican Banking Law, if the CNBV declares us insolvent (*en resolución*) because our authorization to be organized and operate as a bank institution has been revoked, and a liquidation procedure before a Federal Mexican court will commence, in which by statute the IPAB will be appointed as the receiver (*liquidador judicial*). In that event, our payment obligations denominated in foreign currency, including the Notes:

- would be converted into pesos at the exchange rate published by the Mexican Central Bank prevailing at the time such declaration is deemed effective and subsequently converted into UDIs;
- would cease to accrue interest from the day of the date insolvency (*resolución*) was declared;
- would be dependent upon the outcome of and subject to the priorities recognized in the insolvency (*resolución*) proceedings;
- would be paid at the time claims of certain other creditors are satisfied; and
- would not be adjusted to take into account depreciation of the peso against the U.S. dollar occurring after the declaration of insolvency (*resolución*).

In addition, in the event of our insolvency (*resolución*), Mexican law provides preferential treatment for certain claims, such as those relating to labor, taxes and secured creditors (*acreedores con garantía real*).

Moreover, under Mexican law, it is possible that in the event we become subject to insolvency (*resolución*), any amount by which the stated principal amount of the Notes exceeds their accreted value may be regarded as not matured, and, therefore, claims of holders of the Notes may only be allowed to the extent of the accreted value of the Notes. There is no legal precedent in connection with insolvency (*resolución*) in Mexico on this point, and, accordingly, it is uncertain how a Mexican court would measure the value of claims of holders of the Notes.

USE OF PROCEEDS

Our net proceeds from the issuance and sale of the Notes, are estimated to be approximately U.S.$1,295,050,000 after deducting estimated fees, commissions and expenses relating to this offering and the concurrent Tender Offer. We intend to use the net proceeds from the offering to finance the concurrent Tender Offer in order to extend the maturity profile of our Tier 2 Capital and for general corporate purposes.

CAPITALIZATION

The following table sets forth our actual capitalization under IFRS as of June 30, 2018, and our capitalization as adjusted to give effect to the issuance of U.S.$1,300,000,000 aggregate principal amount of the Notes offered hereby and the use of proceeds as described in "Use of Proceeds," assuming 100% participation by noteholders of the Existing Tier 2 Notes in the concurrent Tender Offer, as if such issuance and the closing of the Tender Offer had occurred on June 30, 2018. The following table should be read in conjunction with the "Use of Proceeds" and our unaudited condensed consolidated interim financial statements and related notes included in our report on Form 6-K dated September 18, 2018 incorporated by reference into this offering memorandum.

	As of June 30, 2018			
	Actual	As adjusted(1)	Actual	As adjusted(1)
	(Millions of pesos)		(Millions of U.S.$)(2)	
Indebtedness:				
Current debt (3)	Ps. 58,195	Ps. 58,195	U.S.$ 2,955	U.S.$ 2,955
Long-term debt (4)	78,561	78,561	3,990	3,990
Total indebtedness	**136,756**	**136,756**	**6,945**	**6,945**
Shareholders' equity:				
Share capital	25,660	25,660	1,303	1,303
Share premium	0	0	—	0
Accumulated reserves	84,784	84,784	4,305	4,305
Profit for the period attributable to the Parent	9,867	9,867	501	501
Valuation adjustments (5)	(61)	(61)	(3)	(3)
Non-controlling interests	21	21	1	1
Total shareholders' equity	**120,271**	**120,271**	**6,107**	**6,107**
Total capitalization	**Ps. 257,027**	**Ps. 257,027**	**U.S.$ 13,052**	**U.S.$ 13,052**

(1) As adjusted reflects the cancellation of U.S.$1,300 million of principal and premium on the Existing Tier 2 Notes in connection with the concurrent Tender Offer, assuming 100% participation by noteholders.

(2) Converted, for convenience purposes only, using the exchange rate for U.S. dollars of Ps.19.69 per U.S.$1.00 as calculated on June 29, 2018 (the last business day in June) and reported by the Mexican Central Bank in the Official Gazette of the Federation on July 2, 2018 as the exchange rate for the payment of obligations denominated in currencies other than pesos and payable within Mexico.

(3) Consists of unsecured structured bank bonds (*bonos bancarios estructurados*), unsecured bonds (*certificados bursátiles bancarios*) and promissory notes with interest payable at maturity (*certificados de depósito bancario de dinero a plazo*), all of which are unsecured.

(4) Consists of structured bank bonds (*bonos bancarios estructurados*), which are unsecured, unsecured bonds (*certificados bursátiles bancarios*) and senior notes.

(5) Comprises the valuation of financial assets at fair value through other comprehensive income and valuation of hedging derivatives (cash flow hedges).

DESCRIPTION OF NOTES

We will issue subordinated preferred capital notes qualifying as Tier 2 capital (the "Notes") under an indenture dated as of September 27, 2018 (the "Indenture"), among us, The Bank of New York Mellon, as Trustee, registrar, transfer agent and paying agent, which may be amended or supplemented from time to time. In this "Description of Notes," the term "Issuer" refers only to Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, and not to any of its subsidiaries, or affiliates, including its parent.

The Notes will be issued pursuant to the terms of Article 64 of the Law of Credit Institutions (*Ley de Instituciones de Crédito*, or the "Mexican Banking Law") and Circular 3/2012 of Banco de México, with the prior approval of our stockholders' meeting and Banco de México, and the Indenture will be entered into with the acknowledgment of the CNBV.

We may not use the proceeds from the issuance of the Notes to invest in equipment and movable assets, real estate or improvements thereon or to invest in the equity of foreign and other financial institutions, as set forth in Article 55 of the Mexican Banking Law.

The Indenture provides for the issuance of the Notes but does not limit the aggregate principal amount of Notes that may be issued under the Indenture, and provides that, subject to certain conditions, additional Notes may be issued under the Indenture from time to time (subject to the approval of Banco de México). The Indenture does not limit the amount of senior, secured or other additional indebtedness or other obligations that we may incur.

This summary describes certain terms and provisions of the Notes and does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture and the Notes, including the definitions therein of certain terms. We urge you to read each of the Indenture and the form of the Notes because they, and not this description, define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the Indenture, the Notes, and this offering memorandum, the terms of the Indenture will prevail. In case of any conflict regarding the translation of the provisions of the applicable Mexican law or regulation, the official text in Spanish of the relevant Mexican law or regulation will prevail. Capitalized terms not otherwise defined in this "Description of Notes" have the meanings ascribed to them in the Indenture. You may obtain a copy of the Indenture and the form of the Notes by contacting the Trustee at the address indicated in this offering memorandum.

General

The Notes will be issued in the aggregate principal amount of U.S.$1,300,000,000 in registered form, in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

THE NOTES WILL BE UNSECURED AND WILL NOT BE GUARANTEED (BY ANY COLLATERAL OR THROUGH A GUARANTEE OF A THIRD PARTY OR AFFILIATE), OR OTHERWISE ELIGIBLE FOR REIMBURSEMENT, BY THE IPAB OR ANY OTHER MEXICAN GOVERNMENTAL AGENCY, OR BY ANY OF OUR SUBSIDIARIES OR AFFILIATES INCLUDING OUR HOLDING COMPANY, GRUPO FINANCIERO SANTANDER MEXICO, OR ANY OTHER ENTITY THAT IS PART OF GRUPO FINANCIERO SANTANDER MEXICO, INCLUDING PURSUANT TO ANY PAYMENT OBLIGATION UNDER THE CONVENIO ÚNICO DE RESPONSABILIDADES ENTERED AMONG GRUPO FINANCIERO SANTANDER MEXICO AND ITS FINANCIAL SUBSIDIARIES. THE NOTES ARE NOT CONVERTIBLE, BY THEIR TERMS, INTO ANY OF OUR DEBT SECURITIES, SHARES OR ANY OF OUR EQUITY CAPITAL OR ANY DEBT SECURITIES, SHARES OR EQUITY CAPITAL OF ANY OF OUR SUBSIDIARIES OR AFFILIATES. THE NOTES DO NOT CONTEMPLATE, AND ARE NOT INTENDED TO CONTEMPLATE, ANY COVENANT OR AGREEMENT THAT IMPROVES THE

PAYMENT PREFERENCE OF THE NOTES WITH RESPECT TO OUR DEPOSITORS AND OTHER CREDITORS.

Subject to the occurrence of one or more Write-Downs (as defined below), unless the Notes have been redeemed as described below or a Suspension Period (as defined below) is in effect on the Maturity Date, the Notes will mature and be payable in full on October 1, 2028 (the "Maturity Date") at the Current Principal Amount (as defined below) outstanding, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts (as defined below), due thereunder. **WE MAY REDEEM THE NOTES UNDER THE CIRCUMSTANCES DESCRIBED BELOW UNDER "— REDEMPTION—OPTIONAL REDEMPTION," "—REDEMPTION—WITHHOLDING TAX REDEMPTION" AND "—REDEMPTION—SPECIAL EVENT REDEMPTION," IN ALL CASES WITH THE PRIOR APPROVAL OF BANCO DE MÉXICO. OTHER THAN IN ACCORDANCE WITH AN OPTIONAL REDEMPTION, A WITHHOLDING TAX REDEMPTION OR A SPECIAL EVENT REDEMPTION, THE NOTES WILL NOT BE REDEEMABLE PRIOR TO THE MATURITY DATE.**

"*Current Principal Amount*" means in respect of each Note, at any time, the outstanding principal amount of such Note at such time, being the Original Principal Amount of such Note as such amount may have been reduced prior to that time, on one or more occasions, as a result of a Write-Down or an earlier redemption.

"*Original Principal Amount*" means, in respect of each Note, the principal amount of such Note on the Issue Date.

Unless other arrangements are made, payments of principal and interest on the Notes will be made as described below under "—Book-Entry System."

We will maintain an office or agency in the Borough of Manhattan, The City of New York, where the Notes may be presented for exchange or transfer. Such office or agency initially will be located at The Bank of New York Mellon, 240 Greenwich Street, Floor 7-East, New York, NY 10286, Attention: International Corporate Trust. The holders of the Notes will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that holders pay any applicable tax or other governmental charge.

The Indenture and the Notes do not contain any provision, of any nature whatsoever, that would protect the holders of the Notes against a sudden and dramatic decline in our credit quality resulting from a takeover, recapitalization, restructuring, spin-off or other event involving us that may adversely affect our credit quality.

Ranking

The Notes will represent our general, unsecured and subordinated, preferred obligations. The Notes constitute Subordinated Preferred Indebtedness and will rank (i) subordinate and junior in right of payment and in liquidation to all of our present and future Senior Indebtedness (as defined below), (ii) *pari passu* without preference among themselves and with all of our present and future other unsecured Subordinated Preferred Indebtedness and (iii) senior only to all of our present Subordinated Non-Preferred Indebtedness and all classes of our equity or capital stock. See "— Subordination." We may incur additional Senior Indebtedness, Subordinated Preferred Indebtedness (as defined below) and Subordinated Non-Preferred Indebtedness (as defined below) from time to time, and the provisions of the Indenture for the Notes do not prohibit or limit the incurrence of additional indebtedness, including additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness. See "—Subordination."

As of June 30, 2018, we had approximately Ps.212,296 million (approximately U.S.$10,787 million) aggregate principal amount of outstanding Senior Indebtedness, including secured indebtedness, approximately Ps.25,597 million (U.S.$1,300 million) aggregate principal amount of outstanding Subordinated Preferred Indebtedness and approximately Ps.9,845 million (U.S.$500 million) aggregate principal amount of outstanding Subordinated Non-Preferred Indebtedness. Subject to the successful completion of the concurrent offer to purchase of our outstanding Tier 2 notes due 2024 and assuming 100% participation, we expect to have no outstanding subordinated preferred indebtedness that would rank *pari passu* with the Notes.

Principal and Interest

Interest Periods

Subject to deferral during any Suspension Period, to an earlier redemption and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount from time to time outstanding from (and including) October 1, 2018 (the "Issue Date"), to (but excluding) October 1, 2023 (the "Optional Call Date"), at a fixed rate per annum equal to 5.950%, payable semi-annually in arrears on April 1 and October of each year (each an "Interest Payment Date"), commencing on April 1, 2019.

Subject to deferral during any Suspension Period, to an earlier redemption and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount from time to time outstanding from (and including) the Optional Call Date to (but excluding) the Maturity Date, at a fixed rate per annum equal to the sum of (a) the then-prevailing Treasury Yield (as defined below) on the Optional Call Date and (b) 299.5 basis points, payable semi-annually in arrears on each Interest Payment Date.

"*Treasury Yield*" means, as of the date of determination, an interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Maturity Date, and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Maturity Date, and (B) the other maturing as close as possible to, but later than the Maturity Date, in each case as published in the most recent H.15 (519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Maturity Date is published in the most recent H.15 (519), such weekly average yield to maturity as published in such H.15 (519); and

"*H.15 (519)*" is defined in the Indenture to mean the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System and most recent H.15 (519) means the H.15 (519) published prior to the close of business on the third Business Day prior to the Optional Call Date.

Upon the occurrence of a Write-Down, any holder of Notes will be deemed to have irrevocably waived its right to claim or receive the Written-Down Principal (as defined below) of the Notes or any interest with respect thereto (or Additional Amounts thereon), including any and all accrued and unpaid interest.

The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date to (but excluding) the Maturity Date or an earlier redemption date, as the case may be, is called an "Interest Period." If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes in respect of an Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Notes will be paid on the dates specified above to the person in whose name a Note is registered at the close of business on the 15th day preceding the respective Interest Payment Date (such date, a "Record Date," whether or not a Business Day).

For purposes hereof, the term "*Business Day*" is defined in the Indenture for the Notes as any day other than a Saturday or a Sunday, or a day on which banking institutions in the City of New York or Mexico City are authorized or required by law, regulation or executive order to remain closed.

Payment upon Maturity

Subject to the occurrence of one or more Write-Downs, unless the Notes have been redeemed prior thereto or a Suspension Period is in effect on the Maturity Date, the Notes will be repaid on the Maturity Date at their Current Principal Amount outstanding, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts, due thereunder, in each case as provided in this offering memorandum.

For deferral of interest and principal payments during a Suspension Period, see below in "—Deferral of Interest and Principal Payments."

For possible reduction or suspension of interest and principal payments due to a Write-Down, see below in "—Write-Down."

Further Issuances; Additional Notes

We may issue additional Notes from time to time, without the consent of the holders of the Notes then outstanding, but subject to the approval of Banco de México, having terms identical to the Notes but for the original issue date, the issue price, the first interest payment date and the first interest accrual date ("Additional Notes"). The issuance of Additional Notes may not change the terms of the outstanding Notes. Once any Additional Notes have been issued, whether Regulation S Global Notes or Rule 144A Global Notes, such Additional Notes together with the prior and subsequent Notes issued shall constitute one and the same series of Notes for all purposes; *provided, however*, that in the case of Regulation S Global Notes, such consolidation of Additional Notes issued will occur only following the exchange of interests in a temporary Regulation S global note for interests in a permanent Regulation S global note; and provided further that if the Additional Notes are not fungible with the then-outstanding Notes for U.S. federal income tax purposes, the Additional Notes will have a separate ISIN number, CUSIP number and Common Code. The offering memorandum relating to any Additional Notes will set forth matters related to the issuance, exchange and transfer of Additional Notes, including identifying the prior Notes, their original issue date and aggregate principal amount.

Highly Leveraged Transactions; Change of Control

The Indenture does not include any debt covenants or other provisions which afford holders of the Notes protection in the event of a highly leveraged transaction or a change of control.

Indebtedness, Liens, Dividends, Reserves and Maintenance of Properties

The Indenture does not limit our ability to incur senior, secured or other additional indebtedness (including additional Notes), our ability to grant liens on our assets and properties, our payment of dividends or require us to create or maintain any reserves.

Payment of Additional Amounts

All payments made by or on our behalf in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature and interest, penalties and fines in respect thereof, imposed or levied by or on behalf of Mexico or any other jurisdiction through which payments are made or any authority or agency therein or thereof having power to tax (each a "Relevant Jurisdiction" and any such amount, a "Relevant Tax"), unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay as additional distributions of interest and principal such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders of the Notes after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no Additional Amounts will be payable to a holder to the extent that such Relevant Tax:

(1) is imposed as a result of the existence of any present or former connection between such holder or a beneficial owner (or between a fiduciary, settlor, beneficiary, partner, member or shareholder of such holder or beneficial owner, if such holder or beneficial owner is an estate, a trust, a partnership, a limited liability company or a corporation) and a Relevant Jurisdiction, including, without limitation, the holder or beneficial owner (or such fiduciary, settlor, beneficiary, partner, member or shareholder) being or having been a citizen or resident of a Relevant Jurisdiction or being or having been engaged in a trade or business or present in a Relevant Jurisdiction or having, or having had, a permanent establishment for tax purposes in a Relevant Jurisdiction, other than the mere receipt of payment in respect of the Notes or ownership of the Notes or the enforcement of rights thereunder;

(2) is imposed as a result of the failure of such holder or a beneficial owner to comply with certification, identification, documentation or other reporting requirements concerning the nationality, residence, identity or connection with the applicable Relevant Jurisdiction of such holder or beneficial owner, if compliance is

required by statute or by regulation of a Relevant Jurisdiction, as a precondition to relief or exemption from the Relevant Tax, *provided* that (x) we have or our agent has provided the holder of the Notes or its nominee with at least 30 days' written notice that such holder or beneficial owner will be required to comply with any such information, documentation or reporting requirement, and (y) in no event, shall such holder's or beneficial owner's requirement to make such a declaration or claim require such holder or beneficial owner to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder been required to file IRS Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP and/or W-8IMY, except to the extent required under applicable law or regulation or a double taxation treaty, to which the Relevant Jurisdiction is a party to and which is in effect, so that we may determine the appropriate rate for tax withholding;

(3) is imposed on a holder (or beneficial owner) of a Note that has been presented (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent such holder would be entitled to Additional Amounts had the Notes been presented for payment on the last day of such 30 day period;

(4) is imposed as a result of the presentation of any Note for payment to a paying agent (where presentation is required) where the payment could be made without such withholding or deduction by the presentation of the Note for payment to at least one other paying agent;

(5) is an estate, inheritance, gift, sale, transfer or personal property tax or any similar tax, assessment or governmental charge;

(6) is payable other than by withholding or deduction from payments on or in respect of any Note;

(7) is withheld or deducted pursuant to, or in connection with, Sections 1471-1474 of the U.S. Internal Revenue Code and the Treasury regulations thereunder ("FATCA"), including any agreement with the U.S. Internal Revenue Service with respect thereto, any intergovernmental agreement between the United States and Mexico or any other jurisdiction with respect to FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing, or in connection with, FATCA or any intergovernmental agreement with respect to FATCA; or

(8) is imposed as a result of any combination of (1) through (7) above.

Item (2) above does not require, and should not be construed as requiring, that any person, including any non-Mexican pension fund, retirement fund or financial institution, of any nature, register with the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) or the Tax Management Service (*Servicio de Administración Tributaria*) to establish eligibility for an exemption from, or a reduction of, Mexican withholding tax.

In addition, Additional Amounts will not be paid with respect to any payment on a Note to a holder who is a fiduciary, a partnership, a limited liability company or other than the sole beneficial owner of that payment to the extent that payment would be required by the laws of a Relevant Jurisdiction to be included in the income, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, a member of that partnership, an interestholder in a limited liability company or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the holder.

We will (i) make such withholding or deduction and (ii) remit the full amount withheld or deducted to the relevant taxing authority in the Relevant Jurisdiction in accordance with applicable law.

We will provide the Trustee with documentation, which may be certified copies of filed returns, evidencing the payment of any such taxes in respect of which we have paid any Additional Amount. We will make copies of such documentation available to the holders of the Notes or the relevant paying agent upon request.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), if we will be obligated to pay Additional Amounts with respect to such payment, we will deliver to the Trustee an officer's

certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable the Trustee to pay such Additional Amounts to the holders of such Notes on the payment date.

We will also pay any present or future stamp, administrative, court, or any similar documentary taxes or any other excise or property taxes, charges or similar taxes or levies arising in a Relevant Jurisdiction in connection with the execution, delivery or registration of the Notes or any other document or instrument referred to herein or therein and will indemnify the holders for any such taxes paid by holders.

All references to principal or interest payable on the Notes shall be deemed to include any Additional Amounts payable by us under the Notes or the Indenture. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the Indenture.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder or beneficial owner of the Notes, and as a result thereof such holder or beneficial owner is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, such holder or beneficial owner shall, by purchasing and holding the Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such a refund or credit and incurs no other obligation with respect thereto, except for such assignment and transfer and for assisting us in obtaining such refund. We will inform the Trustee in writing of the refund or credit within 30 Business Days of our determination that we are entitled to receive such refund or credit.

Unclaimed Money, Prescription

If money deposited with the Trustee or any agent for the payment of principal of, premium, if any, or interest or Additional Amounts, if any, on the Notes remains unclaimed for two years, the Trustee or such paying agent shall return the money to us, subject to applicable unclaimed property law. After that, holders of the Notes entitled to the money must look to us for payment unless applicable unclaimed property law designates another person. Other than as set forth in this paragraph, the Indenture does not provide for any prescription periods for the payment of principal of, premium, if any, or interest or Additional Amounts, if any, on the Notes.

Terms Relating to Our Capital Adequacy

As used herein, the following terms relating to our capital adequacy have the meanings set forth below, unless otherwise indicated. See "Supervision and Regulation."

- "*Capital Ratio*" refers to any of (i) the Total Net Capital Ratio, (ii) the Tier 1 Capital Ratio or (iii) the Fundamental Capital Ratio.

- "*Capital Conservation Buffer*" refers to a minimum capital conservation buffer required to be maintained and comprised of Fundamental Capital, which as of the date hereof is equivalent to 2.5% of total risk weighted assets, pursuant to Section III a) of Article 2 Bis 5 of the General Rules Applicable to Mexican Banks.

- "*Capital Supplement*" refers to the Countercyclical Capital Supplement and the Systemically Important Bank Capital Supplement, together with any other additional conservation or loss absorbency capital, required to be maintained and comprised of Fundamental Capital pursuant to the Mexican Banking Law (*Ley de Instituciones de Crédito*) (the "Mexican Banking Law") and the Mexican Capitalization Requirements.

- "*Countercyclical Capital Supplement*" refers to any additional countercyclical amount of capital required to be maintained and comprised of Fundamental Capital, as determined by the CNBV, pursuant to the Mexican Banking Law and the Mexican Capitalization Requirements.

- "*D-SIBs*" refers to any domestic systemically important bank, as determined by the CNBV annually, pursuant to the Mexican Banking Law and the Mexican Capitalization Requirements.

- "*General Rules Applicable to Mexican Banks*" refers to the General Rules Applicable to Mexican Banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*) published by the CNBV.

- "*Fundamental Capital*" refers to *capital básico fundamental* or core Tier 1 Capital, as such term is used in, and determined pursuant to, the Mexican Capitalization Requirements, principally including, but not limited to, common equity and surplus, contributions for future capital increases, retained earnings, and capital reserves.

- "*Fundamental Capital Ratio*" refers to the ratio of Fundamental Capital to risk-weighted assets, subject to market risk, credit risk and operational risk, calculated in accordance with the methodology set forth by the CNBV under the Mexican Capitalization Requirements.

- "*Mexican Capitalization Requirements*" refers to the capitalization requirements for commercial banks set forth under the Mexican Banking Law and the General Rules Applicable to Mexican Banks.

- "*Non-Fundamental Capital*" refers to *capital básico no fundamental* refers or the non-core portion of Tier 1 Capital, as such term is used in, and determined pursuant to, the Mexican Capitalization Requirements, principally including, but not limited to, perpetual and convertible Subordinated Non-Preferred Indebtedness.

- "*Systemically Important Bank Capital Supplement*" refers to the additional loss absorbency capital to be maintained and comprised of Fundamental Capital by D-SIBs, as determined by the CNBV, pursuant to the Mexican Banking Law and the Mexican Capitalization Requirements, to reflect the greater risk that D-SIBs pose to the Mexican financial system.

- "*Tier 1 Capital*" refers to the basic capital (*capital básico*) portion of the Total Net Capital, as such term is used in, and determined pursuant to, the Mexican Capitalization Requirements, also known as Fundamental Capital plus Non-Fundamental Capital.

- "*Tier 1 Capital Ratio*" refers to the ratio of Tier 1 Capital to risk-weighted assets, subject to market risk, credit risk and operational risk, calculated in accordance with the methodology set forth by the CNBV under the Mexican Capitalization Requirements.

- "*Tier 2 Capital*" refers to the additional capital (*capital complementario*) portion of the Total Net Capital, as such term is used on, and determined pursuant to, the Mexican Capitalization Requirements, principally including, but not limited to, Subordinated Preferred Indebtedness.

- "*Total Net Capital*" refers to net capital (*capital neto*), as such term is used in, and determined pursuant to, the Mexican Banking Law and the Mexican Capitalization Requirements, also known as Tier 1 Capital plus Tier 2 Capital.

- "*Total Net Capital Ratio*" refers to the ratio of (i) Total Net Capital to (ii) risk-weighted assets, subject to market risk, credit risk and operational risk, calculated in accordance with the methodology set forth by the CNBV under the Mexican Capitalization Requirements.

Write-Down

IF A TRIGGER EVENT (AS DEFINED BELOW) OCCURS, THE FOLLOWING WRITE DOWNS SHALL BE DEEMED TO HAVE OCCURRED ON THE WRITE-DOWN DATE (AS DEFINED BELOW), AUTOMATICALLY AND WITHOUT ANY ADDITIONAL ACTION BY US, THE TRUSTEE OR THE HOLDERS OF THE NOTES:

(1) THE CURRENT PRINCIPAL AMOUNT OF THE NOTES WILL AUTOMATICALLY BE REDUCED BY THE APPLICABLE WRITE-DOWN AMOUNT (AS DEFINED BELOW) (A "WRITE-DOWN") AND SUCH WRITE-DOWN SHALL NOT CONSTITUTE AN EVENT OF DEFAULT; AND

(2) ANY HOLDER OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED ITS RIGHT TO CLAIM OR RECEIVE, AND WILL NOT HAVE ANY RIGHTS AGAINST US OR THE TRUSTEE WITH RESPECT TO, REPAYMENT OF THE WRITTEN-DOWN PRINCIPAL OF THE NOTES OR ANY INTEREST WITH RESPECT THERETO (OR ADDITIONAL AMOUNTS PAYABLE IN CONNECTION THEREWITH), INCLUDING ANY AND ALL ACCRUED AND UNPAID INTEREST WITH RESPECT TO SUCH WRITTEN-DOWN PRINCIPAL AS OF THE WRITE-DOWN DATE, IRRESPECTIVE OF WHETHER SUCH AMOUNTS HAVE BECOME DUE AND PAYABLE PRIOR TO THE DATE ON WHICH THE TRIGGER EVENT SHALL HAVE OCCURRED.

WE SHALL PROVIDE NOTICE TO HOLDERS VIA THE APPLICABLE CLEARING SYSTEM AND WRITTEN NOTICE TO THE TRUSTEE THAT A TRIGGER EVENT HAS OCCURRED ON THE NEXT BUSINESS DAY SUCCEEDING SUCH TRIGGER EVENT (A "WRITE-DOWN NOTICE").

ANY WRITE-DOWN NOTICE TO THE TRUSTEE MUST BE ACCOMPANIED BY A CERTIFICATE SIGNED BY TWO OF OUR OFFICERS STATING THAT A TRIGGER EVENT HAS OCCURRED AND SETTING OUT THE METHOD OF CALCULATION OF THE RELEVANT WRITE-DOWN AMOUNT.

A "*TRIGGER EVENT*" WILL BE DEEMED TO HAVE OCCURRED IF:

(I) THE CNBV PUBLISHES A DETERMINATION, IN ITS OFFICIAL PUBLICATION OF CAPITALIZATION LEVELS FOR MEXICAN BANKS, THAT OUR FUNDAMENTAL CAPITAL RATIO IS EQUAL TO OR BELOW 4.5%; OR

(II) BOTH (A) THE CNBV NOTIFIES US THAT IT HAS MADE A DETERMINATION, PURSUANT TO ARTICLE 29 BIS OF THE MEXICAN BANKING LAW, THAT A CAUSE FOR REVOCATION OF OUR LICENSE HAS OCCURRED RESULTING FROM (X) OUR NON-COMPLIANCE WITH CORRECTIVE MEASURES IMPOSED BY THE CNBV PURSUANT TO THE MEXICAN BANKING LAW, OR (Y) OUR NON-COMPLIANCE WITH THE CAPITALIZATION REQUIREMENTS SET FORTH IN THE MEXICAN CAPITALIZATION REQUIREMENTS, OR (Z) OUR ASSETS BEING INSUFFICIENT TO SATISFY OUR LIABILITIES, AND (B) WE HAVE NOT CURED SUCH CAUSE FOR REVOCATION, BY (A) COMPLYING WITH SUCH CORRECTIVE MEASURES, OR (B)(1) SUBMITTING A CAPITAL RESTORATION PLAN TO, AND RECEIVING APPROVAL OF SUCH PLAN BY, THE CNBV, (2) TRANSFERRING AT LEAST SEVENTY FIVE PERCENT (75%) OF OUR SHARES TO AN IRREVOCABLE TRUST, AND (3) NOT BEING CLASSIFIED IN CLASS III, IV, OR V, OR (C) REMEDYING ANY CAPITAL DEFICIENCY, IN EACH CASE, ON OR BEFORE THE THIRD (IN THE CASE OF (A)(Z)) OR SEVENTH (IN THE CASE OF (A)(X) OR (Y)) BUSINESS DAY IN MEXICO, AS APPLICABLE, FOLLOWING THE DATE ON WHICH THE CNBV NOTIFIES US OF SUCH DETERMINATION.

"*WRITE-DOWN AMOUNT*" MEANS (I) AN AMOUNT OF THE CURRENT PRINCIPAL AMOUNT OF THE NOTES THAT WOULD BE SUFFICIENT,

TOGETHER WITH ANY CONCURRENT *PRO RATA* WRITE DOWN OR CONVERSION OF ANY OTHER TIER 2 CAPITAL INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING (AFTER TAKING INTO ACCOUNT THE EFFECTS OF THE CONVERSION OR WRITE-DOWN OF ANY LOSS-ABSORBING TIER 1 CAPITAL INSTRUMENTS, IF APPLICABLE), TO RETURN OUR FUNDAMENTAL CAPITAL RATIO TO THE LEVELS OF THEN-APPLICABLE FUNDAMENTAL CAPITAL RATIO REQUIRED TO BE CLASSIFIED AS CLASS II UNDER ARTICLE 220 OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7.0%, WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER OF 2.5%), PLUS ANY APPLICABLE CAPITAL SUPPLEMENT, OR (II) IF ANY WRITE-DOWN OF THE CURRENT PRINCIPAL AMOUNT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OR CONVERSION OF ANY OTHER TIER 2 CAPITAL INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING (AFTER TAKING INTO ACCOUNT THE EFFECTS OF THE CONVERSION OR WRITE-DOWN OF ANY LOSS-ABSORBING TIER 1 CAPITAL INSTRUMENTS, IF APPLICABLE), WOULD BE INSUFFICIENT TO RETURN OUR FUNDAMENTAL CAPITAL RATIO TO THE LEVELS OF FUNDAMENTAL CAPITAL RATIO REQUIRED TO BE CLASSIFIED AS CLASS II UNDER ARTICLE 220 OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7.0%, WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER OF 2.5%), PLUS ANY APPLICABLE CAPITAL SUPPLEMENT, THEN THE AiMOUNT NECESSARY TO REDUCE THE CURRENT PRINCIPAL AMOUNT OF EACH OUTSTANDING NOTE TO ZERO.

"*WRITE-DOWN DATE*" MEANS THE DATE ON WHICH A WRITE-DOWN WILL BE DEEMED TO TAKE EFFECT, WHICH SHALL BE THE BUSINESS DAY NEXT SUCCEEDING THE DATE OF THE TRIGGER EVENT.

"*WRITTEN-DOWN PRINCIPAL*" MEANS THE AMOUNT BY WHICH THE PRINCIPAL OF ANY NOTE HAS BEEN WRITTEN DOWN BY ANY ONE OR MORE WRITE-DOWNS.

AS REQUIRED UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS, A FULL WRITE-DOWN (WHEREBY THE PRINCIPAL AMOUNT OF THE NOTES HAS BEEN WRITTEN DOWN TO ZERO) SHALL BE COMPLETED BEFORE ANY PUBLIC FUNDS ARE CONTRIBUTED OR ANY PUBLIC ASSISTANCE IS PROVIDED TO US PURSUANT TO ARTICLE 148, SECTION II, SUBSECTIONS A) AND B) OF THE MEXICAN BANKING LAW, INCLUDING, AMONG OTHERS IN THE FORM OF (I) SUBSCRIPTION OF SHARES, (II) GRANTING OF LOANS, (III) PAYMENT OF OUR LIABILITIES, (IV) GRANTING OF GUARANTEES AND (V) THE TRANSFER OF ASSETS AND LIABILITIES.

Treatment of Interest and Principal During a Suspension Period

Deferral of Interest and Deferral of Principal Payments

We have the right to and will defer but not cancel (except pursuant to one or more Write-Downs) the payment of interest due on the Notes and defer but not cancel (except pursuant to one or more Write-Downs) the payment of principal thereof for the duration of any Suspension Period (see "—Suspension Periods"). In the event of a deferral of payment of interest on the Notes or deferral of payment of principal thereof, we will notify the holders of the Notes and the Trustee in accordance with the procedures described in the Indenture. Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest are deferred during a Suspension Period and, subject to the occurrence of one or more Write-Downs, holders of the Notes will have the right to receive following

the termination of the Suspension Period all interest accrued prior to and during the Suspension Period, but not paid as a result of such Suspension Period will be payable (without any interest on such previously accrued interest) on the next succeeding Interest Payment Date on which a Suspension Period is no longer in effect, unless such Interest Payment Date occurs on a date that is less than 12 Business Days after such Suspension Period ends, in which case any and all interest then payable shall be paid on the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such interest is cancelled pursuant to one or more Write- Downs. If a Suspension Period is in effect on the Maturity Date or any redemption date, or the Maturity Date or such redemption date is on a date that is less than 12 Business Days after a Suspension Period ends, payment of principal will be deferred with interest until the date that is 12 Business Days after the date on which such Suspension Period ends, except to the extent such principal is cancelled pursuant to one or more Write-Downs. When a Suspension Period is no longer in effect, we will notify such circumstances to the holders of the Notes in accordance with the procedures described in the Indenture. If a Write-Down occurs, the Written-Down Principal, and any interest accrued with respect thereto during any Suspension Period, will be cancelled.

Suspension Periods

FOR PURPOSES HEREOF, A SUSPENSION PERIOD WILL COMMENCE AND WE WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS AS SET FORTH HEREIN) THE PAYMENT OF INTEREST AND PRINCIPAL DUE THEREON, NEITHER OF WHICH DEFERRALS SHALL CONSTITUTE AN EVENT OF DEFAULT, IF

(1) ANY OF THE FOLLOWING CAPITAL RATIOS APPLICABLE TO US DECLINES BELOW THE MINIMUM PERCENTAGE REQUIRED, FROM TIME TO TIME, BY THE MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE HEREOF ARE (I) 8.0% IN THE CASE OF TOTAL NET CAPITAL RATIO, OR (II) 6.0% IN THE CASE OF TIER 1 CAPITAL RATIO, PLUS, IN EACH CASE, ANY APPLICABLE CAPITAL SUPPLEMENT (A "CAPITAL RATIO EVENT"), OR

(2) THE CNBV INSTITUTES A PREVENTIVE OR CORRECTIVE MEASURE AGAINST US PURSUANT TO EITHER ARTICLE 121 OR ARTICLE 122 OF THE MEXICAN BANKING LAW OR ANY SUCCESSOR PROVISIONS (INCLUDING THE CORRESPONDING RULES SET FORTH UNDER THE GENERAL RULES APPLICABLE TO MEXICAN BANKS) THAT REQUIRES DEFERRING OR CANCELING PAYMENTS OF INTEREST AND PRINCIPAL OTHERWISE DUE ON THE NOTES IF WE ARE CLASSIFIED AS CLASS III OR IV (OR EQUIVALENT CLASSIFICATION UNDER ANY SUCCESSOR PROVISIONS) UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS (EACH, A "MEXICAN REGULATORY EVENT").

General Rules Governing Capitalization of Mexican Banks and Their Application to Us

Article 121 of the Mexican Banking Law currently provides that, in the exercise of its supervisory and monitoring duties, the CNBV, by means of the general regulations approved by its governance board, will classify Mexican banks based on their compliance with the provisions of the Mexican Capitalization Requirements, which may take into account Capital Ratios that reflect the degree of stability and solvency of a bank.

Article 122 of the Mexican Banking Law currently provides that if a Mexican bank does not comply with the Capital Ratios required to be classified as Class I pursuant to the Mexican Capitalization Requirements, such bank must implement the corrective measures ordered by the CNBV, including:

(1) informing the bank's board of directors about the bank's classification, based on the Capital Ratios thereof, and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with the regulatory framework; the bank shall provide written notice to the chief executive

officer and the chairman of the board of directors of the bank's regulated holding company (*sociedad controladora del grupo financiero*) with respect to such events and the status thereof;

(2) requiring the bank, within a period not to exceed seven (7) or fifteen (15) Business Days, depending upon the cause for revocation of a license, to file with the CNBV, for its approval, a capital recovery plan to increase the bank's Capital Ratios; the bank's capital recovery plan shall be approved by such bank's board of directors before it is submitted to the CNBV;

(3) requiring the bank to suspend any payment of dividends to its shareholders, as well as any mechanism or act for the making of any distributions or the granting of any economic benefits to shareholders;

(4) requiring the bank to suspend any share repurchase programs;

(5) requiring the bank to defer or cancel the payment of interest and defer or cancel the payment of principal on outstanding subordinated debt, as the case may be, or, if applicable, exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency if ordered by the CNBV; these corrective measures shall be applicable to subordinated debt considered part of the bank's Tier 1 Capital (*capital básico*) or Tier 2 Capital (*capital complementario*); in the event that the bank issues subordinated debt, the bank is obligated to include in the documentation evidencing such debt, in the applicable Indenture and in the applicable offering document, that such deferral of payment of principal or deferral and cancellation of payments of interest, as the case may be, shall apply upon the occurrence of certain events as provided in the General Rules Applicable to Mexican Banks and that the implementation of such measures shall not be considered a default under the relevant debt documentation;

(6) requiring the bank to suspend payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the chief executive officer or any officer within the next two levels of seniority, and suspend the granting of new benefits to the chief executive officer and the officers mentioned above until the bank complies with the minimum Capital Ratios set forth under the Mexican Capitalization Requirements;

(7) requiring the bank to abstain from increasing the outstanding amounts of any loans granted to any person who is a related party of the bank; and

(8) requiring the bank to undertake any other corrective measures that, in each case, are provided by the General Rules Applicable to Mexican Banks.

Article 122 of the Mexican Banking Law further provides that:

(1) If a Mexican bank complies with the minimum Capital Ratios required pursuant to the Mexican Capitalization Requirements but any of its Capital Ratios is below the Capital Ratios required to be satisfied for a bank not to be subject to any corrective measures, such bank must implement certain corrective measures ordered by the CNBV, including, among others, (A) informing the bank's board of directors of its classification, based on the Capital Ratios thereof and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulations including the principal regulatory ratios, that reflect the Bank's degree of stability and solvency (together with any determinations or indications made by any of the CNBV or *Banco de México*) and providing written notice to the chief executive officer and the chairman of the board of directors of the bank's regulated holding company (*sociedad controladora del grupo financiero*) with respect to such events and the status thereof; (B) abstaining from entering into any transaction that may decrease the bank's Capital Ratios below the Mexican Capitalization Requirements; and (C) any other corrective measures ordered by the CNBV.

(2) Regardless of the capitalization level, the CNBV may order the implementation of additional special corrective measures, including, among others: (1) requiring compliance with additional corrective measures that the bank will be required to carry out to avoid a decrease of its Capital Ratios; (2) special audits to be performed by special auditors in connection with specific matters; (3) abstaining from increasing the salaries and benefits of all officers and employees of the bank, except for any change in salary previously agreed on and subject to the officers' and employees' labor rights; (4) removing officers, directors,

statutory auditors or external auditors or appointing any persons to such positions; or (5) any other measures ordered by the CNBV, based on its inspection and supervision authorities.

(3) If a Mexican bank does not comply with any Capital Supplement requirements pursuant to the Mexican Banking Law and the Mexican Capitalization Requirements, the CNBV may order the bank to suspend any payment of dividends or other distributions to its shareholders.

(4) Corrective measures will not be applicable to Mexican banks with a Capital Ratio equal to or greater than the Capital Ratios required to be classified as Class I pursuant to the Mexican Capitalization Requirements.

The Mexican Banking Law and the General Rules Applicable to Mexican Banks currently classify Mexican banks in categories from I through V based on their capital ratios for Total Net Capital (*capital neto*), Tier 1 Capital (*capital básico*) and Fundamental Capital (*capital básico fundamental*); corrective measures are imposed based on such classification, starting at the time a bank is included in the category Class II.

Article 122 of the Mexican Banking Law currently specifies that if a bank does not satisfy the Capital Ratios required to be classified as Class I pursuant to the Mexican Capitalization Requirements, the bank must implement the corrective measures ordered by the CNBV. Currently, the minimum Capital Ratios required to be classified as Class I are, including the Capital Conservation Buffer, (i) 10.5% in the case of the Total Net Capital (*capital neto*), (ii) 8.5% in the case of Tier 1 Capital (*capital básico*) and (iii) 7.0% in the case of Fundamental Capital (*capital básico fundamental*), plus, in each case, any applicable Capital Supplement.

Further, according to the General Rules Applicable to Mexican Banks in effect on the date hereof, Mexican banks are classified as Class III, IV, or V, if any of its Capital Ratios is below certain minimum Capital Ratios, which as of the date hereof are (a) 8.0% in the case of Total Net Capital (*capital neto*), (b) 6.0% in the case of Tier 1 Capital (*capital básico*), or (c) 4.5% in the case of Fundamental Capital (*capital básico fundamental*), plus, in each case, any applicable Capital Supplement thereof required under the Mexican Capitalization Requirements.

The General Rules Applicable to Mexican Banks further provide as of the date hereof that corrective measures applicable to Mexican banks classified in Class II, III, IV or V include, among others, requiring a bank to suspend or cancel payment of interest and defer or cancel payment of any principal on outstanding subordinated debt or exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, a bank must include in the relevant debt documentation, in the applicable indenture and in the applicable offering memorandum, that such suspension or cancellation of payment of interest and deferral or cancellation of payment of principal shall apply to subordinated debt in the event that a bank is classified in Class II, III, IV or V and that the implementation of such measures shall not be considered a default under the relevant debt documentation.

Mexican banks that are determined by the CNBV to be of systemic importance, in light of the impact that their default may cause to the Mexican financial system, the Mexican payment system or the Mexican economy, are required to constitute an additional Systemically Important Bank Capital Supplement. The CNBV also has the authority to require a Countercyclical Capital Supplement on any and all Mexican banks, designed to cover adverse economic cycles, in the event that the aggregate financing received by the Mexican private sector grows at a higher level as compared to the level of growth of the Mexican economy.

Based on the annual evaluation performed by the CNBV, in July 2018, we were ratified by the CNBV as a grade III bank of systemic importance and as such we were required by the CNBV to constitute a Systemically Important Bank Capital Supplement of 1.20%. Also, an initial Countercyclical Capital Supplement of 0.00% was imposed. These Capital Supplements are required to be implemented by us in a four-year period, one fourth each December, starting in December 31, 2016.

As a result of the foregoing, and considering the Capital Supplements to be created by us in four annual steps commencing December 31, 2016, the minimum Capital Ratios applicable to us as of the date hereof, to remain classified as Class I pursuant to the Mexican Capitalization Requirements at the end of each of the years set forth below are as follows:

	2016	2017	2018	2019
(i) Total Net Capital (*capital neto*).....	10.80%	11.10%	11.40%	11.70%
(ii) Tier 1 Capital (*capital básico*).....	8.80%	9.10%	9.40%	9.70%

	2016	2017	2018	2019
(iii) Fundamental Capital (*capital básico fundamental*).....	7.30%	7.60%	7.90%	8.20%

As of June 30, 2018, our Capital Ratios were (i) 15.52% in the case of Total Net Capital, (ii) 12.06% in the case of Tier 1 Capital and (iii) 10.76% in the case of Fundamental Capital. As of December 31, 2017, our Capital Ratios were (i) 15.73% in the case of Total Net Capital, (ii) 12.17% in the case of Tier 1 Capital, and 10.83% in the case of Fundamental Capital.

We are currently classified as Class I and, as a result, are not subject to any corrective measures.

Conclusion of a Suspension Period

SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS, A SUSPENSION PERIOD SHALL TERMINATE AND THE PAYMENT OF INTEREST DUE ON THE NOTES AND PAYMENT OF PRINCIPAL THEREOF WILL RESUME WHEN THE RELATED CAPITAL RATIO EVENT OR THE MEXICAN REGULATORY EVENT HAS TERMINATED.

Further Provisions on Suspension Periods

NOTWITHSTANDING ANYTHING IN THIS OFFERING MEMORANDUM TO THE CONTRARY, NEITHER THE OCCURRENCE NOR THE CONTINUATION OF A SUSPENSION PERIOD SHALL GIVE RISE TO ANY EVENT OF DEFAULT UNDER THE INDENTURE OR THE NOTES.

WE MUST GIVE HOLDERS NOTICE VIA THE APPLICABLE CLEARING SYSTEM AND GIVE THE TRUSTEE WRITTEN NOTICE OF ANY SUSPENSION PERIOD AFFECTING THE NOTES ON THE BUSINESS DAY FOLLOWING THE OCCURRENCE OF ANY EVENT GIVING RISE TO A SUSPENSION PERIOD AND IN ANY EVENT AT LEAST FIVE BUSINESS DAYS PRIOR TO THE DATE THE INTEREST DUE ON THE NOTES OR THE PRINCIPAL THEREOF WOULD HAVE BEEN PAYABLE EXCEPT FOR SUCH SUSPENSION PERIOD. WE MUST ALSO GIVE THE HOLDERS NOTICE VIA THE APPLICABLE CLEARING SYSTEM AND GIVE THE TRUSTEE WRITTEN NOTICE OF THE TERMINATION OF ANY SUSPENSION PERIOD NOT MORE THAN THREE BUSINESS DAYS AFTER THE SUSPENSION PERIOD IS NO LONGER IN EFFECT.

AT ANY TIME DURING ANY SUSPENSION PERIOD, AND FOLLOWING TERMINATION OF SUCH SUSPENSION PERIOD, UNLESS ALL PAYABLE ACCRUED INTEREST AND ANY ADDITIONAL AMOUNTS ON THE NOTES HAVE BEEN PAID OR BEEN CANCELLED PURSUANT TO ONE OR MORE WRITE-DOWNS, WE SHALL NOT:

(1) DECLARE OR PAY ANY DIVIDENDS OR DISTRIBUTIONS ON, OR REDEEM, PURCHASE, ACQUIRE, OR MAKE A LIQUIDATION PAYMENT WITH RESPECT TO, ANY OF OUR CAPITAL STOCK (WHICH INCLUDES COMMON AND PREFERRED STOCK);

(2) MAKE ANY PAYMENT OF PREMIUM, IF ANY, OR INTEREST ON OR REPAY, REPURCHASE OR REDEEM ANY OF OUR DEBT SECURITIES THAT RANK *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES;

(3) TO THE EXTENT ANY SUCH GUARANTY IS PERMITTED UNDER APPLICABLE LAW, MAKE ANY GUARANTY PAYMENTS WITH RESPECT TO ANY GUARANTY BY US OF THE DEBT SECURITIES OF ANY OF OUR SUBSIDIARIES IF SUCH GUARANTY RANKS *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES; OR

(4) TAKE ANY OTHER ACTION IN VIOLATION OF ANY OTHER ORDER BY CNBV, *BANCO DE MÉXICO*, MINISTRY OF FINANCE AND PUBLIC CREDIT OR ANY OTHER RELEVANT MEXICAN AUTHORITY;

***PROVIDED, HOWEVER*, THAT (X) THE FOREGOING SHALL NOT, TO THE EXTENT PERMITTED BY THE MEXICAN CAPITALIZATION REQUIREMENTS OR APPLICABLE LAW, PROHIBIT PAYMENT OF THE DIVIDEND EXCEPTIONS (AS DEFINED BELOW), AND (Y) THE FOREGOING SHALL NOT APPLY TO THE EXTENT THAT WE OBTAIN PRIOR REGULATORY CONSENT FOR ANY ACTION THAT WOULD OTHERWISE BE PROHIBITED.**

FOR THE PURPOSES HEREOF, "*DIVIDEND EXCEPTIONS*" SHALL MEAN (1) DIVIDENDS OR DISTRIBUTIONS IN SHARES OF OR OPTIONS, WARRANTS OR RIGHTS TO SUBSCRIBE FOR OR PURCHASE SHARES OF, OUR COMMON STOCK, (2) ANY DECLARATION OF A STOCK DIVIDEND IN CONNECTION WITH THE IMPLEMENTATION OF A STOCKHOLDERS' RIGHTS PLAN, OR THE ISSUANCE OF STOCK UNDER ANY SUCH PLAN IN THE FUTURE, (3) ANY RECLASSIFICATION OF OUR CAPITAL STOCK OR THE EXCHANGE OR CONVERSION OF ONE CLASS OR SERIES OF OUR CAPITAL STOCK FOR ANOTHER CLASS OR SERIES OF OUR CAPITAL STOCK, (4) THE PURCHASE OF FRACTIONAL INTERESTS IN SHARES OF OUR CAPITAL STOCK PURSUANT TO THE CONVERSION OR EXCHANGE PROVISIONS OF SUCH CAPITAL STOCK OR THE SECURITY BEING CONVERTED OR EXCHANGED, (5) PURCHASES OF COMMON STOCK RELATED TO THE ISSUANCE OF COMMON STOCK OR RIGHTS UNDER ANY OF OUR BENEFIT PLANS FOR OUR DIRECTORS, OFFICERS OR EMPLOYEES AND (6) OTHER EQUIVALENT TRANSACTIONS NOT INVOLVING PAYMENTS OR DISTRIBUTIONS IN CASH.

Subordination

The Indenture provides that the Notes constitute Subordinated Preferred Indebtedness, and will rank (i) subordinate and junior in right of payment and in liquidation to all of our present and future Senior Indebtedness, (ii) *pari passu* with all of our other present and future unsecured Subordinated Preferred Indebtedness and (iii) senior only to all of our present and future Subordinated Non-Preferred Indebtedness and all classes of our capital stock. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when (1) any Senior Indebtedness has not been paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (2) the maturity of any Senior Indebtedness has been accelerated because of a default and the acceleration has not been rescinded or the subject Senior Indebtedness has not otherwise been paid in full.

In the event of the acceleration of the maturity of the Notes due to our insolvency or liquidation and upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *liquidación*, *resolución* or similar proceedings in connection with our insolvency or bankruptcy, (1) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness must be paid in full before the holders of Subordinated Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof, and (2) the holders of Subordinated Preferred Indebtedness (including the Notes) will be entitled to receive *pari passu* among

themselves any payment in respect thereof. The Notes and all other Subordinated Preferred Indebtedness will be senior to our Subordinated Non-Preferred Indebtedness and all classes of our equity or capital stock.

(1) The term "*Senior Indebtedness*" is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment and in liquidation to the Subordinated Preferred Indebtedness (including the Notes) or Subordinated Non-Preferred Indebtedness, and any deferrals, renewals or extensions of such Senior Indebtedness;

(2) The term "*Subordinated Preferred Indebtedness*" (including the Notes) is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness, but is senior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness and all classes of our equity or capital stock, and any deferrals, renewals or extensions of such Subordinated Preferred Indebtedness;

(3) The term "*Subordinated Non-Preferred Indebtedness*" is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness and Subordinated Preferred Indebtedness, but is senior in right of payment and in liquidation to all classes of our equity or capital stock, and any deferrals, renewals or extensions of such Subordinated Non-Preferred Indebtedness; and

(4) The term "*Indebtedness for Money Borrowed*" is defined in the Indenture to mean any obligation of, or any obligation guaranteed by, us (to the extent permitted under applicable law) for the repayment of borrowed money, whether or not evidenced by notes, debentures or other written instruments, but shall not include (a) any trade accounts payable in the ordinary course of business, (b) any such indebtedness that by its terms ranks junior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness, (c) indebtedness to any of our employees, (d) our indebtedness which, when incurred, was without recourse to us, and (e) any other indebtedness that would otherwise qualify as "Indebtedness for Money Borrowed" to the extent that such indebtedness, by its terms, ranks *pari passu* with or junior in right of payment and in liquidation to any of the indebtedness described in clause (a) or (b) above.

Redemption

Optional redemption

WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES ON THE OPTIONAL CALL DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) OR IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, SUCH NOTES AND ANY ADDITIONAL AMOUNTS, TO, BUT EXCLUDING, THE DATE OF REDEMPTION (AN "OPTIONAL REDEMPTION").

WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, (Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (*CAPITAL BÁSICO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z)

7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (*CAPITAL BÁSICO FUNDAMENTAL*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE REDEMPTION DATE; *PROVIDED, HOWEVER*, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

IN THE EVENT OF AN OPTIONAL REDEMPTION, WE ARE REQUIRED TO OBTAIN BANCO DE MEXICO'S AUTHORIZATION TO REDEEM THE NOTES PRIOR TO THE APPLICABLE REDEMPTION DATE. OUR OBLIGATION TO OBTAIN BANCO DE MÉXICO'S AUTHORIZATION TO REDEEM THE NOTES SHALL NOT GRANT ANY RIGHTS TO THE TRUSTEE OR THE HOLDERS OF THE NOTES TO HAVE THE NOTES REDEEMED, EVEN IF SUCH AUTHORIZATION IS OBTAINED.

ON AND AFTER THE REDEMPTION DATE, INTEREST ON THE NOTES OR ANY PORTION OF THE NOTES CALLED FOR REDEMPTION WILL CEASE TO ACCRUE (UNLESS WE DEFAULT IN THE PAYMENT OF THE REDEMPTION PRICE AND ACCRUED INTEREST). AT LEAST ONE BUSINESS DAY PRIOR TO THE REDEMPTION DATE, BY 10 A.M. NEW YORK CITY TIME, WE WILL DEPOSIT WITH THE TRUSTEE FUNDS SUFFICIENT TO PAY THE REDEMPTION PRICE AND ACCRUED INTEREST, THROUGH THE REDEMPTION DATE, ON THE NOTES SUBJECT TO REDEMPTION. IF THE REDEMPTION DATE FALLS AFTER A RECORD DATE BUT ON OR PRIOR TO THE CORRESPONDING INTEREST PAYMENT DATE, WE WILL PAY ACCRUED INTEREST TO THE HOLDER OF RECORD ON THE CORRESPONDING RECORD DATE, WHICH MAY OR MAY NOT BE THE PERSON WHO WILL RECEIVE PAYMENT OF THE REDEMPTION PRICE (WHICH WILL EXCLUDE SUCH ACCRUED INTEREST). IF LESS THAN ALL THE NOTES ARE TO BE REDEEMED, THE NOTES TO BE REDEEMED THAT ARE NOT HELD THROUGH DTC WILL BE SELECTED BY THE TRUSTEE BY LOT, *PRO RATA*, OR BY SUCH OTHER METHOD AS THE TRUSTEE SHALL DEEM FAIR AND APPROPRIATE, AND THE NOTES TO BE REDEEMED THAT ARE HELD THROUGH DTC WILL BE SELECTED BY DTC IN ACCORDANCE WITH ITS PROCEDURES.

Withholding tax redemption

WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES AND ANY ADDITIONAL AMOUNTS, TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A WITHHOLDING TAX EVENT (AS DEFINED BELOW) AFFECTING THE NOTES (A "WITHHOLDING TAX REDEMPTION"); *PROVIDED, HOWEVER*, THAT IN THE

EVENT OF SUCH A WITHHOLDING TAX EVENT, WE MAY ONLY REDEEM THE NOTES IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE: (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, (Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (*CAPITAL BÁSICO*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z) 7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (*CAPITAL BÁSICO FUNDAMENTAL*), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; *PROVIDED, HOWEVER*, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

IN THE EVENT OF A WITHHOLDING TAX REDEMPTION, WE ARE REQUIRED TO OBTAIN BANCO DE MEXICO'S AUTHORIZATION TO REDEEM THE NOTES PRIOR TO THE APPLICABLE REDEMPTION DATE. OUR OBLIGATION TO OBTAIN BANCO DE MÉXICO'S AUTHORIZATION TO REDEEM THE NOTES SHALL NOT GRANT ANY RIGHTS TO THE TRUSTEE OR THE HOLDERS OF THE NOTES TO HAVE THE NOTES REDEEMED, EVEN IF SUCH AUTHORIZATION IS OBTAINED.

FOR THE PURPOSES OF THE FOREGOING, THE TERM "WITHHOLDING TAX EVENT" IS DEFINED IN THE INDENTURE TO MEAN (I) THE RECEIPT BY US AND THE DELIVERY TO THE TRUSTEE OF AN OPINION OF A LAW FIRM NATIONALLY RECOGNIZED IN THE RELEVANT JURISDICTION AND EXPERIENCED IN SUCH MATTERS TO THE EFFECT THAT, AS A RESULT OF (A) ANY AMENDMENT TO OR CHANGE (INCLUDING AN ANNOUNCEMENT OF ANY PROSPECTIVE CHANGE MADE BY TAX OR LEGISLATIVE AUTHORITIES) IN THE LAWS OR TREATIES (OR ANY REGULATIONS THEREUNDER) OF ANY RELEVANT JURISDICTION AFFECTING TAXATION, (B) ANY JUDICIAL DECISION OR OFFICIAL ADMINISTRATIVE PRONOUNCEMENT OR REGULATORY PROCEDURE, OF ANY RELEVANT JURISDICTION (EACH, AN "ADMINISTRATIVE ACTION"), OR (C) ANY AMENDMENT TO OR CHANGE IN THE OFFICIAL POSITION OR THE OFFICIAL INTERPRETATION OF SUCH ADMINISTRATIVE ACTION THAT PROVIDES FOR A POSITION WITH RESPECT TO SUCH ADMINISTRATIVE ACTION THAT DIFFERS FROM THE THERETOFORE GENERALLY ACCEPTED POSITION, IN EACH CASE, BY ANY LEGISLATIVE BODY, COURT, GOVERNMENTAL AUTHORITY OR

REGULATORY BODY HAVING APPROPRIATE JURISDICTION, IRRESPECTIVE OF THE MANNER IN WHICH SUCH AMENDMENT OR CHANGE IS MADE KNOWN, WHICH AMENDMENT OR CHANGE IS EFFECTIVE OR SUCH PRONOUNCEMENT OR DECISION IS ANNOUNCED ON OR AFTER THE DATE OF ISSUANCE OF THE NOTES, (COLLECTIVELY, A "CHANGE IN TAX LAW"), THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT WE ARE OR WILL BE LIABLE FOR A PAYMENT OF ADDITIONAL AMOUNTS IN EXCESS OF THE ADDITIONAL AMOUNTS ATTRIBUTABLE TO A 4.9% WITHHOLDING TAX IN RESPECT OF THE NOTES, AND (II) THE DELIVERY TO THE TRUSTEE OF A CERTIFICATE SIGNED BY OUR CHIEF FINANCIAL OFFICER STATING THAT THE REQUIREMENT TO MAKE SUCH WITHHOLDING OR DEDUCTION CANNOT BE AVOIDED BY TAKING REASONABLE MEASURES AVAILABLE TO US (SUCH MEASURES NOT INVOLVING ANY MATERIAL COST TO US OR THE INCURRING BY US OF ANY OTHER TAX OR PENALTY OR CHANGING OUR PLACE OF RESIDENCE). FOR THE AVOIDANCE OF DOUBT, REASONABLE MEASURES SHALL INCLUDE A CHANGE IN THE JURISDICTION OF A PAYING AGENT.

Special event redemption

WE HAVE THE OPTION, BUT NOT THE OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES AND ANY ADDITIONAL AMOUNTS, TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A SPECIAL EVENT (AS DEFINED BELOW) AFFECTING THE NOTES (A "SPECIAL EVENT REDEMPTION"); *PROVIDED, HOWEVER*, IN THE EVENT OF SUCH A SPECIAL EVENT, WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH SECTION IV, C), 1 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE: (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (CAPITAL NETO), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, (Y) 8.5% IN THE CASE OF TIER 1 CAPITAL (CAPITAL BÁSICO), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, AND (Z) 7.0% IN THE CASE OF FUNDAMENTAL CAPITAL (CAPITAL BÁSICO FUNDAMENTAL), WHICH INCLUDES THE CAPITAL CONSERVATION BUFFER, PLUS, IN EACH CASE, THE THEN-APPLICABLE CAPITAL SUPPLEMENT, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM BANCO DE MÉXICO TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; *PROVIDED, HOWEVER*, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

IN THE EVENT OF A SPECIAL EVENT REDEMPTION, WE ARE REQUIRED TO OBTAIN BANCO DE MEXICO'S AUTHORIZATION TO REDEEM THE NOTES PRIOR TO THE APPLICABLE REDEMPTION DATE. OUR OBLIGATION TO OBTAIN BANCO DE MÉXICO'S AUTHORIZATION TO REDEEM THE NOTES SHALL NOT GRANT ANY RIGHTS TO THE TRUSTEE OR THE HOLDERS OF THE NOTES TO HAVE THE NOTES REDEEMED, EVEN IF SUCH AUTHORIZATION IS OBTAINED.

FOR THE PURPOSES OF THE FOREGOING:

(1) THE TERM "SPECIAL EVENT" IN RESPECT OF THE NOTES IS DEFINED IN THE INDENTURE TO MEAN A CAPITAL EVENT OR A TAX EVENT (BOTH AS DEFINED BELOW);

(2) THE TERM "CAPITAL EVENT" IN RESPECT OF THE NOTES IS DEFINED IN THE INDENTURE TO MEAN THE REASONABLE DETERMINATION BY US THAT, AS A RESULT OF (A) THE OCCURRENCE OF ANY AMENDMENT TO OR CHANGE IN THE LAWS OR ANY REGULATIONS THEREUNDER OF MEXICO OR (B) ANY OFFICIAL ADMINISTRATIVE PRONOUNCEMENT OR JUDICIAL DECISION INTERPRETING OR APPLYING THESE LAWS OR REGULATIONS, WHICH AMENDMENT OR CHANGE IS EFFECTIVE OR WHICH PRONOUNCEMENT OR DECISION IS NOT KNOWN BY US ON THE DATE OF THIS OFFERING MEMORANDUM AND ANNOUNCED ON OR AFTER THE DATE OF THIS OFFERING MEMORANDUM, THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT WE WILL NOT BE ENTITLED TO TREAT THE NOTES AS TIER 2 CAPITAL, OR THE EQUIVALENT OF TIER 2 CAPITAL AT SUCH TIME, FOR PURPOSES OF THE RULES FOR CAPITALIZATION AND MEXICAN CAPITALIZATION REQUIREMENTS, AS THEN IN EFFECT AND APPLICABLE TO US;

(3) THE TERM "TAX EVENT" IN RESPECT OF THE NOTES IS DEFINED IN THE INDENTURE TO MEAN THE RECEIPT BY US OF AN OPINION OF A LAW FIRM NATIONALLY RECOGNIZED IN MEXICO AND EXPERIENCED IN SUCH MATTERS TO THE EFFECT THAT, AS A RESULT OF A CHANGE IN TAX LAW NOT KNOWN BY US ON THE DATE OF THIS OFFERING MEMORANDUM, THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT INTEREST PAYABLE BY US ON THE NOTES IS NOT OR WILL NOT BE DEDUCTIBLE BY US IN WHOLE OR IN PART FOR MEXICAN INCOME TAX PURPOSES.

Redemption procedures

IF WE GIVE A NOTICE OF AN OPTIONAL REDEMPTION, A WITHHOLDING TAX REDEMPTION OR A SPECIAL EVENT REDEMPTION IN RESPECT OF THE NOTES IN ACCORDANCE WITH THE INDENTURE, BY 12:00 NOON, NEW YORK CITY TIME, ON THE APPLICABLE REDEMPTION DATE, TO THE EXTENT FUNDS ARE LEGALLY AVAILABLE, WITH RESPECT TO THE NOTES BEING REDEEMED AND HELD BY DTC OR ITS NOMINEE, THE TRUSTEE OR THE PAYING AGENT WILL PAY THE APPLICABLE REDEMPTION PRICE TO DTC; *PROVIDED, HOWEVER*, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT

TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION. SUCH NOTICE WILL ALSO BE MADE IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN "—NOTICES." WITH RESPECT TO THE NOTES BEING REDEEMED AND HELD IN CERTIFICATED FORM, THE TRUSTEE, TO THE EXTENT FUNDS ARE LEGALLY AVAILABLE, WILL PAY THE APPLICABLE REDEMPTION PRICE TO THE HOLDERS THEREOF UPON SURRENDER OF THEIR CERTIFICATES EVIDENCING THE NOTES. INTEREST PAYABLE ON THE REDEMPTION DATE SHALL BE PAYABLE TO THE HOLDERS OF THE NOTES ON THE RELEVANT RECORD DATE. IF NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN AND FUNDS DEPOSITED WITH THE TRUSTEE TO PAY THE APPLICABLE REDEMPTION PRICE FOR THE NOTES BEING REDEEMED, THEN UPON THE DATE OF SUCH DEPOSIT, ALL RIGHTS OF THE HOLDERS OF THE NOTES WILL CEASE, EXCEPT THE RIGHT OF THE HOLDERS OF THE NOTES TO RECEIVE THE APPLICABLE REDEMPTION PRICE, BUT WITHOUT INTEREST ON SUCH REDEMPTION PRICE, AND THE NOTES WILL CEASE TO BE OUTSTANDING. IN THE EVENT THAT ANY REDEMPTION DATE IN RESPECT OF THE NOTES IS NOT A BUSINESS DAY, THEN THE APPLICABLE REDEMPTION PRICE PAYABLE ON SUCH DATE WILL BE PAID ON THE NEXT SUCCEEDING DAY THAT IS A BUSINESS DAY (WITHOUT ANY INTEREST OR OTHER PAYMENT IN RESPECT OF ANY SUCH DELAY) WITH THE SAME FORCE AND EFFECT AS IF MADE ON SUCH DATE. IN THE EVENT THAT PAYMENT OF THE APPLICABLE REDEMPTION PRICE IS IMPROPERLY WITHHELD OR REFUSED AND NOT PAID BY US (1) INTEREST DUE ON THE NOTES BEING REDEEMED WILL CONTINUE TO ACCRUE AT THE THEN-APPLICABLE RATE, FROM THE REDEMPTION DATE ORIGINALLY ESTABLISHED BY US TO THE DATE SUCH APPLICABLE REDEMPTION PRICE IS ACTUALLY PAID, AND (2) THE ACTUAL PAYMENT DATE WILL BE THE REDEMPTION DATE FOR PURPOSES OF CALCULATING THE APPLICABLE REDEMPTION PRICE.

IF WE HAVE DELIVERED A NOTICE OF AN OPTIONAL REDEMPTION, WITHHOLDING TAX REDEMPTION OR SPECIAL EVENT REDEMPTION IN RESPECT OF THE NOTES, BUT PRIOR TO THE PAYMENT OF THE REDEMPTION AMOUNT WITH RESPECT TO ANY SUCH REDEMPTION, (X) A TRIGGER EVENT HAS OCCURRED OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED; (Y) BANCO DE MÉXICO HAS REFUSED TO APPROVE THE REDEMPTION; OR (X) WE ARE NOT IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS OR ANY ALTERNATE OR ADDITIONAL PRE-CONDITIONS REQUIRED BY BANCO DE MÉXICO AS A PREREQUISITE TO ITS PERMISSION FOR ANY SUCH REDEMPTION, SUCH NOTICE OF REDEMPTION SHALL BE RESCINDED AND SHALL BE OF NO FORCE AND EFFECT, AND NO PAYMENT IN RESPECT OF THE REDEMPTION AMOUNT SHALL BE DUE AND PAYABLE; *PROVIDED, HOWEVER*, THAT PURSUANT TO THE INDENTURE, WE WILL BE REQUIRED TO GIVE NOTICE OF SUCH RESCISSION TO THE HOLDERS OF THE NOTES IN ACCORDANCE WITH THE PROCEDURES SET FORTH IN "—NOTICES" BELOW AND TO THE TRUSTEE IN WRITING. THE FAILURE TO PROVIDE SUCH NOTICE SHALL NOT IMPAIR THE EFFECTIVENESS OF THE RESCISSION.

IN THE EVENT OF A PARTIAL OPTIONAL PREPAYMENT OF THE NOTES, THE NOTES SHALL BE REDEEMED FROM EACH HOLDER THEREOF *PRO RATA* ACCORDING TO THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES HELD BY THE RELEVANT HOLDER IN RELATION TO THE AGGREGATE PRINCIPAL AMOUNT OF ALL NOTES. IN RESPECT OF THE NOTES HELD BY DTC OR ITS NOMINEE, THE DISTRIBUTION OF THE PROCEEDS FROM SUCH REDEMPTION WILL BE MADE TO DTC OR ITS NOMINEE AND DISBURSED BY DTC OR ITS NOMINEE IN ACCORDANCE WITH THE PROCEDURES APPLIED BY DTC OR ITS NOMINEE. IN DETERMINING THE PRORATION OF THE NOTES TO BE REDEEMED, WE MAY MAKE SUCH ADJUSTMENTS AS MAY BE APPROPRIATE IN ORDER THAT ONLY THE NOTES IN AUTHORIZED DENOMINATIONS SHALL BE REDEEMED, SUBJECT TO THE MINIMUM DENOMINATIONS SET FORTH IN THIS OFFERING MEMORANDUM.

WE SHALL DELIVER NOTICE OF ANY REDEMPTION TO THE TRUSTEE AT LEAST 40 DAYS PRIOR TO THE APPLICABLE REDEMPTION DATE. THE TRUSTEE SHALL IN TURN GIVE NOTICE OF ANY SUCH REDEMPTION TO EACH HOLDER OF THE NOTE AT LEAST 30 DAYS BUT NOT MORE THAN 60 DAYS PRIOR TO THE REDEMPTION DATE TO EACH HOLDER OF THE NOTES IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. UNLESS WE DEFAULT IN PAYMENT OF THE APPLICABLE AMOUNTS DUE ON, OR IN THE REPAYMENT OF, THE NOTES, ON AND AFTER THE APPLICABLE REDEMPTION DATE, INTEREST DUE WILL CEASE TO ACCRUE ON THE NOTES CALLED FOR REDEMPTION.

Rule 144A Information

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we shall furnish, upon the request of any holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such holder, (ii) to a prospective purchaser of such Note (or beneficial interests therein) who is a qualified institutional buyer ("QIB") designated by such holder and (iii) to the Trustee for delivery to any applicable holders or such prospective purchaser so designated, in each case in order to permit compliance by such holder with Rule 144A in connection with the resale of such Note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language.

Periodic Reports

So long as any Notes are outstanding, we will furnish to the Trustee:

(a) Within 120 days following the end of each of our fiscal years, an English version of our consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the two most recent fiscal years prepared in accordance with Mexican Banking GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission (the "Commission"), together with an audit report thereon by our independent auditors;

(b) Within 225 days following the end of each of our fiscal years, annual financial information included in our annual report, translated into English; and

(c) Within 60 days following the end of the first three fiscal quarters in each of our fiscal years, (i) quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders' equity and statements of cash flows and the related notes thereto for us and our consolidated subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Mexican Banking GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as

promulgated by the Commission and (ii) quarterly financial information included in our quarterly report, translated into English.

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the Commission.

We will be deemed to be in compliance with all of the foregoing information reporting requirements under "Rule 144A Information" and "Periodic Reports" so long as we are subject to the reporting requirements of the Securities Exchange Act of 1934 and are in compliance with such requirements in all material respects.

Events of Default, Notice and Waiver

An Event of Default is defined in the Indenture as:

- a default for 30 calendar days in the payment of interest or Additional Amounts, if applicable, due and payable on the Notes, other than during a Suspension Period;
- a default in the payment of the principal of the Notes, when the same shall become due and payable, other than during a Suspension Period;
- a payment by us, during a Suspension Period, of dividends or other distributions in respect of our capital stock, other than any Dividend Exceptions; or
- certain events involving our bankruptcy, including *liquidación* or *resolución* (liquidation or dissolution).

For the avoidance of doubt, the occurrence of one or more Write-Downs shall not constitute an Event of Default.

Upon the occurrence of an Event of Default, holders of the Notes may have limited enforcement remedies, as described in this offering memorandum. The payment of the principal, interest and other amounts due on or with respect to the Notes may be accelerated only upon the occurrence of an Event of Default described in the last bullet point above, referred to as a "Liquidation Event of Default." There is no right of acceleration upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. If payment of the principal of or the accrued and unpaid interest on the Notes is accelerated, we shall promptly notify holders of our Senior Indebtedness of the acceleration. If an Event of Default occurs under the Indenture and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided above) under the Indenture to collect the payment of due and unpaid principal of and interest on the Notes, or to enforce the performance of any provision of the Notes or the Indenture.

If a Liquidation Event of Default occurs and is continuing, the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes. The Notes will become immediately due and payable at their Current Principal Amount together with accrued and unpaid interest to (but excluding) the date on which the Liquidation Event of Default occurs, without further action by any person. For the avoidance of doubt, no Capital Ratio Event or Mexican Regulatory Event will constitute a Liquidation Event of Default, nor during a Suspension Period in respect of the Notes will a deferral in the payment of interest or principal on the Notes, as applicable, entitle the holders of the Notes to accelerate the payment of principal of the Notes. In the event of a *liquidación* or *resolución*, holders of the Notes may not be able to collect the full amount payable under the Notes and other bankruptcy rules may affect the timing or amount paid to holders of the Notes. In addition, holders of the Notes may have no enforcement remedies for an Event of Default upon the occurrence of a Suspension Period or a Trigger Event and related Write-Down. See "Risk Factors—Risks Relating to our Notes—If we do not satisfy our obligations under the Notes, whether due to a Write-Down or otherwise, your remedies will be limited."

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The holder of any Note, however, will have the right to receive payment of the principal of and interest on that Note on or after the due dates, Redemption Dates or Maturity Date expressed in the Indenture or such Note and, subject to the deferral provisions and one or more Write-Downs set forth in the Note and the Indenture and certain other limitations and conditions, to institute a lawsuit for the enforcement of any such payment on or after such respective dates. The Trustee may refuse to enforce any of the provisions of the Indenture or the Notes unless it receives indemnity or

security satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the outstanding Notes may direct the Trustee under the Indenture in its exercise of any trust or power in respect thereof. The Trustee may withhold from holders notice of any continuing Event of Default (except a default in payment of principal or interest) if the Trustee in good faith determines that withholding notice is in their interest.

Following the occurrence of a Write-Down, the Notes will be cancelled with respect to the aggregate principal amount subject to such Write-Down as described under "Write-Down" and no principal or interest with respect to such Written-Down Principal can become due and payable, or will be due and payable by us, after such cancellation, and the concept of payment default under the Indenture would no longer be applicable with respect to such Written-Down Principal or any related interest.

By its acquisition of the Notes, each holder of the Notes acknowledges, agrees to be bound and consents to any Write-Down that may result in the cancellation of all, or a portion, of the principal amount of, or interest on, the Notes, and the rights of the holders under the Notes are subject to the provisions of any Write-Down.

By its acquisition of the Notes, each holder shall be deemed to have (i) consented to (w) any Write-Down and acknowledged that such Write-Down of its Notes following a Trigger Event may occur without any further action on such holder's part and (x) the exercise of any Write-Down as it may be imposed without any prior notice by the relevant Mexican authority of its decision to exercise such power with respect to the Notes and (ii) authorized, directed and requested DTC and any direct participant in DTC or other intermediary through which it holds such Notes to take any and all necessary action, if required, to implement (y) the Write-Down and (z) the exercise of any Write-Down with respect to the Notes as it may be imposed, without any further action or direction on the part of such holder.

Holders of the Notes that acquire the Notes in the secondary market shall be deemed to acknowledge, agree to be bound by and consent to the same provisions specified in the Indenture to the same extent as the holders of the Notes that acquire the Notes upon their initial issuance, including, without limitation, with respect to the acknowledgement and agreement to be bound by and consent to the terms of the Notes related to any Write-Down.

Under the Indenture, we must furnish the Trustee annually with a statement regarding any default in the performance of our obligations thereunder.

Modification of Indenture; Waiver of Covenants

Subject to authorization by Banco de México, we and the Trustee may, without the consent of any holders of Notes, amend, waive or supplement each of the Indenture or the Notes in certain circumstances, including, among other things, to cure any ambiguity, omission, defect or inconsistency, to conform the text of the Indenture or the Notes to any provision in this "Description of Notes" and to make any other change that does not adversely affect the rights of any relevant holder in any material respect.

In addition, subject to authorization by Banco de México, we and the Trustee may amend, waive or supplement the Indenture or the Notes with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes. However, without the consent of the holder of each Note and the approval of 75% of the members of our board of directors, we may not, among other things:

- change the maturity date of the principal of or any interest payment date (or periods) on any Note;
- reduce the principal amount of or reduce or increase interest on any Note (except in the case of one or more Write-Downs);
- change the currency of payment of principal or interest on any Note;
- modify any other payment provision of any Note;
- impair the right to sue for the enforcement of any payment on or with respect to any Note;
- reduce the percentage in principal amount of outstanding Notes that is required for the consent of the holders in order to modify or amend the Indenture or to waive compliance with some provisions of the Indenture or to waive some defaults; or

- modify the provisions relating to any Trigger Event, Write-Down, Suspension Period, and subordination provisions, provisions relating to consolidation, merger, conveyance or transfer of the Bank and/or all of its properties, and any provisions dealing with bankruptcy or liquidation of the Bank and the governing law of the Notes in any manner adverse to the holders of the Notes.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default or Event of Default under the Indenture, except a default under a provision that cannot be modified without the consent of each holder of a Note that would be affected.

Our parent, Banco Santander Spain, will purchase U.S.$975,000,000 of the aggregate principal amount of the Notes. In determining whether the holders of the requisite aggregate principal amount of the outstanding Notes have given any request, demand, authorization, direction, declaration, notice, consent or waiver under the Indenture, Notes owned by Banco Santander Spain or any of our affiliates shall be disregarded and deemed not to be outstanding.

Consolidation, Merger, Sale or Transfer of Assets

We may not consolidate with or merge into any other corporation, or convey or transfer our properties and assets substantially as an entirety to any person, unless:

(i) the successor corporation, if other than us, shall be a corporation organized and existing under the laws of Mexico or the United States of America or any state thereof, and shall expressly assume by a supplemental indenture, delivered to and in a form satisfactory to the Trustee, the due and punctual payment of the principal of, premium, if any, interest and Additional Amounts, if any, on all the outstanding Notes and the performance of every covenant in the Indenture on our part to be performed or observed,

(ii) the merger or consolidation shall have been approved by the relevant authorities pursuant to applicable law, including the CNBV;

(iii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time or both would become an Event of Default, shall have happened and be continuing, and

(iv) we shall have delivered to the Trustee an officer's certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance or transfer and, if a supplemental indenture is required, such supplemental indenture comply with the foregoing provisions relating to such transaction and all conditions precedent in the Indenture relating to such a transaction have been complied with. In case of any such consolidation, merger, conveyance or transfer, such successor corporation will succeed to and be substituted for us as obligor on the Notes with the same effect as if it had issued the Notes. Upon the assumption of our obligations by any such successor corporation in such circumstances, subject to certain exceptions, we will be discharged from all obligations under the Notes and the Indenture.

Restrictions Applicable to Us and to Other Mexican Financial Institutions

Unless otherwise permitted by applicable law, the Indenture will provide that the Notes (i) may not constitute collateral granted in favor of Mexican credit institutions (*instituciones de crédito*) including us and (ii) may not be acquired by us for our own account, by any person controlled by us or by any person in respect of which we exercise material influence (by having authority to vote at least 20% of its aggregate outstanding voting securities), or by any of the following entities:

- Mexican financial entities (*entidades financieras*) of any kind that acquire the Notes for their own account except for (1) investment companies that invest in debt and equity securities (*sociedades de inversión en instrumentos de deuda y comunes*), (2) securities brokers (*casas de bolsa*) that acquire the Notes for subsequent placement among investors, and (3) insurance and insurance mutual companies (*instituciones y sociedades mutualistas de seguros*) and bonding companies (*instituciones de fianzas*) to the extent they acquire the Notes to invest their technical reserves; *provided, however*, that the exceptions referred to in (1) and (2) of this paragraph shall not apply to (x) investment companies in which we or any other entity that forms part of our financial group holds, directly or indirectly, the majority of its fixed capital and (y) financial entities that form part of our financial group;

- Mexican or non-Mexican entities with respect to which we (1) own voting stock representing at least 51% of their outstanding paid-in capital, (2) have control of the shareholders' meetings of such entity or (3) are in a position to appoint the majority of the members of such entity's board of directors;

- Mexican pension or retirement funds if managed by us or another entity that forms part of the financial group that we are a part of; and

- We or another entity that forms part of our financial group acting in its capacity as trustee, representative, agent or attorney-in-fact if, by acting in such capacity, it has discretionary investment authority;

provided, however, that any Mexican financial entity or Mexican pension or retirement fund that is not otherwise prevented from investing in the Notes may acquire, together with any other such entity that is an affiliate or that forms part of the same Mexican financial group on a collective basis, up to 10% of the relevant issue.

Notices

Notice to holders of the Notes, if they are global Notes, will be given in accordance with the procedures of the applicable clearing system; if they are certificated Notes notice to holders will be given by mail to the addresses of such holders as they appear in the security register.

Book-Entry System

The Notes will be represented by one or more global notes.

The global notes representing the Notes will be issued in the form of one or more registered notes in global form without interest coupons and will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes are being offered and sold in this initial offering in the United States solely to qualified institutional buyers under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;

- to non-U.S. persons outside the United States in reliance on Regulation S; and

- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Rule 144A Global Notes

Notes offered and sold to qualified institutional buyers under Rule 144A are referred to collectively as the "Rule 144A Global Notes." Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

Notes offered and sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 to persons which are non-U.S. persons are referred to collectively as the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes."

On or prior to the 40th day after the date of issuance of the Notes sold pursuant to Regulation S, any resale or transfer of beneficial interests in the Regulation S Global Notes to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Investors may hold their interest in a Global Note representing the Notes through organizations that are participants in DTC (including, Euroclear or Clearstream, Luxembourg).

Exchanges among the Global Notes

Exchanges will be subject to the occurrence of a Write-Down, which may delay or result in the cancellation of pending transfers.

Transfers by an owner of a beneficial interest in a Regulation S Global Note representing the Notes to a transferee who takes delivery of that interest through a Rule 144A Global Note representing the Notes will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferee of the beneficial interest in the form provided in the Indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note representing the Notes to a transferee who takes delivery of the interest through a Regulation S Global Note representing the Notes will be made only upon receipt by the Trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the Global Notes representing the Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note representing the Notes will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-entry procedures for the Global Notes

Ownership of beneficial interests in a Global Note representing the Notes will be limited to DTC and to persons that may hold interests through institutions that have accounts with DTC. Beneficial interests in a Global Note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC, and its respective participants for that Global Note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of its respective participants and facilitates the clearance and settlement of securities transactions among its respective participants through electronic book-entry changes in accounts.

Principal and interest payments on the Notes represented by a Global Note will be made to DTC, as the sole registered owner and the sole holder of the Notes represented by the Global Note for all purposes under the Indenture. Accordingly, we, the Trustee and any paying agent will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a Global Note;
- any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a Global Note held through those participants; or
- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

DTC

DTC has advised us that upon receipt of any payment of principal of or interest on a Global Note representing the Notes, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of that Global Note as shown on DTC's records. The initial purchasers of the Notes will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in "street names," and will be the sole responsibility of those participants.

The Notes represented by a Global Note can be exchanged for definitive Notes of the same series in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary for that Global Note or at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 calendar days; we, in our sole discretion, determine that such Global Note will be exchangeable for definitive Notes in registered form and notify the Trustee of our decision; or an Event of Default with respect to the Notes of such series represented by that Global Note has occurred and is continuing and DTC so requests.

- A Global Note representing the Notes that can be exchanged under the preceding sentence will be exchanged for definitive Notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive Notes will be registered in the names of the owners of the beneficial interests in the relevant Global Note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions."

Registrar, Transfer Agent and Paying Agents

The Trustee will act as registrar for the Notes. The Trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption.

Listing

We intend to apply to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin. Admission to the Official List is expected, and trading on the Global Exchange Market is expected to begin, within 30 days of the initial delivery of the Notes. In the event that the Notes are admitted to listing on Euronext Dublin, we will use our reasonable best efforts to maintain such listing, *provided* that if we determine that it is unduly burdensome to maintain a listing on Euronext Dublin, we may delist the Notes from Euronext Dublin. Although there is no assurance as to the liquidity that may result from a listing on Euronext Dublin, delisting the Notes from Euronext Dublin may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

The Trustee

The Bank of New York Mellon will act as Trustee under the Indenture. Notices to the Trustee should be directed to the Trustee at its Corporate Trust Office, located at 240 Greenwich Street, Floor 7-East, New York, New York 10286, Attn: International Corporate Trust. The Trustee also will initially act as registrar, paying agent and transfer agent for service of demands and notices in connection with the Notes and the Indenture. The Trustee may resign or be removed under circumstances described in the Indenture and we may appoint a successor Trustee to act in connection with the Notes. Any action described in this offering memorandum to be taken by the Trustee may then be taken by the successor trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our affiliates with the same rights it would have if it were not trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

The Indenture contains some limitations on the right of the Trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The Trustee will be permitted to engage in transactions with us. The occurrence of a default under the Indenture could create a conflicting interest (as defined in the Indenture) for the Trustee. In this case, if the default has not been cured or waived within 90 days after the Trustee has or acquires a conflicting interest, the Trustee generally is required to eliminate the conflicting interest or resign as trustee for the Notes. In the event of the Trustee's resignation, we will promptly appoint a successor trustee for the Notes.

The Trustee may be removed by the holders of a majority of the outstanding Notes if an Event of Default under the Indenture has occurred and is continuing. No resignation or removal of the Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the Indenture.

Notwithstanding any other provision herein, the Trustee's right to compensation, reimbursement for expenses, and indemnity (including from holders) are not subject to subordination or any Write-Down, and such obligations shall survive a Write-Down and any Trigger Event.

By its acquisition of the Notes, each holder of the Notes, to the extent permitted by applicable law, waives any and all claims against the Trustee for, agrees not to initiate a suit against the Trustee in respect of, and agrees that the Trustee shall not be liable for, any action that the Trustee takes, or abstains from taking, in either case in accordance with any Write-Down on the terms set forth herein and in the Indenture.

By its acquisition of the Notes, each holder of the Notes acknowledges and agrees that any Write-Down required under the Mexican Banking Law and the General Rules Applicable to Mexican Banks with respect to the Notes shall not give rise to a default for purposes of Section 315(b) (Notice of Default) and Section 315(c) (Duties of the Trustee in Case of Default) of the U.S. Trust Indenture Act of 1939, as amended. Notwithstanding the foregoing, holders of the Notes acknowledge and agree that the Indenture is not qualified under the Trust Indenture Act and holders are not entitled to any protections thereunder except to the extent provisions of the Trust Indenture Act are specifically incorporated in the Indenture.

By its acquisition of the Notes, each holder of the Notes acknowledges and agrees that, upon a Trigger Event, (a) the Trustee shall not be required to take any further directions from holders of the Notes under the Indenture, which authorizes holders of a majority in aggregate outstanding principal amount of the Notes to direct certain actions relating to the Notes, to the extent the Write-Down reduces the value of the Notes to zero, but not otherwise, and (b) the Indenture shall impose no duties upon the Trustee whatsoever with respect to the exercise of any Write-Down, it being understood that if, following the completion of the Write-Down, any Notes remain outstanding (for example, in a partial Write-Down of the principal of the Notes), then the Trustee's duties under the Indenture shall remain applicable with respect to the outstanding Notes following such Write-Down.

In the event that a default has occurred and the Trustee receives a direction from holders to institute proceedings in Mexico (or such other jurisdiction in which we may be organized, but not elsewhere) for our winding up, then if a Suspension Period shall commence before the Trustee shall have instituted such proceedings, the Trustee shall be directed not to and shall not be required to initiate such proceedings and, to the extent set forth in the Indenture, shall not be liable to any holder in respect of not having commenced such proceedings.

Governing Law; Consent to Jurisdiction

THE INDENTURE AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. WHETHER A TRIGGER EVENT (LEADING TO A WRITE-DOWN) OR A CAPITAL RATIO EVENT OR A MEXICAN REGULATORY EVENT (LEADING TO A SUSPENSION PERIOD) HAS OCCURRED IS BASED UPON A DETERMINATION BY THE APPLICABLE MEXICAN REGULATOR, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WHETHER A WITHHOLDING TAX EVENT OR A TAX EVENT HAS OCCURRED IS BASED UPON A DETERMINATION IN ACCORDANCE WITH MEXICAN LAW (OR OTHER APPLICABLE LAW IN THE CASE OF A WITHHOLDING TAX EVENT INVOLVING A JURISDICTION OTHER THAN MEXICO), AS AMENDED FROM TIME TO TIME, EVIDENCED BY AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM AND, IF REQUIRED, A CERTIFICATION BY US. WHETHER A CAPITAL EVENT HAS OCCURRED IS DETERMINED BY US, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). THE RANKING AND SUBORDINATION OF THE NOTES, WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WE WILL WAIVE ANY RIGHTS WE MAY HAVE UNDER THE LAW OF THE STATE OF NEW YORK NOT TO GIVE EFFECT TO ANY SUCH DETERMINATION TO THE FULLEST EXTENT PERMITTED BY APPLICABLE

LAW. ANY PROCEEDINGS IN RESPECT OF OUR *LIQUIDACIÓN* OR *RESOLUCIÓN* WILL BE CONDUCTED IN ACCORDANCE WITH THE MEXICAN BANKING LAW, AND ANY MERGER OR CONSOLIDATION SHALL BE SUBJECT TO APPLICABLE APPROVALS UNDER THE MEXICAN BANKING LAW AND ANY OTHER APPLICABLE MEXICAN LAWS, AS AMENDED FROM TIME TO TIME.

We will consent to the jurisdiction of courts in the State of New York, Borough of Manhattan, County of New York or the federal courts in the Southern District of New York in the Borough of Manhattan and will agree that all disputes under the Indenture and the Notes may be submitted to the jurisdiction of such courts. We will irrevocably consent to and waive to the fullest extent permitted by law any objection that we may have to the laying of venue of any suit, action or proceeding against us or our properties, assets and revenues with respect to the Indenture and the Notes or any such suit, action or proceeding in any such court and any right to which we may be entitled on account of place of residence or domicile.

Nothing in the Indenture shall require The Bank of New York Mellon, as Trustee or in any other capacity under the Indenture, to submit to the jurisdiction or venue in any non-U.S. court. The Trustee may, but shall not be required to arrange for the appointment of a Co-Trustee in connection with any such proceeding.

To the extent that we or any of our revenues, assets or properties shall be entitled to any immunity from suit, from the jurisdiction of any such court, from attachment prior to judgment, from attachment in aid of execution of judgment, from execution of a judgment or from any other legal or judicial process remedy, we will irrevocably agree not to claim and will irrevocably waive such immunity to the fullest extent permitted by the laws of such jurisdiction.

THE PARTIES TO THE INDENTURE, AND EACH HOLDER OF A NOTE BY ITS ACCEPTANCE THEREBY, EACH HEREBY WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE INDENTURE OR THE NOTES OR ANY TRANSACTION RELATED HERETO OR THERETO TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

We will agree that service of all writs, claims, process and summons in any suit, action or proceeding against us or our properties, assets or revenues with respect to the Indenture or any suit, action or proceeding to enforce or execute any judgment brought against us in the State of New York may be made upon CT Corporation System, 111 Eighth Avenue, New York, New York 10011, and we will irrevocably appoint CT Corporation System as our agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

We have agreed that, to the greatest extent permitted under applicable law, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, we will indemnify the relevant holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or us. Any such Note shall be replaced by the Trustee in compliance with such procedures, on such terms as to evidence and indemnification as the Trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TAXATION

The following discussion summarizes certain Mexican federal tax and U.S. federal income tax consequences to beneficial owners arising from the purchase, ownership or disposition of the Notes. The summary does not purport to be a comprehensive description of all potential Mexican federal tax and U.S. federal income tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes, and is not intended as tax advice to any particular investor. This summary does not describe any tax consequences arising under the laws of any state, municipality or other taxing jurisdiction other than federal income tax consequences applicable in Mexico and the United States.

Prospective purchasers of the Notes should consult their own tax advisors as to the Mexican, United States or other tax consequences (including tax consequences arising under double-taxation treaties) of the purchase, ownership and disposition of the Notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, municipal, foreign or other tax laws.

Certain Mexican Income Tax Considerations

The following summary contains a description of the principal Mexican federal income tax consequences of the purchase, ownership and disposition of Notes by a Non-Mexican Holder (as defined below). This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, hold or dispose of the Notes. In addition, it does not describe any tax consequences (i) arising under the laws of any taxing jurisdiction other than Mexico, (ii) arising under the laws other than the federal tax laws of Mexico (excluding the laws of any state or municipality within Mexico), or (iii) that are applicable to a resident of Mexico for tax purposes that may purchase, own or dispose of the Notes.

For purposes of this summary, the term "non-Mexican holder" shall mean a holder that is not a resident of Mexico for tax purposes, as defined by the Mexican Federal Fiscal Code (*Código Fiscal de la Federación*), or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico to which income in respect of the Notes is attributable.

For purposes of Mexican taxation:

- individuals are residents of Mexico for tax purposes, if they have established their principal place of residence in Mexico or, if they have established their principal place of residence outside Mexico, if their core of vital interests (*centro de intereses vitales*) is located within Mexican territory. This will be deemed to occur if, among others, (i) at least 50.0% of their aggregate annual income derives from Mexican sources, or (ii) the main center of their professional activities is located in Mexico. Mexican nationals who filed a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which their income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law (*Ley del Impuesto Sobre la Renta*), will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years;

- unless otherwise evidenced, a Mexican national individual shall be deemed a Mexican resident for tax purposes. An individual will also be considered a resident of Mexico for tax purposes, if such individual is a Mexican federal government employee, regardless of the location of the individual's core of vital interests; and

- a legal entity is a resident of Mexico for tax purposes if it maintains the principal administration of its business or the place of its effective management, in Mexico.

Non-residents of Mexico (whether individuals or corporate entities) who are deemed to have a permanent establishment in Mexico for tax purposes, shall be subject to the Mexican income tax laws, and all income attributable to such permanent establishment in Mexico, will be subject to Mexican taxes in accordance with the Mexican Income Tax Law.

This summary is based upon the Mexican Income Tax Law and the Mexican Federal Fiscal Code in effect as of the date of this offering memorandum, all of which are subject to change.

Mexico has entered into, and is negotiating, several double taxation treaties with various countries, that may affect the Mexican withholding tax liabilities applicable to Non-Mexican Holders. Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, if any, of such treaties.

Payments of Interest

Under the Mexican Income Tax Law, payments of interest we make in respect of the Notes (including payments of principal in excess of the issue price of the Notes, if any, which, under Mexican law, are deemed to be interest) to a Non-Mexican Holder, will be subject to a Mexican withholding tax assessed at a rate of 4.9% because we, as payor, are a banking institution.

The withholding tax rate applicable to interest payments that we make in respect of the Notes may be reduced under tax treaties entered into by Mexico and various countries, to the extent that the relevant holder is a resident of a treaty jurisdiction that can claim the benefits of the relevant treaty and takes any and all steps necessary to benefit from such reduction. Pursuant to the Tax Treaty between Mexico and Spain, payments of interest we make in respect of the Notes (including payments in excess of the same paid, if any, which under Mexican law are deemed to be interest), to Banco Santander Parent, will be subject to a Mexican withholding tax assessed at a rate of 4.9%.

Payments of interest on the notes made by us to non-Mexican pension and retirement funds will be exempt from Mexican withholding tax provided that:

- the applicable fund is duly incorporated pursuant to the laws of its country of residence and is the beneficial owner of the interest payment;
- such income is exempt from taxes in the country of residence of the applicable fund; and
- such fund provides information to us, that we may in turn provide to the Mexican Tax Administration Service in accordance with rules issued by the Mexican Tax Administration Service for these purposes.

We have agreed, subject to specified exceptions and limitations, to pay additional amounts to Non-Mexican Holders of the Notes in respect of the Mexican withholding taxes attributable to interest payments mentioned above. If we pay additional amounts in respect of such Mexican withholding taxes attributable to interest payments, any refunds of such additional amounts will be for our account. See "Description of Notes—Payment of Additional Amounts."

Holders or beneficial owners of the Notes may be requested by us or on our behalf, to provide information or documentation necessary to enable us to determine the appropriate Mexican withholding tax rate applicable to interest and deemed interest payments made by us to such holders or beneficial owners. In the event that the specified information or documentation concerning the holder or beneficial owner, if requested, is not provided to us, or on our behalf, on a complete or timely basis, our obligations to pay additional amounts may be limited as set forth under "Description of Notes — Payment of Additional Amounts."

Under the Mexican Income Tax Law, payments of principal we make to a Non-Mexican Holder of the Notes will not be subject to any Mexican withholding or similar taxes.

Sale or Other Disposition of the Notes

Gains from the sale or other disposition of the Notes by a Non-Mexican Holder to another Non-Mexican Holder (other than to a Mexican permanent establishment of a Non-Mexican Holder) will not be subject to Mexican withholding taxes. However, gains resulting from the sale or other disposition of the Notes by a Non-Mexican Holder to a Mexican resident for tax purposes or to a permanent establishment of a Non-Mexican Holder deemed to have a permanent establishment in Mexico for tax purposes will be subject to the Mexican withholding taxes pursuant to the rules described above applicable to interest payments, in respect of the difference between the nominal value (or the face value) of the Notes and the price obtained upon sale by the seller, and any such withholding taxes will not benefit from our obligations to pay additional amounts, except in the case of a redemption by us.

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes.

Certain U.S. Federal Income Tax Considerations

The following are certain U.S. federal income tax consequences to a "U.S. Holder" (as defined below) of owning and disposing of Notes purchased in this offering at the price indicated on the cover of this offering memorandum and held as capital assets for U.S. federal income tax purposes. Except for the discussion under "Possible FATCA Withholding," this discussion does not apply to non-U.S. Holders.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax and Medicare contribution tax consequences, as well as differing tax consequences that may apply if you are, for instance:

- a financial institution;
- a regulated investment company;
- a dealer or trader in securities that uses a mark-to-market method of tax accounting;
- holding Notes as part of a "straddle" or integrated transaction;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a person subject to special tax accounting rules under Section 451(b) of the Internal Revenue Code of 1986, as amended (the "Code");
- a person that owns or is deemed to own ten percent or more of our equity for U.S. federal income tax purposes;
- a tax-exempt entity; or
- a partnership for U.S. federal income tax purposes.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of you and your partners will generally depend on the status of the partners and your activities.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This discussion does not address any aspect of state, local or non-U.S. taxation, or any taxes other than income taxes. You should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion assumes that the Issuer is not, and will not become, a passive foreign investment company (a "PFIC"), as described below.

Tax Treatment of the Notes

The tax consequences of an investment in the Notes are uncertain. There is no direct legal authority as to the proper U.S. federal income tax treatment of an instrument such as the Notes that is denominated as a subordinated

debt instrument but that provides for one or more Write-Downs under which an investor in the Notes could lose some or up to all of its investment in the Notes, and we do not plan to request a ruling from the IRS regarding the Notes. The Issuer believes that it is more likely than not that the Notes will be treated as equity of the Issuer for U.S. federal income tax purposes, and intends, absent a change in law, to so treat the Notes. The characterization of the Notes by the Issuer as equity for U.S. federal income tax purposes is binding on the Issuer and any beneficial owner of the Notes, unless the beneficial owner discloses on its tax return that it is taking an inconsistent position. The Issuer's characterization, however, is not binding on the IRS. The following discussion assumes that this treatment is respected, except where otherwise indicated.

Payments of Interest

Payments of interest on the Notes will be treated as dividends to the extent paid out of the Issuer's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because the Issuer does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that payments of interest on the Notes generally will be reported to you as dividends.

If you are a non-corporate U.S. Holder, certain dividends paid to you by a "qualified foreign corporation" (generally referred to as "qualified dividend income") may be taxed at favorable rates, subject to the PFIC and extraordinary dividend rules discussed below. However, these favorable rates are only available if certain conditions are met, including a requirement that you hold the applicable security for a minimum period during which you are not protected from the risk of loss. The IRS has ruled that where a security treated as equity for U.S. federal income tax purposes provides for repayment of the principal amount at maturity, a holder's creditor rights with respect to the principal repayment may constitute protection from the risk of loss. Therefore, the minimum holding period requirement might not be met with respect to the Notes. If you are a non-corporate U.S. Holder, you should consult your tax adviser with respect to the "qualified dividend income" rules.

In the event of a deferral of payments of interest on the Notes, payments of accumulated interest that exceed certain thresholds in relation to your tax basis in the Notes could be characterized as "extraordinary dividends" under the Code. A non-corporate U.S. Holder that receives an extraordinary dividend will generally be required to treat any loss on the sale on the Notes as long-term capital loss to the extent the extraordinary dividend qualifies for taxation at the favorable rates discussed above.

The amount of a dividend will include any amounts withheld in respect of any Mexican taxes and, without duplication, any Additional Amounts paid. This amount will be treated as foreign-source dividend income to you, will be treated as "passive category income" for foreign tax credit limitation purposes for most U.S. Holders and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to applicable limitations, which include a minimum holding period and some of which may vary depending upon your particular circumstances, any Mexican income taxes withheld from payments on the Notes at a rate not in excess of the applicable treaty rate may be creditable against your U.S. federal income tax liability. If, however, as described above, your creditor rights with respect to the principal repayment constitute protection from the risk of loss, you may not be able to meet the minimum holding period necessary to claim foreign tax credits with respect to any such Mexican income taxes withheld from payments on the Notes. Alternatively, you may make an election to treat all foreign taxes paid as deductible expenses in computing your taxable income for U.S. federal income tax purposes, rather than as a credit against your U.S. federal income tax liability, subject to generally applicable limitations on deductions. Such an election, once made, generally applies to all foreign taxes paid for the taxable year that are subject to the election. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Sale or Other Taxable Disposition of the Notes

Subject to the PFIC rules discussed below, upon the sale or other taxable disposition of a Note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will equal the cost of your Note. Gain or loss, if any, will generally be U.S.-source income for purposes of computing your foreign tax credit limitation.

Gain or loss realized on the sale or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of the sale or other taxable disposition the Note has been held for

more than one year. Long-term capital gains recognized by non-corporate taxpayers are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Redemption

If the Issuer redeems the Notes, unless such redemption satisfies one of the tests set forth in Section 302(b) of the Code for treating the redemption as a sale or exchange, the redemption will generally be treated under Section 302 of the Code as a dividend. If the redemption is treated as a sale or exchange, your treatment will be as discussed above in "—Sale or Other Taxable Disposition of the Notes." The redemption will be treated as a sale or exchange only if it constitutes a "complete termination of the holder's stock interest" in the Issuer or is not "essentially equivalent to a dividend," each within the meaning of Section 302(b). In determining whether any of the alternative tests of Section 302(b) is met, shares of the Issuer's equity (including any interest in the Issuer that is treated as equity for U.S. federal income tax purposes) actually owned, as well as shares considered to be owned by you by reason of certain constructive ownership rules, must be taken into account. The redemption of the Notes will not be essentially equivalent to a dividend if the redemption results in a "meaningful reduction" of your proportionate interest in the Issuer. Whether the redemption will result in a meaningful reduction in your proportionate interest in the Issuer will depend on the particular facts and circumstances. However, the IRS has indicated in a published ruling that even a small reduction in the proportionate interest of a small minority shareholder in a publicly held corporation who exercises no control over corporate affairs may constitute such a "meaningful reduction." Because the determination as to whether any of the alternative tests of Section 302(b) is satisfied with respect to your Notes will depend on your particular facts and circumstances as of the time the determination is made, you should consult your tax adviser to determine the tax treatment of a redemption of the Notes in your own particular investment circumstances.

PFIC Rules

A non-U.S. corporation will be considered a PFIC for any taxable year in which (1) 75% or more of its gross income is "passive income" under the PFIC rules or (2) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. Exclusions are provided for income earned in the active conduct of a banking business. For purposes of determining if a non-U.S. corporation is a PFIC, if the non-U.S. corporation owns, directly or indirectly, at least 25%, by value, of the shares of another corporation, it will be treated as if it holds directly its proportionate share of the assets and receives directly its proportionate share of the income of such other corporation. If a corporation is treated as a PFIC with respect to you for any taxable year, the corporation will continue to be treated as a PFIC with respect to you in all succeeding taxable years, regardless of whether the corporation continues to meet the PFIC requirements in such years, unless certain elections are made.

Based on proposed Treasury regulations regarding the characterization of certain banking income as nonpassive, which are proposed to be effective for taxable years beginning after December 31, 1994, the Issuer does not expect to be a PFIC for its current taxable year or in the foreseeable future. However, because the proposed Treasury regulations may not be finalized in their current form, because the manner of the application of the proposed regulations is not entirely clear and because the composition of the Issuer's income and assets will vary over time, there can be no assurance that the Issuer will not be a PFIC for any taxable year.

If the Issuer were a PFIC for any taxable year during which you held the Notes, gain recognized by you on a sale or other disposition of the Notes would be allocated ratably over the your holding period for the Notes. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Issuer became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the resulting tax liability. Further, to the extent that any distribution received by you on the Notes exceeds 125% of the average of the annual distributions on the Notes received during the preceding three years or your holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. In addition, if the Company were a PFIC for any taxable year in which it pays a dividend or the preceding taxable year, the favorable tax rates that may otherwise be applicable to distributions that constitute qualified dividend income would not apply. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the Notes. You should consult your tax adviser to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in your particular circumstances.

Consequences if the Notes are Treated as Debt Instruments

It is possible that the IRS could determine that the Notes are debt of the Issuer for U.S. federal income tax purposes, which could have adverse U.S. federal income tax consequences to you. If the Notes were properly treated as debt of the Issuer, you would be required to include payments of interest on the Notes in income when they are received or accrued. In addition, if the Notes were treated as contingent payment debt instruments you would be required to accrue interest income with respect to the Notes based upon a "comparable yield" (as defined in the Treasury regulations) determined at the time of issuance of the Notes, with adjustments to such accruals when any contingent payments are made that differ from the payments based on the comparable yield. This treatment could result in you being required, in a particular year, to recognize amounts of interest income in excess of the payments received in that year. In addition, any income on the sale or other taxable disposition of the Notes would be treated as interest income rather than as capital gain. You should consult your tax adviser regarding the tax consequences if the Notes were treated as debt instruments.

Possible FATCA Withholding

Provisions of U.S. tax law commonly referred to as the "Foreign Account Tax Compliance Act," or "FATCA," impose a 30% withholding tax on certain payments made to a foreign financial institution (such as the Issuer) unless the financial institution is a "participating foreign financial institution," or a PFFI, or is otherwise exempt from FATCA. A PFFI is a foreign financial institution that has entered into an agreement with the U.S. Treasury Department, or an FFI agreement, pursuant to which it agrees to perform specified due diligence, reporting and withholding functions. Specifically, under its FFI agreement, a PFFI will be required to obtain and report to the IRS certain information with respect to financial accounts held by U.S. persons or U.S.-owned foreign entities and to withhold 30% from "foreign passthru payments" (which term is not yet defined) that it makes to "recalcitrant" accountholders or to foreign financial institutions that are not PFFIs or otherwise exempt from FATCA on or after the later of January 1, 2019 and the date of publication of final Treasury regulations defining the term "foreign passthru payments." The United States and Mexico have entered into an intergovernmental agreement to facilitate the implementation of FATCA pursuant to which a Mexican financial institution (such as the Issuer) will be required to report certain information in respect of its account holders and investors to Mexico and may be treated as a "Reporting FI" not subject to withholding under FATCA on any payments it receives. The Issuer expects to be treated as a Reporting FI pursuant to the U.S. – Mexico IGA and does not anticipate being obligated to deduct any withholding under FATCA on payments it makes, even after the withholding regime for foreign passthru payments commences. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it will not in the future be required to withhold amounts under FATCA. Accordingly, the Issuer and other financial institutions through which the payments are made may be required to withhold under FATCA if (i) any foreign financial institution through or to which payments are made is not a PFFI, a Reporting FI or otherwise exempt from FATCA or (ii) an investor is a recalcitrant accountholder.

Backup Withholding and Information Reporting

Information returns may be required to be filed with the IRS in connection with payments on the Notes and proceeds received from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

You may be required to report information relating to an interest in the Notes or an account through which the Notes are held, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain U.S. financial institutions), by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, with your tax return for each year in which you hold an interest in the Notes. You are urged to consult your tax adviser regarding information reporting requirements relating to your ownership of the Notes.

BENEFIT PLAN INVESTOR CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and Section 4975 of the Code impose certain requirements on (a) employee benefit plans subject to Title I of ERISA, (b) individual retirement accounts, Keogh plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include "plan assets" by reason of any such plan's or arrangement's investment therein (we refer to the foregoing collectively as "Plans") and (d) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans ("Non-ERISA Arrangements") are not subject to Title I of ERISA or Section 4975 of the Code, but may be subject to non-U.S., state, local or other federal laws that are substantially similar to those provisions of ERISA or the Code (each, a "Similar Law").

Investments by Plans subject to Title I of ERISA and entities deemed to hold the assets of such plans ("ERISA Plans") are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan. In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and persons who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (we refer to the foregoing collectively as "parties in interest") unless exemptive relief is available under an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. We, the initial purchasers, the agents and their respective current and future affiliates, may be parties in interest with respect to many Plans. Thus, a Plan fiduciary considering an investment in the Notes should also consider whether such an investment might constitute or give rise to a prohibited transaction under ERISA or Section 4975 of the Code. For example, the Notes may be deemed to represent a direct or indirect sale of property, extension of credit or furnishing of services between us and an investing Plan which would be prohibited if we are a party in interest with respect to the Plan unless exemptive relief were available under an applicable exemption.

In this regard, each prospective purchaser that is, or is acting on behalf of, a Plan, and proposes to purchase the Notes, should consider the exemptive relief available under the following prohibited transaction class exemptions, or "PTCEs": (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a Note, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or a violation of any provision of Similar Law.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes. We also refer you to the portions of the offering memorandum addressing restrictions applicable under ERISA, the Code and Similar Law.

Each purchaser of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the purchase agreement, the initial purchasers named below have severally, and not jointly, agreed to purchase from us the following respective principal amounts of Notes listed opposite their name below at the initial offering price set forth on the cover page of this offering memorandum, less discounts and commissions:

Initial Purchasers	Principal Amount of Notes
Goldman Sachs & Co. LLC	U.S.$650,000,000
Santander Investment Securities Inc.	U.S.$650,000,000
Total	**U.S.$1,300,000,000**

The purchase agreement provides that the obligations of the several initial purchasers to purchase the Notes offered hereby are subject to certain conditions precedent and that the initial purchasers will purchase all of the Notes offered by this offering memorandum if any of these Notes are purchased.

After the initial offering, the initial purchasers may change the offering price and other selling terms. The offering of the Notes by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part.

We have agreed to indemnify the several initial purchasers against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The Notes have not been registered under the Securities Act. Each initial purchaser has agreed that it will offer or sell the Notes only (i) in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act or (ii) in offshore transactions in reliance on Regulation S under the Securities Act. The Notes being offered and sold pursuant to Regulation S may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person, unless the Notes are registered under the Securities Act or an exemption from the registration requirements thereof is available. Resales of the Notes are restricted as described under "Transfer Restrictions."

Until the expiration of forty (40) days after the commencement of the offering, any offer or sale of Notes within the United States by a broker-dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act, unless such offer or sale is made pursuant to Rule 144A under the Securities Act or another available exemption from the registration requirements thereof. Terms used above have the meanings given to them by Regulation S and Rule 144A under the Securities Act.

We have agreed that, for a period of 30 days from the date of this offering memorandum, other than with respect to the Notes and any other non-capital market debt, we will not, without the prior consent of the initial purchasers, offer, sell, contract to sell, grant any other option to purchase or otherwise dispose of, directly or indirectly, or announce the offering of, or file a registration statement for, any U.S. dollar-denominated debt similar to either series of the Notes issued or guaranteed by us or any of our direct or indirect subsidiaries or enter into any agreement to do any of the foregoing.

The Notes are a new issue of securities without an established trading market. The initial purchasers may make a market in the Notes after completion of the offering but will not be obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of the trading market for the Notes or that an active market for the Notes will develop. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected.

In connection with the offering, the initial purchasers may purchase and sell the Notes in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the initial purchasers of a greater principal amount of Notes than they are required to purchase in the offering. The initial purchasers may close out any short position by purchasing Notes in the open market. A short position is more likely to be created if the initial purchasers are concerned that there may

be downward pressure on the price of the Notes in the open market prior to the completion of the offering. Stabilizing transactions consist of various bids for or purchases of the Notes made by the initial purchasers in the open market prior to the completion of the offering. Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of the Notes. Additionally, these purchases, along with the imposition of the penalty bid by the initial purchasers, may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market. These transactions may be effected in the over-the-counter market or otherwise.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The initial purchasers and their affiliates have performed certain commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and expenses. Goldman Sachs & Co. LLC and Santander Investment Securities Inc. are acting as dealer managers for the Tender Offer. The initial purchasers may, from time to time, continue to engage in transactions with and perform services for us in the ordinary course of their business for which they will receive customary fees. In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If the initial purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in Mexico

The Notes have not been and will not be registered with the RNV maintained by the CNBV, and may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the Notes may be offered to Mexican investors that qualify as institutional and qualified investors pursuant to the private placement exemption ser forth in Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*) and regulations thereunder. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes, and the delivery and the acceptance by the CNBV of such notice, does not imply any certification as to the investment quality of the Notes, our solvency, liquidity or credit quality or the accuracy of completeness of the information set forth herein.

Notice to Prospective Investors in Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement and the accompanying prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in the Republic of Colombia

The Notes have not been and will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) or on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*). Therefore, the Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 and Regulation 029 of 2014 issued by the Colombian Superintendency of Finance, as modified, complemented or substituted from time to time, to privately market and offer the Notes to their Colombian clients.

Notice to Prospective Investors in Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012 (Rule 336), issued by the Commission for Financial Markets (*Comisión para el Mercado Financiero* or "CMF"), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008, of the CMF).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer of the Notes in Chile: September 19, 2018.
2. The offer of the Notes is subject to Rule 336.
3. The offering of the Notes is not registered with the Securities Registry (*Registro de Valores)* of the CMF nor with the foreign securities registry (*Registro de Valores Extranjeros)* of the CMF and as such;
4. Since the Notes are not registered in Chile there is no obligation by the issuer to:
    a. The Notes are not subject to the oversight of the CMF; and
    b. The issuer of the Notes is not subject to the obligation to make publicly available information about the Notes in Chile.
5. The Notes may not be subject to public offering in Chile unless and until they are registered with the relevant Securities Registry of the CMF.

Los Valores se ofrecen privadamente en Chile de conformidad con las disposiciones de la Ley N° 18.045 de Mercado de Valores, y la Norma de Carácter General N° 336 de 27 de Junio de 2012 ("NCG 336") emitida por la Comisión para el Mercado Financiero.

En cumplimiento de la NCG 336, la siguiente información se proporciona a los potenciales inversionistas residentes en Chile.

1. *La oferta de estos Valores en Chile comienza el día 19 de septiembre de 2018.*
2. *La oferta se encuentra acogida a la NCG 336.*
3. *La oferta versa sobre valores que no se encuentran inscritos en el Registro de Valores ni en el Registro de Valores Extranjeros que lleva la CMF, por lo que:*
    a. *Los Valores no están sujetos a la fiscalización de esa Comisión; y*
    b. *El emisor de los Valores no está sujeto a la obligación de entregar información pública sobre los valores ofrecidos.*
4. *Los Valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

Notice to Prospective Investors in Peru

The Notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Superintendency of the Securities Markets (Superintendencia del Mercado de

Valores or "SMV") or the Lima Stock Exchange (Bolsa de Valores de Lima or "BVL"). Accordingly, the Notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes that any particular offer may qualify as private, among others, if it is directed exclusively to institutional investors.

Notice to Prospective Investors in the European Economic Area

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This offering memorandum has been prepared on the basis that any offer of the Notes in any Member State of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for the offer of the Notes. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any Notes under, the offer to the public contemplated in this offering memorandum, or to whom the Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each initial purchaser and the Issuer that it and any person on whose behalf it acquires the Notes is not a "retail investor" (as defined above).

Notice to Prospective Investors in Switzerland

This offering memorandum does not, and is not intended to, constitute an offer or solicitation to purchase or invest in the Notes described herein in Switzerland. The Notes may not be offered, sold or advertised, directly or indirectly, to the public in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus pursuant to the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be distributed, or otherwise made available, to the public in Switzerland. Each initial purchaser has, accordingly, represented and agreed that it has not offered, sold or advertised and will not offer, sell or advertise, directly or indirectly, Notes to the public in, into or from Switzerland, and that it has not distributed, or otherwise made available, and will not distribute or otherwise make available, this offering memorandum or any other offering or marketing material relating to the Notes to the public in Switzerland.

Notice to Prospective Investors in the United Kingdom

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

Each initial purchaser has represented and agreed that:

1. it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to Banco Santander México; and

2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. The Notes may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, The Laws of Hong Kong) and any rules made thereunder, or (ii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, The Laws of Hong Kong), or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance and any rules made thereunder.

Notice to Prospective Investors in Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation or subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notice to Prospective Investors in Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the "FIEL") and each initial purchaser has agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

TRANSFER RESTRICTIONS

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except that Notes may be offered or sold to (i) Qualified Institutional Buyers ("QIBs") in reliance upon the exemption from the registration requirement of the Securities Act provided by Rule 144A and (ii) persons other than U.S. persons as such term is defined in Regulation S under the Securities Act ("Foreign Purchasers") in offshore transactions in reliance upon Regulation S.

Each purchaser or beneficial owner of the Notes that is not a Foreign Purchaser will be deemed to:

(i) represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (a) a QIB and is aware that the sale to it is being made in reliance on Rule 144A under the Securities Act or (b) a non-U.S. person that is outside the United States;

(ii) acknowledge that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(iii) agree that if it should resell or otherwise transfer the securities, it will do so only pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction;

(iv) agree that it will deliver to each person to whom it transfers Notes notice of any restrictions on transfer of such Notes;

(v) agree that it shall not resell or otherwise transfer any of such Notes except:

- to the Bank or any of its subsidiaries;
- pursuant to a registration statement which has been declared effective under the Securities Act;
- within the United States to a QIB in compliance with Rule 144A under the Securities Act;
- in transactions meeting the requirements of Rule 903 or Rule 904 of Regulation S under the Securities Act; or
- pursuant to another available exemption from the registration requirements of the Securities Act;

(vi) agree that it is not an "affiliate" (within the meaning of Rule 144 under the Securities Act) of the Bank; and

(vii) acknowledge that we, the trustee, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account. If any of the acknowledgements, representations or agreements it is deemed to have been made by the purchase of notes is no longer accurate, it will promptly notify the Bank and the initial purchasers.

Each 144A Global Note will bear the following legend:

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), NEW YORK, NEW YORK, TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO

ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**")) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES*, OR CNBV), AND MAY NOT BE OFFERED OR SOLD PUBLICLY, OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED TO MEXICAN INVESTORS PURSUANT TO CERTAIN EXEMPTIONS SPECIFIED UNDER APPLICABLE LAW. AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*), WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY AND THE DELIVERY TO AND THE RECEIPT BY THE CNBV OF SUCH NOTICE DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR THE SOLVENCY, LIQUIDITY OR CREDIT QUALITY OF THE BANK. THE INFORMATION CONTAINED IN THE OFFERING MEMORANDUM IS EXCLUSIVELY THE RESPONSIBILITY OF THE BANK AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE ACQUISITION OF THE NOTES BY AN INVESTOR RESIDENT OF MEXICO WILL BE MADE UNDER ITS OWN RESPONSIBILITY.

THE NOTE REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON THE HOLDER'S BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, ACCOMPANIED BY AN OPINION OF COUNSEL REGARDING THE AVAILABILITY OF SUCH EXEMPTION OR (6) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

Each purchaser or beneficial owner of Notes that is a Foreign Purchaser will be deemed to:

(i) represent that it is purchasing the Notes for its own account or an account for which it exercises sole investment discretion and that it and any such account is a Foreign Purchaser that is outside the United States and acknowledge that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority in any jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(ii) agree that if it should resell or otherwise transfer the Notes prior to the expiration of a restricted period (defined as 40 days after the later of the commencement of the offering and the closing date with respect to the Notes), it will do so only (a)(i) outside the United States in compliance with Rule 904 under the Securities Act or (ii) to a qualified institutional buyer in compliance with Rule 144A, and (b) in accordance with all applicable securities laws of the states of the United States or any other applicable jurisdiction.

Each Regulation S Global Note will bear the following legend:

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("**DTC**"), NEW YORK, NEW YORK, TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

UNTIL 40 DAYS AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**")) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE MEXICAN NATIONAL BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES, OR CNBV*), AND MAY NOT BE OFFERED OR SOLD PUBLICLY, OR OTHERWISE BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, EXCEPT THAT THE NOTES MAY BE OFFERED TO MEXICAN INVESTORS PURSUANT TO CERTAIN EXEMPTIONS SPECIFIED UNDER APPLICABLE LAW. AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*), WE WILL NOTIFY THE CNBV OF THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE DELIVERED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY AND THE DELIVERY TO AND THE RECEIPT BY THE CNBV OF SUCH NOTICE DOES NOT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR THE SOLVENCY, LIQUIDITY OR CREDIT QUALITY OF THE BANK. THE INFORMATION CONTAINED IN THE OFFERING MEMORANDUM IS EXCLUSIVELY THE RESPONSIBILITY OF THE BANK AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE CNBV. THE ACQUISITION OF THE NOTES BY AN INVESTOR RESIDENT OF MEXICO WILL BE MADE UNDER ITS OWN RESPONSIBILITY.

THE NOTE REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON THE HOLDER'S BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A

TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, ACCOMPANIED BY AN OPINION OF COUNSEL REGARDING THE AVAILABILITY OF SUCH EXEMPTION OR (6) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

The transfer or exchange of a securities entitlement in respect of a Regulation S Global Note for a securities entitlement in respect of a 144A Global Note during the restricted period may be made only upon receipt by the trustee of a duly completed Rule 144A Certificate, as defined in the Indenture. Such Rule 144A Certificate will no longer be required after the expiration of the restricted period. The transfer or exchange of a securities entitlement in respect of a 144A Global Note for a securities entitlement in respect of a Regulation S Global Note may be made only upon receipt by the trustee of a duly completed Regulation S Certificate, as defined in the Indenture. The resale restriction periods may be extended, in our discretion, in the event of one or more issuances of additional notes or resales by our affiliates. The above legends (including the restrictions on resale specified thereon) may be removed solely in our discretion and at our direction.

Each purchaser of Notes will be deemed to have not used the assets of a plan or governmental or church plan to acquire the notes or an interest therein or the purchase and holding of the notes or an interest therein by such person does not constitute a non-exempt prohibited transaction under the U.S. Employee Retirement Income Security Act of 1974 or the Code or a violation of similar laws.

Each purchaser of Notes will be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes, as well as holders of the Notes.

Each person purchasing Notes from the initial purchasers or through an affiliate of the initial purchasers pursuant to Rule 144A under the Securities Act, by accepting delivery of this offering memorandum, acknowledges that (i) it has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of the information contained in this offering memorandum or its investment decision; and (ii) no person has been authorized to give any information or to make any representation concerning us or the Notes other than those contained in this offering memorandum and, if given or made, such other information or representation should not be relied upon as having been authorized by us or the initial purchasers.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above stated restrictions shall not be recognized by us.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges or transfers of interests in Global Notes, see “Description of Notes—Book-Entry System—Exchanges among the Global Notes.”

We have prepared this offering memorandum solely for use in connection with the offer and sale of the Notes outside the United States and for the private placement of the Notes in the United States. We and the initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the amount of Notes offered pursuant to Rule 144A under the Securities Act. This offering memorandum does not constitute an offer to any person in the United States other than any QIB under the Securities Act to whom an offer has been made directly by the initial purchasers or an affiliate of the initial purchasers.

Each purchaser of Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells Notes or possesses or distributes this offering memorandum or any part of it and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or resales, and neither the company nor the initial purchasers shall have any responsibility therefor.

Each purchaser or holder of a Note, and each fiduciary who causes any entity to purchase or hold a Note, shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either (i) it is neither a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or a violation of any provision of Similar Law.

Restrictions on marketing and sales of the Notes to retail investors in the European Economic Area

The Notes described in this offering memorandum are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the FCA published the PI Instrument. Under the PI Rules, (i) certain contingent write-down or convertible securities (including any beneficial interests therein), such as the Notes, must not be sold to retail clients in the EEA, and (ii) there must not be any communication or approval of an invitation or inducement to participate in, acquire or underwrite such Notes (or the beneficial interest in such Notes) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules), other than in accordance with the limited exemptions set out in the PI Rules.

The initial purchasers are subject to, and required to comply with, the PI Rules, or, if not subject to the PI Rules, they will comply with them as if they were subject to the PI Rules. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any initial purchaser or its affiliates, you represent, warrant, agree with and undertake to the Issuer, each of the initial purchasers and each of their affiliates that:

(i) you are not a retail client in the EEA (as defined in the PI Rules);

(ii) whether or not you are subject to the PI Rules, you will not:

(a) sell or offer the Notes (or any beneficial interests therein) to retail clients in the EEA; or

(b) communicate (including the distribution of the Preliminary Offering Memorandum or the final offering memorandum relating to the Notes) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the EEA (in each case, within the meaning of the PI Rules),

in any such case other than (i) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the PI Rules by any person and/or (ii) in relation to any sale or offer to sell the Notes (or any beneficial interests therein) to a retail client in any EEA member state other than the United Kingdom, where (a) you have conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes (or such beneficial interests therein) and is able to bear the potential losses involved in an investment in the Notes (or such beneficial interests therein) and (b) you have at all times acted in relation to such sale or offer in compliance with MiFID II to the extent it applies to you or, to the extent MiFID II does not apply to you, in a manner which would be in compliance with MiFID II if it were to apply to you; and

(iii) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) the restrictions contained in the section titled "Plan of Distribution" of the Preliminary Offering Memorandum and any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Potential investors should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the PI Rules.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer, any initial purchaser and/or any initial purchaser affiliate, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

GENERAL INFORMATION

Clearing Systems

Application will be made to have the Notes accepted for clearance through Euroclear and Clearstream. In addition, application will be made to have the Notes accepted for trading in book-entry form by DTC. For the Rule 144A Global Note, the ISIN number is US05969BAC72 and the CUSIP number is 05969BAC7. For the Regulation S Global Note, the ISIN number is USP1507SAG23 and the CUSIP number is P1507SAG2.

Listing

We intend to apply to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market and multilateral trading facility of Euronext Dublin. Admission to the Official List is expected, and trading on the Global Exchange Market is expected to begin, within 30 days of the initial delivery of the Notes. In the event that the Notes are admitted to listing on Euronext Dublin, we will use our reasonable best efforts to maintain such listing, provided that if we determine that it is unduly burdensome to maintain a listing on Euronext Dublin, we may delist the Notes from Euronext Dublin. Although there is no assurance as to the liquidity that may result from a listing on Euronext Dublin, delisting the Notes from Euronext Dublin may have a material effect on the ability of holders of the Notes to resell the Notes in the secondary market.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes, except for the signature of the Indenture by the CNBV that will be obtained on or prior to the date on which the Notes are issued.

LEGAL MATTERS

Our U.S. counsel, Davis Polk & Wardwell LLP, New York, New York, will pass upon certain United States legal matters relating to the Notes. Our Mexican counsel, Ritch, Mueller, Heather y Nicolau, S.C., Mexico City, Mexico, will pass upon certain matters of Mexican law relating to the issue and sale of the Notes. The initial purchasers have been represented by Shearman & Sterling LLP, New York, New York, and Bufete Robles Miaja, S.C., Mexico City, Mexico.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The financial statements as of December 31, 2017 and 2016 and for each of the two years in the period ended December 31, 2017, incorporated in this offering memorandum by reference to our annual report on Form 20-F for the year ended December 31, 2017, and the effectiveness of internal control over financial reporting as of December 31, 2017 have been audited by PricewaterhouseCoopers, S.C., an independent registered public accounting firm, as stated in their report appearing herein.

The consolidated financial statements as of December 31, 2015 and for the year ended December 31, 2015, incorporated in this offering memorandum by reference to our annual report on Form 20-F for the year ended December 31, 2017 have been audited by Galaz, Yamazaki, Ruiz Urquiza, S.C., member firm of Deloitte Touche Tohmatsu Limited, an independent registered public accounting firm, as stated in its report, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing. The address of Galaz, Yamazaki, Ruiz Urquiza, S.C. is Rio Lerma 232, Piso 9, Cuauhtémoc, 06500 Mexico City, Mexico.

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Banco Santander (México), S.A.

Offering Memorandum

September 20, 2018