Banco Santander, S.A.
10 March 2023

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

Publication of 2022 UK Annual Report

The Company's annual report for the year ended 31 December 2022, prepared in connection with the Company's obligations under the UK Disclosure and Transparency Rules (the "UK Annual Report"), has today been published and is available on the Company's website at https://www.santander.com/en/.

In compliance with Listing Rule 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 compliance with Disclosure and Transparency Rule ("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 compliance 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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10 March 2023

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 505 to 513)

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 December 31, 2022, 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 December 31, 2022, 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 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 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	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. In addition, and as a part of our audit procedures, we have made inquiries to management to understand the

significant and complex estimates in the preparation of the consolidated annual accounts as at December 31, 2022 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 business is focused on commercial banking products and is concentrated in nine key markets (Brazil, Chile, Spain, United States, Mexico, Poland, Portugal, United Kingdom and the consumer finance business in Europe).

extent of the potential impact of climate change on credit risk.

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 management overlays to the expected credit loss models made by management due to the conditions and current uncertain environment.

- Loan collateral assignment and valuation process associated with mortgage collateral operations, including collateral recovery process.

Key audit matter

As a result, for the year ended 2022 the Group has recognised an amount of EUR 10,856 million of impairment of financial assets at amortised cost.

Please refer to Notes 2, 10 and 53 of the consolidated annual accounts as at December 31, 2022.

How our audit addressed the key audit matter

In addition, 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 overlays 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 Bank Polska 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.

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

Key audit matter

The amount of the Group's consolidated goodwill balance as at December 31, 2022 is EUR 13,741 million.

Please refer to Notes 2 and 17 of the consolidated annual accounts as at December 31, 2022.

How our audit addressed the key audit matter

- 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

Litigation provisions and contingencies

The Group is party to a range of tax, labour 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.

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.

How our audit addressed the key audit matter

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

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, 2022 is EUR 3,432 million.

Please refer to Notes 2 and 25 of the consolidated annual accounts as at December 31, 2022

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 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.
- 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 2022 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 2022 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 2022 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 2022 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of December 17, 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 affected, 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 February 27, 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on April 1, 2022 appointed us as auditors of the Group for a period of one year, for the year ended December 31, 2022.

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 December 31, 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)

February 27, 2023

Auditor’s report on the annual accounts of Banco Santander, S.A. (pages 817 to 824)

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 2022, 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 2022, 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 context of the current environment, imply a high complexity by incorporating new estimates and judgements, 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 judgment by management and are one of the most significant and complex estimates in the preparation of the annual accounts as at December 31, 2022 included herein, therefore they have been considered one of the key audit	We have obtained, in collaboration with our credit risk and economic forecasts 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. In addition, and as a part of our audit procedures, we have made inquiries to management to understand the extent of the potential impact of climate change on credit risk. In regards with the internal control, we have focused on testing the design and operating

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 commercial banking products.

As a result, for the year ended 2022 the Bank has recognised an amount of 1,391 million euros of impairment of financial assets at amortised cost.

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 management overlays to the expected credit loss models made by management due to the conditions and current environment.
- Loan collateral assignment and valuation process associated with mortgage collateral operations, including collateral recovery process.

Key audit matter

Please refer to notes 2, 6, 10 and 49 of the annual accounts as at December 31, 2022.

How our audit addressed the key audit matter

In addition, 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 overlays to the expected credit loss models made by management due to the conditions and current environment.
- 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.

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

Key audit matter	How our audit addressed the key audit matter
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. 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. The management decides when to recognise a provision for these contingent liabilities, based on an amount estimated 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 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, 2022 is 1,243 million euros. Please refer to notes 2 and 23 of the annual accounts as at December 31, 2022.	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 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 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 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, 2022 is 90,936 million euros.

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.

Key audit matter

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 goodwill net of its corresponding impairment.

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 goodwill, 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 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, 2022.

How our audit addressed the key audit matter

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 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 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.

Key audit matter	How our audit addressed the key audit matter
	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 2022 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 2022 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 2022 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 2022 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 27 February 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on 1 April 2022 appointed us as auditors for a period of one year, for the year ended 31 December 2022.

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)

27 February, 2023

Important events (page 814)

1.3 Important events

The following events occurred from 1 January 2023 to 27 February 2023, being the date on which the consolidated financial statements were authorized for issue (see note 1.g to the consolidated financial statements):

On 28 December 2022 the Law establishing a new temporary levy on credit institutions and financial credit institutions was published in Spain (see note 27 for additional information). On 1 January 2023 an estimated amount of EUR 225 million has been accounted for in accordance with IFRIC 21 due to this new levy.

In accordance with the agreement reached by the April 2022 general shareholders' meeting, on 1 February 2023 the board of directors approved a capital reduction, subject to corresponding regulatory authorization from the ECB, of EUR 170,203,286 through the redemption of 340,406,572 shares, representing 2.03% of the capital, acquired in the first share buyback.

The following significant events occurred from 28 February 2023 to the date of filing of this report:

Execution of the 2022 shareholder remuneration policy

On 28 February 2023, Banco Santander announced that in line with the 2022 shareholder remuneration policy, the board of directors resolved to:

- submit to the ordinary general shareholders' meeting, whose call is being published today, the approval of a final gross cash dividend of €5.95 cents per share entitled to receive dividends. Subject to the approval of the ordinary general shareholders meeting, the dividend would be payable from 2 May 2023. Thus, the last day to trade shares with a right to receive the dividend would be 26 April, the ex-dividend date would be 27 April and the record date would be 28 April; and

- implement a new share buy-back programme, to which the Bank will allocate an amount of 921 million euros (the “Buy-Back Programme” or the “Programme”). The appropriate regulatory authorization for the new programme has already been obtained and its execution will therefore commence from tomorrow as detailed below.

Once the above-mentioned actions are completed, the Bank’s shareholder remuneration for the 2022 results will total 3,842 million euros (c. 40% of the underlying profit in 2022) split in approximately equal parts in cash dividends (1,942 million euros) and share buybacks (1,900 million euros). (These amounts have been estimated assuming that, after the execution of the share buy-back programme described above, the number of outstanding shares entitled to receive the final dividend will be 16,190,866,119. Therefore, the total dividend will be higher if fewer shares than planned are acquired in the buy-back programme and will be lower in the opposite scenario).

Second Buy-Back Programme for 2022 results

On 28 February 2023, Banco Santander announced that the Buy-Back Programme will be executed pursuant to the resolutions adopted by the general shareholders’ meeting held on 3 April 2020 and, if applicable, the authorization for the acquisition of own shares which is submitted for approval by the 2023 Annual Shareholders’ Meeting under item 5º C of the agenda, as well as in accordance with the provisions of Article 5 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "Market Abuse Regulation") and in Commission Delegated Regulation (EU) 2016/1052 (the "Delegated Regulation"), and will have the following characteristics:

- Purpose of the Buy-Back Programme: to reduce the Bank’s share capital through the redemption of the shares acquired under the Programme in the share capital reduction submitted for approval by the 2023 Annual Shareholders' Meeting under item 5ºA of the agenda.

- Maximum investment: the Buy-Back Programme will have a maximum monetary amount of 921 million euros.

- Maximum price: Banco Santander intends to implement the Buy-Back Programme in a way that causes the average purchase price of shares not to exceed 4.26 euro, corresponding to the tangible book value per share at 31 December 2022.

- Maximum number of shares: The maximum number of shares that may be acquired pursuant to the Programme will depend on the average price at which they are acquired, but will not exceed 1,514,451,957 shares. Assuming that the average purchase price at which shares are acquired pursuant to the Programme were 3.50 euros, the maximum number of shares that would be acquired would be 263,142,857 (1.57% of the Bank’s share capital.

- Other conditions: shares will be purchased at market price, subject to some restrictions.

Principal risks (pages 427 to 429 and 430)

1.3 Santander's top and emerging risks

Through the top risks exercise, we evaluate the most relevant and emerging risks, which could affect our strategic plan, under different theoretical stress scenarios with low likelihood of occurrence. In this way, we identify, evaluate and monitor those risks that may have a significant impact on our profitability, solvency or strategy. Proactive risk management is essential to avoid possible negative impacts and deviations from the established objectives, which, if they occur, would be mitigated with previously defined action plans.

The identification of our top risk involves both the first and second line of defence, in which both the subsidiaries and the corporate centre participate. The risks identified are integrated into 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 2022, most top risk stemmed acutely from inflation pressure, the war in Ukraine, new government levies on banks, climate change and environmental risk management. Here are some core risks and associated action plans:

Macroeconomic and geopolitical environment

Some of the many macroeconomic and geopolitical factors posing risk to our strategy include changes in monetary and fiscal policy, geopolitical instability, the war in Ukraine, and commodity prices. We analyse situations that we do not include in our base scenario because of their low likelihood (per our top risk and emerging risk methodology described above); however, they can become global risk scenarios that may affect particular areas where we operate in Europe and the Americas. For example:

- Global monetary policies overreaction if inflationary pressures do not recede, which could lead to lower-than-expected growth.

- Industrial impact in Europe, in the event of power supply distortions.

- Increased financial stress due to the decline in asset prices, higher risk premiums and a recalculation of risk-free rates of return, with higher cost of risk as a result of tight monetary policy coupled with expansionary fiscal plans.

- Geopolitical uncertainty due to a possible escalation of the war, growing Euroscepticism, among other geopolitical developments in Europe.

Macroeconomic and geopolitical uncertainty can hinder our growth, lower asset quality and slow down one or many of our markets, potentially impacting our profitability. And because it can also affect our customers' income, losses could mount up if we couldn't recover loans.

Economic volatility can make our estimates seem inaccurate, which in turn may affect the reliability of the process, and the adequacy of our loan-loss provisions seem insufficient.

In response to this uncertainty, Grupo Santander has robust risk policies and processes and a proactive risk management that allow our risk profile to remain within the limits in alignment with Group's risk appetite.

We remain resilient against macroeconomic risk because of our geographical diversification and a wide range of products. The mitigating measures we took in 2022 helped reduce risk severity. They include:

- frequent monitoring meetings to review risk profile, business trends, markets and macroeconomic conditions;

- playbooks designed and implemented to ensure a quick, forward-looking and proactive response to changing circumstances;

- ensuring the means to proactively detect credit impairment and get customers the support they need through specific solutions, identifying better vulnerable customers in new context, with Collections and Recoveries support;

- helping our customers develop sustainable, energy-efficient alternatives; and

- ALCO and Market committee meetings to monitor structural and FX risk and the coverage of our capital ratios in all major currencies.

Growing legislative and regulatory pressure

With a unique business model based on maintaining a significant market share in our core geographies, Grupo Santander is subject to varied regulation. Our status of global systemically important bank (G-SIB) implies high capital requirements that could intensify with subsequent reform or if supervisors revise current requirements. New laws, like levies on credit institutions, that impact on our business and relations with customers could stymie profitability and return on equity, increase funding costs, and undermine our resilience to economic disruption and ability to extend credit.

Many legislative or regulatory action may result in new requirements or more stringent standards, particularly with respect to capital and liquidity. This could directly affect the Group or our subsidiaries, negatively impacting our solvency and/or liquidity levels.

The key mitigation measures for this risk are:

- Initiatives included in the capital plan, in line with the continuous improvement of our regulatory models within the IRB 2.1 project framework (project for the implementation of the Group's EBA Repair Program), as well as to mitigate the possible impacts of Basel guidelines.

- Multidisciplinary working groups to anticipate outcomes of these measures, in collaboration with the banking associations and through the dialogue with regulators and other stakeholders.

Climate and environmental risk

Climate and environmental risk continues to raise concern for several reasons: (i) the macroeconomic and geopolitical situation (e.g. the war in Ukraine, economic slowdown, new energy landscape, etc.) adds pressure to meet commitments and targets in support of a transition to a low-carbon economy; (ii) more climate-aware customers, shareholders and investors; (iii) banks in the US and elsewhere are assessing legal and reputational risk in belonging to platforms of climate-material sectors; (iv) the threat of biodiversity loss to the economy; and (v) new requirements in policies and institutional frameworks.

The transition and physical risks associated with climate change can have negative implications for the Group because of:

- higher credit exposure and companies with inconsistent business models with low-carbon economic transition;

- operational risk, since severe weather can directly disrupt business and operations both for our customers and for the Group;

- challenges to meet several jurisdictions' supervisory expectations, which became more substantial, precise and extensive in 2022, with stricter timescales, and could harm our green product offering subject to different rules and taxonomies under development;

- damaged reputation and relations with customers due to our practices and decisions in relation to climate change and the environment, or due to the practices or engagement of our customers in sectors and initiatives linked to causing or worsening climate change; and

- a lack of hard, quality data on climate change to be able to give reliable, accurate reporting.

To tackle these challenges, the Group has mitigation plans. In particular:

- Because climate risk is intertwined with other core risk types, we continue to integrate climate risk into our strategy and management through better processes, robust governance, internal taxonomy (based on the EBA's Pillar III guidelines), risk appetite statement, stress testing, ESG policy, risk profile assessments, etc.

- In alignment with other areas, risk and compliance advise on efficient green product design and transition plans to help our customers go green (or greener).

- Our climate stress testing and scenario analysis, such as those developed in the ECB's 2022 Climate Stress Test and Thematic Review on Climate & Environmental Risk, heightened our understanding of exposure to this risk and provided greater insight to potentially improve risk management and decision-making.

- Multidisciplinary working groups to anticipate outcomes, in collaboration with banking associations and regulators and other stakeholders.

The automotive industry

As the auto industry transforms in response to gradual changes in legislation, technology, climate and consumption, it has become a more significant source of risk to the Group in recent years.

This transformation could affect our auto finance business (EUR 160 billion of exposure in 2022), which is mainly distributed in SCIB, Digital Consumer Bank and SC USA), in view of:

- a transition from fuel to electric engines and environmental aspects related to emissions and transition risk from political and regulatory decisions (e.g. traffic restrictions in city centres for highly polluting cars);

- growing customer preferences for car leasing, subscription, car sharing and other services instead of vehicle ownership;

- greater market concentration in certain manufacturers, distributors and other agents;

- more online sales channels; and

- self-driving vehicles.

The auto industry has also suffered with supply chain disruption and shortages of batteries, semi-conductors and others in the wake of the pandemic and the war in Ukraine.

In an adverse scenario, the auto lending business could be impacted by a short supply of new vehicles affecting guarantees, residual used car value and loan delinquency.

To manage such threats, the Group:

- continuously monitors auto loan portfolios and dealers, used car prices (especially diesel vehicles), forward-looking analyses of the auto market, check provisions adequacy, commercial focus on leasing, alliances, fleet financing, and innovative product development;

- implements specific plans to address particular concerns: profitability in agreements with manufacturers and campaigns to support distributors; loyalty programmes to boost renewals; rentals and leases, car subscription; digital solutions; plans to lower inventory; used car sales; 'buy now, pay later' (BNPL) and market penetration by insurers; and

- aids the green transition, decarbonization of car fleets and installation of electric vehicle charging stations in the auto industry.

A transforming auto industry could create many opportunities for the Group to:

- help develop the supply of new electric and low or zero-emissions vehicles, which would be positive for the environment, lower emissions and transition risk stemming from public policies and regulation (e.g. aid for charging stations, better legislation to develop electric vehicle infrastructure and traffic restrictions for highly polluting vehicles).

- create new business models with ecological, smart and autonomous vehicles; support competitiveness and investment in the industry, including new mobility companies, with the support of the banking sector.

- capitalize on the growing demand for logistics services, fast delivery and online shopping that suggests that commercial and industrial vehicle sales will rise.

- public support measures for financing of new fleets with low or zero emissions, for example through European funds.

Central bank digital currencies (CBDCs), stablecoins and disintermediation

Digital versions of fiduciary currencies issued by central banks and stablecoins could have potential impacts on the financial system, such as replacing or diminishing bank's current accounts, which could affect the volume, structure, and cost of funding for commercial banks.

Most central banks are exploring issuing digital currencies (CBDCs), through pilot projects focusing in this field. The focus is, above all, on retail CBDCs that offer citizens a digital, central bank liability for payments. Most central banks are yet to make a decision on CBDCs; but in Brazil, China and Sweden, they are already running tests. The ECB is making significant headway with the digital euro. According to the ECB's roadmap, the ECB could be ready to take a decision on whether to issue a digital euro by the end of 2026.

In addition, both CBDCs and stablecoins could be seen as a new standard of payment and bank deposits, which could inadvertently increase disintermediation across the financial system. This could exacerbate financial instability in times of economic stress if bank deposits are substituted with CBDCs, which could be seen as more secure. It is not clear what services and business models banks and other payment providers will be able to provide based on these instruments.

The benefits of digital currencies, also unclear, will depend on each country or region’s payments system, economic development, financial inclusion and consumer habits. CBDCs could open up the opportunity to develop innovative digital asset and payment services.

To mitigate CBDCs risk, the Group:

- participates in the debate on CBDCs with domestic and foreign authorities in order to explain their risk to banks and to financial stability (as well as the importance of mitigating it), and make sure they will enable banks to continue creating value for customers;

- monitors central banks’ projects, stablecoin markets and consumer behaviour; and

- participates in multidisciplinary working groups with banking associations and regulators to anticipate outcomes.

2.2 Risk Factors

Grupo Santander's risk classification is based on our corporate risk framework and includes:

1.	Credit risk is the risk of financial loss due to the failure to pay or impaired credit of a customer or counterparty Santander has financed or maintains a contractual obligation with. It includes counterparty risk, country risk and sovereign risk. It is our most significant risk in terms of exposure and capital consumption.
2.	Market risk. Activities exposed to market risk encompass transactions where risk is assumed as a consequence of potential changes in interest rates, inflation rates, exchange rates, stock prices,

	credit spreads, commodity prices, volatility and other market factors.
3.	Liquidity risk occurs if liquid financial resources are insufficient or too costly to obtain in order to meet liabilities when they fall due.
4.	Structural risk: 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 is 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, technological risk, cyberrisk, legal risk and conduct risk.
6.	Financial crime risk is the risk arising from actions or the use of the Group's means, products and services in criminal or illegal activities. Such activity includes money laundering, terrorist financing, violation of international sanctions, corruption, bribery and tax evasion.
7.	Model risk: Models that are poorly developed or misused in decision-making can have bad consequences, including financial loss, poor decision-making and strategy, and harm the Group’s operations.
8.	Reputational risk is the risk of current or potential negative economic impact due to damage to the perception of the bank on the part of employees, customers, shareholders and investors, and the wider community. Reputational risk may arise from various sources, including other risks, business and support operations, the social and political environment, and events concerning our competitors.
9.	Strategic risk is the threat of loss due to poor strategic decisions or deficient strategy implementation, which can affect our core stakeholders’ medium-to-long-term interests; or due to an inability to adapt to a changing environment.

Environmental and climate-related risk drivers are considered as factors that could impact the existing risks in the medium-to-long-term.

Climate-related and environmental risk management is key to fulfilling our objectives and the commitments in our climate strategy sustainably.

Climate change and environmental factors could affect existing risks in different time horizons. These factors include those derived from the physical effects of climate change generated by acute events or chronic changes in the environment, as well as those stemming from the transition to a low-carbon economy that includes changes in legislation, technology or market trends.

Directors' responsibility statements (page 807)

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 2022 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 2022 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 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), 27 February 2023

ANA PATRICIA BOTÍN-SANZ DE SAUTUOLA Y O'SHEA	HÉCTOR BLAS GRISI CHECA
Chair	Chief Executive Officer
BRUCE CARNEGIE-BROWN	JOSÉ ANTONIO ÁLVAREZ ÁLVAREZ
Vice Chair	Vice Chair

MEMBERS:

HOMAIRA AKBARI

FRANCISCO JAVIER BOTÍN-SANZ DE SAUTUOLA Y O'SHEA

SOL DAURELLA COMADRÁN

HENRIQUE MANUEL DRUMMOND BORGES CIRNE DE CASTRO

GERMÁN DE LA FUENTE ESCAMILLA

GINA LORENZA DÍEZ BARROSO AZCÁRRAGA

GLENN HOGAN HUTCHINS

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 2022 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 2022 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), 27 February 2023

ANA PATRICIA BOTÍN-SANZ DE SAUTUOLA Y O'SHEA

Chair

HÉCTOR BLAS GRISI CHECA

Chief Executive Officer

BRUCE CARNEGIE-BROWN

Vice Chair

JOSÉ ANTONIO ÁLVAREZ ÁLVAREZ

Vice Chair

MEMBERS:

HOMAIRA AKBARI

FRANCISCO JAVIER BOTÍN-SANZ DE SAUTUOLA Y O'SHEA

SOL DAURELLA COMADRÁN

HENRIQUE MANUEL DRUMMOND BORGES CIRNE DE CASTRO

GERMÁN DE LA FUENTE ESCAMILLA

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RAMIRO MATO GARCÍA-ANSORENA

BELÉN ROMANA GARCÍA

PAMELA ANN WALKDEN

Related Parties (pages 726 to 728)

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 executive vice presidents, 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, 14 and 46.c.

EUR million

	2022			
	Associates and joint ventures	Members of the board of directors	Executive vicepresident	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	Executive vicepresident	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

EUR million

	2020			
	Associates and joint ventures	**Members of the board of directors**	**Executive vicepresident**	**Other related parties**
Assets	**8,473**	**—**	**24**	**95**
Cash, cash balances at central banks and other deposits on demand	151	—	—	—
Loans and advances: credit institutions	562	—	—	—
Loans and advances: customers	6,934	—	24	95
Debt securities	423	—	—	—
Others	403	—	—	—
Liabilities	**3,593**	**4**	**16**	**159**
Financial liabilities: credit institutions	944	—	—	—
Financial liabilities: customers	2,557	4	16	159
Marketable debt securities	12	—	—	—
Others	80	—	—	—
Income statement	**1,269**	**—**	**—**	**3**
Interest income	106	—	—	2
Interest expense	(8)	—	—	—
Gains/losses on financial assets and liabilities and others	49	—	—	—
Commission income	1,154	—	—	1
Commission expense	(32)	—	—	—
Other	**4,097**	**1**	**1**	**52**
Financial guarantees granted and Others	14	—	—	3
Loan commitments and Other commitments granted	253	1	1	13
Derivative financial instruments	3,830	—	—	36