

*These materials are for promotional purposes only and under no circumstances shall constitute the basis for a decision to invest in the shares of Banco Santander, S.A. (the "Company"). The information memorandum (the "Memorandum") prepared on the basis of 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, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 and the Ordinance of the Polish Minister of Finance of 8 August 2013 on the Detailed Conditions that Should Be Satisfied by an Information Memorandum referred to in Article 39 of the Polish Act on Public Offering in connection with the public offering and admission and introduction of the Company's new shares to be issued within the Santander Scrip Dividend scheme (the "New Shares"), to trading on the regulated market operated by the Warsaw Stock Exchange ("WSE") is the sole legally binding document containing information on the Company and the offering of its New Shares in Poland and their admission and introduction to trading on the WSE (the "Offering"). For the purposes of the Offering in Poland and admission and introduction of the New Shares to trading on the WSE, the Company will make the Memorandum available on the Company's website [www.santander.com](http://www.santander.com) and at the website of BZ WBK S.A., [www.bzwbk.pl](http://www.bzwbk.pl) (in the section "Investor relations").*

## QUESTIONS AND ANSWERS REGARDING THE SANTANDER SCRIP DIVIDEND SCHEME (SANTANDER DIVIDENDO ELECCIÓN)

The purpose of the Santander Scrip Dividend scheme is to offer all the Bank's shareholders the option to receive, at their discretion, cash or newly issued shares of the Bank free of charge, on the date on which, traditionally, payment is made of the final dividend of the 2014 financial year (April/May 2015).

The contents of this document 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.

### 1. Why the Santander Scrip Dividend scheme?

Banco Santander has reformulated its shareholder remuneration policy with the object of once again paying the majority of shareholders' quarterly remuneration in cash. In particular, the Bank intends to offer remuneration of 0.20 euros per share with a charge to the 2015 results, which would be paid, as always, in four payments, of which three will be received in cash and the other in shares or cash at the shareholders' discretion, under the Santander Scrip Dividend scheme. In subsequent financial years, the Bank aims for its cash pay-out to represent between 30% and 40% of its recurring profit, instead of the current 20%, and for shareholder remuneration to match the growth of its results.

Notwithstanding the aforementioned change in remuneration policy, Banco Santander maintains its stated intention to apply the Santander Scrip Dividend scheme to the compensation corresponding to the final dividend for 2014.

Through the Santander Scrip Dividend scheme shareholders can receive free-of-charge shares of the Bank subject to the tax regime applicable to them, without limiting in any way the possibility of those shareholders who so wish to receive the total amount of their annual compensation in cash.

The offer to the shareholders of the **alternative** to receive, at their discretion, either shares or cash has been structured through a capital increase to be charged to reserves.

### 2. What is the Santander Scrip Dividend scheme?

It is the shareholder compensation programme through which this alternative is implemented and which Banco Santander uses to allow shareholders to decide whether they prefer to receive part of their compensation in cash or in bonus shares of Santander.

Shareholders will automatically receive, without charge, bonus share rights that will be listed on the Spanish stock exchanges for a minimum of 15 days prior to the dates on which the final dividend of the relevant financial year is normally paid (for the 2014 financial year, April/May 2015). Shareholders may choose to either (i) sell the rights

and receive compensation in cash or (ii) retain them and receive new shares. The Bank will guarantee, through an irrevocable commitment to purchase the rights at a fixed price, that all shareholders who wish to do so can sell the rights received free of charge and receive a cash amount.

### 3. When will the Santander Scrip Dividend scheme be implemented?

**On the date** when the **final dividend (for the 2014 financial year, April/May 2015)** is normally paid.

### 4. Will I receive less if I choose cash?

No, the Bank undertakes to purchase the shareholders' bonus share rights at a fixed price (Purchase Commitment), to be calculated prior to the opening of the trading period of the bonus share rights. The gross price that shareholders will receive for the sale to the Bank of all their bonus share rights under the Purchase Commitment will be equal to the value of the new shares that they would have received had they not sold their rights<sup>1</sup>.

### 5. What are my options? What can I do with the bonus share rights that I am entitled to receive?

**You have 3 options:**

- Not to sell the rights and receive **shares** (not subject to withholding tax in Spain nor in Poland; in Poland, both the receipt of the bonus share rights and the receipt of shares free of charge (if the value of received shares is larger than the value of the bonus share rights) should be subject to Polish income tax, which is not withheld by the Bank).
- To sell your rights on the market and receive a **cash amount** (not subject to withholding tax in Spain nor in Poland; in Poland, both the receipt of the bonus share rights and the income from the sale of rights on the market should be subject to Polish income tax, which is not withheld by the Bank).
- To sell your rights to Banco Santander at a guaranteed price and receive a **cash amount** (subject to withholding tax in Spain and not subject to withholding tax in Poland; in Poland, both the receipt of the bonus share rights and the income from the sale of rights to Banco Santander should be subject to Polish income tax, which is not withheld by the Bank). **But, in that case, what do I have to do to receive the amount of the Santander Scrip Dividend scheme in cash in the form of traditional dividends?**

You must contact the financial institution with which your shares are deposited.

### 7. What is better for me, cash or shares?

In reality, you decide. It is ultimately your decision. If you need liquidity or, in general, if you prefer cash, sell the rights. But if you prefer to receive new Santander shares without charge and in a tax-efficient manner for Spanish tax purposes (i.e., not subject to Spanish withholding tax), which you will always be able to sell as and when you decide, the best option would probably be not to sell the rights and receive shares. For Polish tax purposes, choosing to receive the new Santander shares is not more tax-efficient than choosing the cash payment.

### 8. If I opt for cash, what is preferable, to sell on the market or to the Bank?

If you sell to Banco Santander, you have a **guaranteed price**. In Spain, **this price is subject to the same Spanish withholding tax that applies to cash dividends**. In Poland, the income from the sale of rights to Banco Santander should be subject to Polish income tax, which is not withheld by the Bank. The Polish tax consequences of the sale of the free allotment rights are similar in the case of the sale on the market and the sale to the Bank.

Santander will not charge you for any expenses arising from the sale. Your depository may charge these expenses unless it is Bank Zachodni WBK S.A. which will not charge any expenses with regard to such sale.

If you sell on the market, no Spanish withholding tax will be applicable and no Polish withholding tax should be applicable (in Poland, the income from the sale of rights to Banco Santander should be subject to Polish income tax, which is not withheld by the Bank), but you will not be entitled to the price guaranteed by the Bank either.

<sup>1</sup> Subject to rounding.

Accordingly, in this case, you could receive a higher or lesser cash amount than if you decide to sell to the Bank. Customary selling expenses will apply.

In Poland, the tax consequences of the sale of the bonus share rights are similar in the case of the sale on the market and the sale to the Bank..

#### **9. If I decide to receive shares, do I have to pay for them?**

No. Santander will not charge you for them. Your depository may charge these expenses unless it is Bank Zachodni WBK S.A. which will not charge any expenses with regard to the shares.

#### **10. Can I choose to receive part in cash and part in bonus shares?**

Yes. To do so, you will have to sell part of your rights and keep the rest.

#### **11. What happens if I do not make a choice?**

You will automatically receive shares (in this case you may also receive part of your compensation in cash if you have rights that are insufficient to receive one share – see point 22 below).

#### **12. What is the deadline to notify my choice?**

You must contact the bank or financial institution with which your shares are deposited (i.e. your depository) and follow its instructions.

Each depository can set its own deadline, taking into account that it must notify the Polish National Securities Depository (*Krajowy Depozyt Papierów Wartościowych*) of the choices of all its clients within the deadline that will be specified by the Polish National Securities Depository (the above-mentioned deadline will probably be set at 1:00 p.m. on 22 April 2015).

#### **13. Does this entail a change in the Bank's cash dividend policy in the sense that, should Santander Scrip Dividend scheme be implemented, the shareholder will not be entitled to receive their compensation in cash?**

No. The Bank continues to guarantee that all shareholders who so wish will receive the entire compensation in cash, even when this compensation is paid through the Santander Scrip Dividend scheme.

#### **14. If I choose to keep my shares, does withholding tax apply?**

No Spanish withholding tax applies. No Polish withholding tax is levied either (in Poland, if the value of received shares is larger than the value of the bonus share rights, the receipt of shares free of charge should be subject to Polish income tax, which is not withheld by the Bank).

#### **15. If I sell my rights on the market, does withholding tax apply?**

No Spanish withholding tax applies. No Polish withholding tax is levied either (in Poland, income from the sale of rights on the market should be subject to Polish income tax, which is not withheld by the Bank).

#### **16. If I sell my rights to Banco Santander, does withholding tax apply?**

In Spain, the same withholding tax as that applicable to cash dividends applies. No Polish withholding tax is applicable either (in Poland, the income from the sale of rights to Banco Santander should be subject to Polish income tax, which is not withheld by the Bank).

### 17. If I choose to get shares, when will I receive them?

No sooner than 8 May 2015 (estimated date), the planned date for the first listing of the new shares on the Warsaw Stock Exchange and their registration with the Polish National Securities Depository (*Krajowy Depozyt Papierów Wartościowych*).

### 18. If I choose to sell my rights on the market, when will I receive the money?

According to the information provided to Santander by the Euroclear Bank N.V. through the Polish National Securities Depository (*Krajowy Depozyt Papierów Wartościowych*), the bank or financial institution with which your shares are deposited (i.e. your depository) will send you the proceeds from sale on or about 4 May 2015.

### 19. If I choose to sell my rights to Santander, when will I receive the money?

Roughly on the date when shareholders of Santander normally received payment of the dividend in cash.

### 20. How many rights do I receive for each of my Santander shares?

One right per share.

### 21. How many rights do I need to receive a new share?

That depends on the listing price of Santander shares. This information will be communicated to the shareholders in due course.

### 22. What happens with odd-lots (rights that are insufficient to receive a share)?

The system enabled by the Polish National Securities Depository (*Krajowy Depozyt Papierów Wartościowych*) and Euroclear will have the odd-lots of all Polish investors aggregated and sold on the Spanish stock exchanges or sold to Santander<sup>2</sup>.

According to the information provided to Santander by the Euroclear Bank N.V. through the Polish National Securities Depository, the bank or financial institution with which your shares are deposited (i.e. your depository) will send you your share of the proceeds on or about 4 May.

### 23. Am I allowed to purchase additional rights on the Spanish market?

No, Polish investors are not allowed to do that.

### 24. What is the market value of the capital increase?

EUR 2,165 million.

### 25. So, what will I receive in April/May 2015?

In April/May 2015, Banco Santander intends to offer its shareholders bonus shares with a value that will be set in accordance with the listing price of the shares at the time of the implementation and that amounts to gross EUR 2,165 million. On this occasion, this results in a gross compensation of approximately EUR 0.151 per share (subject to Spanish withholding tax if the rights are sold to the Bank).

Given that the purpose of the Purchase Commitment is to convert the amount of the Santander Scrip Dividend scheme into cash, and considering that each outstanding share will grant its holder one bonus share right, the gross price per right at which the Purchase Commitment is made on this occasion equals a gross amount of EUR 0.151 per share.

<sup>2</sup> Depending on the options made available in this respect for Polish investors by their depositories.

## 26. Why is the Bank doing this?

In order to benefit shareholders by allowing them to continue to choose to receive, on the occasion of the payment of the compensation related to the final dividend for 2014, part of their compensation in cash or in bonus shares. Banco Santander is thereby keeping a practice that is already followed by other international banks and by other companies listed on the IBEX-35.