

**THIS ENGLISH CONVENIENCE TRANSLATION OF THE POLISH LANGUAGE VERSION OF THE INFORMATION MEMORANDUM HAS BEEN PREPARED AND IS BEING PROVIDED TO INVESTORS FOR CONVENIENCE PURPOSES ONLY. IT IS NOT, AND DOES NOT CONSTITUTE OR FORM A PART OF, THE INFORMATION MEMORANDUM AS PREPARED IN THE POLISH LANGUAGE IN RELATION TO THE PUBLIC OFFERING AND INTENDED ADMISSION AND INTRODUCTION TO TRADING OF THE COMPANY'S NEW SHARES ON THE WARSAW STOCK EXCHANGE AND SHOULD NOT BE TREATED AS SUCH. THE COMPANY TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THIS ENGLISH CONVENIENCE TRANSLATION OF THE POLISH LANGUAGE VERSION OF THE INFORMATION MEMORANDUM, AND THE CONTENT HEREOF IS QUALIFIED IN ITS ENTIRETY BY THE INFORMATION MEMORANDUM AS PREPARED IN THE POLISH LANGUAGE. THE POLISH LANGUAGE VERSION OF THE INFORMATION MEMORANDUM IS THE ONLY LEGALLY BINDING DOCUMENT WHICH HAS BEEN PREPARED AND PUBLISHED IN RELATION TO THE PUBLIC OFFERING AND ADMISSION AND INTRODUCTION TO TRADING OF THE COMPANY'S NEW SHARES ON THE WARSAW STOCK EXCHANGE.**

BANCO SANTANDER, S.A.



## Information Memorandum

prepared in connection with  
the public offering of up to 112,961,784 ordinary registered shares  
and  
the intended application for the admission and introduction to trading  
on the regulated market operated by the Warsaw Stock Exchange of up to 112,961,784 ordinary registered shares

This information memorandum (the “**Information Memorandum**” or the “**Memorandum**”) has been prepared in relation to the public offering of up to 112,961,784 ordinary registered shares in Banco Santander, S.A. (“**Santander**”, the “**Bank**” or the “**Company**”) to be issued within a scrip dividend scheme and offered to the current holders of Santander’s shares (the “**New Shares**”) and the intention of Santander to apply for the admission and introduction of the New Shares to trading on the regulated market operated by the Warsaw Stock Exchange (the “**WSE**”) (the “**WSE Listing**”).

The Information Memorandum has been prepared pursuant to Article 39 Section 1 and Section 2, in conjunction with Article 7 Section 8 Item 1 and Article 7 Section 15 Item 1, of the Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005, as amended (the “**Act on Public Offering**”), and pursuant to the Ordinance of the Polish Minister of Finance of 8 August 2013 on the Detailed Conditions that should be Satisfied by an Information Memorandum Prepared in Relation to a Public Offering or an Application for the Admission of Financial Instruments to Trading on the Regulated Market (the “**Memorandum Ordinance**”).

This Information Memorandum has not been approved by the Polish Financial Supervision Authority (the “**PFS**”), the competent Polish supervisory authority for the financial market in Poland) or any other regulatory body in Poland, Spain or any other country. The Company has not filed any notifications in respect of the WSE Listing with any regulator.

**THIS INFORMATION MEMORANDUM IS NOT AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES.**

This Information Memorandum does not constitute an offer to sell, or a solicitation of an offer to purchase, New Shares by persons in any jurisdiction outside of Poland. No public offering of the New Shares is being conducted on the basis of this Information Memorandum in any jurisdiction outside of Poland.

The Information Memorandum, together with any other required statutory disclosure, is the sole legally binding document containing information on the offering of the New Shares to the Polish Investors (as such term is defined herein) and the WSE Listing. No person has been authorised to give any information or to make any representation concerning the Company, its Subsidiaries, the Group (as such terms are defined herein) or the New Shares in the context of the offering of the New Shares to the Polish Investors and the WSE Listing (other than as contained in this Information Memorandum) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company.

This Information Memorandum has been published in Polish on the Company’s website ([www.santander.com](http://www.santander.com)) and on the website of BZ WBK ([www.bzwbk.pl](http://www.bzwbk.pl), in the section “*Investor relations*”). In addition, an English convenience translation of the Memorandum will be published at [www.santander.com](http://www.santander.com) and at [www.bzwbk.pl](http://www.bzwbk.pl) (in the section “*Investor relations*”). Please note that the only binding language version of the Information Memorandum is the Polish version.

The date of the Information Memorandum is 16 October 2017.

## TABLE OF CONTENTS

IMPORTANT INFORMATION .....	4
I INTRODUCTION.....	6
1 The issuer’s name and registered office .....	6
2 Corporate name, or the first and last name, and registered office (place of residence) of the seller.....	6
3 The number, type, nominal value per unit and designation of the issue of securities .....	6
4 The number, type, nominal value per unit, and designation of the issue of the securities which are to be admitted to trading on the regulated market .....	7
5 Specification of the article of the Act on Public Offering which stipulates that the public offer of securities may be conducted on the basis of the memorandum.....	7
6 Specification of the article of the Act on Public Offering which stipulates that the admission to trading on a regulated market may be conducted on the basis of the memorandum.....	7
7 Specification that the offering of securities takes place solely on the terms and conditions set forth in the memorandum and that the memorandum is the only legally binding document that contains information on the securities, their offering and the issuer .....	7
8 Corporate names and registered offices of the offering party and the underwriters.....	7
9 Specification of the regulated market to which the issuer is planning to introduce its securities referred to in the memorandum, specifying the planned trading commencement date.....	7
10 Specification of the validity date of the memorandum along with the date up to which the memorandum was updated.....	8
11 Information on the form of the memorandum as well as on where and when it will be made available to the persons to whom the public offer of securities is addressed .....	8
12 The procedure whereby the persons to whom the public offer of securities is addressed will be informed of changes, if any, to the data contained in the memorandum during its validity period .....	8
II INFORMATION ON THE ISSUER AND THE ISSUE.....	9
1 The issuer’s name, legal form, country of incorporation, registered office and address, telephone and fax numbers, address of the main website and email address, the issuer’s identification number according to the applicable statistical classification and its tax identification number according to the applicable tax classification .....	9
2 Specification of the place and manner of making available other information on the issuer and the issuer’s corporate documents.....	9
3 Detailed specification of the types, number and aggregate value of the issued or sold securities .....	10
4 The issue price (selling price) of the offered securities or a description of the main factors affecting the issue price (selling price) of the offered securities, as well as the rules for the determination of the price, or – where there is no issue price – a description of the changes which will occur in the issuer’s equity following the delivery of the shares .....	10
5 The legal basis for the issue of the securities, along with an indication of the governing body or persons authorised to resolve on the issue of the securities, or the seeking of the admission of the securities to trading on a regulated market, as well as the date on which such decision was adopted and its form .....	11
6 Information on whether the existing shareholders’ pre-emptive rights to acquire the shares will apply, the reasons for the exclusion or limitation of the pre-emptive rights, and an indication of the persons for whose benefit those rights have been excluded or limited .....	11

7	The dates up to which the offered shares will carry the right to dividend and a specification of the currency in which dividend payments will be made .....	11
8	In the event the proposed acquisition by or issue of securities to the persons referred to in Article 7 Section 8 Items 2 and 3 and Section 15 Item 2 of the Act on Public Offering, please include a specification of the criteria and conditions to be satisfied by the eligible individuals, as well as the basic terms of the agreement under which the offered securities are to be made available.....	11
9	The rights attached to the securities, any restrictions on the transfer of such rights, any envisaged additional performance by the buyer for the benefit of the issuer, as well as any obligation of the buyer or seller provided for in the articles of association or in applicable laws to obtain authorisation or to issue a notification .....	12
10	Parties to a firm commitment or stand-by underwriting agreements and the material provisions thereof, if the issuer has entered into such agreements.....	20
11	Rules for the distribution of the offered securities and the alternative remuneration in cash ...	20
12	Information on whether the issuer will grant any loans, collateral or advance payments, or will otherwise finance, directly or indirectly, the acquisition of or subscription for the shares it is issuing or selling .....	23
13	Indication of the regulated market where the issuer intends to introduce the securities covered by the memorandum to trading, along with the planned date of their first listing .....	23
III	SELECTED POLISH AND SPANISH TAX CONSIDERATIONS .....	24
1	Selected Spanish tax considerations.....	24
2	Selected Polish tax considerations .....	25

## IMPORTANT INFORMATION

Capitalised and certain industry and other terms used in this Information Memorandum but not defined herein have the meanings ascribed to such terms in “*Abbreviations and Definitions*”.

The contents of this Information Memorandum are not to be construed as legal, financial, business or tax advice. Each investor should consult his, her or its own legal advisor, financial advisor or tax advisor for legal, financial or tax advice. If in any doubt about the contents of this Information Memorandum, prospective investors should consult their stockbroker, bank manager, solicitor, accountant or other financial advisor.

This Information Memorandum is intended to provide information to prospective investors within the context and for the sole purpose of the offering of the New Shares to the Polish Investors and the WSE Listing. It contains selected and summarised information, does not express any commitment, acknowledgement or waiver and does not create or express any implied right towards anyone other than a prospective investor in the context of the offering of the New Shares to the Polish Investors and the WSE Listing. It cannot be used except in connection with the offering of the New Shares to the Polish Investors and the WSE Listing. The contents of this Memorandum are not to be construed as an interpretation of the Group’s obligations, of market practice or of contracts entered into by the Group. In addition, those statements included in this Memorandum that relate to certain deadlines and procedures specifically applicable to Polish Investors under the “*Santander Dividendo Elección*” scheme under which the New Shares will be issued are based exclusively on the information provided to the Company by the NDS and may be subject to changes after the date of this Information Memorandum due to further arrangements between Euroclear, the NDS and its participants. Polish Investors are encouraged to contact the NDS participants that maintain their securities accounts in order to become familiar with the deadlines and procedures specifically applicable to them under the “*Santander Dividendo Elección*” scheme under which the New Shares will be issued.

This Information Memorandum does not constitute an offer to sell or a solicitation by or on behalf of the Company to any person to purchase any of the New Shares in any jurisdiction outside of Poland. The distribution of this Information Memorandum in certain jurisdictions is restricted by law. Persons into whose possession this Information Memorandum may come are required by the Company to inform themselves about and to observe such restrictions. Other than in Poland, with respect to the offering of the New Shares to the Polish Investors and to the WSE Listing, no action has been taken by the Company that would permit the possession or distribution of this Information Memorandum. This Information Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is not authorised or is unlawful. The Company does not accept any responsibility for any violation by any person of any of these restrictions.

The Information Memorandum contains information pursuant to detailed requirements regarding the minimum scope of information to be disclosed in information memoranda as provided in Chapter 3, §15 through 17, of the Memorandum Ordinance as well as information required by the Act on Public Offering. Pursuant to §5 Section 2 of the Memorandum Ordinance, this Information Memorandum omits those provisions of the Memorandum Ordinance which are not required to be included in the Information Memorandum given the specific nature of the offering of the New Shares, the Company and the purpose for which this Information Memorandum is prepared and disclosed to the public. For details, please see the contents of the Information Memorandum.

If there is a need for any updates to the content of the Information Memorandum, the Company will give notice of such updates by publishing relevant information on the website on which the Information Memorandum has been published, that is at [www.santander.com](http://www.santander.com) and at [www.bzwbk.pl](http://www.bzwbk.pl) (in the section “*Investor relations*”).

Neither the Company nor any of its representatives makes any representation to any purchaser of the New Shares regarding the legality of an investment in the New Shares by such purchaser under the laws applicable to such purchaser.

Neither the publication of this Memorandum nor any sale of the New Shares made at any time after the date hereof, under any circumstances, creates any implication that there has been no change in the Group’s affairs since the date hereof or that the entirety of the information set forth in this Information Memorandum is correct as at any time subsequent to its date.

## NOTICE TO PROSPECTIVE INVESTORS

In certain countries, applicable legislation may restrict the distribution of this Information Memorandum. This Information Memorandum may not be used for the purposes of or in connection with, and does not constitute, any offer to sell, or any solicitation or invitation to purchase, the New Shares in any jurisdiction other than in Poland. Any failure to comply with these restrictions may constitute a violation of the securities laws of any

such jurisdiction. No shares are being offered to the public in any jurisdiction other than Poland on the basis of this Memorandum.

#### **DISCLAIMER**

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE OR FORM PART OF ANY OFFER OF SECURITIES, OR CONSTITUTE A SOLICITATION OF ANY OFFER TO PURCHASE OR SUBSCRIBE FOR SECURITIES OUTSIDE OF POLAND.

This Information Memorandum is not for release, publication or distribution, directly or indirectly, in or into the United States of America, Australia, Canada or Japan or any other jurisdiction in which the distribution or release would be unlawful.

This Information Memorandum is directed at persons outside of the United Kingdom or otherwise only at: (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professional” as stipulated in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (ii) high net worth corporate bodies, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order. Any investment or investment activity to which this communication relates is only available to and will only be engaged in with such persons, and persons who receive this communication (other than persons falling within (i) and (ii) above) should not rely or act upon this communication. Accordingly, this Information Memorandum is exempt from the general restriction set out in Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”) and has not been approved by a person who is authorised under the FSMA.

This Information Memorandum does not constitute an offer of securities for sale in the United States of America.

The information contained herein shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities referred to herein, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## I INTRODUCTION

### 1 The issuer's name and registered office

Name: Banco Santander, S.A.

Registered office: Santander, Spain

### 2 Corporate name, or the first and last name, and registered office (place of residence) of the seller

Not applicable. The scrip dividend transaction covered by this Information Memorandum does not envisage the sale of the Company's shares.

### 3 The number, type, nominal value per unit and designation of the issue of securities

This Information Memorandum has been prepared in connection with (i) the public offering of up to 112,961,784 ordinary shares of Santander with a nominal value of EUR 0.50 each (the "**New Shares**") to be issued within a scrip dividend scheme and offered to the current holders of Santander's shares and (ii) the intention to apply for the admission of the New Shares to trading on the regulated market (main market) operated by the WSE.

In particular, the issuance of the New Shares is to serve as an instrument for the shareholder-compensation scheme named "*Santander Dividendo Elección*", which will be applied to the second interim dividend of the 2017 financial year, in October / November 2017. The scheme allows shareholders to opt between receiving newly issued Santander shares or an amount in cash broadly equivalent to the second interim dividend of the 2017 financial year. The "*Santander Dividendo Elección*" scheme is implemented by means of a free-of-charge capital increase together with an irrevocable commitment of the Bank to acquire, at a fixed price, the bonus share rights (*derechos de asignación gratuita*) that are allotted to each shareholder.

By virtue of the aforementioned free-of-charge capital increase, each shareholder who has acquired his/her/its shares in Santander no later than at 23:59 CET on the reference date (with regard to the October / November "*Santander Dividendo Elección*" scheme, 17 October 2017), and who has his/her/its shares in Santander recorded in his/her/its accounts kept by the relevant NDS participants (and through the indirect connection established between such NDS participants and Iberclear, as explained in Section II.9.5 of this Information Memorandum) at 23:59 CET on 19 October 2017, receives a bonus share right for every share held. These rights are listed and may be traded on the Spanish Stock Exchanges during a 15-day calendar period between 18 October and 1 November 2017. Following the end of this period, the rights will be automatically converted into the New Shares according to the conversion ratio of one New Share per each 142 rights (the "**Ratio**"). Within the exercise period set forth by Santander (being the exercise period specifically applicable to Polish Investors set out by the NDS and its participants as defined in Section II.11.5), each holder of Santander's shares may choose among the following alternatives: (i) to receive the New Shares; (ii) to receive a cash payment through selling bonus share rights on the market; or (iii) to receive a cash payment broadly equivalent to the traditional dividend by accepting Santander's commitment to purchase his/her/its bonus share rights received at the commencement of the trading period and selling such rights to Santander. In addition, holders of Santander shares will be able to combine the above-mentioned alternatives in view of their specific needs. To this end, the New Shares with a nominal value of EUR 0.50 each will be issued by way of a capital increase for no consideration that was approved by the shareholders at the General Meeting held on 7 April 2017 under item 6 of its agenda (the "**Issue Resolution**") in a maximum amount to be determined by the Board of Directors or, by delegation, the Executive Committee of Santander in accordance with the terms and conditions set out in the Issue Resolution and pursuant to article 297.1.a) of the Spanish Capital Corporations Law (the "**Increase**"). The Increase is to be funded entirely from the reserves of the Company of the type contemplated in Section 303.1 of the Spanish Capital Corporations Law. The New Shares will be of the same class and series as the shares in Santander which are currently outstanding. The New Shares issued in implementation of the Increase will confer the same economic, voting and related rights upon their holders as the currently outstanding ordinary shares in Santander as of the date on which the Increase is declared to have been subscribed for and paid up. The New Shares will be represented in book-entry form.

The Executive Committee of the Bank, at a meeting held on 16 October 2017, resolved to implement the Increase in accordance with the terms and conditions set out by the General Meeting in the Issue Resolution and has fixed the overall market value of the Increase at EUR 640,000,000. In addition, pursuant to the formulae set forth in section 2 of the Issue Resolution, the Executive Committee has set the following details of the Increase: (i) the number of bonus share rights needed to receive a New Share (the Ratio), which has been set at 142; and (ii) the maximum number of New Shares to be issued, which has been set at 112,961,784 (the final amount of the New Shares to be issued has yet to be determined). In view of the above, the maximum nominal amount of

the Increase is EUR 56,480,892. The actual amount by which the Bank's share capital will be increased will depend upon the number of New Shares finally issued, which in turn will depend on the number of rights acquired by Santander pursuant to its commitment to purchase bonus share rights. Santander will waive the bonus share rights it acquires by virtue of such commitment. Therefore, only New Shares corresponding to the bonus share rights not acquired by Santander will be issued.

In addition, at the same meeting, the Executive Committee determined the gross price at which Santander undertakes to purchase the bonus share rights at EUR 0.04 per right, calculated pursuant to the formulae set forth in the Issue Resolution.

**4 The number, type, nominal value per unit, and designation of the issue of the securities which are to be admitted to trading on the regulated market**

Santander intends to apply to the management board of the WSE for the admission of up to 112,961,784 New Shares with a nominal value of EUR 0.50 each to trading on the regulated market (main market) of the WSE. The New Shares will be issued under Spanish law, based on the Issue Resolution, and will be of the same class and series as those shares which are currently outstanding. The New Shares issued in implementation of the Increase will confer the same economic, voting and related rights upon their holders as the currently outstanding ordinary shares of Santander as of the date on which the Increase is declared to have been subscribed for and paid up. The New Shares will be represented in book-entry form.

**5 Specification of the article of the Act on Public Offering which stipulates that the public offer of securities may be conducted on the basis of the memorandum**

This Information Memorandum has been prepared pursuant to Article 39 Section 1 in conjunction with Article 7 Section 8 Item 1 of the Act on Public Offering, pursuant to which a public offering of shares constituting the payment of dividend out of the issuer's shares, when the issued shares are the same type as the shares on which the dividend is paid out, does not require the publication of an issue prospectus provided that an information memorandum as specified in Article 39 Section 1 of the Act on Public Offering has been published.

**6 Specification of the article of the Act on Public Offering which stipulates that the admission to trading on a regulated market may be conducted on the basis of the memorandum**

This Information Memorandum has been prepared pursuant to Article 39 Section 2 in conjunction with Article 7 Section 15 Item 1 of the Act on Public Offering, pursuant to which the admission to trading of a company's shares on the regulated market whose other shares of the same type are already admitted on the same regulated market, and such shares were gratuitously delivered to the shareholders (out of the company's own funds) or as a distribution of dividend on the shares, when such shares are the same type as the shares on which the dividend is paid out as well as the rights to shares and pre-emptive rights with respect to such shares, does not require the publication of an issue prospectus provided that an information memorandum as specified in Article 39 Section 2 of the Act on Public Offering has been published.

**7 Specification that the offering of securities takes place solely on the terms and conditions set forth in the memorandum and that the memorandum is the only legally binding document that contains information on the securities, their offering and the issuer**

The offering of the New Shares in the territory of the Republic of Poland will take place solely on the terms and conditions set forth in the Information Memorandum. The Information Memorandum is the only legally binding document within the territory of the Republic of Poland containing information on the New Shares, their offering and Santander.

**8 Corporate names and registered offices of the offering party and the underwriters**

Not applicable. There is no offering party or underwriters.

**9 Specification of the regulated market to which the issuer is planning to introduce its securities referred to in the memorandum, specifying the planned trading commencement date**

Santander intends to introduce the New Shares to trading on the regulated market (main market) of the WSE.

Santander intends to cause the first listing of the New Shares on the WSE on or about 15 November 2017. This, however, is an estimated date which will depend on the obtaining of the relevant regulatory authorisations.

In addition, Santander intends to introduce the New Shares to trading on all of the foreign regulated markets on which its shares are currently listed (the Spanish Stock Exchanges, the Milan Stock Exchange, the Lisbon Stock Exchange, the London Stock Exchange —through CREST Depositary Interests or CDIs—, the New York Stock Exchange —through American Depositary Shares or ADSs—, the Mexican Stock Exchange, the Buenos Aires

Stock Exchange and the São Paulo Stock Exchange —through Brazilian Depositary Receipts or BDRs—). This Information Memorandum has been prepared only in connection with the intention of Santander to apply for the admission and introduction of the New Shares to trading on the regulated market of the WSE, but not in connection with its intention to introduce them to trading on any other regulated markets.

**10 Specification of the validity date of the memorandum along with the date up to which the memorandum was updated**

The validity period of this Information Memorandum will expire on the day of the introduction of the New Shares to trading on the regulated market (main market) of the WSE, however, no later than 7 April 2018. The latter date has been set as the last day of the term within which the Increase for the purposes of the scrip dividend must be implemented. The Information Memorandum contains information valid as at the date on which the Information Memorandum was prepared, unless otherwise explicitly stated herein. For details regarding information on changes to the Information Memorandum during its validity period, please see Section I.12 below.

**11 Information on the form of the memorandum as well as on where and when it will be made available to the persons to whom the public offer of securities is addressed**

The Information Memorandum was published in Polish, in electronic form on Santander’s website ([www.santander.com](http://www.santander.com)) and on the website of BZ WBK ([www.bzwbk.pl](http://www.bzwbk.pl), in the section “*Investor relations*”) on 16 October 2017 and will remain available until the day of the introduction of the New Shares to trading on the regulated market (main market) of the WSE, however, no longer than until 7 April 2018.

In addition, for convenience, an English translation of the Information Memorandum is to be simultaneously published in electronic form on the Company’s website ([www.santander.com](http://www.santander.com)) and on the website of BZ WBK ([www.bzwbk.pl](http://www.bzwbk.pl), in the section “*Investor relations*”) on the same date as the Polish version of the Information Memorandum and will remain available as long as the Polish version is available. Please note that the only binding language version of the Information Memorandum is the Polish version.

**12 The procedure whereby the persons to whom the public offer of securities is addressed will be informed of changes, if any, to the data contained in the memorandum during its validity period**

If during the validity period of the Information Memorandum any events occur which require amendments to be incorporated into the Information Memorandum, Santander will give notice of such amendments by publishing relevant information in Polish, in electronic form, on the websites on which the Information Memorandum was published, that is at [www.santander.com](http://www.santander.com) and at [www.bzwbk.pl](http://www.bzwbk.pl) (in the section “*Investor relations*”). Additionally, the Company will give notice of any material amendments to the Information Memorandum also through current reports released in Poland.



## II INFORMATION ON THE ISSUER AND THE ISSUE

### 1 The issuer's name, legal form, country of incorporation, registered office and address, telephone and fax numbers, address of the main website and email address, the issuer's identification number according to the applicable statistical classification and its tax identification number according to the applicable tax classification

Corporate name: ..... Banco Santander, S.A.

Legal Form: ..... Joint stock company (“*sociedad anónima*”)

Country of registered office: ..... Spain

Registered office: ..... Paseo de Pereda 9-12, 39004 Santander, Spain

Telephone: ..... (0034) 91 259 6520

Fax: ..... (0034) 91 257 0245

E-mail: ..... [investor@gruposantander.com](mailto:investor@gruposantander.com)

Website: ..... [www.santander.com](http://www.santander.com)

Business classification code: ..... 6419 CNAE (National Classification of Economic Activities)

Registration entry: ..... Santander is registered with the Cantabria Commercial Registry, Volume 448, Page 1, Sheet 286, Sheet S-1960. The Bank is also registered with the Special Registry of Banks and Bankers kept by the Bank of Spain under number 0049

VAT identification number: ..... A 39000013

### 2 Specification of the place and manner of making available other information on the issuer and the issuer's corporate documents

#### 2.1 Excerpt from the relevant register concerning the issuer

The excerpt from the Company Register is available at the Cantabria Commercial Registry (*Registro Mercantil de Cantabria*) and may be requested through an application to the same upon the payment of a fee. The excerpt is available in the Spanish language.

#### 2.2 Resolution of the issuer's competent body on the issue of the securities through a public offer

The Issue Resolution is available at the Cantabria Commercial Registry as well as in electronic form on Santander's website. The Issue Resolution in electronic form is available in both Spanish and English language versions.

The Spanish language version of the Issue Resolution is the only legally binding language version of the Issue Resolution. The translation of the Issue Resolution into English has been prepared solely as a convenience translation and has no legal effect.

#### 2.3 Current wording of the issuer's statute

The Statute is available at Santander's registered office and the Cantabria Commercial Registry as well as in electronic form on Santander's website. The Statute in electronic form is available in both Spanish and English language versions.

The Spanish language version of the Statute is the only legally binding language version of the Statute. The translation of the Statute into English has been prepared solely as a convenience translation and has no legal effect.

**2.4 The issuer’s by-laws or another document defining the rules of offering or delivering securities to eligible persons, along with a list of such eligible persons or rules for the inclusion of particular persons on such list**

The terms of distribution of the New Shares are based on provisions of Spanish law and the Issue Resolution.

Santander has not prepared any by-laws or similar documents setting out the terms for distribution of the New Shares to eligible persons, nor has it prepared a list of such eligible persons or rules for the inclusion of particular persons on such list.

In addition, Santander may release to the public material facts (*hechos relevantes*) and press releases containing further information relating to the “*Santander Dividendo Elección*” scheme and the Increase. Such material facts and press releases will be made available on Santander’s website and released to the public in Poland by way of current reports.

**2.5 Opinion of the management board of the issuer justifying the exclusion or limitation of the pre-emptive right referred to in Article 433 § 2 of the Commercial Companies Code or an equivalent opinion required by the laws of a country other than the Republic of Poland**

Not applicable. Santander is a Spanish joint stock company (“*sociedad anónima*”) incorporated in Spain and, therefore, the provisions of the Commercial Companies Code are not applicable to the Company. Under Spanish law, such an opinion is not required as the pre-emptive right is not excluded or limited in the Increase. As the Increase will be funded from the share premium reserves of the Company, there will be no issue of pre-emptive rights. Instead, bonus share rights will be issued which will be allocated to shareholders on the same basis as that applicable to pre-emptive rights (i.e. pro-rata to their shareholdings). Each shareholder will receive one bonus share right per each share held.

**2.6 Opinion of the supervisory board on the agreement with the underwriters referred to in Article 433 § 5 of the Commercial Companies Code or an equivalent opinion required by the laws of a country other than the Republic of Poland**

Not applicable. No agreement with underwriters is being executed.

**2.7 Resolution of the general meeting of a non-public company regarding the authorisation to enter into an agreement for the registration of shares referred to in the memorandum with the securities deposit, and in the case of an issuer having its registered office outside the territory of the Republic of Poland, an equivalent resolution on the authorisation adopted by the appropriate corporate authority of the issuer**

Not applicable. Santander is a public company within the meaning of the Polish Act on Public Offering; therefore, the subject requirement, which refers to non-public companies, does not apply to the Company.

**3 Detailed specification of the types, number and aggregate value of the issued or sold securities**

Pursuant to the Issue Resolution and the implementing resolution approved by the Executive Committee of the Bank on 16 October 2017:

- The Increase will have an aggregate market value of EUR 640,000,000.
- The Increase will comprise the issuance of a total of up to 112,961,784 New Shares. Each of the New Shares will have a nominal value of EUR 0.50. Nevertheless, the actual number of New Shares which will be finally issued may be lower as it will depend on the number of rights acquired by Santander pursuant to its commitment to purchase bonus share rights. Santander will waive the bonus share rights it acquires by virtue of such commitment. Therefore, only New Shares corresponding to the bonus share rights not acquired by Santander will be issued.

Due to the purpose and special characteristics of the transaction through which the “*Santander Dividendo Elección*” scheme is implemented, the requirement to provide the aggregate value of the issued securities does not apply. The aggregated nominal value of the issued securities will depend on the number of New Shares finally issued.

**4 The issue price (selling price) of the offered securities or a description of the main factors affecting the issue price (selling price) of the offered securities, as well as the rules for the determination of the price, or – where there is no issue price – a description of the changes which will occur in the issuer’s equity following the delivery of the shares**

As they will derive from a capital increase for no consideration, the New Shares will have no issue selling price.

In view of the number of shares to be issued, the maximum amount of the share capital increase is EUR 56,480,892. The amount by which the Company's capital will actually be increased will be dependent upon the number of New Shares finally issued.

The amount of the Increase will be funded from the share premium reserves of the Company, which amounted to EUR 44,912 million as of 31 December 2016. The balance sheet used for the purposes of the Increase is that corresponding to 31 December 2016, duly audited by PricewaterhouseCoopers Auditores, S.L. on 24 February 2017 and approved by the General Meeting on 7 April 2017 under item 1.A of its agenda.

As a consequence of the implementation of the Increase, the following changes will occur in the Bank's equity: (i) the share capital will be increased by the relevant amount, i.e. by up to EUR 56,480,892 (to be determined once the number of New Shares to be issued is known, which in turn will depend on the number of rights acquired by Santander under its commitment to purchase bonus share rights); and (ii) the share premium reserves will be decreased by the same amount.

**5 The legal basis for the issue of the securities, along with an indication of the governing body or persons authorised to resolve on the issue of the securities, or the seeking of the admission of the securities to trading on a regulated market, as well as the date on which such decision was adopted and its form**

The legal basis for the issue and the seeking of the admission of the New Shares to trading on the regulated market (main market) of the WSE is the resolution of the General Meeting dated 7 April 2017 under item 6 of its agenda on the share capital increase to be effected in connection with the October/November 2017 scrip dividend and determining the terms of such capital increase, i.e. the Issue Resolution. The text of the Issue Resolution is available at the Cantabria Commercial Registry as well as in electronic form on Santander's website.

The Executive Committee of the Bank, at a meeting held on 16 October 2017, resolved to implement the Increase in accordance with the terms and conditions set out by the General Meeting in the Issue Resolution.

**6 Information on whether the existing shareholders' pre-emptive rights to acquire the shares will apply, the reasons for the exclusion or limitation of the pre-emptive rights, and an indication of the persons for whose benefit those rights have been excluded or limited**

The New Shares will be assigned to the shareholders that maintain bonus share rights once the trading period of such rights has expired (i.e. those shareholders which did not opt to sell their bonus share rights on the market or to Santander).

Further information regarding the persons entitled to be assigned the New Shares, as well as the rules on the assignment of the New Shares, is provided in Section II.11 of this Information Memorandum.

**7 The dates up to which the offered shares will carry the right to dividend and a specification of the currency in which dividend payments will be made**

The New Shares will confer the same voting and economic rights (including the right to dividend or equivalent remuneration) upon their holders as the currently outstanding shares of the Bank from the date on which the Increase is declared to have been subscribed for and paid up, which is envisaged to occur on 4 November 2017.

Dividend payments and other shareholder remuneration payments corresponding to the New Shares to Polish Investors will be made in EUR.

**8 In the event the proposed acquisition by or issue of securities to the persons referred to in Article 7 Section 8 Items 2 and 3 and Section 15 Item 2 of the Act on Public Offering, please include a specification of the criteria and conditions to be satisfied by the eligible individuals, as well as the basic terms of the agreement under which the offered securities are to be made available**

Not applicable. This Information Memorandum has been prepared pursuant to Article 39 Sections 1 and 2, in conjunction with Article 7 Section 8 Item 1 and Article 7 Section 15 Item 1 of the Act on Public Offering (please see Sections I.4. and I.5. above). Therefore, the New Shares will not be offered to the eligible individuals referred to in Article 7 Section 8 Items 2 and 3 and Section 15 Item 2 of the Act on Public Offering.

**9 The rights attached to the securities, any restrictions on the transfer of such rights, any envisaged additional performance by the buyer for the benefit of the issuer, as well as any obligation of the buyer or seller provided for in the articles of association or in applicable laws to obtain authorisation or to issue a notification**

**9.1 General remarks**

This Memorandum includes a general description of the relevant provisions of Spanish law with respect to the New Shares. Investors that are not Spanish residents are advised to consult with Spanish counsel prior to taking a decision concerning the receipt of compensation in the form of the New Shares in order to obtain a comprehensive understanding of their rights and obligations as a holder of the Company's shares as well as the manner and scope of the interaction between Spanish and Polish laws and regulations which may not be compatible.

The Company is organised and exists under Spanish law. Accordingly, the rights and obligations of the Company's shareholders are regulated by Spanish corporate law, and the Company's shareholders must follow Spanish legal requirements in order to exercise their rights, in particular the resolutions of the General Meeting may be passed with majorities different from the majorities required for the adoption of equivalent resolutions under Polish or other law. However, due to the fact that the Company's shares are admitted to trading on the WSE, with regard to certain issues, some Polish regulations will also be applicable. As of the date of this Information Memorandum, the Company's shares are listed on the Spanish Stock Exchanges, the Milan Stock Exchange, the Lisbon Stock Exchange, the London Stock Exchange (through CDIs), the New York Stock Exchange (through ADSs), the Mexican Stock Exchange, the Buenos Aires Stock Exchange, the São Paulo Stock Exchange (through BDRs) and on the WSE. Differences in settlement and clearing systems, trading currencies, transaction costs and other factors may hinder the transferability of the shares between stock exchanges, which could adversely affect trading in the Company's shares on the stock exchanges and increase their price volatility and/or adversely affect the price and liquidity of the shares. As a result, the exercise of certain shareholder rights may be more difficult or costly than the exercise of rights in other companies listed on the WSE. Additionally, the description of the rights and obligations attached to the Company's shares included in the Information Memorandum should not be considered as a detailed comparative analysis of the laws and regulations applicable in Poland and Spain, whereas any prospective investors interested in the New Shares should seek advice from professional advisors and evaluate the risk involved in investing in the New Shares.

It should be noted that under Spanish law and the Statute, only the shareholders of the Company entered in the share register are treated as actual shareholders of the Company and, consequently, are entitled to exercise the rights attached to the shares they hold, specifically, to participate in the General Meeting, exercise their pre-emptive rights and receive dividend or other shareholder compensation payments. Given the existing legal, operational and technical differences in the operation of the Polish and Spanish depositary and settlement systems, it is not currently possible to provide Iberclear with relevant information on trading in shares on the Polish regulated market through NDS participants in a manner permitting automatic and direct entries or deletions in the share register relating to the shareholders holding the shares of Santander through NDS participants (the Polish Investors). For this reason, an indirect connection has been established between the NDS and Iberclear through Euroclear's link with Iberclear. Euroclear's link operates via the services of BNP Paribas Securities Services, S.A., Sucursal en España, which acts as a participant in Iberclear (defined here as the Iberclear Participant), through which Euroclear (through Euroclear Nominees) may hold Santander shares for Polish Investors. Euroclear Nominees is automatically entered in the Company's share register as a shareholder in lieu and on behalf of each of the investors holding Santander shares through NDS participants (i.e. each of the Polish Investors).

Please note that pursuant to Spanish law, it is Euroclear Nominees, as the entity which will be automatically entered in the share register of the Company as described above, which will be considered by the Company as a shareholder. Therefore, Polish Investors may exercise the rights attached to the Santander shares only through Euroclear (through Euroclear Nominees). Nonetheless, Euroclear must ensure that all of the Polish Investors will be able to exercise the rights resulting from the Santander shares indirectly through Euroclear and that these rights are exercised in compliance with Spanish law, the Statute and the procedures applied by Euroclear, which may provide for additional requirements or deadlines other than those resulting from Spanish law or the Statute. Moreover, investment firms that operate the securities accounts of the Polish Investors within the NDS system may impose additional requirements or deadlines. At the same time, the Company cannot ensure that Polish Investors will always be guaranteed the possibility of exercising the rights attached to the Santander shares through Euroclear in the manner and within deadlines similar to those that would apply if such rights were exercised directly by a shareholder entered in the Company's share register. Alternatively, Polish Investors may elect to hold the Company's shares directly through the Iberclear system, in which case they would be regarded

as registered shareholders of the Company. In order to do so, they must open an account with an Iberclear participant and register the Company's shares in such account.

Moreover, the rights attached to the Santander shares must be exercised by Polish Investors in compliance with the procedures applied by Euroclear, whereas Euroclear will on each occasion inform the NDS about the applicable procedures and the NDS will be required to pass this information on to its participants. Since the Company is not required to publish information about the procedures used by Euroclear, a Polish Investor must, with due advance notice, contact the NDS participant operating the securities account on which his/her/its shares are registered in order to obtain relevant information on the procedures and requirements to be met to exercise the rights attached to the Santander shares. For these reasons, Polish Investors must acknowledge the rules governing the publication of information by the Company and regularly monitor the Company's publications to have up-to-date knowledge of the rules applicable to exercising the rights attached to the Santander shares and learn the procedures applied by Euroclear. Otherwise, Polish Investors may have certain difficulties in exercising the rights attached to such shares or may be totally deprived of their right to exercise their rights.

As the assignment of the New Shares within the "*Santander Dividendo Elección*" scheme envisages no additional performances by the Company's shareholders for the benefit of Santander, this Section of the Information Memorandum does not include a description of additional performances by the acquirer of the New Shares for the benefit of the Company.

## **9.2 Certain applicable Spanish laws and regulations**

### **9.2.1 General Meeting**

The annual ordinary General Meeting is held within the first six months of each fiscal year on a date fixed by the Board of Directors. An extraordinary General Meeting may be convened at the initiative of the Board of Directors or at the request of minority shareholders whose total interest accounts for at least 3% of the subscribed capital.

The General Meeting must be convened at least one month prior to the holding of such meeting except for the cases in respect of which a different period is established by law. Information on the call to such General Meeting should be published in: (i) the Official Gazette of the Commercial Registry or in one of the newspapers with the largest circulation in Spain; (ii) on the website of the CNMV; and (iii) on the corporate website of the Company ([www.santander.com](http://www.santander.com)). In addition, the agenda of the meeting must be sent to the Spanish Stock Exchanges.

Each share of the Company entitles the holder to one vote. Registered holders of any number of the Company's shares who are not in arrears in capital call payments are entitled to attend General Meetings. The Statute does not contain provisions regarding cumulative voting.

A shareholder entitled to participate in the General Meeting may authorise a natural or a legal person with legal capacity to participate in the General Meeting on his/her behalf and exercise his/her voting rights. Subject to the limitations imposed by Spanish law, proxies must be in writing or exercised by remote means of communication and are valid only for a single General Meeting (except when the proxy is the principal's spouse or ascendant or descendant, or when he/she holds a notarised general power of attorney vesting him/her with powers to administer all of the assets owned by the principal on Spanish soil). If a director or another person acting on behalf or in the interest thereof has made a public solicitation for proxies (thus obtaining more than three proxies), the director or the other person holding the proxies may not exercise the voting rights attached to the represented shares in connection with any items in respect of which the director or such other person is subject to a conflict of interest, and in any event in connection with decisions relating to:

- his/her appointment, ratification, removal, dismissal or resignation as director;
- the institution of a claim for liability ("*acción social de responsabilidad*") against him/her; or
- the approval or ratification of transactions between Santander and the director in question, companies controlled or represented by him, or persons acting for his account.

The foregoing provisions shall not apply to those cases in which a director has received precise voting instructions from the represented party with respect to each of the items submitted to the shareholders at the General Meeting, as provided by the Spanish Capital Corporations Law. In consideration of the possibility that a conflict may arise, a proxy may be granted to an alternate person.

Moreover, if the proxy has been obtained by means of public solicitation, the document evidencing the proxy must contain or have the agenda of the General Meeting attached thereto, as well as the instructions for the

exercise of the voting rights and the manner in which the proxy-holder should vote in the event that specific instructions are not given, subject in all cases to the provisions of the law.

The Rules and Regulations of the General Meeting expressly foresee the possibility of fractional voting in the event of proxy-holders representing more than one shareholder. Furthermore, they state that financial intermediaries that appear as shareholders in the book entry registries may divide their vote when required to carry out the voting instructions received from their various customers. These financial intermediaries may also delegate their vote to each one of the indirect holders or third parties designated thereby, without any limitation on the number of delegations granted.

In accordance with the Spanish Capital Corporations Law and the Rules and Regulations of the General Meeting, in the period from the date of the announcement of the General Meeting to the date of the holding of such meeting, the Company must continuously maintain the following information published on its website: (i) the announcement of the call to the meeting; (ii) the total number of shares and voting rights on the date the meeting is called, with a breakdown by class of shares, if any such classes exist; (iii) the documents that must be submitted to the shareholders at the General Meeting and, specifically, the reports prepared by directors, the external auditor and independent experts, if applicable; (iv) the full text of the proposed resolutions submitted by the Board of Directors regarding each and every one of the items on the agenda or, with relation to merely informative items, a report prepared by the competent bodies containing a discussion of such items; (v) in the event of appointment, ratification or re-election of members of the Board of Directors, the identity, *curriculum vitae* and category to which each one of them belongs, as well as the proposals and reports of the Board of Directors or of the Appointments Committee, as applicable in each case pursuant to the Law, the Statute or the Rules and Regulations of the Board (in case of a legal person, the information must include that corresponding to the physical person to be appointed to perform the duties of the position on a permanent basis); and (vi) the form of attendance, proxy-granting and distance voting card, unless it is sent directly by the Company to each shareholder.

Moreover, beginning on the date of the announcement of the call to the General Meeting, such information as is deemed appropriate to facilitate the attendance of the shareholders at the General Meeting and their participation therein must be published on the Company's website, including: (i) information on where the General Meeting will be held, describing, if appropriate, how to gain access to the room; (ii) a description of the mechanisms that may be used for granting proxies and authorising distance voting; and (iii) information, if appropriate, on the systems or procedures to facilitate listening to the meeting, such as means for simultaneous interpretation, broadcast using audio-visual media, information in other languages, etc.

Shareholders can exercise their voting and representation rights by electronic means (via the Internet) or by mail. In addition, shareholders can attend meetings (besides attending and voting in person) via the Internet and can vote in real time via the Internet on the resolutions considered at the General Meeting.

Only shareholders that are registered as holders of shares at least five days prior to the General Meeting may participate in such meetings and exercise their voting rights (the "**Voting Record Date**").

### **9.2.2 Voting rights and restrictions on voting rights**

In general, resolutions passed by the General Meeting are binding upon all shareholders. Under certain circumstances, dissenting or absent shareholders have the right to have their shares redeemed at prices determined in accordance with established formulae or criteria. Shares held by the Bank or its affiliates are counted for the purposes of determining quorums, but the voting rights attached thereto may not be exercised by the Bank or its affiliates.

In general, resolutions of the General Meeting are passed provided that the number of votes in favour is higher than the number of votes that are against.

A quorum on the first call for a duly constituted ordinary or extraordinary General Meeting requires the presence in person, or by proxy, of shareholders representing at least 25% of the subscribed voting capital. At the second call, there is no quorum requirement.

Notwithstanding the above, a quorum of at least 50% of the subscribed voting capital is required upon the first call of an ordinary or extraordinary General Meeting to validly adopt resolutions on any of the following matters (except when the competence to adopt any of these resolutions is statutorily attributed to the board of directors of the Company):

- the issuance of bonds;
- an increase or decrease of the share capital;

- the exclusion or limitation of preferential rights to subscribe for a new issuance of shares;
- a change to the registered seat of Santander to a foreign country;
- the transformation, merger, spin-off or global assignment of the assets and liabilities of the Bank; and
- any other amendment of the Statute.

A quorum of 25% of the subscribed voting capital is required to vote on such actions at the second call.

A two-thirds majority of the present or represented voting capital is required to adopt resolutions on all of the above matters if the General Meeting is held at the second call and less than 50% of the subscribed voting capital is present or represented.

For the purposes of determining a quorum, shareholders who vote by mail or through the Internet are counted as being present at the General Meeting.

Pursuant to Article 190 of the Spanish Capital Corporations Law, no shareholder may exercise the voting rights attached to his/her/its shares in connection with resolutions on any of the following matters:

- the release of such shareholder from an obligation or the granting of a right to him/her;
- the provision of financial assistance of any kind to such shareholder, including the granting of guarantees or the creation of securities in his/her favour; and
- the exemption of such shareholder from the obligations resulting from the loyalty duty under the provisions of Article 230 of the Spanish Capital Corporations Law.

The shares held by a shareholder that is subject to any of the conflicts of interest described above will be deducted from the share capital for the purposes of establishing the applicable voting quorum. In the event that a shareholder is subject to any conflict of interest other than those described above, he/she/it will not be prevented from voting. However, should the vote issued by the shareholder affected by the conflict be deciding, the relevant resolution of the general meeting may be challenged on such grounds according to a set of special rules.

In addition, pursuant to Royal Decree-Law Real 14/2013 of 29 November 2013 on urgent measures to adapt Spanish law to the EU regulations on the supervision and solvency of financial entities, the affected directors, managers or employees of the Bank may not exercise, either directly or indirectly, the voting rights attached to their shares in connection with resolutions of the General Meeting approving a maximum level of variable remuneration higher than 100% of the fixed remuneration.

### **9.2.3 Participation in and voting at the General Meeting by Polish Investors**

As regards participation in and voting at the General Meeting by Polish Investors, the NDS will enable for them such options that will be made available by Euroclear. Among such options may be: (i) personal voting by proxy; and (ii) the issuance of voting instructions pursuant to the rules of the Euroclear system, as supplemented by the terms and conditions governing the relationship between the investors and the depository investment firms operating their securities accounts. Personal voting by proxy requires that Euroclear Nominees, as the registered shareholder of the Company's shares, issue powers of attorney in favour of the Polish Investors – or in favour of the person that they expressly designate – that have expressly requested in writing that such designated proxy-holder may freely vote by attending the relevant General Meeting in person. To that end, Euroclear Nominees must issue and deliver to Santander a certificate including such powers of attorney and stating, among other details, the number of Company's shares held by each of the relevant Polish Investors that have requested to participate in the General Meeting through this mechanism. This certificate must be delivered to Santander within the applicable deadline before the holding of the meeting.

Those Polish Investors who wish to vote by instruction should give their voting instructions with regards to the relevant General Meeting to the NDS participants operating the securities accounts in which such investors' shares are registered and such NDS participants will then deliver the instructions to the NDS. Subsequently, the NDS will deliver the voting instructions to Euroclear, who, through Euroclear Nominees, the registered shareholder of the Company's shares, will vote at the General Meeting according to the instructions received from the Polish Investors. Voting by instruction will not require the disclosure of the relevant investor's personal data to the Company.

The right to exercise the above-mentioned rights at the General Meeting by Polish Investors will be established on the basis of the balance of the securities accounts according to the Bank's shareholder register as at the end of the Voting Record Date, including all of the transactions that have been settled up to the Voting Record Date (inclusive).

In order to be able to duly exercise the above rights at a General Meeting, Polish Investors should contact the investment firms (the NDS participants) that maintain their securities accounts to request the relevant information and documentation.

#### **9.2.4 Dividend rights**

Shareholders have the right to a share in the profits of the Company. Profits may be distributed in the form of dividends, which are normally paid to shareholders in quarterly instalments in August and November of the relevant year and February and May of the following year, or in the form of other shareholder remuneration schemes. Since 2009, the Company has implemented the “*Santander Dividendo Elección*” scheme. This Information Memorandum has been prepared in connection with the application of the “*Santander Dividendo Elección*” through which an amount broadly equivalent to the second interim dividend for the financial year 2017 will be received by the eligible shareholders of Santander in October/November 2017.

The Bank and other Group Companies operating in the banking sector are subject to certain restrictions on dividend payments, as prescribed by the banking supervisory authorities.

Holders of the New Shares are entitled to receive: (i) dividends or other equivalent remuneration in accordance with the terms set forth in the resolutions approved by the General Meeting; and (ii) interim dividends if the General Meeting or the Board of Directors has passed a relevant resolution, provided that the limitations and requirements established by law are complied with.

Once the annual accounts are approved, the General Meeting passes a resolution on the allocation of the results for the fiscal year. Dividends may only be distributed out of the earnings for the fiscal year or with a charge to unappropriated reserves, after the payments required by the law and the Statute have been made, provided that the stockholders’ equity disclosed in the accounts is not reduced to less than the share capital as a result of the distribution. If there are any losses from prior fiscal years that reduce the Bank’s stockholders’ equity below the amount of the share capital, the earnings must be used to offset such losses.

The amount, time and form of payment of the dividends to be distributed among the shareholders in proportion to their paid-in capital are established pursuant to resolutions adopted by the General Meeting. The General Meeting and the Board of Directors may adopt resolutions on the distribution of interim dividends, subject to the limitations and in compliance with the requirements established by law.

A shareholder’s right to dividend expires after five years from the dividend payment date.

#### **9.2.5 Payment of dividends and other distributions to Polish Investors**

The group of Polish Investors that are entitled to receive the dividend or any other shareholder compensation (including the “*Santander Dividendo Elección*” scheme) will be established on the basis of the balance of the Company’s shares held by Euroclear Nominees with the Iberclear Participant and the balance of such investors’ securities accounts held with the NDS as of the end of the date specified in the relevant resolution of the General Meeting, the Board of Directors or, by delegation therefrom, the Executive Committee.

The Company will pay the dividend and any other equivalent cash remuneration in EUR. Subject to the terms of the relevant arrangements between Euroclear, the NDS and the NDS Participants, the procedure applicable to traditional cash dividends will be as follows. After receiving the amounts corresponding to the Company’s shares registered with it, the Iberclear Participant will transfer the dividend amount (minus Spanish withholding tax) corresponding to Euroclear (acting through Euroclear Nominees) to its account and, subsequently, Euroclear will distribute it to the NDS, which will in turn distribute it to the accounts of the individual NDS participants who will then pay the dividend to the Polish Investors who are authorised to receive such dividend.

#### **9.2.6 Pre-emptive rights in offerings of securities of the same class**

The shareholders have a priority right to subscribe for new shares in the Company in respect of any share capital increase with charge to cash contributions in proportion to their existing shareholding. The same right is vested with the shareholders upon the issuance of convertible debt. The pre-emptive rights of shareholders may be excluded under certain circumstances upon specific approval of the General Meeting (or upon the delegation of such power to grant approval to the Board of Directors or to the Executive Committee). In addition, pre-emptive rights are deemed excluded from the relevant capital increase when the General Meeting approves:

- any capital increase following the conversion of convertible bonds into Santander shares;
- any capital increase due to the absorption of another company or of part of the spun-off assets of another company when the new shares are issued in exchange for the new assets received; or



- any capital increase that is a result of Santander's tender offer for securities using Santander's shares as all or part of the consideration.

In accordance with the provisions of Article 306 of the Spanish Capital Corporations Law and of article 12 of the Statute, the pre-emptive subscription rights may be transferred upon the same terms as the shares from which they arise.

The General Meeting or, by delegation, the Board of Directors or the Executive Committee may resolve, with respect to a particular share capital increase, to enable mechanisms for the subscription of additional shares in the event that, at the end of the pre-emptive subscription period, there are shares remaining that were not subscribed for in the exercise of the pre-emptive subscription rights.

If capital is increased by way of the issuance of new shares in return for capital from certain reserves, the New Shares will be distributed pro rata to the existing shareholders.

### **9.2.7 Execution of pre-emptive rights by Polish Investors**

The Iberclear Participant shall provide Euroclear with information on the increase of the share capital with pre-emptive rights upon the receipt of such information from the Company and then such information will be provided to the NDS, which will pass it on to its participants (brokerage companies and custodians) for onward delivery to Polish Investors.

On the allocation day (after the reference date), Euroclear Nominees' account with the Iberclear Participant will be credited with the subscription rights in accordance with the account balances as per the reference date. Euroclear (through Euroclear Nominees) will in turn credit the subscription rights to the NDS account with Euroclear.

The NDS will reflect the subscription rights on the accounts of its participants.

During the subscription period, Polish Investors may approach the entities managing their securities accounts (brokerage companies, custodians) in order to subscribe for the shares of the new issue and make the relevant payment or to trade pre-emptive rights on the market.

The subscription rights will be exercised based on the subscription ratio determined by the Company. At the end of the subscription period, the NDS participants will advise the NDS of the total number of exercised rights, as well as the acquired shares, and will provide the NDS with the funds relating to the placed subscriptions (in case the share capital increase is not paid up out of reserves). Upon the receipt of such payment, the NDS will transfer the funds to Euroclear, which will transfer them to the Iberclear Participant, which will in turn transfer them to the Company or to the entity acting as agent for the Company.

Upon the receipt of the above-mentioned information and subject to the applicable operative instructions issued for the transaction, the NDS will provide Euroclear, and then Euroclear (through Euroclear Nominees) will provide the Iberclear Participant, with an instruction including information on the total number of the exercised rights and the number of subscribed shares. Pre-emptive subscription rights will automatically terminate upon the expiration of the pre-emptive subscription period. The new shares issued in the share capital increase will be recorded in Iberclear's central registry after the capital increase has been registered with the Spanish Commercial Registry. On the same day as the registration with the central registry maintained by Iberclear, the Iberclear Participant will make a corresponding entry in its book-entry register in favour of Euroclear Nominees for the amount of new shares corresponding to the Polish Investors that have duly exercised their subscription rights. Euroclear, in turn, will reflect the new shares in its system crediting the account of the NDS, which will credit the accounts of the entitled NDS participants, who will in turn credit the securities accounts of the Polish Investors who subscribed for the new shares.

### **9.2.8 Redemption provisions**

The Statute does not contain any provisions relating to the redemption of the Company's shares except as set forth in connection with capital reductions. Nevertheless, pursuant to Spanish law, redemption rights may be created at a duly held General Meeting. Such General Meeting should establish the specific terms of any redemption rights that are created.

### **9.2.9 Notifications required from shareholders under Spanish law**

#### *9.2.9.1 Notification of qualifying holdings in financial institutions*

Certain provisions of Spanish law require the notification to the Bank of Spain prior to the acquisition of a substantial number of shares in a Spanish financial institution. Acquisitions of qualifying holdings in the Bank are subject to prior assessment by the relevant banking supervisory authorities, which may decide to oppose an

acquisition or impose conditions on it. As of the entry into operation of the Single Supervisory Mechanism on 4 November 2014, this power rests with the ECB.

Any individual or corporation that wishes to acquire, directly or indirectly, a qualifying holding (*participación significativa*) in a Spanish financial institution must give advance notice to the Bank of Spain describing the size of such participation, its terms and conditions, and the anticipated closing date of the acquisition. A “qualifying holding” is defined as 10% of the outstanding share capital or voting rights in the bank or any lesser participation that gives the acquirer effective significant influence over the target bank.

In addition, prior notice must be given to the Bank of Spain of any increase, direct or indirect, in any qualifying holding resulting in the percentage equity interest or voting rights reaching or surpassing one of the following percentages: 20%, 30% or 50%. Notice to the Bank of Spain is also required from anyone who, as a result of the contemplated acquisition, may attain sufficient power to control the credit entity.

The Bank of Spain will notify the ECB of any notification of an intention to acquire a qualifying holding. After carrying out a complementary assessment of the notice, the Bank of Spain will propose a draft decision to oppose or not to oppose the acquisition to the ECB. The final decision on the approval or rejection rests thereafter with the ECB following the usual decision-making procedure.

Any acquisition of a qualifying holding in respect of which the required notice was not given or even if given, the period available to the authorities for assessing the acquisition has not yet lapsed, or that is opposed by the ECB will have the following effects: (i) the acquired shares will have no voting rights; (ii) the banking supervisory authorities may seize control of the bank or replace its board of directors; and (iii) a penalty may be imposed on the acquirer.

The criteria and the procedure applicable to the assessment, as well as the period available to the authorities for its completion, is set forth in Royal Decree 84/2015, of 13 February, which develops the Spanish Supervision and Solvency Act (the “**RD 84/2015**”). In accordance with the regime established by the RD 84/2015, the authorities have 60 business days after the receipt of a notice to object to a proposed transaction. Such objection could be based on finding the acquirer unsuitable on the basis, among others, of its commercial or professional reputation, its solvency or its compliance with applicable disciplinary rules. Authorisation would be deemed granted if the period of sixty business days lapses without any notice from the authorities. In addition, even if they do not oppose an acquisition, the authorities would be entitled to set forth a maximum period for closing the proposed transaction or to delay it.

Any individual or institution that plans to sell its significant holding, or reduce it to one of the above-mentioned levels of ownership, or because of any sale will lose control of the entity, must provide advance notice to the Bank of Spain indicating the amount of the transaction and its anticipated closing date. Failure to comply with these requirements may result in the imposition of penalties on the offending party.

Any individual or corporation that acquires, directly or indirectly, a participation in a Spanish financial institution, and as a consequence the percentage of its share capital or voting rights reaches or exceeds 5%, must notify the Bank of Spain and the relevant financial institution indicating the amount of participation that has been reached.

Credit entities must notify the Bank of Spain as soon as they become aware of any acquisition or transfer of significant shares of its capital stock that exceeds the above-mentioned percentages. Furthermore, banks are required to inform the Bank of Spain as soon as they become aware, and in any case not later than ten business days thereafter, of any acquisition by a person or a group of at least 1% of such bank’s total equity. Each bank is also required to provide the Bank of Spain with a list, dated on the last day of each quarter and during April, July, October and January, of all of its shareholders that are financial institutions and all other shareholders that own at least 0.25% of the bank’s total equity.

When, in the opinion of the supervisory authority, based on sound reasons, the influence of a person who owns a qualifying holding in a credit entity may adversely and materially affect that entity’s financial situation or be contrary to its prudent and healthy management, the supervisory authority may: (i) suspend the voting rights of such person’s shares for a period not exceeding three years; (ii) seize control of the entity or replace its board of directors; or (iii) exceptionally, revoke the relevant entity’s license. A fine may also be levied on the relevant person.

#### 9.2.9.2 *Other reporting requirements applicable to Spanish companies listed on regulated markets*

Royal Decree 1362/2007 requires that any entity which acquires or transfers shares as a consequence of which the number of voting rights held exceeds, reaches or falls below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% or 90% of the voting rights of a company, for which

Spain is the member state of origin, listed on a Spanish stock exchange or on any other regulated market in the EU is required to, as soon as possible and no later than within four days after such acquisition or transfer, report it to such company and to the CNMV. The duty to report the holding of a qualifying holding is also applicable to those cases in which in the absence of an acquisition or transfer of shares, the percentage of an individual's voting rights exceeds, reaches or is below the thresholds that trigger the duty to report as a consequence of an alteration in the total number of voting rights of an issuer. Similar disclosure obligations apply, among others, in the event of: (i) the acquisition or disposal of any financial instruments entitling the holder to acquire the company's shares (such as options, futures, certain swaps, etc.); (ii) certain voting, deposit, temporary transfer or other agreements regarding the relevant shares; or (iii) custodians or proxy-holders who can exercise with discretion the voting rights attached to the relevant shares. In accordance with Spanish law, the above-mentioned threshold percentage will be 1% or any multiple of 1% if the person required to notify the Company and the CNMV is a resident of a tax haven or of a country or territory where there is no taxation or where there is no obligation to exchange tax information.

It is worth noting that said reporting obligations are also applicable to those cases in which the aforementioned voting rights thresholds are surpassed on an aggregated basis (i.e., taking into account, jointly, all the shares and other financial instruments subject to reporting obligations related to a listed company).

In addition, any Spanish company listed on the Spanish Stock Exchanges must report any acquisition by such company (or a subsidiary) of the company's own shares if the shares acquired, together with any acquisitions since the date of the last report and without deducting sales of its own shares by the company or by its subsidiaries, reach in aggregate 1% or more of the voting rights.

Members of the board of directors of listed companies, in addition to notifying the CNMV of any transaction concerning the shares or other securities or financial instruments of the issuer which are linked to these shares, are required to inform the CNMV of their ratio of voting rights upon their appointment or resignation.

In addition, top managers of any listed company must report to the CNMV the acquisition or disposal of shares or other securities or financial instruments of the issuer which are linked to these shares.

#### **9.2.10 Form of the New Shares and their transferability**

The shares in the Company are in book-entry form in the Iberclear system. The Company maintains a registry of shareholders. The Company does not recognise, at any given time, more than one person as a person entitled to vote from each share in the General Meeting. Shares that are jointly owned are registered in the respective book-entry registry in the name of all co-owners. However, the co-owners of a share must appoint a single person to exercise the shareholder rights and are jointly and severally liable to the Company for all of their obligations as a shareholder. The same rule applies in all other instances of co-ownership of rights to shares.

Under Spanish law and regulations, transfers of shares quoted on a Spanish Stock Exchange are, as a rule, made through a Sociedad o Agencia de Valores, credit entities and investment services companies that are members of the Spanish Stock Exchange.

Transfers executed through stock exchange systems are implemented pursuant to the stock exchange clearing and settlement procedures of Iberclear. Transfers executed "over the counter" are implemented pursuant to the general legal regime for book-entry transfers, including registration by Iberclear.

Newly issued shares may not be transferred until the capital increase is registered with the Commercial Registry.

#### **9.2.11 The form and rules governing trading in the New Shares in Poland**

The Company, as is the case with all Spanish listed companies, does not issue share certificates to individual shareholders. Instead, the New Shares will be held in dematerialised form and represented by book entries. The New Shares will be registered with Iberclear (the Spanish clearance and settlement system). Iberclear's register is composed of the accounts that financial institutions that are participants in Iberclear hold with Iberclear. Participants in Iberclear, in turn, hold accounts in the name of each individual shareholder or through such investor's accredited financial intermediary. In accordance with the provisions of article 6.2 of the Statute, the Company keeps its own shareholder register based on the information it receives daily from the Iberclear system.

The operating connection between the NDS and Iberclear for the purposes of a securities clearing system is an indirect connection with the intermediation of Euroclear acting through its subsidiary, Euroclear Nominees. Euroclear's link with Iberclear operates via the services of the Iberclear Participant (BNP Paribas Securities Services, S.A., Sucursal en España) through which Euroclear (through Euroclear Nominees) holds the Company's shares in the Iberclear system for investors that in turn hold them through the NDS. The NDS holds

an omnibus securities account (an account maintained in favour of a financial intermediary who is not the owner of the securities and which is used for keeping securities on behalf of third parties without disclosing the data of the end investors) with Euroclear.

Euroclear Nominees will be the registered holder of the New Shares for the benefit of the Polish Investors. Consequently, Polish Investors will exercise their rights through Euroclear and the NDS in accordance with the relevant regulations of Spanish law governing the exercise of rights by the Company's shareholders using the above-mentioned connections between the NDS and Euroclear and between Euroclear and Iberclear (through the Iberclear Participant). The Polish Investors will only be able to enforce the rights related to the New Shares to the extent of, and pursuant to, the terms and conditions of the arrangements between Euroclear, the NDS and the NDS participants.

### **9.3 Certain applicable Polish laws and regulations**

Trading in a public company's shares in Poland is subject, in particular, to the regulations contained in the Polish Act on Public Offering, the Polish Act on Trading in Financial Instruments and secondary regulations issued thereunder. Furthermore, the Polish capital market is governed by regulations provided for in secondary legislation adopted on the basis of the above-mentioned laws and EU rules, which, similarly to the EU regulations, apply directly in Poland such as, for example, the Market Abuse Regulation.

Taking into account the purpose and special characteristics of the transaction through which the "*Santander Dividendo Elección*" scheme is implemented, we do not present specific overview of the Polish legal provisions applicable to the shares of Santander.

Shareholders are urged to seek legal advice prior to acquiring any significant block of shares in the Company or entering into any agreement with other shareholders with respect to exercising voting rights attached to such shares.

### **10 Parties to a firm commitment or stand-by underwriting agreements and the material provisions thereof, if the issuer has entered into such agreements**

Not applicable. The Company has not entered into any of the agreements referred to in this Section.

### **11 Rules for the distribution of the offered securities and the alternative remuneration in cash**

Each Polish Investor as of the reference date (see Section I.3) will receive one bonus share right per each Santander share held.

Within the Exercise Period set out as explained in Section II.11.5 of this Memorandum, each Polish Investor who received bonus share rights may choose among the following alternatives: (i) to receive the New Shares; (ii) to receive a cash payment through selling bonus share rights on the market; or (iii) to receive a cash payment broadly equivalent to the traditional dividend by selling to Santander the bonus share rights received at the commencement of the rights trading period. In addition, Polish Investors will be able to combine the above-mentioned alternatives in view of their specific needs.

Polish Investors will not be able to acquire additional bonus share rights on the market.

The assignment of shares to Santander's shareholders is simply a mechanism allowing for the payment of the compensation resolved upon in the Issue Resolution to the shareholders who opt to receive the New Shares. Therefore, the assignment of shares to Santander's eligible shareholders does not require payments against the shares, subscribing for the shares (completing a subscription form) or the making of any statements by the eligible shareholders (except of a statement on a notification of the choice of the option to receive the New Shares that may be required by the respective NDS participants that hold the securities accounts of Polish Investors).

As regards the specific Exercise Period for Polish Investors (as defined at the end of this Memorandum in the Section "*Abbreviations and Definitions*"), please see Section II.11.5 of this Information Memorandum.

#### **11.1 General rules on the assignment of the New Shares**

On the territory of the Republic of Poland, the persons eligible to be assigned bonus share rights are those who have acquired any shares in Santander no later than at 23:59 CET on 17 October 2017 and who has his/her/its shares in Santander recorded in his/her/its accounts kept by the relevant NDS participants (and through the indirect connection established between such NDS participants and Iberclear, as explained in Section II.9.5 of this Information Memorandum) at 23:59 CET on 19 October 2017. Where shares are acquired in a session transaction on the WSE (which session cannot be later than that of 17 October 2017), such shares will carry the

right to be assigned bonus share rights only if they are credited to the relevant securities account kept by a NDS participant no later than by 19 October 2017. Following the end of the Exercise Period, holders of the bonus share rights will receive free of charge the number of the New Shares corresponding to the number of rights held, in accordance with the Ratio.

The New Shares will be assigned to the Santander's shareholders via Iberclear and its participants. It is estimated that the New Shares will be credited to the accounts of the shareholders that hold Santander shares through Iberclear participants (including Euroclear acting through Euroclear Nominees, which holds the shares corresponding to the Polish Investors in an account opened with the Iberclear Participant) on 15 November 2017. The New Shares will be credited to the account kept by the NDS for its participants promptly upon the registration of the New Shares in the accounts kept for the NDS by Euroclear (through Euroclear Nominees). According to the information provided to the Company by the NDS, it is expected that the New Shares will be recorded in the accounts kept by NDS participants for Polish Investors on or about 15 November 2017, subject to the procedures applied by Iberclear, the Iberclear Participant, Euroclear, the NDS and its participants.

Please note that the "*Santander Dividendo Elección*" scheme envisages the priority assignment of profits to the shareholders by way of the assignment of the New Shares. Receiving New Shares is the default option. Therefore, if a Polish Investor does not make any choice in connection with the October/November scrip dividend (please see Section II.11.3. below), he/she/it will receive New Shares. In addition, if a Polish Investor wishes to receive New Shares, he/she/it will not be required to take any action since the assignment of the New Shares to such Polish Investor will be made automatically. Nevertheless, even given the fact that the assignment of the New Shares is the default option, the Polish Investors may be asked by the respective NDS participants that hold their securities accounts to make a statement on a notification of the choice of the option to receive the New Shares.

The above rules apply solely to the assignment of the New Shares. The rules applying to bonus share rights that are insufficient to receive a New Share are provided for below in Section II.11.2. See also Section II.11.6 below "*Recommendation to Polish investors*".

### **11.2 General rules applying to odd-lots (bonus share rights that are insufficient to receive a New Share)**

Pursuant to the Issue Resolution, each shareholder of Santander will be granted one bonus share right for each Santander's share held. Holders of Santander shares who opt to receive the New Shares are entitled to receive one New Share for each 142 bonus share rights (in accordance with the Ratio).

If the application of the Ratio results in the assignment of a non-integer number of the New Shares, fractions of New Shares will not be assigned. In addition, Polish Investors will not be able to acquire additional bonus share rights on the market. Therefore, they will not be able to receive more New Shares than the number to which they are entitled pursuant to the Ratio for the bonus share rights they initially receive from the Bank. The bonus share rights of Polish Investors that are insufficient to receive a New Share (odd-lots) will be aggregated and sold on behalf of such investors by the Iberclear Participant on the Spanish Stock Exchanges or to Santander (depending on the options made available in this respect for Polish Investors by their depositories) and the total proceeds of that sale will be credited to the Euroclear's account with the Iberclear Participant.

The NDS (and consequently the Polish Investors) will receive the amount of the proceeds for the sale of the odd-lots through the intermediation of Euroclear. The NDS will distribute the proceeds among its participants by transferring the relevant amounts to their accounts promptly upon receipt of funds from Euroclear (with the intermediation of Euroclear Nominees). The share of the proceeds of the sale of odd-lots corresponding to each Polish Investor will be remitted to the account he/she/it keeps in Poland with his/her/its securities depository. According to the information provided to the Company by the NDS, it is envisaged that the proceeds from the sale of odd-lots will be remitted to accounts kept for the Polish Investors on or about 3 November 2017, subject to the procedures applied by Iberclear, the Iberclear Participant, Euroclear, the NDS and its participants. See also Section II.11.6 below "*Recommendation to Polish Investors*".

### **11.3 General rules on the receipt of a cash payment resulting from selling bonus share rights on the market**

The option to receive a cash payment through selling bonus share rights on the market will be available to Polish Investors only during the Exercise Period and such sale will have to be made on the Spanish market (i.e. on the Spanish Stock Exchanges). The bonus share rights will not be trading on the WSE.

Polish Investors that wish to choose this option will have to so notify the NDS participants (i.e. the relevant Polish depository investment firms) operating the securities accounts in which their Santander shares are registered within the Exercise Period. Such NDS participants will then deliver the instructions of all the Polish Investors that are their clients to the NDS. Subsequently, the NDS will deliver the aggregated instructions

corresponding to all Polish Investors that have chosen this option to Euroclear, which (through Euroclear Nominees) will issue the appropriate order to the Iberclear Participant to sell the total number of the bonus share rights of the Polish Investors that have chosen this option on the Spanish Stock Exchanges.

The Iberclear Participant will sell such bonus share rights on the Spanish Stock Exchanges during the rights trading period and will then credit the proceeds from such sale to the account that Euroclear (through Euroclear Nominees) holds with it. Subsequently, Euroclear (with the intermediation of Euroclear Nominees) will credit the funds to the account that the NDS holds with it. You must consider the Polish and Spanish tax implications of this option set out in Section III of this Information Memorandum. The NDS will distribute the appropriate amounts of the remuneration in cash among its participants by transferring the relevant amounts to their accounts promptly upon receipt of funds from Euroclear. According to the information provided to the Company by the NDS, it is envisaged that the appropriate remuneration in cash resulting from selling the bonus share rights on the market will be remitted to the accounts kept for the Polish Investors on or about 3 November 2017, subject to the procedures applied by Iberclear, the Iberclear Participant, Euroclear, the NDS and its participants.

#### **11.4 General rules on the receipt of a cash payment through the sale of bonus share rights to the Bank at a fixed price**

The option to receive a cash payment broadly equivalent to the dividend by selling to Santander the bonus share rights at a fixed price will be available to Polish Investors only during the Exercise Period. The acquisition of the rights by the Company will occur on the last day of the rights trading period (1 November 2017).

The gross price at which Banco Santander undertakes to purchase rights is EUR 0.04 per right, calculated pursuant to the formula set forth in the Issue Resolution as follows:

Price of the undertaking to acquire the bonus share rights =  $\text{PreCot} / (\text{Num. of rights} + 1) = 0.04$  (rounded up or down to the nearest Euro thousandth and, in case of a half Euro thousandth, rounded up to the nearest Euro thousandth).

PreCot is the average market price of the Santander share in the terms set out in the Issue Resolutions, which is EUR 5.664.

As a result, those Polish Investors willing to receive their remuneration in cash by selling their rights to the Bank will be able to sell their bonus share rights to the Company at a fixed gross price of EUR 0.04.

Polish Investors that wish to choose this option will have to notify the NDS participants (i.e. the relevant Polish depository investment firms) operating the securities accounts in which their Santander shares are registered within the Exercise Period. Such NDS participants will then deliver the instructions of all the Polish Investors that are their clients to the NDS. Subsequently, the NDS will deliver the aggregated instructions corresponding to all of the Polish Investors that have chosen this option to Euroclear, who (through Euroclear Nominees) will transfer them to the Iberclear Participant.

The Iberclear Participant will in turn transfer the information so received to Santander. After the sale is carried out on the last day of the rights trading period (1 November 2017), the account held by Euroclear (with the intermediation of Euroclear Nominees) with the Iberclear Participant will be credited with the proceeds of that sale (minus Spanish withholding tax at a current rate of 19%) on 3 November 2017. Euroclear will, in turn, credit the funds to the account that the NDS holds with it. The NDS will distribute the appropriate amounts of the remuneration in cash among its participants by transferring the relevant amounts to their accounts promptly upon the receipt of funds from Euroclear. According to the information provided to the Company by the NDS, it is envisaged that the appropriate remuneration in cash resulting from selling the bonus share rights to Santander at a fixed price will be remitted to the accounts kept for the Polish Investors on or about 3 November 2017, subject to the procedures applied by Iberclear, the Iberclear Participant, Euroclear, the NDS and its participants.

#### **11.5 General rules on the Exercise Period (applicable to both cash options)**

A Polish Investor entitled to benefit from the “*Santander Dividendo Elección*” scheme who wishes to receive a cash payment (either through the sale of rights on the market or by selling them to Santander) rather than the New Shares is required to inform its depository of this choice. Such Polish Investor will be entitled to exercise its choice by filing an appropriate instruction with the NDS participant keeping his/her/its securities account within the period starting from 18 October 2017 and ending on the date set forth by each NDS Participant, which, as explained in the last paragraph of this Section, may differ for each of them (the “**Exercise Period**”). As regards the commencement of the Exercise Period, Polish investors should be aware that it depends on the decision of their relevant NDS participant and, hence, such period could begin on a later date.

It should be noted that information on the chosen form of the “*Santander Dividendo Elección*” scheme will be transmitted by the NDS participants keeping the shareholders’ securities accounts to the NDS who in turn will provide such information to the Iberclear Participant via Euroclear (with the intermediation of Euroclear Nominees). In addition, the ultimate deadline for Santander to receive information regarding the number of rights corresponding to the Polish Investors which will be sold to Santander at a fixed price is 10:00 a.m. on 30 October 2017.

Therefore, due to the fact that all of these entities need time to collect the necessary information and transmit it further in the chain of intermediaries, according to information obtained by Santander from the NDS, in order to ensure the timely transmission of the necessary information to the Iberclear Participant and to Santander (regarding to the number of bonus share rights to be sold to it), the NDS will set an earlier deadline for its participants to provide it with information on the choices of the Polish Investors (it is expected that the above-mentioned deadline will be set for 1:00 p.m. on 26 October 2017). This means that in order to meet the NDS deadline, the NDS participants will set their own deadlines, shorter than the NDS deadline, which additionally may differ for every NDS participant, for collecting information on the choices of the Polish Investors for which they keep the securities accounts. Please note that the above-mentioned expected deadline may be subject to changes after the date of this Information Memorandum due to further arrangements between Euroclear, the NDS and its participants.

#### **11.6 Recommendation to Polish Investors**

The procedures described above require the cooperation of many entities, including the NDS, Iberclear, the Iberclear Participant, Euroclear Nominees, Euroclear and the NDS participants. For this reason and given the fact that the NDS is not a direct participant of Iberclear, the transferring of the New Shares or the payment of cash to the Polish Investors under the “*Santander Dividendo Elección*” scheme may occur later than with respect to other shareholders and investors in Santander shares. The dates of receipt of the cash or the New Shares applicable to Polish Investors included in this Information Memorandum are estimates that have been provided to Santander to the NDS and are subject to the arrangements between Euroclear, the NDS and the NDS Participants.

It is recommended that Polish Investors contact in advance the respective NDS participants maintaining their securities accounts in order to obtain detailed information related to the “*Santander Dividendo Elección*” scheme, including in particular the ultimate deadline (as set forth by each particular NDS participant) by which each Polish Investor may exercise his/her/its right to make a choice regarding the form to receive his/her/its compensation within the “*Santander Dividendo Elección*” scheme, as well as the exact dates when he/she/it will receive the New Shares or the cash amount broadly equivalent to the traditional cash dividend.

The proceeds from the sale of bonus share rights under both cash options will be credited to the account held by Euroclear (through Euroclear Nominees) with the Iberclear Participant in EUR. In turn, the NDS will credit the corresponding amounts to the accounts of the NDS participants in EUR. Polish Investors should consult the NDS participants keeping their securities accounts about the procedures (including, if applicable, any conversion procedures and related fees or expenses) that they will apply when crediting the relevant amounts corresponding to each of the Polish Investors to their individual accounts.

The NDS participants keeping the Polish Investors’ securities accounts may charge fees or expenses related to the allotment of the New Shares or the sale of bonus share rights pursuant to the applicable regulations.

It should be noted that the Increase is carried out free of fees and costs for shareholders in connection with the allotment of the New Shares, with Santander assuming the costs for the issue, assignment, market placement, listing and other related costs.

#### **12 Information on whether the issuer will grant any loans, collateral or advance payments, or will otherwise finance, directly or indirectly, the acquisition of or subscription for the shares it is issuing or selling**

The information covered by this Section is provided in Section II.4 of this Information Memorandum.

#### **13 Indication of the regulated market where the issuer intends to introduce the securities covered by the memorandum to trading, along with the planned date of their first listing**

Santander intends to introduce the New Shares to trading on the regulated market (main market) of the WSE.

Santander intends to cause the listing of the New Shares on the WSE on or about 15 November 2017.

### III SELECTED POLISH AND SPANISH TAX CONSIDERATIONS

*This information is of a general nature and does not constitute an exhaustive analysis of the tax results related to the acquisition, holding or disposal of the Shares under the relevant tax laws. Therefore, investors should, in individual cases, consult their own tax, financial or legal advisors.*

#### 1 Selected Spanish tax considerations

Below is a brief description of the tax regime currently applicable in Spain to the options available for shareholders under the scrip dividend scheme (*Santander Dividendo Elección*). The below description is based on the tax laws of Spain, the regulations thereunder currently in force and practice, which are subject to change, possibly with retroactive effect.

The description below is intended to serve as a general guide and applies only to holders of Santander's shares who are tax resident in Poland for the purposes of the Treaty and are entitled to its benefits, who do not conduct business activities through a permanent establishment (as defined in the Treaty) in Spain to which their Santander's shares are effectively connected nor act through a tax haven country or jurisdiction for Spanish tax purposes (as currently defined in Royal Decree 1080/1991 of 5 July 1991, as amended) and who own, directly or indirectly, less than 5% of the voting stock or capital of the Company and whose tax basis in the Company's shares does not exceed EUR 20 million (a "**Qualifying Shareholder**").

This summary is for general information only and does not constitute tax advice. Qualifying Shareholders are urged to consult their tax advisors with respect to the application of Spanish tax law to their particular situations as well as in regard to any tax consequences arising under the laws of any foreign or other tax jurisdiction or under any applicable tax treaty. Any holders of Santander's shares who do not fall within the above description of a "Qualifying Shareholder" or who are in any doubt as to their taxation position or obligations should consult their own professional advisors immediately.

This summary is not a complete analysis or description of all the possible tax consequences of the acquisition, ownership and disposal of the Company's shares and does not address all of the tax consequences that may be relevant to all categories of potential investors, some of whom may be subject to special rules. In particular, this tax section does not address the Spanish tax consequences applicable to "look-through" entities (such as trusts or estates) that may be subject to the tax regime applicable to such non-Spanish entities under the Spanish Non-Resident Income Tax Law ("**NRIT**"), to individuals who acquire the Santander's shares by reason of employment or to pension funds or collective investments in transferrable securities ("**UCITS**").

Under the "scrip dividend scheme" executed by Santander (*Santander Dividendo Elección*), the tax treatment applicable to the Qualifying Shareholders as to the scrip dividend will be as follows:

- If a Qualifying Shareholder which is a holder of Santander's shares elects to receive New Shares, it will be considered a delivery of fully paid-up shares free of charge; hence, it will not be considered income for the purposes of NRIT. The acquisition basis, both of the New Shares received in the scrip dividend and of the Santander's shares from which they arise, will be the result of dividing the total original cost of the Qualifying Shareholder's portfolio by the number of Santander's shares, both old and new. The acquisition date of the New Shares will be the acquisition date of the Santander's shares from which the New Shares arose.
- If a Qualifying Shareholder which is a holder of Santander's shares elects to sell the rights derived from the scrip dividend on the market, the amount obtained from the sale of the rights will be treated as a capital gain for the holder at the time the transfer takes place. No withholding tax would be levied on this payment to the extent that the holder is not an individual resident in Spain.

As a general rule, under Spanish law, any capital gains derived from the transfer of securities issued by Spanish tax residents are deemed to be Spanish-sourced income and, therefore, are taxable in Spain. For NRIT purposes, income obtained from the disposal of Santander's shares will be treated as capital gains. Capital gains obtained upon the transfer of the Santander's shares by non-Spanish residents for tax purposes will be subject to NRIT at a current general rate of 19%. Capital gains and losses will be calculated separately for each transaction and it is not possible to offset losses against capital gains.

However, under the Treaty, capital gains realised upon the disposal of Santander's shares will not be taxed in Spain if the Qualifying Shareholder is a tax resident in Poland for the purposes of the Treaty. Qualifying Shareholders entitled to this exemption may apply for it by means of providing to the relevant Spanish tax authorities a valid and in force certificate of tax residence in Poland for the purposes of the Treaty, duly issued by the Polish tax authorities, together with the appropriate Spanish tax return (currently, Form 210), between 1 and 20 January of the year following the accrual of the capital gain in



question. For Spanish tax purposes, such certificate is generally valid for one year from the date the certificate was issued.

- If a Qualifying Shareholder which is a holder of Santander's shares elects to receive the proceeds from the sale at a fixed price for the rights derived from the scrip dividend, the tax regime applicable to the amounts received will be that applicable to the cash dividends.

As a general rule, dividends paid by Santander to a Qualifying Shareholder are subject to NRIT on the gross amount of dividend at the current rate of 19%. Qualifying Shareholders will not be required to file a Spanish tax return in respect of dividends received on the Shares from which NRIT is withheld. Notwithstanding the above, Qualifying Shareholders may benefit from a 15% reduced rate of NRIT on the gross amount of dividends under the Treaty, pursuant to the standard refund procedure (as described immediately below).

According to the Spanish Regulations on NRIT approved by Royal Decree 1776/2004 of 30 July and the Order dated 17 December 2010, a refund for the amount withheld in excess of the Treaty can be obtained from the relevant Spanish tax authorities. To pursue a refund claim, a Qualifying Shareholder is required to file:

- the applicable Spanish tax form (currently, Form 210); and
- a certificate of tax residence issued by the Polish tax authorities stating that to their knowledge, the Qualifying Shareholder is a tax resident of Poland within the meaning of the Treaty. For Spanish tax purposes, such Treaty certificates are generally valid for one year from the date they are issued.
- evidence that Spanish NRIT was withheld with respect to the Qualifying Shareholder.

For the purposes of the Spanish standard refund procedure, a Qualifying Shareholder must file Form 210 (together with the corresponding documentation) within the period from 1 February of the year following the year in which the NRIT was withheld and ending on the expiration of the four-year period which commenced with the end of the corresponding filing period in which the Company reported and paid such withholding taxes. The Spanish Revenue Office must make the refund within six months after the refund claim is filed. If such period lapses without the Qualifying Shareholder receiving the refund, the Qualifying Shareholder is entitled to receive interest for late payment on the amount of the refund claimed. For further details, prospective Qualifying Shareholders should consult their tax advisors.

## **2 Selected Polish tax considerations**

*This information is of a general nature and does not constitute an exhaustive analysis of the tax consequences related to the acquisition, holding or disposal of the bonus share rights and the New Shares under Polish tax law. Therefore, investors should, in individual cases, consult their own tax, financial or legal advisers or secure an official position of the relevant administrative authorities having jurisdiction in such area. The term "dividend" used below, as well as any other term applied in this information, has the meaning ascribed thereto under Polish tax law.*

### **2.1 Polish personal income taxation**

#### **2.1.1 The receipt of the bonus share rights and the New Shares by individuals who are Polish tax residents**

In accordance with Article 3, section 1 of the Polish Personal Income Tax Act, individuals, provided that they reside within the territory of the Republic of Poland, are liable to pay tax on all of their income (revenues) regardless of the location of the source of revenues (unlimited tax obligation). An individual is deemed to be 'residing within the territory of the Republic of Poland' if: (i) such individual's centre of personal or economic interests (the centre of their vital interests) is within the territory of the Republic of Poland; or (ii) such individual stays within the territory of the Republic of Poland more than 183 days in any tax year.

Pursuant to Article 24, section 5, item 4 of the Polish Personal Income Tax Act, income (revenue) from a share in the profits of a legal person is income (revenue) actually earned from such share, including income equivalent to the amounts transferred to the share capital from other capitals of a legal person. Therefore, both the granting of bonus share rights and the New Shares to the shareholders for no consideration in connection with the share capital increase may result in such rights and the New Shares constituting taxable income for the shareholders. More detailed rules regarding the taxation of income from dividends and other revenues from a share in the profits of legal persons are described in section "2.1.3 Taxation of income (revenue) from dividends and other revenue from a share in the profits of legal persons earned by individuals who are Polish tax residents".

### **2.1.2 Taxation of income from the disposal of securities earned by individuals who are Polish tax residents**

In the case of the disposal by a Polish tax resident of property located in another country, the tax treaty between Poland and that country applies. According to Article 13, section 3 of the Treaty, gains from the disposal of property, except for property related to the operation of a permanent establishment, are taxed exclusively in the country in which the disposer of the property is resident. Thus, income from the disposal of securities (including the New Shares) earned by a Polish tax resident is taxed in Poland according to the Treaty.

Pursuant to Article 30b, section 1 of the Polish Personal Income Tax Act, income on the transfer of the ownership of securities (including the New Shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and tax deductible costs, including the expenditure relating to the acquisition of such securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

An individual who derives gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit to the competent tax office, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return indicating the amount of gains or losses.

The above regulations do not apply if the sale of securities for consideration is a consequence of the conduct of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the conduct of such activities and should be settled according to general terms.

### **2.1.3 Taxation of income (revenue) from dividends and other revenue from a share in the profits of legal persons earned by individuals who are Polish tax residents**

Pursuant to Article 30a, section 1 point 4 of the Polish Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. According to Article 30a, section 9, taxpayers are entitled to deduct the value of the tax paid abroad, but such deduction cannot exceed the amount of tax calculated at the rate of 19%.

Individuals are required to disclose income (revenue) from dividends and other revenues from a share in the profits of legal persons situated abroad and the applicable tax due in their annual tax returns filed by the end of April of the year following the given financial year and pay the income tax due to the account of the relevant tax office.

### **2.1.4 Taxation of income (revenue) earned by individuals who are not Polish tax residents**

In accordance with Article 3, section 2a of the Polish Personal Income Tax Act, individuals who do not reside within the territory of the Republic of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax liability). Therefore, income from the disposal of foreign securities and income (revenue) from dividends and other revenue from a share in the profits of legal persons situated outside Poland earned by individuals who are not Polish tax residents should not be subject to income taxation in the Republic of Poland.

## **2.2 Polish corporate income taxation**

### **2.2.1 The receipt of the bonus share rights and the New Shares by companies who are Polish tax residents**

For the purposes of the Polish Corporate Income Tax Act the terms “company” and “taxpayer” apply also to limited joint-stock partnerships (“*spółka komandytowo-akcyjna*”).

In accordance with Article 3, section 1 of the Polish Corporate Income Tax Act, taxpayers having their seat or board within the territory of the Republic of Poland (“Polish Corporate Income Taxpayers”) are liable to pay tax on all of their income, irrespective of the location of the source of revenues (unlimited tax liability).

Pursuant to the Article 10, section 1, item 4 of the Polish Corporate Tax Act, income (revenue) from a share in the profits of a legal person is the income (revenue) actually earned from such share, including income equivalent to the amounts transferred to the share capital from other capitals of a legal person. Therefore, both the granting of the bonus share rights and the New Shares to the shareholders for no consideration in connection with the share capital increase may constitute taxable income for shareholders. More detailed rules on the taxation of income from dividends and other revenues from a share in the profits of legal persons are described

in section “2.2.3 Taxation of income (revenue) from dividends and other revenue from a share in the profits of legal persons earned by companies who are Polish tax residents”.

### **2.2.2 Taxation of income from the disposal of securities earned by companies who are Polish tax residents**

According to Article 13, section 3 of the Treaty, gains from the disposal of property are taxed exclusively in the country in which the disposer of the property is resident. Thus, income from the disposal of the New Shares, except for the New Shares related to the operation of a permanent establishment, earned by Polish tax residents should be taxed in Poland.

Gains on the disposal of securities (including the New Shares) by companies who are Polish tax residents are subject to taxation based on the general rules stipulated in the Polish Corporate Income Tax Act. Taxable income is the difference between the proceeds from the disposal of securities and the tax-deductible costs, including expenditure relating to the acquisition of such securities. The income thus computed is aggregated with the other income of the Polish Corporate Income Taxpayers. Such income is taxed at a rate of 19%. In addition to the standard rate of 19%, there is also a reduced corporate income tax rate of 15%. This preferential tax rate is in general available to: (i) small taxpayers, meaning entities the sales revenues (including the VAT amount) of which in the preceding tax year did not exceed the PLN equivalent of EUR 1,200,000; and (ii) new taxpayers that have just opened for business in the first year of operation.

### **2.2.3 Taxation of income (revenue) from dividends and other revenue from a share in the profits of legal persons earned by companies who are Polish tax residents**

As a rule, dividend income and other income from a share in the profits of non-resident companies are aggregated with the income (revenues) earned from other sources and are subject to taxation at a standard rate of 19%.

Pursuant to Article 20, section 1 of the Polish Corporate Income Tax Act, if Polish Corporate Income Taxpayers earn income (revenue) also outside of the territory of the Republic of Poland and if that income is taxable in a foreign state, that income (revenue) should be combined with the income (revenue) earned in the territory of the Republic of Poland in a tax return for the tax year concerned. If this is the case, the amount equivalent to the tax paid in the foreign state is deducted from the tax due on the aggregate income. However, the deducted amount must not exceed the part of the tax calculated before deduction that is proportionately associated with the income earned in the foreign state.

Pursuant to Article 20, section 3 of the Polish Corporate Income Tax Act, income (revenues) from dividends and other revenues from qualifying shares in profits of corporate entities derived by taxpayers referred to in Article 20, section 1 is tax exempt in Poland if:

- (i) the dividend and other revenues from shares in the profits of corporate entities are paid by a company that pays income tax on all of its income in an EU or EEC member state, regardless of where the income has been generated;
- (ii) the entity receiving income (revenues) from dividends and other revenues from shares in the profits of the corporate entities referred to in point (i) is a company which is subject to income tax and has its registered seat or management board within the territory of the Republic of Poland;
- (iii) the company referred to in point (ii) holds at least a 10% direct shareholding in the share capital of the company referred to in point (i), provided a two-year period of uninterrupted holding can be demonstrated; and
- (iv) the entity described in point (ii) above is not exempt from income tax on its entire income, regardless of the location of its source.

Moreover, based on Article 20 section 15 of the Polish Corporate Income Tax Act, the above exemption applies: (a) if the shares (referred to in section (iii) above) are held on the basis of an ownership title; (b) with respect to income generated from shares held on the basis of the following titles: (A) an ownership title, (B) any title other than an ownership title, provided that such income (revenues) would qualify for the exemption if the holding of such shares was not transferred.

In the case of a failure to satisfy the condition of holding shares in the required amount without interruption for two years, including after the payment of dividend, the taxpayer will be required to make a correction to their annual tax returns for the tax years in which such exemption was enjoyed and, as a consequence, to pay outstanding taxes, if any. Pursuant to Article 22b of the CIT Act, the above-referenced exemption applies on the condition that there are legal grounds therefor under a double tax treaty or another ratified international

agreement to which the Republic of Poland is a party for the tax authority to obtain tax information from a tax authority of a state other than the Republic of Poland where the taxpayer has its registered seat or where the income was generated.

The above-mentioned exemption does not apply to liquidation proceeds and dividends and other income (revenues) from a share in the profits of legal persons with respect to the part of the amounts of dividend and other income (revenues) from a share in the profits of legal persons which are in any way treated as tax deductible costs or deducted from the income, taxable base or the taxes of the company paying out the dividends or such income in the state where such company is located. Pursuant to Article 22c, section 1 of

the CIT Act, exemption of dividend does not apply if the dividend income (revenue) from dividend or other revenues from a share in the profits of legal persons is gained in connection with the execution of an agreement or any other legal transaction, or a series of connected transactions, the principal or one of the principal objectives of which was to be granted an exemption from income tax, while the grant of such exemption does not exclusively result in eliminating the double taxation of such income (revenue) and the above-referenced actions are not of a real nature. For the purposes of Article 22c, section 1 of the CIT Act, an agreement or any other legal transaction is not of a real nature to the extent that it is not executed for justified economic reasons. This applies specifically to any circumstances when, by way of the transactions referred to in Article 22c, section 1 of the CIT Act, the transfer applies to the ownership title to shares in a company that pays dividend or a company generates revenue (income) subsequently paid in the form of dividend or other revenue from a share in the profits of legal persons.

#### **2.2.4 Taxation of income (revenue) earned by companies who are not Polish tax residents**

Pursuant to Article 3, section 2 of the Polish Corporate Income Tax Act, taxpayers who do not have their registered office or management board within the territory of the Republic of Poland are required to pay tax exclusively on income earned within the territory of the Republic of Poland. Therefore, income from the disposal of foreign securities and income (revenue) from dividends and other revenue from a share in the profits of legal persons situated outside Poland earned by companies who are not Polish tax residents should not be subject to income taxation in the Republic of Poland.

#### **2.3 Tax on civil law transactions**

Pursuant to Article 1, section 1, item 1, letter a, in conjunction with Article 1, section 4 of the Polish Act on Tax on Civil Law Transactions, tax on civil law transactions applies to agreements for the sale or exchange of property rights. Such transactions are subject to taxation if, inter alia, they apply to property rights exercised abroad, the transferee has its place of residence or seat in the territory of the Republic of Poland and such civil law transaction was executed within the territory of the Republic of Poland.

As a general rule, the sale of shares in companies is treated as a sale of property rights and is therefore subject to tax on civil law transactions at the rate of 1%. Tax liability arises once the transaction is executed and it is the transferee, in the case of a purchase agreement, that is liable for paying the tax. The tax base is the market value of the property right. Taxpayers are required, without any additional requests having been made by the tax authorities, to file a tax return concerning tax on civil law transactions and to calculate and pay such tax within 14 days from the date such tax liability arises, unless the tax is collected by a tax remitter who, in the case of civil law transactions executed in the form of notarial deeds, is a notary.

Simultaneously, under Article 9, item 9 of the Polish Act on Tax on Civil Law Transactions, the sale of property rights that are brokerage financial instruments: (i) to investment companies and foreign investment companies; or (ii) through the intermediation of investment companies and foreign investment companies; or (iii) in organised trading; or (iv) outside of organised trading by investment companies and foreign investment companies, if such financial instruments had been acquired by such firms as a part of organised trading, within the meaning of the Polish Act on Trading in Financial Instruments, is exempt from tax on civil law transactions.

#### **2.4 Taxation of gifts and inheritance**

Pursuant to the Polish Act on Tax of Gifts and Inheritance, any Polish tax on inheritance, gifts and donations should be paid by natural persons who received a title to, inter alia, property rights exercised outside the territory of Poland by right of succession, as a particular legacy, further legacy, absolute legacy, testamentary instruction, gift or a donor's instruction if, at the moment of the acquisition of these property rights, the acquirers were Polish citizens or had a permanent place of residence within the territory of the Republic of Poland.

It is the acquirer of the title to property rights who is subject to tax liability. The taxable base is the value of the property rights received after deducting the debts and charges (net value), assessed based on the condition of the

property rights on the date of their receipt and based on the market prices applicable as at the date when the tax liability arose. The tax amount is computed according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship to the person from whom the property rights were received or inherited. Inheritances and gifts are taxed at a progressive rate ranging from 3% to 20% of the taxable base, depending on the tax group to which the recipient was assigned. There are certain amounts which are exempt from tax in each group. Taxpayers are required to file, within one month from the date on which the tax liability arose, with the competent head of the tax office a tax return in the appropriate form specifying the receipt of the property rights. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from the receipt of the decision issued by the head of the tax office assessing the amount of the tax liability.

Under Article 4a, section 1 of the Act on Tax of Gifts and Inheritance, the receipt of a title to property rights (including the New Shares) by a spouse, descendant, ascendant, stepson, siblings, stepfather or stepmother is tax exempt, provided that such individuals notify the competent head of the tax office of their receipt of title to the property rights within six months from the date on which the tax liability arose, and in the case of their receipt by right of succession, within six months from the date on which the court decision on the accession to the estate becomes final and binding. In the case of a failure to meet such conditions, the receipt of the title to the property rights is subject to taxation on the terms defined for acquirers assigned to the relevant tax group.

## ABBREVIATIONS AND DEFINITIONS

<b>Board of Directors</b>	The board of directors of the Company.
<b>CNMV</b>	Spanish National Securities Market Commission.
<b>Company, Santander, Bank</b>	Banco Santander, S.A., a joint stock company established under the laws of Spain, with its registered office in Paseo de Pereda 9-12, 39004 Santander, Spain (the parent company of the Group and the issuer of the New Shares).
<b>Directive 2003/71/EC</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union of 4 November 2003 on the prospectuses to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.
<b>EC</b>	The European Community.
<b>ECB</b>	European Central Bank
<b>EU</b>	The European Union.
<b>EURO, EUR</b>	The lawful currency of the Euro zone.
<b>Euroclear</b>	Euroclear Bank SA/NV.
<b>Euroclear Nominees</b>	E.C. Nominees Limited, a subsidiary of Euroclear.
<b>Exercise Period</b>	Has the meaning set forth on Section II.11.5 of this Information Memorandum.
<b>General Meeting</b>	The general meeting of the shareholders of the Company.
<b>Group</b>	The capital group involving Santander as the controlling entity with its Subsidiaries subject to consolidation.
<b>Group Company</b>	A company belonging to the Group.
<b>Iberclear</b>	<i>Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal</i> , the Spanish central securities depository.
<b>Iberclear Participant</b>	The Iberclear participant with which Euroclear (through Euroclear Nominees) keeps an account in which the shares held by Euroclear for the benefit of the Polish Investors are registered in the Iberclear system, which currently is BNP Paribas Securities Services, S.A.
<b>Information Memorandum, Memorandum</b>	This information memorandum.
<b>Issue Resolution</b>	Has the meaning set forth on Section I.3 of this Memorandum.
<b>Market Abuse Regulation</b>	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.

<b>Member State</b>	A Member State of the European Economic Area.
<b>Memorandum Ordinance</b>	Polish Ordinance of the Polish Minister of Finance of 6 July 2007 regarding the Detailed Conditions that Should Be Satisfied by an Information Memorandum referred to in Article 39 Section 1 and Article 42 Section 1 of the Polish Act on Public Offering.
<b>New Shares</b>	Up to 112,961,784 ordinary registered shares issued in the share capital of the Company to be issued.
<b>NDS</b>	The National Depository of Securities in Poland (in Polish: <i>Krajowy Depozyt Papierów Wartościowych S.A.</i> ), with its registered office in Warsaw.
<b>PFSA or Polish Financial Supervision Authority</b>	The Polish Financial Supervision Authority (in Polish: <i>Komisja Nadzoru Finansowego</i> ).
<b>PLN</b>	The zloty, the lawful currency of Poland.
<b>Polish Act on Public Offering</b>	The Polish Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated 29 July 2005.
<b>Polish Act on Supervision over the Capital Market</b>	The Polish Act on Supervision over the Capital Market dated 29 July 2005.
<b>Polish Act on Tax of Gifts and Inheritance</b>	The Act of 28 July 1983 on Tax of Gifts and Inheritance (consolidated text of the Journal of Laws of 2017, item 833, as amended).
<b>Polish Act on Tax on Civil Law Transactions</b>	The Act of 9 September 2000 on Tax on Civil Law Transactions (consolidated text of the Journal of Laws of 2017, item 1150, as amended).
<b>Polish Act on Trading in Financial Instruments</b>	The Polish Act on Trading in Financial Instruments dated 29 July 2005.
<b>Polish Corporate Income Tax Act</b>	The Act of 15 February 1992 on Corporate Income Tax (consolidated text of the Journal of Laws of 2016, item 1888, as amended).
<b>Polish Investors</b>	Holders of Santander shares traded through the NDS system recorded in securities accounts kept by NDS participants.
<b>Polish Personal Income Tax Act</b>	The Act of 26 July 1991 on Personal Income Tax (consolidated text of the Journal of Laws of 2016, item 2032, as amended).
<b>Regulation 809/2004</b>	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and the dissemination of advertisements.
<b>Regulation S</b>	Regulation S as promulgated under the U.S. Securities Act.
<b>Securities Market Act</b>	The Spanish reinstated text of the Securities Market Law, as approved by Royal Legislative Decree 4/2015 of 23 October.

<b>Treaty</b>	The Convention of 15 November 1979 between the Government of Poland and the Government of Spain for the Avoidance of Double Taxation with Respect to Taxes on Income and on Capital.
<b>Spanish Capital Corporations Law</b>	Spanish Royal Decree 1/2010 approving the Spanish Capital Corporations Law, as amended.
<b>Spanish Stock Exchanges</b>	Spanish Stock Exchanges (Madrid, Barcelona, Bilbao and Valencia through the Spanish Automated Quotation System (“ <i>Mercado Continuo</i> ”)).
<b>Spanish Supervision and Solvency Act</b>	Spanish Act 10/2014 of 26 June on the organisation, supervision and solvency of credit entities.
<b>Statute</b>	The statute (i.e. the by-laws or “ <i>estatutos sociales</i> ” in Spanish) of the Company.
<b>Subsidiaries</b>	Subsidiaries of Santander, the financial statements of which are consolidated in the consolidated financial statements of the Group.
<b>U.S.</b>	The United States of America.
<b>U.S. Securities Act</b>	The United States Securities Act of 1933, as amended.
<b>USD</b>	The U.S. Dollar, the lawful currency of the United States.
<b>WSE, Warsaw Stock Exchange</b>	The Warsaw Stock Exchange (in Polish: <i>Giełda Papierów Wartościowych w Warszawie S.A.</i> ).
<b>WSE Listing</b>	The introduction of the New Shares to trading on the main market of the WSE based on this Information Memorandum.