Banco Santander, S.A.
19 March 2024

Banco Santander, S.A.
(the "Company")

Publication of 2023 UK Annual Report

The Company's annual report for the year ended 31 December 2023 (the "UK Annual Report"), prepared in connection with the Company's obligations under the UK Listing Rules (the "LRs") and the UK Disclosure Guidance and Transparency Rules (the "DTRs"), has today been published and is available on the Company's website at https://www.santander.com/en/.

In accordance with LR 14.3.6R, a copy of the UK Annual Report has been submitted to the Financial Conduct Authority and will shortly be available for inspection on the National Storage Mechanism website at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

In accordance with DTR 6.3.5R, the UK Annual Report can also be downloaded in pdf format from the Company's website at https://www.santander.com/en/shareholders-and-investors/financial-and-economic-information#filings-with-other-regulatory-bodies.

In accordance with DTR 6.3.5R, the Appendix to this announcement contains certain information extracted from the UK Annual Report. This constitutes the information required to be communicated to the media in unedited full text through a Regulatory Information Service. This information is not a substitute for reading the full UK Annual Report.

Enquiries

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19 March 2024

APPENDIX

The primary purpose of this announcement is to inform the market about the publication of the UK Annual Report.

The information below, which is extracted from the UK Annual Report, constitutes the material required for the purposes of compliance with DTR 6.3.5R and is included solely for the purpose of complying with DTR 6.3.5R. This announcement is not a substitute for reading the UK Annual Report. Page and note references in the extracted information below refer to, respectively, page numbers and notes in the UK Annual Report.

Auditor's report on the consolidated annual accounts of Banco Santander, S.A. and its subsidiaries (pages 522 to 530)

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of Banco Santander, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Banco Santander, S.A. (the Parent company) and its subsidiaries (the Group or Grupo Santander), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of recognised income and expense, statement of changes in total equity, statement of cash flows and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2023, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	**How our audit addressed the key audit matters**
Estimation of impairment of financial assets at amortised cost - loans and advances to customers – for credit risk	
The models used to estimate the expected credit losses along with the adaptations made in the context of the current environment, imply a high complexity by incorporating new estimates and judgments, especially those related to the management overlays made to the models to	We have obtained, in collaboration with our credit risk and economic forecasting experts, an understanding of management's process to estimate the impairment of financial assets at amortised cost - loans and advances to customers - over the estimation of impairment of financial assets assessed collectively and individually,

determine the expected credit loss in the current uncertain macroeconomic environment. These estimates require an elevated component of judgement by management and are one of the most significant and complex estimates in the preparation of the consolidated annual accounts as at December 31, 2023 included herein, therefore they have been considered one of the key audit matters. The main judgements and assumptions used by management are the following: ● The estimation of the Probability of Default (PD) and Loss Given Default (LGD) parameters. ● Identification and classification of the staging criteria of loans and advances to customers. ● The definition and evaluation of management overlays to adapt the parameters estimated by the models to the conditions and current environment. ● The main assumptions used in the determination of provisions for expected credit losses estimated individually. The Group's loans and advances to customers lending business is concentrated in nine key markets (Brazil, Chile, Spain, United States, Mexico, Poland, Portugal, United Kingdom and the consumer finance business in Europe).	including the potential climate risk impact, on which we have made inquiries to management as part of our understanding audit procedures. In regards with the internal control, we have focused on testing the design and operating effectiveness of key controls over the following processes: ● Calculation methodologies, calibrations, monitoring and back-testing performed by management. ● Compliance with internal policies and functionality of the internal models approved by management. ● Reliability of the data sources used in the calculations and the suitability of the models taking into account the circumstances. ● Periodic review process of borrower to determine proper staging criteria. ● Review process over the calculation of the principal models and portfolios. ● Review process of the updates to the expected credit loss models made by management due to the conditions and current uncertain environment. ● Review process of the Internal Validation Unit over the models and their governance. ● Loan collateral assignment and valuation process associated with mortgage collateral operations, including collateral recovery process.

Key audit matter	**How our audit addressed the key audit matter**
As a result, for the year ended 2023 the Group has recognised an amount of EUR 12,912 million of impairment of financial assets at amortised cost. Please refer to Notes 2, 10 and 54 of the consolidated annual accounts as at December 31, 2023.	In addition, in collaboration with our credit risk, economic forecasting and real estate valuation experts we performed the following tests of details: ● Tests of principal models with respect to: i) calculation and segmentation methods; ii) methodology used for the estimation of the expected loss parameters; iii) data and main assumptions used, iv) staging criteria and v) scenario information and assumptions. ● Evaluation of the management updates to the expected credit loss models made by management due to the conditions and current environment, if applicable. ● Verification of the correct assignment of the loan collaterals, especially those that are classified as doubtful.

- Reperformance of collective impairment losses based on the expected credit loss models parameters.

- On a sample basis, evaluating individual credit files to determine the adequacy of their accounting and classification, discounted cash flows and, where appropriate, corresponding impairment.

We have not identified exceptions outside of a reasonable range in the procedures outlined above.

Goodwill impairment assessment

Goodwill impairment assessment is an exercise that requires a high degree of judgement and estimation therefore it has been considered one of the key audit matters.

Due to their relevance to Grupo Santander, management monitors goodwill, particularly the Santander US Auto Cash Generating Unit (CGU) and assesses goodwill for impairment at the end of each annual reporting period or whenever there is any indication of impairment.

The assumptions used by management to estimate the value in use of the Cash-Generating Units (CGUs) includes financial projections, discount rates and perpetual growth rates. Such valuations, and some of these assumptions, are performed by management's experts.

The amount of the Group's consolidated goodwill balance as at December 31, 2023 is EUR 14,017 million.

Please refer to Notes 2 and 17 of the consolidated annual accounts as at December 31, 2023.

We have obtained, in collaboration with our valuation experts, an understanding of the process performed by management to assess the recoverable amount.

In regards with the internal control, we have focused on testing the design and operating effectiveness of key controls over the following processes:

- Definition of the Group's CGUs.

- Methodology used by management for the goodwill impairment assessment, including the controls in place to supervise the process and the related approvals.

Key audit matter

How our audit addressed the key audit matter

- Budgeting process on which the projections used in the discounted cash flow projections are based on.

- Management's capability of reliable prediction through the comparison of previous years' estimations and impairment assessments with the actual results.

- Review process of the reasonableness of the discount rates and perpetual growth rates used by management's experts.

- Review process of the mathematical accuracy of the valuation models used by management experts.

We also conducted tests of details to evaluate the discounted cash flow projections used by management in their estimation, including the budgetary compliance of the main CGUs and the evaluation of the reasonableness of the assumptions, such as discount rates and perpetual growth rates.

In addition, we have performed, among other, the following tests of details:

- Verifying the mathematical accuracy of the goodwill impairment test, including the discounted cash flow projections.

- Comparing the fair value of the listed CGUs to their recoverable amount.

- Obtain and evaluate the valuation reports regarding the goodwill impairment test performed by management's internal and external experts.

- Verifying the adequacy of the information disclosed in the consolidated annual accounts in accordance with applicable regulations.

We have not identified exceptions outside of a reasonable range in the procedures outlined above.

Key audit matter	How our audit addressed the key audit matter
Litigation provisions and contingencies The Group is party to a range of tax, labour and legal proceedings - administrative and judicial - which primarily arise in the ordinary course of its operations. Also, there are other situations not yet subject to any judicial process that, however, have required the recognition of provisions, such as aspects of conduct with clients and the possible compensations that could be derived. These proceedings generally take a long period of time to run their course, giving rise to complex processes in accordance with the applicable legislation across the different jurisdictions where the Group operates, therefore it has been considered one of the key audit matters. Management decides when to recognize a provision for these contingent liabilities, based on an estimate using certain procedures consistent with the nature of the uncertainty of the obligations. Among these provisions, the most significant are those that cover the tax and labour proceedings in Brazil and those that cover the legal proceedings in Brazil, Spain, Poland, Mexico and United Kingdom. The amount of the litigation provisions and contingencies as at December 31, 2023 is EUR 4,038 million. Please refer to Notes 2 and 25 of the consolidated annual accounts as at December 31, 2023.	We have obtained, in collaboration with our experts, an understanding of the estimation process performed by management for litigation provisions and contingencies. In regards with the internal control, we have focused on testing the design and operating effectiveness of key controls over the following processes: ● Additions, logs and updates over the completeness of the legal matters in the systems. ● Accuracy of the key data, maintained in the systems, used in the calculation of the litigations provisions and contingencies. ● Assessment of the criteria used to estimate the expected losses from litigation provisions and contingencies and evaluation of the adequacy over the calculation of the provisions for regulatory, legal or tax procedures and their recognition. ● Reconciliation between the minutes of the inspections and the amounts accounted for. In addition, we have performed the following tests of details: ● Analysis for reasonableness of the expected outcomes of the most significant tax, labour and legal proceedings. ● Assessment of possible contingencies relating to compliance with the tax obligations for all the years open to inspection, of the communications with the regulatory bodies and analysis of the

ongoing regulatory inspections.

- Sending, obtaining and analysing, if any, audit confirmation letters from external and internal lawyers and external tax advisors who work with the Group or performing alternative procedures if confirmations are not received.

- Analysis of the recognition and reasonableness of the provisions recorded.

Key audit matter	How our audit addressed the key audit matter
	● Verifying the adequacy of the information disclosed in the consolidated annual accounts in accordance with applicable regulations. In the procedures described above, no exceptions were identified outside of a reasonable range.
Information systems The Group's financial information is highly dependent on information technology (IT) systems in the geographies where it operates, therefore an adequate control of these systems is crucial to ensuring correct data processing. In this context, it is vital to evaluate aspects such as the organization of the Group's Technology and Operations department, controls over software maintenance and development, physical and logical security controls, and controls over computer operations, therefore it has been considered one of the key audit matters. In this respect, management continues monitoring the internal controls over IT systems, including the access controls that support the Group's technology processes.	We have evaluated, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the Group's financial reporting. For this purpose, we have performed procedures over the design and operating effectiveness of key controls and test of details related to: ● The function of the IT governance framework. ● Access and logical security controls over the applications, operating systems and databases that support the relevant financial information. ● Application development and change management. ● Maintenance of computer operations. In addition, considering the monitoring carried out by management over its internal controls over IT systems, our approach and audit plan included the following aspects: ● Evaluation of the monitoring made by management as part of its internal control environment of the Group. ● Testing of the design and operating effectiveness of the controls implemented by management, including access controls. In the procedures described above, no relevant exceptions were identified related to this matter.

Other information: Consolidated Directors' report

Other information comprises only the consolidated Directors' report for the 2023 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated Directors' report. Our responsibility regarding the consolidated Directors' report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated Directors' report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated Directors' report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated Directors' report is consistent with that contained in the consolidated annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Banco Santander, S.A. and its subsidiaries for the 2023 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Banco Santander, S.A. are responsible for presenting the annual financial report for 2023 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been effected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit committee of the Parent company dated 19 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 31 March 2023 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 47 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Julián González Gómez (20179)

19 February 2024

Auditor's report on the annual accounts of Banco Santander, S.A. (pages 834 to 842)

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor's report on the annual accounts

To the shareholders of Banco Santander, S.A.,

Report on the annual accounts

Opinion

We have audited the annual accounts of Banco Santander, S.A. (the Bank), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of recognised income and expense, statement of changes in total equity, statement of cash flow and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Bank as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 1 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Estimation of impairment of financial assets at amortised cost - loans and advances to customers – for credit risk	
The models used to estimate the expected credit losses along with the adaptations made in the	We have obtained, in collaboration with our credit risk and economic forecasting experts, an

context of the current environment, imply a high complexity by incorporating new estimates and judgments, especially those related to the management overlays made to the models to determine the expected credit loss in the current uncertain macroeconomic environment. These estimates require an elevated component of judgement by management and are one of the most significant and complex estimates in the preparation of the annual accounts as at December 31, 2023 included herein, therefore they have been considered one of the key audit matters.

The main judgements and assumptions used by management are the following:

- The estimation of the Probability of Default (PD) and Loss Given Default (LGD) parameters.
- Identification and classification of the staging criteria of loans and advances to customers.
- The definition and evaluation of management overlays to adapt the parameters estimated by the models to the conditions and current environment.
- The main assumptions used in the determination of provisions for expected credit losses estimated individually.

The Bank's business is focused on lending loans and advances to customers.

As a result, for the year ended 2023 the Bank has recognised an amount of EUR 1,349 million of impairment of financial assets at amortised cost.

Please refer to Notes 2, 6, 10 and 49 of the annual accounts as at December 31, 2023.

understanding of management's process to estimate the impairment of financial assets at amortised cost - loans and advances to customers - over the estimation of impairment of financial assets assessed collectively and individually, included potential climate risk impact, on which we have made inquiries to management as part of our understanding audit procedures.

In regards with the internal control, we have focused on testing the design and operating effectiveness of key controls over the following processes:

- Calculation methodologies, calibrations, monitoring and back-testing performed by management.
- Compliance with internal policies and functionality of the internal models approved by management.
- Reliability of the data sources used in the calculations and the suitability of the models taking into account the circumstances.
- Periodic review process of borrower to determine proper staging criteria.
- Review process over the calculation of the principal models and portfolios.
- Review process of the updates to the expected credit loss models made by management due to the conditions and current uncertain environment.
- Review process of the Internal Validation Unit over the models and their governance.
- Loan collateral assignment and valuation process associated with mortgage collateral operations, including collateral recovery process.

Key audit matter

How our audit addressed the key audit matter

In addition, in collaboration with our credit risk, economic forecasting and real estate valuation experts we performed the following tests of details:

- Tests of principal models with respect to: i) calculation and segmentation methods; ii) methodology used for the estimation of the expected loss parameters; iii) data and main assumptions used, iv) staging criteria and v) scenario information and assumptions.

- Evaluation of the management updates to the expected credit loss models made by management due to the conditions and current environment, if applicable.
- Verification of the correct assignment of the loan collaterals, especially those that are classified as doubtful.
- Reperformance of collective impairment losses based on the expected credit loss models parameters.
- On a sample basis, evaluating individual credit files to determine the adequacy of their accounting and classification, discounted cash flows and, where appropriate, corresponding impairment.

We have not identified exceptions outside of a reasonable range in the procedures outlined above.

Litigation provisions and contingencies

The Bank is party to a range of tax and legal proceedings - administrative and judicial - which primarily arose in the ordinary course of its operations. Also, there are other situations not yet subject to any judicial process that, however, have required the recognition of provisions, such as aspects of conduct with clients and the possible compensations that could be derived.

We have obtained, in collaboration with our experts, an understanding of the estimation process performed by management for litigation provisions and contingencies.

In regards with the internal control, we have focused on testing the design and operating effectiveness of key controls over the following processes:

- Additions, logs and updates over the completeness of the legal matters in the systems.

Key audit matter

These proceedings generally take a long period of time to run their course, giving rise to complex processes in accordance with the applicable legislation therefore it has been considered one of the key audit matters.

Management decides when to recognize a provision for these contingent liabilities, based on an estimate using certain procedures consistent with the nature of the uncertainty of the obligations.

Among these provisions, some of the most significant are those for customer compensation

How our audit addressed the key audit matter

- Accuracy of the key data, maintained in the systems, used in the calculation of the litigations provisions and contingencies.
- Assessment of the criteria used to estimate the expected losses from litigation provisions and contingencies and evaluation of the adequacy over the calculation of the provisions for regulatory, legal or tax procedures and their recognition.
- Reconciliation between the minutes of the tax inspections and the amounts accounted for.

for the sale of certain products; these estimates are based on the number of claims expected to be received, the number expected to be accepted, and the estimated average pay out per case.

The amount of the litigation provisions and contingencies as at December 31, 2023 is EUR 1,407 million.

Please refer to Notes 2 and 23 of the annual accounts as at December 31, 2023.

In addition, we have performed the following tests of details:

- Analysis for reasonableness of the expected outcomes of the most significant tax and legal proceedings.

- Assessment of possible contingencies relating to compliance with the tax obligations for all the years open to inspection, of the communications with the supervisory bodies and analysis of the ongoing supervisory inspections.

- Sending, obtaining and analysing, if any, audit confirmation letters from external and internal lawyers and external tax advisors who work with the Bank or performing alternative procedures if confirmations are not received.

- Analysis of the recognition and reasonableness of the provisions recorded.

- Verifying the adequacy of the information disclosed in the annual accounts in accordance with applicable regulations.

In the procedures described above, no exceptions were identified outside of a reasonable range.

Impairment of investments in subsidiaries

As indicated in Note 13 of the accompanying annual accounts, Banco Santander, S.A. is the parent company of a group of entities, whose fundamental activities are in the financial services sector. The carrying value of the investments in subsidiaries as at December 31, 2023 is EUR 97,144 million.

Management performs an analysis of the potential losses in investments in subsidiaries that it has registered in its accounting records. This analysis is performed using different parameters such as the market price or the net equity adjusted for the unrealised gains existing at the valuation date, including implicit goodwill net of its corresponding impairment, if any.

The valuation or analysis of the impairment of some of these investments require an elevated component of judgment, principally for those investments measured using the net equity adjusted for the unrealised gains existing at the valuation date including its implicit goodwill,

We have obtained an understanding of the valuation process of the investment in subsidiaries. In addition, where the valuation of investment requires the use of an elevated component of judgment, we have relied on the assistance of our valuation experts.

With respect to internal controls, we have focused on the design and operating effectiveness of the controls in the valuation process and over the methodology, inputs and relevant assumptions used by management for the year-end estimates, including the controls performed to supervise the process and the related approvals.

Additionally, we have performed tests of details consisting of the following:

- Verify the valuation performed by the Bank, using as a reference the recoverable balance of the investments in subsidiaries.

- Verify that management’s valuation

therefore it has been considered one of the key audit matters. This valuation, performed by Bank's management, is based on the analysis performed as part of the implicit goodwill impairment assessment, where assumptions such as financial projections, discount rates, perpetual growth rates and market quotes (if available). Please refer to Note 13 of the annual accounts as at December 31, 2023.	methodology is in line with the applicable accounting standards, market practice and the specific expectations of the sector. ● For investments whose valuation is calculated considering implicit goodwill, we evaluated the reasonableness of the valuation models based on projected discounted cash flows. ● Verifying the adequacy of the information disclosed in the annual accounts in accordance with applicable regulations. In the procedures described above, no exceptions were identified outside of a reasonable range.
Information systems The Bank's financial information is highly dependent on information technology (IT) systems, therefore an adequate control of these systems is crucial to ensuring correct data processing. In this context, it is vital to evaluate aspects such as the organization of the Bank's Technology and Operations department, controls over software maintenance and development, physical and logical security controls, and controls over computer operations, therefore it has been considered one of the key audit matters. In this respect, management continues monitoring the internal controls over IT systems, including the access controls that support the Bank's technology processes.	We have evaluated, in collaboration with our IT system specialists, the internal controls over the IT systems, databases and applications that support the Bank's financial reporting. For this purpose, we have performed procedures over the design and operating effectiveness of key controls and test of details related to: ● The function of the IT governance framework. ● Access and logical security controls over the applications, operating systems and databases that support the relevant financial information. ● Application development and change management. ● Maintenance of computer operations. In addition, considering the monitoring carried out by management over its internal controls over IT systems, our approach and audit plan included the following aspects: ● Evaluation of the monitoring made by management as part of its internal control environment of the Bank. ● Testing of the design and operating effectiveness of the controls implemented by management, including access controls. In the procedures described above, no relevant exceptions were identified related to this matter.

Other information: Director's report

Other information comprises only the director's report for the 2023 financial year, the formulation of which is the responsibility of the Bank's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the director's report. Our responsibility regarding the director's report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the director's report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the director's report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the director's report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Bank, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity’s audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Banco Santander, S.A. for the 2023 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Banco Santander, S.A. are responsible for presenting the annual financial report for 2023 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the director's report.

Our responsibility is to examine the digital file prepared by the Bank's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the audit committee of the Bank dated 19 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 31 March 2023 appointed us as auditors for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for a period of three years and we have audited the accounts continuously since the year ended 31 December 2016.

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 43 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Julián González Gómez (20179)

19 February 2024

Important events (page 830)

1.4 Important events

The following events occurred from 1 January 2024 to 19 February 2024, being the date on which the consolidated financial statements were authorized for issue (see note 1.g to the consolidated financial statements).

In accordance with the agreement reached by the March 2023 general shareholders’ meeting, on 30 January 2024 the board of directors approved a capital reduction of EUR 179,283,743.50 through the redemption of 358,567,487 shares (representing approximately 2.22% of the share capital), acquired in the first share buyback program of 2023, with which the share capital has been set at EUR 7,912,789,286, represented by 15,825,578,572 shares.

The following significant events occurred from 19 February 2024 to the date of filing of this report:

Second 2023 Buy-Back Programme

Under the authorization of the 2023 AGM, and according to the 2023 shareholder remuneration policy, on 19 February 2024 the board resolved to execute a new share buyback programme worth EUR 1,459 million. The execution began on 20 February 2024. See more information in section 2.5 `Treasury shares' in the `Corporate Governance' chapter of the Consolidated directors´ report.

At the date of filing of this report, the detail of own share repurchase operations carried out and communicated to the market under the buy-back programme is the following:

Date	Number of shares	Weighted average price (€)
20/02/2024	8,549,429	3.7752
20/02/2024	931,932	3.7897
20/02/2024	182,982	3.8007
20/02/2024	324,809	3.7904
21/02/2024	4,806,937	3.8181
21/02/2024	1,375,626	3.8199
21/02/2024	175,980	3.8209
21/02/2024	352,305	3.8208
22/02/2024	4,390,358	3.8457
22/02/2024	1,200,689	3.8495
22/02/2024	249,304	3.8473
22/02/2024	459,649	3.8470
23/02/2024	2,295,603	3.8164
23/02/2024	662,224	3.8228
23/02/2024	87,359	3.8204
23/02/2024	154,814	3.8248
26/02/2024	3,480,262	3.8283
26/02/2024	1,317,533	3.8298
26/02/2024	138,394	3.8299
26/02/2024	463,811	3.8270
27/02/2024	3,179,538	3.8164
27/02/2024	1,191,257	3.8154
27/02/2024	166,787	3.8153
27/02/2024	462,418	3.8144
28/02/2024	3,099,603	3.8516
28/02/2024	611,080	3.8516
28/02/2024	93,646	3.8527
28/02/2024	195,671	3.8522
Subtotal	**40,600,000**	

Date	Number of shares	Weighted average price (€)
29/02/2024	3,398,557	3.8592
29/02/2024	794,594	3.8621
29/02/2024	102,483	3.8640
29/02/2024	204,366	3.8630
01/03/2024	3,798,413	3.8544
01/03/2024	622,994	3.8539
01/03/2024	95,669	3.8578
01/03/2024	182,924	3.8536
04/03/2024	1,353,106	3.8628
04/03/2024	708,354	3.8632
04/03/2024	91,736	3.8625
04/03/2024	246,804	3.8637
05/03/2024	3,097,142	3.8430
05/03/2024	622,319	3.8398
05/03/2024	101,856	3.8456
05/03/2024	178,683	3.8393
06/03/2024	3,599,153	3.9144
06/03/2024	1,090,692	3.9152
06/03/2024	240,914	3.9132
06/03/2024	569,241	3.9120
Subtotal	**21,100,000**	

Date	Number of shares	Weighted average price (€)
07/03/2024	6,099,335	3.9518
07/03/2024	1,363,808	3.9460
07/03/2024	149,543	3.9514
07/03/2024	387,314	3.9485
08/03/2024	3,088,671	3.9986
08/03/2024	649,085	4.0030
08/03/2024	78,775	4.0052
08/03/2024	183,469	4.0029
11/03/2024	2,350,072	3.9663
11/03/2024	666,592	3.9672
11/03/2024	88,397	3.9623
11/03/2024	194,939	3.9678
12/03/2024	2,074,881	4.0214
12/03/2024	661,004	4.0196
12/03/2024	74,619	4.0146
12/03/2024	189,496	4.0196
13/03/2024	3,075,694	4.0851
13/03/2024	656,138	4.0855
13/03/2024	83,249	4.0850
13/03/2024	184,919	4.0861
Subtotal	**22,300,000**	

Principal risks (pages 457 to 458 and 459)

1.2 Emerging risks

Through our emerging risks exercise, we try to identify key threats to our strategic plan under theoretical stress scenarios with low likelihood of occurrence. We aim to detect, assess and monitor risks that may have a significant impact on our business model, profitability and solvency. Proactive risk management is essential to avoid potentially negative impacts on, and deviations from, targets which could be mitigated through action plans drawn up in advance.

Emerging risk identification involves both the first and second line of defence in our subsidiaries and at the corporate centre. We also embed identified risks in the idiosyncratic scenarios of the Group's Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), and recovery and resolution plans.

In 2023, potential threats stemmed from, among others, tighter financial conditions, high inflation, tension in the Middle East, and the continuing war in Ukraine. Some core emerging risks and their associated action plans are:

Macroeconomic and geopolitical environment

Some of the many macroeconomic and geopolitical factors posing risk to our strategy include persistent restrictive monetary policy, intensification of armed conflicts in the Middle East and Ukraine, and rising energy and commodity prices. We analyse situations that we do not include in our base scenario because of their low likelihood (per our emerging risk methodology); however, they can become global risk scenarios that may affect the markets where we operate. For example:

- Higher interest rates for longer. Future rises in inflation or delays in the disinflation roadmap could mean restrictive monetary policy remains in place for longer, which would mainly impact on our subsidiaries in Europe and the US — economies in Latin America are at a different stage of monetary policy. This could trigger a worse than expected economic slowdown, with higher unemployment and a drop in house prices that could jeopardize credit quality and liquidity conditions.

- Escalation of the conflicts in Ukraine and the Middle East, leading to tighter monetary policy as energy prices and inflation soar.

- High increase in public debt levels, triggering a rise in risk premiums, mainly in the eurozone, financial fragmentation, and possible spillover to financial institutions.

Macroeconomic and geopolitical uncertainty can potentially hinder our growth and profitability and diminish asset quality due to a slowdown in one or many of our markets. In addition, our clients' income or the value of their financial assets could also be affected, which would likely impact the recoverability of loans and increase our losses or additional provisioning needs.

Economic volatility might make our estimates seem inaccurate, our processes seem unreliable and our loan-loss provisions seem insufficient.

Grupo Santander has robust risk policies and procedures and manages risk proactively to keep our risk profile within the limits set in our risk appetite statement. This, coupled with our geographical and business diversification, makes us more resilient to macroeconomic and geopolitical risk.

In addition, the constant reinforcement of mitigating measures helped reduce the potential severity of these risks. Throughout 2023, we have developed the following actions:

- frequent monitoring meetings, including special situation forums (where necessary) to review risk profile and business, market and macroeconomic trends, with the spotlight on key indicators related to the potential escalation of the armed conflicts mentioned above;

- playbooks designed and implemented to pursue a quick, forward-looking and proactive response to challenging circumstances;

- a large and diverse base of customer deposits that enables us to address challenges from a strong liquidity position;

- the means to proactively detect credit impairment (especially in the most affected sectors) and get customers the help they need through specific solutions;

- support for our customers in developing sustainable, energy-efficient alternatives to offset the impact of economic cycles and potential energy shocks and adopt the measures implemented by governments to protect the most vulnerable customers; and

- asset-liability committee (ALCO) and market committee meetings to monitor structural, interest rate and FX risk, including the coverage of our capital ratios in all major currencies and, where necessary, adjusting our limits and exposure so that we remain within our risk appetite.

Growing legislative and regulatory pressure

With a business model based on a broad international presence through subsidiaries that maintain relevant market shares in our core geographies in which we operate, Grupo Santander is subject to different regulations. Our status as a global systemically important bank (G-SIB), implies higher capital requirements that could intensify due to new regulations or if supervisors revise current requirements (e.g. on the back of the recent crisis of some regional banks in the US).

New laws or extension of existing legislative measures, an increase in minimum capital requirements following supervisor review and assessment, or levies on credit institutions that impact on our business and relations with customer, could stymie profitability and return on equity, increase funding costs and undermine our resilience to economic disruption and ability to extend credit.

Any law or regulation could lead to new or stricter prudential requirements, especially in terms of capital and liquidity. This could have a direct impact on the Group's or our subsidiaries' solvency and/or liquidity levels.

The key mitigation measures for this risk are:

- monitoring of initiatives included in the capital plan, in line with the continuous improvement of our regulatory models, as well as the mitigation of the possible impacts of Basel standards; and

- creation of multidisciplinary working groups in cooperation with banking associations, regulators and other stakeholders to anticipate possible outcomes of these measures.

Risk of suffering a severe cyber attack

International conflicts such as the Ukraine and Israel crises produced a worsening threat landscape. The growing cyber threat combined with the increasing reliance on digital systems, make cybersecurity one of Santander's main priorities.

Therefore, we aim to become a cyber resilient organization that can resist, detect and rapidly respond to cyberattacks, while constantly enhancing our defences. To achieve this, we have a cyber risk oversight and control framework to measure the control environment and our risk profile.

For more details on the main cybersecurity risks, see 'Cyber risk' in section 6.2 'Operational risk management'.

To counter these threats, Santander counts with different initiatives described in section '5. Research, development and innovation (R&D&I)' on the 'Economic and financial review' chapter.

Risks related to Artificial Intelligence (AI)

Artificial Intelligence (AI) is the creation of intelligent systems through machines. These machines are able to operate with a certain degree of autonomy to generate predictions, recommendations, decisions and other outcomes that can impact on physical and virtual environments. Machine learning, deep learning and other AI analytical techniques have different levels of autonomy and complexity.

Banks have been using AI for several years to boost operational efficiency and strengthen risk management. In fact, they have been relying on AI to identify early warnings against money laundering, enhance customer experience, provide new insights for more rounded analysis, automate processes to reduce operational risk, and for other means.

The use of AI will become more widespread in the coming years, especially as new components like generative AI come to light. We must weigh up the benefits of AI and the oversight and control of using it, which also entails potential risks (complexity and explainability of results, biases, identification of accountability, data privacy, among others) that financial institutions will need to manage and mitigate to remain financially stable.

We are firmly committed to promoting the transformation of the financial sector through the responsible use of AI that prioritizes transparency and customer protection.

Central bank digital currencies (CBDC) and disintermediation risk

The possible launch of digital versions of fiduciary currencies issued by central banks (central bank digital currency — CBDC) could impact on financial stability if they replace traditional accounts, which in turn could affect commercial banks' volume, structure and cost of lending.

An increasing number of central banks are exploring the possibility of issuing CBDC. Some are already running pilot projects to be prepared in case they consider at some point that its issuance is necessary. The focus of the political debate is above all on the versions aimed at the retail market that offer citizens a digital, central bank liability for payments. In the Eurozone, the ECB is making significant headway with the digital euro, which is in what is called the 'preparatory phase' since October 2023.

Depending on their design, CBDC could become the new standard of payments and bank deposits, which could lead to a disintermediation of the financial system. This could exacerbate financial instability in time of economic stress, if customers decide to convert euros in their bank deposits into digital euros, which may be perceived as more secure. A massive and disorderly adoption could also impact the financing of financial entities, which could have an impact on the financing of the economy. In addition, CBDC could replace other payment methods, which could have an impact on other business lines.

It is not clear what services and what business model banks and other payment providers will be able to provide based on these instruments. The final impact of CBDC will depend on their final design, in terms of the introduction of restrictions on remuneration and maximum holding amounts for citizens, as well as the use cases, infrastructure used and compensation model for intermediaries that they envisage. services. The benefits of CBDC, which are also unclear, will depend on each country or region's particularities.

To mitigate CBDC risk, the Group:

- actively participates in the debate on CBDC with national and international authorities in order to explain the risks to financial stability and banks, and propose solutions to mitigate them;

- monitors central banks' CBDC projects to analyse their impact on the business or the possibility of developing new services for our clients.

2.2 Key risk types

Grupo Santander's risk classification is based on our corporate risk framework. It includes the following, which you can find out more about by clicking on the links provided:

1.	Credit risk is the risk of financial loss when a customer or counterparty whom Santander has financed or has a contractual obligation with defaults or loses creditworthiness. It includes counterparty risk, country risk and sovereign risk and generates the most exposure and capital consumption.
2.	Market risk comes from movements in interest rates, inflation, foreign exchange, equity prices, credit spread, commodity prices, volatility, liquidity risk from products and the balance sheet, and other market variables that can affect transaction performance. It also includes trading and structural risk.
3.	Liquidity risk: On-balance sheet liquidity risk, where the bank is unable to meet payment obligations promptly or would do so at a high price.
4.	Structural risk is the risk that market or balance sheet movements will change the value or profit generation of assets or liabilities in the banking book. It covers insurance and pension risks, as well as the risk that Santander will not have sufficient capital (in terms of quantity or quality) to meet internal business targets, regulatory requirements or market expectations.
5.	Operational risk: In accordance with the Basel framework, Santander defines operational risk as the risk of loss due to inadequate or failed internal processes, people, and systems or to external events. It covers risk types such as fraud, third party supplier risk, technology risk, cyber risk, legal risk and conduct risk.
6.	Financial crime risk: Risk arising from actions or the use of the Group's means, products and services in criminal or illegal activities. These activities include, among others, money laundering, terrorist financing, violation of international sanctions programs, corruption, bribery and tax evasion.
7.	Model risk: A model is a system, approach or a quantitative method that applies statistical, economic, financial or mathematical theories, techniques and assumptions to transform data into quantitative estimates. The use of models entails certain risks, such as the potential negative consequences of decisions based on poorly developed, poorly implemented or incorrectly used models. Model risk can lead to financial losses, inappropriate business or strategic decisions or damage to the Group's operations.

8.	Reputational risk: the risk of current or potential negative economic impact to the bank due to damage to the perception of the bank on the part of employees, customers, shareholders/investors and the wider community.
9.	Strategic risk is the risk of loss or damage arising from strategic decisions or their poor implementation, or from an inability to adapt to external developments, that may impact the long-term interests of our key stakeholders.
10.	ESG risk factors: At Grupo Santander we consider that ESG (environmental, social and governance) risk factors can impact the types of risks that exist in different time horizons. Consequently, they must be identified, evaluated, managed and mitigated in accordance with regulatory requirements and market best practices.

Directors' responsibility statements (page 822)

Responsibility statement with respect to the consolidated annual accounts:

Pursuant to Article 253, section 1 of the revised Spanish Companies Act (Ley de Sociedades de Capital), the board of directors of Banco Santander, S.A. draws up the consolidated financial statements (comprising the consolidated balance sheet, income statement, statement of recognized income and expense, statement of changes in total equity, statement of cash flows and the notes to the consolidated financial statements) and the consolidated directors’ report for the 2023 fiscal year in eXtensible HyperText Markup Language (XHTML) format and, with respect to the main consolidated financial statements and the notes to the consolidated financial statements, with tags in the standard eXtensible Business Reporting Language (XBRL), all of which conforms to the single electronic reporting format required under Directive 2004/109/EC and Delegated Regulation (EU) 2019/815.

The directors of Banco Santander, S.A., listed below with an indication of their respective positions, declare that, to the best of their knowledge, the company's consolidated financial statements for the 2023 financial year were drawn up in accordance with the applicable accounting principles and give a true and fair view of the assets, liabilities, financial position and profit or loss of Banco Santander, S.A. and of the undertakings included in the consolidation taken as a whole, and that the consolidated directors’ report includes a fair review of the development, performance and position of the company and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Boadilla del Monte (Madrid), 19 February 2024

ANA PATRICIA BOTÍN-SANZ DE SAUTUOLA Y O'SHEA	HÉCTOR BLAS GRISI CHECA
Chair	Chief Executive Officer
GLENN HOGAN HUTCHINS	JOSÉ ANTONIO ÁLVAREZ ÁLVAREZ
Vice Chair	Vice Chair

MEMBERS:

HOMAIRA AKBARI	FRANCISCO JAVIER BOTÍN-SANZ DE SAUTUOLA Y O'SHEA
BRUCE CARNEGIE-BROWN	SOL DAURELLA COMADRÁN
HENRIQUE MANUEL DRUMMOND BORGES CIRNE DE CASTRO	GERMÁN DE LA FUENTE ESCAMILLA
GINA LORENZA DÍEZ BARROSO AZCÁRRAGA	LUIS ISASI FERNÁNDEZ DE BOBADILLA
RAMIRO MATO GARCÍA-ANSORENA	BELÉN ROMANA GARCÍA
PAMELA ANN WALKDEN	

Responsibility statement with respect to the individual annual accounts:

Pursuant to Article 253, section 1 of the revised Spanish Companies Act (Ley de Sociedades de Capital), the board of directors of Banco Santander, S.A. draws up the individual financial statements (comprising the balance sheet, the income statement, the statement of recognized income and expense, the statement of changes in total equity, the statement of cash flows and the notes to the individual financial statements) and the individual directors' report for the 2023 fiscal year in eXtensible HyperText Markup Language (XHTML) format, which conforms to the single electronic reporting format required under Directive 2004/109/EC and Delegated Regulation (EU) 2019/815.

The directors of Banco Santander, S.A., listed below with an indication of their respective positions, declare that, to the best of their knowledge, the company's individual financial statements for the 2023 financial year were drawn up in accordance with the applicable accounting principles and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and that the directors' report includes a fair review of the development, performance and position of the company, together with a description of the principal risks and uncertainties that it faces.

Boadilla del Monte (Madrid), 19 February 2024

ANA PATRICIA BOTÍN-SANZ DE SAUTUOLA Y O'SHEA

Chair

HÉCTOR BLAS GRISI CHECA

Chief Executive Officer

GLENN HOGAN HUTCHINS

Vice Chair

JOSÉ ANTONIO ÁLVAREZ ÁLVAREZ

Vice Chair

MEMBERS:

HOMAIRA AKBARI

FRANCISCO JAVIER BOTÍN-SANZ DE SAUTUOLA Y O'SHEA

BRUCE CARNEGIE-BROWN

SOL DAURELLA COMADRÁN

HENRIQUE MANUEL DRUMMOND BORGES CIRNE DE CASTRO

GERMÁN DE LA FUENTE ESCAMILLA

GINA LORENZA DÍEZ BARROSO

LUIS ISASI FERNÁNDEZ DE BOBADILLA

RAMIRO MATO GARCÍA-ANSORENA

BELÉN ROMANA GARCÍA

PAMELA ANN WALKDEN

Related Parties (pages 740 to 742)

The parties related to the Group are deemed to include, in addition to its subsidiaries, associates and joint ventures, the Bank's key management personnel (the members of its board of directors and the executive vice presidents, together with their close family members) and the entities over which the key management personnel may exercise significant influence or control.

Following below is the balance sheet balances and amounts of the Group's income statement corresponding to operations with the parties related to it, distinguishing between associates and joint ventures, members of the Bank's board of directors, the Bank's senior management, and other related parties. Related-party transactions were made on terms equivalent to those that prevail in arm's-length transactions or, when this was not the case, the related compensation in kind was recognized.

The remaining required information is detailed in notes 5 and 46.c.

EUR million

	2023			
	Associates and joint ventures	Members of the board of directors	Senior Management	Other related parties
Assets	**10,497**	**—**	**12**	**186**
Cash, cash balances at central banks and other deposits on demand	154	—	—	—
Loans and advances: credit institutions	405	—	—	—
Loans and advances: customers	9,275	—	12	185
Debt securities	391	—	—	1
Others	272	—	—	
Liabilities	**2,480**	**14**	**5**	**150**
Financial liabilities: credit institutions	463	—	—	—
Financial liabilities: customers	1,727	14	5	150
Marketable debt securities	-	—	—	—
Others	290	—	—	—
Income statement	**1,698**	**—**	**—**	**11**
Interest income	427	—	—	9
Interest expense	(149)	—	—	(1)
Gains/losses on financial assets and liabilities and others	43	—	—	—
Commission income	1,499	—	—	3
Commission expense	(122)	—	—	—
Other	**4,189**	**3**	**2**	**1,094**
Financial guarantees granted and Others	10	2	1	861
Loan commitments and Other commitments granted	274	1	1	9
Derivative financial instruments	3,905	—	—	224

EUR million

	2022			
	Associates and joint ventures	Members of the board of directors	Senior Management	Other related parties
Assets	**10,257**	**—**	**13**	**455**
Cash, cash balances at central banks and other deposits on demand	227	—	—	—
Loans and advances: credit institutions	489	—	—	—
Loans and advances: customers	8,822	—	13	455
Debt securities	463	—	—	—
Others	256	—	—	—
Liabilities	**3,611**	**11**	**11**	**109**
Financial liabilities: credit institutions	938	—	—	—
Financial liabilities: customers	2,301	11	11	109
Marketable debt securities	—	—	—	—
Others	372	—	—	—
Income statement	**1,357**	**—**	**—**	**2**
Interest income	189	—	—	1
Interest expense	(60)	—	—	—
Gains/losses on financial assets and liabilities and others	(225)	—	—	—
Commission income	1,541	—	—	1
Commission expense	(88)	—	—	—
Other	**3,535**	**2**	**2**	**79**
Financial guarantees granted and Others	11	1	1	23
Loan commitments and Other commitments granted	201	1	1	13
Derivative financial instruments	3,323	—	—	43

EUR million

	2021			
	Associates and joint ventures	Members of the board of directors	Senior Management	Other related parties
Assets	**9,386**	**—**	**14**	**384**
Cash, cash balances at central banks and other deposits on demand	131	—	—	—
Loans and advances: credit institutions	437	—	—	—
Loans and advances: customers	8,148	—	14	384
Debt securities	496	—	—	—
Others	174	—	—	—
Liabilities	**3,405**	**8**	**11**	**197**
Financial liabilities: credit institutions	867	—	—	—
Financial liabilities: customers	2,464	8	11	197
Marketable debt securities	—	—	—	—
Others	74	—	—	—
Income statement	**1,265**	**—**	**—**	**1**
Interest income	90	—	—	1
Interest expense	(13)	—	—	—
Gains/losses on financial assets and liabilities and others	(32)	—	—	—
Commission income	1,268	—	—	—
Commission expense	(48)	—	—	—
Other	**3,965**	**2**	**2**	**76**
Financial guarantees granted and Others	11	1	1	17
Loan commitments and Other commitments granted	314	1	1	13
Derivative financial instruments	3,640	—	—	46