



## MATERIAL FACT

Following the material fact of 7 June 2017 (registration number 252,990), Banco Santander, S.A. ("**Banco Santander**" or the "**Bank**") informs that its executive committee, acting under the authorization granted to the board of directors by the general shareholders' meeting held on 7 April 2017 under item five of the agenda and the subsequent delegation of powers approved by the Bank's board of directors in favour of the abovementioned executive committee, has agreed to increase Banco Santander's share capital by a nominal amount of EUR 729,116,372.50 by issuing 1,458,232,745 new ordinary shares, of the same class and series as the shares currently outstanding, and with pre-emptive subscription rights for shareholders (the "**Capital Increase**" or the "**Increase**").

The issue of new shares will be carried out at their nominal value of fifty euro cents (0.50 €) plus an issue premium of EUR 4.35 per share, so that the total value of the issuance of new shares is EUR 4.85 per share and the total effective amount of the Capital Increase (including nominal value and issue premium) is EUR 7,072,428,813.25. The Increase aims to reinforce and optimize the Bank's equity structure to adequately cover the acquisition of 100% of Banco Popular Español, S.A.'s share capital.

Each outstanding share grants its holder a pre-emptive subscription right, and 10 pre-emptive subscription rights are required to subscribe 1 new share. Once the relevant prospectus has been registered with the Spanish Securities Market Commission ("**CNMV**"), the Increase will be officially communicated by publication in the Official Gazette of the Commercial Registry and, after that, the period to exercise pre-emptive subscription rights will commence, lasting 15 calendar days as from the day immediately following the publication date of the announcement. It is estimated that the pre-emptive subscription rights period commences on 6 July and ends on 20 July (both inclusive). Pre-emptive subscription rights are expected to be listed on the Spanish stock exchanges and the stock exchanges of Lisbon and Buenos Aires. Any pre-emptive subscription rights that are not exercised will automatically expire at the end of the pre-emptive subscription right subscription period.

Shareholders with pre-emptive subscription rights and investors or shareholders who acquire them in the market, may request to subscribe a number of additional shares besides those to which they are entitled by exercising their rights, if the Capital Increase

is not fully subscribed in the pre-emptive subscription rights subscription period and as long as both investors and shareholders have exercised all their pre-emptive subscription rights. In addition, if requests for additional shares are insufficient to cover the Capital Increase, the remaining new shares may be discretionally allotted to investors.<sup>1</sup> The newly issued shares in the Capital Increase are expected to grant a share in the first interim dividend charged against the results of the 2017 financial year.

Banco Santander has entered into an underwriting agreement, for the entire Capital Increase, with a syndicate of credit entities, under which the Increase is fully underwritten. Banco Santander, Citigroup Global Markets Limited and UBS Limited will act as joint global coordinators of the Capital Increase.

The terms and conditions of the Capital Increase and the procedure to subscribe new shares in Spain, the United Kingdom, Portugal, Italy and Poland are set out in a prospectus to be registered with the CNMV. Once registered with the CNMV, the prospectus will be publicly available at the Bank's registered address and, in electronic format, in the web pages of the Bank ([www.santander.com](http://www.santander.com)) and the CNMV ([www.cnmv.es](http://www.cnmv.es)).

Boadilla del Monte (Madrid), 3 July, 2017

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<sup>1</sup> The procedure for the subscription of the new shares may differ for investors who hold Banco Santander's shares in the different foreign stock exchanges in which the Bank's shares are listed.

## IMPORTANT INFORMATION

This document is not an informative prospectus but an informative communication and investors should not subscribe any new shares of Banco Santander, S.A. ("Banco Santander" or the "Bank") or purchase any pre-emptive subscription rights for new shares of the Bank's Capital Increase referred to in this document except on the basis of the information contained in the prospectus of the rights issue which Banco Santander will register with the Comisión Nacional del Mercado de Valores ("CNMV"). Once registered with the CNMV, the prospectus will be publicly available at the Bank's registered address and, in electronic format, in the web pages of the Bank ([www.santander.com](http://www.santander.com)) and the CNMV ([www.cnmv.es](http://www.cnmv.es)). The Bank expects to request the CNMV to passport the prospectus of the rights issue, once approved and registered, for the purposes of it being effective in the United Kingdom, Italy, Portugal and Poland.

This announcement does not constitute an offer to sell, or a solicitation of offers to subscribe, the pre-emptive subscription rights or the new shares of the share capital increase, in any jurisdiction in which such offer or solicitation is unlawful or, as the case may be, until the applicable requirements for those purposes have been met. The distribution of this announcement and/or the prospectus and/or the transfer of pre-emptive subscription rights and/or new shares into jurisdictions other than Spain, the United Kingdom, Italy, Portugal and Poland may be restricted by law. Persons who gain access to this announcement should be aware of and comply with any such restrictions. Any failure to comply with them may constitute a breach of the securities laws of any such jurisdiction.

This communication (i) must not be construed in any way to be a request to buy or to sell securities or any related financial instruments in Brazil, and (ii) must not be construed in any way to be a public offering of securities in Brazil. The Brazilian Securities Commission (*Comissão de Valores Mobiliários*) has not authorised the public offering of shares to which this communication refers nor of any securities related to such shares. Hence, the said shares cannot be offered to the public in Brazil.

The Bank has filed a registration statement (including a prospectus) with the SEC for the capital increase and the offering of new shares and subscription rights to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Bank has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, you may obtain a copy of the prospectus from Citigroup by calling toll free 1-800-831-9146 or UBS by calling toll free 1-877-387-2275.

Authorisation for the public offering of the new Banco Santander shares and their admission to trading in the Buenos Aires stock exchange will be requested to the Argentine National Securities Commission. Once such authorisation is granted, a Subscription Announcement will be published in Argentina setting out the procedure and term to subscribe new shares in Argentina. The capital increase to which this announcement refers and the Argentine offering will have the same terms and conditions, save as otherwise provided in the relevant Subscription Announcement.