

## MATERIAL FACT

Banco Santander informs that Banco Popular Español, S.A. ("**Banco Popular**") has executed the agreements with the Blackstone Fund ("**Blackstone**") for the acquisition by the fund of 51% of, and hence the assignment of control over, Banco Popular's real estate business (the "**Business**"), which comprises the portfolio of repossessed properties, non-performing loans relating to the real estate sector and other assets related to these activities (including deferred tax assets) owned by Banco Popular and its affiliates as at certain dates (either 31 March or 30 April 2017) (the "**Transaction**").

The agreements were entered into following receipt of the European Commission's unconditional authorisation of the acquisition of Banco Popular by Banco Santander for the purposes of competition law.

Closing of the Transaction will involve the creation of a company to which Banco Popular will transfer the Business (with an aggregate gross book value of approximately €30 billion) and 100% of the share capital of Aliseda Servicios de Gestión Inmobiliaria, S.A. ("**Aliseda**"). The valuation attributed to the Spanish assets of the Business (real estate, loans and tax assets, not including Aliseda) is approximately €10 billion and is subject to final determination based on the assets remaining within the Business at closing and the integration of Aliseda. From closing, Blackstone will undertake the management of the Business.

Closing is expected to occur in the first quarter of 2018 once all of the conditions to the Transaction, including the relevant regulatory authorisations and other customary conditions, have been satisfied.

The Transaction will result in the deconsolidation of the Business from the balance sheets of Banco Popular and Banco Santander, with no effect on P&L, and it is estimated that it will have a positive impact of 12 basis points in the capital (CET 1, "fully loaded") of Santander Group. Moreover, the capital consumption of 5 basis points which would result from the purchase of a 51% interest in Aliseda by Banco Popular will be released.

Boadilla del Monte (Madrid), 8 August 2017