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**BANCO SANTANDER, S.A.**



**Informative Document**

**prepared in connection with  
the public offering of up to 722,526,720 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 722,526,720 ordinary  
registered shares**

This Informative Document (the “**Informative Document**”) has been prepared in relation to the public offering of up to 722,526,720 ordinary registered shares in Banco Santander, S.A. (“**Santander**”, the “**Bank**” or the “**Company**”) to be issued pursuant to the share capital increase of the Bank charged to the reserves (the “**Increase**”) and allotted free of charge to the existing shareholders of the Bank (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 Informative Document has been prepared pursuant to article 1.5.(g) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, according to which the preparation and publication of a prospectus related to the admission to trading of the shares issued as a consequence of the execution of the Increase will not be necessary “provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer” and Article 39 section 1 in conjunction with Article 37B sections 2-6 of the Act on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and on Public Companies dated 29 July 2005 (consolidated text in the Journal of Laws of 2019 item 623, as amended).

This Informative Document has not been approved by the Polish Financial Supervision Authority (the “**PFSA**”, 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 INFORMATIVE DOCUMENT IS NOT AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES.**

This Informative Document 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 Informative Document in any jurisdiction outside of Poland.

The Informative Document, 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 Informative Document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company.

This Informative Document has been published in Polish on the Company's website ([www.santander.com](http://www.santander.com)) and on the website of Santander Bank Polska S.A. ([www.santander.pl](http://www.santander.pl), in the section "*Investor relations*"). In addition, an English convenience translation of the Informative Document will be published at [www.santander.com](http://www.santander.com) and at [www.santander.pl](http://www.santander.pl) (in the section "*Investor relations*"). Please note that the only binding language version of the Informative Document is the Polish version.

The date of the Informative Document is 12 November 2020.

## 1. OBJECT

The ordinary general shareholders' meeting of Banco Santander, S.A. ("**Banco Santander**", "**Santander**" or the "**Bank**") held on October 27, 2020 resolved, under item Third B of its agenda, to increase the share capital of Banco Santander, with full charge to reserves, in an amount to be determined in accordance with the terms and conditions set out in the resolution (the "**Increase**"), delegating the execution of the Increase to the board of directors, with authority to delegate in turn to the executive committee, pursuant to article 297.1.a) of the consolidated Spanish Capital Corporations Law, as passed by means of Royal Legislative Decree 1/2010, of 2 July ("**Spanish Capital Corporations Law**").

The executive committee of the Bank, on November 12, 2020, has resolved to execute the Increase in accordance with the terms and conditions set out by the ordinary general shareholders' meeting, and has fixed the overall market value of the Increase ("*Valor de Mercado de las Acciones*") in 1,700 million Euro, pursuant to that resolution of the general shareholders' meeting.

In accordance with article 1.5.(g) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017, the preparation and publication of a prospectus related to the admission to trading of the shares issued as a consequence of the execution of the Increase will not be necessary "*provided that a document is made available containing information on the number and nature of the shares and the reasons for and details of the offer*". This informative document provides such information.

## 2. PURPOSE OF THE INCREASE

The purpose of the Increase is to allow the implementation of the remuneration of 0.10 euros per share in the form of newly issued shares that was announced on July 29, 2020.

On March 27, 2020, the European Central Bank ("**ECB**") issued a recommendation urging all European credit institutions under its supervision to refrain, at least until October 1, 2020, from distributing dividends with a charge to the results of the 2019 and 2020 financial years or from making irrevocable commitments to distribute them, in order to preserve capital (the "**Recommendation I**").

Taking into consideration Recommendation I and in line with the Bank's mission to help individuals and companies progress, on April 2, 2020, the board of directors decided to cancel the payment of the 2019 supplementary dividend and the 2020 dividend policy, agreeing, among other issues, to remove from the agenda of the next day's ordinary general meeting the proposal for the application of results and the agreement to increase capital from reserves that was to serve to implement the *Santander Dividendo Elección* program in addition to the remuneration from those results. Thus, the decision on the application of the results obtained by the Bank in 2019 was postponed. The Bank informed the CNMV of all the above by means of the corresponding communication of privileged information on April 2, 2020 and at the general shareholders' meeting that was held on April 3, 2020.

Subsequently, on July 27, 2020, the ECB issued a second recommendation addressed to all European credit institutions under its supervision, extending the effects of Recommendation I and urging them to refrain, until January 1, 2021, from distributing dividends from the results of the 2019 and 2020 financial years or from making irrevocable commitments to distribute them (the "**Recommendation II**").

In this context, on 29 July 2020 the board of directors stated its intention to remunerate shareholders through the delivery of newly issued shares, in an amount equivalent to 0.10 euros per share. The purpose of the Increase is to issue the shares needed to meet this remuneration.

It has not been proposed to implement such remuneration through the application of the *Programa Santander Dividendo Elección* since the provision for the non-dividend distribution contained in Recommendation II must also be understood to refer to the making of any type of cash payment that affects ordinary level 1 capital and reduces equity in quantity or quality. Under the *Programa Santander Dividendo de Elección*, the assumption by the Bank of a commitment to purchase the bonus share rights

would be a violation of said Recommendation II, since it would constitute a cash payment that would reduce equity.

Under the Increase, shareholders of Santander will receive a bonus share right for every Santander share held. These rights will be listed on and may be traded on the Spanish Stock Exchanges during a 15 calendar day period. Following the end of this period, the rights will be automatically converted into new Santander shares. Each shareholder may opt for one of the following alternatives<sup>1</sup>:

- (i) Receive new Santander shares. In this case, the shareholder will receive free of charge the number of shares corresponding to the number of rights held. The delivery of shares will not be subject to Spanish withholding tax or taxation for shareholders who are taxpayers of Personal Income Tax ("IRPF"), or Non-Resident Income Tax ("IRNR") who do not operate through a permanent establishment in Spain. Notwithstanding the above, this option could have an impact on the personal taxation of shareholders who are taxpayers of Spanish corporate income tax ("IS"), or IRNR who operate through a permanent establishment in Spain (regarding delivery of bonus share rights or their conversion into new Santander shares).
- (ii) Receive a cash payment through selling rights on market. Given that the rights will be listed, the shareholders may sell them on market at any time during the trading period described in section 3.4 below at the prevailing market price, which may be higher or lower than 0.10 euros. The proceeds for the on market sale are currently subject to a 19% Spanish withholding tax deduction on account of IRPF for Banco Santander shareholders who are subject to this tax, without prejudice to the personal taxation corresponding to those shareholders. If the shareholder is a taxpayer of IS or IRNR (regardless of whether or not they operate through a permanent establishment in Spain), no withholding on account of these taxes would apply, notwithstanding the personal taxation corresponding to these shareholders.

Additionally, shareholders will be able to combine the above mentioned alternatives in view of their specific needs.

Shareholders who do not make an election will receive new fully paid shares. The permanent instructions that have been given in the past to receive all *Santander Dividendo Elección* programs in cash will not be applicable to the Increase. Therefore, even if the shareholder has given this type of instruction in the past, if he wants to sell his rights he must contact the financial institution where he has his shares deposited in order to declare it.

### **3. DETAILS OF THE OFFER**

#### **3.1. Number of rights needed and number of shares to be issued**

Pursuant to the formulae set forth in section 2 of the general shareholders' meeting 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 is 23. The shareholders of Banco Santander who have acquired their Santander shares no later than at 23:59 h. on the day of publication of the announcement of the Increase in the Official Bulletin of the Commercial Registry ("*BORME*") (envisaged for 13 November 2020) and who appear as shareholders in the registries of *Iberclear* as at 23.59 h. on 17 November 2020, will be allotted a bonus share right for each share of Santander held. Therefore, the aforementioned shareholders will have the right to receive a new share for each 23 old shares held on the mentioned date.

Such number of rights has been calculated as follows, considering that the number of outstanding shares of the Bank ("NTAcc") is 16,618,114,582, that the overall market value of the Increase ("*Valor de Mercado de las Acciones*") is 1,700,000,000 Euros, as indicated above, and that the

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<sup>1</sup> See section 5 below for, *inter alia*, a summary of the tax regime applicable in Spain to the transaction.

price of the Santander share at the closing of the market on November 11, 2020 (“PreCot”), rounded to the nearest one-thousandth of a euro, is 2,349 Euros:

Num. rights =  $NTAcc / (Valor\ de\ Mercado\ de\ las\ Acciones / PreCot) = 16,618,114,582 / (1,700,000,000 / 2,349) = 22.96232 = 23$  rights (rounded up to the nearest whole number).

- (ii) The number of shares to be issued in the Increase is 722,526,720. This number results from the following formula:

$NAN = NTAcc / Num.\ rights = 16,618,114,582 / 23 = 722,526,720$  new shares (rounded down).

In order to ensure that the number of rights required to receive a new share and the number of shares to be issued were integers, this number has been rounded down to obtain a whole number of shares and a whole conversion ratio of rights per share. For this purpose, Pereda Gestión, S.A., a subsidiary of Banco Santander, has waived 22 bonus share rights, corresponding to 22 Santander shares owned by her.

### **3.2. Amount of the Increase and reserve against which it will be charged**

In view of the number of shares to be issued set out above, the amount of the Increase is 361,263,360 Euros. This number results from multiplying the number of shares to be issued by the nominal value of Banco Santander's shares (0.5 euros per share). The Increase will be made at par, without any share premium.

The amount of the Increase will be charged against the share premium reserves, which amounted to 52,446,040,935 Euros as of June 30, 2020.

### **3.3. Calendar**

The envisaged calendar for the execution of the Increase is the following:

- (i) November 13, 2020. Publication of the announcement of the Increase in the Official Bulletin of the Commercial Registry (*BORME*). Reference date for the allotment of rights (23:59 h. CET) (last trading date). Those who acquired their shares in the Bank by this date (inclusive) and appear as shareholders in the registries of Iberclear at 23:59 CET on 17 November 2020, will be entitled to take part in the Increase.
- (ii) November 16, 2020. Beginning of the trading period of the rights. Santander share quotes “ex-coupon” (*ex date*).
- (iii) November 30, 2020. End of the trading period of the rights.
- (iv) December 4 – December 10, 2020. Actions for the registration of the Increase and admission to listing of the new shares on the Spanish Stock Exchanges.
- (v) December 7 – December 10, 2020. Procedures for registering new shares in the National Depository of Securities and admission to trading of the new shares on the Warsaw Stock Exchange.
- (vi) December 11, 2020. Beginning of ordinary trading of new shares on the Spanish Stock Exchanges and the Warsaw Stock Exchange<sup>2</sup>.

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<sup>2</sup> Estimated date. Subject to the granting of the relevant authorizations. The admission to trading of the new shares on the foreign Stock Exchanges on which the shares of the Bank are traded shall also be requested.

### **3.4. Allotment of rights and procedure to sell bonus shares or receive new shares**

The bonus share rights will be allotted to the shareholders of Banco Santander who have acquired their Santander shares no later than at 23:59 h. on the day of publication of the announcement of the Increase in the Official Bulletin of the Commercial Registry (*BORME*) (envisaged for 13 November 2020) and who appear as shareholders in the registries of *Iberclear* as at 23:59 h. on 17 November 2020. The trading period of the rights will begin on the next business day and will have a term of fifteen calendar days (from November 16 to November 30, 2020).

During the trading period of the rights, the shareholders may opt for selling their bonus share rights on the market or receiving new Santander shares as explained above. A shareholder who does not have a sufficient number of rights to receive any shares, or to receive an additional share to the others that correspond to him, may buy on the market the number of bonus share rights that he lacks or sell the rights that are left over.

The sale of bonus share rights by Polish investors will have to be made on the Spanish market (i.e. on the Spanish Stock Exchanges). The bonus share rights will not be traded on the Warsaw Stock Exchange.

To choose among the alternatives offered by the Increase scheme, shareholders will have to contact the entities where their Santander shares and corresponding bonus share rights are deposited. Specifically:

- (i) Shareholders whose shares are deposited at Grupo Santander. Shareholders that opt to sell their bonus share rights in the market will have to contact their usual branch. In the absence of an express communication, shareholders will receive new Santander shares. Grupo Santander shall not charge any fees or costs to those shareholders who opt to receive new shares. In case of sale of the rights on market, Grupo Santander shall charge the usual fees or costs pursuant to the applicable regulations.
- (ii) Shareholders whose shares are deposited with other entities. These shareholders will have to contact the entity where their shares are deposited to make their decision. In the absence of an express communication, shareholders will receive new Santander shares<sup>3</sup>. The depository entities may charge to shareholders fees or costs related to the allotment of shares or to the sale of rights pursuant to the applicable regulations.

In any event, shareholders are urged to take into account the tax treatment of each of the options available to them, which are briefly summarized in section 5 below<sup>4</sup>. The Increase is carried out free of fees and costs for shareholders in connection with the allotment of the new shares, with Banco Santander assuming the costs for the issue, subscription, placing on market, listing and other related costs.

## **4. NATURE OF THE SHARES TO BE ISSUED**

### **4.1. Face value, issue price and representation of shares**

The new shares to be issued in the Increase will be ordinary shares with a face value of fifty Euro cents (0.5) each, of the same class and series as those currently outstanding. The new shares will be issued at an issue price of fifty Euro cents (0.5), that is, without issuance premium, and will be represented in book-entry form, the records of which will be kept by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (*Iberclear*) and its participant entities.

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<sup>3</sup> Special arrangements may exist for those shareholders who hold their shares through the UK nominees and in the form of ADRs – please note section 6.

<sup>4</sup> In any case, please bear in mind that this analysis of the tax treatment does not include all tax considerations that the various options may involve in relation to the execution of the Increase.

#### **4.2. Reserves to which the shares will be charged and balance sheet used for the Increase**

The Increase is free of charge and, therefore, does not require any payment from the shareholders. As stated above, the Increase will be charged against the share premium reserves, which amounted to 52,446,040,935 Euros as of June 30, 2020.

The balance sheet used for purposes of the Increase is that corresponding to June 30, 2020, duly audited by PricewaterhouseCoopers Auditores, S.L. and approved by the ordinary general shareholders' meeting on October 27, 2020 under item Third A of its agenda.

#### **4.3. Shares in deposit**

Following the end of the trading period of the bonus share rights, the new shares that have not been capable of being allotted due to causes not attributable to Banco Santander will be kept in deposit and available to those who evidence lawful ownership of the relevant bonus share rights. Three years after the end of the bonus share rights trading period, the shares still pending to be allotted may be sold at the risk and expense of the interested parties in accordance with article 117 of the Spanish Capital Corporations Law. The net proceeds of the sale will be deposited in the Bank of Spain or in the General Deposit Bank (*Caja General de Depósitos*) at the disposal of the interested parties.

#### **4.4. Rights of the new shares**

The new shares will confer the same voting and economic rights upon their holders as the currently outstanding ordinary shares of Banco Santander from the date on which the capital increase is declared to be subscribed and paid up, which is envisaged to happen on December 2, 2020.

#### **4.5. Admission to listing**

The Bank will apply for the listing of the new shares on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Automated Quotation System (*Mercado Continuo*), and shall take the steps and actions that may be necessary with the competent bodies of the foreign Stock Exchanges on which Banco Santander shares are traded (currently London, Warsaw, Mexico and New York – through ADSs –American Depositary Shares–) in order for the new shares issued under the Increase to be admitted to trading. Subject to the granting of the relevant authorizations, it is expected that the ordinary trading of the new shares in the Spanish Stock Exchanges and the Warsaw Stock Exchange will begin on December 11, 2020.

#### **4.6. The validity period of this Document**

The validity period of this Document shall expire upon the introduction of the newly issued shares to trading on the regulated market operated by the Warsaw Stock Exchange.

### **5. SELECTED ASPECTS PERTAINING TO TAXATION IN POLAND AND SPAIN**

*The information presented in this section constitutes an overview and is not intended as an in-depth analysis of the tax consequences associated with the acquisition, holding or transfer of shares arising under applicable tax laws. Therefore, all investors are advised to consult their tax, financial and legal advisors on a case-by-case basis.*

#### **5.1. Selected aspects pertaining to taxation in Spain**

Below there is a brief description of the tax regime currently applicable in Spain to the options available for shareholders. This description does not constitute tax advice and does not include all tax considerations that may be relevant for each shareholder in view of his particular circumstances (in this regard, no consideration has been given to the specialties that apply to shareholders who are not resident or subject to taxation in the provincial territories of the Basque Country or the Community of Navarre, as well as potential future regulatory changes that may affect the applicable tax regime). Therefore, shareholders are advised to consult with their tax advisors the tax regime applicable to them.

*Receiving new fully paid-up Santander shares*

The delivery of the shares issued in the Increase will be considered for tax purposes as a delivery of fully paid-up free-of-charge shares, and therefore, shall not be considered income for the purposes of IRPF, or IRNR if shareholders do not act through a permanent establishment in Spain, and will not be subject to withholding or payment on account.

The acquisition value, both of the new shares received in the Increase and of the shares from which they arise, will be the result of dividing the total cost by the applicable number of shares, both old and new. The acquisition date of the new shares will be that of the shares from which they arise. Consequently, in the event of a subsequent transfer, the taxable income obtained will be calculated by reference to this new acquisition value.

In the IS and IRNR for non-residents acting through a permanent establishment in Spain, to the extent that a full business cycle is closed, these shareholders will be taxed in accordance with the applicable accounting regulations (taking into account, where applicable, the ICAC Resolution<sup>5</sup> that regulates the accounting treatment of, *inter alia*, share capital increases against reserves) and, where applicable, the special regimes for the above taxes. And all this without prejudice to the rules for determining the taxable base for these taxes which, where appropriate, may be applicable.

Notwithstanding the applicable accounting treatment, according to the administrative criterion and the IS and IRNR (for non-residents acting through a permanent establishment in Spain) rules, no withholding or payment on account of taxes will be made in connection with the delivery of bonus share rights or fully paid-up shares in the context of the execution of the Capital Increase.

*Transferring all or part of your bonus share rights to the market*

If the shareholders sell their bonus share rights on the market, the amount so obtained will be taxed as follows in 2020:

- (i) For purposes of the IRPF and the IRNR without permanent establishment, the amount obtained in the sale on the market of the bonus share rights granted in the Increase will be treated as a capital gain for the seller in tax period in which the transfer takes place. This is without prejudice to the potential application to those shareholders who are subject to the IRNR (that do not operate through a permanent establishment in Spain) of the relevant international treaties, including those for the avoidance of double taxation and for preventing tax evasion in the field of Income Taxation to which Spain is a party and to which those shareholders may be entitled, as well as to the exemptions envisaged in the regulations of the IRNR.

In addition, for those transferors who are subject to IRPF and who are shareholders of Banco Santander, the amount obtained for the transfer of the bonus share rights in the framework of the Increase will be subject to a withholding tax deduction (currently, 19%). This retention shall be made by the corresponding depositary institution and, failing that, by the financial intermediary or the notary public who has intervened in the transfer.

- (ii) Taxation under the IS and the IRNR with permanent establishment in Spain, to the extent that a full business cycle has been completed, will be determined in accordance with the relevant accounting rules and with the regulations applicable to the above taxes (taking into account, if applicable, the ICAC Resolution) and, if applicable, to the special regimes thereof. And all this without prejudice to the rules for determining the taxable base in these taxes that, where appropriate, may be applicable.

Notwithstanding the corresponding accounting treatment, according to the administrative criterion and the IS and IRNR (for non-residents acting through a permanent establishment in Spain) rules, no

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<sup>5</sup> Resolution of March 5, 2019, of the Spanish Accounting and Audit Institute (Instituto de Contabilidad y Auditoría de Cuentas), which develops the criteria for the presentation of financial instruments and other accounting aspects related to the corporate regulation of corporations (the “**ICAC Resolution**”).



withholding or payment on account of taxes will be made in connection with the delivery of bonus share rights or fully paid-up shares, or the transfer of the bonus share rights to the market, in this context.

It must be taken into account that the tax analysis above does not envisage all possible tax consequences of the various options available in connection with the Increase scheme. In particular, no reference is made to the tax consequences in their countries of residence for those shareholders who are not tax resident in Spain. Hence, shareholders or holders of bonus share rights are encouraged to consult their tax advisors with regard to the consequences of this remuneration scheme considering their particular situation, as well as to pay attention to potential changes of tax regulations and administrative constructions thereof that may take place.

In any case, it must be taken into account that on 7 October 2020, the Law to implement a Spanish tax on financial transactions (Ley del Impuesto sobre las Transacciones Financieras) (the “Spanish FTT” and the “FTT Law”, respectively) was approved and, on 16 October 2020, the Law was published in the Spanish Official Gazette (Boletín Oficial del Estado). The Spanish FTT will enter into force three months after the publication of the FTT Law in the Spanish Official Gazette (i.e., 16 January 2021).

According to the FTT Law, the Spanish FTT will be charged at a fixed rate of 0.2% on the acquisition of listed shares issued by Spanish companies admitted to trading on a Spanish or other EU-regulated market, or on an equivalent market of a non-EU country, with a market capitalisation exceeding EUR 1 billion on 1 December of the year preceding that of the acquisition. Additionally, the Spanish FTT will also apply, inter alia, to the acquisition of shares represented by depositary receipts (e.g. American Depositary Receipts -ADRs- or CREST Depositary Interests -CDIs-).

The taxpayers (contribuyentes) are the acquirers of the shares (or ADRs or CDIs) on which the Spanish FTT is levied. However, the taxable persons (sujetos pasivos) are those investment services firms or credit institutions acquiring the shares (or ADRs or CDIs) on their own account. Furthermore, the financial intermediaries participating in the transaction are the substitute taxpayers (sustitutos del contribuyente). In principle, the tax base of the Spanish FTT will be determined by the consideration paid, excluding transaction costs, or, when the amount of the consideration is not known, the market value of the shares (or ADRs or CDIs). The Spanish FTT will accrue on the date on which the shares (or ADRs or CDIs) are registered in the acquirer’s name.

The FTT Law establishes that specific primary market transactions (such as the issuance of shares or the delivery of paid-up shares) will be exempt from the Spanish FTT. However, the Spanish FTT would apply (at a fixed rate of 0.2%) to other financial transactions involving the Bank’s shares (or ADRs and CDIs), regardless of the jurisdiction of the residence of the parties involved in the transaction. In any event, the shareholders and the holders of bonus share rights are advised to consult with their tax advisors regarding the impact of these tax measures (in particular, the application of Spanish FTT), taking into consideration the particular circumstances of each shareholder or holder of bonus share rights.

Finally, holders of American Depositary Receipts (ADRs) and Crest Depositary Interests (CDIs) representing shares of the Bank are encouraged to consult their tax advisors on the tax implications in Spain and abroad resulting from the specificities of these securities before making a decision regarding the implementation of the Increase.

## **5.2. Selected aspects pertaining to taxation in Poland**

*The information presented in this section constitutes an overview and is not intended as an in-depth analysis of the tax consequences associated with the acquisition, holding or transfer of rights to bonus shares and newly-issued shares under Polish tax law. Therefore, all investors are advised to consult their tax, financial and legal advisors on a case-by-case basis or to procure an official position (ruling) from the relevant administrative authorities that have jurisdiction in a given territory. The term “dividend”, as used below, as well as any other term used herein has the respective meaning assigned to it in the Polish tax regulations.*

### 5.2.1. Personal income tax in Poland

#### **The acquisition of rights to bonus shares and newly-issued shares by individuals who are tax residents in Poland**

Article 3 section 1 of the Act on Personal Income Tax dated 26 July 1991 (Polish Journal of Laws (Dz. U.) 2020, item 1426, hereinafter the “*Polish PIT Act*”) provides that natural persons (individuals), if resident in the territory of the Republic of Poland, are liable for tax on their total income (revenue) irrespective of the location of the sources of revenue (unlimited obligation to pay tax).

A resident of the Republic of Poland is defined as a natural person who: (i) has the centre of their personal or economic interest (centre of interest) in the territory of the Republic of Poland; or (ii) stays in the territory of the Republic of Poland for over 183 days in a given tax year. Article 24 section 5(4) of the Polish PIT Act further specifies that income (revenue) from participation in the profits of a legal person is the income (revenue) actually earned from a share in such legal person, including the income equivalent to amounts paid into the share capital from other capitals (funds) of such legal person (company). Consequently, both the allocation of rights to bonus shares and the allocation of newly-issued shares free of charge to shareholders in connection with a share capital increase may result in the above-mentioned rights and new shares being classified as taxable income of the shareholders. More detailed rules governing the taxation of dividend income and other revenues from participation in the profits of companies are described below in the section “*Taxation of dividend income (revenues) and other revenues from participation in the profits of companies obtained by individuals who are tax residents in Poland*”.

#### **Taxation of income from the sale of securities obtained by individuals who are tax residents of Poland**

If a Polish tax resident transfers (disposes of) property located in a different country, the provisions of the avoidance of double taxation agreement concluded between Poland and that country will apply. Article 13 section 3 of the agreement on the avoidance of double taxation between Poland and Spain (the “*Poland-Spain DTA*”) provides that profits from transferring an ownership title to property, except for property associated with the operations of a permanent establishment, are subject to taxation only in that state in which the transferor of such ownership title has their domicile or registered seat. Consequently, income from the transfer (sale) of securities (such as newly-issued shares or bonus share rights) obtained by a tax resident of Poland is taxable in Poland under the Poland-Spain DTA.

Article 30b section 1 of the Polish PIT Act provides that income (revenues) from the disposal of securities (such as newly-issued shares or bonus share rights) for consideration is taxed at the fixed rate of 19%. Taxable income is then calculated as the difference between the amount of revenue earned from the gainful disposal of such securities and the associated tax-deductible expenses, including the expenses incurred to acquire such securities. That income is subject to taxation as income due to the taxpayer, even if it has not been actually received. It is not combined with the taxpayer’s other income and is taxed separately. An individual who earns profits (or sustains losses) on the sale of securities is required to calculate and pay the due tax and to file, with the relevant tax office, by 30 April of the calendar year following the year in which the income was earned (loss incurred), separate tax returns specifying the amount of the income or loss. The above-mentioned rules do not apply to a disposal of securities for compensation in the course of the taxpayer’s business activity, because in such case, revenues from the sale of securities are considered as business revenues and as such, should be taxed based on general principles.

#### **Taxation of dividend income (revenues) and other revenues from participation in the profits of legal entities obtained by individuals who are tax residents of Poland**

Article 30a section 1(4) of the Polish PIT Act provides that revenues earned from dividends and other revenues from participation in the profits of legal entities are not combined with income from other sources and are taxed at a flat rate of 19%. Taxpayers are entitled, pursuant to Article 30a section 9 of

the Polish PIT Act, to deduct the amount of tax paid in Spain; however, the deduction cannot exceed the amount of tax calculated for such revenue (income) at the rate of 19%.

Individuals are required to disclose their dividend income (revenues) and other revenues from a share in the profits of foreign-based legal entities, as well as the due tax, in their annual tax returns filed by the end of April of the year following the relevant tax year, and to pay such due tax to the bank account of the appropriate tax office.

### **Taxation of income (revenues) obtained by individuals who are not tax residents of Poland**

Article 3 section 2a of the Polish PIT Act provides that individuals, if they do not reside in the territory of the Republic of Poland, are liable to pay tax only on income (revenue) earned in the territory of the Republic of Poland (limited obligation to pay tax).

Consequently, any income from the sale of foreign securities and income (revenues) from dividends and other revenues from participation in the profits of foreign-based legal entities earned by individuals who are not tax residents of Poland is not subject to income tax in the Republic of Poland.

### **5.2.2. Corporate income tax in Poland**

#### **Acquisition of rights to bonus shares and newly-issued shares by companies that are tax residents of Poland**

For the purposes of the Act dated 15 February 1992 on Corporate Income Tax (Polish Journal of Laws (Dz. U.) of 2020, item 1406, hereinafter the “*Polish CIT Act*”), the terms “*company/partnership*” and “*taxpayer*” apply also to joint-stock partnerships. Article 3 section 1 of the Polish CIT Act provides that the entire income of taxpayers that have their registered office or management in the territory of the Republic of Poland is subject to the relevant tax obligations, irrespective of where the income is earned.

Article 7b section 1(1)(f) of the Polish CIT Act defines as revenue from participation in the profits of legal entities the revenue actually obtained from such participation, including the equivalent of the profit of a legal person and the equivalent of amounts contributed to the given capital (fund) from other capitals (funds) of the relevant legal person. Consequently, both the allocation of rights to bonus shares and the allocation of newly-issued shares free of charge to shareholders in connection with an increase of the share capital may result in the above-mentioned rights and new shares being classified as the taxable income of the shareholders. The taxation of dividend income and other revenues from participation in the profits of legal entities is discussed in more detail in the section “*Taxation of dividend income (revenues) and other revenues from participation in the profits of legal entities obtained by companies which are tax residents in Poland*”.

#### **Taxation of income from the sale of securities obtained by companies that are tax residents in Poland**

Article 13 section 3 of the Poland-Spain DTA provides that profits from transferring an ownership title to property are subject to taxation only in that state in which the transferor of such ownership title has their domicile or registered seat. Consequently, income from the transfer (sale) of newly-issued shares, except for newly-issued shares associated with the operations of a permanent establishment, obtained by Polish tax residents will be taxed in Poland (as will be the income from the sale of bonus share rights).

Gains from the disposal (sale) of securities (such as newly-issued shares or bonus share rights) effected by companies that are Polish tax residents are taxed together with the source of revenue represented by capital gains. Taxable income is calculated as the difference between the amount of revenue earned from the disposal of such securities and the associated tax-deductible expenses, including the expenses incurred to acquire such securities. The resulting income is taxed at the fixed rate of 19%.

#### **Taxation of dividend income (revenues) and other revenues from participation in the profits of legal entities obtained by companies that are tax residents of Poland**

In principle, dividend and other income from participation in the profits of companies which are not tax residents is combined with income (revenues) from sources of income constituting capital gains and is taxed at the standard rate of 19%.

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

Article 20 section 3 of the Polish CIT Act provides that income (revenue) earned by the taxpayers referred to in Article 20 section 1 on dividends and other revenue from participation in the profits of legal persons is exempt from income tax in Poland if the following conditions are satisfied:

(i) the payer of dividends and other revenue from a share in the profits of legal persons is a company the entire income of which, irrespective of where it is earned, is subject to income tax in a Member State of the European Union or another Member State of the European Economic Area other than the Republic of Poland;

(ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons as referred to in item (i) is a company that is an income tax payer and has its registered office or management in the territory of the Republic of Poland;

(iii) the company referred to in item (ii) directly holds no less than a 10% equity share in the company referred to in item (i); and

(iv) the entity described in item (ii) above does not benefit from an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

Article 20 section 15 of the Polish CIT Act further provides that the above-mentioned exemption applies: (a) if the shareholding referred to in item (iii) above is based on a title of ownership, (b) with respect to income earned from shares held on the basis of a title (A) of ownership, (B) other than a title of ownership, on the condition that the exemption would apply to such income (revenue) if the ownership of such shares had not been transferred.

If the condition to hold the required number of shares for an uninterrupted period of two years is not satisfied, including after a dividend distribution, the taxpayer will be required to submit a corrected tax return for the tax years in which it applied the exemption and to pay any resulting overdue tax.

Article 22b of the Polish CIT Act provides that the above exemption applies on the condition that a legal basis exists, under a double taxation agreement or another ratified international agreement to which the Republic of Poland is a party, for a tax authority to obtain tax information from a tax authority in the foreign state where the taxpayer has its registered office or where the income was earned.

The above-mentioned exemption does not apply to company liquidation proceeds or dividends and other income (revenues) derived from participation in the profit of legal persons to the extent to which, in the home country of that company, such distributions are treated, in any form, as tax-deductible expenses, are deductible from income, from the taxable base or from the amount of the tax of the company which distributes such dividend and makes other distributions from profit (Article 20 section 16 of the Polish CIT Act).

Article 22c section 1 of the Polish CIT Act provides that the exemption does not apply to dividends if the income (revenues) from dividends or other revenues derived from participation in the profits of a legal entity are earned in relation to the conclusion of an agreement or the effecting of a different legal act or a series or interrelated legal acts that were solely or predominantly aimed at obtaining the right to exercise such income tax exemption (and obtaining such exemption does not merely serve to eliminate

the double taxation of such income (revenue)) and the course of action referred to above was artificial. For the purpose of Article 22c section 1 of the Polish CIT Act, an agreement or a different legal act is deemed artificial to the extent that it is not implemented for justified economic reasons. This specifically applies to situations when the course of action referred to in Article 22c section 1 of the Polish CIT Act involves a transfer of the ownership of shares in a company that makes a dividend distribution or the relevant company earns income (revenue) that is subsequently distributed in the form of dividends or other revenues from participation in the profits of legal entities.

### **Taxation of income (revenues) obtained by companies that are not tax residents of Poland**

Article 3 section 2 of the Polish CIT Act provides that taxpayers that do not have their registered office or management in the territory of the Republic of Poland are required to pay Polish income tax only on the income earned by them in the territory of the Republic of Poland. Consequently, income from the disposal (sale) of foreign securities and income (revenue) from dividends or other revenues derived from participation in the profits of foreign-based legal entities obtained by companies that are not tax residents in Poland is not subject to income tax in the Republic of Poland.

#### **5.2.3. Tax on Civil Law Transactions**

Article 1 section 1(1)(a) in conjunction with Article 1 section 4 of the Act on Tax on Civil Law Transactions dated 9 September 2000 (Polish Journal of Laws (Dz. U.) of 2020, item 815, hereinafter the “*Polish TCLT Act*”) provides that civil law transactions tax should be charged on sales agreements and agreements for the exchange of property rights. Such civil law transactions are taxable, among others, when they pertain to property rights exercised abroad if the acquiror has their/its place of residence or registered office in the territory of the Republic of Poland and the relevant civil law transaction was performed in the territory of the Republic of Poland.

Based on general rules, a sale of shares in companies is treated as a sale of property rights and is subject to civil law transactions tax at the rate of 1%. The tax liability arises upon the conclusion of the civil law transaction and the party liable to pay such tax – in the case of sale agreements – is the purchaser. The taxable base is the market value of the relevant property right(s). Taxpayers are required, without a notice from the tax authority, to file a tax return concerning the tax on civil law transactions as well as to calculate and pay the tax within 14 days from the day on which the tax liability arose, except when the tax is collected by a tax remitter, such as a notary in the case of civil law transactions executed pursuant to agreements in the form of notarial deeds.

At the same time, Article 9(9) of the Polish TCLT Act provides for an exemption from TCLT with regard to the sale of property rights constituting financial instruments: (i) made to investment companies and foreign investment companies; (ii) effected via investment companies or foreign investment companies; (iii) effected as part of organised trading; or (iv) effected outside organised trading by investment companies and foreign investment companies, if those rights were acquired by such companies in the course of organised trading – within the meaning of the provisions of the Polish Act on Trading in Financial Instruments of 29 July 2005 (Polish Journal of Laws (Dz. U.) of 2020, item 85).

#### **5.2.4. Inheritance and donation tax**

Pursuant to the Act on Inheritance and Donation Tax dated 28 July 1983 (Polish Journal of Laws (Dz. U.) of 2019, item 1813, hereinafter the “*Polish IDT Act*”), tax is levied with regard to an acquisition by individuals of, *inter alia*, the ownership of property rights exercisable abroad through inheritance, general legacy, further legacy, specific legacy, testamentary instruction, gift and donor's instruction if, upon the acquisition of such property rights, the acquiror was a Polish citizen or his permanent domicile was within the territory of the Republic of Poland.

The tax liability arises on the part of the acquiror of property rights. The taxable base is the value of the acquired property rights after the deduction of debts and other charges (the net value) determined based on the status or condition of the property rights on the acquisition date and the market prices prevailing on the date on which the tax liability arose. The amount of tax depends of the tax tier of the acquiror.

Placement in a given tax tier depends on the personal relationship between the acquiror and the person from whom the property rights were acquired. The tax rates are progressive and fall within the range of 3% to 20% of the taxable base, depending on the acquiror's ascertained tax tier. There are tax-free amounts provided for each tier. Within one (1) month from the date on which the tax liability arose, taxpayers are required to file a tax return on the acquisition of property rights, on an official form, with the head of the competent tax office. The tax return must be accompanied by the underlying documents based on which the taxable base is determined. The tax is payable within 14 days from the receipt of the decision of the head of the tax office determining the amount of the tax liability.

Article 4a section 1 of the Polish IDT Act provides for an exemption from tax with regard to the acquisition of property rights (such as newly-issued shares) by a spouse, descendants, ascendants, stepchildren, siblings and stepparents if such individuals report the acquisition of ownership of such property rights to the head of the competent tax office within six (6) months from the date on which the tax liability arose and, in the case of acquisition by inheritance (succession), within six (6) months from the date on which the decision of the court confirming the acquisition of the inheritance became final and non-appealable. If such conditions are not satisfied, the acquisition of property rights is taxed based on the rules specified for acquirers classified as belonging to the relevant tax tier.

## **6. FOREIGN JURISDICTIONS WHERE BANCO SANTANDER IS LISTED**

The options, terms and procedures indicated in this informative document may not be the same as those applicable to the shareholders owning Santander shares on the foreign stock exchanges where the Bank is listed. These shareholders are urged to consult the public announcements made and other documents published in their jurisdictions.

## **7. REPRESENTATION**

The Bank is responsible for all the information included in this document.

Corporate name: .....	Banco Santander, S.A.
Legal Form: .....	Joint stock company (" <i>sociedad anónima</i> ")
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
Website: .....	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

The person who submits the representation in the name of the Bank:

Name

Title

Jaime Pérez Renovales

Secretary of the board of directors

Acting on behalf of the Bank, we hereby represent that, based on our best knowledge and having exercised duly diligent effort to so ensure, the information included in this document is true, accurate and reliable, and that nothing has been omitted in this document which could impact the meaning thereof.

\* \* \*

**Banco Santander, S.A.**

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Jaime Pérez Renovales

Secretary of the board of directors