

MATERIAL FACT

Banco Santander, S.A. (“**Banco Santander**” or the “**Bank**”) informs that it is envisaged to implement the “Santander Dividendo Elección” scheme (the “**SDE Scheme**”), on the dates on which the second interim dividend is traditionally paid (October / November). Thus, subject to the prior resolution of the Executive Committee of Banco Santander, shareholders shall have the possibility to choose whether to receive cash or new shares on such dates. The envisaged timeline for the implementation of the SDE Scheme is as follows¹:

- 16 October 2017. Execution of the capital increase. Communication of the number of rights needed to receive one share and of the final price of the right-purchase commitment². Such price will be determined considering the stock price of the Santander share on 9,10,11,12 and 13 October.
- 17 October 2017 (23:59 hours CEST). Reference date to participate in the SDE Scheme (last trading date). Those shareholders who have acquired their shares in the Bank until this date (inclusive), and who appear as shareholders in the registries of Iberclear at 23:59 hours CEST on 19 October 2017, will be entitled to participate in the SDE Scheme.
- 18 October 2017. Commencement of the rights trading period. Santander shares start trading ex-coupon (ex-date).
- 27 October 2017. Last date to request remuneration in cash (sale of rights to Grupo Santander).
- 1 November 2017. End of the trading period of the rights. Acquisition of rights by Grupo Santander from those shareholders who have requested cash.
- 3 November 2017. Payment of cash to shareholders who have so requested.
- 15 November 2017. Commencement of the ordinary trading of the new shares in the Spanish Stock Exchanges, subject to the granting of the relevant authorizations³. Shareholders who have opted for new shares have them delivered.

¹ The term for the acceptance of the right-purchase commitment and the envisaged payment date for those who request cash and the date of delivery of shares may not be coincidental with those set out above in respect of those shareholders holding Santander shares in the various foreign stock exchanges in which the Bank is listed.

² The option to receive cash throughout the sale of rights to Grupo Santander will only be available with regard to the rights allotted to those who have acquired their shares in Banco Santander until the relevant reference date (last trading date) (inclusive), and who appear as shareholders in the registries of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear) at 23:59 hours CEST on 19 October 2017. This option will not be available with regard to rights acquired on market.

³ Estimated date. Admission to listing of the new shares in the foreign stock exchanges where the Bank is listed shall also be requested.

Subject to the aforementioned resolution of the executive committee, it is deemed that the gross price at which Grupo Santander shall irrevocably commit to purchase rights, which will be calculated pursuant to the formula approved by the ordinary general shareholders' meeting, will be approximately 0.04 Euros per right.

Boadilla del Monte (Madrid), July 31, 2017