



## **MATERIAL FACT**

Banco Santander, S.A. ("**Banco Santander**" or the "**Bank**") informs that it has carried out a placement of preferred securities contingently convertible into newly issued ordinary shares of the Bank, excluding pre-emptive subscription rights and for a nominal value of EUR 1,500,000,000 (the "**Issue**" and the "**CCPS**").

The Issue has been carried out through an accelerated bookbuilding process and has been targeted only to qualified investors.

The CCPS are issued at par and its remuneration has been set at 4.75% on an annual basis for the first seven years. The payment of the remuneration of the CCPS is subject to certain conditions and to the discretion of the Bank. After that, it will be reviewed every five years by applying a margin of 409.7 basis points on the 5-year Euro Mid-Swap Rate.

Banco Santander will request the European Central Bank to consider the CCPS eligible as additional tier 1 capital under the European Regulation 575/2013. The CCPS are perpetual, but they may be called under certain circumstances and would be converted into newly issued ordinary shares of Banco Santander if the common equity Tier 1 (CET1) ratio of the Bank or its consolidated group, calculated in accordance with European Regulation 575/2013, were to fall below 5.125%. As of 31 December 2017, the CET1 ratio of the Group (phased-in) was 12.26%.

The Bank will request the admission to trading of the CCPS on the Global Exchange Market of the Irish Stock Exchange.

The Bank also informs that, as from today, the report of the directors of the Bank on the basis and rules for conversion the CCPS and the exclusion of pre-emptive subscription rights and the report of the independent expert, both issued in accordance with articles 414.2 and 417.2 of the Spanish Companies Act (*Ley de Sociedades de Capital*), will be available on the Bank's website ([www.santander.com](http://www.santander.com)). The indicated reports will also be conveyed to the shareholders at general shareholders' meeting, expected to be held at second call, on 23 March 2018 (first general shareholders' meeting to be held after the Issue).

Boadilla del Monte (Madrid), 12 March 2018

## **IMPORTANT INFORMATION**

This material fact does not constitute an offer to sell, or the solicitation of an offer to buy any securities, nor shall there be any sale of such securities in any state of the United States or in another jurisdiction in which such offer, solicitation or sale would not be permitted before registration or qualification under the securities laws of such state or jurisdiction. The securities described above have not been registered under the U.S. Securities Act of 1933, as amended, or any applicable securities laws of any other jurisdiction. Unless so registered, such securities may not be offered or sold in the United States or any other jurisdiction except pursuant to an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, and any applicable securities laws of such other jurisdiction.

This material fact does not constitute an offer document or an offer of transferable securities to the public in the United Kingdom to which section 85 of the Financial Services and Markets Act 2000 ("**FSMA**") applies and should not be considered as a recommendation that any person should subscribe for or purchase any of the securities described herein. These securities will not be offered or sold to any person in the United Kingdom except in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom in contravention of section 85(1) of FSMA.

This material fact does not constitute an offer to the public in Italy of financial products, as defined under article 1, paragraph 1, letter (t) of legislative decree no. 58 of 24 February 1998, as amended (the "**Financial Services Act**"). The preferred securities cannot be offered or sold in the Republic of Italy to any natural persons nor to entities other than qualified investors (*investitori qualificati*) as defined pursuant to Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, letter b) of Regulation No. 11971 of May 14, 1999, as amended (the "**Issuers Regulations**") issued by the *Commissione Nazionale per le Società e la Borsa*, the Italian securities and financial markets regulator ("**CONSOB**") or unless in circumstances which are exempt from the rules on public offers pursuant to Article 100 of the Financial Services Act and the implementing CONSOB regulations, including the Issuers Regulations. This material fact is for informational purposes only and does not constitute and shall not, in any circumstances, constitute a public offering or an invitation to the public in connection with any offer within the meaning of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.

No action has been made or will be taken that would permit a public offering of any securities described herein in any jurisdiction in which action for that purpose is required. No offers, sales, resales or delivery of any securities described herein or distribution of any offering material relating to any such securities may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Bank or the joint lead managers of the Issue or any of their respective affiliates. Additionally, the CCPS will not be offered, distributed or sold in Spain nor to Spanish residents.

This material fact is an announcement and not a prospectus and investors should not subscribe for or purchase any securities referred herein except on the basis of the information in the offering circular.

### **Restrictions on Marketing and Sales to Retail Investors**

The CCPS are not intended to be sold and should not be sold to retail clients (as defined in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MiFID II**"), as amended or replaced from time to time). Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" of the Offering Circular for further information.