

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:

- 14 October 2016. 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 7,10,11,12 and 13 October.
- 17 October 2016 (23:59 hours CET). Reference date to participate in the SDE Scheme (last trading date). The shares acquired until this date (inclusive) will grant to their holders the right to participate in the SDE Scheme.
- 18 October 2016. Commencement of the rights trading period. Santander shares start trading ex-coupon (ex-date).
- 27 October 2016. Last date to request remuneration in cash (sale of rights to Grupo Santander).
- 1 November 2016. End of the trading period of the rights. Acquisition of rights by Grupo Santander from those shareholders who have requested cash.
- 3 November 2016. Payment of cash to shareholders who have so requested.
- 14 November 2016. 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.

Please note that the deadlines for Polish investors may differ from the ones specified in the presented timeline. The Bank will communicate to the public by way of a current report the specific dates applicable to Polish investors once they are agreed between Euroclear Bank and the Polish National Depository of Securities (*Krajowy Depozyt Papierów Wartościowych*).

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 0.045 Euros per right.

Boadilla del Monte (Madrid), July 26, 2016

¹ This timeline (i) is in line with the new Spanish system for the registration, clearing and settlement of securities (the “**New Regime**”), according to how this New Regime is currently being applied in practice; and (ii) assumes that, as currently provided for, the T+2 settlement cycle for transactions involving securities in the Spanish securities market will start on 3 October (with respect to trading of 29 September). Consequently, the terms of this timeline may change if the practical application of the New Regime changes after this date and, in particular, if the start of the T+2 settlement cycle is postponed.

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 are shareholders of Banco Santander as of the relevant reference date (last trading date). 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.