

Banco Santander, S.A.

Auditor's report, Annual accounts and director's report for the year ended 31 December 2023

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.



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.

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Key audit matters	How our audit addressed the key audit matters
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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 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.

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, 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.



Banco Santander, S.A.

Key audit matters

How our audit addressed the key audit matters

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 matters	How our audit addressed the key audit matters
<p>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.</p> <p>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.</p> <p>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.</p> <p>The amount of the litigation provisions and contingencies as at December 31, 2023 is EUR 1,407 million.</p> <p>Please refer to Notes 2 and 23 of the annual accounts as at December 31, 2023.</p>	<ul style="list-style-type: none"> • 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. <p>In addition, we have performed the following tests of details:</p> <ul style="list-style-type: none"> • 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. <p>In the procedures described above, no exceptions were identified outside of a reasonable range.</p>



Banco Santander, S.A.

Key audit matters	How our audit addressed the key audit matters
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Impairment of investments in subsidiaries	
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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, 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.

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 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.

**Key audit matters** **How our audit addressed the key audit matters****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.



Banco Santander, S.A.

- 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.



Banco Santander, S.A.

- 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.



Banco Santander, S.A.

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

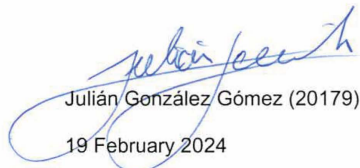
The General Ordinary Shareholders' Meeting held on 31 March 2023 appointed us as auditors for a period of one year, for the year ended 31 December 2023.

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

Banco Santander, S.A.

Financial statements for the year ended 31 December 2023

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.

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Banco Santander, S.A.

BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR Million

ASSETS	Note	2023	2022 ^A
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND	6	125,020	130,083
FINANCIAL ASSETS HELD FOR TRADING		114,197	103,868
Derivatives	9 & 11	46,516	54,456
Equity instruments	8	14,423	9,450
Debt securities	7	30,357	17,846
Loans and advances		22,901	22,116
Central banks	6	1,146	1,933
Credit institutions	6	10,755	9,807
Customers	10	11,000	10,376
<i>Memorandum items: Lent or delivered as guarantees with disposal or pledge rights</i>	31	26,768	26,730
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS		2,305	3,168
Equity instruments	8	679	1,041
Debt securities	7	580	950
Loans and advances		1,046	1,177
Central banks	6	—	—
Credit institutions	6	—	—
Customers	10	1,046	1,177
<i>Memorandum items: Lent or delivered as guarantees with disposal or pledge rights</i>	31	326	627
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		5,806	6,641
Debt securities	7	—	—
Loans and advances		5,806	6,641
Central banks	6	—	—
Credit institutions	6	701	934
Customers	10	5,105	5,707
<i>Memorandum items: Lent or delivered as guarantees with disposal or pledge rights</i>	31	—	—
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		9,774	10,607
Equity instruments	8 & 25	983	1,268
Debt securities	7 & 25	4,456	4,120
Loans and advances		4,335	5,219
Central banks	6	—	—
Credit institutions	6	—	1
Customers	10	4,335	5,218
<i>Memorandum items: Lent or delivered as guarantees with disposal or pledge rights</i>	31	1,551	1,517

ASSETS	Note	2023	2022^A
FINANCIAL ASSETS AT AMORTIZED COST		379,110	378,147
Debt securities	7	56,627	40,182
Loans and advances		322,483	337,965
Central banks	6	149	94
Credit institutions	6	34,752	35,067
Customers	10	287,582	302,804
<i>Memorandum items: Lent or delivered as guarantees with disposal or pledge rights</i>	31	16,003	6,019
HEDGING DERIVATIVES	32	1,102	1,450
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	32	(64)	(125)
INVESTMENTS	13	99,326	94,214
Group entities		97,144	90,936
Joint venture entities		334	324
Associated entities		1,848	2,954
TANGIBLE ASSETS	15	6,368	6,512
Property, plant and equipment		6,159	6,270
For own-use		5,253	5,392
Leased out under an operating lease		906	878
Investment property		209	242
<i>Of which: Leased out under an operating lease</i>		209	242
<i>Memorandum items: Acquired in financial leasing</i>		2,490	2,662
INTANGIBLE ASSETS	16	842	859
Goodwill		271	334
Other intangible assets		571	525
TAX ASSETS	24	10,837	11,220
Current tax assets		4,007	2,977
Deferred tax assets		6,830	8,243
OTHER ASSETS		2,289	2,680
Insurance contracts linked to pensions	14, 17 & 23	288	313
Inventories	17	—	—
Other	17	2,001	2,367
NON-CURRENT ASSETS HELD FOR SALE	12	430	702
TOTAL ASSETS		757,342	750,026

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the balance sheet as of 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.

BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR Million

LIABILITIES	Note	2023	2022^A
FINANCIAL LIABILITIES HELD FOR TRADING		96,052	86,373
Derivatives	9 & 11	41,379	52,126
Short positions	9	17,837	14,453
Deposits		36,836	19,794
Central banks	18	5,453	4,265
Credit institutions	18	17,548	8,949
Customers	19	13,835	6,580
Marketable debt securities	20	—	—
Other financial liabilities	22	—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS		37,424	38,568
Deposits		37,216	38,479
Central banks	18	1,209	1,740
Credit institutions	18	1,872	2,160
Customers	19	34,135	34,579
Marketable debt securities	20	208	89
Other financial liabilities	22	—	—
<i>Memorandum items: Subordinated liabilities</i>		—	—
FINANCIAL LIABILITIES AT AMORTIZED COST		536,211	541,679
Deposits		384,274	403,212
Central banks	18	11,682	15,728
Credit institutions	18	35,503	41,609
Customers	19	337,089	345,875
Marketable debt securities	20	139,870	125,969
Other financial liabilities	22	12,067	12,498
<i>Memorandum items: Subordinated liabilities</i>	20 & 21	24,218	19,640
HEDGING DERIVATIVES	32	3,099	3,955
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK		(20)	(26)
PROVISIONS	23	3,444	3,886
Pensions and other post-retirement obligations		748	1,220
Other long term employee benefits		696	781
Taxes and other legal contingencies		705	622
Contingent liabilities and commitments		184	220
Other provisions		1,111	1,043
TAX LIABILITIES	24	1,930	1,796
Current tax liabilities		165	162
Deferred tax liabilities		1,765	1,634
OTHER LIABILITIES	17	4,328	3,749
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE		—	—
TOTAL LIABILITIES		682,468	679,980

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BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR Million

EQUITY	Note	2023	2022 ^A
SHAREHOLDERS' EQUITY	26	77,465	72,576
CAPITAL	27	8,092	8,397
Called up paid capital		8,092	8,397
Unpaid capital which has been called up		—	—
Memorandum items: Uncalled up capital		—	—
SHARE PREMIUM	28	44,373	46,273
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	30	720	688
Equity component of compound financial instruments		—	—
Other equity instruments issued		720	688
OTHER EQUITY INSTRUMENTS	30	195	175
ACCUMULATED RETAINED EARNINGS	29	17,889	11,910
REVALUATION RESERVES		—	—
OTHER RESERVES	29	(706)	(1,195)
(-) OWN SHARES	30	(1,039)	(614)
RESULTS FOR THE PERIOD	4	9,239	7,921
(-) INTERIM DIVIDENDS	4	(1,298)	(979)
OTHER COMPREHENSIVE INCOME OR LOSS		(2,591)	(2,530)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS	25	(2,399)	(2,062)
Actuarial gains or - losses in defined benefit pension plans		(1,141)	(1,133)
Non-current assets and disposal groups that have been classified as held for sale		—	—
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income		(1,162)	(908)
Ineffectiveness of fair value hedges of equity instruments measured at fair value with changes in other comprehensive income		—	—
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income [hedged item]		258	289
Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income [hedging instrument]		(258)	(289)
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		(96)	(21)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS	25	(192)	(468)
Hedge of net investments in foreign operations [effective part]		—	—
Currency conversion		—	—
Hedging derivatives. Cash flow hedge reserve [effective part]		(182)	(381)
Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income		(10)	(87)
Hedging instruments [non-designated items]		—	—
Non-current assets and disposal groups that have been classified as held for sale		—	—
TOTAL EQUITY		74,874	70,046
TOTAL LIABILITIES AND EQUITY		757,342	750,026
MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS	31		
Loan commitments granted		128,487	122,374
Financial guarantees granted		14,746	11,956
Other commitments granted		90,048	71,948

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the balance sheet as of 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR Million

	Note	(Debit) Credit	
		2023	2022 ^A
Interest income	34	22,580	10,156
<i>Financial assets at fair value through other comprehensive income</i>		504	210
<i>Financial assets at amortized cost</i>		14,282	7,118
<i>Other interest income</i>		7,794	2,828
Interest expense	35	(16,204)	(5,958)
Expenses for capital stock repayable on demand		—	—
Interest income/(changes)		6,376	4,198
Dividend income	36	9,652	9,166
Commission income	37	3,303	3,259
Commission expense	38	(675)	(602)
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net	39	(232)	75
<i>Financial assets at amortized cost</i>		(234)	(27)
<i>Other financial assets and liabilities</i>		2	102
Gains or losses on financial assets and liabilities held for trading, net	39	723	412
<i>Reclassification of financial assets at fair value through other comprehensive income</i>		—	—
<i>Reclassification of financial assets at amortized cost</i>		—	—
<i>Other gains (losses)</i>		723	412
Gains or losses on non-trading financial assets and liabilities mandatorily at fair value through profit or loss, net	39	93	498
<i>Reclassification of financial assets at fair value through other comprehensive income</i>		—	—
<i>Reclassification of financial assets at amortized cost</i>		—	—
<i>Other gains (losses)</i>		93	498
Gains or losses on financial assets and liabilities measured at fair value through profit or loss, net	39	122	106
Gains or losses from hedge accounting, net	39	(4)	(15)
Exchange differences, net	40	(193)	(877)
Other operating income	41	530	451
Other operating expenses	41	(979)	(890)
Total income		18,716	15,781
Administrative expenses		(5,111)	(4,683)
<i>Staff costs</i>	42	(3,084)	(2,796)
<i>Other general administrative expenses</i>	43	(2,027)	(1,887)
Depreciation and amortisation cost	15 & 16	(598)	(561)
Provisions or reversal of provisions, net	23	(744)	(630)
Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss and net gains or losses from changes	7 & 10	(1,372)	(1,398)
<i>Financial assets at fair value through other comprehensive income</i>		(23)	(7)
<i>Financial assets at amortized cost</i>		(1,349)	(1,391)
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates, net	44	(1,047)	(512)
Impairment or reversal on non-financial assets, net		21	—
<i>Tangible assets</i>	15 & 44	23	—
<i>Intangible assets</i>	16 & 44	(2)	—
<i>Others</i>		—	—
Gain or losses on non-financial assets, net	45	6	7

	Note	(Debit) Credit	
		2023	2022 ^A
Negative goodwill recognised in results		—	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	12 & 46	(99)	(40)
Operating profit/(loss) before tax		9,772	7,964
Tax expense or income from continuing operations	24	(533)	(43)
Profit/(loss) from continuing operations		9,239	7,921
Profit/(loss) after tax		—	—
Profit/(loss) for the year		9,239	7,921

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the income statement for the year ended 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR Million

	Note	2023	2022 ^A
PROFIT (LOSS) FOR THE YEAR		9,239	7,921
OTHER RECOGNISED INCOME AND EXPENSES	25	(57)	(735)
Items that will not be reclassified to profit or loss		(333)	(211)
Actuarial gains and losses on defined benefit pension plans		(14)	279
Other recognised income and expense of investments in subsidiaries, joint venture and associates		—	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income, net		(250)	(450)
Gains or losses resulting from the accounting for hedges of equity instruments measured at fair value through other comprehensive income, net		—	—
<i>Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)</i>		(31)	18
<i>Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)</i>		31	(18)
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk		(107)	58
Income tax relating to items that will not be reclassified	24	38	(98)
Items that may be reclassified to profit or loss		276	(524)
Hedges of net investments in foreign operations (effective portion)		—	—
<i>Revaluation gains (losses)</i>		—	—
<i>Amounts transferred to income statement</i>		—	—
<i>Other reclassifications</i>		—	—
Exchanges differences		—	—
<i>Revaluation gains (losses)</i>		—	—
<i>Amounts transferred to income statement</i>		—	—
<i>Other reclassifications</i>		—	—
Cash flow hedges (effective portion)		285	(420)
<i>Revaluation gains or (losses)</i>		(70)	(505)
<i>Amounts transferred to income statement</i>		355	85
<i>Transferred to initial carrying amount of hedged items</i>		—	—
<i>Other reclassifications</i>		—	—
Hedging instruments (items not designated)		—	—
<i>Revaluation gains (losses)</i>		—	—
<i>Amounts transferred to income statement</i>		—	—
<i>Other reclassifications</i>		—	—
Debt instruments at fair value with changes in other comprehensive income		103	(328)
<i>Revaluation gains (losses)</i>		64	(242)
<i>Amounts transferred to income statement</i>		39	(86)
<i>Other reclassifications</i>		—	—
Non-current assets held for sale		—	—
<i>Revaluation gains (losses)</i>		—	—
<i>Amounts transferred to income statement</i>		—	—
<i>Other reclassifications</i>		—	—
Income tax related to items that may be reclassified to profit or loss	24	(112)	224
Total recognised income and expenses for the year		9,182	7,186

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the statement of recognized income and expenses for the year ended 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR Million

	Capital	Share premium	Equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own Equity shares	Result for the period	(-) Interim dividends	Other comprehensive income	Total
Balance at 31 December 2022^A	8,397	46,273	688	175	11,910	—	(1,195)	(614)	7,921	(979)	(2,530)	70,046
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance at 1 January 2023^A	8,397	46,273	688	175	11,910	—	(1,195)	(614)	7,921	(979)	(2,530)	70,046
Total recognised income and expense	—	—	—	—	—	—	—	—	9,239	—	(57)	9,182
Other changes in equity	(305)	(1,900)	32	20	5,979	—	489	(425)	(7,921)	(319)	(4)	(4,354)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	(305)	(1,900)	—	—	—	—	305	1,900	—	—	—	—
Dividends	—	—	—	—	(963)	—	—	—	—	(1,298)	—	(2,261)
Purchase of equity instruments	—	—	—	—	—	—	—	(2,974)	—	—	—	(2,974)
Disposal of equity instruments	—	—	—	—	—	—	—	649	—	—	—	649
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	6,942	—	4	—	(7,921)	979	(4)	—
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	(60)	—	—	—	—	—	—	—	(60)
Others increases or (-) decreases of the equity	—	—	32	80	—	—	180	—	—	—	—	292
Balance at 31 December 2023	8,092	44,373	720	195	17,889	—	(706)	(1,039)	9,239	(1,298)	(2,591)	74,874

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the statement of changes in total equity for the year ended 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR Million

	Capital	Share premium	Equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own Equity shares	Result for the period	(-) Interim dividends	Other comprehensive income	Total
Balance at 31 December 2021^A	8,670	47,979	658	147	9,683	—	(1,017)	(841)	3,932	(836)	(1,802)	66,573
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance at 1 January 2022^A	8,670	47,979	658	147	9,683	—	(1,017)	(841)	3,932	(836)	(1,802)	66,573
Total recognised income and expense	—	—	—	—	—	—	—	—	7,921	—	(735)	7,186
Other changes in equity	(273)	(1,706)	30	28	2,227	—	(178)	227	(3,932)	(143)	7	(3,713)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	(273)	(1,706)	—	—	—	—	273	1,706	—	—	—	—
Dividends	—	—	—	—	(869)	—	—	—	—	(979)	—	(1,848)
Purchase of equity instruments	—	—	—	—	—	—	—	(1,847)	—	—	—	(1,847)
Disposal of equity instruments	—	—	—	—	—	—	—	368	—	—	—	368
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	3,096	—	(7)	—	(3,932)	836	7	—
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payment	—	—	—	(48)	—	—	—	—	—	—	—	(48)
Other increases or (-) decreases of the equity	—	—	30	76	—	—	(444)	—	—	—	—	(338)
Balance at 31 December 2022^A	8,397	46,273	688	175	11,910	—	(1,195)	(614)	7,921	(979)	(2,530)	70,046

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the statements of changes in total equity for the year ended 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 and 50). In the event of a discrepancy, the Spanish-language version prevails.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR Million

	Note	2023	2022 ^A
A. CASH FLOWS FROM OPERATING ACTIVITIES		(8,512)	36,832
Profit or loss for the year	4	9,239	7,921
Adjustments made to obtain the cash flows from operating activities		(3,746)	3,370
Depreciation and amortization cost	15 & 16	598	561
Other adjustments		(4,344)	2,809
Net increase/(decrease) in operating assets		6,765	58,102
Financial assets held-for-trading		10,329	17,783
Non-trading financial assets mandatorily at fair value through profit or loss		(863)	812
Financial assets designated at fair value through profit or loss		(835)	(6,762)
Financial assets at fair value through other comprehensive income		(627)	(3,723)
Financial assets at amortized cost		2,364	50,793
Other operating assets		(3,603)	(801)
Net increase/(decrease) in operating liabilities		(6,880)	85,367
Financial liabilities held-for-trading		9,680	29,403
Financial liabilities designated at fair value through profit or loss		(1,251)	25,881
Financial liabilities at amortized cost		(9,968)	31,847
Other operating liabilities		(5,341)	(1,764)
Income tax recovered/(paid)		(360)	(1,724)
B. CASH FLOWS FROM INVESTING ACTIVITIES		5,422	6,595
Payments		5,458	4,257
Tangible assets	15	407	404
Intangible assets	16	197	164
Investments	13	4,854	3,689
Subsidiaries and other business units		—	—
Non-current assets held for sale and associated liabilities		—	—
Other payments related to investing activities		—	—
Proceeds		10,880	10,852
Tangible assets	15	140	160
Intangible assets	16	—	—
Investments	13 & 36	10,494	10,338
Subsidiaries and other business units		—	—
Non-current assets held for sale and associated liabilities		246	354
Other proceeds related to investing activities		—	—
C. CASH FLOW FROM FINANCING ACTIVITIES		(929)	(5,184)
Payments		7,214	5,553
Dividends	4	2,261	1,848
Subordinated liabilities	21	1,813	1,678
Redemption of own equity instruments		—	—
Acquisition of own equity instruments		2,974	1,847
Other payments related to financing activities		166	180
Proceeds		6,285	369
Subordinated liabilities	21	5,636	—
Issuance of own equity instruments		—	—
Disposal of own equity instruments		649	369
Other proceeds related to financing activities		—	—
D. EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,044)	104

	Note	2023	2022 ^A
E. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,063)	38,347
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		130,083	91,736
G. CASH AND CASH EQUIVALENTS AT END OF THE YEAR		125,020	130,083
MEMORANDUM ITEMS			
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR			
<i>Cash</i>		1,279	1,257
<i>Cash equivalents at central banks</i>		121,325	124,577
<i>Other financial assets</i>		2,416	4,249
TOTAL OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		125,020	130,083

A. Presented for comparison purposes only (note 1.d).

The accompanying notes 1 to 50 and appendices are an integral part of the statement of cash flows for the year ended 31 December 2023.

Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to Banco Santander in Spain (see notes 1 to 50). In case of discrepancy, the Spanish version prevails.

Banco Santander, S.A.

Notes to the financial statements (annual accounts) for the year ended 31 December 2023

1. Introduction, basis of presentation of the financial statements (annual accounts) and other information

a) Introduction

Banco Santander, S.A. ('the Bank' or 'Banco Santander'), is a private-law entity subject to the rules and regulations applicable to banks operating in Spain, where it was constituted and currently maintains its legal domicile, which is paseo de Pereda, numbers 9 to 12, 39004, Santander, Spain.

The principal headquarters of Banco Santander are located in Ciudad Grupo Santander, Avenida Cantabria s/n, 28660, Boadilla del Monte, Madrid, Spain.

The corporate purpose of Banco Santander, S.A., mainly entails carrying out all kinds of activities, operations and services inherent to the banking business in general and permitted by current legislation, and the acquisition, holding, enjoyment and disposal of all kinds of securities.

In addition to the operations carried on directly by it, Banco Santander is the head of a group of subsidiaries that engage in various business activities and which compose, together with it, Grupo Santander ('Grupo Santander' or 'the Group'). Therefore, Banco Santander is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements, which also include the interests in joint ventures and investments in associates.

Banco Santander financial statements for 2022 were approved by the shareholders at the group's annual general meeting on 31 March 2023. The Group's 2023 consolidated financial statements, the financial statements of Banco Santander and of substantially all the Group companies have not been approved yet by their shareholders at the respective annual general meetings. However, Banco Santander board of directors considers that the aforementioned financial statements will be approved without any significant changes.

Appendix VII includes the list of agents that assist Banco Santander on the performance of its business activities in Spain.

b) Basis of presentation of the financial statements (annual accounts)

Banco Santander financial statements for the year ended 2023 have been authorised by the Bank's directors (at the Board of Directors meeting on February 19, 2024) in accordance with Bank of Spain Circular 4/2017 and subsequent amendments, and Spanish corporate and commercial law applicable to the Bank, using the accounting policies and measurement criteria applied by the Bank as set forth in note 2, accordingly, they present fairly the Bank's equity and financial position as of 31 December 2023 and 2022, results of its operations, recognized revenue and expense, changes in total equity and cash flows pertaining 2023 and 2022. These annual accounts have been prepared on the basis of the accounting records held by Banco Santander.

The notes to the financial statements contain additional information to that presented in the balance sheet, income statement, statement of recognised income and expense, statement of changes in total equity and statement of cash flows. The notes provide, in a clear, relevant, reliable and comparable manner, narrative descriptions and breakdowns of these statements.

The figures of the annual accounts are presented in millions of euros unless another alternative monetary unit is indicated, rounded to the nearest million unit.

Adoption of new standards and related interpretations

The following is a summary of the main Bank of Spain Circulars issued that became applicable to Banco Santander in financial year 2023:

Bank of Spain Circular 1/2023, of 24 February, to credit institutions, branches in Spain of credit institutions authorised in another European Union Member State and financial credit establishments, on the information to be sent to the Bank of Spain on covered bonds and other loan mobilisation instruments, and amending Circular 4/2017 of 27 November to credit institutions on public and confidential financial reporting standards and model financial statements, and Circular 4/2019 of 26 November to financial credit institutions on public and confidential financial reporting standards and model financial statements.

The circular establishes the reporting obligations to the Bank of Spain of credit institutions issuing covered bonds. These obligations relate, amongst others, to the eligibility of the assets and the requirements of the cover pool, the liquidity buffer of the cover pool and any other information that the Bank of Spain deems necessary for the exercise of its supervisory functions over covered bonds. This circular addresses and regulates these obligations.

Furthermore, it includes the requirements relating to mortgage participations and mortgage transfer certificates as established in the third additional provision of the same circular, and to the instruments for the mobilisation of credits or loans secured by first mortgage or first non-possessory pledge that may be issued by credit institutions as regulated in the fourth additional provision.

The application of the aforementioned circular has had no significant effect on the Bank's annual accounts.

Bank of Spain Circular 2/2023 of 17 March amending Circular 1/2013 of 24 May on the Central Credit Register.

The main objective of the circular is to adapt Bank of Spain Circular 1/2013 of 24 May on the Central Credit Register to the changes introduced by Order ETD 600/2022 of 29 June, which modifies the dates of entry into force for the reduction of the exemptions from individualised reporting to the CCR established by Order ETD/699/2020 of 24 July.

This Circular establishes that, as of 2 January 2023, reporting institutions will have to report to the CCR, on an individual basis, all transactions of holders whose cumulative exposure to the institution is equal to or higher than 3,000 euros.

The application of the aforementioned Circular has had no significant impact on the Bank's annual accounts.

Bank of Spain Circular 3/2023 of 31 October amending Circular 2/2016 of 2 February to credit institutions on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, and Circular 1/2022 of 24 January to financial credit institutions on liquidity, prudential rules and reporting obligations.

The wording of Circular 3/2023 is aligned with the content of the reform of Law 10/2014 by Law 18/2022 as regards non-Community institutions operating in Spain without a branch, and introduces some assessment criteria in the authorisation process.

The circular also revises the reporting obligations to the Bank of Spain in the area of remuneration.

The application of this circular had no significant effects on the Bank's annual accounts.

c) Use of critical estimates

The results and the determination of equity are sensitive to the accounting policies, measurement bases and estimates used by the directors of Banco Santander in preparing the financial statements.

The main accounting policies and measurement bases are set forth in note 2.

In the financial statements estimates were occasionally made by the senior management of Banco Santander in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, which were made on the basis of the best information available, relate basically to the following:

- The impairment losses on certain assets: it applies to financial assets at fair value through other comprehensive income, financial assets at amortised cost, non-current assets held for sale, investments, tangible assets and intangible assets (see notes 6, 7, 10, 12, 13, 15, 16 and 50).
- The assumptions used in the actuarial calculation of the post-employment benefit liabilities and commitments and other obligations (see note 23).
- The useful life of the tangible and intangible assets (see notes 15 and 16).
- Assessment of the impairment of investments in group, joint venture and associated entities (see note 13).
- The measurement of goodwill (see note 16).
- The calculation of provisions and the consideration of contingent liabilities (see note 23).
- The fair value of certain unquoted assets and liabilities (see notes 6, 7, 8, 9, 10, 11, 18, 19 and 20).
- The recoverability of deferred tax assets (see note 24).
- The fair value of the identifiable assets acquired and the liabilities assumed in business combinations (see note 3).

To update the previous estimates, the Bank's management has taken into account the current macroeconomic scenario resulting from the complex geopolitical situation, the levels of inflation and interest rates, as well as the resilience of the labour market being a priority monitoring focus due to the potential uncertainty generated in the Bank's estimates.

For this reason, the Management of the Bank has particularly evaluated the uncertainties caused by the current environment in relation to credit, liquidity and market risk, taking into account the best information available, to estimate the impact on the provisions for impairment of the credit portfolio, on the rates of interest, and in the valuation of debt instruments, developing in the notes the main estimates made during

the period ended December 31, 2023 (see note 13, 48 and 50).

Although these estimates have been made on the basis of the best information available at the end of the year 2023, and considering information updated at the date of preparation of these annual accounts, it is possible that events that may take place in the future may make it necessary to modify them (upwards or downwards) in the coming years, which would be done, if appropriate, in a prospective manner, recognising the effects of the change in estimate in the corresponding income statement.

d) Comparative information

The information contained in the 2023 annual accounts for the 2022 financial year is presented, solely and exclusively, for comparison with the information relating to 2023.

e) Capital management

i. Regulatory and economic capital

Credit institutions must meet a number of minimum capital and liquidity requirements. These minimum requirements are governed by the European Capital Requirements Regulation (hereinafter CRR) and the Capital Requirements Directive (hereinafter CRD).

On 27 October of 2021, the European Commission published the draft of a review of European banking legislation: CRR and CRD. At 8 November 2022, the European Council's proposal was published, and at 24 January 2023, that of the European Parliament. Throughout 2023, progress was made in the discussions on the new texts that will be approved in the first months of the year and their publication is expected to occur between the months of April and May 2024.

The update of the banking package pursues, on the one hand, the implementation of the final Basel III reforms and, on the other hand, strengthening the harmonization of banking supervision in the European Union (EU).

The Basel III final reform, which was agreed at the end of 2017, aims to introduce greater sensitivity in standardised metrics, reduce variability in risk-weighted assets at banks using internal models when calculating requirements and facilitate comparability among banks. Specifically, they propose changes concerning, among other matters, key risk factors, standardised credit risk, internal models, the output floor and operational risk.

The goal of achieving stronger supervision and protection of financial stability is expressed in a series of provisions concerning fit-and-proper requirements, extending the scope by revising certain definitions and additions on establishing third-country branches in the EU in order to achieve greater harmonisation of rules and better supervision of these type of entities.

The new CRR/CRD regulations are generally expected to apply from 1 January 2025, although there will be

certain provisions for which an earlier application is foreseen, such as requirements on own funds for cryptoasset exposures.

In addition, during the month of December the EBA, in order to comply with the mandates given in the new banking package, published a consultation to amend some aspects of the Pillar III disclosure framework specifically, the changes include new disclosure requirements on output floor and credit valuation adjustment (CVA) risk and amendments to existing disclosure requirements on credit risk and market risk. Following this consultation, the final text proposal will be submitted to the European Commission in June 2024.

On the other hand, the EBA also published the consultation on the Pillar III Data Hub, which aims to respond to one of the requirements established by the new CRR, to centralise institutions' prudential disclosures and make prudential information readily available through a single electronic access point on the EBA website. This initiative will facilitate access, usability and comparability of prudential information by all interested users, strengthening the transparency and market discipline of the EU banking sector and further contributing to the soundness of the European financial system.

With regard to the resolution framework, institutions must have an adequate funding structure to ensure that, in the event of financial distress, the institution has sufficient liabilities to absorb losses in order to recover its position or be resolved, while ensuring the protection of depositors and financial stability. For this purpose, global systemically important institutions must therefore meet several minimum loss-absorbing requirements, named Total Loss-Absorbing Capacity (TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL), which are regulated by the CRR and by the Bank Recovery and Resolution Directive (BRRD).

On 25 October 2022, the regulation on the prudential treatment for global systemically important banks was published. This modified both the CRR and the BRRD (Bank Recovery and Resolution Directive) as regards prudential treatment of global systemically important banks (G-SIBs) with a multiple point of entry (MPE) resolution strategy, as well as the methods for indirect underwriting of eligible instruments (Daisy Chains) to meet the minimum requirement for own funds and eligible liabilities. This Regulation, known as the 'Quick Fix', covers the following two objectives:

- The inclusion in BRRD and CRR of references to third countries subsidiaries to adjust the deduction for the holding of TLAC instruments issued from subsidiaries in third countries based on the excess TLAC/MREL existing in those subsidiaries, as well as the adjustment where the sum of the requirements for own funds and eligible liabilities of G-SIBs under an MPE strategy are higher than the theoretical requirements for the same group under a single

point of entry (SPE) strategy. That is, the latter adjustment is based on a comparison between the two possible resolution strategies.

Additionally, for those subsidiaries in jurisdictions without a resolution regime in place, the Regulation provides for a transitional period until 31 December 2024. During this transitional period the institutions may adjust the deductions based on the excesses above the capital requirements in subsidiaries in third countries, if they meet certain requirements.

- Inclusion of a deduction scheme for MREL instrument holdings through entities of the same resolution group other than the resolution entity. This Regulation sets a deduction for the intermediate entity (Daisy Chains) that repurchases instruments, and, as there is such a deduction, the intermediate entity is obliged to issue the same amount as it is repurchasing, transferring the internal MREL needs to the resolution entity that will cover it with external MREL.

This Regulation is applicable since the 14 November 2022, except for the provisions relating to Daisy Chains, which apply since the 1 January 2024.

As regards Deposit Guarantee Schemes (DGSs), these are regulated by the Deposit Guarantee Schemes Directive (DGSD), which has not undergone any significant changes since its publication in 2014. The Directive aims to harmonise the DGSs of the Member States, thus ensuring stability and balance in the various different countries. It creates an appropriate framework for depositors to have better access to DGSs through clear scope of coverage, shorter repayment periods, better information and robust funding requirements. This Directive is transposed into Spanish law by Royal Decree 2606/1996, with additional amendments set forth in Royal Decree 1041/2021.

To ensure that eligible deposits are covered, the DGSs collect available financial means through contributions from their members which are performed at least once a year; being the target level of 0.8% of the covered deposits amount as of the 3 July 2024. Annual contributions are determined depending on the covered deposits and the risk profile faced by the institutions which are members of each DGS. The method for calculating contributions is set out in the EBA Guidelines (EBA/GL/2023/02).

In addition to the DGS, the Single Resolution Board (SRB) has built up the Single Resolution Fund (SRF) with annual contributions from banks and investment firms since 2016. The target level of this fund is 1% of covered deposits and the contributions to be made by members are calculated by the SRB based on euro area banks balance sheets and risk profiles. It has recently been officially announced that during 2024 the SRB will not issue a call for contributions to the SRF.

Lastly, on 18 April 2023, the European Commission published its proposal to review the Crisis Management and Deposit Insurance (CMDI) framework. Specifically, several proposals have been submitted:

- Early intervention measures, conditions for resolution and funding for the resolution measure;
- The scope of deposit coverage, use of funds of the deposit guarantee schemes, cross-border cooperation and transparency, and
- Certain aspects of the minimum requirement for own funds and eligible liabilities.

These proposals imply amending regulations such as:

- CRR,
- BRRD,
- Single Resolution Mechanism Regulation (SRMR), which establishes uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF).
- Deposit Guarantee Schemes Directive (DGSD).

Additionally, Regulation 241/2014, which establishes the system applicable to prior authorisation to reduce own funds and establishes requirements on eligible liability instruments, was amended in April 2023. Firstly, this amendment extends the need to request approval to be able to reduce, buy back or redeem eligible liabilities; which until April 2023 was limited to own funds. Secondly, additional amendments were made, such as the creation of a new concept of prior general approval to buy back own funds and eligible liability instruments, as well as extending the period granted to the Supervisor and/or Resolution Authority, where appropriate, from 3 months to 4 months.

As regards prudential scope in the field of sustainability, the CRR mandated the EBA to evaluate whether specific prudential analysis of environmental and social risks was appropriate, prior to consulting the European Systemic Risk Board (ESRB). In the last quarter of 2023, both institutions published their respective reports on how existing micro and macroprudential tools can be used to manage environmental and social risks. In its own publication, the EBA made short-term recommendations to expedite integration of the environmental and social risks into the prudential framework, while recommending further work that could lead to a more comprehensive review of the framework.

At the international level, and particularly as regards reporting obligations on climate risks, it is important to note that the Basel Committee published a consultation paper at the end of 2023 proposing a series of qualitative and quantitative requirements that should be disclosed in entities' Pillar III reports. In this document, the Committee acknowledges that precise, consistent

and quality climate data is still evolving, yet the Committee believes that the disclosure requirements will expedite the availability of said information and will facilitate banks' prospective risk assessments.

In parallel with the sustainable agenda, at the Digital level, the Basel Committee that sets the standards for prudential regulation of the banking sector and which published its principles on the prudential treatment of these exposures in 2022, has opened a consultation to propose specific adjustments to its standard on the prudential treatment of banks' cryptoasset exposures with the purpose of incorporating the developments that these products have undergone in the market. In addition, Basel also published a consultation on future disclosure requirements for banks' on-balance sheet exposures to cryptoassets at the end of 2023. Market discipline, also with regard to new products such as cryptoassets, will undoubtedly continue to be a focus of dialogue between regulators and the industry.

At 31 December 2023 Grupo Santander met the minimum capital requirements established by current legislation (see note 50.d).

f) Environmental impact

In view of the business activities carried on by the Group entities, and therefore the Bank, do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its financial position or results (see note 50.a).

g) Customer Care Service Annual Report

As required by the Article 17 of Ministry of Economy Order ECO/734/2004, of 11 March, on the services and departments of Customer Service and the Customer Ombudsmen of Financial Institutions, the annual report presented by the Head of the department to the board meeting held on March 2024 is summarised in the directors' report.

h) Deposit Guarantee Fund and Resolution Fund

i. Deposit Guarantee Fund

Banco Santander participates in the Deposit Guarantee Fund (DGF). The annual contribution to be made by the entities to this fund, established by Royal Decree - Law 16/2011 of October 14, by which the DGF is created in accordance with the wording given by the Tenth Final Disposition of Law 11/2015 of June 18 on Recovery and Resolution of credit institutions and investment services companies (in force since June 20, 2015), is determined by the Management Committee of the DGF and is established based on the guaranteed deposits of each entity and their risk profile. The annual contribution to be made by the entities to this fund is determined by the Management Committee of the FGD, and consists of the contribution based on the guaranteed deposits of each entity corrected for their risk profile, which includes the phase of the economic cycle and the impact of pro-cyclical contributions, according to section 3 of article 6 of the Royal Decree-Law 16/2011.

The purpose of the FGD is to guarantee deposits with credit institutions up to the limit established in the

mentioned Royal Decree-Law. The expense incurred by the contributions accrued to this organism in the year 2023 has amounted to EUR 247 million (EUR 258 million in the year 2022), which are recorded under 'Other operating expenses' in the profit and loss account attached (see note 41).

ii. National Resolution Fund

Law 11/2015 regulates the creation of the National Resolution Fund, whose financial resources should reach, by 31 December 2024, at least 1% of the amount of secured deposits, through contributions from credit institutions and investment firms established in Spain. The details of the calculation of contributions to this Fund is regulated by Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 and is calculated by the Orderly Banking Resolution Fund, on the basis of the information provided by each entity.

iii. Single Resolution Fund

On January 1, 2016, the Single Resolution Fund (SRF), which was implemented by Regulation (EU) No. 806/2014 of the European Parliament and of the Council, became operational. The rules governing the banking union provide that banks will pay contributions to the SRF over eight years.

The Single Resolution Board (SRB) is responsible for calculating the contributions to be made by credit institutions and investment firms to the SRF. These contributions are based, as of fiscal year 2016, on: (a) a flat-rate contribution (or base annual contribution), pro rata with respect to the total liabilities, excluding own funds, guaranteed deposits of all institutions authorized in the territory of the participating member states; and (b) a risk-adjusted contribution, which will be based on the criteria set out in Article 103(7) of Directive 2014/59/EU, taking into account the principle of proportionality, without creating distortions between structures of the banking sector of the member states. The amount of this contribution will accrue from the 2016 financial year, on an annual basis.

The expenditure incurred by the contribution made to the National Fund and the Single Resolution Fund amounted to EUR 235 million in 2023 (EUR 314 million in the year 2022), which are recognised under 'Other operating expenses' in the accompanying income statement (see note 41).

Likewise, in 2022 and 2023 Banco Santander has acquired an Irrevocable Payment Commitment (IPC) in favor of the Single Resolution Fund, in addition to the expense that appears in the income statement, for EUR 120 million (EUR 54 million in 2022). This commitment is guaranteed by constituting a cash deposit of the same amount, delivered as a guarantee that has been recorded in the Balance Sheet Assets, for which in accordance with the standard, no provision has been recorded.

i) Merger by absorption

Banco Santander has not entered into merger by absorption agreements during the financial years 2023 and 2022.

j) Events after the reporting period

In accordance with the agreement reached by the March 2023 general shareholders' meeting, on 30 January 2024 the board of directors has 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.

2. Accounting policies

The following accounting principles, policies and measurement criteria have been applied in the preparation of the financial statements:

a) Foreign currency transactions

Banco Santander's functional and presentation currency is the euro. Therefore, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in foreign currency.

The balances in the financial statements whose functional currency is not the euro are translated to euros as follows:

- Assets and liabilities, at the closing rates.
- Income and expenses, at the average exchange rates for the year.
- Equity items, at the historical exchange rates.

In general, balances denominated in foreign currencies, including those branches in countries outside the Monetary Union, have been converted to euros using the official average exchange rates of the Spanish spot currency market (through the US dollar's quotation on local markets, for non-monetary currencies listed on the Spanish market) at the end of each fiscal year.

The exchange differences arising on the translation of foreign currency balances to the functional currency are generally recognised at their net amount under 'Exchange differences, net' in the income statement, except for exchange differences arising on financial instruments at fair value through profit or loss, which are recognised in the income statement without distinguishing them from other changes in fair value, and for exchange differences arising on non-monetary items measured at fair value through equity, which are recognised under 'Other comprehensive income-Items that may be reclassified to profit or loss-Exchange differences' except for exchange differences on equity

instruments, where the option to irrevocably elect to be measured at fair value through changes in accumulated other comprehensive income, which are recognised in accumulated 'Other Comprehensive Income - Items not to be reclassified to profit or loss - Changes in fair value of equity instruments measured at fair value' through other comprehensive income (see note 25).

b) Investments in subsidiaries, joint ventures and associates

Group entities are those over which the Bank has the capacity to exercise control; capacity which is generally but not exclusively manifested by the direct or indirect ownership of at least 50% of the voting rights of the investees or, even if this percentage is lower or zero, if, as in the case of agreements with their shareholders, the Bank is granted such control.

Control is understood to be the power to direct the financial and operating policies, by law, by statute or by agreement, of an entity in order to obtain benefits from its activities.

Joint ventures are deemed to be entities that are not subsidiaries but which are jointly controlled by two or more unrelated entities. This is evidenced by contractual arrangements whereby two or more parties have interests in entities so that decisions about the relevant activities require the unanimous consent of all the parties sharing control.

Associates are entities over which Banco Santander is in a position to exercise significant influence, but not control or joint control. It is presumed that Banco Santander exercises significant influence if it holds 20% or more of the voting power of the investee.

The shareholdings in group, multi-group and associated entities, are presented on the balance sheet at their net acquisition cost of any impairments that, where relevant, those shares may have suffered.

Where there is evidence of impairment of these shares, the amount of such deterioration is equivalent to the difference between their recoverable amount and their book value. Impairment losses are recorded under the heading 'Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates' in the profit and loss account.

Appendices I and II contain significant information on these companies. In addition, note 13 provides information on the most significant acquisitions and disposals in 2023 and 2022.

c) Classification of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The following transactions are not treated for accounting purposes as financial instruments:

- Investments in subsidiaries, associates and joint ventures (see note 13).
- Rights and obligations under employee benefit plans (see note 23).
- Contracts and obligations relating to employee remuneration based on own equity instruments (see note 30).

i. Classification of financial assets for measurement purposes

Financial assets are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as 'Non-current assets held for sale' or they relate to 'Cash, cash balances at central banks and other deposits on demand', 'Changes in the fair value of hedged items in portfolio hedges of interest rate risk (asset side)', 'Hedging derivatives and Investments', which are reported separately.

Classification of financial instruments: the classification criteria for financial assets depends on the business model for their management and the characteristics of their contractual flows.

Banco Santander's business models refer to the way in which it manages its financial assets to generate cash flows. In defining these models, the Bank takes into account the following factors:

- How key entity staff are assessed and reported on the performance of the business model and the financial assets held in the business model.
- The risks that affect the performance of the business model (and the financial assets held in the business model) and, specifically, the way in which these risks are managed.
- How business managers are remunerated.
- The frequency, the calendar and volume of sales in previous years, as well as expectations of future sales and the reasons of the sales.

The analysis of the characteristics of the contractual flows of financial assets requires an assessment of the congruence of these flows with a basic loan agreement. Banco Santander determines if the contractual cash flows of its financial assets that are only principal and interest payments on the outstanding principal amount at the beginning of the transaction. This analysis takes into consideration four factors (performance, clauses, contractually linked products and currencies). Furthermore, among the most significant judgements used by Banco Santander in carrying out this analysis, the following ones are included:

- The return on the financial asset, in particular in cases of periodic interest rate adjustments where the term of the reference rate does not coincide with the frequency of the adjustment. In these cases, an

assessment is made to determine whether or not the contractual cash flows differ significantly from the flows without this change in the time value of money, establishing a tolerance level of 5%.

- When contractual clauses that may modify the cash flows of the financial asset exist, the structure of the cash flows before and after the activation of such clauses is analysed, regardless of the probability of occurrence of the contingent event. The evaluation of contractual flows of financial assets with characteristics associated with ESG is included in this analysis.
- Financial assets whose cash flows have different priority for payment due to a contractual link to underlying assets (e.g. securitisations) require a look-through analysis by the Bank so as to review that both the financial asset and the underlying assets are only principal and interest payments and that the exposure to credit risk of the set of underlying assets belonging to the tranche analysed is less than or equal to the exposure to credit risk of the set of underlying assets of the instrument.

Depending on these factors, the asset can be measured at amortised cost, at fair value with changes in other comprehensive income, or at fair value with changes through profit and loss. Bank of Spain Circular 4/2017 also establishes an option to designate an instrument at fair value with changes in profit or loss, when doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'accounting asymmetry') that would otherwise arise from measuring assets or liabilities or recognising gains and losses on different bases.

Banco Santander uses the following criteria for the classification of the financial debt instruments:

- Amortised cost: financial instruments under a business model whose objective is to collect principal and interest flows, over which there is no significant unjustified sales and fair value is not a key element in the management of these assets and contractual conditions they give rise to cash flows on specific dates, which are only payments of principal and interest on the outstanding principal amount. In this sense, unjustified sales are considered to be those other than those related to an increase in the credit risk of the asset, unanticipated funding needs (stress case scenarios). Additionally, the characteristics of its contractual flows represent substantially a 'basic financing agreement'.
- Fair value with changes in other comprehensive income: financial instruments held in a business model whose objective is to collect principal and interest cash flows and the sale of these assets, where fair value is a key factor in their management. Additionally, the contractual cash flow

characteristics substantially represent a 'basic financing agreement'.

- Fair value with changes in profit or loss: financial instruments included in a business model whose objective is not obtained through the above mentioned models, where fair value is a key factor in managing of these assets, and financial instruments whose contractual cash flow characteristics do not substantially represent a 'basic financing agreement'. In this section it can be enclosed the portfolios classified under 'Financial assets held for trading', 'Non-trading financial assets mandatorily at fair value through profit or loss' and 'Financial assets at fair value through profit or loss'. In this regard, most of the financial assets presented in the category of 'Financial assets designated at value reasonable with change in results' are instruments financial services that, not being part of the portfolio of negotiation, are contracted jointly with other financial instruments that are recorded in the category of 'held for trading', and that by both are recorded at fair value with changes in results, so your record in any other category would produce accounting asymmetries.

Equity instruments will be classified at fair value under Bank of Spain Circular 4/2017 with changes in profit or loss, unless the Bank, decides, for non-trading assets, to classify them at fair value with changes in other comprehensive income (irrevocably) at initial recognition.

ii. Classification of financial assets for presentation purposes

Financial assets are classified by nature into the following items in the balance sheet:

- Cash, cash balances at Central Banks and other deposits on demand: cash balances and balances receivable on demand relating to deposits with central banks and credit institutions.
- Loans and advances: includes the debit balances of all credit and loans granted by the Bank, other than those represented by securities, as well as finance lease receivables and other debit balances of a financial nature in favour of the Bank, such as cheques drawn on credit institutions, balances receivable from clearing houses and settlement agencies for transactions on the stock exchange and organised markets, bonds given in cash, capital calls, fees and commissions receivable for financial guarantees and debit balances arising from transactions not originating in banking transactions and services, such as the collection of rentals and

similar items. They are classified, on the basis of the institutional sector to which the debtor belongs, into:

- Central banks: credit of any nature, including deposits and money market transactions received from the Bank of Spain or other central banks.
- Credit institutions: credit of any nature, including deposits and money market transactions, in the name of credit institutions.
- Customers: includes the remaining credit, including money market transactions through central counterparties.
- Debt securities: bonds and other securities that represent a debt for their issuer, that generate an interest return, and that are in the form of certificates or book entries.
- Equity instruments: financial instruments issued by other entities, such as shares, which have the nature of equity instruments for the issuer, other than investments in subsidiaries, joint ventures or associates. Investment fund units are included in this item.
- Derivatives: includes the fair value in favour of the Bank of derivatives which do not form part of hedge accounting, including embedded derivatives separated from hybrid financial instruments.
- Repurchase agreements and reverse repurchase agreements: Purchases of financial instruments under a non-optional resale (repurchase) agreement at a fixed price (repos) are recognised in the consolidated balance sheet as financing granted, based on the nature of the debtor, under 'Loans and advances with central banks', 'Loans and advances to credit institutions' or 'Loans and advances to customers. Differences between the purchase and sale prices are recognised as interest over the contract term.
- Changes in the fair value of hedged items in portfolio hedges of interest rate risk: this item is the balancing entry for the amounts credited to the income statement in respect of the measurement of the portfolios of financial instruments which are effectively hedged against interest rate risk through fair value hedging derivatives.
- Hedging derivatives: Includes the fair value in favour of the Bank derivatives, including embedded derivatives separated from hybrid financial instruments, designated as hedging instruments in hedge accounting.

iii. Classification of financial liabilities for measurement purposes

Financial liabilities are initially classified into the various categories used for management and measurement purposes, unless they have to be presented as 'Liabilities associated with non-current assets held for sale' or they relate to 'Hedging derivatives' or changes in the fair value of hedged items in portfolio hedges of interest rate risk (liability side), which are reported separately.

In most cases, changes in the fair value of financial liabilities designated at fair value through profit or loss, caused by the entity's credit risk, are recognized in other comprehensive income.

Financial liabilities are included for measurement purposes in one of the following categories:

- Financial liabilities held for trading (at fair value through profit or loss): this category includes financial liabilities incurred for the purpose of generating a profit in the near term from fluctuations in their prices, financial derivatives not designated as hedging instruments, and financial liabilities arising from the outright sale of financial assets acquired under reverse repurchase agreements ("reverse repos") or borrowed (short positions).
- Financial liabilities designated at fair value through profit or loss: financial liabilities are included in this category when they provide more relevant information, either because this eliminates or significantly reduces recognition or measurement inconsistencies (accounting mismatches) that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases, or because a group of financial liabilities or financial assets and liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided on that basis to the Bank's key management personnel.

Liabilities may only be included in this category on the date when they are incurred or originated.
- Financial liabilities at amortised cost: financial liabilities, irrespective of their instrumentation and maturity, not included in any of the above-mentioned categories which arise from the ordinary borrowing activities carried on by financial institutions.

iv. Classification of financial liabilities for presentation purposes

Financial liabilities are classified by nature into the following items in the balance sheet:

- Deposits: includes all repayable balances received in cash by the Bank, other than those instrumented as marketable securities and those having the substance of subordinated liabilities (amount of the loans received, which for credit priority purposes are after common creditors), except for the debt instruments. This item also includes cash bonds and cash consignments received the amount of which may be invested without restriction. Deposits are classified on the basis of the creditor's institutional sector into:
 - Central banks: deposits of any nature, including credit received and money market transactions received from the Bank of Spain or other central banks.
 - Credit institutions: deposits of any nature, including credit received and money market transactions in the name of credit institutions.
 - Customer: includes the remaining deposits, including money market transactions through central counterparties.

During the 2019 financial year, the European Central Bank announced a new program of longer-term financing operations with a specific objective (TLTRO III), which included special conditions, including a reduction in the interest rate applicable between June 2020 and June 2022 subject to compliance with a certain volume of eligible loans.

Banco Santander chose to accrue interest in accordance with the specific periods of adjustment to market rates, so that the interest corresponding to said period (-1%) has been recorded in the income statement from June 2020 to June 2022, having met the computable loan threshold that gave rise to the extra rate on that date.

Subsequently, and as a result of the modifications introduced by the European Central Bank in the conditions of the program, which include changes in its interest rates, the Bank has updated the effective interest rate at which interest accrues on said financial liability, maintaining the criterion adopted in previous years, and considering said modifications a change in the variable interest rate (which affects the EIR) and is applied prospectively.

- Marketable debt securities: includes the amount of bonds and other debt represented by marketable securities, other than those having the substance of subordinated liabilities (amount of the loans received, which for credit priority purposes are after common creditors, and includes the amount of the financial instruments issued by the Bank which, having the legal nature of capital, do not meet the

requirements to qualify as equity, such as certain preferred shares issued). This item includes the component that has the consideration of financial liability of the securities issued that are compound financial instruments.

- Derivatives: includes the fair value, with a negative balance for Banco Santander, separated from the host contract, which do not form part of hedge accounting.
- Short positions: includes the amount of financial liabilities arising from the outright sale of financial assets acquired under reverse repurchase agreements or borrowed.
- Other financial liabilities: includes the amount of payment obligations having the nature of financial liabilities not included in other items (includes, among others, the balance of lease liabilities), and liabilities under financial guarantee contracts, unless they have been classified as non-performing.
- Repurchase agreements and reverse repurchase agreements: Sales of financial instruments under a non-optional resale (repurchase) agreement at a fixed price (repos) are recognised in the consolidated balance sheet as financing received, based on the nature of the creditor, under 'Deposits from central banks', 'Deposits from credit institutions' or 'Customer deposits'. Differences between the purchase and sale prices are recognised as interest over the contract term.
- Changes in the fair value of hedged items in portfolio hedges of interest rate risk: this item is the balancing entry for the amounts charged to the income statement in respect of the measurement of the portfolios of financial instruments which are effectively hedged against interest rate risk through fair value hedging derivatives.
- Hedging derivatives: includes the fair value of the Bank's liability in respect of derivatives, including embedded derivatives separated from hybrid financial instruments, designated as hedging instruments in hedge accounting.

- The preference shares contingently convertible into ordinary shares eligible as Additional Tier 1 capital (PPCC) -perpetual shares, which may be repurchased by the issuer in certain circumstances, the interest on which is discretionary, and would convert into variable number of newly issued ordinary shares if the capital ratio of the Bank or its consolidated group falls below a given percentage (trigger event), as those two terms are defined in the related issue prospectuses are recognised for accounting purposes by the Bank as compound instruments. The liability component reflects the issuer's obligation to deliver a variable number of shares and the equity component reflects the issuer's discretion in relation to the payment of the related coupons. In order to effect the initial allocation, the Bank estimates the fair value of the liability as the amount that would have to be delivered if the trigger event were to occur immediately and, accordingly, the equity component, calculated as the residual amount, is zero. In view of the aforementioned discretionary nature of the payment of the coupons, they are deducted directly from equity.
- Capital perpetual preference shares (PPCA), with the possibility of purchase by the issuer in certain circumstances, whose remuneration is discretionary, and which will be amortised permanently, totally or partially, in the event that the bank or its consolidated group submits a capital ratio lesser than a certain percentage (trigger event), as defined in the corresponding prospectuses, are accounted for by the Bank as equity instruments.
- Derivatives embedded in other financial instruments or in other host contracts are accounted for separately as derivatives if their risks and characteristics are not closely related to those of the host contracts, provided that the host contracts are not classified as financial assets/liabilities designated at fair value through profit or loss or as 'Financial assets/liabilities held for trading'.

d) Measurement of financial assets and liabilities and recognition of fair value changes

In general, financial assets and liabilities are initially recognised at fair value which, in the absence of evidence to the contrary, is deemed to be the transaction price.

In this regard, Bank of Spain Circular 4/2017 states that regular way purchases or sales of financial assets shall be recognised and derecognised on the trade date or on the settlement date. Banco Santander has opted to make such recognition on the trading date or settlement date, depending on the convention of each of the markets in which the transactions are carried out. For example, in relation to the purchase or sale of debt securities or equity instruments traded in the Spanish market, securities market regulations stipulate their effective transfer at the time of settlement and, therefore, the same time has been established for the accounting record to be made.

The fair value of instruments not measured at fair value through profit and loss is adjusted by transaction costs. Subsequently, and on the occasion of each accounting close, they are valued in accordance with the following criteria:

i. Measurement of financial assets

Financial assets measured at fair value are valued mainly at their fair value without deducting any transaction cost for their sale.

The fair value of a financial instrument on a given date is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an active, transparent and deep market (quoted price or market price). At 31 December 2023, there were no significant investments in quoted financial instruments that had ceased to be recognised at their quoted price because their market could not be deemed to be active.

If there is no market price for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, of valuation techniques commonly used by the international financial community, taking into account the specific features of the instrument to be measured and, particularly, the various types of risk associated with it.

All derivatives are recognised in the balance sheet at fair value from the trade date. If the fair value is positive, they are recognised as an asset and if the fair value is negative, they are recognised as a liability. The fair value on the trade date is deemed, in the absence of evidence to the contrary, to be the transaction price. The changes in the fair value of derivatives from the trade date are recorded in the income statement. Specifically, the fair

value of financial derivatives traded in organised markets included in the portfolios of financial assets or liabilities held for trading is deemed to be their daily quoted price and if, for exceptional reasons, the quoted price cannot be determined on a given date, these financial derivatives are measured using methods similar to those used to measure derivatives.

The fair value of derivatives is taken to be the sum of the future cash flows arising from the instrument, discounted to present value at the date of measurement (present value or theoretical close) using valuation techniques commonly used by the financial markets: net present value, option pricing models and other methods.

The amount of debt securities and loans and advances under a business model whose objective is to collect the principal and interest flows are valued at their amortised cost, as long as they comply with the 'SPPI' (Solely Payments of Principal and Interest) test, using the effective interest rate method in their determination. Amortised cost refers to the acquisition cost of a corrected financial asset or liability (more or less, as the case may be) for repayments of principal and the part systematically charged to the income statement of the difference between the initial cost and the corresponding reimbursement value at expiration. In the case of financial assets, the amortised cost includes, in addition, the corrections to their value due to the impairment. In the loans and advances covered in fair value hedging transactions, the changes that occur in their fair value related to the risk or the risks covered in these hedging transactions are recorded.

The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows of all kinds over its remaining life.

For fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate established on the acquisition date plus, where applicable, the fees and transaction costs that, because of their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the next benchmark interest reset date.

Equity instruments and contracts related with these instruments are measured at fair value. However, in certain circumstances the Bank estimates cost value as a suitable estimate of the fair value. This can happen if the recent event available information is not enough to measure the fair value or if there is a broad range of possible measures and the cost value represents the best estimates of fair value within this range.

The amounts at which the financial assets are recognised represent, in all material respects, the Bank's maximum exposure to credit risk at each reporting date. Also Banco Santander has received collateral and other credit

enhancements to mitigate its exposure to credit risk, which consist mainly of mortgage guarantees, cash collateral, equity instruments and personal security, assets leased out under finance lease and full-service lease agreements, assets acquired under repurchase agreements, securities loans and credit derivatives.

ii. Measurement of financial liabilities

In general, financial liabilities are measured at amortised cost, as defined above, except for those included under 'Financial liabilities held for trading' and 'Financial liabilities designated at fair value through profit or loss' and financial liabilities designated as hedged items (or hedging instruments) in fair value hedges, which are measured at fair value. The changes in credit risk arising from financial liabilities designated at fair value through profit or loss are recognised in accumulated other comprehensive income, unless they generate or increase an accounting mismatch, in which case changes in the fair value of the financial liability in all respects are recognised in the income statement.

iii. Valuation techniques

The financial instruments at fair value determined on the basis of published price quotations in active markets (level 1) include government debt securities, private-sector debt securities, derivatives traded in organised markets, securitised assets, shares, short positions and fixed-income securities issued.

In cases where price quotations cannot be observed, management makes its best estimate of the price that the market would set, using its own internal models, described in note 48. In most cases, these internal models use data based on observable market parameters as significant inputs (level 2) and, in cases, they use significant inputs not observable in market data (level 3). In order to make these estimates, various techniques are employed, including the extrapolation of observable market data. The best evidence of the fair value of a financial instrument on initial recognition is the transaction price, unless the fair value of the instrument can be obtained from other market transactions performed with the same or similar instruments or can be measured by using a valuation technique in which the variables used include only observable market data, mainly interest rates.

iv. Recognition of fair value changes

As a general rule, changes in the carrying amount of financial assets and liabilities are recognised in the consolidated income statement. A distinction is made between the changes resulting from the accrual of interest and similar items, (which are recognised under Interest income or Interest expense, as appropriate), and those arising for other reasons, which are recognised at

their net amount under 'Gains/losses on financial assets and liabilities'.

Adjustments due to changes in fair value arising from:

- 'Financial assets at fair value with changes in other comprehensive income' are recorded temporarily, in the case of debt instruments in 'Other comprehensive income - Elements that can be reclassified to profit or loss - Financial assets at fair value with changes in other comprehensive income', while in the case of equity instruments are recorded in 'other comprehensive income - Elements that will not be reclassified to line item - Changes in the fair value of equity instruments valued at fair value with changes in other comprehensive income'.

Exchange differences on debt instruments measured at fair value with changes in other comprehensive income are recognised under 'Exchange Differences, net' of the income statement. Exchange differences on equity instruments, in which the irrevocable option of being measured at fair value with changes in other comprehensive income has been chosen, are recognised in 'Other comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income'.

- Items charged or credited to 'Items that may be reclassified to profit or loss – Financial assets at fair value through other comprehensive income' and 'Other comprehensive income – Items that may be reclassified to profit or loss – Exchange differences in equity' remain in the Bank's equity until the asset giving rise to them is impaired or derecognised, at which time they are recognised in the income statement.
- Unrealized capital gains on financial assets at fair value through other comprehensive income classified as 'Non-current assets held for sale' because they form part of a disposal group or a discontinued operation that are recorded in the equity balancing entry 'Other accumulated comprehensive income - Items that can be reclassified in income - Non-current assets as held for sale'.

v. Hedging transactions

Banco Santander uses financial derivatives for the following purposes: i) to facilitate these instruments to customers who request them in the management of their market and credit risks; ii) to use these derivatives in the management of the risks of the Group entities' own positions and assets and liabilities (hedging derivatives); and iii) to obtain gains from changes in the prices of these derivatives (derivatives).

Financial derivatives that do not qualify for hedge accounting are treated for accounting purposes as

trading derivatives. Additionally, certain financial assets and liabilities can be designated as hedging instruments to cover exchange rate risk.

A derivative qualifies for hedge accounting if all the following conditions are met:

1. The derivative hedges one of the following three types of exposure:
 - a. Changes in the fair value of assets and liabilities, as well as firm commitments, due to fluctuations, among others, in the interest rate and/or exchange rate to which the position or balance to be hedged is subject (fair value hedge).
 - b. Changes in the estimated cash flows arising from assets and liabilities, commitments and highly probable forecast transactions (cash flow hedge).
 - c. The net investment in a foreign operation (hedge of a net investment in a foreign operation).
2. It is effective in offsetting exposure inherent in the hedged item or position throughout the expected term of the hedge, which means that:
 - a. At the date of arrangement the hedge is expected, under normal conditions, to be highly effective (prospective effectiveness).
 - b. There is sufficient evidence that the hedge was actually effective during the whole life of the hedged item or position (retrospective effectiveness). To this end, the Bank checks that the results of the hedge were within a range of 80% to 125% of the results of the hedged item.
3. There must be adequate documentation evidencing the specific designation of the financial derivative to hedge certain balances or transactions and how this hedge was expected to be achieved and measured, provided that this is consistent with the Bank's management of own risks.

The changes in value of financial instruments qualifying for hedge accounting are recognised as follows:

- a. In fair value hedges, the gains or losses arising on both the hedging instruments and the hedged items attributable to the type of risk being hedged are recognised directly in the income statement.
- b. In fair value hedges of interest rate risk on a portfolio of financial instruments, the gains or losses that arise on measuring the hedging instruments are recognised directly in the income statement, whereas the gains or losses due to changes in the fair value of the hedged amount (attributable to the hedged risk) are recognised in the income statement with a balancing entry under Changes in the fair value of hedged items in portfolio hedges of interest

rate risk on the asset or liability side of the balance sheet, as appropriate.

- c. In cash flow hedges, the effective portion of the change in value of the hedging instrument is recognised temporarily in Other comprehensive income – under Items that may be reclassified to profit or loss – Hedging derivatives – Cash flow hedges (effective portion) until the covered element affects the results, when it is recognised in the income statement, unless, if the forecast transactions result in the recognition of non-financial assets or liabilities, it is included in the cost of the non-financial asset or liability.
- d. In hedges of a net investment in a foreign operation, the gains or losses attributable to the portion of the hedging instruments qualifying as an effective hedge are recognised temporarily in Other comprehensive income under Items that may be reclassified to profit or loss – Hedges of net investments in foreign operations until the gains or losses – on the hedged item are recognised in profit or loss.
- e. The ineffective portion of the gains or losses on the hedging instruments of cash flow hedges and hedges of a net investment in a foreign operation is recognised directly under 'Gains/losses on financial assets and liabilities (net)' in the income statement, in Gains or losses from hedge accounting, net.

If a derivative designated as a hedge no longer meets the requirements described above due to expiration, ineffectiveness or for any other reason, the derivative is classified for accounting purposes as a trading derivative.

When fair value hedge accounting is discontinued, the adjustments previously recognised on the hedged item are amortised to profit or loss at the effective interest rate recalculated at the date of hedge discontinuation. The adjustments must be fully amortised at maturity.

When cash flow hedge accounting is discontinued, any cumulative gain or loss on the hedging instrument recognised in equity under other comprehensive income 'Items that may be reclassified to profit or loss' (from the period when the hedge was effective) remains in this equity item until the forecast transaction occurs, at which time it is recognised in profit or loss, unless the transaction is no longer expected to occur, in which case the cumulative gain or loss is recognised immediately in profit or loss.

e) Derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets depends on the extent to which the risks and rewards associated with the transferred assets are transferred to third parties:

1. If the Bank transfers substantially all the risks and rewards to third parties unconditional -sale of financial assets, sale of financial assets under an agreement to repurchase them at their fair value at the date of repurchase, sale of financial assets with a purchased call option or written put option that is deeply out of the money, securitisation of assets in which the transferor does not retain a subordinated debt or grant any credit enhancement to the new holders, and other similar cases-, the transferred financial asset is derecognised and any rights or obligations retained or created in the transfer are recognised simultaneously.
2. If the Bank retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets under an agreement to repurchase them at a fixed price or at the sale price plus interest, a securities lending agreement in which the borrower undertakes to return the same or similar assets, and other similar cases-, the transferred financial asset is not derecognised and continues to be measured by the same criteria as those used before the transfer. However, the following items are recognised:
 - a. An associated financial liability, which is recognised for an amount equal to the consideration received and is subsequently measured at amortised cost, unless it meets the requirements for classification under 'Financial liabilities designated at fair value through profit or loss'.
 - b. The income from the transferred financial asset not derecognised and any expense incurred on the new financial liability, without offsetting.
3. If the Bank neither transfers nor retains substantially all the risks and rewards associated with the transferred financial asset -sale of financial assets with a purchased call option or written put option that is not deeply in or out of the money, securitisation of assets in which the transferor retains a subordinated debt or other type of credit enhancement for a portion of the transferred asset, and other similar cases- the following distinction is made:
 - a. If the transferor does not retain control of the transferred financial asset, the asset is derecognised and any rights or obligations retained or created in the transfer are recognised.
 - b. If the transferor retains control of the transferred financial asset, it continues to recognise it for an

amount equal to its exposure to changes in value and recognises a financial liability associated with the transferred financial asset. The net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained, if the transferred asset is measured at amortised cost, or the fair value of the rights and obligations retained, if the transferred asset is measured at fair value.

Accordingly, financial assets are only derecognised when the rights to the cash flows they generate have expired or when substantially all the inherent risks and rewards have been transferred to third parties. Similarly, financial liabilities are only derecognised when the obligations they generate have been extinguished or when they are acquired with the intention either to cancel them or to resell them.

Regarding contractual modifications of financial assets, the Bank has differentiated them into two main categories in relation to the conditions under which a modification leads to the disposal of the financial asset (and the recognition of a new financial asset) and those under which the accounting of the original financial instrument with the modified terms is maintained:

- Contractual modifications for commercial or market reasons, which are generally carried out at the request of the debtor to apply current market conditions to the debt. The new contract is considered a new transaction and, consequently, it is necessary to derecognize the original financial asset and recognize a new financial asset subject to the classification and measurement requirements established by Bank of Spain Circular 4/2017. The new financial asset will be recorded at fair value and, if applicable, the difference between the carrying amount of the asset derecognized and the fair value of the new asset will be recognized in profit or loss.
- Modifications due to refinancing or restructuring, in which the payment conditions are modified to allow a customer that is experiencing financial difficulties (current or foreseeable) to meet its payment obligations and that, if such modification had not been made, it would be reasonably certain that it would not be able to meet such payment obligations. In this case, the modification does not result in the derecognition of the financial asset, but rather the original financial asset is maintained and does not require a new assessment of its classification and measurement. When assessing credit impairment, the current credit risk (considering the modified cash flows) should be compared with the credit risk at initial recognition. The gross carrying amount of the financial asset (the present value of the renegotiated or modified contractual cash flows that are discounted at the original effective interest rate of the financial asset) should be recalculated, with a

gain or loss recognized in profit or loss for the difference.

f) Offsetting of financial instruments

Financial asset and liability balances are offset, i.e. reported in the balance sheet at their net amount, only if the Banco Santander currently have a legally enforceable right to set off the recognised amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

g) Impairment of financial assets

i. Definition

Banco Santander associates an impairment in the value to financial assets measured at amortised cost, debt instruments measured at fair value with changes in other comprehensive income, lease receivables, assets from contracts and loan commitments and the financial guarantees issued that are not measured at fair value through profit or loss.

The impairment for expected credit losses is recorded with a charge to the income statement for the period in which the impairment arises. In the event of occurrence, the recoveries of previously recognised impairment losses are recorded in the income statement for the period in which the impairment no longer exists or is reduced.

In the case of purchased or originated credit-impaired assets, the Bank only recognizes at the reporting date the changes in the expected credit losses during the life of the asset since the initial recognition as a credit loss. In the case of assets measured at fair value with changes in other comprehensive income, the changes in the fair value due to expected credit losses are charged in the income statement of the year where the change happened, reflecting the rest of the valuation in other comprehensive income.

As a rule, the expected credit loss is estimated as the difference between the contractual cash flows to be recovered and the expected cash flows discounted using the original effective interest rate. In the case of purchased or originated credit-impaired assets, this difference is discounted using the effective interest rate adjusted by credit rating.

Depending on the classification of financial instruments, which is mentioned in the following sections, the expected credit losses may be along 12 months or during the life of the financial instrument:

- 12-month expected credit losses: arising from the potential default events, as defined in the following sections that are estimated to be likely to occur within the 12 months following the reporting date. These losses will be associated with financial assets classified as 'normal risk' as defined in the following sections.

- Expected credit losses over the life of the financial instrument: arising from the potential default events that are estimated to be likely to occur throughout the life of the financial instruments. These losses are associated with financial assets classified as 'normal risk under watchlist' or 'doubtful risk'.

With the purpose of estimating the expected life of the financial instrument all the contractual terms have been taken into account (e.g. prepayments, duration, purchase options, etc.), being the contractual period (including extension options) the maximum period considered to measure the expected credit losses. In the case of financial instruments with an uncertain maturity period and a component of undrawn commitment (e.g.: credit cards), the expected life is estimated through quantitative analyses to determine the period during which the entity is exposed to credit risk, also considering the effectiveness of management procedures that mitigate such exposure (e.g. the ability to unilaterally cancel such financial instruments, etc.).

The following constitute effective guarantees:

- Mortgage guarantees on housing as long as they are first duly constituted and registered in favour of the entity. The properties include:
 - Buildings and building elements, distinguishing among:
 - Houses.
 - Offices, stores and multi-purpose premises.
 - Rest of buildings such as non-multi-purpose premises and hotels.
 - Urban and developable ordered land.
 - Rest of properties that classify as: buildings and building elements under construction, such as property development in progress and halted development, and the rest of land types, such as rustic lands.
- Collateral guarantees on financial instruments in the form of cash deposits, debt securities or equity instruments issued by creditworthy issuers.
- Other types of real guarantees, including properties received in guarantee and second and subsequent mortgages on properties, as long as the entity demonstrates its effectiveness. When assessing the effectiveness of the second and subsequent mortgages on properties the entity will implement particularly restrictive criteria. It will take into account, among others, whether the previous charges are in favour of the entity itself or not and the relationship between the risk guaranteed by them and the property value.

- Personal guarantees, as well as the incorporation of new owners, covering the entire amount of the financial instruments and implying direct and joint liability to the entity of persons or other entities whose solvency is sufficiently proven to ensure the repayment of the loan on the agreed terms.

The different aspects that the Bank considers for the evaluation of effective guarantees are set out below in relation to the individual analysis.

ii. Financial instruments presentation

For the purposes of estimating the impairment amount, and in accordance with its internal policies, the Bank classifies its financial instruments (financial assets, commitments and guarantees) measured at amortised cost or fair value through other comprehensive income in one of the following categories:

- Normal Risk ('stage 1'): includes all instruments that do not meet the requirements to be classified in the rest of the categories.
- Normal risk under watchlist ('stage 2'): includes all instruments that, without meeting the criteria for classification as doubtful or default risk, have experienced significant increases in credit risk since initial recognition.

In order to determine whether a financial instrument has increased its credit risk since initial recognition and is to be classified in stage 2, the Group and the Bank consider the following criteria:

Quantitative criteria	<p>Changes in the risk of a default occurring through the expected life of the financial instrument are analysed and quantified with respect to its credit level in its initial recognition.</p> <p>With the purpose of determining if such changes are considered as significant, with the consequent classification into stage 2, each Group, and therefore the Bank, unit has defined the quantitative thresholds to consider in each of its portfolios taking into account corporate guidelines ensuring a consistent interpretation in all units.</p> <p>Within the quantitative thresholds, two types are considered: A relative threshold is those that compare current credit quality with credit quality at the time of origination in percentage terms of change. In addition, an absolute threshold compares both references in total terms, calculating the difference between the two. These absolute/relative concepts are used homogeneously (with different values) in all geographies. The use of one type of threshold or another (or both) is determined in accordance with the process described in note 50, below, and is marked by the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.</p>
Qualitative criteria	<p>In addition to the quantitative criteria indicated, various indicators are used that are aligned with those used by the Bank in the normal management of credit risk. Irregular positions of more than 30 days and renewals are common criteria applied by the Bank and common to all the Group's units. Also, each unit can define other qualitative indicators, for each of its portfolios, according to the particularities and normal management practices in line with the policies currently in force (i.e. use of management alerts, etc.). The use of these qualitative criteria is complemented with the use of an expert judgement, under the corresponding governance.</p>

In the case of forbearances, instruments classified as 'normal risk under watchlist' may be generally reclassified to 'normal risk' in the following circumstances: at least two years have elapsed from the date of reclassification to that category or from its forbearance date, the client has paid the accrued principal and interest balance, and the client has no other instruments with more than 30 days past due balances.

- **Doubtful Risk ('stage 3')**: includes financial instruments, overdue or not, in which, without meeting the circumstances to classify them in the category of default risk, there are reasonable doubts about their total repayment (principal and interests) by the client in the terms contractually agreed. Likewise, off-balance-sheet exposures whose payment is probable and their recovery doubtful are considered in stage 3. Within this category, two situations are differentiated:

- **Doubtful risk for non-performing loans**: financial instruments, irrespective of the client and guarantee, with balances more than 90 consecutive days on material arrears for principal, interest or expenses contractually agreed.

This category also includes all loan balances for a client when the operations with more than 90 consecutive days on material arrears are greater than 20% of the amounts pending collection.

These instruments may be reclassified to other categories if, as a result of the collection of part of the past due balances, the reasons for their classification in this category do not remain and the client does not have balances more than 90 consecutive days on material arrears in other loans.

- **Doubtful risk for reasons other than non-performing loans**: this category includes doubtful recovery financial instruments that are not more than 90 consecutive days on material arrears.

Banco Santander considers that a financial instrument to be doubtful for reasons other than delinquency when one or more combined events have occurred with a negative impact on the estimated future cash flows of the financial instrument. To this end, the following indicators, among others, are considered:

- a) Negative net equity or decrease because of losses of the client's net equity by at least 50% during the last financial year.
- b) Continued losses or significant decrease in revenue or, in general, in the client's recurring cash flows.
- c) Generalised delay in payments or insufficient cash flows to service debts.

- d) Significantly inadequate economic or financial structure or inability to obtain additional financing by the client.
- e) Existence of an internal or external credit rating showing that the client is in default.
- f) Existence of overdue customer commitments with a significant amount to public institutions or employees.

These financial instruments may be reclassified to other categories if, as a result of an individualised study, reasonable doubts do not remain about the total repayment under the contractually agreed terms and the client does not have balances of 90 days on material arrears.

In the case of forbearances, instruments classified as doubtful risk may be reclassified to the category of 'normal risk under watchlist' when the following circumstances are present: a minimum period of one year has elapsed from the forbearance date, the client has paid the accrued principal and interest amounts, and the client has no other loan balances of 90 days on material arrears.

- **Default Risk**: includes all financial assets, or part of them, for which, after an individualised analysis, their recovery is considered remote due to a notorious and irrecoverable deterioration of their solvency.

In any case, except in the case of operations with real guarantees that cover more than 10% of the amount of the operation, in general the Bank considers as remote recovery: the operations of holders that are in the liquidation phase of the insolvency creditors, doubtful operations due to delinquency that have been in this category for more than 4 years and doubtful operations due to delinquency whose part not covered by real guarantees has been maintained with 100% credit risk coverage for more than two years.

A financial asset amount is maintained in the balance sheet until they are considered as a "default risk", either all or a part of it, and the write-off is registered against the balance sheet.

In the case of operations that have only been partially derecognised, for forgiveness reasons or because part of the total balance is considered unrecoverable, the remaining amount shall be fully classified in the category of 'doubtful risk', except where duly justified.

The classification of a financial asset, or part of it, as a 'default risk' does not involve the disruption of negotiations and legal proceedings to recover the amount.

iii. Impairment valuation assessment

Banco Santander has policies, methods and procedures in place to hedge its credit risk, both due to the insolvency attributable to counterparties and its residence in a specific country.

These policies, methods and procedures are applied in the concession, study and documentation of financial assets, commitments and guarantees, as well as in the identification of their impairment and in the calculation of the amounts needed to cover their credit risk.

The impairment represents the best estimation of the financial assets expected credit losses at the balance sheet date, assessed both individually and collectively.

- Individually: for the purposes of estimating the provisions for credit risk arising from the insolvency of a financial instrument, the Bank individually assesses impairment by estimating the expected credit losses on those financial instruments that are considered to be significant and with sufficient information to make such an estimate.

Therefore, this classification mostly includes wholesale banking customers —Corporations, specialised financing— as well as some of the largest companies —Chartered and real estate developers— from retail banking. The determination of the perimeter in which the individualised estimate is applied is detailed in a later section.

The individually assessed impairment estimate is equal to the difference between the gross carrying amount of the financial instrument and the estimated value of the expected cash flows receivable discounted using the original effective interest rate of the transaction. The estimate of these cash flows takes into account all available information on the financial asset and the effective guarantees associated with that asset. This estimation process is detailed below.

- Collectively: the Bank also assesses impairment by estimating the expected credit losses collectively in cases where they are not assessed on an individual basis. This includes, for example, loans with individuals, sole proprietors or businesses in retail banking subject to a standardised risk management.

For the purposes of the collective assessment of expected credit losses, the Bank has consistent and reliable internal models. For the development of these models, instruments with similar credit risk characteristics that are indicative of the debtors' capacity to pay are considered.

The credit risk characteristics used to group the instruments are, among others: type of instrument, debtor's sector of activity, geographical area of activity, type of guarantee, aging of past due balances and any other factor relevant to estimating the future cash flows.

Banco Santander performs retrospective and monitoring tests to evaluate the reasonableness of the collective estimate.

On the other hand, the methodology required to estimate the expected credit loss due to credit events is based on an unbiased and weighted consideration by the probability of occurrence of a series of scenarios, considering a range of three to five possible future scenarios, depending on the characteristics of each unit, which could have an impact on the collection of contractual cash flows, always taking into account the time value of money, as well as all available, reasonable and sustainable information on past events, current conditions and forecasts of the evolution of macroeconomic scenarios that are shown to be relevant for the estimation of this amount (for example: GDP (Gross Domestic Product), housing price, unemployment rate, etc.).

The estimation of expected losses requires expert judgment and the support of historical, current and future information. The probability of loss is measured considering past events, the present situation and future trends of macroeconomic scenarios.

Banco Santander uses forward-looking information in both internal risk management and prudential regulation processes, so that for the calculation of the impairment loss allowance, various scenarios are incorporated that take advantage of the experience with such information, thus ensuring consistency in obtaining the expected loss.

The complexity of the estimation in this exercise has been derived from the current macroeconomic scenario as a consequence of the war in Ukraine, as well as the increasing level of inflation and interest rates, and the difficulties in the supply chains, which has generated some uncertainty in the evolution of the economy.

Banco Santander has internally ensured the criteria to be followed for guarantees received from government bodies, both through credit lines and other public guarantees, so that when they are adequately reflected in each of the contracts, they are recognised as mitigating factors of the potential expected losses, and therefore of the provisions to be recognised, based on the provisions of the applicable standard. Furthermore, where applicable, these guarantees are appropriately reflected in the mitigation of the significant increase in risk, considering their nature as personal guarantees.

For the estimation of the parameters used in the estimation of impairment provisions -EAD (exposure at default), PD (probability of default), LGD (loss given default)-, the Bank based their experience in developing internal models for the estimation of parameters both in the regulatory area and for management purposes, adapting the development of the impairment provision models under Bank of Spain Circular 4/2017 and subsequent modifications.

- Exposure at default: is the amount of estimated risk incurred at the time of the counterparty's analysis.
- Probability of default: is the estimated probability that the counterparty will default on its principal and/or interest payment obligations.
- Loss given default: is the estimate of the severity of the loss incurred in the event of non-compliance. It depends mainly on the updating of the guarantees associated with the operation and the future cash flows that are expected to be recovered.

In any case, when estimating the flows expected to be recovered, portfolio sales are included. It should be noted that due to the Bank's recovery policy and the experience observed in relation to the prices of past sales of assets classified as stage 3 and/or default risk, there is no substantial divergence between the flows obtained from recoveries after performing recovery management of the assets with those obtained from the sale of portfolios of assets discounting structural expenses and other costs incurred.

The definition of default implemented by the Bank for the purpose of calculating the impairment provision models is based on the definition in Article 178 of Regulation 575/2013 of the European Union (CRR), which is fully aligned with the requirements of Bank of Spain Circular 4/2017, which considers that a 'default' exists in relation to a specific customer/contract when at least one of the following circumstances exists: the entity considers that there are reasonable doubts about the payment of all its credit obligations or that the customer/contract is in an irregular situation for more than 90 consecutive days past due material balances with respect to any significant credit obligation.

Banco Santander aligned partially and voluntarily during 2022 the accounting definition of Stage 3, as well as the calculation of impairment provision models, to the New Definition of Default, incorporating the criteria defined by the EBA in its implementation guide of the definition of default, capturing the economic deterioration of the operations (days in default - on a daily basis - and materiality thresholds - minimum amount in arrears). The alignment of criteria was done taking into account the criteria of IFRS 9 as well as the accounting principles of unbiased presentation of financial information. Grupo Santander registered an increase in the default rate at around 19 basis points, with no material impact on the provision figures for credit risk.

In addition, the Bank considers the risk generated in all cross-border transactions due to circumstances other than the usual commercial risk of insolvency (sovereign risk, transfer risk or risks arising from international financial activity, such as wars, natural catastrophes, balance of payments crisis, etc.).

Bank of Spain Circular 4/2017 includes a series of practical solutions that can be implemented by entities, with the aim of facilitating its implementation. In order to achieve a complete and high-level implementation of the standard, and following the best practices of the industry, the Bank these practical solutions adapting them to their own characteristics and circumstances:

- Rebuttable presumption that the credit risk has increased significantly, when payments are more than 30 days past due: this threshold is used as an additional, but not primary, indicator of significant risk increase.
- Assets with low credit risk at the reporting date: the Bank adopts this practice prioritizing its reduced and punctual use and its systematic and periodic justification through quantitative evidence.

This information is provided in more detail in note 50.b.

iv. Detail of individual estimate of impairment

For the individual estimate of the assessment for impairment of the financial asset, the Bank has a specific methodology to estimate the value of the cash flows expected to be collected:

- Recovery through the debtor's ordinary activities (going approach).
- Recovery through the execution and sale of the collateral guaranteeing the operations (gone approach).

Gone approach:

a. Evaluation of the effectiveness of guarantees

Banco Santander assesses the effectiveness of all the guarantees associated considering the following:

- The time required to execute these guarantees.
- Banco Santander's ability to enforce or assert these guarantees in its favour.
- The existence of limitations imposed by each local unit's regulation on the foreclosure of collateral.

Under no circumstances the Bank considers that a guarantee is effective if its effectiveness depends substantially on the solvency of the debtor, as could be the case:

- Promises of shares or other securities of the debtor himself when their valuation may be significantly affected by a debtor's default.

- Personal cross-collateralisation: when the guarantor of a transaction is, at the same time, guaranteed by the holder of that transaction.

The different types of effective guarantees have been detailed in section i. Definition

b. Valuation of guarantees

Banco Santander assesses the guarantees on the basis of their nature in accordance with the following:

- Mortgage guarantees on properties associated with financial instruments, using complete individual valuations carried out by independent valuation experts and under generally accepted valuation standards. If this is not possible, alternative valuations are used with duly documented and approved internal valuation models.
- Personal guarantees are valued individually on the basis of the guarantor's updated information.
- The rest of the guarantees are valued based on current market values.

c. Adjustments to the value of guarantees and estimation of future cash flow inflows and outflows.

Banco Santander applies a series of adjustments to the value of the guarantees in order to improve the reference values:

- Adjustments based on the historical sales experience for certain types of assets.
- Individual expert adjustments based on additional management information.

Likewise, to adjust the value of the guarantees, the time value of money is taken into account based on the historical experience, estimating:

- Period of adjudication.
- Estimated time of sale of the asset.

In addition, the Bank takes into account all those cash inflows and outflows linked to that guarantee until it is sold:

- Possible future income commitments in favour of the borrower which will be available after the asset is awarded.
- Estimated foreclosure costs.
- Asset maintenance costs, taxes and community costs.
- Estimated marketing or sales costs.

Finally, since it is considered that the guarantee will be sold in the future, the Bank applies an additional adjustment ('index forward') in order to adjust the value of the guarantees to future valuation expectations.

v. Impairment individual assessment scope

Banco Santander determines the perimeter over which it makes an estimate of the assessment for impairment on an individual basis based on a relevance threshold and the stage in which the operations are located. In general, the Group applies the individualised calculation of expected losses to the significant exposures classified in stage 3, although Banco Santander, S.A. has also extended its analyses to some of the exposures classified in stage 2.

It should be noted that, in any case and irrespective of the stage in which their transactions are carried out, for customers who do not receive standardised treatment, a relational risk management model is applied, with individualised treatment and monitoring by the assigned risk analyst. In addition to wholesale customers (Santander Corporate & Investment Banking or SCIB) and large companies, this relational management model also includes other segments of smaller companies for which there is information and capacity for more personalised and expert analysis and monitoring. As indicated in the Bank's wholesale credit model, the individual treatment of the client facilitates the continuous updating of information. The risk assumed must be followed and monitored throughout its life cycle, enabling anticipation and action to be taken in the event of possible impairments. In this way, the customer's credit quality is analysed individually, taking into account specific aspects such as his competitive position, financial performance, management, etc. In the wholesale risk management model, every customer with a credit risk position is assigned a rating, which has an associated probability of customer default. Thus, individual analysis of the debtor triggers a specific rating for each customer, which determines the appropriate parameters for calculating the expected loss, so that it is the rating itself that initially modulates the necessary coverage, adjusting the severity of the possible loss to the guarantees and other mitigating factors that the customer may have available. In addition, if as a result of this individualised monitoring of the customer, the analyst finally considers that his coverage is not sufficient, he has the necessary mechanisms to adjust it under his expert judgement, always under the appropriate governance.

h) 'Non-current assets' and 'liabilities associated with non-current assets held for sale'

'Non-current assets held for sale' includes the carrying amount of individual items, disposal groups or items forming part of a business unit earmarked for disposal (discontinued operations), whose sale in their present condition is highly likely to be completed within one year from the reporting date. Therefore, the recovery of the carrying amount of these items -which can be of a financial nature or otherwise- will foreseeably be effected through the proceeds from their disposal.

Specifically, property or other non-current assets received by Banco Santander as total or partial settlement of their debtors' payment obligations to them are deemed to be 'Non-current assets held for sale', unless the Bank has decided to make continuing use of these assets.

'Liabilities associated with non-current assets held for sale' includes the balances payable arising from the assets held for sale or disposal groups and from discontinued operations.

'Non-current assets and disposal groups of items that have been classified as held for sale' are generally recognised at the date of their allocation to this category and are subsequently valued at the lower of their fair value less costs to sell or its book value. 'Non-current assets and disposal groups of items that are classified as held for sale' are not amortised as long as they remain in this category.

The valuation of the portfolio of non-current assets held for sale has been made in compliance with the requirements of Bank of Spain Circular 4/2017, and subsequent amendments, in relation to the estimate of the fair value of tangible assets and the value-in-use of financial assets.

The value of the portfolio is determined as the sum of the values of the individual elements that compose the portfolio, without considering any total or batch grouping in order to correct the individual values.

For the purposes of its consideration in initial recognition, the Group obtains, at the time of award, the fair value of the corresponding asset by requesting an appraisal from external valuation agencies.

Banco Santander has in place a corporate policy that ensures the professional competence and the independence and objectivity of the external appraisal agencies, in accordance with the regulations, which require appraisal agencies to meet independence, neutrality and credibility requirements, so that the use of their estimates does not reduce the reliability of its valuations. This policy establishes that all the appraisal companies and agencies with which the Bank works in Spain should be registered in the Official Register of the Bank of Spain and that the appraisals performed by them should follow the methodology established in Order ECO/805/2003, of 27 March. The main appraisal companies and agencies with which the Bank worked in 2023 are as follows: Tinsa Tasaciones Inmobiliarias, S.A.U., Krata Sociedad de Tasación, S.A., Sociedad de Tasación, S.A., Global Valuation, S.A.U., Gesvalt Sociedad de Tasación, S.A. y Valoraciones Mediterraneo, S.A.

At 31 December 2023 the fair value minus the costs to sell of non-current assets held for sale exceeded their carrying amount by EUR 212 million (EUR 213 million in 2022); however, in accordance with the applicable legislation, this unrealised gain could not be recognised.

Banco Santander, in compliance with Bank of Spain Circular 4/2017, and subsequent amendments, on public and private financial reporting standards and financial statement models, has developed a methodology that enables it to estimate the fair value and costs of sale of assets foreclosed or received in payment of debts. This methodology is based on the classification of the portfolio of foreclosed assets into different segments. Segmentation enables the intrinsic characteristics of Banco Santander's portfolio of foreclosed assets to be differentiated, so that assets with homogeneous characteristics are grouped by segment. Thus, the portfolio is segmented into (i) finished assets of a residential and tertiary nature, (ii) developments in progress and (iii) land¹.

In determining the critical segments in the overall portfolio, assets are classified on the basis of the nature of the asset and its stage of development. This segmentation is made in order to seek the liquidation of the asset (which should be carried out in the shortest possible time).

When making decisions, the situation and/or characteristics of the asset are fundamentally taken into account, as well as the evaluation of all the determining factors that favour the recovery of the debt. For them, the following aspects are analyzed, among others:

- The time that has elapsed since the adjudication.
- The transferability and contingencies of the foreclosed asset.
- The economic viability from the real estate point of view with the necessary investment estimate.
- The expenses that may arise from the marketing process.
- The offers received, as well as the difficulties in finding buyers.

In the case of real estate assets foreclosed in Spain, which represent 85% of the Group's total non-current assets held for sale, the valuation of the portfolio is carried out by applying the following models:

- Market Value Model used in the valuation of finished properties of a residential nature (mainly homes and car parks) and properties of a tertiary nature (offices, commercial premises and multipurpose buildings). For the valuation of finished assets whose availability for sale is immediate, a market sale value provided by a third party external to Banco Santander is considered, calculated under the AVM

¹ The assets in a situation of 'stopped development' are included under 'land

methodology by the comparable properties method adjusted by our experience in selling similar assets, given the term, price, volume, trend in the value of these assets and the time elapsing until their sale and discounting the estimated costs of sale.

The market value is determined on the basis of the definition established by the International Valuation Standards drawn up by the IVSC (International Valuation Standards Council), understood as the estimated amount for which an asset or a liability should be exchanged on the measurement date between a willing buyer and a willing seller, in an arm's length transaction, after appropriate marketing, and in which the parties have acted with sufficient information, prudently and without coercion.

The current market value of the properties is estimated on the basis of automated valuations obtained by taking comparable properties as a reference; simulating the procedure carried out by an appraiser in a physical valuation according to Order ECO 805/2003: selection of properties and obtaining the unit value by applying homogenisation adjustments. The selection of the properties is carried out by location within the same real estate cluster and according to the characteristics of the properties, filtering by type², surface area range and age. The model enables a distinction to be made within the municipality under study as to which areas are similar and comparable and therefore have a similar value in the property market, discriminating between which properties are good comparators and which are not.

Adjustments to homogenize the properties are made according to: (i) the age of the property according to the age of the property to be valued, (ii) the deviation of the built area from the common area with respect to the property to be valued and (iii) by age of the date of capture of the property according to the price evolution index of the real estate market.

In addition, for individually significant assets, complete individual valuations are carried out, including a visit to the asset, market analysis (data relating to supply, demand, current sale or rental price ranges and supply-demand and revaluation expectations) and an estimate of expected income and costs.

For this segmentation of assets, when they are completed, the real costs are known and the actual expenses for the marketing and sale of the asset must be taken into account. Therefore, Banco Santander uses the actual costs in its calculation engine or, failing that, those estimated on the basis of its observed experience.

- Market Value Model according to Evolution of Market Values used to update the valuation of developments in progress. The valuation model

estimates the current market value of the properties based on complete individual valuations by third parties, calculated from the values of the feasibility studies and development costs of the promotion, as well as the selling costs, distinguishing by location, size and type of property. The inputs used in the valuation model for residential assets under construction are actual revenues and costs.

For this purpose, in order to calculate the investment flows, Banco Santander considers, on the basis of the feasibility studies, the expenditure required for construction, the professional fees relating to the project and to project management, the premiums for mandatory building insurance, the developer's administrative expenses, licenses, taxes on new construction and fees, and urban development charges.

With respect to the calculation of income flows, Banco Santander takes into account the square metres built, the number of homes under construction and the estimated selling price over 1.5 years.

The market value will be the result of the difference between the income flows and the investment flows estimated at each moment.

- Land Valuation model. The methodology followed by the Bank regarding land valuation consists of updating the individual reference valuation of each of the land on an annual basis, through updated valuation valuations carried out by independent professionals and following the methodology established in the Order ECO/805/2003, of 27 March, whose main verifications in the case of land valuation, regardless of the degree of urbanisation of the land, correspond to:
 - Visual verification of the assessed property.
 - Registry description.
 - Urban planning.
 - Visible easements.
 - Visible state of occupation, possession, use and exploitation.
 - Protection regime.
 - Apparent state of preservation.
 - Correspondence with cadastral property.
 - Existence of expropriation procedure, expropriation plan or project, administrative resolution or file that may lead to expropriation.
 - Expiry of the urbanization or building deadlines.

² Assets qualified as protected housing are taken into account. The maximum legal value of these assets is determined by the VPO module, obtained from the result of multiplying the State Basic Module (MBE) by a zone coefficient determined by each autonomous community. To carry out the valuation of a protected property, the useful surface area is used in accordance with current regulations.

- Existence of a procedure for failure to comply with obligations.
- Verification of surfaces.

For the purposes of valuation, the land will be classified in the following levels:

- Level I: It will include all the lands that do not belong to level II.
- Level II: It shall include land classified as undeveloped where building is not allowed for uses other than agriculture, forestry, livestock or linked to an economic exploitation permitted by the regulations in force. Also included are lands classified as developable that are not included in a development area of urban planning or that, in such an area, the conditions for its development have not been defined.

In those cases where Banco Santander does not have an updated reference value through an ECO valuation for the current year, we use as a reference value the latest available ECO valuation reduced or corrected by the average annual coverage ratio of the land on which we have obtained an updated reference value, through an ECO valuation.

Banco Santander applies a discount to the aforementioned reference values that takes into account both the discount on the reference value in the sales process and the estimated costs of marketing or selling the land; discount on reference value = % discount on sales + % marketing costs being:

- % discount on Sales: = $100 - (\text{sales price} / \text{updated appraisal value})$.
- marketing costs: calculated on the basis of our historical experience in sales and in accordance with the marketing management fees negotiated with our suppliers of this type of service.

In this way Banco Santander obtains the corrected market value, an amount that we compare with the net cost of each piece of land to determine its correct valuation and conclude with our valuation process.

In addition, in relation to the previously mentioned valuations, less costs to sell, are contrasted with the sales experience of each type of asset in order to confirm that there is no significant difference between the sale price and the valuation.

Impairment losses on an asset or disposal group arising from a reduction in its carrying amount to its fair value (less costs to sell) are recognised under 'Gains or (losses) on non-current assets held for sale not classified as discontinued operations' in the income statement.

The gains on a non-current asset held for sale resulting from subsequent increases in fair value (less costs to sell) increase its carrying amount and are recognised in

the consolidated income statement up to an amount equal to the impairment losses previously recognised.

i) Insurance contracts linked to pensions

The item 'Insurance contracts linked to pensions', included within the heading 'Other assets' (see note 2.m), will include the fair value of the insurance policies to cover pension commitments that must be recorded as a separate asset for not meeting the requirements established in regulation 35 of Bank of Spain Circular 4/2017 and subsequent modifications, to be considered plan assets.

j) Tangible assets

Tangible assets includes the amount of buildings, land, furniture, vehicles, computer hardware and other fixtures owned by Banco Santander or acquired under finance leases. Tangible assets are classified by use as follows:

i. Property, plant and equipment for own use

Property, plant and equipment for own use – including tangible assets received by the Bank in full or partial satisfaction of financial assets representing receivables from third parties which are intended to be held for continuing use and tangible assets acquired under finance leases– are presented at acquisition cost, less the related accumulated depreciation and any estimated impairment losses (carrying amount higher than recoverable amount).

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand has an indefinite life and, therefore, is not depreciated.

The annual tangible asset depreciation charge is recognised in the income statement and are essentially equivalent to the following amortization percentages (determined based on the years of estimated useful life, on average, of the different elements):

	Average annual rate
Buildings for own use	2.00 %
Furniture	10.00 %
Fixtures	5.00 %
IT equipment	25.00 %
Vehicles	16.00 %
Other	5.00 %
Lease use rights	Less than the lease term or the useful life of the underlying asset

At the end of each reporting period, Banco Santander assesses whether there is any indication that the carrying amount of an asset exceeds its recoverable amount, in which case they write down the carrying amount of the asset to its recoverable amount and adjust future depreciation charges in proportion to its adjusted carrying amount and to its new remaining useful life, if the useful life needs to be re-estimated.

Similarly, if there is an indication of a recovery in the value of a tangible asset, Banco Santander recognises the reversal of the impairment loss recognised in prior periods and adjust the future depreciation charges accordingly. In no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

The estimated useful lives of the items of property, plant and equipment for own use are reviewed at least at the end of the reporting period with a view to detecting significant changes therein. If changes are detected, the useful lives of the assets are adjusted by correcting the depreciation charge to be recognised in the income statement in future years on the basis of the new useful lives.

Upkeep and maintenance expenses relating to property, plant and equipment for own use are recognised as an expense in the period in which they are incurred, since they do not increase the useful lives of the assets.

ii. Investment property

'Investment property' reflects the net values of the land, buildings and other structures held either to earn rentals or for obtaining profits by sales due to future increase in market prices.

The criteria used to recognise the acquisition cost of investment property, to calculate its depreciation and its estimated useful life and to recognise any impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use.

In order to evaluate the possible impairment Banco Santander determines periodically the fair value of its investment property so that, at the end of the reporting period, the fair value reflects the market conditions of the investment property at that date. This fair value is determined annually, taking as benchmarks the valuations performed by independent experts. The methodology used to determine the fair value of investment property is selected based on the status of the asset in question; thus, for properties earmarked for lease, the valuations are performed using the sales comparison approach, whereas for leased properties the valuations are made primarily using the income capitalisation approach and, exceptionally, the sales comparison approach.

In the sales comparison approach, the property market segment for comparable properties is analysed, inter alia, and, based on specific information on actual transactions and firm offers, current prices are obtained for cash sales of those properties. The valuations performed using this approach are considered as level 2 valuations.

In the income capitalisation approach, the cash flows estimated to be obtained over the useful life of the property are discounted taking into account factors that

may influence the amount and actual obtainment thereof, such as: (i) the payments that are normally received on comparable properties; (ii) current and probable future occupancy; (iii) the current or foreseeable default rate on payments. The valuations performed using this approach are considered as Level 3 valuations, since significant unobservable inputs are used, such as current and probable future occupancy and/or the current or foreseeable default rate on payments.

iii. Assets leased out under an operating lease

'Property, plant and equipment' - Leased out under an operating lease reflects the amount of the tangible assets, other than land and buildings, leased out by the Bank under an operating lease.

The criteria used to recognise the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognise the impairment losses thereon are consistent with those described in relation to property, plant and equipment for own use.

k) Accounting for leases

The main aspects contained in the regulation Bank of Spain Circular 2/2018 adopted by the Bank are included below:

When the Bank acts as lessee, it recognises a right-of-use asset representing its right to use the underlying leased asset with a corresponding lease liability on the date on which the leased asset is available for use by the Bank. Each lease payment is allocated between liability and finance charge. The finance charge is allocated to the income statement during the term of the lease in such a way as to produce a constant periodic interest rate on the remaining balance of the liability for each year.

The right-of-use asset is depreciated over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset.

Assets and liabilities arising from a lease are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including inflation-linked payments), less any lease incentive receivable.
- Variable lease payments that depend on an index or rate.
- The amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain that it will exercise that option.

- Lease termination penalty payments, if the term of the lease reflects the lessee's exercise of that option.

Lease payments are discounted using the interest rate implicit in the lease. When this interest rate cannot be obtained, the interest rate used in these cases, is the lessee's incremental borrowing rate at the related date. For this purpose, the entity has calculated this incremental borrowing rate taking as reference the listed debt instruments issued by the Bank; in this regard, the Bank has estimated different interest rate curves depending on the currency and economic environment in which the contracts are located.

In order to construct the incremental borrowing rate, a methodology has been developed at the corporate level. This methodology is based on the need for each entity to consider its economic and financial situation, for which the following factors must be considered:

- Economic and political situation (country risk).
- Credit risk of the company.
- Monetary policy.
- Volume and seniority of the company's debt instrument issues.

The incremental borrowing rate is defined as the interest rate that a lessee would have to pay for borrowing, given a similar period to the duration of the lease and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. The Group entities have a wide stock and variety of financing instruments issued in different currencies to that of the euro (pound, dollar, etc.) that provide sufficient information to be able to determine an "all in rate" (reference rate plus adjustment for credit spread at different terms and in different currencies). In circumstances, where the Bank, has its own financing, this has been used as the starting point for determining the incremental borrowing rate.

Right-of-use assets are valued at cost which includes the following:

- The amount of the initial measurement of the lease liability.
- Any lease payment made at or before the commencement date less any lease incentive received.
- Any initial direct costs.
- Restoration costs.

Banco Santander recognises the payments associated with short-term leases and leases of low-value assets on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term less than or equal to 12 months (a lease that contains a purchase option is not a short term lease).

l) Intangible assets

Intangible assets are identifiable non-monetary assets (separable from other assets) without physical substance which arise as a result of a legal transaction or which are developed internally by Banco Santander.

Only assets whose cost can be measured reliably and it is likely that the Bank obtains future economic benefits are recognised.

Intangible assets are recognised initially at acquisition or production cost and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

i. Goodwill

Any excess of the cost of the investments in the subsidiaries, joint ventures and associates accounted for using the equity method over the corresponding underlying carrying amounts acquired, adjusted at the date of first-time consolidation, is allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired, by increasing the value of the assets (or reducing the value of the liabilities) whose fair values were higher (lower) than the carrying amounts at which they had been recognised in the acquired entities' balance sheets.
- If it is attributable to specific intangible assets, by recognising it explicitly in the balance sheet provided that the fair value of these assets within twelve months following the date of acquisition can be measured reliably.
- The remaining amount is recognised as goodwill, which is allocated to one or more cash-generating units (CGU) (a cash-generating unit is the smallest identifiable group of assets that, as a result of continuing operation, generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets). The cash-generating units represent the Bank's geographical and/or business segments.

Goodwill (only recognised when it has been acquired by consideration) represents, therefore, a payment made by the acquirer in anticipation of future economic benefits from assets of the acquired entity that are not capable of being individually identified and separately recognised.

Goodwill, in accordance with Bank of Spain Circular 4/2017, is to be amortized over a 10-year period unless otherwise stated. The debits to the income statements for the amortisation of these assets are recorded under the section 'Amortisation' in the income statement.

At the end of each annual reporting period or whenever there is any indication of impairment goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to 'Impairment or reversal of impairment

on non-financial assets, net - Intangible assets' in the income statement.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

In the event of sale or departure of an activity that is part of a CGU, the part of the goodwill that can be assigned to said activity would be written-off, taking as a reference the relative value of the same over the total of the CGU at the time of sale or abandonment. If applicable, the distribution by currency of the remaining goodwill will be performed based on the relative values of the remaining activities.

ii. Other intangible assets

Other intangible assets includes the amount of identifiable intangible assets, such as purchased customer lists and computer software.

In accordance with Rule Twenty Eight of Bank of Spain Circular 4/2017, for the financial statements (individual and consolidated) not subject to the framework of International Financial Reporting Standards, intangible assets will be considered assets with a limited useful life.

An intangible assets useful life may not exceed the period during which the entity is entitled to use the asset. If the right of use is for a limited period that can be renewed, the useful life will include the renewal period only when there is evidence that the renewal will be carried out without significant cost.

Intangible assets shall be amortized in accordance with their useful life. Banco Santander reviews, at least at the end of each year, the amortisation period and the amortisation method of each of its intangible assets and, if it considers that they are not appropriate, the impact will be treated as a change in its accounting estimates.

The intangible asset amortisation charge is recognised under 'Depreciation and amortisation' in the income statement.

In both cases Banco Santander recognises any impairment loss on the carrying amount of these assets with a charge to 'Impairment or reversal of impairment on non-financial assets, net - Intangible assets in the income statement.

The criteria used to recognise the impairment losses on these assets and, where applicable, the reversal of impairment losses recognised in prior years are similar to those used for tangible assets (see note 2.j).

Internally developed computer software

Internally developed computer software is recognised as an intangible asset if, among other requisites (basically the Bank's ability to use or sell it), it can be identified and its ability to generate future economic benefits can be demonstrated.

Expenditure on research activities is recognised as an expense in the year in which it is incurred and cannot be subsequently capitalised into the carrying amount of the intangible asset.

m) Other assets

Other assets' in the balance sheet includes the amount of assets not recorded in other items, the breakdown being as follows:

- **Inventories:** this item includes the amount of assets, other than financial instruments, that are held for sale in the ordinary course of business, that are in the process of production, construction or development for such purpose, or that are to be consumed in the production process or in the provision of services. Inventories include land and other property held for sale in the property development business.

Inventories are measured at the lower of cost and net realisable value, which is the estimated selling price of the inventories in the ordinary course of business, less the estimated costs of completion and the estimated costs required to make the sale.

Any write-downs of inventories -such as those due to damage, obsolescence or reduction of selling price- to net realisable value and other impairment losses are recognised as expenses for the year in which the impairment or loss occurs. Subsequent reversals are recognised in the income statement for the year in which they occur.

The carrying amount of inventories is derecognised and recognised as an expense in the period in which the revenue from their sale is recognised.

- **Other:** this item includes the balance of all prepayments and accrued income (excluding accrued interest, fees and commissions), the net amount of the difference between pension plan obligations and the value of the plan assets with a balance in the entity's favour, when this net amount is to be reported in the balance sheet, and the amount of any other assets not included in other items.

n) Other liabilities

'Other liabilities' includes the balance of all accrued expenses and deferred income, excluding accrued interest, and the amount of any other liabilities not included in other categories.

o) Provisions and contingent liabilities (assets)

When preparing the financial statements of the Bank, Banco Santander's directors made a distinction between:

- **Provisions:** credit balances covering present obligations at the reporting date arising from past events which could give rise to a loss for the Banco Santander, which is considered to be likely to occur and certain as to its nature but uncertain as to its amount and/or timing.

- **Contingent liabilities:** possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the control of the Bank. They include the present obligations of the Bank when it is not probable that an outflow of resources embodying economic benefits will be required to settle them. Banco Santander does not recognise the contingent liability. The Bank will disclose a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.
- **Contingent assets:** possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank. Contingent assets are not recognised in the balance sheet or in the income statement, but rather are disclosed in the notes, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits.

Banco Santander's financial statements include all the material provisions with respect to which it is considered that it is more likely than not the obligation will have to be settled. In accordance with accounting standards, contingent liabilities must not be recognised in the consolidated financial statements, but must rather be disclosed in the Notes.

Provisions (which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year) are used to cater for the specific obligations for which they were originally recognised. Provisions are fully or partially reversed when such obligations cease to exist or are reduced.

Provisions are classified according to the obligations covered as follows (see note 23):

- **Provision for pensions and similar obligations:** includes the amount of all the provisions made to cover post-employment benefits, including obligations to pre-retirees and similar obligations.
- **Provisions for contingent liabilities and commitments:** include the amount of the provisions made to cover contingent liabilities -defined as those transactions in which the Bank guarantees the obligations of a third party, arising as a result of financial guarantees granted or contracts of another kind- and contingent commitments -defined as irrevocable commitments that may give rise to the recognition of financial assets.

- Provisions for taxes and other legal contingencies and Other provisions: include the amount of the provisions recognised to cover tax and legal contingencies and litigation and the other provisions recognised by Banco Santander. Other provisions includes, inter alia, any provisions for restructuring costs and environmental measures.

p) Court proceedings and/or claims in process

At the end of 2023 certain court proceedings and claims were in process against Banco Santander arising from the ordinary course of their operations (see note 23).

q) Own equity instruments

Own equity instruments are those meeting both of the following conditions:

- The instruments do not include any contractual obligation for the issuer (i) to deliver cash or another financial asset to a third party; or (ii) to exchange financial assets or financial liabilities with a third party under conditions that are potentially unfavourable to the issuer.
- The instruments will or may be settled in the issuer's own equity instruments and are: (i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or (ii) a derivative that will be settled by the issuer through the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Transactions involving own equity instruments, including their issuance and cancellation, are charged directly to equity.

Changes in the value of instruments classified as own equity instruments are not recognised in the financial statements. Consideration received or paid in exchange for such instruments, including the coupons on preference shares contingently convertible into ordinary shares and the coupons associated with CCPP, is directly added to or deducted from equity.

r) Equity-instrument-based employee remuneration

Own equity instruments delivered to employees in consideration for their services, if the instruments are delivered once the specific period of service has ended, are recognised as an expense for services (with the corresponding increase in equity) as the services are rendered by employees during the service period. At the grant date the services received (and the related increase in equity) are measured at the fair value of the equity instruments granted. If the equity instruments granted are vested immediately, Banco Santander recognises in full, at the grant date, the expense for the services received.

When the requirements stipulated in the remuneration agreement include external market conditions (such as equity instruments reaching a certain quoted price), the

amount ultimately to be recognised in equity will depend on the other conditions being met by the employees (normally length of service requirements), irrespective of whether the market conditions are satisfied.

If the conditions of the agreement are met but the external market conditions are not satisfied, the amounts previously recognised in equity are not reversed, even if the employees do not exercise their right to receive the equity instruments.

s) Recognition of income and expenses

The most significant criteria used by Banco Santander to recognise its income and expenses are summarised as follows:

i. Interest income, interest expenses and similar items

Interest income, interest expenses and similar items are generally recognised on an accrual basis using the effective interest method. Dividends received from other companies are recognised as income when the Banco Santander right to receive them arises.

ii. Commissions, fees and similar items

Fee and commission income and expenses are recognised in the income statement using criteria that vary according to their nature. The main criteria are as follows:

- Fee and commission income and expenses relating to financial assets and financial liabilities measured at fair value through profit or loss are recognised when paid.
- Those arising from transactions or services that are performed over a period of time are recognised over the life of these transactions or services.
- Those relating to services provided in a single act are recognised when the single act is carried out.

iii. Non-finance income and expenses

They are recognised for accounting purposes when the good is delivered or the non-financial service is rendered. To determine the amount and timing of recognition, a five-step model is followed: identification of the contract with the customer, identification of the separate obligations of the contract, determination of the transaction price, distribution of the transaction price among the identified obligations and finally recording of income as the obligations are satisfied.

iv. Deferred collections and payments

These are recognised for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

v. Loan arrangement fees

Loan arrangement fees, mainly loan origination, application and information fees, are accrued and recognised in income over the term of the loan.

t) Financial guarantees

Financial guarantees are considered contracts that require the issuer to make specific payments to reimburse the creditor for the loss it incurs when a specific debtor defaults on its due date payment obligation in accordance with the original or modified conditions of debt instrument, regardless of its legal form, which may be, among others, a deposit, financial guarantee, insurance contract or credit derivative.

Banco Santander initially recognises the financial guarantees provided on the liability side of the balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and simultaneously the Bank recognises the amount of the fees, commissions and similar interest received at the inception of the transactions and a credit on the asset side of the balance sheet for the present value of the fees, commissions and interest outstanding.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required. The credit risk is determined by application of criteria similar to those established for quantifying impairment losses on debt instruments carried at amortised cost (described in note 2.g above).

The provisions made for these transactions are recognised under 'Provisions - Provisions for commitments and guarantees given in the consolidated balance sheet' (see note 23). These provisions are recognised and reversed with a charge or credit, respectively, to 'Provisions or reversal of provisions', net, in the income statement.

u) Post-employment benefits

Under the collective agreements currently in force and other arrangements, the Spanish banks included in the Group and certain other Spanish and foreign consolidated entities have undertaken to supplement the public social security system benefits accruing to certain employees, and to their beneficiary right holders, for retirement, permanent disability or death, and the post-employment welfare benefits.

Banco Santander's post-employment obligations to its employees are deemed to be defined contribution plans when the Bank makes pre-determined contributions (recognised under Personnel expenses in the income statement) to a separate entity and will have no legal or effective obligation to make further contributions if the separate entity cannot pay the employee benefits

relating to the service rendered in the current and prior periods. Post-employment obligations that do not meet the aforementioned conditions are classified as defined benefit plans (see note 23).

Defined contribution plans

The contributions made in this connection in each year are recognised under 'Personnel expenses' in the income statement.

The amounts not yet contributed at each year-end are recognised, at their present value, under 'Provisions - Provision for pensions' and similar obligations on the liability side of the balance sheet.

Defined benefit plans

Banco Santander recognises under 'Provisions - Provision for pensions and similar obligations on the liability side of the balance sheet' (or under 'Other assets' on the asset side, as appropriate) the present value of its defined benefit post-employment obligations, net of the fair value of the plan assets.

Plan assets are defined as those that will be directly used to settle obligations and that meet the following conditions:

- They are not owned by Banco Santander, but by a legally separate third party that is not a party related to the Bank.
- They are only available to pay or fund post-employment benefits and they cannot be returned to the Bank unless the assets remaining in the plan are sufficient to meet all the benefit obligations of the plan and of the entity to current and former employees, or they are returned to reimburse employee benefits already paid by the Bank.

If Banco Santander can look to an insurer to pay part or all of the expenditure required to settle a defined benefit obligation, and it is practically certain that said insurer will reimburse some or all of the expenditure required to settle that obligation, but the insurance policy does not qualify as a plan asset, the Bank recognises its right to reimbursement -which, in all other respects, is treated as a plan asset- under 'Insurance contracts linked to pensions' on the asset side of the balance sheet.

Banco Santander will recognise the following items in the income statement:

- Current service cost, (the increase in the present value of the obligations resulting from employee service in the current period), is recognised under 'Staff costs'.
- The past service cost, which arises from changes to existing post-employment benefits or from the introduction of new benefits and includes the cost of

reductions, is recognised under 'Provisions or reversal of provisions'.

- Any gain or loss arising from a liquidation of the plan is included in the Provisions or reversion of provisions.
- Net interest on the net defined benefit liability (asset), i.e. the change during the period in the net defined benefit liability (asset) that arises from the passage of time, is recognised under 'Interest expense' and similar charges ('Interest and similar income' if it constitutes income) in the income statement.

The remeasurement of the net defined benefit liability (asset) is recognised in 'Other comprehensive income' under Items not reclassified to profit or loss and includes:

- Actuarial gains and losses generated in the year, arising from the differences between the previous actuarial assumptions and what has actually occurred and from the effects of changes in actuarial assumptions.
- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).
- Any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

v) Other long-term employee benefits

Other long-term employee benefits, defined as obligations to pre-retirees -taken to be those who have ceased to render services at the entity but who, without being legally retired, continue to have economic rights vis-à-vis the entity until they acquire the legal status of retiree-, long-service bonuses, obligations for death of spouse or disability before retirement that depend on the employee's length of service at the entity and other similar items, are treated for accounting purposes, where applicable, as established above for defined benefit post-employment plans, except that actuarial gains and losses are recognised under 'Provisions or reversal of provisions', net, in the income statement (see note 23).

w) Termination benefits

Termination benefits are recognised when there is a detailed formal plan identifying the basic changes to be made, provided that implementation of the plan has begun, its main features have been publicly announced or objective facts concerning its implementation have been disclosed.

x) Income tax

The income tax expense is recognised in the income statement, except when they arise from a transaction whose results are recognised directly in equity.

The current income tax expense is calculated as the sum of the current tax resulting from application of the appropriate tax rate to the taxable profit for the year (net of any deductions allowable for tax purposes), and of the changes in deferred tax assets and liabilities recognised in the income statement.

'Deferred tax assets' and liabilities include temporary differences, which are identified as the amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their related tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

'Tax assets' include the amount of all tax assets, which are broken down into current -amounts of tax to be recovered within the next twelve months- and deferred -amounts of tax to be recovered in future years, including those arising from tax loss or tax credit carryforwards.

Tax liabilities' includes the amount of all tax liabilities (except provisions for taxes), which are broken down into current -the amount payable in respect of the income tax on the taxable profit for the year and other taxes in the next twelve months- and deferred -the amount of income tax payable in future years.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates or joint ventures, except when the Bank is able to control the timing of the reversal of the temporary difference and, in addition, it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are only recognised for temporary differences to the extent that it is considered probable that the Bank will have sufficient future taxable profits against which the deferred tax assets can be utilised, and the deferred tax assets do not arise from, in its initial recognition of (i) a business combination, (ii) an operation that does not affect either the tax result or the accounting result or (iii) on the date of the transaction, does not generate deductible and taxable temporary differences for the same amount (in which case assets and deferred tax liabilities). Other deferred tax assets (tax loss and tax credit carryforwards) are only recognised if it is considered probable that the Bank entities will have sufficient future taxable profits against which they can be utilised.

Differences generated by the different accounting and tax treatment of any of the income and expenses recorded directly in equity to be paid or recovered in the future are accounted for as temporary differences.

The deferred tax assets and liabilities are reassessed at the reporting date in order to ascertain whether any adjustments need to be made on the basis of the findings of the analyses performed.

y) Residual maturity periods

In note 49 it is provided on analysis of the maturities of the balances of certain items in the balance sheet.

Grupo and Banco Santander have recorded as 'time liabilities' those recognised financial liabilities in which the counterparty may require payments.

Likewise, when Grupo and Banco Santander have committed to having amounts available at different maturity periods, these amounts have been recorded in the first year in which they may be required.

Additionally, for the financial guarantee contracts issued, the Group and the Bank have recorded the maximum amount of the financial guarantee issued in the first year in which the guarantee can be executed.

z) Statement of recognised income and expenses

This statement presents the income and expenses generated by the Bank as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the income statement for the year and the other income and expenses recognised directly in equity.

Accordingly, this statement presents:

- a. The profit for the year.
- b. The net amount of the income and expenses recognised in 'Other comprehensive income' under items that will not be reclassified to profit or loss.
- c. The net amount of the income and expenses recognised in Other comprehensive income under items that may be reclassified subsequently to profit or loss.
- d. The income tax incurred in respect of the items indicated in b and c above, except for the valuation adjustments arising from investments in associates or joint ventures accounted for using the equity method, which are presented net.
- e. Total recognised income and expense, calculated as the sum of a) to d) above.

The statement presents the items separately by nature, grouping together items that, in accordance with the applicable accounting standards, will not be reclassified subsequently to profit and loss since the requirements established by the corresponding accounting standards are met.

aa) Statement of changes in total equity

This statement presents all the changes in equity, including those arising from changes in accounting policies and from the correction of errors. Accordingly,

this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes are grouped together on the basis of their nature into the following items:

- a. Adjustments due to changes in accounting policies and to errors: include the changes in equity arising as a result of the retrospective restatement of the balances in the financial statements, distinguishing between those resulting from changes in accounting policies and those relating to the correction of errors.
- b. Income and expense recognised in the year: includes, in aggregate form, the total of the aforementioned items recognised in the statement of recognised 'Income and expense'.
- c. Other changes in equity: includes the remaining items recognised in equity, including, inter alia, increases and decreases in capital, distribution of profit, transactions involving own equity instruments, equity-instrument-based payments, transfers between equity items and any other increases or decreases in equity.

ab) Statement of cash flows

The following terms are used in the statements of cash flows with the meanings specified:

- Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value, irrespective of the portfolio in which they are classified.

Banco Santander classifies as cash and cash equivalents the balances recognised under 'Cash, cash balances at central banks' and 'Other deposits on demand' in the balance sheet.
- Operating activities: the principal revenue-producing activities of credit institutions and other activities that are not investing or financing activities.
- Investing activities: the acquisition or disposal of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and liabilities that are not operating activities.

During 2023, Banco Santander received interest amounting to EUR 21,660 million and paid interest amount to EUR 14,995 million (EUR 9,563 and 5,205 million, respectively, in 2022).

Also, the dividends received and paid by Banco Santander are detailed in notes 4 and 36.

3. Grupo Santander

a) Banco Santander, S.A. and international Group structure

The growth of Grupo Santander in the last decades has led Banco Santander to also act, in practice, as a holding entity of the shares of the various companies in its Group, and its results are becoming progressively less representative of the performance and earnings of the Group. Therefore, each year the bank determines the amount of the dividends to be distributed to its shareholders on the basis of the consolidated net profit, while maintaining the Group's objectives of capitalisation and taking into account that the transactions of the Bank and of the rest of the Group are managed on a consolidated basis (notwithstanding the allocation to each company of the related net worth effect).

At the international level, the various banks and other subsidiaries, joint ventures and associates of the Group are integrated in a corporate structure comprising various holding companies which are the ultimate shareholders of the banks and subsidiaries abroad.

The purpose of this structure, all of which is controlled Banco Santander, is to optimise the international organisation from the strategic, economic, financial and tax standpoints, since it makes it possible to define the most appropriate units to be entrusted with acquiring, selling or holding stakes in other international entities, the most appropriate financing method for these transactions and the most appropriate means of remitting the profits obtained by the group's various operating units to Spain.

The Appendices provide relevant data on the consolidated group companies and on the companies accounted for using the equity method.

b) Acquisitions and disposals

Following is a summary of the main acquisitions and disposals of ownership interests in the share capital of other entities and other significant corporate transactions performed in the last two years or pending to be completed:

i. Tender offers for shares of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México

On 21 October 2022, Banco Santander, S.A. ('Banco Santander') announced that it intends to make concurrent cash tender offers to acquire all of the shares of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ('Santander Mexico') in Mexico (Shares) and United States (American Depositary Shares ('ADSs')) which were not owned by Grupo Santander, which amount to approximately 3.76% of Santander Mexico's share capital.

The offers were launched on 7 February 2023 and were originally scheduled to close on 8 March 2023. On 1 March 2023, Banco Santander announced its decision to extend the expiration date of the offers so that they could be concluded on 10 April 2023. Finally, after the offers' closing, 3.6% of the capital accepted the offer, which raised the Group's stake in Santander México from 96.2% to 99.8% will be settled on 13 March 2023.

Shareholders who participated in the offerings received 24.52 Mexican pesos (approximately EUR 1.20) per Share and USD 6.6876 in cash for each ADS (i.e., the equivalent in United States dollars of 122.6 Mexican pesos in cash for each ADS at the US dollar/Mexican peso exchange rate on the expiration date of 10 April 2023), which corresponded to the book value of the Santander México share according to the quarterly report of Santander México corresponding to the fourth quarter of the year 2022 in accordance with applicable legislation, with a total disbursement by Banco Santander of approximately EUR 300 million.

The operation has led to an increase of EUR 13 million in Reserves and a decrease of EUR 313 million in minority interests.

Once the offers were concluded and settled, Banco Santander proceeded to: (i) withdraw the ADSs from the listing on the New York Stock Exchange ("NYSE") and the Shares from the registry before the Securities and Exchange Commission ('SEC') in the United States and; (ii) cancel the registration of the Shares in the National Securities Registry of the National Banking and Securities Commission ('CNBV') and withdraw the listing of the Shares in the Mexican Stock Exchange, S.A.B. de C.V. ('BMV'). Said cancellation was approved by the extraordinary general shareholders' meeting of Santander México held on 30 November 2022, with the favourable vote of the holders of the shares that represent more than 95% of the shares of Santander Mexico, as required by the Mexican Securities Market Law.

Pursuant to Mexican law, on 12 May 2023, Banco Santander and Santander México established a trust (the "Repurchase Trust"), to which the holders of the Shares that remain outstanding after the conclusion of the offers, to sell said Shares to the repurchase trust, at the same cash price that would have been paid to them in the Mexican offer with respect to the same. At the end of the year, said trust has already been liquidated and the Group's effective participation amounts to 99.98%.

Likewise, on 26 March 2021, Banco Santander, S.A. announced its intention to make a tender offer for all shares of Banco Santander Mexico, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México ('Santander México') that were not owned by Grupo Santander (8.3% of the share capital of Santander México at that time). The announcement was subsequently supplemented by other publications on 24

May, 8 June and 28 October 2021, in which amendments to some of the terms of the offer were announced.

The offer was finally launched on 3 November 2021 and was settled on 10 December. Banco Santander accepted all of the Santander Mexico Shares and Santander Mexico American Depositary Share (ADS) (securities listed on the New York Stock Exchange, each represented 5 shares of Santander Mexico) tendered and not withdrawn representing approximately 4.5% of the share capital of Santander México. After the transaction, Grupo Santander held approximately 96.2% of Santander México share capital.

The shareholders who tendered their shares in the offer received MXN 26.5 (approximately EUR 1) per share of Santander México and USD 6.2486 in cash per each ADS (the USD equivalent of MXN 132.50 per ADS based on the USD/MXN exchange rate on the expiration date of 7 December 2021) which meant a disbursement of approximately EUR 335 million.

This transaction entailed a decrease of reserves of EUR 41 million and a decrease of EUR 294 million of minority interests.

ii. Agreement to acquire a significant holding in Ebury Partners Limited

On 28 April 2020, the investment announced on 4 November 2019 in Ebury, a payments and foreign exchange platform for SMEs, was completed. The transaction involved a total disbursement of GBP 357 million (approximately EUR 409 million) of which GBP 70 million (approximately EUR 80 million) was for new shares. By the end of 2019, the Group had already acquired 6.4% of the company for GBP 40 million (approximately EUR 45 million). Following the disbursement made in April 2020, which gave the Group 50.38% of the economic rights of the company, without the conditions to obtain control being met, this interest was recorded under 'Investments - Associated entities' in the consolidated balance sheet.

In April 2022 Grupo Santander acquired a new package of shares for GBP 113 million (approximately EUR 135 million) and subscribed in full to a new capital increase, paying an additional GBP 60 million (approximately EUR 72 million). Following these transactions, the Group holds 66.54% of the economic rights and control of the company.

The total value of the net assets identified in the business combination amounted to EUR 413 million, mainly intangible assets (IT developments, customer lists and brand) and resulted in the recognition of goodwill of EUR 316 million.

No gain or loss was recorded for the difference between the book value and the fair value of the previous holding as this difference was not significant.

The amount contributed by this business to the Group's net attributable profit since the date of acquisition is

immaterial. Similarly, the result that this business would have contributed to the Group if the transaction had been carried out on 1 January 2022 would also have been immaterial.

iii. Purchase by SHUSA for shares of Santander Consumer USA

In August 2021 Santander Holdings USA, Inc. ('SHUSA') and Santander Consumer USA Holdings Inc. ('SC') entered into a definitive agreement pursuant to which SHUSA acquired all outstanding shares of common stock of SC not already owned by SHUSA via an all-cash tender offer (the 'Tender Offer') for USD 41.50 per SC common share (the 'Offer Price'), followed by a second-step consisting of a merge (together with the Offer, the 'Transaction') in which a wholly owned subsidiary of SHUSA was merged with and into SC, with SC surviving as a wholly owned subsidiary of SHUSA, and all outstanding shares of common stock of SC not tendered in the Tender Offer were converted into the right to receive the Offer Price in cash. The Offer Price represented a 14% premium to the closing price of SC common stock of USD 36.43 as of 1 July 2021, the last day prior to the announcement of SHUSA's initial offer to acquire the remaining outstanding shares of SC's common stock.

On 31 January 2022, after completion of the customary closing conditions, the Transaction was performed and SHUSA increased its share up to the 100% of SC's common stock. The transaction has meant a disbursement of USD 2,510 million (around EUR 2,239 million) for the Group, with a decrease of reserves of EUR 487 million and a decrease of EUR 1,752 million of minority interests.

iv. Acquisition of Amherst Pierpont Securities LLC, a US fixed-income broker dealer

On 15 July 2021, Santander Holdings USA, Inc. (SHUSA), reached an agreement to acquire Amherst Pierpont Securities LLC, a market-leading independent fixed-income and structured products broker dealer, through the acquisition of its parent holding company, Pierpont Capital Holdings LLC, for a total consideration of approximately USD 450 million (around EUR 405 million). The operation was closed on 11 April 2022 once the pertinent regulatory approvals have been obtained. Immediately after the acquisition, SHUSA has lent financing to the company for an amount of USD 163 million (approximately EUR 147 million), which the company will use to cancel debt with third parties. Amherst Pierpont Securities LLC will become part of Santander Corporate & Investment Banking, Global business line.

The business combination meant the recognition of a goodwill of EUR 158 million and EUR 24 million of intangible assets (mainly relationships with customers) identified in the purchase price allocation, without other relevant value adjustments to net assets of the business.

The amount contributed by this business to the group net attributable profit since the date of acquisition is not material. Similarly, the result that this business would have brought to the group if the transaction had been carried out on 1 January 2022 is also immaterial.

c) Offshore entities

Spanish regulation

According to current Spanish regulation (Law 11/2021, of 9 July, Royal Decree 1080/1991, of 5 July and Order HFP/115/2023, of 9 February), Santander has one subsidiary and three branches in the non-cooperative jurisdictions of Jersey, the Isle of Man and the Cayman Islands (offshore entities). Santander also has two other subsidiaries incorporated in non-cooperative jurisdictions that are tax resident in the UK and subject to British tax law.

i. Offshore subsidiaries

At the reporting date, Grupo Santander has only one subsidiary resident in Jersey, Abbey National International Limited, with activity of services, immaterial losses and no employees as of December 2023.

ii. Offshore branches

Grupo Santander also has three offshore branches in the Cayman Islands, the Isle of Man and Jersey. They report to, and consolidate balance sheets and income statements with, their foreign headquarters. They are taxed either with their headquarters (the Cayman Islands branch in Brazil) or in the territories they are located in (Jersey and Isle of Man, pertain to the UK).

These three offshore branches have a total of 166 employees as of December 2023.

iii. Subsidiaries in non-cooperative jurisdictions that are tax resident in the United Kingdom

Grupo Santander also has two subsidiaries that were incorporated in offshore jurisdictions (one in Bermuda without activity and one in Guernsey with leasing activity) but are not deemed offshore entities because they only operate from and are tax resident in the UK and, thus, are subject to British tax law.

iv. Other offshore holdings

From Brazil, Grupo Santander manages Santander Brazil Global Investment Fund SPC, a segregated portfolio company located in the Cayman Islands. Grupo Santander also has other non-controlling financial interest of a reduced amount in entities located in non-cooperative jurisdictions.

The European Union (EU)

As of October 2023, the EU blacklist comprises 16 jurisdictions where Santander is only present in The Bahamas. In this jurisdiction, Santander has one bank without third-party activity, Santander Bank & Trust Ltd.,

and one branch of the Swiss bank Banco Santander International SA. These entities have a total of 26 employees as of December 2023.

In 2023, one subsidiary residing in The Bahamas moved its domicile to Spain.

Additionally, the EU grey list comprises 14 jurisdictions which have sufficiently committed to adapt their legislation to international standards, subject to monitoring by the EU. Within these jurisdictions, Santander is mainly present in Hong Kong through a branch.

Organization for Economic Cooperation and Development (OECD)

Grupo Santander is not present in any jurisdictions non-compliant with both OECD standards on transparency and exchange of information for tax purposes (Automatic exchange of information standard -AEOI- and Exchange of information on request standard -EOIR-) according to the last annual report of the OECD Global forum on transparency and exchange of information for tax purposes released in November 2023.

However, the Group is present in The Bahamas and Chile. Although these territories have complete legal and regulatory frameworks in place for the application of the AEOI standard, they need to improve the effectiveness of this standard.

The Group's presence in offshore territories at the end of 2023 is as follows:

Presence of the Group in non-cooperative jurisdictions ^a	Spanish legislation		Council of the EU blacklist		OECD ^b	
	Sub.	Branch	Sub.	Branch	Sub.	Branch
Jersey	1	1				
Isle of Man			1			
Cayman Islands		1				
The Bahamas				1	1	
2023^c	1	3	1	1	—	—
2022	1	3	2	1	—	—

a. Additionally, there is one subsidiary constituted in Guernsey and one in Bermuda, but residents for tax purposes in the UK.

b. Jurisdictions non-compliant with both OECD standards on transparency and exchange of information for tax purposes (AEOI and EOIR). Jersey, the Isle of Man and the Cayman Islands continue to fully comply with both OECD standards.

c. In 2023, one subsidiary residing in The Bahamas moved its domicile to Spain.

Grupo Santander has the right mechanisms (risk management, supervision, verification and review plans, and regular reporting) to prevent reputational, tax and legal risk in entities resident in non-cooperative jurisdictions. Grupo Santander also maintains its policy of limiting and reducing its presence in non-cooperative jurisdictions when possible.

PwC (PricewaterhouseCoopers) member firms audited the financial statements of Grupo Santander's offshore entities in 2023 and 2022.

d) Consolidated balance sheet, income statement, statement of recognized income and expenses, statement of changes in total equity and cash-flow statement

PwC (PricewaterhouseCoopers) member firms audited the financial statements of Grupo Santander's offshore entities in 2023 and 2022:

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR million

ASSETS	2023	2022^A
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEPOSITS ON DEMAND	220,342	223,073
FINANCIAL ASSETS HELD FOR TRADING	176,921	156,118
Derivatives	56,328	67,002
Equity instruments	15,057	10,066
Debt securities	62,124	41,403
Loans and advances	43,412	37,647
Central banks	17,717	11,595
Credit institutions	14,061	16,502
Customers	11,634	9,550
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	5,910	5,713
Equity instruments	4,068	3,711
Debt securities	860	1,134
Loans and advances	982	868
Central banks	—	—
Credit institutions	—	—
Customers	982	868
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	9,773	8,989
Debt securities	3,095	2,542
Loans and advances	6,678	6,447
Central banks	—	—
Credit institutions	459	673
Customers	6,219	5,774
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	83,308	85,239
Equity instruments	1,761	1,941
Debt securities	73,565	75,083
Loans and advances	7,982	8,215
Central banks	—	—
Credit institutions	313	—
Customers	7,669	8,215
FINANCIAL ASSETS AT AMORTIZED COST	1,191,403	1,147,044
Debt securities	103,559	73,554
Loans and advances	1,087,844	1,073,490
Central banks	20,082	15,375
Credit institutions	57,917	46,518
Customers	1,009,845	1,011,597
HEDGING DERIVATIVES	5,297	8,069
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	(788)	(3,749)
INVESTMENTS	7,646	7,615
Joint venture entities	1,964	1,981
Associated entities	5,682	5,634
ASSETS UNDER INSURANCE OR REINSURANCE CONTRACTS	237	308

ASSETS	2023	2022^A
TANGIBLE ASSETS	33,882	34,073
Property, plant and equipment	32,926	33,044
For own-use	13,408	13,489
Leased out under an operating lease	19,518	19,555
Investment properties	956	1,029
<i>Of which leased out under an operating lease</i>	851	804
INTANGIBLE ASSETS	19,871	18,645
Goodwill	14,017	13,741
Other intangible assets	5,854	4,904
TAX ASSETS	31,390	29,987
Current tax assets	10,623	9,200
Deferred tax assets	20,767	20,787
OTHER ASSETS	8,856	10,082
Insurance contracts linked to pensions	93	104
Inventories	7	11
Other	8,756	9,967
NON-CURRENT ASSETS HELD FOR SALE	3,014	3,453
TOTAL ASSETS	1,797,062	1,734,659

A. Presented for comparison purposes only.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR million

LIABILITIES	2023	2022^A
FINANCIAL LIABILITIES HELD FOR TRADING	122,270	115,185
Derivatives	50,589	64,891
Short positions	26,174	22,515
Deposits	45,507	27,779
Central banks	7,808	5,757
Credit institutions	17,862	9,796
Customers	19,837	12,226
Marketable debt securities	—	—
Other financial liabilities	—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	40,367	40,268
Deposits	34,996	34,841
Central banks	1,209	1,740
Credit institutions	1,735	1,958
Customers	32,052	31,143
Marketable debt securities	5,371	5,427
Other financial liabilities	—	—
<i>Memorandum items: subordinated liabilities</i>	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	1,468,703	1,423,858
Deposits	1,125,308	1,111,887
Central banks	48,782	76,952
Credit institutions	81,246	68,582
Customers	995,280	966,353
Marketable debt securities	303,208	274,912
Other financial liabilities	40,187	37,059
<i>Memorandum items: subordinated liabilities</i>	30,912	25,926
HEDGING DERIVATIVES	7,656	9,228
CHANGES IN THE FAIR VALUE OF HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	55	(117)
LIABILITIES UNDER INSURANCE CONTRACTS	17,799	16,426
PROVISIONS	8,441	8,149
Pensions and other post-retirement obligations	2,225	2,392
Other long term employee benefits	880	950
Taxes and other legal contingencies	2,715	2,074
Contingent liabilities and commitments	702	734
Other provisions	1,919	1,999
TAX LIABILITIES	9,932	9,468
Current tax liabilities	3,846	3,040
Deferred tax liabilities	6,086	6,428
OTHER LIABILITIES	17,598	14,609
LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE	—	—
TOTAL LIABILITIES	1,692,821	1,637,074

A. Presented for comparison purposes only.

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2023 AND 2022

EUR million

EQUITY	2023	2022^A
SHAREHOLDERS' EQUITY	130,443	124,732
CAPITAL	8,092	8,397
Called up paid capital	8,092	8,397
Unpaid capital which has been called up	—	—
SHARE PREMIUM	44,373	46,273
EQUITY INSTRUMENTS ISSUED OTHER THAN CAPITAL	720	688
Equity component of the compound financial instrument	—	—
Other equity instruments issued	720	688
OTHER EQUITY	195	175
ACCUMULATED RETAINED EARNINGS	74,114	66,702
REVALUATION RESERVES	—	—
OTHER RESERVES	(5,751)	(5,454)
Reserves or accumulated losses in joint venture investments	1,762	1,553
Others	(7,513)	(7,007)
(-) OWN SHARES	(1,078)	(675)
PROFIT OR LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	11,076	9,605
(-) INTERIM DIVIDENDS	(1,298)	(979)
OTHER COMPREHENSIVE INCOME OR LOSS	(35,020)	(35,628)
Items that will not be reclassified to profit or loss	(5,212)	(4,635)
Items that may be reclassified to profit or loss	(29,808)	(30,993)
NON-CONTROLLING INTEREST	8,818	8,481
Other comprehensive income or loss	(1,559)	(1,856)
Other items	10,377	10,337
TOTAL EQUITY	104,241	97,585
TOTAL LIABILITIES AND EQUITY	1,797,062	1,734,659
MEMORANDUM ITEMS: OFF BALANCE SHEET AMOUNTS		
Loan commitments granted	279,589	274,075
Financial guarantees granted	15,435	12,856
Other commitments granted	113,273	92,672

A. Presented for comparison purposes only.

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR million

	(Debit) Credit	
	2023	2022 ^A
Interest income	105,252	71,430
<i>Financial assets at fair value through other comprehensive income</i>	5,995	5,479
<i>Financial assets at amortized cost</i>	77,701	59,214
<i>Other interest income</i>	21,556	6,737
Interest expense	(61,991)	(32,811)
Interest income/(charges)	43,261	38,619
Dividend income	571	488
Income from companies accounted for using the equity method	613	702
Commission income	16,321	15,867
Commission expense	(4,264)	(4,077)
Gain or losses on financial assets and liabilities not measured at fair value through profit or loss, net	96	149
<i>Financial assets at amortized cost</i>	(3)	34
<i>Other financial assets and liabilities</i>	99	115
Gain or losses on financial assets and liabilities held for trading, net	2,322	842
<i>Reclassification of financial assets at fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets at amortized cost</i>	—	—
<i>Other gains (losses)</i>	2,322	842
Gains or losses on non-trading financial assets and liabilities mandatorily at fair value through profit or loss	204	162
<i>Reclassification of financial assets at fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets at amortized cost</i>	—	—
<i>Other gains (losses)</i>	204	162
Gain or losses on financial assets and liabilities measured at fair value through profit or loss, net	(93)	968
Gain or losses from hedge accounting, net	63	74
Exchange differences, net	41	(542)
Other operating income	1,104	1,510
Other operating expenses	(2,827)	(2,803)
Income from insurance and reinsurance contracts	460	2,698
Expenses from insurance and reinsurance contracts	(449)	(2,540)
Total income	57,423	52,117
Administrative expenses	(22,241)	(20,918)
<i>Staff costs</i>	(13,726)	(12,547)
<i>Other general administrative expenses</i>	(8,515)	(8,371)
Depreciation and amortisation cost	(3,184)	(2,985)
Provisions or reversal of provisions, net	(2,678)	(1,881)
Impairment or reversal of impairment at financial assets not measured at fair value through profit or loss and net gains and losses from changes	(12,956)	(10,863)
<i>Financial assets at fair value through other comprehensive income</i>	(44)	(7)
<i>Financial assets at amortized cost</i>	(12,912)	(10,856)
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates, net	—	—
Impairment or reversal of impairment on non-financial assets, net	(237)	(239)
<i>Tangible assets</i>	(136)	(140)
<i>Intangible assets</i>	(73)	(75)
<i>Others</i>	(28)	(24)
Gain or losses on non-financial assets and investments, net	313	12
Negative goodwill recognized in results	39	—

	(Debit) Credit	
	2023	2022 ^A
Gains or losses on non-current assets held for sale not classified as discontinued operations	(20)	7
Operating profit/(loss) before tax	16,459	15,250
Tax expense or income from continuing operations	(4,276)	(4,486)
Profit/(loss) from continuing operations	12,183	10,764
Profit/(loss) after tax from discontinued operations	—	—
Profit/(loss) for the year	12,183	10,764
Profit/(loss) attributable to non-controlling interests	1,107	1,159
Profit/(loss) attributable to the parent	11,076	9,605
Earnings/(losses) per share		
Basic	0.65	0.54
Diluted	0.65	0.54

A. Presented for comparison purposes only.

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR million

	2023	2022 ^A
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	12,183	10,764
OTHER RECOGNISED INCOME AND EXPENSE	614	(2,660)
Items that will not be reclassified to profit or loss	(964)	(399)
Actuarial gains and losses on defined benefit pension plans	(1,038)	(56)
Non-current assets held for sale	—	—
Other recognised income and expense of investments in subsidiaries, joint ventures and associates	(5)	17
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(162)	(497)
Gains or losses resulting from the accounting for hedges of equity instruments measured at fair value through other comprehensive income, net	—	—
<i>Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)</i>	(29)	18
<i>Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)</i>	29	(18)
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	(120)	88
Income tax relating to items that will not be reclassified	361	49
Items that may be reclassified to profit or loss	1,578	(2,261)
Hedges of net investments in foreign operations (effective portion)	(1,888)	(2,467)
<i>Revaluation gains (losses)</i>	(1,888)	(2,467)
<i>Amounts transferred to income statement</i>	—	—
<i>Other reclassifications</i>	—	—
Exchanges differences	1,017	3,658
<i>Revaluation gains (losses)</i>	1,009	3,658
<i>Amounts transferred to income statement</i>	8	—
<i>Other reclassifications</i>	—	—
Cash flow hedges (effective portion)	2,592	(3,016)
<i>Revaluation gains (losses)</i>	(30)	(1,762)
<i>Amounts transferred to income statement</i>	2,622	(1,254)
<i>Transferred to initial carrying amount of hedged items</i>	—	—
<i>Other reclassifications</i>	—	—
Hedging instruments (items not designated)	—	—
<i>Revaluation gains (losses)</i>	—	—
<i>Amounts transferred to income statement</i>	—	—
<i>Other reclassifications</i>	—	—
Debt instruments at fair value with changes in other comprehensive income	858	(2,086)
<i>Revaluation gains (losses)</i>	852	(2,591)
<i>Amounts transferred to income statement</i>	6	(99)
<i>Other reclassifications</i>	—	604
Non-current assets held for sale	—	—
<i>Revaluation gains (losses)</i>	—	—
<i>Amounts transferred to income statement</i>	—	—
<i>Other reclassifications</i>	—	—
Share of other recognised income and expense of investments	19	85
Income tax relating to items that may be reclassified to profit or loss	(1,020)	1,565
Total recognised income and expenses for the year	12,797	8,104
Attributable to non-controlling interests	1,401	1,410
Attributable to the parent	11,396	6,694

A. Presented for comparison purposes only.

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR million

	Capital	Share premium	Equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit attributable to shareholders of the parent	(-) Interim dividends	Other comprehensive income	Non-controlling interest		Total
												Other comprehensive income	Other items	
Balance at 31 December 2022^A	8,397	46,273	688	175	66,702	—	(5,454)	(675)	9,605	(979)	(35,628)	(1,856)	10,337	97,585
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Opening balance at 1 January 2023^A	8,397	46,273	688	175	66,702	—	(5,454)	(675)	9,605	(979)	(35,628)	(1,856)	10,337	97,585
Total recognised income and expense	—	—	—	—	—	—	—	—	11,076	—	320	294	1,107	12,797
Other changes in equity	(305)	(1,900)	32	20	7,412	—	(297)	(403)	(9,605)	(319)	288	3	(1,067)	(6,141)
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	1	1
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Capital reduction	(305)	(1,900)	—	—	—	—	305	1,900	—	—	—	—	—	—
Dividends	—	—	—	—	(963)	—	—	—	—	(1,298)	—	—	(748)	(3,009)
Purchase of equity instruments	—	—	—	—	—	—	—	(3,109)	—	—	—	—	—	(3,109)
Disposal of equity instruments	—	—	—	—	—	—	13	806	—	—	—	—	—	819
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between equity items	—	—	—	—	8,375	—	(37)	—	(9,605)	979	288	3	(3)	—
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	(364)	(364)
Share-based payment	—	—	—	(60)	—	—	—	—	—	—	—	—	—	(60)
Others increases or (-) decreases in equity	—	—	32	80	—	—	(578)	—	—	—	—	—	47	(419)
Balance at 31 December 2023	44,373	44,373	720	195	74,114	—	(5,751)	(1,078)	11,076	(1,298)	(35,020)	(1,559)	10,377	104,241

A. Presented for comparison purpose only.

CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

EUR million

	Capital	Share premium	Equity instruments issued (not capital)	Other equity instruments	Accumulated retained earnings	Revaluation reserves	Other reserves	(-) Own shares	Profit attributable to shareholders of the parent	(-) Interim dividends	Other comprehensive income	Non-controlling interest			Total
												Other comprehensive income	Other items		
Balance at 31 December 2021^A	8,670	47,979	658	152	60,273	—	(4,477)	(894)	8,124	(836)	(32,719)	(2,104)	12,227	97,053	
Adjustments due to errors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Adjustments due to changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Opening balance at 1 January 2022^A	8,670	47,979	658	152	60,273	—	(4,477)	(894)	8,124	(836)	(32,719)	(2,104)	12,227	97,053	
Total recognised income and expense	—	—	—	—	—	—	—	—	9,605	—	(2,911)	251	1,159	8,104	
Other changes in equity	(273)	(1,706)	30	23	6,429	—	(977)	219	(8,124)	(143)	2	(3)	(3,049)	(7,572)	
Issuance of ordinary shares	—	—	—	—	—	—	—	—	—	—	—	—	9	9	
Issuance of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Issuance of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Maturity of other financial instruments	—	—	—	—	—	—	—	—	—	—	—	—	(756)	(756)	
Conversion of financial liabilities into equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Capital reduction	(273)	(1,706)	—	—	—	—	273	1,706	—	—	—	—	—	—	
Dividends	—	—	—	—	(869)	—	—	—	—	(979)	—	—	(500)	(2,348)	
Purchase of equity instruments	—	—	—	—	—	—	—	(2,050)	—	—	—	—	—	(2,050)	
Disposal of equity instruments	—	—	—	—	—	—	7	563	—	—	—	—	—	570	
Transfer from equity to liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Transfer from liabilities to equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
Transfers between equity items	—	—	—	—	7,298	—	(12)	—	(8,124)	836	2	(3)	3	—	
Increases (decreases) due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	31	31	
Share-based payment	—	—	—	(49)	—	—	—	—	—	—	—	—	—	(49)	
Others increases or (-) decreases in equity	—	—	30	72	—	—	(1,245)	—	—	—	—	—	(1,836)	(2,979)	
Balance at 31 December 2022^A	8,397	46,273	688	175	66,702	—	(5,454)	(675)	9,605	(979)	(35,628)	(1,856)	10,337	97,585	

A. Presented for comparison purposes only.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 2023 AND 2022

EUR million

	2023	2022 ^A
A. CASH FLOWS FROM OPERATING ACTIVITIES	5,015	27,706
Profit or loss for the year	12,183	10,764
Adjustments made to obtain the cash flows from operating activities	26,948	23,970
Depreciation and amortisation cost	3,184	2,985
Other adjustments	23,764	20,985
Net increase/(decrease) in operating assets	74,982	108,774
Financial assets held-for-trading	18,332	30,837
Non-trading financial assets mandatorily at fair value through profit or loss	286	218
Financial assets at fair value through profit or loss	874	(7,083)
Financial assets at fair value through other comprehensive income	(4,470)	(22,358)
Financial assets at amortized cost	60,525	105,618
Other operating assets	(565)	1,542
Net increase/(decrease) in operating liabilities	46,080	107,244
Financial liabilities held-for-trading	5,450	29,533
Financial liabilities designated at fair value through profit or loss	(11)	27,705
Financial liabilities at amortized cost	40,138	55,595
Other operating liabilities	503	(5,589)
Income tax recovered/(paid)	(5,214)	(5,498)
B. CASH FLOWS FROM INVESTING ACTIVITIES	(5,366)	(3,898)
Payments	15,056	11,776
Tangible assets	11,446	9,066
Intangible assets	2,197	1,774
Investments	139	152
Subsidiaries and other business units	1,274	784
Non-current assets held for sale and associated liabilities	—	—
Other payments related to investing activities	—	—
Proceeds	9,690	7,878
Tangible assets	7,074	5,558
Intangible assets	—	—
Investments	814	533
Subsidiaries and other business units	885	734
Non-current assets held for sale and associated liabilities	917	1,053
Other proceeds related to investing activities	—	—
C. CASH FLOW FROM FINANCING ACTIVITIES	(2,058)	(9,964)
Payments	10,187	10,665
Dividends	2,261	1,848
Subordinated liabilities	2,931	2,291
Redemption of own equity instruments	—	—
Acquisition of own equity instruments	3,109	2,050
Other payments related to financing activities	1,886	4,476
Proceeds	8,129	701
Subordinated liabilities	7,007	119
Issuance of own equity instruments	—	—
Disposal of own equity instruments	825	573
Other proceeds related to financing activities	297	9
D. EFFECT OF FOREIGN EXCHANGE RATE DIFFERENCES	(322)	(1,460)
E. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,731)	12,384

	2023	2022 ^A
F. CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	223,073	210,689
G. CASH AND CASH EQUIVALENTS AT END OF THE YEAR	220,342	223,073
COMPONENTS OF CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
<i>Cash</i>	8,621	8,929
<i>Cash equivalents at central banks</i>	199,932	200,830
<i>Other financial assets</i>	11,789	13,314
<i>Less, bank overdrafts refundable on demand</i>	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	220,342	223,073
<i>In which, restricted cash</i>	—	—

A. Presented for comparison purposes only .

4. Distribution of Banco Santander's profit, shareholder remuneration scheme and earnings per share

a) Distribution of Banco Santander's profit and shareholder remuneration scheme

The distribution of the Bank's current annual results that the board of directors will propose for approval by the shareholders at the annual general meeting is as follows:

EUR million	
To dividends	2,769
<i>Dividend paid at 31 December^A</i>	1,298
<i>Complementary dividend^B</i>	1,471
To voluntary reserves ^C	6,470
Net profit for the year	9,239

- A. Total amount paid as interim dividend, at the rate of EUR 8.10 fixed cents per eligible share (recorded in 'Shareholders' equity - Interim dividends').
- B. Fixed complementary dividend of EUR 9.50 gross cents per eligible share, payable in cash as from 2 May 2024. The total amount has been estimated on the assumption that, as a result of the partial implementation of the buyback program announced on February 19, 2024, the number of the Bank's outstanding shares eligible for the dividend will be 15,483,617,874. Therefore, the total amount of the complementary dividend may be higher if fewer shares are acquired in the buyback program than expected, or lower in the opposite case.
- C. Estimated amount corresponding to a complementary dividend of EUR 1,470,943,698. To be increased or reduced by the same amount by which the total amount of the complementary dividend is respectively lower or higher than the estimate of that complementary dividend.

The transcribed proposal comprises the part of the 2023 shareholder remuneration policy that is implemented through cash dividends (the interim dividend paid in November 2023 of EUR 8.10 cents per share with dividend entitlement, approved by the board of directors on 26 September 2023, and the complementary dividend expected to be paid as of 2 May 2024, of EUR 9.50 cents per share with the dividend entitlement, proposed by the board of directors on 19 February 2023, and therefore subject to approval by the General Meeting of Shareholders).

In addition, the 2023 remuneration policy also includes expected shareholder remuneration through the implementation of a share buyback program to which an amount equivalent to 25% of the Group's ordinary profit. The first of these programs based on the results of 2023, for an approximate amount of EUR 1,310 million, was completed between September 2023 and January 2024. A second buyback program on account of the 2023 results is planned for an amount of EUR 1,459 million. It also submits to the general meeting of shareholders the agreement for reduction of capital that will allow the amortization of own shares acquired in the repurchase program, subject to the relevant regulatory authorization.

The accounting statement, prepared by the Bank pursuant to legal requirements, evidencing the existence of sufficient liquidity for the payment of the interim dividend on the date and for the amount mentioned above, was as follows:

EUR million	
31 August 2023	
Profit before taxes	5,109
Tax expense	267
Dividends paid in cash	—
Distributable maximum amount	4,842
Available liquidity	107,067

Finally, and although it is not part of the remuneration charged to the 2023 financial year, it should be noted that pursuant to the resolution of the Bank's General Meeting of Shareholders held on 31 March 2023, on 2 May 2023 the Bank paid a complementary cash dividend of EUR 5.95 cents per share charged to the results of the 2022 financial year. Finally, also charged to the results of 2022, the Bank implemented repurchase programs. The first of them for a maximum amount of EUR 979 million, which ended on January 2023 and the second one, for a maximum amount of EUR 921 million, which ended in April 2023.

b) Earnings/loss per share from continuing and discontinued operations

i. Basic earnings / loss per share

Basic earnings/loss per share are calculated by dividing the net profit attributable to the Group, adjusted by the after-tax amount of the remuneration of contingently convertible preference shares (PPCC) recognised in equity and the capital perpetual preference shares (PPCA) (see note 21), if applicable, by the weighted average number of ordinary shares outstanding during that period, excluding the average number of own shares held through that period.

Accordingly:

	2023	2022
Profit (Loss) attributable to the Parent (EUR million)	11,076	9,605
Remuneration of PPCC and PPCA (EUR million) (note 21)	(492)	(529)
	10,584	9,076
<i>Of which:</i>		
<i>Profit (Loss) from discontinued operations (non controlling interest net) (EUR million)</i>	—	—
<i>Profit (Loss) from continuing operations (non-controlling interest and PPCC and PPCA net) (EUR million)</i>	10,584	9,076
Weighted average number of shares outstanding	16,172,084,714	16,848,344,667
Adjusted number of shares	16,172,084,714	16,848,344,667
Basic earnings (Loss) per share (euros)	0.654	0.539
Of which, from discounted operations (euros)	—	—
Basic earnings (Loss) per share from continuing operations (euros)	0.654	0.539

ii. Diluted earnings / loss per share

Diluted earnings/loss per share are calculated by dividing the net profit attributable to the Group, adjusted by the after-tax amount of the remuneration of contingently convertible preference shares recognised in equity (PPCC) recognised in equity and the capital perpetual preference shares (PPCA) (see note 21), by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares and adjusted for all the dilutive effects inherent to potential ordinary shares (share options, and convertible debt securities).

Accordingly, diluted earnings/loss per share were determined as follows:

	2023	2022
Profit (Loss) attributable to the Parent (EUR million)	11,076	9,605
Remuneration of PPCC and PPCA (EUR million) (note 21)	(492)	(529)
Dilutive effect of changes in profit for the period arising from potential conversion of ordinary shares	—	—
	10,584	9,076
<i>Of which:</i>		
<i>Profit (Loss) from discontinued operations (net of non-controlling interests) (EUR million)</i>	—	—
<i>Profit (Loss) from continuing operations (net of non-controlling interests and PPCC and PPCA) (EUR million)</i>	10,584	9,076
Weighted average number of shares outstanding	16,172,084,714	16,848,344,667
Dilutive effect of options/rights on shares	75,180,407	55,316,206
Adjusted number of shares	16,247,265,121	16,903,660,873
Diluted earnings (Loss) per share (euros)	0.651	0.537
Of which, from discounted operations (euros)	—	—
Diluted earnings (Loss) per share from continuing operations (euros)	0.651	0.537

5. Remuneration and other benefits paid to the Bank's directors and senior managers

The following section contains qualitative and quantitative disclosures on the remuneration paid to the members of the board of directors —both executive and non-executive directors— and senior managers for 2023 and 2022:

a) Remuneration of Directors

i. Bylaw-stipulated emoluments

The annual general meeting held on 22 March 2013 approved an amendment to the Bylaws, whereby the remuneration of directors in their capacity as board members became an annual fixed amount determined by the annual general meeting. This amount shall remain in effect unless the shareholders resolve to change it at a general meeting. However, the board of directors may elect to reduce the amount in any years in which it deems such action justified.

The maximum remuneration established by the annual general meeting was EUR 6 million in 2023 (EUR 6 million in 2022), with two components: (a) an annual emolument and (b) attendance fees.

The specific amount payable for the above-mentioned items to each of the directors is determined by the board of directors. For such purpose, it takes into consideration the positions held by each director on the board, their membership of the board and the board committees and their attendance to the meetings thereof, and any other objective circumstances considered by the board.

The total Bylaw-stipulated emoluments earned by the directors in 2023 amounted to EUR 5.3 million (EUR 4.7 million in 2022).

Annual allotment

In accordance with the remuneration policy approved at the general shareholders' meeting on 31 March 2023, the annual allotment for board and committee membership (except for the executive committee) increased EUR 3,000 compared to the amount approved and established for 2022. Each director received the amounts for serving on the board and its committees and positions held in them included in the chart below for 2022 and 2023:

Amount per director in euros	2023	2022
Members of the board of directors	98,000	95,000
Members of the executive committee	170,000	170,000
Members of the audit committee	43,000	40,000
Members of the appointments committee	28,000	25,000
Members of the remuneration committee	28,000	25,000
Members of the risk supervision, regulation and compliance committee	43,000	40,000
Members of the responsible banking, sustainability and culture committee	18,000	15,000
Members of the innovation and technology committee	28,000	25,000
Chair of the audit committee	70,000	70,000
Chair of the appointments committee	50,000	50,000
Chair of the remuneration committee	50,000	50,000
Chair of the risk supervision, regulation and compliance committee	70,000	70,000
Chair of the responsible banking, sustainability and culture committee	50,000	50,000
Chair of the innovation and technology committee	70,000	70,000
Lead independent director ^A	110,000	110,000
Non-executive Vice Chair	30,000	30,000

A. Since 2015, Bruce Carnegie-Brown has been allocated EUR 700,000 (including annual allowances and attendance fees) in minimum total annual pay set for the lead independent director, for his services to the board and its committees, particularly as Chair of the nomination and remuneration committees and also as lead independent director; and for the required time and dedication to perform these roles. Bruce Carnegie-Brown has stepped down from his role of Lead Independent Director on 1 October 2023, when he has been succeeded in this position by Glenn Hutchins.

Attendance fees

The directors receive fees for attending board and committee meetings, excluding executive committee meetings, where no attendance fees are received.

For 2023 the board voted to keep the same amounts set out in the 2022 policy.

The fees have not been modified since 2016. For 2023 and 2022 they are as follows:

Attendance fees per director per meeting in euros	2023	2022
Board of directors	2,600	2,600
Audit committee and risk supervision, regulation and compliance committee	1,700	1,700
Other committees (excluding executive committee)	1,500	1,500

ii. Salaries

The executive directors receive salaries. In accordance with the policy approved by the annual general meeting, salaries are composed of a fixed annual remuneration and a variable one, which consists in a unique incentive, which is a deferred variable remuneration plan linked to multi-year objectives, which establishes the following payment scheme:

- 40% of the variable remuneration amount, determined at year-end on the basis of the achievement of the established objectives, is paid immediately.
- The remaining 60% is deferred over five years, to be paid in five portions, provided that the conditions of permanence in the Group and non-concurrence of the malus clauses are met, and subject to long term metrics, taking into account the following accrual scheme:
 - The accrual of the first and second portion (payment in 2025 and 2026) will be conditional on none of the malus clauses being triggered.
 - The accrual of the third, fourth, and fifth portion (payment in 2027, 2028 and 2029), is linked to objectives related to the period 2023—2025 and the metrics and scales associated with these objectives. The fulfilment of the objectives determines the percentage to be paid of the deferred amount in these three annuities, and these targets can reduce these amounts and the number of deferred instruments, or increase them up to a maximum achievement ratio of 125%, so executives have the incentive to exceed their targets.
- In accordance with current remuneration policies, the amounts already paid will be subject to a possible recovery (clawback) by the Bank during the period set out in the policy in force at each moment.

The immediate payment (or short-term), as well as each deferred payment (linked to long term metrics and not linked to long-term metrics) will be settled 50% in cash and the remaining 50% in instruments, consisting of Banco Santander, S.A. shares, Banco Santander, S.A. share options and restricted stock units (RSUs) of PagoNxt, split as:

- the amount of PagoNxt RSUs set for each year; and
- the rest, all in instruments of Banco Santander, S.A. The executive director must decide between receiving such amount all in shares, or receiving in equal parts shares and share options of Banco Santander, S.A. In 2023 both directors have chosen all in shares.

Comparative of executive remuneration (Chair and CEO)

The board voted to maintain the same target incentive for Ana Botín in 2023 as in 2022 and established a variable remuneration target for Hector Grisi of EUR 4,200 thousand (aligned with that of his predecessor José Antonio Álvarez). In turn, after five years with no review of gross annual salary, the board resolved that Ana Botín's gross annual salary would increase a 3% in respect of 2022.

Variable contributions to pensions were not modified in 2023, so the amounts are the 22% of the 30% of the last three assigned bonus' average.

In 2023, Santander's strong performance and excellent execution of our strategy enabled us to deliver record attributable profit of EUR 11,076 million (+15.3% vs. 2022) and a capital ratio of 12.30% (achieving our public target). We also achieved a very high total shareholder return of 40.5% (5% above our official group of nine peers in relative terms). Because of the double digit growth in net profit coupled with the highest TSR in the last 14 years, the board approved to maintain the same bonus pool as in 2022 at 138.91% for which an extraordinary adjustment of + 15.57% was made, in the same manner as the 2021 and 2019 pools were both reduced by extraordinary adjustments (due to worse shareholders return), with a combined impact of -30%.

As a result, and considering the exceptional contribution made by the Chairman and the CEO to the achievement of these exceptional figures, on the basis of the detailed pool disclosed in the Remuneration section, and due to the fulfillment of their individual objectives, the board of directors, upon recommendation of the remuneration committee, approved the variable remuneration disclosed below, which means an increase of 5% of Executive Chair's total compensation, and a reduction of 9% in the case of Héctor Grisi (compared to his predecessor).

Moreover, the ratio of executive directors' total remuneration to underlying attributable profit fell to 0.19% from 0.23% in 2022.

iii. Detail by director

The detail, by bank director, of the short-term (immediate) and deferred (not subject to long-term goals) remuneration for 2023 and 2022 is provided below:

EUR thousand

	2023														2022				
	Bylaw-stipulated emoluments														Pension contribution	Other remuneration ¹	Total	Total	
	Annual emolument										Short-term and deferred (not subject to long-term goals) salaries of executive directors								
	Board ^f	Executive committee	Audit committee	Appointments committee	Remuneration committee	Risk supervision, regulation and compliance oversight committee	Responsible banking, sustainability and culture committee	Innovation and technology committee	Attendance fees and commissions	Fixed	Variable-immediate payment		Deferred variable						Total
In cash											In instruments	In cash	In instruments						
Ana Botín	98	170	—	—	—	—	—	98	45	3,271	1,780	1,780	1,068	1,068	8,967	1,144	1,022	11,544	11,001
Héctor Grisi ^A	98	170	—	—	—	—	—	28	44	3,000	1,220	1,220	732	732	6,904	966	47	8,257	—
José Antonio Álvarez	128	170	—	—	—	—	—	28	45	—	—	—	—	—	—	—	3,182	3,553	9,086
Bruce Carnegie-Brown	203	127	—	78	66	—	—	21	81	—	—	—	—	—	—	—	—	576	700
Homaira Akbari	98	—	43	—	—	—	18	28	78	—	—	—	—	—	—	—	—	265	244
Javier Botín ^B	98	—	—	—	—	—	—	—	39	—	—	—	—	—	—	—	—	137	129
Sol Daurella	98	—	—	28	28	—	18	—	77	—	—	—	—	—	—	—	—	249	230
Henrique de Castro	98	—	43	—	28	—	—	28	87	—	—	—	—	—	—	—	—	284	261
Gina Díez	98	—	—	28	—	—	17	—	68	—	—	—	—	—	—	—	—	211	172
Luis Isasi	98	170	—	—	28	43	—	—	78	—	—	—	—	—	—	—	1,000	1,417	1,412
Ramiro Mato	98	170	43	—	—	43	68	—	96	—	—	—	—	—	—	—	—	518	500
Belén Romana	98	170	43	—	—	113	18	28	102	—	—	—	—	—	—	—	—	572	549
Pamela Walkden	98	—	113	—	—	43	—	—	87	—	—	—	—	—	—	—	—	341	323
Germán de la Fuente	98	—	43	—	—	43	—	—	87	—	—	—	—	—	—	—	—	271	137
Glenn Hutchins ²	193	—	—	28	41	—	—	28	83	—	—	—	—	—	—	—	—	372	10
Álvaro Cardoso ^C	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	39
R. Martín Chavez ^D	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	147
Sergio Rial ^E	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	131
Total 2023	1,700	1,147	328	162	191	285	139	287	1,096	6,271	3,000	3,000	1,800	1,800	15,871	2,110	5,251	28,567	—
Total 2022	1,561	1,020	301	139	159	241	114	229	930	5,717	2,827	2,829	1,697	1,697	14,767	1,892	3,719	25,071	—

A. Director since 1 January 2023.

B. All amounts received were reimbursed to Fundación Botín.

C. Stepped down as director on 1 April 2022.

D. Stepped down as director on 1 July 2022.

E. Stepped down as director on 1 January 2023.

F. Also includes emoluments for other roles in the board.

1. Includes EUR 1,000 thousand for the role as non-executive Chair of Santander España and for Santander España board and committees meetings for Luis Isasi. For José Antonio Álvarez, this amount includes remuneration as strategic advisor of Grupo Santander, life and health insurance contributions (EUR 722 thousand) and the supplement for having waived the death and disability policy (EUR 710 thousand).

2. From 1 October 2023, the Lead Independent Director, non-executive Vice Chair and Chair of remuneration committee is Mr. Glenn Hutchins, succeeding Mr. Carnegie-Brown.

Following is the detail by executive director of the salaries linked to multi-year objectives at their fair Value, which will only be received if the conditions of permanence in the Group, non-applicability of malus clauses and achievement of the established objectives are met (or, as the case may be, of the minimum thresholds thereof, with the consequent reduction of amount agreed-upon at the end of the year) in the terms described in note 42.

EUR thousand

	2023			2022	
	Variable subject to Long-term objectives ¹				
	In cash	In shares	In RSUs	Total	Total
Ana Botín	1,121	911	210	2,243	2,128
Héctor Grisi	769	592	176	1,537	—
José Antonio Álvarez	—	—	—	—	1,436
Total	1,890	1,504	386	3,780	3,564

1. Corresponds with the fair value of the maximum amount they are entitled to in a total of 3 years: 2027, 2028 and 2029, subject to conditions of continued service, with the exceptions provided, and to the non-applicability of malus clauses and achievement of the objectives established.

The fair value has been determined at the grant date based on the valuation report of an independent expert, Willis Towers Watson. Based on the design of the plan for 2023 and the levels of achievement of similar plans in comparable entities, the fair value considered is 70% of the variable remuneration subject to long-term objectives (see note 42).

Note 5.e below includes disclosures on the shares delivered from the deferred remuneration schemes in place in previous years and for which delivery conditions were met, as well as on the maximum number of shares that may be received in future years in connection with the aforementioned 2023 and 2022 variable remuneration plans.

b) Remuneration of the board members as representatives of the Bank

By resolution of the executive committee, all the remuneration received by the Bank's directors who represent the Bank on the boards of directors of listed companies in which the Bank has a stake, paid by those companies and relating to appointments made on or after 18 March 2002, accrues to the Group. In 2023 the Bank's directors did not receive any remuneration in respect of these representative duties.

On the other hand, in their personal capacity, in 2023 Homaira Akbari was paid USD 120 thousand (EUR 111 thousand) as member of the board of Santander Consumer USA Holdings, Inc. and EUR 200 thousand as member of the board of PagoNxt S.L., and Henrique de Castro and José Antonio Álvarez were each paid the same EUR 200 thousand as members of the board of PagoNxt S.L. José Antonio Álvarez also received BRL 755 thousand (EUR 141 thousand) as member of Banco Santander (Brasil) S.A. Likewise, Pamela Walkden was paid GBP 132 thousand (EUR 152 thousand) as member of Santander UK plc and Santander UK Group Holdings.

Likewise, Luis Isasi was paid EUR 1,000 thousand as non-Executive Chair of the board of Santander España and for attending its board and committee meetings (amounts paid by Banco Santander, S.A.).

And finally, José Antonio Álvarez, as strategic adviser of Grupo Santander, received fixed remuneration of EUR 1,750 thousand. In addition, he received the life and health insurance contributions and the supplement for having waived the death and disability policy.

c) Post-employment and other long-term benefits

In 2012, the contracts of Ana Botín and other members of the Bank's senior management with defined benefit pension commitments were modified to transform these commitments into a defined contribution system, which covers the contingencies of retirement, disability and death. From that moment on, the Bank makes annual contributions to their pension system for their benefit.

This system gives them the right to receive benefits upon retirement, regardless of whether or not they are active at the Bank at such time, based on contributions to the system, and replaced their previous right to receive a pension supplement in the event of retirement.

The initial balance for Ana Botín in the new defined benefits system corresponded to the market value of the assets from which the provisions corresponding to the respective accrued obligations had materialised on the date on which the old pension commitments were transferred into the new benefits system.

Since 2013, the Bank has made annual contributions to the benefits system for executive directors and other members of executive team, in proportion to their respective pensionable bases, until they leave Grupo Santander or until their retirement within the Group, death, or disability.

The benefit plan system is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., and the economic rights of the foregoing directors under this plan belong to them regardless of whether or not they are active at the Bank at the time of their retirement, death or disability.

In accordance with the provisions of the remuneration regulations, contributions made calculated on variable remuneration are subject to the discretionary pension benefits regime. Under this regime, contributions are subject to malus clauses and clawback according to the policy in force at any given time and during the same period in which the variable remuneration is deferred.

Furthermore, they must be invested in bank shares for a period of five years from the date when the executive director leaves the Group, regardless of whether or not they leave to retire. Once that period has elapsed, the amount invested in shares will be reinvested, along with the remainder of the cumulative balance corresponding to the executive director, or it will be paid to the executive director or to their beneficiaries in the event of a contingency covered by the benefits system.

As per the director's remuneration policy approved at the 23 March 2018 general shareholder's meeting, the system was changed with a focus on:

- Aligning the annual contributions with practices of comparable institutions.
- Reducing future liabilities by eliminating the supplementary benefits scheme in the event of death (death of spouse or parent) and permanent disability of serving directors.
- Not increasing total costs for the Bank.

The changes to the system were the following:

- Fixed and variable pension contributions were reduced to 22% of the respective pensionable bases. The gross annual salaries and the benchmark variable remuneration were increased in the corresponding amount with no increase in total costs for the Bank. The pensionable base for the purposes of the annual contributions for the executive directors is the sum of fixed remuneration plus 30% of the average of their last three variable

remuneration amounts. For Héctor Grisi, CEO from 1 January 2023, since he has not been in position for three years, the calculation of variable portion was calculated with his gross variable remuneration agreed in that year.

- The death and disability supplementary benefits were eliminated since 1 April 2018. A fixed remuneration supplement (included in other remuneration in section a.iii in this note) was implemented the same date.
- The total amount insured for life and accident insurance was increased.

The provisions recognised in 2023 and 2022 for retirement pensions were as follows:

EUR thousand		
	2023	2022
Ana Botín	1,144	1,081
Héctor Grisi	966	—
José Antonio Álvarez	—	811
Total	2,110	1,892

Following is a detail of the balances relating to each of the directors under the welfare system as of 31 December 2023 and 2022:

EUR thousand		
	2023	2022
Ana Botín	49,257	46,725
Héctor Grisi	585	—
José Antonio Álvarez	19,495	18,958
Total	69,338	65,683

d) Insurance

The Group pays for life insurance policies for the Bank's directors, who will be entitled to receive benefits if they are declared disabled. In the event of death, the benefits will be payable to their heirs. The premiums paid by the Group are included in the 'Other remuneration' column of the table shown in Note 5.a.iii above. Also, the following table provides information on the sums insured for the Bank's directors:

Insured capital		
EUR thousand		
	2023	2022
Ana Botín	21,054	20,988
Héctor Grisi	50	—
José Antonio Álvarez	11,910	17,345
Total	33,014	38,333

The insured capital has been modified in 2018 for Ana Botín as part of the pension systems transformation set out in note 5.c) above, which has encompassed the elimination of the supplementary benefits systems

(death of spouse and death of parent) and the increase of the life insurance annuities.

During 2023 and 2022, the Group has disbursed a total amount of EUR 13.2 million and EUR 48.2 million, respectively, for the payment of civil-liability insurance premiums. These premiums correspond to several civil-liability insurance policies that hedge, among others, directors, senior management and other managers and employees of the Group and the Bank itself, as well as its subsidiaries, in light of certain types of potential claims of third parties. For this reason, it is not possible to disaggregate or individualize the amount that correspond to the directors and executives.

As of 31 December 2023 and 2022, no life insurance commitments exist for the Group in respect of any other directors.

e) Deferred variable remuneration systems

The following information relates to the maximum number of shares to which the executive directors are entitled at the beginning and end of 2023 and 2022 due to their participation in the deferred variable remuneration systems, which instrumented a portion of their variable remuneration relating to 2023 and prior years, as well as on the deliveries, in shares or in cash, made to them in 2023 and 2022 once the conditions for the receipt thereof had been met (see note 42):

i. Deferred conditional variable remuneration plan

From 2011 to 2015, the bonuses of executive directors and certain executives (including senior management) and employees who assume risk, who perform control functions or receive an overall remuneration that puts them on the same remuneration level as senior management and employees who assume risk (all of whom are referred to as identified staff) have been approved by the board of directors and instrumented, respectively, through various cycles of the deferred conditional variable remuneration plan. Application of these cycles, insofar as they entail the delivery of shares to the plan beneficiaries, was authorized by the related annual general meetings.

The purpose of these plans was to defer a portion of the bonus of the plan beneficiaries (60% in the case of executive directors) over a period of five years (three years for the plans approved up to 2014) for it to be paid, where appropriate, in cash and in Santander shares. The remaining 40% portion of the bonus is paid in cash and Santander shares (in equal parts), upon commencement of this plan, in accordance with the rules set forth below.

In addition to the requirement that the beneficiary remains in Grupo Santander's employ, the accrual of the deferred remuneration was conditional upon none of the following circumstances existing in the opinion of the board of directors -following a proposal of the remuneration committee-, in relation to the corresponding year, in the period prior to each of the

deliveries: (i) poor financial performance of the Group; (ii) breach by the beneficiary of internal regulations, including, in particular, those relating to risks; (iii) material restatement of the Group's consolidated financial statements, except when it is required pursuant to a change in accounting standards; or (iv) significant changes in the Group's economic capital or its risk profile. All the foregoing shall be subject in each case to the regulations of the relevant plan cycle.

Similarly, Banco Santander can clawback any paid variable amounts in the scenarios and for the period dictated by the terms and conditions in the said policy.

On each delivery, the beneficiaries are paid an amount in cash equal to the dividends paid for the amount deferred in shares and the interest on the amount deferred in cash. If the Santander Dividendo Elección scrip dividend scheme is applied, payment will be based on the price offered by the Bank for the bonus share rights corresponding to those shares.

The maximum number of shares to be delivered is calculated taking into account the daily volume-weighted average prices for the 15 trading sessions prior to the date on which the board of directors approves the bonus for the Bank's executive directors for each year.

This plan and the Performance Shares (ILP) plan described below have been integrated for the executive directors and other senior managers in the deferred variable compensation plan linked to multiannual objectives, in the terms approved by the General Meeting of Shareholders held on March 18, 2016.

2021 was the last financial year in which a payment was made in application of this plan.

ii. Deferred variable compensation plan linked to multiannual objectives

In the annual shareholders meeting of 18 March 2016, with the aim of simplifying the remuneration structure, improving the ex-ante risk adjustment and increasing the incidence of long-term objectives, the bonus plan (deferred and conditioned variable compensation plan) and ILP were replaced by one single plan.

The variable remuneration of executive directors and certain executives (including senior management) corresponding to 2023 has been approved by the board of directors and implemented through the eighth cycle of the deferred variable remuneration plan linked to multi-year objectives. The application of the plan was authorised by the annual general meeting of shareholders, as it entails the delivery of shares to the beneficiaries.

As indicated in section a.ii of this note, 60% of the variable remuneration amount is deferred over five years for executive directors, to be paid, where appropriate, in five portions, provided that the conditions of permanence in the Group, according to the following accrual scheme:

- The accrual of the first and second parts (instalments in 2025 and 2026) is conditional on none of the malus clauses being triggered.
- The accrual of the third, fourth and fifth parts (instalments in 2027, 2028 and 2029) is linked to non-concurrence of malus clauses and the fulfilment of certain objectives related to the 2022- 2025 period. These objectives and their respective weights are:
 - Banco Santander's consolidated Return on tangible equity (RoTE) target in 2025 (weight of 40%).
 - Relative performance of Banco Santander's total shareholder return (TSR) in 2023-2025 in respect of the weighted TSR of a peer group comprising 9 credit institutions, with the appropriate TSR ratio based on the group's TSR among its peers (weight of 40%).
 - Four ESG (environmental, social and governance) metrics. Each of the four Responsible banking targets have the same weighting (and total weight of ESG objective, 20%).

The degree of compliance with the above objectives determines the percentage to be applied to the deferred amount in these three annuities, with a maximum achievement ratio of 125%, so executives have the incentive to exceed their targets.

Both the immediate (short-term) and each of the deferred (long-term and conditioned) portions are paid 50% in cash and the remaining 50% in instruments.

The accrual of deferred amounts (whether or not subject to performance measures) is conditioned, in addition to the permanence of the beneficiary in the Group, to non-occurrence, during the period prior to each of the deliveries, of any the circumstances giving rise to the application of malus as set out in the Group's remuneration policy in its chapter related to malus and clawback. Likewise, the amounts already paid of the incentive will be subject to clawback by the Bank in the cases and during the term foreseen in said policy, and in accordance with the terms and conditions foreseen in it.

Malus and clawback clauses are triggered by poor financial performance of Banco Santander, a division or area, or exposures from staff as a result of an executive(s)'s management of, at least, one of these factors:

- (i) Significant failures in risk management committed by the entity, or by a business unit or risk control.
- (ii) The increase suffered by the entity or by a business unit of its capital needs, not foreseen at the time of generation of the exposures.
- (iii) Regulatory sanctions or judicial sentences from events that could be attributable to the unit or the personnel responsible for those. Also, the breach of internal codes of conduct of the entity.
- (iv) Irregular conduct, whether individual or collective. In this regard, the negative effects derived from the marketing of inappropriate products and the responsibilities of the people or bodies that made those decisions will be specially considered.

In addition to the existing policy on malus and clawback clauses of our remuneration policy, the board of directors of Banco Santander at its meeting held on 28 November 2023, following the proposal from the remuneration committee on 27 November 2023, approved an addendum to our remuneration policy to comply with new SEC (US Securities and Exchange Commission) regulations relating to the recoupment of compensation erroneously received by the executive directors of Banco Santander, S.A. and senior management (according to the regulation) in the event of a financial restatement, as defined under the rule, resulting from material noncompliance with financial reporting requirements under federal securities laws. The new addendum to our remuneration policy, entitled "Financial Statement Restatement Compensation", is included as an exhibit to our Annual Report on Form 20-F report filed with the SEC.

Effective from 2023 variable remuneration plan, the maximum number of shares to be delivered is calculated by taking into account the average weighted daily volume of the average weighted listing prices corresponding to the fifty trading sessions prior to the previous Friday (excluded) to the date on which the bonus is agreed by the board of executive directors of the Bank.

iii. Shares assigned by deferred variable remuneration plans

The following table shows the number of Santander shares assigned to each director already in service and pending delivery as of 1 January 2022, 31 December 2022 and 31 December 2023, as well as the gross shares that were delivered to them in 2022 and 2023, either in the form of an immediate payment or a deferred payment. In this case after having been appraised by the board, at the proposal of the remuneration committee, that the corresponding one-fifth of each plan had accrued. They come from the deferred conditional and linked to multi-year objectives in 2017, 2018, 2019, 2020, 2021, 2022 and 2023 were formalized.

Share-based variable remuneration

	Maximum number of shares to be delivered at January 1, 2022	Shares delivered in 2022 (immediate payment 2021 variable remuneration)	Shares delivered in 2022 (deferred payment 2020 variable remuneration)	Shares delivered in 2022 (deferred payment 2019 variable remuneration)	Shares delivered in 2022 (deferred payment 2018 variable remuneration)	Shares delivered in 2022 (deferred payment 2017 variable remuneration)	Variable remuneration 2022 (Maximum number of shares to be delivered)
2017 variable remuneration							
Ana Botín	62,722	—	—	—	—	(31,361)	—
José Antonio Álvarez	41,946	—	—	—	—	(20,973)	—
	104,668					(52,334)	
2018 variable remuneration							
Ana Botín	103,201	—	—	—	(34,400)	—	—
José Antonio Álvarez	68,963	—	—	—	(22,988)	—	—
	172,164				(57,388)		
2019 variable remuneration							
Ana Botín	425,853	—	—	(106,463)	—	—	—
José Antonio Álvarez	284,599	—	—	(71,150)	—	—	—
	710,452			(177,613)			
2020 variable remuneration							
Ana Botín	186,369	—	(37,274)	—	—	—	—
José Antonio Álvarez	101,229	—	(20,246)	—	—	—	—
	287,598		(57,520)				
2021 variable remuneration							
Ana Botín	1,480,622	(592,249)	—	—	—	—	—
José Antonio Álvarez	999,259	(399,704)	—	—	—	—	—
	2,479,881	(991,953)					
2022 variable remuneration							
Ana Botín	—	—	—	—	—	—	631,829
José Antonio Álvarez	—	—	—	—	—	—	426,475
							1,058,305
2023 variable remuneration¹							
Ana Botín	—	—	—	—	—	—	—
Héctor Grisi	—	—	—	—	—	—	—

1. For each director, 40% of the shares indicated correspond to the short-term variable (or immediate payment). The remaining 60% is deferred for delivery, where appropriate, by fifths in the next five years, the last three being subject to the fulfilment of multiannual objectives.

Share-based variable remuneration

Maximum number of shares to be delivered at December 31, 2022	Instruments matured but not consolidated at January 1, 2023 ²	Shares delivered in 2023 (immediate payment 2022 variable remuneration)	Shares delivered in 2023 (deferred payment 2021 variable remuneration)	Shares delivered in 2023 (deferred payment 2020 variable remuneration)	Shares delivered in 2023 (deferred payment 2019 variable remuneration)	Shares delivered in 2023 (deferred payment 2018 variable remuneration)	Shares delivered in 2023 (deferred payment 2017 variable remuneration)	Variable remuneration 2023 (Maximum number of shares to be delivered)	Maximum number of shares to be delivered at December 31, 2023
31,361	—	—	—	—	—	—	(31,361)	—	—
20,973	—	—	—	—	—	—	(20,973)	—	—
52,334							(52,334)		
68,800	—	—	—	—	—	(34,400)	—	—	34,400
45,975	—	—	—	—	—	(22,988)	—	—	22,988
114,776						(57,388)			57,388
319,390	(106,453)	—	—	—	(35,452)	—	—	—	177,485
213,449	(71,143)	—	—	—	(23,693)	—	—	—	118,614
532,839	(177,595)				(59,145)				296,099
149,095	—	—	—	(37,274)	—	—	—	—	111,821
80,983	—	—	—	(20,246)	—	—	—	—	60,737
230,078				(57,520)					172,558
888,373	—	—	(177,675)	—	—	—	—	—	710,698
599,555	—	—	(119,911)	—	—	—	—	—	479,644
1,487,928			(297,586)						1,190,342
631,829	—	(273,410)	—	—	—	—	—	—	358,419
426,475	—	(184,521)	—	—	—	—	—	—	241,954
1,058,305		(457,931)							600,374
—	—	—	—	—	—	—	—	1,127,208	1,127,208
—	—	—	—	—	—	—	—	749,143	749,143
								1,876,351	1,876,351

2. The levels of achievement of the multi-year metrics of the long-term variable remuneration plans:

1) Fifth cycle of the deferred multi-year objectives variable remuneration plan 2020: 83.3% of achievement for the period 2020-2022.

a. CET1 metric at 100% of achievement for 2022 year-end period (target 12.00%). Weight of 33.3%.

b. Underlying BPA growth at 150% of achievement (target growth of 10%). Weight of 33.3%.

c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

2) Fourth cycle of the deferred multi-year objectives variable remuneration plan (2019): 33.3% of achievement for the period 2019-2021.

a. CET1 metric at 100% of achievement for 2021 year-end period (target 12.00%). Weight of 33.3%.

b. Underlying BPA growth at 0% of achievement (target growth of 15%). Weight of 33.3%.

c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

3) Third cycle of the deferred multi-year objectives variable remuneration plan (2018): 33.3% of achievement for the period 2018-2020.

a. CET1 metric at 100% of achievement for 2020 year-end period (target 11.30%). Weight of 33.3%.

b. Underlying BPA growth at 0% of achievement (target growth of 25%). Weight of 33.3%.

c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

Furthermore, the maximum number of RSUs of PagoNxt, S.L. to be delivered under the current plan is 9,529 and 8,005 units for Ana Botín and Héctor Grisi, respectively.

In addition, the table below shows the cash delivered in 2023 and 2022, by way of either immediate payment or deferred payment, in the latter case once the Board had determined, at the proposal of the remuneration committee, that one-fifth relating to each plan had accrued:

EUR thousand

	2023		2021	
	Cash paid (immediate payment 2022 variable remuneration)	Cash paid (deferred payments from 2021, 2020, 2019 and 2018 variable remuneration)	Cash paid (immediate payment 2021 variable remuneration)	Cash paid (deferred payments from 2020, 2019, 2018 and 2017 variable remuneration)
Ana Botín	1,689	1,117	1,838	1,102
Héctor Grisi	1,823	697	—	—
José Antonio Álvarez	1,140	737	1,241	726
Total	4,652	2,551	3,079	1,827

iv. Information on former members of the board of directors

The chart below includes information on the maximum number of shares to which former members of the board of directors, are entitled for their participation in the various deferred variable remuneration systems, which instrumented a portion of their variable remuneration relating to the years in which they were executive directors. Also set forth below is information on the deliveries, whether in shares or in cash, made in 2023 and 2022 to former board members, upon achievement of the conditions for the receipt thereof (see note 42):

Maximum number of shares to be delivered

	2023	2022
Deferred conditional variable remuneration plan and linked to objectives (2016)	—	—
Deferred conditional variable remuneration plan and linked to objectives (2017)	—	33,783
Deferred conditional variable remuneration plan and linked to objectives (2018)	29,860	36,543
Deferred conditional variable remuneration plan and linked to objectives (2019)	48,980	98,092
Deferred conditional variable remuneration plan and linked to objectives (2020)	106,536	—
Deferred conditional variable remuneration plan and linked to objectives (2021)	300,000	—
Deferred conditional variable remuneration plan and linked to objectives (2022)	—	—

Number of shares delivered

	2023	2022
Deferred conditional variable remuneration plan and linked to objectives (2016)	—	60,251
Deferred conditional variable remuneration plan and linked to objectives (2017)	6,145	33,783
Deferred conditional variable remuneration plan and linked to objectives (2018)	29,860	18,272
Deferred conditional variable remuneration plan and linked to objectives (2019)	24,490	32,698
Deferred conditional variable remuneration plan and linked to objectives (2020)	42,632	—
Deferred conditional variable remuneration plan and linked to objectives (2021)	75,000	—
Deferred conditional variable remuneration plan and linked to objectives (2022)	—	—

In addition, EUR 1,417 thousand and EUR 2,759 thousand relating to the deferred portion payable in cash of the aforementioned plans were paid each in 2023 and 2022.

f) Loans

Grupo Santander's direct risk exposure to the bank's directors and the guarantees provided for them are detailed below. These transactions were made on terms equivalent to those that prevail in arm's-length transactions or the related compensation in kind was recognized:

EUR thousand

	2023			2022		
	Loans and credits	Guarantees	Total	Loans and credits	Guarantees	Total
Ana Botín	26	—	26	20	—	20
José Antonio Álvarez	4	—	4	7	—	7
Bruce Carnegie-Brown	—	—	—	—	—	—
Javier Botín	4	—	4	23	—	23
Sol Daurella	51	—	51	49	—	49
Belén Romana	—	—	—	—	—	—
Ramiro Mato	—	—	—	1	—	1
Homaira Akbari	—	—	—	—	—	—
Henrique de Castro	—	—	—	—	—	—
Pamela Walkden	—	—	—	—	—	—
Luis Isasi	—	—	—	—	—	—
Sergio Rial ¹	—	—	—	5	—	5
Héctor Grisi	8	—	8	—	—	—
Gina Díez Barroso	1	—	1	—	—	—
Glenn Hutchins	—	—	—	—	—	—
Germán de la Fuente	—	—	—	—	—	—
	94	—	94	105	—	105

1. Ceased as director of Banco Santander, S.A. on 1 January 2023.

g) Senior management

The table below includes the amounts relating to the short-term remuneration of the members of senior management at 31 December 2023 and those at 31 December 2022, excluding the remuneration of the executive directors, which is detailed above. This amount has been reduced by 38% compared to that reported in 2014 (EUR 80,792 thousand):

EUR thousand

Year	Number of persons	Short-term salaries and deferred remuneration								Total
		Fixed	Variable remuneration (bonus) - Immediate payment		Deferred variable remuneration		Pensions	Other remuneration		
			In cash	In instruments	In cash	In instruments				
2023	14	17,109	7,355	7,356	3,219	3,220	4,775	7,135	50,169	
2022	14	18,178	7,733	7,733	3,398	3,399	5,339	6,956	52,736	

1. Includes other remuneration items such as life and medical insurance premiums and localization aids and lastly RSUs from PagoNxt S.L., for his work as a director in said entity.
2. The amount of immediate payment for 2023 is 1,567,930 shares and 1,386,491 share options (2,504,000 Santander shares in 2022).
3. The deferred amount in instruments not linked to long-term objectives for 2023 is 700,305 shares and 554,597 share options (1,101,000 Santander shares in 2022).

The board of directors approved the 2023 Digital Transformation Incentive which is a variable remuneration scheme which delivers PagoNxt, S.L. RSUs and premium priced options (PPOs), and is aimed at up to 50 employees whose roles are considered key to PagoNxt's success, including 1 senior executive who will receive EUR 200 thousand.

See note 42 to the 2023 Group's consolidated financial statements for further information on the Digital Transformation Incentive.

In 2023, the ratio of variable to fixed pay components was 120% of the total for senior managers, well within the maximum limit of 200% set by 2023 AGM. Also, the detail of the breakdown of the remuneration linked to long-term objectives of the members of senior management at 31 December 2023 and 31 December 2022 is provided below. These remuneration payments shall be received, as the case may be, in the corresponding deferral periods, upon achievement of the conditions stipulated for each payment (see note 42):

EUR thousand

Year	Number of people	Variable remuneration subject to long-term objectives		Total
		Cash payment	Instrument payment	
2023	14	3,380	3,381	6,761
2022	14	3,568	3,569	7,137

1. Relates to the fair value of the maximum annual amounts for years 2027, 2028 and 2029 of the eighth cycle of the deferred conditional variable remuneration plan (2026, 2027 and 2028 for the seventh cycle of the deferred variable compensation plan linked to annual objectives for the year 2022).

Additionally, members of senior management who stepped down from their roles in 2023 consolidated salary remuneration and other remuneration for a total amount of EUR 3,560 thousand (EUR 3,691 thousand in 2022). In 2023 they did not generate any right regarding variable pay subject to long-term objectives (this right has been generated in 2022 for a total amount of EUR 447 thousand).

The maximum number of Santander shares that the members of senior management at each plan grant date (excluding executive directors) were entitled to receive as of 31 December 2023 and 31 December 2022 relating to the deferred portion under the various plans then in force is the following (see note 42):

Maximum number of shares to be delivered

	2023	2022
Deferred conditional variable remuneration plan and linked to objectives (2016)	—	18,500
Deferred conditional variable remuneration plan and linked to objectives (2017)	—	76,053
Deferred conditional variable remuneration plan and linked to objectives (2018)	72,734	155,758
Deferred conditional variable remuneration plan and linked to objectives (2019)	176,704	949,917
Deferred conditional variable remuneration plan and linked to objectives (2020)	728,200	1,438,437
Deferred conditional variable remuneration plan and linked to objectives (2021)	1,824,824	2,711,926
Deferred conditional variable remuneration plan and linked to objectives (2022)	2,320,032	—

Since the conditions established in the corresponding deferred share-based remuneration schemes for prior years had been met, the following number of Santander shares was delivered in 2023 and 2022 to the senior management, in addition to the payment of the related cash amounts:

Number of shares delivered

	2023	2022
Deferred conditional variable remuneration plan and linked to objectives (2016)	—	114,006
Deferred conditional variable remuneration plan and linked to objectives (2017)	11,046	107,891
Deferred conditional variable remuneration plan and linked to objectives (2018)	72,734	79,037
Deferred conditional variable remuneration plan and linked to objectives (2019)	88,352	288,041
Deferred conditional variable remuneration plan and linked to objectives (2020)	292,737	360,614
Deferred conditional variable remuneration plan and linked to objectives (2021)	456,206	2,556,117
Deferred conditional variable remuneration plan and linked to objectives (2022)	2,070,634	—

As indicated in note 5.c above, senior management participate in the benefit system created in 2012, which covers the contingencies of retirement, disability and death. Banco Santander makes annual contributions to the benefit plans of its senior managers. In 2012, the contracts of the senior managers with benefit pension commitments were amended to transform them into a contribution system. The system, which is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A., gives senior managers the right to receive benefits upon retirement, regardless of whether

or not they are active at Banco Santander at such time, based on contributions to the system. This new system replaced their previous right to receive a pension supplement in the event of retirement. In the event of pre-retirement, and up to the retirement date, senior managers appointed prior to September 2015 are entitled to receive an annual allowance.

In addition, further to applicable remuneration regulations, from 2016 (inclusive), a discretionary pension benefit component of at least 15% of total remuneration in contributions to the pension system has been included. Under the regime corresponding to these discretionary benefits, the contributions that are calculated on variable remunerations are subject to malus and clawback clauses, subject to policies applicable at each time, and during the same period in which the variable remuneration is deferred.

Likewise, the annual contributions calculated on variable remunerations must be invested in Bank shares for a period of five years from the date that the senior manager leaves the Group, regardless of whether or not they leave to retire. Once that period has elapsed, the amount invested in shares will be reinvested, along with the remainder of the cumulative balance corresponding to the senior manager, or it will be paid to the senior manager or to their beneficiaries in the event of a contingency covered by the benefits system.

The contracts of some members of senior management were modified at the beginning of 2018 with the same objective and changes indicated in section c of this note for Ana Botín. The modifications, which are aimed at aligning the annual contributions with the practices of comparable institutions and reducing the risk of future obligations by eliminating the supplementary scheme for death (widowhood and orphanhood) and permanent disability in service without increasing the costs to the bank, are as follows:

- Contributions to the pensionable bases were reduced. Gross annual salaries were increased in the corresponding amount.
- The death and disability supplementary benefits were eliminated since 1 January 2018 for some members of senior management and since 1 April 2018 for executive directors. A fixed remuneration supplement reflected in other remuneration in the table above was implemented on the same date.
- The amounts insured for life and accident insurance were increased.

All of the above was done without an increase in total cost for the Bank.

The balance as of 31 December 2023 in the pension system for those who were part of senior management at year end amounted to EUR 57 million (EUR 54 million at 31 December 2022).

The net charge to income corresponding to pension amounted to EUR 4.7 million in 2023 (EUR 5.3 million in 31 December 2022).

In 2023 and 2022 there have been no payments in the form of a single payment of the annual voluntary pre-retirement allowance.

Additionally, the capital insured by life and accident insurance at 31 December 2023 of this group amounts to EUR 84.4 million (EUR 98 million at 31 December 2022).

h) Post-employment benefits to former Directors and former senior executive vice presidents

The post-employment benefits and settlements paid in 2023 to former directors of the Bank, other than those detailed in note 5.c amounted to EUR 5.6 million and EUR 5.6 million in 2022, respectively. Also, the post-employment benefits and settlements paid in 2023 to former executive vice presidents amounted to EUR 15 million and EUR 4.8 million in 2022, respectively.

Contributions to insurance policies that hedge pensions to previous members of the Bank's board of directors, amounted to EUR 0.17 million in 2023 (EUR 0.17 million in 2022). Likewise, contributions to insurance policies that hedge pensions for previous senior managers amounted to EUR 3.3 million in 2023 (EUR 3.1 million in 2022).

During the 2023 financial year, no releases or charges were recorded in the consolidated income statement for pension commitments and similar obligations held by the Group with previous former members of the bank's board of directors or former members of senior management in 2023 and 2022.

In addition, 'Provisions - Pension Fund and similar obligations' in the consolidated balance sheet as at 31 December 2023 included EUR 46 million in respect of the post-employment benefit obligations to former Directors of the Bank (EUR 48 million at 31 December 2022) and EUR 88 million corresponding to former members of senior management (EUR 99 million at 31 December 2022).

i) Pre-retirement and retirement

The board of directors approved an amendment to the contracts of executive directors whereby they ceased to have the right to pre-retire in case of termination of his contract.

j) Contract termination

The executive directors and members of senior management have indefinite-term employment contracts. Executive directors or senior managers whose contracts are terminated voluntarily or due to breach of duties are not entitled to receive any economic compensation. If Banco Santander terminates the contract for any other reason, they will be entitled to the corresponding legally-stipulated termination benefit, without prejudice to any compensation that may for non-competition obligations, as detailed in the directors' remuneration policy.

If Banco Santander were to terminate her contract, Ana Botín would have to remain at Banco Santander's disposal for a period of 4 months in order to ensure an adequate transition, and would receive her fixed salary during that period.

k) Information on investments held by the directors in other companies and conflicts of interest

None of the members of the board of directors have declared that they or persons related to them may have a direct or indirect conflict of interest with the interests of Banco Santander, S.A., as set forth in article 229 of the Corporate Enterprises Act.

6. Loans and advances to central banks and credit institutions

The detail by classification, type and currency, of loans and advances to central banks and credit institutions in the balance sheet is as follows:

EUR million	2023	2022
CENTRAL BANKS		
Classification		
Financial assets held for trading	1,146	1,933
Financial assets at amortised cost	149	94
	1,295	2,027
Type		
Reverse repurchase agreements	1,146	1,933
Other term loans	147	25
Advances different from loans	2	69
<i>Of which, impaired assets</i>	—	—
<i>Of which, valuation adjustments for impairment</i>	—	—
	1,295	2,027
Currency		
Euro	1,295	2,027
US Dollars	—	—
	1,295	2,027
CREDIT INSTITUTIONS		
Classification		
Financial assets held for trading	10,755	9,807
Financial assets designated at fair value through profit or loss	701	934
Financial assets designated at fair value through other comprehensive income	—	1
Financial assets at amortized cost	34,752	35,067
	46,208	45,809
Type		
Reverse repurchase agreements	26,374	16,684
Other term loans	8,390	14,876
Non-loans advances	11,444	14,249
<i>Of which, impaired assets</i>	—	—
<i>Of which, valuation adjustments for impairment</i>	(5)	(2)
	46,208	45,809
Currency		
Euro	29,728	27,841
Pound sterling	2,005	4,196
US dollar	14,112	13,428
Chilean pesos	27	12
Brazilian real	—	1
Other currencies	336	331
	46,208	45,809
TOTAL	47,503	47,836

The loans and advances classified in the "Financial assets held for trading" portfolio correspond to temporary acquisitions of assets from Spanish and foreign institutions.

Deposits in credit institutions classified as "Financial assets at amortized cost" are mainly term accounts and guarantees given in cash to credit institutions.

In addition, at 31 December 2023, there were outstanding balances with central banks and credit institutions of EUR 121,325 million and EUR 2,416 million, respectively (EUR 124,577 million and EUR 4,249 million at 31 December 2022). These balances are included under 'Cash, cash balances at central banks and other deposits on demand'.

Note 49 shows the details of the maturity terms of "Financial assets at amortized cost" and "Cash, cash balances at central banks and other deposits on demand".

The breakdown at 31 December 2023 of the exposure and the provision fund for financial assets at amortized cost is EUR 34,906 million and EUR 5 million, respectively, all in Phase 1 (EUR 35,163 million and EUR 2 million, also Phase 1, in 2022).

7. Debt securities

The detail, by classification, sector and currency, of 'Debt instruments' in the accompanying balance sheets is as follows:

EUR million	2023	2022
Classification		
Financial assets held for trading	30,357	17,846
Non-trading financial assets mandatorily at fair value through profit or loss	580	950
Financial assets designated at fair value through other comprehensive income	4,456	4,120
Financial assets at amortized cost	56,627	40,182
	92,020	63,098
Sector		
Central banks	1,562	894
Public sector	54,782	31,618
Credit institutions	18,364	16,237
Other financial institutions	15,114	12,858
Non-financial institutions	2,198	1,491
<i>Of which, impaired assets</i>	148	154
<i>Of which, value adjustments for impairment</i>	(140)	(255)
	92,020	63,098
Currency		
Euro	72,645	47,037
US dollar	7,542	8,339
Pound sterling	7,670	4,913
Brazilian real	1,777	1,059
Other currencies	2,386	1,750
	92,020	63,098

At 31 December 2023, the nominal amount of the debt securities subject to own obligations, mostly as collateral for financing lines received by the Bank, amounts to EUR 35,307 million (EUR 19,293 million at 31 December 2022), of which EUR 9,614 million correspond to Spanish Public Debt (EUR 10,222 million at 31 December, 2022).

The breakdown at 31 December 2023 of the exposure, by phase of impairment, of the assets subject to impairment is EUR 61,075 million in phase 1 and EUR 148 million in phase 3. In 2022 it was EUR 44,403 million in phase 1 and EUR 154 million in phase 3.

The breakdown at 31 December 2023 of the provision fund by phase of impairment of assets subject to impairment is EUR 19 million in phase 1 and EUR 121 million in phase 3. In 2022 it was EUR 129 million in phase 1 and EUR 126 million in phase 3.

Note 25.e) shows the details of 'Other comprehensive income' recognized in Equity for the 'Financial Assets designated at fair value through other comprehensive income'.

Note 49 contains details of the maturity periods of 'Debt securities' classified in the 'financial assets at fair value through other comprehensive income' and 'financial assets at amortized cost' portfolios.

8. Equity instruments

a) Breakdown

The detail, by classification and type, of Equity instruments in the accompanying balance sheets is as follows:

EUR million	2023	2022
Classification		
Financial assets held for trading	14,423	9,450
Non-trading financial assets mandatorily at fair value through profit or loss	679	1,041
Financial assets designated at fair value through other comprehensive income	983	1,268
	16,085	11,759
Type		
Shares of Spanish companies	3,526	3,215
Shares of foreign companies	12,090	8,071
Shares of investments funds	469	473
	16,085	11,759

Note 25.c) contains a detail of the 'Other comprehensive income', recognized in equity, on 'Financial assets designated at fair value through other comprehensive income'.

b) Changes

The changes in 'Non-trading financial assets mandatorily at fair value through profit or loss' and 'Financial assets at fair value through other comprehensive income' during 2023 and 2022 were as follows:

EUR million	2023	2022
Balance at beginning of the year	1,268	1,705
Purchases and capital increases	—	1
Disposals and capital reductions	(1)	(13)
Of which		
<i>Inversiones Ibersuizas, S.A.</i>	(1)	—
<i>JC Flowers I, LP</i>	—	(10)
<i>Epi Interim Company SE</i>	—	(2)
Other comprehensive income and other concepts	(284)	(425)
Balance at end of the year	983	1,268

A. During 2023 and 2022 there were significant changes in value due, among others, to the fall in the prices of the listed companies included under this heading.

During 2023 and 2022, the fair value of the investment in Project Quasar Investments 2017, S.L. was reduced by EUR 250 million on both years, as a result of the valuation update of the assets of this company.

In January 2022, Banco Santander exercised its preferential acquisition right, set out in the shareholders' agreement dated June 27, 2016 of shares in Bizum, S.L. for EUR 1.1 million. As a result, significant influence was achieved in the company and the share was reclassified from this heading to "Investments in subsidiaries, joint ventures and associates - Associates" (see note 13.c.ii).

c) Notifications of acquisitions of investments

The notifications of the acquisitions and disposals of holdings in investees made by the Bank in 2023, in compliance with Article 155 of the Spanish Limited Liability Companies Law and Article 105 of Spanish Securities Market Law 24/1998, are listed in appendix IV.

9. Trading Derivatives (assets and liabilities) and short positions

a) Trading derivatives

The detail, by type of inherent risk, of the fair value of the trading derivatives arranged by Banco Santander at 31 December 2023 and 2022 is as follows:

EUR million				
	2023		2022	
	Debit balance	Credit balance	Debit balance	Credit balance
Interest rate	30,064	23,204	34,453	31,011
Equity instruments	1,148	955	1,416	851
Currency and gold	14,780	16,445	18,230	19,783
Credit	500	667	178	197
Commodities	—	—	—	—
Others	24	108	179	284
Total	46,516	41,379	54,456	52,126

b) Short positions

The following is a breakdown of short positions (liabilities):

EUR million		
	2023	2022
Borrowed Securities		
Equity instruments	312	934
Representative values of debt	1,383	617
Short sales		
Debt instruments	16,142	12,902
Total	17,837	14,453

10. Loans and advances to customers

a) Detail

The detail, by classification, of 'Loans and advances to customers' on the balance sheets is as follows:

EUR million		
	2023	2022
Financial assets held for trading	11,000	10,376
Non-trading financial assets mandatorily at fair value through profit or loss	1,046	1,177
Financial assets designated at fair value through profit or loss	5,105	5,707
Financial assets at fair value through other comprehensive income	4,335	5,218
Financial assets at amortized cost	287,582	302,804
Loans and advances to customers (carrying amount)	309,068	325,282
<i>Of which</i>		
Impairment losses	(3,982)	(4,729)
Cumulative negative changes in fair value due to credit risk from doubtful exposures	(24)	(8)
Loans and advances to customers (gross amount)	313,074	330,019

'Note 49 shows the details of the maturity periods of financial assets at amortized cost.'

At 31 December 2023 and 2022, there were no loans and advances to customers for material amounts without fixed maturity dates.

b) Breakdown

The following is a breakdown of the loans and advances granted to Banco Santander's customers, which, reflect the bank's exposure to credit risk in its main activity without considering the balance of impairment losses taking into account the type and situation of the transactions, the geographical area of their residence and type of interest rate on the transactions:

EUR million	2023	2022
Loan type and status		
On demand and with a short prior period	2,673	3,060
Credit cards receivables	1,318	1,342
Commercial credit	33,148	35,212
Finance leases	2,864	2,698
Reverse repurchase agreements	22,978	10,399
Other term loans	237,048	260,357
Non loans advances	9,039	12,214
Of which		
<i>Impaired assets</i>	7,597	9,017
<i>Impairment losses</i>	(3,982)	(4,729)
<i>Cumulative negative changes in fair value due to credit risk from doubtful exposures</i>	(24)	(8)
Book value	309,068	325,282
Gross book value	313,074	330,019
Geographical area		
Spain	190,894	204,994
European Union (excluding Spain)	34,728	41,435
United States of America and Puerto Rico	35,546	28,757
Other OECD countries	26,748	31,248
Latin America (non-OECD)	11,347	10,643
Rest of the world	13,811	12,942
	313,074	330,019
Interest rate:		
Fixed rate	136,595	180,753
Floating rate	176,479	149,266
	313,074	330,019

At 31 December 2023 and 2022 the Bank had EUR 14,761 million and EUR 14,269 million, respectively, of loans and advances granted to Spanish public administrations whose rating at 31 December 2023 is A (rating at 31 December 2022 was A) and with EUR 2,653 million and EUR 4,579 million, respectively, granted to the Public Sector of other countries (at 31 December 2023 this amount was composed, based on the rating of the issuer as follows: 10% AAA, 26% AA, 0% A, 28% BBB and 36% lower than BBB).

The above-mentioned ratings were obtained by converting the internal ratings awarded to customers by Banco Santander (see note 50) into the external ratings classification established by Standard & Poor's, in order to make them more readily comparable.

Without considering Public Administrations, the amount of loans and advances at 31 December 2023 amounts to EUR 295,660 million, of which EUR 288,063 million are in a non-doubtful situation (at 31 December 2022, they amounted to EUR 311,163 million and EUR 302,146 million respectively).

The following is a detail, by activity, of the loans to customers at 31 December 2023, net of impairment losses:

EUR million

	Total ^A	Without collateral	Secured loans						
			Net exposure		Loan-to-value ratio ^C				
			Of which, property collateral	Of which, other collateral	Less than or equal to 40%	More than 40% and less than or equal to 60%	More than 60% and less than or equal to 80%	More than 80% and less than or equal to 100%	More than 100%
Public sector	15,191	14,914	174	103	75	65	29	103	5
Other financial institutions and individual traders (business financial activity)	68,110	39,257	1,695	27,158	719	702	619	26,261	552
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	139,238	99,554	18,416	21,268	8,453	7,285	3,635	15,347	4,964
<i>Of which</i>									
<i>Construction and property development (including land)</i>	2,317	12	2,305	—	909	902	298	122	74
<i>Civil engineering construction</i>	2,080	1,260	26	794	16	77	8	695	24
<i>Large companies</i>	92,362	71,823	4,282	16,257	2,267	2,088	1,061	11,320	3,803
<i>SMEs and individual traders</i>	42,479	26,459	11,803	4,217	5,261	4,218	2,268	3,210	1,063
Other households (broken down by purpose)	77,490	11,035	65,343	1,112	20,809	22,442	19,145	2,800	1,259
<i>Of which</i>									
<i>Residential</i>	61,227	792	60,327	108	18,933	20,635	17,912	2,140	815
<i>Consumer loans</i>	8,583	7,958	293	332	160	113	175	135	42
<i>Other purposes</i>	7,680	2,285	4,723	672	1,716	1,694	1,058	525	402
Total^A	300,029	164,760	85,628	49,641	30,056	30,494	23,428	44,511	6,780
<i>Memorandum item</i>									
Refinanced and restructured transactions ^B	9,388	5,144	3,286	958	823	923	781	855	862

A. Not including loan advances.

B. Includes the net balance of value adjustments associated with impaired assets.

C. The ratio is the carrying amount of the transactions at 31 December 2023 calculated using the latest available appraisal value of the collateral.

Note 50 contains information relating to the forborne loan portfolio.

Below is a breakdown of the movement in gross exposure by impairment stage of loans and advances from customers recorded under the headings 'Financial assets at amortized cost' and 'Financial assets at fair value through other comprehensive income' under Bank of Spain Circular 4/2017 to 31 December 2023 and 2022:

2023

EUR million				
	Stage 1	Stage 2	Stage 3 ^A	Total
Balance at beginning of the year	290,103	13,631	9,017	312,751
Movements				
Transfers				
Transfer to Stage 2 from Stage 1	(6,876)	6,876		—
Transfer to Stage 3 from Stage 1	(1,206)		1,206	—
Transfer to Stage 3 from Stage 2		(1,668)	1,668	—
Transfer to Stage 1 from Stage 2	1,671	(1,671)		—
Transfer to Stage 2 from Stage 3		645	(645)	—
Transfer to Stage 1 from Stage 3	32		(32)	—
Net changes on financial assets	(11,125)	(2,110)	(1,420)	(14,655)
Write-offs	—	—	(2,197)	(2,197)
Differences in change and other movements	—	—	—	—
Balance at end of the year	272,599	15,703	7,597	295,899

A. The movement of Phase 3 includes portfolio sales for EUR 1,055 million.

2022

EUR million				
	Stage 1	Stage 2	Stage 3 ^A	Total
Balance at the beginning of year	267,980	16,708	12,882	297,570
Movements				
Transfers				
To stage 2 from stage 1	(3,919)	3,919		—
To stage 3 from stage 1	(654)		654	—
To stage 3 from stage 2		(1,674)	1,674	—
To stage 1 from stage 2	3,478	(3,478)		—
To stage 2 from stage 3		574	(574)	—
To stage 1 from stage 3	23		(23)	—
Net changes on financial assets	23,195	(2,418)	(2,400)	18,377
Write-offs	—	—	(3,196)	(3,196)
Differences in change and other movements	—	—	—	—
Balance at end of the year	290,103	13,631	9,017	312,751

A. The movement of Phase 3 includes portfolio sales for EUR 2,583 million.

At 31 December 2023, the total net exposure of loans and advances to the Bank's customers is EUR 291,917 million, of which EUR 272,202 million correspond to phase 1, EUR 15,078 million to phase 2 and EUR 4,637 million to phase 3 (EUR 308,022 million, EUR 289,616 million, EUR 12,973 million and EUR 5,433 million respectively at 31 December, 2022).

This exposure includes EUR 48 million (EUR 104 million at 31 December 2022) in impaired assets purchased with impairment, classified in phase 3, which correspond mainly to the business combination carried out by the Bank.

c) Impairment losses on loans and advances to customers at amortized cost and at fair value through other comprehensive income

The changes in the impairment losses on the assets making up the balances of financial assets at amortized cost and at fair value through other comprehensive income 'Loans and advances to customers':

EUR million	2023	2022
Balance at beginning of the year	4,729	6,899
Net impairment losses charged to income for the year	1,565	1,404
<i>Of which</i>		
<i>Impairment losses charged to profit or loss</i>	2,751	2,492
<i>Impairment losses reversed with a credit to profit or loss</i>	(1,186)	(1,088)
Write-off of impaired balances against recorded impairment allowance	(2,197)	(3,196)
Exchange differences and other changes	(115)	(378)
Balance at end of the year	3,982	4,729
<i>Of which</i>		
<i>By status of the asset</i>		
<i>Impaired assets</i>	2,960	3,584
<i>Of which, due to country risk</i>	10	5
<i>Other assets</i>	1,012	1,140
Balance at end of the year	3,982	4,729
<i>Of which</i>		
<i>Individually calculated</i>	891	867
<i>Collective calculated</i>	3,091	3,862

The net provision that has an impact on the results for the year includes provisions for renegotiation or contractual modification of EUR 45 million (EUR 23 million at 31 December 2022).

Taking into account the assets in suspense recovered, which amount to EUR 158 million at 31 December, 2023 (EUR 111 million at 31 December, 2022) and adding to the net provision of the previous table, the impairment of 'Credit Entities and Debt Securities' (see notes 6 and 7), the amount recorded under the heading 'Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains or losses', due to changes in 'Financial assets at fair value with changes in other comprehensive income' and 'Financial assets at amortized cost', amounts to EUR 1.372 million at 31 December, 2023 (EUR 1,398 million at 31 December, 2022).

The following is the movement of impairment losses broken down by impairment stage of loans and advances to customers, during 2023 and 2022:

2023

EUR million	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	487	658	3,584	4,729
Transfers				
Transfer to Stage 2 from Stage 1	(98)	250		152
Transfer to Stage 3 from Stage 1	(10)		337	327
Transfer to Stage 3 from Stage 2		(115)	361	246
Transfer to Stage 1 from Stage 2	7	(69)		(62)
Transfer to Stage 2 from Stage 3		50	(154)	(104)
Transfer to Stage 1 from Stage 3	15		(24)	(9)
Net changes of the exposure and modifications in the credit risk	(57)	(149)	1,221	1,015
Changes due to update in the methodology of estimates of the entity				
Write-offs			(2,197)	(2,197)
FX and other movements	53	—	(168)	(115)
Gross carrying amount at end of the year	397	625	2,960	3,982

2022

EUR million				
	Stage 1	Stage 2	Stage 3	Total
Balance at beginning of the year	509	706	5,684	6,899
Transfers				
Transfer to Stage 2 from Stage 1	(25)	139		114
Transfer to Stage 3 from Stage 1	(5)		193	188
Transfer to Stage 3 from Stage 2		(93)	315	222
Transfer to Stage 1 from Stage 2	22	(84)		(62)
Transfer to Stage 2 from Stage 3		73	(119)	(46)
Transfer to Stage 1 from Stage 3	—		(18)	(18)
Net changes of the exposure and modifications in the credit risk	42	(83)	1,047	1,006
Changes due to update in the methodology of estimates of the entity				
Write-offs			(3,196)	(3,196)
FX and other movements	(56)	—	(322)	(378)
Gross carrying amount at end of the year	487	658	3,584	4,729

d) Impaired assets

The detail of the movement in the balance of financial assets classified as 'Loans and advances to customers' and considered to be impaired by reason of their credit risk during 2023 and 2022 is:

EUR million		
	2023	2022
Balance at beginning of the year	9,017	12,882
Net additions	777	(669)
Written-off assets	(2,197)	(3,196)
Other changes	—	—
Balance at end of the year	7,597	9,017

This amount, once the corresponding provisions have been deducted, is Banco Santander's best estimate of the discounted value of the cashflows that are expected to be recovered from impaired assets.

At 31 December 2023, the balance of the assets written-off amounted to EUR 6,084 million (6,732 million EUR at 31 of december 2022).

The following are the credit impaired financial assets and related guarantees maintained to mitigate potential losses as of 31 December, 2023:

EUR million			
	Gross amount	Allowance recognized	Estimated collateral value ^A
Without associated real collateral	3,254	1,551	—
With associated real collateral	3,515	1,171	2,281
With other collateral	828	238	215
Total	7,597	2,960	2,496

A. Collects the estimated value of the collateral associated with each loan. Consequently, it does not include any other cash flow that could be obtained, such as those from the personal guarantees of the accredited.

When classifying assets in the previous table, the main factors considered by Banco Santander to determine whether an asset has become impaired are the existence of amounts past due -assets impaired due to arrears- or other circumstances may be arise which will not result in all contractual cash flow being recovered, such as a deterioration of the borrower's financial situation, the worsening of its capacity to generate funds or difficulties experienced by it in accessing credit.

e) Transferred credits

The heading 'Loans and advances to customers' includes, among others, those loans transferred to third parties by securitisation on which risks and profits are maintained, albeit partially, which is why and in accordance with the accounting regulations that apply, they cannot be removed from the balance sheet. This is mainly due to mortgage loans, loans to companies and consumer loans. The breakdown of securitised loans held on the balance sheet, taking into account the nature of the financial instrument from which they originate, is shown below:

EUR million		
	2023	2022
Retained on the balance sheet ^A	12,969	13,171
Of which, mortgage assets are securitized through:		
Mortgage transfer certificates	8,369	9,769
Total^A	12,969	13,171

A. Note 19 reports the liabilities associated with securitization operations, discounting the bonds of the securitization funds repurchased by the Bank.

The evolution of this activity responds to its use as a regulatory capital management tool and as a resource for the diversification of Banco Santander's liquidity sources. During 2023 and 2022 the Bank didn't derecognized any of the securitizations carried out in years mentioned before, and the balance derecognized at those dates corresponds to securitizations carried out in previous years and portfolio sales.

On the other hand, at 31 December 2023, Banco Santander has credits derecognized from the balance sheet and on which the administration maintains for an amount of EUR 3,845 million. (EUR 3,383 million at 31 December 2022). Within the total loans written off the balance sheet, at 31 December 2023, there are EUR 595 million (EUR 721 million in 2022) of securitized assets.

11. Trading derivatives

The detail of the notional and/or contractual amounts and the market values of the trading derivatives held by the Bank in 2023 and 2022 is as follows:

EUR million	2023		2022	
	Notional value	Market value	Notional value	Market value
Held for trading:				
Interest rate	6,245,262	6,860	4,962,408	3,442
Options	190,946	(460)	212,704	(488)
Other	6,054,316	7,320	4,749,704	3,930
Equity instruments	51,966	193	54,947	566
Options	33,011	(486)	37,770	(267)
Other	18,955	679	17,177	833
Currency and gold	936,532	(1,665)	737,276	(1,554)
Options	64,407	189	42,382	227
Other	872,125	(1,854)	694,894	(1,781)
Credit	22,737	(167)	13,669	(18)
Hedging default derivative and total through out	22,737	(167)	13,669	(18)
Securities and commodities derivatives and other	6,646	(84)	5,683	(106)
Total	7,263,143	5,137	5,773,983	2,330

12. Non-current assets held for sale

The detail of non-current assets held for sale in the balance sheets is as follows:

EUR million	2023	2022
Foreclosed assets	401	668
Other assets leased out under an operating lease	29	34
Investment property	—	—
Total	430	702

At 31 December 2023, reducing the balance of this heading, there were EUR 441 million corresponding to value adjustments due to impairment of those assets, which entails a coverage of 51% of them (EUR 575 million, with a coverage of 45%, in the 2022 financial year) of which EUR 59 million have been recorded during the 2023 financial year (EUR 68 million in the 2022 financial year) under the heading 'Gains or losses from non-current assets and groups disposal of items classified as held for sale not eligible as discontinued operations' (see note 46).

At 31 December 2023 there are no liabilities associated in disposable groups of items that have been classified as held for sale associated with other 'non-current assets and alienable groups of items that have been classified as held for sale'

13. Investments

a) Group entities

'Investments - Group entities' includes the equity instruments owned by Banco Santander and issued by subsidiaries belonging to Grupo Santander.

Relevant information on these companies is provided in Appendix I.

i. Breakdown

The detail, by currency and listing status, of 'Investments - Subsidiaries' on the balance sheets at 31 December 2023 and 2022 is as follows:

EUR million	2023	2022
Currency:		
Euro	52,497	48,952
Pound Sterling	13,613	13,737
Other currencies	31,034	28,247
	97,144	90,936
Listing status:		
Listed	4,576	6,552
Unlisted	92,568	84,384
	97,144	90,936

ii. Changes

The changes in 2023 and 2022 in 'Investments - Group entities', disregarding impairment losses, were as follows:

EUR million

	2023	2022
Balance at beginning of the year	102,876	96,724
Acquisitions, contributions, capital increase payments and mergers	8,245	4,107
Of which		
<i>Santander Insurance, S.L.</i>	3,139	—
<i>Deuda contingentemente convertibles (AT1)</i>	1,371	1,314
<i>Landcompany 2020, S.L. Unipersonal</i>	1,362	—
<i>Altamira Santander Real Estate, S.A.</i>	618	550
<i>Tresmares Santander Direct Lending, SICCC, S.A.</i>	349	274
<i>PagoNxt, S.L.</i>	331	627
<i>Banco Santander México, S.A. Institución de Banca Múltiple, Grupo Financiero Santander México</i>	312	—
<i>Santander Global Cards & Digital Solutions, S.L.</i>	203	—
<i>Santander UK Investments</i>	68	—
<i>Deva Capital Holding Company, S.L. Unipersonal</i>	62	13
<i>Open Digital Services, S.L.</i>	52	50
<i>Retailcompany 2021, S.L.U.</i>	49	—
<i>Santander Global Services, S.L.</i>	—	320
<i>Santander Fintech Holdings, S.L.</i>	—	250
<i>Blecno Investments, S.L. Unipersonal</i>	—	209
<i>Open Bank, S.A.</i>	—	91
<i>Munduspar Participações S.A.</i>	—	73
<i>Santander Global Technology and Operations, S.L. Unipersonal</i>	—	68
Disposals, capital reductions and mergers	(3,526)	(405)
Of which		
<i>Luri 6 S.A.U.</i>	(1,957)	—
<i>Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.</i>	(1,188)	—
<i>Santander Consumer Finance Inc.</i>	(244)	—
<i>Aviación Intercontinental, A.I.E.</i>	(63)	—
<i>Santander Fintech Limited (UK)</i>	—	(144)
<i>Deuda contingentemente convertibles (AT1)</i>	—	(119)
<i>Santander Tecnología y Operaciones España, S.L. Unipersonal</i>	—	(68)
Transfers	—	—
FX and other movements	1,972	2,450
Balance at end of the year	109,567	102,876

On March 17, 2023, Banco Santander, S.A., signed a sale agreement with Santander Consumer Finance, S.A. on its stake in Santander Consumer Finance Inc (Carfinco), amounting to 149 million euros. This has led to a reduction in the cost of the shareholding of EUR 244 million and an application of impairment of EUR 95 million (see note 13.a.iii).

In March 2023, as part of the process of reorganization of the holding and administration of the shareholdings of the insurance companies of Grupo Santander, a company called Santander Insurance, S.L. was incorporated, which will act as the head entity of the Grupo Asegurador. Additionally, on August 3, 2023, the Bank carried out a capital increase in this company with a charge to non-monetary contributions consisting of the participation of the company Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. for an amount of 1,536 million euros. The investment was derecognized in the amount of 1,188 million euros and a credit was made to reserves in the amount of 348 million euros. On December 12, 2023, a capital increase was carried out with the same characteristics consisting of the participation of the companies Zurich Santander Insurance América, S.L., CNP Santander Insurance Life Designated Activity Company, CNP Santander Insurance Europe Designated Activity Company and CNP Santander Insurance Services Ireland Limited, in the amount of 1,322 million euros. The derecognition of the investments amounted to EUR 1,057 million and resulted in a credit to reserves of EUR 265 million (see note 13.c.ii). The Bank has also made a monetary contribution to this company in the amount of 281 million euros.

On June 26, 2023, Luri 6, S.A.U. made a partial cash distribution of the share premium amounting to 1,000 million euros. This resulted in a reduction in the cost of the shareholding of 1,339 million euros and an application of impairment of 339 million euros (see note 13.a.iii). Additionally, on September 19, 2023, the merger by absorption of Luri 6, S.A.U. (absorbed company) by Altamira Santander Real Estate, S.A. was made public, with the dissolution without liquidation of the absorbed company and the en bloc transmission of its assets and liabilities to the absorbing company.

On July 2023, Banco Santander and other Group companies subscribed a capital increase in Retailcompany 2021, S.L.U. through non-monetary contributions of real estate for a value equivalent to EUR 49 million, contributing EUR 33 million Blecno Investment, S.L.U., EUR 6 million Banco Santander, S.A., EUR 5 million Cántabro Catalana de Inversiones, S.A., EUR 3 million Ductor Real Estate, S.L.U. and EUR 2 million Lerma Investment 2018, S.L.U. Subsequent to this increase, the Bank has executed a sale and purchase agreement with the other companies owned by Retailcompany 2021, S.L.U. for the purchase of the shares, for a price of 43 million euros.

On 19 September 2023, Banco Santander acquired Altamira Santander Real Estate, S.A. stake in Landcompany 2020, S.L. Unipersonal for EUR 1,362 million, reaching 100% of the company.

During 2023, within the framework of the tender offer of Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México, for up to all the Series B shares representing the share capital, Banco Santander acquired 3.74% of the shares of this company, both in Mexico and in the United States. This entailed a disbursement of EUR 312 million, including transaction costs.

Banco Santander also subscribed capital increases and made contributions from shareholders in 2023, the most relevant of which were as follows: EUR 349 million in Tresmares Santander Direct Lending, SICC, S.A., EUR 331 million in PagoNxt, S.L., EUR 203 million in Santander Global Cards & Digital Solutions, S.L., EUR 68 million in Santander UK Investments (equivalent to £60 million), EUR 62 million in Deva Capital Holding Company, S.L. Unipersonal and EUR 52 million in Open Digital Services, S.L.

At 7 March 2022, the Bank acquired 80% of Brazil's Munduspar Participações S.A. owner of the 100% of Waycarbon Soluções Ambientais e Projetos de Carbono S.A., for EUR 73 million.

In July 2022, the Bank acquired Blecno Investments, S.L. Unipersonal, the owner of a portfolio of assets comprising 381 bank branches leased to Banco Santander since 2007 (purchased from Uro Property Holdings, SOCIMI, S.A. (Actually Uro Property Holdings, S.A.) in 2015). The amount of this purchase was EUR 209 million.

At 1 December 2022, the merger by absorption of Santander Tecnología y Operaciones España, S.L. Unipersonal (absorbed company) into Santander Global Technology and Operations, S.L. Unipersonal (absorbing company) was made public, with dissolution without liquidation of the absorbed company and transfer en bloc of its assets and liabilities to the absorbing company.

At 20 December 2022, Santander Fintech Limited, approved a dividend for practically all of its net assets, having recorded part of the same as a return of the capital contributed, in the amount of EUR 144 million. On that date, Banco Santander, S.A. and Santander Fintech Limited signed a contract for the transfer of assets and liabilities to the Bank as payment of the dividend and for the subsequent liquidation of the company. Subsequently, at 23 December 2022, the non-monetary contribution of the credit rights acquired from Santander Fintech Limited to Santander Fintech Holdings, S.L. in the amount of EUR 229 million took place.

In addition, in July 2022, Banco Santander made a cash contribution of EUR 21 million to Santander Fintech Holdings, S.L."

Also, throughout 2022 Banco Santander subscribed capital increases and made contributions from shareholders, the most relevant being: EUR 627 million to PagoNxt, S.L., EUR 550 million to Altamira Santander Real Estate, S.A., EUR 320 million to Santander Global Services, S.L., EUR 274 million to Tresmares Santander Direct Lending, SICCC, S.A., EUR 91 million to Open Bank, S.A., EUR 13 million to Deva Capital Holding Company, S.L. Unipersonal, and EUR 50 million to Open Digital Services, S.L.

iii. Impairment losses

The changes in the balance of this item were as follows:

EUR million	2023	2022
Balance at beginning of the year	11,940	11,452
Net impairment losses (reversals) (note 44)	954	503
Other changes	(471)	(15)
Balance at end of the year	12,423	11,940

The Management carries out an analysis of the potential loss of value of the investments in subsidiaries, joint ventures and associates that it has registered with respect to their book value. Said analysis is carried out using different parameters, such as equity value, listed value and recoverable value, which is obtained from estimates of expected cash flows or net worth corrected by tacit capital gains existing on the date of the valuation.

In accordance with the previous, Banco Santander has carried out in December 2023 the evaluation of its investees. The impairment charges made by the Bank during the year 2023 include EUR 423 million of PagoNxt, S.L. and EUR 238 million of Altamira Santander Real Estate, S.A.

Following the same criteria, Banco Santander carried out in December 2022 the evaluation of its investees. The impairment charges made by the Bank in 2022 included EUR 550 million relating to the impairment of the investment held in Altamira Santander Real Estate, S.A., as a result of the contribution of shareholders in the amount of EUR 550 million made to restore its equity balance. In addition, during the year impairment releases were made which included 119 million euros from PagoNxt, S.L.

b) Joint venture entities

The cost of the investees recorded under this Caption at December 31, 2023 amounted to EUR 597 million, while the impairment recorded at that date was EUR 263 million (EUR 525 million and EUR 201 million, respectively, in 2022).

On June 9, 2023, Banco Santander signed an agreement to acquire from Pacific Partnership 49% of the share capital of Glenrowan Solar Holding Pty Ltd, owner of the Glenrowan Solar Farm in Australia. During the year, contributions of EUR 28 million were made.

In December 2023, UCI, S.A. has approved a capital increase, corresponding to Banco Santander in the amount of EUR 44 million.

In March 2022 and December 2022, UCI, S.A. approved capital increases, contributing to Banco Santander in the amounts of EUR 50 million and EUR 24 million, respectively.

During 2023, Banco Santander has provided impairment for a net amount of EUR 62 million (EUR 7 million in 2022) for the entities recorded under this caption, mainly for UCI, S.A.

c) Associated entities

'Investments - Associates' in the accompanying balance sheets includes Banco Santander's ownership interests in associates (see note 2.b).

Appendix II contains a detail of these companies, indicating the percentages of direct or indirect ownership and other relevant information.

At 31 December 2023, there were no capital increases in progress at any associated company.

i. Breakdown

The detail of the balance of this heading of the attached balances, based on the contracting currency and the admission or non-listing of the securities, is as follows:

EUR million	2023	2022
Currency:		
Euro	1,848	2,954
Foreign Currency	—	—
	1,848	2,954
Listing status:		
Listed	1,793	1,844
Unlisted	55	1,110
	1,848	2,954

ii. Changes

The changes in 2023 and 2022 in 'Investments - Associates', disregarding impairment losses, were as follows, (see note 13.c.iii):

EUR million		
	2023	2022
Balance at the beginning of the year	3,221	3,312
Purchases, capital increases and mergers	3	1
Of which		
Merlín Properties, SOCIMI, S.A.	3	—
Disposals, reductions and mergers:	(1,101)	(112)
Of which		
Zurich Santander Insurance América, S.L.	(757)	—
CNP Santander Insurance Life Designated Activity Company	(193)	—
CNP Santander Insurance Europe Designated Activity Company	(105)	—
Metrovacesa, S.A.	(44)	(107)
CNP Santander Insurance Services Ireland Limited	(2)	—
Merlín Properties, SOCIMI, S.A.	—	(4)
Transfers	—	1
Other changes (net)	11	19
Balance at end of the year	2,134	3,221

In April and December 2023, Metrovacesa, S.A. made dividend distributions with a charge to the unrestricted reserve (share premium), and Banco Santander received two payments of EUR 16 million each. These operations have led to a reduction in the cost of the shareholding of EUR 44 million and an impairment loss of EUR 12 million (see note 13.c.iii).

In May and December 2022, Metrovacesa, S.A. made dividend distributions charged to the unrestricted reserve (issue premium), and Banco Santander received two payments of EUR 29 million and EUR 51 million, respectively. These transactions resulted in a reduction in the cost of the participations of EUR 107 million and an impairment loss of EUR 27 million (see note 13.c.iii).

iii. Impairment losses

The changes in the balance of this item were as follows:

EUR million		
	2023	2022
Balance at the beginning of the year	267	292
Net impairment losses (reversals) (note 44)	31	2
Other changes	(12)	(27)
Balance at end of the year	286	267

14. Insurance contracts linked to pensions

The detail of Insurance contracts linked to pensions in the balance sheets are as follows:

EUR million		
	2023	2022
Assets relating to insurance contracts covering post-employment benefit plan obligations (notes 17 and 23)	288	313
Total	288	313

15. Tangible assets

a) Changes

The changes in 2023 and 2022 in 'Tangible assets' in the balance sheet were as follows:

EUR million

	Tangible assets				Of which: For leasing			
	For own use	Leased out under an operating lease	Investment property	Total	For own use	Leased out under an operating lease	Investment property	Total
Cost								
Opening balance at 1 January 2022	7,799	1,123	380	9,302	2,895	—	—	2,895
Additions/disposals (net)	89	36	—	125	(12)	—	—	(12)
Transfers and other	243	—	(10)	233	253	—	—	253
Balance at 31 December 2022	8,131	1,159	370	9,660	3,136	—	—	3,136
Additions/disposals (net)	37	49	—	86	(73)	—	—	(73)
Transfers and others	(1,071)	—	(27)	(1,098)	133	—	—	133
Balance at 31 December 2023	7,097	1,208	343	8,648	3,196	—	—	3,196
Accumulated depreciation								
Opening balance at 1 January 2022	(2,269)	(271)	(22)	(2,562)	(561)	—	—	(561)
Charge for the year	(383)	(124)	(4)	(511)	(227)	—	—	(227)
Disposals	28	114	—	142	27	—	—	27
Transfers and others	3	—	(10)	(7)	—	—	—	—
Balance at 31 December 2022	(2,621)	(281)	(36)	(2,938)	(761)	—	—	(761)
Charge for the year	(385)	(130)	(3)	(518)	(228)	—	—	(228)
Disposals	39	109	—	148	39	—	—	39
Transfers and others	1,189	—	1	1,190	—	—	—	—
Balance at 31 December 2023	(1,778)	(302)	(38)	(2,118)	(950)	—	—	(950)
Impairment losses								
Opening balance at 1 January 2022	(138)	—	(87)	(225)	—	—	—	—
Charge for the year	—	—	—	—	—	—	—	—
Disposals	—	—	—	—	—	—	—	—
Transfers and others	20	—	(5)	15	—	—	—	—
Balance at 31 December 2022	(118)	—	(92)	(210)	—	—	—	—
Charge for the year	(1)	—	—	(1)	—	—	—	—
Disposals	24	—	—	24	—	—	—	—
Transfers and others	29	—	(4)	25	—	—	—	—
Balance at 31 December 2023	(66)	—	(96)	(162)	—	—	—	—
Tangible assets, net								
Balance at 31 December 2022	5,392	878	242	6,512	2,375	—	—	2,375
Balance at 31 December 2023	5,253	906	209	6,368	2,246	—	—	2,246

b) Property, plant and equipment - for own use

The detail, by class of asset, of 'Property, plant and equipment - For own use' on the balance sheets in 2023 and 2022 is as follows:

EUR million

	Cost	Accumulated depreciation	Impairment losses	Carrying amount	Of which, right-of-use for operating lease
Land and buildings	5,632	(990)	(118)	4,524	2,375
Furniture, fixtures and vehicles	2,092	(1,343)	—	749	—
Computer hardware	348	(287)	—	61	—
Other	59	(1)	—	58	—
Balance at 31 December 2022	8,131	(2,621)	(118)	5,392	2,375
Land and buildings	5,684	(1,230)	(66)	4,388	2,246
Furniture, fixtures and vehicles	986	(245)	—	741	—
Computer hardware	370	(303)	—	67	—
Other	57	—	—	57	—
Balance at 31 December 2023	7,097	(1,778)	(66)	5,253	2,246

The carrying amount at 31 December 2023 in the table above includes the following approximate amounts:

- EUR 4 million (EUR 4 million at 31 december 2022) relating to property, plant and equipment owned by Banco Santander's branches located abroad.
- EUR 309 million (EUR 422 million at 31 December 2022) relating to property, plant and equipment held under finance leases by Banco Santander, of which EUR 245 million related to leases in effect as of 31 December 2023 (EUR 287 million at 31 December 2022).

c) Tangible assets - Leased out under an operating lease

Banco Santander has assets assigned under operating lease where the company is the lessor and they do not meet the accounting requirements to be classified as financial leases. The net cost of these leases is recorded as an asset and is depreciated on a straight-line basis over the contractual term of the lease up to the expected residual value.

The expected residual value and, consequently, the monthly depreciation expense may change during the term of the lease. The Bank estimates expected residual values using independent data sources and internal statistical models. Likewise, it evaluates the estimate of the residual value of said leases and adjusts the depreciation rate based on the change in the expected value of the asset at the end of the lease.

Banco Santander periodically evaluates its investment in operating leases and whenever there are indications of impairment, such as a systemic and material decrease in the values of the assigned assets. If assets leased under operating leases are considered to be impaired, impairment is measured as the amount by which the assets' carrying amount exceeds fair value as estimated by discounted cash flows. During the years 2023 and 2022, the Bank has not recorded any material impairment for this concept.

During the years 2023 and 2022, no significant variable payments have been made not included in the valuation of lease assets.

d) Tangible assets - Investment property

The fair value of the investment property at 31 December 2023 and 2022 amounts to EUR 303 million and EUR 327 million, respectively. A comparison of the fair value of investment property at 31 December 2023 and 2022 with the net book value results in gross unrealised gains of EUR 94 million and EUR 85 million for each of these years, respectively, attributed to the Bank in full.

Rental income from investment properties and direct expenses related to both investment properties that generated income during 2023 and 2022 and those investment properties that did not generate income during 2023 and 2022 are not material in the context of the entity's annual accounts.

16. Intangible assets

a) Goodwill

The detail of the 'Goodwill', on the balance sheets is as follows:

EUR million	2023	2022
Santander España	623	623
Amortization charge	(352)	(289)
Balance at end of year	271	334

The movement during the years 2023 and 2022 has been as follows:

EUR million	2023	2022
Balance at beginning of the year	334	396
Additions (note 3)	—	—
Amortization charge	(63)	(62)
Impairment losses	—	—
Disposals or changes in scope	—	—
Balance at end of year	271	334

Neither in 2023, nor in 2022 has goodwill been generated.

All of the goodwill recorded at the end of the 2023 and 2022 financial years comes from the following corporate operations that were carried out in the 2018 financial year:

- Merger by absorption of Banco Popular Español, S.A.U. On June 7, 2017, Banco Santander acquired 100% of the share capital of Banco Popular Español, S.A.U. Subsequently, on September 28, 2018, the deed of merger by absorption of Banco Popular Español, S.A.U. was registered in the Mercantile Registry of Cantabria by Banco Santander, S.A. with accounting effects January 1, 2018, transferring to the books of Banco Santander a gross goodwill of EUR 248 million.
- Repurchase of the credit and debit card business marketed by Grupo Banco Popular in Spain and Portugal generating the business combination a goodwill of EUR 375 million.

In accordance with Bank of Spain Circular 4/2017, the goodwill is amortized within a period of ten years. In addition, the Bank periodically reviews the term and method of amortization and, if deemed inappropriate, the impact will be treated as a change in accounting estimates.

As of 31 December 2023 and 2022 the amount of goodwill recorded by Banco Santander, net of accumulated depreciation, amounted to EUR 271 million and EUR 334 million, respectively.

Banco Santander, at least annually and whenever there are signs of impairment, conducts an analysis of the potential loss of value of the trade funds it has recorded in respect of their recoverable value.

The first step in carrying out this analysis requires the identification of the cash-generating units, which are the smallest identifiable groups of assets in Banco Santander that generate cash inflows and are largely independent of the cash flows of other assets or asset groups.

For the purposes of those mentioned in the preceding paragraph, the Bank's administrators have identified the commercial banking business in Spain as the cash-generating unit to which to allocate goodwill arising both by the acquisition and subsequent merger by absorption of Banco Popular Español, S.A.U. and by the repurchase of the credit and debit cards from Grupo Banco Popular.

Its carrying value is determined taking into account the book value of all the assets and liabilities that make up the commercial banking business in Spain, together with the corresponding goodwill. Said book value is compared with its recoverable amount in order to determine if there is impairment.

The recoverable amount of Santander España cash-generating unit has been determined as the fair value of such cash-generating unit obtained using quotes, market references (multiples) or internal estimates. At the end of the fiscal year said value exceeded the book value.

Based on previous data, and in accordance with the estimates of the Bank's administrators, during the years 2023 and 2022 the Bank has not recorded any amount under the heading 'Impairment in value or reversal of impairment in value of non-financial assets - intangible assets' in concept of impairment of goodwill.

b) Other intangible assets

i. Breakdown

The detail of Intangible assets 'Other intangible assets' on the balance sheets is as follows:

EUR million	2023	2022
With finite useful life		
IT Developments	1,436	1,243
Accumulated amortization	(865)	(718)
Balance at end of year	571	525

ii. Changes

The changes in Intangible assets 'Other intangible assets' on the balance sheets were as follows:

EUR million		
	2023	2022
Balance at 31 of december of prior year	525	500
Net additions and disposals	195	137
Amortization charge	(147)	(112)
Impairments losses	(2)	—
Balance at end of year	571	525

17. Other assets and Other liabilities

The detail of 'Other assets and Other liabilities' on the accompanying balance sheets is as follows:

EUR million	Assets		Liabilities	
	2023	2022	2023	2022
	Transactions in transit	—	—	11
Insurance contracts linked to pensions (note 14)	288	313	—	—
Inventory	—	—	—	—
Prepayments and accrued income	463	479	2,731	2,560
Other ^A	1,538	1,888	1,586	1,184
Total	2,289	2,680	4,328	3,749

A. Includes, mainly, unsettled transactions.

18. Deposits from central banks and credit institutions

The detail by classification, type and currency of 'Deposits from central banks' and 'Deposits from credit institutions' on the accompanying balance sheets is as follows:

EUR million	2023	2022
CENTRAL BANKS		
Classification		
Financial liabilities held for trading	5,453	4,265
Financial liabilities designated at fair value through profit or loss	1,209	1,740
Financial liabilities at amortized cost	11,682	15,728
	18,344	21,733
Type		
Current accounts / Intraday deposits	116	—
Time deposits	10,731	15,471
Deposits available with prior notice	—	—
Repurchase agreements	7,497	6,262
	18,344	21,733
Currency		
Euro	11,424	15,571
US dollar	4,270	3,274
Pound Sterling	2,350	2,596
Other currencies	300	292
	18,344	21,733
CREDIT INSTITUTIONS		
Classification		
Financial liabilities held for trading	17,548	8,949
Financial liabilities designated at fair value through profit or loss	1,872	2,160
Financial liabilities at amortized cost	35,503	41,609
	54,923	52,718
Nature		
Current accounts / Intraday deposits	5,103	12,930
Time deposits	17,990	22,242
Deposits available with prior notice	—	—
Repurchase agreements	31,830	17,546
	54,923	52,718
Currency		
Euro	31,524	35,711
US dollar	17,586	12,406
Pound Sterling	5,135	3,807
Other currencies	678	794
	54,923	52,718
Total	73,267	74,451

Banco Santander, following the various long-term financing programmes of the European Central Bank (TLTRO, *targeted longer-term refinancing operation*), maintain deposits at amortized cost from the TLTRO III programme amounting to EUR 5,562 million as of 31 December 2023 (EUR 11,278 million at 31 December 2022 from TLTRO III). At December 2023, the expense recognized in the profit and loss account, corresponding to TLTRO III, is EUR 195 million (EUR 348 millions of income as of 31 December 2022).

The deposits classified in the 'Liabilities held for trading' portfolio correspond to temporary transfers of assets of Spanish and foreign institutions.

Note 49 contains a detail of the residual maturity periods of financial liabilities at amortized cost.

19. Customer deposits

The detail by classification, type, sector and geographical area, of 'Customer deposits' is as follows:

EUR million	2023	2022
Classification		
Financial liabilities held for trading	13,835	6,580
Financial liabilities designated at fair value through profit or loss	34,135	34,579
Financial liabilities at amortized cost	337,089	345,875
	385,059	387,034
Type		
Current accounts / Intraday deposits	250,109	279,219
Time deposits ^A	106,829	88,979
Deposits available with prior notice	—	—
Repurchase agreements	28,121	18,836
<i>Of which, subordinated deposits</i>	—	—
<i>Of which, issued securities</i>	2,402	1,995
	385,059	387,034
Sector		
Public sector	31,752	28,845
Other financial companies	94,544	77,363
Non-financial companies	107,982	125,577
Households	150,781	155,249
	385,059	387,034
Geographical area		
Spain	259,233	266,672
European Union (excluding Spain)	69,306	73,007
United States and Puerto Rico	32,479	26,504
Other OECD countries	6,501	10,622
Latin America (non-OECD)	8,573	5,856
Rest of the world	8,967	4,373
	385,059	387,034

A. Of the total time deposits, EUR 26,802 million correspond to branches of the entity abroad (EUR 25,883 million in 2022).

The item issued securities in the table above include the liabilities associated with securitisation transactions (see note 10.e).

Note 49 contains a detail of the residual maturity periods of financial liabilities at amortized cost.

20. Marketable debt securities

a) Breakdown

The detail by classification and type, of 'Marketable debt securities' in the accompanying balance sheets is as follows:

EUR million	2023	2022
Classification:		
Financial liabilities at amortized cost	139,870	125,969
Financial liabilities designated at fair value through profit or loss	208	89
	140,078	126,058
Type:		
Certificates of deposit	10,820	11,611
Guaranteed bonds	52,131	48,161
Mortgage-backed bonds	41,881	39,520
Others mortgage-backed bonds and guaranteed bonds	10,250	8,641
Other issued securities (note 21)	105,185	93,192
<i>Of which, subordinated liabilities</i>	24,218	19,640
Treasury shares ^A	(28,681)	(26,149)
Valuation adjustments	623	(757)
	140,078	126,058

A. At 31 December 2023 y 2022, the registered balance corresponds mainly to guaranteed bonds.

Note 49 contains a detail of the residual maturity periods of financial liabilities at amortized cost.

b) Certificates of deposit

The detail of certificates of deposits by currency of issuance is as follows:

Currency of issuance	EUR million		2023	
	2023	2022	Outstanding issue amount in foreign currency (million)	Annual interest rate ^A
US dollar	7,316	8,303	8,086	5.50 %
Pound Sterling	3,246	3,260	2,816	5.58 %
Hong Kong dollar	258	48	2,224	5.02 %
Balance at end of the year	10,820	11,611		

A. Average interest rates for different issue based on their nominal values.

i. Changes

The changes in certificate of deposit on the balance sheet for the years 2023 and 2022 are as follows:

EUR million	2023	2022
Balance at end of the prior year	11,611	4,444
Issues	26,549	31,582
Redemptions	(27,147)	(24,476)
Exchange differences and other changes	(193)	61
Balance at end of the year	10,820	11,611

At 31 December 2023, the Bank issued certificates of deposit amounting to EUR 26,549 million (EUR 31,582 million as at 31 December 2022), with an average maturity of 5 months (3 months during the 2022 financial year), of which EUR 27,147 million have been amortized (EUR 24,476 million at December 2022).

c) Marketable Mortgage- backed securities

The detail by currency of issuance, of 'Marketable mortgage-backed securities' is as follows:

Currency of issuance	EUR million		2023
	2023	2022	Annual interest rate ^A
Euros	41,881	39,520	1.69 %
Balance at end of the year	41,881	39,520	

A. Average interest rate of the various issues based on their nominal values.

The issuing entity may repay the mortgage bonds early, if this has been expressly established in the final conditions of the issue in question and in the conditions established there.

None of the mortgage bonds issued by Banco Santander have replacement assets involved.

During 2023, the Bank of Spain has published Circular 1/2023 of 4 February, which modifies Circular 4/2017, repealing the breakdown in the annual accounts and the information related to internal accounting development and management control.

d) Other mortgage bonds and guaranteed bonds

The balance of 'Other mortgage bonds and guaranteed bonds' relates to the rest of covered bonds and certificates. The breakdown, by issue currency and interest rate, is as follows:

Currency of issuance	EUR million		2023
	2023	2022	Annual interest rate ^A
Euro	4,550	4,145	3.59 %
US dollar	5,700	4,496	6.23 %
Balance at end of the year	10,250	8,641	

A. Average interest rate of the various securities at 31 December 2023 based on their nominal amounts.

e) Guarantee

The mortgage-backed bonds ('*cédulas hipotecarias*') are secured by mortgage loans with average maturities of more than ten years. In order to calculate the amount of the qualifying assets in accordance with Royal Decree-Law 24/2021 transposing the European Union directive on covered bonds, the following transactions are excluded from the total base of the unsecured mortgage portfolio:

- Transactions classified as at pre-action stage and procedural stage.
- Transactions without appraisal by a specialist valuer.
- Transactions exceeding 80% of the appraised value in residential financing and 60% in the case of other assets.
- Second mortgages or mortgages with insufficient collateral.
- Transactions without insurance or with insufficient insurance.

The asset-backed securities, including asset-backed securities and notes issued by special-purpose vehicles (SPVs), are secured by:

- Mortgage loans to individuals to finance the acquisition and refurbishment of homes with an average maturity of more than ten years.
- Personal consumer finance loans with no specific guarantee and unsecured loans with an average maturity of five years.

- Loans to SMEs (non-financial small and medium-sized enterprises) secured by State guarantees, and loans to companies (SMEs -self-employed, microbusinesses, small and medium-sized enterprises- and large companies) secured by property mortgages, the borrower's personal guarantee, guarantees and other collateral other than property mortgages, with an average maturity of 7 years.
- Mortgage and non-mortgage loans to finance municipalities, autonomous communities and subsidiaries with an average maturity of more than 10 years.
- Commercial credit of Banco Santander (ordinary and occasional invoice discounting and advances to customers on legitimate receivables) with an average maturity of 45 days.

Additionally, Banco Santander, issues internationalization certificates, which are securities whose capital and interest are guaranteed by loans and credits that are linked to the financing of export contracts or the internationalization of companies. These internationalization bonds have been repurchased in their entirety by Banco Santander.

The fair value of the guarantees received by Banco Santander (financial and non-financial assets) which the Group is authorised to sell or pledge even if the owner of the guarantee has not defaulted is scanty material taking into account the Bank's financial statements as a whole.

21. Other issuances

a) Breakdown

The following is a breakdown of the balance under this heading on the attached balance sheets, taking into account their nature and currency of the transactions:

EUR million ^A		
	2023	2022
Type		
Other issuances	105,185	93,192
<i>Of which, subordinated liabilities</i>	24,218	19,640
	105,185	93,192
Currency		
Euro	53,955	43,470
US dollar	41,852	39,972
Pound Sterling	4,830	4,731
Other currencies ^B	4,548	5,019
	105,185	93,192

A. This amount includes the principal, in other currencies.

B. At 31 December 2023, the most significant currencies are yen (EUR 634 million), Swiss Francs (EUR 1,627 million) and Australian Dollar (EUR 1,255 million). At 31 December 2022, the most significant currencies were yen (EUR 1,187 million), Swiss Francs (EUR 1,712 million) and Australian Dollar (EUR 1,340 million).

b) Changes

The changes in 'Other issuances' in the foregoing table for the years 2023 and 2022 are as follows:

EUR million		
	2023	2022
Balance at the end of prior year	93,192	76,890
Issues	51,771	44,065
Redemptions	(38,505)	(28,840)
Exchange differences	(1,273)	1,077
Balance at end of the year	105,185	93,192

Within the sub-heading 'Other issuances' there are commercial paper issues as well as other issuances made by Banco Santander.

- Commercial paper

On March 14, 2023, Banco Santander approved the annual renewal of the "European Commercial Paper Issuance Program" for an overall maximum nominal amount up to EUR 20,000 million. On November 16, 2023, the "American Commercial Paper Issuance Program" was renewed for an aggregate nominal amount of up to USD 25,000 million.

At 31 December 2023 the average nominal interest rate for European Commercial Paper is 3.96% per annum and for American Commercial Paper 5.59% per annum. At

year-end 2022 the average interest rate was 1.77% per annum.

As regards renewals in 2022, on April 15, 2022, Banco Santander approved the annual renewal of the "European Commercial Paper Issuance Programme" for a maximum aggregate nominal amount of up to USD 25,000 million.

- Remaining emissions

During fiscal year 2023, Banco Santander, S.A. has reported 31 issues of "Other non-convertible securities" for a nominal amount of EUR 16,945 million (no perpetual issues were made in 2023, see note 21.c), of which the Bank has repurchased a balance of EUR 1,290 million. The average remuneration of these issues has been set at 5.02% per year.

During the 2022 fiscal year, Banco Santander, S.A. has reported 41 issues for a nominal amount of EUR 16,406 million (no perpetual issues were made in 2022, see note 21.c), of which the Bank has repurchased a balance of EUR 74 million. The average remuneration of these issues has been set at 3.45% per year.

c) Other disclosures

This caption includes contingent convertible or redeemable preferred participations, as well as other subordinated financial instruments issued, which do not qualify as equity (preferred shares).

Preferred shares do not have voting rights and are non-cumulative. They have been subscribed by third parties outside the Group and are redeemable by decision of the issuer, according to the terms of each issue.

Banco Santander's contingently convertible preferred participations are subordinated debentures and rank after common creditors and any other subordinated credit that by law and/or by their terms, to the extent permitted by Spanish law, ranks higher than the contingently convertible preferred participations. Their remuneration is conditioned to the obtainment of sufficient distributable profits, and to the limitations imposed by the regulations on shareholders' equity, and they have no voting rights. The other issues of Banco Santander, S.A. mentioned in this caption are also subordinated debentures and, for credit ranking purposes, they rank behind all the common creditors of the issuing entities and ahead of any other subordinated credit that ranks *pari passu* with the Bank's contingently convertible preferred participations.

The main issues of subordinated debt securities issued, broken down by company, are detailed below:

Issues by Banco Santander, S.A.

At 29 December 2023, Banco Santander, S.A., proceeded to prepay all the Tier 1 Contingently Convertible Preferred Securities with ISIN code XS1692931121 for a total nominal amount of EUR 1,000 million and which

were traded on the Irish Stock Market 'Global Exchange Market' (the 'PPCC').

At 21 November 2023, Banco Santander, S.A., carried out a placement of two series of contingently convertible preferred shares into newly issued ordinary shares of the Bank, for a total nominal amount of USD 1,150 million (EUR 1054.000 million at the exchange rate on the day of issue) and USD 1,350 million (EUR 1235.000 million at the exchange rate on the day of issue), respectively.

The issue was carried out at par and the remuneration of the PPCC, whose payment is subject to certain conditions and is also discretionary, was set (i) for the first Series at 9.625% annually for the first five years and six months, being reviewed every five years thereafter by applying a margin of 530.6 basis points on the five-year UST rate (5-year UST), and (ii) for the second Series at 9.625% annually for the first ten years, being reviewed thereafter every five years, applying a margin of 529.8 basis points on the five-year UST rate.

At 8 August 2023, Banco Santander, S.A. carried out an issue of subordinated obligations for an amount of 2,000 million dollars (1,821 million euros at the exchange rate on the day of issuance). The issue was carried out at par coupon was set at 6.921% per year, payable semiannually during the 10-year life of the operation.

At 23 May 2023, Banco Santander, S.A. issued subordinated bonds for an amount of 1,500 million euros for a term of 10 years and 3 months. The issue was carried at 99.739% and the coupon of the issue was set at 5.75% annually for the first 5 years and 3 months, with the option of amortization in August 2028, revising the coupon, in case of non-amortization, at a margin of 285 points plus the Euro Swap type 5 years.

At 6 July 2022 and 20 July 2022, two subordinated issues matured for a nominal amount of EUR 114 million and EUR 25 million, respectively.

At 25 April 2022, Banco Santander, S.A. proceeded to prepay all the Tier 1 Contingently Convertible Preferred Securities with ISIN code XS1602466424 and common code 160246642 in circulation, for a total nominal amount of EUR 750 million and which were traded on the Irish Stock Market 'Global Exchange Market' (the 'PPCC').

At 22 November 2021, Banco Santander, S.A. issued subordinated debentures for a term of eleven years, with a redemption option on the tenth anniversary of the issue date, in the amount of USD 1,000 million (EUR 1,007 million at the exchange rate on the day of issue). The issue bears interest at an annual rate of 3.225%, payable semi-annually, for the first ten years. This issue has an early redemption option in the tenth year from the issue date and if the redemption is not executed in the tenth year, the coupon is repriced at a margin of 160 points over the one-year US government bond.

At 4 October 2021, Banco Santander, S.A. issued subordinated debentures for a term of eleven years, with a redemption option on the sixth anniversary of the issue date, amounting to GBP 850 million (EUR 887 million at the exchange rate on the day of issue). The issue bears interest at an annual rate of 2.25%, payable annually for the first six years (then repricing at a margin of 165 points over the 5-year UK government bond).

At 21 September 2021, Banco Santander, S.A. carried out a placement of preferential shares contingently convertible into newly issued ordinary shares of the Bank ('PPCC') for a nominal amount of EUR 1,000 million (issue placed on the market EUR 997 million). The issuance was carried out at par and the remuneration of the PPCC, whose payment is subject to certain conditions and is also discretionary, was set at 3.625% per year for the first eight years, being reviewed every five years applying a margin of 376 basis points over the 5-year Mid-Swap Rate.

At 11 September 2021, Banco Santander, S.A. proceeded to redeem early and voluntarily the entire issue made on 11 September 2014 of tier 1 contingently convertible preference shares (PPCC) with ISIN code XS1107291541 which are traded in the Irish Stock Exchange Market 'Global Exchange Market', for a total nominal amount of EUR 1,500 million.

At 12 May 2021, Banco Santander, S.A. placed the issue of preference shares contingently convertible into newly issued ordinary shares of the Bank, previously announced, for a total nominal amount of EUR 1,578 million, issued in a Series in Dollars of USD 1,000 million (EUR 828 million at the exchange rate on the day of issue) and a Series in Euros for an amount of EUR 750 million. The issuance was carried out at par and the remuneration of the PPCC, whose payment is subject to certain conditions and is also discretionary, was set (i) for the Series in Dollars at 4.750% per annum for the first six years, being revised every five years applying a margin of 375.3 basis points over the 5-year UST rate and (ii) for the Series in Euros by 4.125% per annum for the first seven years, being revised every five years applying a margin of 431.1 basis points over the applicable 5-year euro mid-swap.

At 3 December 2020, Banco Santander, S.A. issued subordinated debentures with a ten-year term of USD 1,500 million (EUR 1,222 million at the date of issue). The issue bears interest at an annual rate of 2.749%, payable semiannually.

At 22 October 2020, it carried out a ten-year subordinated debenture issue for an amount of EUR 1,000 million. The issue bears interest at an annual rate of 1.625%, payable annually.

At 14 January 2020, it carried out a placement of contingently convertible preferred participations into newly issued ordinary shares of the Bank (the 'PPCCs'), excluding the pre-emptive subscription rights of its shareholders and for a nominal amount of EUR 1,500 million (the 'Issue' and the 'PPCCs'). The Issue was made at par and the remuneration of the PPCCs, the payment of which is subject to certain conditions and is also discretionary, was set at 4.375% per annum for the first six years, revised every five years thereafter by applying a margin of 453.4 basis points over the 5-year Mid-Swap Rate (5-year Mid-Swap Rate).

At 8 February 2019, Banco Santander, S.A. carried out an issue of PPCC for a nominal amount of USD 1,200 million (EUR 1,056 million). The remuneration of the issues whose payment is subject to certain conditions and is also discretionary was set at 7.50% per annum, for the first five years (revised thereafter by applying a margin of 498.9 points over the SOFR Spread Adjusted ICE Swap 5-year).

At 19 March 2018, a 'PPCC' issue was carried out, for a nominal amount of EUR 1,500 million. The remuneration of the issue, the payment of which is subject to certain conditions and is also discretionary, was set at 4.75% per annum, payable quarterly, for the first seven years (revised thereafter by applying a margin of 410 basis points over the Mid-swap rate).

At 8 February 2018, a ten-year subordinated debenture issue of EUR 1,250 million was carried out. The issue accrues annual interest of 2.125% payable annually.

22. Other financial liabilities

a) Breakdown

The following is a detail of 'Other financial liabilities' on the accompanying balance sheets:

EUR million	2023	2022
Trade payables	889	839
Payment obligations	2,728	2,797
Public agency revenue collection accounts	4,038	4,996
Unsettled financial transactions	1,336	1,104
Other accounts	3,076	2,762
Total	12,067	12,498

b) Average payment period to suppliers

Set forth below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2023	2022
	Days	
Average period of payment to suppliers	12	10
Ratio of transactions paid	12	10
Ratio of transactions pending payments	49	19
	EUR million	
Total payments made	3,380	2,652
Total payments outstanding	1	17

Additionally, the data for Grupo Santander in Spain, in the financial year 2023, are as follows:

	2023
	Days
Average period of payment to suppliers	16
Ratio of transactions paid	15
Ratio of transactions pending payments	177
	EUR million
Total payments made	8,121
Total payments outstanding	35

In accordance with the ICAC Resolution, the average period of payment to suppliers was calculated by taking into account commercial transactions relating to the supply of goods or services for which payment has accrued since the date of issuance of Law 31/2014, of December, 3.

Additionally, in accordance with Law 18/2022 of September 28, listed commercial companies must report the average payment period to suppliers, the monetary volume and number of invoices paid in a period less than the maximum established in the delinquency regulations. and the percentage that it represents over the total number of invoices and over the total monetary payments to its suppliers.

Payments to suppliers made sooner than maximum period established by the regulations	2023	2022
Average payment period to suppliers (days)	11	9
Number of invoices paid	449,262	160,245
Invoices paid in a period sooner than the maximum established over the total number of invoices paid	99,82%	98,37%
Total payments made (EUR million)	3,355	2,634
Invoices paid in a period less than the maximum on the total amount of invoices paid	99,26%	99,32%

Additionally, the data for Grupo Santander in Spain, in the financial year 2023, are as follows:

Payments to suppliers made sooner than maximum period established by the regulations	2023
Average payment period to suppliers (days)	13
Number of invoices paid	634,738
Invoices paid in a period sooner than the maximum established over the total number of invoices paid	99,34%
Total payments made (EUR million)	8,002
Invoices paid in a period less than the maximum on the total amount of invoices paid	98,54%

For the sole purpose of the disclosures provided in the Resolution, suppliers are considered to be commercial creditors for debts with suppliers of good and services.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods of the provision of the services by the supplier to the effective payment of the operation.

Note 49 contains a detail of the maturity periods of ‘Other financial liabilities’ at each year-end.

c) Lease liabilities

The cash outflow of leases in 2023 was EUR 305 million (in 2022 it was EUR 307 million). The analysis of the maturities corresponding to the lease liabilities at 31 December 2023 and 2022, is as follows:

EUR million	2023	2022
Maturity Analysis – Discounted payments		
Within 1 year	283	386
Between 1 and 3 years	466	442
Between 3 and 5 years	346	330
Later than 5 years	1,330	1,361
Total Discounted payments at 31 December 2023	2,425	2,519

During 2023 and 2022, no significant variable payments have been made not included in the valuation of lease liabilities.

23. Provisions

a) Breakdown

The detail of 'Provisions' in the balance sheets at 31 December 2023 and 2022 is as follows:

EUR million		2023	2022
Provision for pensions and similar obligations		1,444	2,001
<i>Of which</i>			
<i>Pensions and similar defined benefit obligations post-employment</i>		748	1,220
<i>Other long-term remunerations to employees</i>		696	781
Restructuring		409	422
Provisions for taxes and other legal contingencies		705	622
Provisions for commitments and guarantees given		184	220
Other provisions		702	621
Total		3,444	3,886

b) Changes

The changes in 'Provisions' in 2023 and 2022 were as follows:

EUR million	2023					2022				
	Post-employment	Long - Term	Contingent liabilities and commitments	Other provisions	Total	Post-employment	Long - Term	Contingent liabilities and commitments	Other provisions	Total
Balance at end of prior year	1,220	781	220	1,665	3,886	1,677	1,053	190	1,429	4,349
Changes in value recognized in equity	14	—	—	—	14	(279)	—	—	—	(279)
Additions charged to income	29	171	(32)	632	800	27	41	33	585	686
(Interest income)/ Interest expense (notes 34 and 35)	27	27	—	—	54	31	23	—	—	54
Staff costs (note 42)	1	1	—	—	2	1	1	—	—	2
Provisions or reversal of provision	1	143	(32)	632	744	(5)	17	33	585	630
Payments to pensioners and pre-retirees	(118)	(256)	—	—	(374)	(178)	(313)	—	—	(491)
Employer contributions	(408)	—	—	—	(408)	—	—	—	—	—
Amounts used and other changes	11	—	(4)	(481)	(474)	(27)	—	(3)	(349)	(379)
Balances at end of year	748	696	184	1,816	3,444	1,220	781	220	1,665	3,886

c) Provision for pensions and similar obligations

The detail of 'Provision for pensions and similar obligations' at 31 December 2023 and 2022 is as follows:

EUR million	2023	2022
Provisions for pensions and similar defined benefit plan obligations	1,444	2,001
<i>Of which</i>		
Provisions for pensions	748	1,220
Provisions for similar obligations	696	781
<i>Of which, pre-retirements</i>	686	771
Provisions for pensions and similar defined contribution plan obligations	—	—
Total provisions for pensions and similar obligations	1,444	2,001

i. Defined contribution plans

At the end of 2012, Banco Santander reached an agreement with workers' representatives to transform the defined benefit commitments derived from the collective agreement into defined contribution plans. Similarly, the contracts for senior management staff with pension commitments in the defined benefit modality were amended to transform them into a defined contribution provision system.

Almost all of the pension commitments with active personnel correspond to defined contribution plans. The total contributions made to these plans during 2023 amounted to EUR 101 million (EUR 88 million during 2022) (see note 42).

ii. Defined Benefit Plans

In addition to the previous defined contribution plans, at 31 December 2023, Banco Santander maintained definite service commitments. Below is the present value of the Bank's commitments in post-employment remuneration for defined benefit programs, as well as the value of the reimbursement entitlements for insurance contracts linked to those obligations at 31 December 2023 and preceding year:

EUR million	2023	2022
Present value of the obligations		
To current employees	31	34
To retired employees	1,924	2,009
Other	—	—
	1,955	2,043
Fair value of plan assets	(1,224)	(851)
Assets not recognized	4	6
Provisioned assets on the balance sheet	13	22
Provisions - Provisions for pensions	748	1,220
<i>Of which</i>		
Internal provisions for pensions	460	907
Insurance contracts linked to pensions (note 14)	288	313
<i>Of which</i>		
Group insurance entities	195	209
Other insurers	93	104

The amount of the defined benefit obligations was determined on the basis of the work performed by independent actuaries using the following actuarial techniques:

1. Valuation method: projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately.
2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

EUR million	2023	2022
Annual discount rate	3.35 %	3.80 %
Expected return on plan assets rate	3.35 %	3.80 %
Mortality tables	PE2020 M/F Col. Orden 1	PE2020 M/F Col. Orden 1
Cumulative annual CPI growth	2.00 %	2.00 %
Annual salary increase rate	1.25 %	1.25 %
Annual pension increase rate	2.12 %	2.00 %

3. The discount rate used for the flows was determined referencing to high-quality corporate bonds.
4. The estimated retirement age of each employee is the first at which the employee is entitled to retire or the agreed-upon age, as appropriate.
5. The fair value of insurance contracts was determined as the present value of the related payment obligations, taking into account the following assumptions:

EUR million

	2023	2022
Expected rate of return on plan assets	3.35 %	3.80 %
Expected rate of return on reimbursement rights	3.35 %	3.80 %

The amounts recognized in the accompanying income statements in relation to the aforementioned defined benefit obligations are as follows:

EUR million

	2023	2022
Service cost:		
Current service cost (note 42)	1	1
Past service cost (including reductions)	2	3
Pre-retirement cost	—	—
Reductions/liquidations	(1)	(8)
Net interest (note 35)	41	48
Expected return on insurance contracts linked to pensions (note 34)	(14)	(17)
Total	29	27

In addition, in 2023 'Other comprehensive income – items not reclassified to profit or loss - Actuarial gains or (-) losses on defined benefit pension plans, has led to an actuarial loss of EUR 14 million with respect to benefit commitments defined (actuarial gain of EUR 279 million in the year 2022).

The changes in 2023 and 2022 of the present value of the accrued defined benefit obligations were as follows:

EUR million

	2023	2022
Present value of the obligations at beginning of the year	2,043	2,848
Current service cost (note 42)	1	1
Interest cost	81	77
Pre-retirement cost	—	—
Reductions/liquidations	(1)	(8)
Benefits paid for settlements	—	—
Other benefits paid	(207)	(254)
Past service cost	2	3
Actuarial (gains)/losses ^A	39	(623)
Exchanges rate differences and others	(3)	(1)
Present value of the obligations at end of the year	1,955	2,043

A. Included in 2023 are demographic actuarial profits of EUR 2 million and financial actuarial losses of EUR 41 million (2022: demographic actuarial losses of EUR 2 million and financial actuarial profits of EUR 625 million).

The changes in 2023 and 2022 in the fair value of the plan assets are as follows:

EUR million

	2023	2022
Fair value of plan assets at beginning of year	851	1,205
Expected return on plan assets	40	29
Benefits paid	(89)	(77)
Contributions payable by the employer	408	1
Settlements gains/(losses)	—	—
Exchange rate differences and others	(11)	(7)
Actuarial gains/(losses)	25	(300)
Fair value of plan assets at end of year	1,224	851

The changes in 2023 and 2022 in the fair value of the insurance contracts linked to pensions are as follows:

EUR million

	2023	2022
Fair value of insurance contracts linked to pensions at beginning of the year	313	381
Expected return on insurance contracts (note 34)	14	17
Actuarial gains/(losses)	(2)	(43)
Premiums paid/(surrenders)	1	(1)
Benefits paid	(38)	(40)
Exchange rate differences and others	—	(1)
Fair value of insurance contracts linked to pensions at end of the year (note 14)	288	313

Plan assets and pension insurance contracts linked to pensions are mainly based in insurance policies.

iii. Other long-term employee benefits

In various years, Banco Santander offered to some certain of its employees, the possibility of leaving its employ prior to their retirement. Therefore, provisions are recognized to cover the obligations to pre-retirees -in terms of salaries and other employee benefit costs- from the date of their pre-retirement to the date of their effective retirement.

The present value of the aforementioned obligations and the fair value of the assets arising from insurance contracts linked to these obligations at 31 December 2023 and for the previous exercises are as follows:

EUR million	2023	2022
Present value of the obligations:		
Early retirement	693	779
Long-service bonuses and other benefits	10	10
	703	789
Fair value of plan assets	(7)	(8)
Provisions - Provisions for pensions	696	781
Insurance plans linked to pensions	—	—
Group insurers	—	—
Other insurance entities	—	—

In 2022, the provisions made to cover commitments with 357 employees under early retirement and voluntary redundancy plans amounted to EUR 76 million.

In 2023, the provisions made to cover commitments to 405 employees under early retirements and voluntary redundancy plans amounted to EUR 127 million.

The amount of the other long-term remuneration commitments defined benefit has been determined on the basis of work performed by independent actuaries, applying the following criteria to quantify them:

1. Valuation method: projected unit credit method.
2. Actuarial assumptions used: unbiased and mutually compatible. Specifically, the most significant actuarial assumptions used in the calculations were as follows:

EUR million	2023	2022
Annual discount rate	3.35 %	3.80 %
Expected return on plan assets rate	3.35 %	3.80 %
Mortality tables	PE2020 M/F Col. Orden 1	PE2020 M/F Col. Orden 1
Cumulative annual CPI growth	2.00 %	2.00 %
Annual benefit increase rate	Between 0% and 1.5%	Between 0% and 1.5%

3. The discount rate used for the flows was determined by reference to high-quality corporate bonds.
4. The estimated retirement age of each employee is the first at which the employee is entitled to retire or the agreed-upon age, as appropriate.

5. The amounts recognised in the income statement in relation to the aforementioned defined benefit obligations are as follows:

EUR million	2023	2022
Service cost:		
Current service cost (note 42)	1	1
Interest cost (note 35)	27	23
Extraordinary charges	—	—
Past service cost	13	—
Actuarial (gains)/losses recognized in the year	6	(59)
Pre-retirement cost	127	76
Other	(3)	—
Total	171	41

The changes in 2023 and 2022 in the present value of the accrued obligations for other long-term benefits were as follows:

EUR million	2023	2022
Present value of the obligations at beginning of the year	789	1,063
Current service cost	1	1
Cost per interest (note 35)	27	23
Past service cost	13	—
Pre-retirement cost	127	76
Effect of curtailment/settlement	(1)	—
Benefits paid	(258)	(314)
Actuarial (gains)/losses	6	(59)
Other	(1)	(1)
Present value of the obligations at end of the year	703	789

The movement that has occurred, during the years 2023 and 2022, in the fair value of the assets of the plan, has been as follows:

EUR million	2023	2022
Fair value of plan assets at the beginning of the year	8	10
Expected return on plan assets	—	—
Benefits paid	(2)	(2)
Contributions by the employer	—	—
Contributions by the employee and others	1	—
Actuarial gains / (losses)	—	—
Present value of the obligations at end of the year	7	8

iv. Sensitivity analysis

Variations in the main assumptions may affect the calculation of commitments. At 31 December 2023, in the event that the discount interest rate had decreased or increased by 50 basis points, there would have been an increase or decrease in the current value of post-employment obligations of 4.15% and -3.85% respectively, and an increase or decrease in the current value of long-term obligations of 1.08% and -1.05%. These variations would be partially offset by increases or decreases in the fair value of assets and insurance contracts linked to pensions.

The following table shows the estimate of benefits to be paid as of December 31, 2023 for the next ten years:

EUR Million	
2024	427
2025	356
2026	310
2027	260
2028	214
2029 to 2033	722

d) Provisions for taxes and other legal contingencies and Other provisions

'Provisions - Provisions for taxes and other legal contingencies' and 'Provisions - Other provisions', which include, inter alia, provisions for restructuring costs and tax-related and non-tax-related proceedings, were estimated using prudent calculation procedures in keeping with the uncertainty inherent to the obligations covered. The definitive date of the outflow of resources embodying economic benefits for the Bank depends on each obligation. In certain cases, these obligations have no fixed settlement period and, in other cases, depend on the legal proceedings in progress.

'Provisions for taxes and other legal contingencies' include proceedings and other legal proceedings such as judicial, arbitral or administrative proceedings initiated against Banco Santander. Qualitative information on the main disputes is provided in note 23.e. For their part, the provisions for restructuring include only costs arising from restructuring processes incurred at Banco Santander.

The Bank general policy is to record provisions for tax and legal proceedings in which the Group assesses the chances of loss to be probable and the Group does not record provisions when the chances of loss are possible or remote. Banco Santander determines the amounts to be provided for as its best estimate of the expenditure required to settle the corresponding claim based, among other factors, on a case-by-case analysis of the facts and the legal opinion of internal and external counsel or by considering the historical average amount of the loss incurred in claims of the same nature. The definitive date of the outflow of resources embodying economic benefits for the Bank depends on each obligation. In certain cases, the obligations do not have a fixed settlement term and, in others, they depend on legal proceedings in progress.

As for the 'Other provisions' contains very atomized and individually insignificant provisions, such as the provisions corresponding to cover other operational risks of the Bank.

e) Litigation and other matters

i. Tax-related litigation

At 31 December 2023 the main tax-related proceedings concerning the Bank were as follows:

- Legal actions filed by Banco Santander (Brasil) S.A. and other Group entities to avoid the application of Law 9.718/98, which modifies the basis to calculate Programa de Integração Social (PIS) and Contribuição para Financiamento da Seguridade Social (COFINS), extending it to all the entities income, and not only to the income from the provision of services. In relation of Banco Santander (Brasil) S.A. process, in 2015 the Federal Supreme Court (FSC) admitted the extraordinary appeal filed by the Federal Union regarding PIS, and dismissed the extraordinary appeal lodged by the Brazilian Public Prosecutor's Office regarding COFINS contribution, confirming the decision of Federal Regional Court favourable to Banco Santander (Brasil) S.A. of August 2007. The Federal Supreme Court also admitted the appeals related to the other Group entities both for PIS and COFINS. On June 13, 2023, the Federal Supreme Court ruled unfavorably two cases through General Repercussion (Theme 372), including Banco Santander (Brasil) S.A. case. The Bank has filed a new appeal, considering the possible loss as a contingent liability. The cases of the other Group entities are no longer susceptible of appeal and a provision has been recognized for the amount of the estimated loss.

- Banco Santander (Brasil) S.A. and other Group companies in Brazil have appealed against the assessments issued by the Brazilian tax authorities questioning the deduction of loan losses in their income tax returns (Imposto sobre a Renda das Pessoas Jurídicas - IRPJ - and Contribuição Social sobre o Lucro Líquido -CSLL-) in relation to different administrative processes of various years on the ground that the requirements under the applicable legislation were not met. The appeals are pending decision in the administrative Court, the Conselho Administrativo de Recursos Fiscais (CARF). No provision was recognised in connection with the amount considered to be a contingent liability.
- Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in administrative and legal proceedings against several municipalities that demand payment of the Service Tax on certain items of income from transactions not classified as provisions of services. There are several cases in different judicial instances. A provision was recognised in connection with the amount of the estimated loss.
- Banco Santander (Brasil) S.A. and other Group companies in Brazil are involved in administrative and legal proceedings against the tax authorities in connection with the taxation for social security purposes of certain items which are not considered to be employee remuneration. There are several cases in different judicial instances. A provision was recognised in connection with the amount of the estimated loss.
- In May 2003 the Brazilian tax authorities issued separate infringement notices against Santander Distribuidora de Títulos e Valores Mobiliários, Ltda. (DTVM, actually Santander Brasil Tecnologia S.A.) and Banco Santander (Brasil) S.A. in relation to the Provisional Tax on Financial Movements (Contribuição Provisória sobre Movimentação Financeira) of the years 2000 to 2002. The administrative discussion ended unfavourably for both companies, and on July 3, 2015, filed a lawsuit requesting the cancellation of both tax assessments. The lawsuit was judged unfavourably in first instance. Therefore, both plaintiffs appealed to the court of second instance. On December 2020, the appeal was decided unfavourably. Against the judgment, the bank filed a motion for clarification which has not been accepted. Currently it is appealed to higher courts. There is a provision recognized for the estimated loss.
- In December 2010 the Brazilian tax authorities issued an infringement notice against Santander Seguros S.A. (Brasil), (currently Zurich Santander Brasil Seguros e Previdência S.A.), as the successor by merger to ABN AMRO Brasil dois Participações S.A., in relation to income tax (IRPJ and CSLL) for 2005, questioning the tax treatment applied to a sale of shares of Real Seguros, S.A. The administrative discussion ended unfavourably, and the CARF decision has been appealed at the Federal Justice. As the former parent of Santander Seguros S.A. (Brasil) (currently Zurich Santander Brasil Seguros e Previdência S.A.), Banco Santander (Brasil) S.A. is liable in the event of any adverse outcome of this proceeding. No provision was recognised in connection with this proceeding as it is considered to be a contingent liability.
- In November 2014 the Brazilian tax authorities issued an infringement notice against Banco Santander (Brasil) S.A. in relation to corporate income tax (IRPJ and CSLL) for 2009 questioning the tax-deductibility of the amortisation of the goodwill of Banco ABN AMRO Real S.A. performed prior to the absorption of this bank by Banco Santander (Brasil) S.A., but accepting the amortisation performed after the merger. Actually it is appealed before the Higher Chamber of CARF. No provision was recognised in connection with this proceeding as it was considered to be a contingent liability.
- Banco Santander (Brasil) S.A. has also appealed against infringement notices issued by the tax authorities questioning the tax deductibility of the amortisation of the goodwill arising on the acquisition of Banco Comercial e de Investimento Sudameris S.A from years 2007 to 2012. No provision was recognised in connection with this matter as it was considered to be a contingent liability.
- Banco Santander (Brasil) S.A. and other companies of the Group in Brazil are undergoing administrative and judicial procedures against Brazilian tax authorities for not admitting tax compensation with credits derived from other tax concepts, not having registered a provision for the amount considered to be a contingent liability.
- Banco Santander (Brasil) S.A. is involved in appeals in relation to infringement notices initiated by tax authorities regarding the offsetting of tax losses in the CSLL of year 2009 and 2019. The appeals are pending decision at the administrative level. No provision was recognised in connection with this matter as it is considered to be a contingent liability.

- Banco Santander (Brasil) S.A. filed a suspensive judicial measure aiming to avoid the withholding income tax (Imposto sobre a Renda Retido na Fonte - IRRF), on payments derived from technology services provided by Group foreign entities. A favorable decision was handed down and an appeal was filed by the tax authority at the Federal Regional Court, where it awaits judgment. No provision was recognized as it is considered to be a contingent liability.
- Brazilian tax authorities have issued infringement notices against Getnet Adquirência e Serviços para Meios de Pagamento S.A and Banco Santander (Brasil) S.A. as jointly liable in relation to corporate income tax (IRPJ and CSLL) for 2014 to 2018 questioning the tax-deductibility of the amortization of the goodwill from the acquisition of Getnet Tecnologia Proces S.A., considering that the company would not have complied with the legal requirements for such amortization. A defense against the tax assessment notices were submitted, and the appeal is pending decision in CARF. No provision was recognized as it is considered to be a contingent liability.

The total amount for the aforementioned Brazil lawsuits that are fully provisioned is EUR 815 million, and for lawsuits that qualify as contingent liabilities is EUR 5,567 million.

- Banco Santander appealed before European Courts the Decisions 2011/5/CE of 28 October 2009 (First Decision), and 2011/282/UE of 12 January 2011 (Second Decision) of the European Commission, ruling that the deduction of the financial goodwill regulated pursuant to Article 12.5 of the Corporate Income Tax Law constituted illegal State aid. On October 2021 the Court of Justice definitively confirmed these Decisions. The dismissal of the appeal, that only affects these two decisions, had no impact on results.

At the date of approval of these annual accounts, there are other less significant tax disputes.

ii. Non-tax-related proceedings

At 31 December 2023 the main non-tax-related proceedings concerning the Group and the Bank were as follows:

- Payment Protection Insurance (PPI): the dispute relates to the liability for PPI mis-selling complaints relating to pre-2005 PPI policies that two entities of the Axa Group (hereinafter "Axa France" acquired from Genworth Financial International Holdings, Inc. in September 2015. The dispute involves Santander Cards UK Limited (formerly known as GE Capital Bank Limited which was acquired by Banco Santander, S.A. from GE Capital group in 2008) which was the distributor of the policies in dispute and

Santander Insurance Services UK Limited (the Santander Entities).

In July 2017, the Santander Entities notified Axa France that they did not accept liability for losses on PPI policies relating to the relevant period. Santander UK plc entered into a Complaints Handling Agreement (CHA) with Axa France pursuant to which it agreed to handle complaints on their behalf, and Axa France agreed to pay redress assessed to be due to relevant policyholders on a without prejudice basis. A standstill agreement was entered into between the Santander Entities and Exe France as a condition of the CHA.

In July 2020, Genworth announced that it had agreed to pay Axa SA circa GBP 624 million in respect of PPI mis-selling losses in settlement of the related dispute concerning obligations under the sale and purchase agreement pursuant to which Genworth sold Axa France to Axa SA. The CHA between Santander UK plc and Axa France terminated on 26 December 2020. On 30 December 2020 Axa France provided written notice to the Santander Entities to terminate the standstill agreement. During 2021, Axa France commenced litigation in the High Court of England and Wales (Commercial Court) against the Santander Entities seeking recovery of GBP 636 million (EUR 733.5 million) (plus interest) and any further losses relating to pre-2005 PPI.

Judgment in respect of the Santander Entities application for Axa Frances's claim to be struck out/summarily dismissed was handed down by the Commercial Court on 12 July 2022. In summary, the Commercial Court upheld a significant part of the Santander Entities' strike-out application and required Axa France to re-plead a significant portion of its pleadings. Axa France updated the amount of losses claimed from GBP 636 million (EUR 733.5 million) to GBP 670 million (EUR 772.7 million) (plus interest) in their Re-Amended Particulars of Claim dated December 2022 (RAPOC).

On 31 January 2023, the Santander Entities filed their Defence to the RAPOC and an Additional Claim. In response, Axa France conceded its claim for charges paid to Santander Entities pursuant to the CHA, reducing the overall value of its claim from GBP 670 million (EUR 772.7 million) to GBP 552 million (EUR 636.6 million) (plus interest) and has agreed to the requested rectification. Axa France filed its Re-Re-Amended Particulars of Claim on 29 June 2023. Trial has been fixed for six weeks, beginning on 3 March 2025.

Overall, there remains significant uncertainty as to how the dispute will be resolved. There are ongoing factual issues to be resolved which may have legal consequences including in relation to liability. These issues create uncertainties which mean that it is difficult to reliably predict the outcome of the matter.

In addition, and in relation to PPI more generally, the PPI provision includes an amount relating to legal claims challenging the FCA's industry guidance on the treatment of the Plevin judgment and of recurring non-disclosure assessments. This provision is based on current stock levels, future projected claims, and average redress. There remains a risk that the number of claims issued (whether individually or on a collective basis) in the future may be higher than forecast. The actual cost of customer compensation could differ from the amount provided. It is not currently practicable to provide an estimate of the risk and amount of any further financial impact.

- Motor Finance Broker Commissions: following the FCA's Motor Market review in 2019 which resulted in a change in rules in January 2021, Santander Consumer (UK) plc (SCUK) has received a number of county court claims and complaints in respect of its historical use of discretionary commission arrangements (DCAs) prior to the 2021 rule changes. In the context of the complaints made to the Financial Ombudsman Service relating to such commission arrangements, the FCA announced on 11 January 2024 that it intends to use its powers under s166 of the Financial Services and Markets Act 2000 to review the historical use of DCAs between lenders and credit brokers (the "FCA Review") and whether redress should be payable. In line with the FCA's announcement, we have paused the response to customer complaints until at least 20 November 2024. A claim has been issued against SCUK, Santander UK plc and others in the Competition Appeal Tribunal (CAT), alleging that SCUK's historical commission arrangements in respect of used car financing operated in breach of the Competition Act 1998. While it is possible that certain charges may be incurred in relation to existing or future county court claims, complaints and the CAT proceedings, it is not considered that a legal or constructive obligation has been incurred in relation to these matters that would require a provision to be recognised at this stage. The resolution of such matters is not possible to predict with any certainty and there remain significant inherent uncertainties regarding the existence, scope and timing of any possible outflow which make it impracticable to disclose the extent of any potential financial impact.
- Delforca: dispute arising from equity swaps entered into by Gaesco (now Delforca 2008, S.A. (Delforca)) on shares of Inmobiliaria Colonial, S.A. Banco

Santander, S.A. is claiming to Delforca before the Court of Barcelona in charge of the bankruptcy proceedings, a total of EUR 66 million from the liquidation resulting from the early termination of financial transactions due to Delforca's non-payment of the equity swaps. In the same bankruptcy proceedings, Delforca and Mobiliaria Monesa, S.A., parent of Delforca (Monesa) have in turn claimed the Bank to repay EUR 57 million, which the Bank received for the enforcement of the agreed guarantee, as a result of the aforementioned liquidation. On 16 September 2021 the Commercial Court Number 10 of Barcelona has ordered Delforca to pay the Bank EUR 66 million plus EUR 11 million in interest and has dismissed the claims filed by Delforca. This decision has been appealed by Delforca, Monesa and the bankruptcy administrator. On 1 June 2023, the appeal hearing took place and on 15 November 2023 the Provincial Court of Barcelona rendered a judgment dismissing the appeals filed by Delforca, Monesa and the bankruptcy administrator and confirming the first instance judgment. Delforca and Monesa (not the bankruptcy administrator) have filed an appeal in cassation before the Supreme Court against the judgment of the Provincial Court of Barcelona.

Separately, Monesa, filed in 2009 a civil procedure with the Courts of Santander against the Bank claiming damages that have not been specified to date. The procedure is suspended.

- Former employees of Banco do Estado de São Paulo S.A., Santander Banespa, Cia. de Arrendamiento Mercantil: class action filed by AFABESP (an association of retirees and former Banespa employees) claiming payment of a semi-annual bonus provided for in the Bank's bylaws. The final decision rendered on the merits was unfavorable to Santander. However, a favorable decision was subsequently rendered stating that each beneficiary of the decision shall file an individual lawsuit to receive the due amount.

Since the judgments adopted different positions for each case, a procedure called Incident for the Resolution of Repetitive Demands (IRDR) was commenced before the Regional Labor Court (TRT) with the purpose of establishing objective criteria regarding the arguments brought by the Bank, mainly the statute of limitations and limitation of payments until December 2006 (Plan V).

Finally, due to the divergence between the interpretation of the Federal Constitution, an Action for Allegation of Non-Compliance with a Fundamental Precept (ADPF) was also filed, so that the Federal Supreme Court (STF) settles the issue and indicates the correct statute of limitations to be used in the individual cases filed.

Santander Brazil's external advisers have classified the risk as probable. The recorded provisions are considered sufficient to cover the risks associated with the legal claims that are being substantiated as of 31 December 2023.

- 'Planos Econômicos': like the rest of the banking system in Brazil, Santander Brazil has been the target of customer complaints and collective civil suits stemming mainly from legislative changes and its application to bank deposits (economic plans). At the end of 2017, an agreement between regulatory entities and the Brazilian Federation of Banks (Febraban) with the purpose of closing the lawsuits was reached and was approved by the Supremo Tribunal Federal. Discussions focused on specifying the amount to be paid to each affected client according to the balance in their notebook at the time of the Plan. Finally, the total value of the payments will depend on the number of adhesions there may be and the number of savers who have proved the existence of the account and its balance on the date the indexes were changed. In November 2018, the STF ordered the suspension of all economic plan proceedings for two years from May 2018. On 29 May 2020, the STF approved the extension of the agreement for 5 additional years starting from 3 June 2020. Condition for this extension was to include in the agreement actions related to the 'Collor I Plan'. On 31 December 2023, the provision recorded for the economic plan proceedings amounts to EUR 196.3 million.
- Floor clauses: as a consequence of the acquisition of Banco Popular Español, S.A.U. (Banco Popular), the Group has been exposed to a material number of transactions with floor clauses. The so-called floor clauses are those under which the borrower accepts a minimum interest rate to be paid to the lender, regardless of the applicable reference interest rate. Banco Popular included floor clauses in certain asset-side transactions with customers. In relation to this type of clauses, and after several rulings issued by the Court of Justice of the European Union (CJEU) and the Spanish Supreme Court, and the extrajudicial process established by the Spanish Royal Decree-Law 1/2017, of 20 January, Banco Popular made provisions that were updated in order to cover the effect of the potential return of the excess interest charged for the application of the floor clauses between the contract date of the corresponding mortgage loans and May 2013. On 31 December 2023, after having processed most of the customer requests, the potential residual loss associated with ongoing court proceedings is estimated at EUR 52.6 million, amount which is fully covered by provisions.

- Banco Popular's acquisition: after the declaration of the resolution of Banco Popular, some investors filed claims against the EU's Single Resolution Board decision, and the FROB's resolution executed in accordance with the aforementioned decision. Likewise, numerous appeals were filed against Banco Santander, S.A. alleging that the information provided by Banco Popular was erroneous and requesting from Banco Santander, S.A. the restitution of the price paid for the acquisition of the investment instruments or, where appropriate, the corresponding compensation.

In relation to these appeals, on the one hand, the General Court of the European Union (GCUE) selected 5 appeals from among all those filed before the European courts by various investors against the European institutions and processed them as pilot cases. On 1 June 2022, the GCUE rendered five judgements in which it completely dismissed the appeals, (i) supporting the legality of the resolution framework applied to Banco Popular, (ii) confirming the legality of the action of the European institutions in the resolution of Banco Popular and (iii) rejecting, in particular, all the allegations that there were irregularities in the sale process of Banco Popular to Banco Santander, S.A. Although four of these five judgments were initially appealed in cassation before the CJEU, in July 2023 one of the appellants withdrew his appeal. Therefore, only the appeals against three judgments are pending before the CJEU.

On the other hand, in relation to the lawsuits initiated by investors directly against Banco Santander, S.A. derived from the acquisition of Banco Popular, on 2 September 2020, the Provincial Court of La Coruña submitted a preliminary ruling to the CJEU in which it asked for the correct interpretation of the Article 60, section 2 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May, establishing a framework for the restructuring and resolution of credit institutions and investment services companies. Said article establishes that, in the cases of redemption of capital instruments in a bank resolution, no liability will subsist in relation to the amount of the instrument that has been redeemed. On 5 May 2022, the CJEU rendered its judgement confirming that Directive 2014/59/EU of the European Parliament and of the Council does not allow that, after the total redemption of the shares of the share capital of a credit institution or an investment services company subject to a resolution procedure, the shareholders who have acquired shares within the framework of a public subscription offer issued by said company before the start of such a resolution procedure, exercise against that entity or against its successor, an action for liability for the information contained in the prospectus, under Directive 2003/71/EC of the European Parliament and of the Council, or an action for annulment of the

subscription contract for those shares, which, taking into account its retroactive effects, gives rise to the restitution of the equivalent value of said shares, plus the interest accrued from the date of execution of said contract.

Regarding this judgment, several courts have referred additional preliminary rulings before the CJEU: (i) in December 2022 the Supreme Court requested three preliminary rulings in respect of its applicability to the holders of subordinated obligations, preferred stocks and subordinated bonds of Banco Popular; (ii) in April 2023, the First Instance Court 3 of Santa Coloma de Farners requested three preliminary rulings to the CJEU asking about pre-emptive subscription rights and the compatibility of the principles of proportionality and legal certainty with the bringing of legal actions by former holders of pre-emptive subscription rights and shares against the entity issuing the securities or against the entity succeeding it, which have been stayed by the CJEU until the preliminary rulings raised by the Supreme Court are resolved; and (iii) in November 2023, the Supreme Court requested another two preliminary rulings which supplement the ones requested in December 2022, regarding to a holder of subordinated bonds who filed a claim against Banco Popular before the resolution.

Separately, the Central Court of Instruction 4 is currently conducting preliminary proceedings 42/2017, in which, amongst other things, the following is being investigated: (i) the accuracy of the prospectus for the capital increase with subscription rights carried out by Banco Popular in 2016; and (ii) the alleged manipulation of the share price of Banco Popular until the resolution of the bank in June 2017. During the course of the proceedings, on 30 April 2019, the Spanish National Court, ruled in favour of Banco Santander, S.A. declaring that Banco Santander, S.A. cannot inherit Banco Popular's potential criminal liability. This ruling was appealed before the Supreme Court, which rejected it. In these proceedings, Banco Santander, S.A. could potentially be subsidiarily liable for the civil consequences. In view of the CJEU ruling of 5 May 2022, the Bank requested confirmation of the exclusion of its subsidiary civil liability status in this criminal proceeding. On 26 July 2022, the Court rejected this request stating that it is a matter to be determined at a later procedural time. This decision was confirmed on appeal by the Chamber of the National Court by judgment of 5 October 2022. The instruction expired on 29 April 2023. The instruction expired on 29 April 2023. On 15 January 2024, the National Court notified the parties that within the first half of February 2024, they will be notified with the ruling transforming the proceedings into an abbreviated procedure.

The estimated cost of any compensation to shareholders and bondholders of Banco Popular recognized in the 2017 accounts amounted to EUR 680 million, of which EUR 535 million were applied to the commercial loyalty program. The CJEU judgement of 5 May 2022 represented a very significant reduction in the risk associated with these claims.

- German shares investigation: the Cologne Public Prosecution Office is conducting an investigation against the Bank, and other group entities based in UK - Santander UK plc, Santander Financial Services Plc and Cater Allen International Limited -, in relation to a particular type of tax dividend linked transactions known as cum-ex transactions.

The Group is cooperating with the German authorities. According to the state of the investigations, the result and the effects for the Group, which may potentially include the imposition of material financial penalties, cannot be anticipated. For this reason, the Bank has not recognized any provisions in relation to the potential imposition of financial penalties.

- Banco Santander, S.A. was sued in a legal proceeding in which the plaintiff alleges that the Bank breached his contract as CEO of the institution: in the lawsuit, the claimant mainly requested a declaratory ruling upholding the existence, validity and effectiveness of such contract and its enforcement together with the payment of certain amounts. For the case that the main request is not granted, the claimant sought a compensation for a total amount of approximately EUR 112 million or, an alternative relief for other minor amounts. Banco Santander, S.A. answered to the legal action stating that the conditions to which the appointment of that position was subject to were not met; that the executive services contract required by law was not concluded; and that in any case, the parties could terminate the contract without any justified cause.
- On 17 May 2021, the plaintiff reduced his claims for compensation to EUR 61.9 million. On 9 December 2021, the Court upheld the claim and ordered the Bank to compensate the claimant in the amount of EUR 67.8 million. By court order of 13 January 2022, the Court corrected and supplemented its judgment, reducing the total amount to be paid by the Bank to EUR 51.4 million and clarifying that part of this amount (buy out) was to be paid under the terms of the offer letter, i.e., entirely in Banco Santander shares, within the deferral period for this type of remuneration at the plaintiff's former employer and subject to the performance metrics or parameters of the plan in force at the Bank, which was that of 2018. As explained in note 5 of the report of the consolidated annual accounts of the year 2022, the degree of performance of these objectives was 33.3%.

The Bank filed an appeal against the judgment before the Madrid Court of Appeal, which was opposed by the plaintiff. At the same time, the plaintiff filed an application for provisional enforcement of the judgment in the First Instance Court. A court order was issued ordering enforcement of the judgment, and the Bank deposited in the court bank account the full amount provisionally awarded to the claimant, including interest, for an approximate sum of EUR 35.5 million, within the voluntary compliance period.

On 6 February 2023, Banco Santander was notified with the judgment of 20 January 2023 by which the Madrid Court of Appeal partially upheld the appeal filed by the Bank. The judgment has reduced the amount to be paid by EUR 8 million, which, to the extent that this amount was already paid in the provisional partial enforcement of the judgement of first instance court, must be returned to the Bank together with other amounts for interest, which the appeal judgement also rejects. The plaintiff deposited circa EUR 9.6 million. This amount was received by the Bank on 11 July 2023.

On 11 April 2023, the Bank filed an extraordinary appeal for procedural infringement and an appeal in cassation against the Madrid Court of Appeal's judgment before Spanish Supreme Court. Existing provisions cover the estimated risk of loss.

- Universalpay Entidad de Pago, S.L. (Upay): has filed a lawsuit against Banco Santander, S.A. for breach of the marketing alliance agreement (MAA) and claims payment (EUR 1,050 million). The MAA was originally entered into by Banco Popular and its purpose is the rendering of acquiring services (point of sale payment terminals) for businesses in the Spanish market. The lawsuit was mainly based on the potential breach of clause 6 of the MAA, which establishes certain obligations of exclusivity, non-competition and customer referral. On 16 December 2022, the Court ruled in favour of the Bank and dismissed the plaintiff's claim in its entirety. The decision has been appealed before the Provincial Court of Madrid and the Bank has filed its opposition to Upay's appeal.

Considering the decision at first instance and following the analysis carried out by the Bank's external lawyers, with the best information available to date, it is considered that no provision needs to be registered.

- CHF Polish Mortgage Loans: on 3 October 2019, the CJEU rendered its decision in relation to a judicial proceeding against an unrelated bank in Poland considering that certain contractual clauses in CHF-Indexed loan agreements were abusive. The CJEU left to Polish courts the decision on whether the whole contract can be maintained once the abusive terms have been removed, which should in turn decide whether the effects of the annulment of the contract are prejudicial to the consumer. In case of maintenance of the contract, the court may only integrate the contract with subsidiary provisions of national law and decide, in accordance with those provisions, on the applicable rate.

In 2021, the Supreme Court was expected to take a position regarding the key issues in dispute concerning loans based on foreign currency, clarifying the discrepancies and unifying case law. The Supreme Court met several times, with the last session taking place on 2 September 2021. However, the resolution was not adopted and instead, the Supreme Court referred questions to the CJEU on constitutional issues of the Polish judiciary system. No new date for consideration of the issue has been set and no comprehensive decision by the Supreme Court of the issue is expected in the near future. In the absence of a comprehensive position of the Supreme Court, it is difficult to expect a full unification of judicial decisions, and decisions of the Supreme Court and CJEU issued on particular issues may be important for shaping further case law on CHF matters. The case law of the Polish courts has not yet been fully formed, but the prevailing line of case law is based on the annulment of the loan contract.

On 15 June 2023, the CJEU issued its judgment in Case C-520/21, in which it confirmed that it is national law that is relevant to determine the effect of cancellation of a contract - respecting the principles arising from Directive 93/13/EEC. According to the ruling of the CJEU in that case, the bank's claims in excess of the repayment of the nominal amount of the loan's principal and, as the case may be, the payment of default interest are contrary to the objectives of Directive 93/13/EEC if they were to lead to a profit analogous to the one it intended to make from the performance of the contract and thus eliminate the deterrent effect.

At the same time, the CJEU ruled that, under European law, there is no obstacle to the consumer being able to claim compensation from the bank beyond the return of the installments paid, but at the same time stipulated that such a claim should be evaluated in light of all the circumstances of the case, so that the consumer's possible benefits from the cancellation of the contract do not exceed what is necessary to restore the factual and legal situation in which he would have been without entering into the

defective contract and do not constitute an excessive sanction for the entrepreneur (principle of proportionality).

The Polish Financial Supervisory Authority (KNF) on 17 February and on 15 June 2023 expressed its disagreement with the conclusions of the Attorney General that preceded the 15 June 2023 judgment and subsequently, with the judgment itself expressing, in particular, that the ruling is contrary to the principles of proportionality and balance between the protection of values protected by Directive 93/13 and superior values such as stability and security of the financial system.

The case law of national courts implementing the CJEU rulings (including the ruling of 15 June 2023), and the possible position of the Supreme Court will be crucial for the final assessment of the legal risk related to this matter.

At the date of the Group's consolidated financial statements, it is not possible to predict the Supreme Court's and CJEU decisions on individual cases. Santander Bank Polska and Santander Consumer Bank Poland estimate legal risk using a model which considers different possible outcomes and regularly monitor court rulings on foreign currency loans to verify changes in case law practice.

As of 31 December 2023, Santander Bank Polska S.A. and Santander Consumer Bank S.A. maintain a portfolio of mortgages denominated in or indexed to CHF for an approximate gross amount of PLN 6,398.1 million (EUR 1,473.1 million). As of 1 January 2022, in accordance with IFRS 9 and based on the new best available information, the accounting methodology was adapted so that the gross carrying amount of mortgage loans denominated and indexed in foreign currencies is reduced by the amount in which the estimated cash flows are not expected to cover the gross amount of loans, including as a result of legal controversies relating to these loans. In the absence of exposure or insufficient gross exposure, a provision according to IAS 37 is recorded.

As of 31 December 2023, the total value of adjustment to gross carrying amount in accordance with IFRS9 as well as provisions recorded under IAS37, amount to PLN 5,030.3 million (EUR 1,158.2 million) of which PLN 4,226.9 million (EUR 973.2 million) corresponds to adjustment to gross carrying amount under IFRS 9 and PLN 803.4 million (EUR 185.0 million) to provisions recognized in accordance with IAS 37. Throughout 2023, the adjustment to gross carrying amount in accordance with IFRS9 amounted to PLN 1,651.0 million (EUR 363.6 million), the additional provisions under IAS37 amounted to PLN 445.2 million (EUR 98.1 million) and other costs related to the dispute amounted to PLN 455.8 million (EUR 100.4 million).

These provisions represent the best estimate as at 31 December 2023. Santander Bank Polska and Santander Consumer Bank Poland will continue to monitor and assess appropriateness of those provisions.

In December 2020, the KNF presented a proposal for voluntary settlements between banks and borrowers under which CHF loans would be retrospectively settled as PLN loans bearing an interest rate based on WIBOR plus margin. The KNF continues to support the concept of offering such settlements by banks after the verdict of the CJEU on 15 June 2023. The Bank has prepared settlement proposals which consider both the key elements of conversion of home loans indexed to CHF, as proposed by the KNF Chairman, and the conditions defined internally by the Bank. The proposals are being presented to customers. This is reflected in the model which is currently used to calculate legal risk provisions.

- Banco Santander Mexico: dispute regarding a testamentary trust constituted in 1994 by Mr. Roberto Garza Sada in Banca Serfin (currently Santander Mexico) in favor of his four sons in which he affected shares of Alfa, S.A.B. de C.V. (respectively, Alfa and the Trust). During 1999, Mr. Roberto Garza Sada instructed Santander México in its capacity as trustee to transfer 36,700,000 shares from the Trust's assets to his sons and daughters and himself. These instructions were ratified in 2004 by Mr. Roberto Garza Sada before a Notary Public.

Mr. Roberto Garza Sada passed away on 14 August 2010 and subsequently, in 2012, his daughters filed a complaint against Santander Mexico alleging it had been negligent in its trustee role. The lawsuit was dismissed at first instance in April 2017 and on appeal in 2018. In May 2018, the plaintiffs filed an appeal (recurso de amparo) before the First Collegiate Court of the Fourth Circuit based in Nuevo León, which ruled in favor of the plaintiffs on 7 May 2021, annulling the 2018 appeal judgment and condemning Santander Mexico to the petitions claimed, consisting of the recovery of the amount of 36,700,000 Alfa shares, together with dividends, interest and damages.

Santander Mexico has filed various constitutional reviews and appeals against the recurso de amparo referred to above, which have been dismissed by the Supreme Court of Justice of the Nation. As of this date, an amparo review filed by the Bank is pending to be resolved in the Collegiate Courts in the State of Nuevo León, thus the judgment is not final.

On 29 June 2022, Santander México, within the framework of the amparo review filed by the Bank, requested the First Collegiate Court in Civil Matters of the Fourth Circuit of Nuevo León the recusal of

two of the three Magistrates who rendered against Santander Mexico, which was resolved in favour of Santander Mexico. Plaintiffs requested the recusal of the third Magistrate who ruled with a dissenting vote against the *recurso de amparo* referred above and this was resolved in favour of Plaintiffs, and consequently the matter has been referred to the Second Collegiate Court of the Fourth Circuit based in Nuevo León, for it to resolve the matter.

Santander México believes that the actions taken should prevail and reverse the decision against it. The impact of a potential unfavorable resolution for Santander México will be determined in a subsequent proceeding and will also depend on the additional actions that Santander México may take in its defense, so it is not possible to determine it at this time. At the current stage of the proceedings, the provisions recorded are considered to be sufficient to cover the risks deriving from this claim.

- URO Property Holdings, S.A. (before URO Property Holdings, SOCIMI SA): on 16 February 2022, legal proceedings were commenced in the Commercial Court of London against Uro Property Holdings S.A. (Uro), a subsidiary of Banco Santander, S.A., by BNP Paribas Trust Corporation UK Limited (BNP) in its capacity as trustee on behalf of certain bondholders and beneficiaries of security rights. The litigation concerns certain terms of a financing granted to Uro which was supported by a bond issue in 2015. The claimant seeks a declaration by the Court and a monetary award against Uro, in connection with an additional premium above the nominal value of the financing repayment because of Uro having lost its status as SOCIMI (Sociedad Anónima Cotizada de Inversión Inmobiliaria), such loss causing the prepayment of the bond issue and, in the opinion of the claimant BNP, also the obligation to pay the additional premium by Uro. Uro denies being liable to pay that additional premium and filed its defense statement and a counterclaim against the claimant. The trial hearing has been scheduled for November and December 2024. Furthermore, Uro filed a summary judgement application for BNP's claim to be dismissed before trial. The dismissal of this application by the Commercial Court was confirmed by the Appeal Court. It is estimated that the maximum loss associated with this possible contingency, amounts to approximately EUR 250 million.

Banco Santander and the other Group companies are subject to claims and, therefore, are party to certain legal proceedings incidental to the normal course of their business including those in connection with lending activities, relationships with employees and other commercial or tax matters additional to those referred to here.

With the information available to it, the Bank considers that, at 31 December 2023, it had reliably estimated the obligations associated with each proceeding and had recognized, where necessary, sufficient provisions to cover reasonably any liabilities that may arise as a result of these tax and legal risks. Disputes in which provisions have been registered but are not disclosed is justified on the basis that it would be prejudicial to the proper defense of the Group and the Bank. Subject to the qualifications made, it also believes that any liability arising from such claims and proceedings will not have, overall, a material adverse effect on the Group's and the Bank's business, financial position, or results of operations.

24. Tax matters

a) Consolidated Tax Group

Pursuant to current legislation, the Consolidated Tax Group includes Banco Santander, S.A. (as the parent) and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups (as the controlled entities).

b) Years open for review by the tax authorities

In January 2024, the Spanish tax authorities formalized acts with agreement, conformity and non-conformity relating to corporate income tax financial years 2017 to 2019, although the concepts signed in conformity and with agreement had no impact on profit or loss.

With respect to the concepts signed in non-conformity for this and previous years (corporate income tax from 2003 to 2015), Banco Santander, S.A., as the parent of the Consolidated Tax Group, considers, in accordance with the advice of its external lawyers, that the adjustments made should not have a significant impact on the financial statements, as there are sound arguments proof in the appeals filed against them before the National Court (2003 to 2011) and before the Central Economic-Administrative Court (2012 to 2015), as well as in relation to the assessments still pending review by the tax authorities (2017-2019). Consequently, no provision has been recorded for this concept. It should also be noted that, in those cases in which it has been considered appropriate, the mechanisms available to avoid international double taxation have been used.

At the date of approval of these financial statements, subsequent years up to and including 2023 are subject to review.

Because of the possible differing interpretations which can be made of the tax regulations, the outcome of the tax audits for the remaining years subject to review may give rise to contingent tax liabilities which cannot be objectively quantified. However, the opinion of the Group and the Bank's tax advisors, the possibility of such tax liabilities materialising is remote and, in any event,

the tax liability arising therefrom would not materially affect the Banks's financial statements.

c) Reconciliation

The reconciliation between the income tax expense at the applicable tax rate (30%) and the income tax expense recorded (in EUR millions) is shown below:

EUR million	2023	2022
Profit before taxes	9,772	7,964
Corporate tax at the applicable rate of 30%	2,932	2,389
Dividends and capital gains	(2,702)	(2,431)
Impairment of non-deductible shares	303	154
Remaining permanent differences and others	—	(69)
Expense/(Incomes) taxes recorded	533	43

d) Tax recognized in equity

Regardless of the income tax incurred in profit and loss accounts, Banco Santander has passed on the net worth the following amounts during 2023 and 2022:

EUR million	Amounts receivable/ (Amounts payable)	
	2023	2022
Fair value changes of debt instruments measured at fair value with changes in other comprehensive income	(26)	98
Equity instruments valued at fair value with changes in other comprehensive income	—	3
Cash flow hedges	(86)	126
Other valuation adjustments (note 25)	38	(101)
Total	(74)	126

e) Deferred taxes

The balance under the heading 'Deferred tax assets' of the balance sheets includes the debit balances with the Public Treasury for Advance Tax; in turn, the balance under the heading 'Deferred tax liabilities' includes the liabilities corresponding to the different deferred taxes of Banco Santander.

In accordance with the Basel III legal framework included in European law through Directive 2013/36 (CRD IV) and EU Regulation 575/2013 on prudential requirements for credit institutions and investment firms (CRR), and subsequently amended by Regulation (EU) 2019/876 of the European Parliament and of the Council, deferred tax assets which use does not rely on the obtaining future profits (referred to hereinafter as monetizable tax assets) generated before November 23, 2016 are exempt from deduction, from regulatory capital.

The following are the breakdown of tax assets and liabilities as of December 31, 2023 and 2022:

EUR million	2023	2022
Tax assets:	10,837	11,220
Current ^A	4,007	2,977
Deferred	6,830	8,243
Of which		
Relating to pensions ^B	2,807	2,920
Relating to allowances for loan losses ^B	2,007	3,002
Relating to deductions and negative tax bases	681	778
Tax liabilities:	1,930	1,796
Of which, deferred tax liabilities	1,765	1,634

- A. The increase in current tax assets corresponds mainly to the installment payments made to the Corporation Tax account for the year 2023.
- B. In 2023, the Spanish Economic Administrative Court ruled that in 2017 the requirements for the conversion of part of the monetizable assets of Popular Group into a credit against the Tax Administration were met, allowing the conversion to 995 million euros. This amount has been paid to Banco Santander, without impact on results. The favorable Economic Administrative Court decision has been declared harmful to the public interests and challenged at the National Appellate Court by the Tax Administration. The estimation of this appeal would imply that Grupo Santander should repay the amount refunded and would, once again, credit these monetizable assets with no impact on results except for late payment interests. However, it is considered that there are strong defense arguments in relation to this appeal.

The deferred tax assets and liabilities are reassessed at the reporting date in order to ascertain whether any adjustments need to be made on the basis of the findings of the analyses performed.

These analyses take into consideration all evidence, both positive and negative of the recoverability of these such deferred tax assets, including (i) the results generated in prior years, (ii) projected results, (iii) the estimated reversal of the various temporary differences based on their nature and (iv) the period and limits established in current legislation for the recovery of the various deferred tax assets, thereby concluding on the Bank's ability to recover its recorded deferred tax assets.

The projections of results used in this analysis are based on the financial budgets approved by both the local managements of the respective units and by Banco Santander's directors. The Group's budget estimation process is common for all units, including the Bank. Group management prepares its financial budgets based on the following key assumptions:

- a. Microeconomic variables of the entities that make up the tax group at each location: consideration is taken of the existing balance sheet structure, the mix of products offered and the commercial strategy at any time defined by the local authorities in this regard based on the competition, regulatory and market environment.

- b. Macroeconomic variables: estimated growth is based on the evolution of the economic environment considering the expected evolution in the gross domestic product of each location and the forecasts on of interest rates, inflation and exchange rates fluctuations. These data is provided by Grupo Santander's economic forecasting group, and based on external sources of information.

Additionally, the Group performs retrospective contrasts (backtesting) on the variables projected in the past. The differential behaviour of these variables with respect to the real market data is considered in the projections estimated in each fiscal year. Thus, and in relation to Spain, the deviations identified by the Directors in recent past years are due to non-recurring events outside the operation of the business, such as the impacts due to the first application of new regulations, the costs assumed for the acceleration of the restructuring plans and the changing effect of the current macroeconomic environment.

Finally, and given the degree of uncertainty of the assumptions on the referred variables, Grupo Santander conducts a sensitivity analysis of the most significant assumptions considered in the deferred tax assets' recoverability analysis, considering any reasonable change in the key assumptions on which the projections of results of each tax entity or group and the estimate of the reversal of the different temporary differences are based.

In relation to Spain, the sensitivity analysis consisted of adjusting 50 basis points for growth (gross domestic product) and adjusting 50 basis points for inflation. Following this analysis, the maximum recovery period of deferred tax assets recorded at December 31, 2023 is maintained for 15 years.

In addition, the Spanish Tax Group, of which Banco Santander, S.A. is the dominant entity, has not recognized deferred tax assets of approximately EUR 11,591 million of which EUR 7,101 million correspond to tax losses, EUR 3,580 million to deductions and EUR 909 million to other items.

f) Global Minimum Tax (Pillar II of the OECD Inclusive Framework)

In the European Union, in December 2022, the European Commission adopted Directive 2022/2523 on ensuring an overall minimum level of taxation for multinational enterprise groups and large domestic groups in the EU, to be transposed by December 31, 2023, with the new minimum taxation coming into force on January 1, 2024. The Directive implements at EU level the Pillar Two rules of the OECD's Inclusive Framework on base erosion and profit shifting. Pillar Two applies to multinational groups with a turnover of more than EUR 750 million and requires a minimum taxation of 15% calculated on the adjusted accounting profit on a jurisdiction-by-jurisdiction basis. The OECD has supplemented these

rules by adopting administrative guidelines and a document on safe harbours to simplify their application for the first three years.

In Spain, on December 19, 2023, the Council of Ministers approved the preliminary draft law transposing the European Directive establishing an overall minimum tax level of 15% for multinational companies and large national groups. The entry into force of the rule, once approved, will be January 1, 2024. Pillar Two legislation has also been passed or is in the process of being passed in the United Kingdom and in most EU Member States.

The Group is within the scope of application of this new legislation and has carried out an assessment of its potential impact, taking into account the application of the transitional safe harbours. Once the legislation is approved in Spain, Banco Santander S.A. will become the ultimate parent entity to pay the supplementary tax due by subsidiaries located in jurisdictions that do not reach the minimum effective rate of 15%. In addition, in those countries where a domestic top-up tax is enacted under Pillar Two rules, Group entities will be subject to it.

The assessment of the potential impact of Pillar Two on the Group has been made by analysing the most recent tax returns, country-by-country reports and financial statements of the Group entities.

It follows from this analysis that the effective tax rates calculated under the Pillar Two rules in most of the jurisdictions in which the Group operates are above 15%. Consequently, the Group does not estimate a significant impact from this new regulation, without prejudice to the relevant administrative burdens that its implementation will entail.

g) Regulatory changes

In Spain in 2020, the General State Budget Law for 2021 was approved, which, among other tax measures, established the non-deductibility for corporate income tax purposes of the management expenses of equity investments whose dividends or capital gains are exempt from tax, setting the amount of these non-deductible expenses at 5% of the dividend or positive income obtained. In 2021, the General State Budget Law for 2022 was approved, which established a minimum tax rate of 15% (18% for financial institutions) on the taxable base for corporate income tax. In 2022, Law 38/2022 was passed, establishing a temporary levy payable by credit institutions and financial credit establishments in 2023 and 2024, amounting to 4.8% of the sum of net interest and commission income for the previous year derived from the activity carried out in Spain. The payment obligation arises on the first day of each financial year. Consequently, in January 2023 this new tax was recognised for an amount of EUR 189 million, which was paid during 2023, and in January 2024 an estimated amount of EUR 291 million was recognised for this item. This law also established a 50% limitation on the inclusion of individual tax losses in the

taxable income of the Consolidated Tax Group. This limitation has only been in force until 2023, and a period of 10 years has been set for the reversal of this positive adjustment.

In December 2023, Royal Decree-Law 8/2023 was approved, which provides for the revision of the configuration of the temporary taxation of credit institutions and financial credit establishments during the financial year 2024 for their integration into the tax system and their agreement with the Autonomous Community of the Basque Country and the Autonomous Community of Navarre.

h) Other information

In compliance with the reporting requirements set out in the Listing Rules Instrument 2005 issued by the UK Financial Conduct Authority, shareholders of the Bank who are resident in the United Kingdom will be entitled to claim a tax credit for tax paid abroad in respect of withholding taxes payable by the Bank on dividends to be paid to such shareholders if the total dividend income exceeds the exempt dividend amount of £1,000 for the financial year 2023/2024 (£2,000 for the financial year 2022/2023). Shareholders of the Bank who are resident in the UK and hold their shares in the Bank through the Santander Nominee Service will be provided directly with information on the amount withheld, as well as any other information they may need to complete their UK tax returns. All other shareholders of the Bank who are resident in the UK should contact their bank or stockbroker.

On January 18, 2024, the Spanish Constitutional Court has annulled the mandatory reversal of impairments deducted in previous years and the application of additional limits on the offsetting of tax losses and double taxation deductions, which were introduced in the Corporate Income Tax Law by Royal Decree-Law 3/2016. The application of the ruling in previous years has no impact on results, and is not expected to have a significant impact on the corporate income tax return to be filed in 2024.

Banco Santander, S.A. is a member of the Large Companies Forum and since 2010 has adhered to the Code of Good Tax Practices in Spain, actively participating in both cases in the cooperative compliance programmes being developed by the tax authorities.

25. Other comprehensive income

The balances of 'Other comprehensive income' include the amounts, net of the related tax effect, of the adjustments to assets and liabilities recognised in equity through the statement of recognised income and expense. The amounts arising from subsidiaries are presented, on a line by line basis, in the appropriate items according to their nature.

Respect to items that may be reclassified to profit or loss, the statement of recognised income and expense includes changes in other comprehensive income as follows:

- **Revaluation gains (losses):** includes the amount of the income, net of the expenses incurred in the year, recognised directly in equity. The amounts recognised in equity in the year remain under this item, even if in the same year they are transferred to the income statement or to the initial carrying amount of the assets or liabilities or are reclassified to another line item.
- **Amounts transferred to income statement:** includes the amount of the revaluation gains and losses previously recognised in equity, even in the same year, which are recognised in the income statement.
- **Amounts transferred to initial carrying amount of hedged items:** includes the amount of the revaluation gains and losses previously recognised in equity, even in the same year, which are recognised in the initial carrying amount of assets or liabilities as a result of cash flow hedges.
- **Other reclassifications:** includes the amount of the transfers made in the year between the various valuation adjustment items.

a) Breakdown of Other accumulated comprehensive income - Items that will not be reclassified in results and Items that can be classified in results

EUR million

	2023	2022
Other accumulated comprehensive income	(2,591)	(2,530)
Items that will not be reclassified in results	(2,399)	(2,062)
Actuarial gains and losses on defined benefit pension plans	(1,141)	(1,133)
Non-current assets held for sale	—	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income	(1,162)	(908)
Ineffectiveness of fair value hedges of equity instruments measured at fair value with changes in other comprehensive income	—	—
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	258	289
Changes in the fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	(258)	(289)
Changes in the fair value of financial liabilities at fair value through profit or loss attributable to changes in credit risk	(96)	(21)
Items that can be classified in results	(192)	(468)
Hedges of net investments in foreign operations (effective portion)	—	—
Exchange differences	—	—
Cash flow hedges (effective portion)	(182)	(381)
Changes in the fair value of debt instruments measured at fair value through changes in other comprehensive income	(10)	(87)
Hedging instruments (items not designated)	—	—
Non-current assets held for sale	—	—

b) Other accumulated comprehensive income- Items not reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans

'Other comprehensive income —Items not reclassified to profit or loss— Actuarial gains or losses on defined benefit pension plans' include the actuarial gains and losses and the return on plan assets, less the administrative expenses and taxes inherent to the plan, and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Its variation is shown in the statement of recognised income and expense.

c) Other accumulated comprehensive income - Items that will not be reclassified in results - Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income.

Includes the net amount of unrealized fair value changes of equity instruments at fair value with changes in other comprehensive income.

The following is a breakdown of the composition of the balance as of 31 December 2023 and 2022 under 'Other accumulated comprehensive income - Items that will not be reclassified to profit or loss - Changes in the fair value of equity instruments measured at fair value with changes in other global result' (see note 8):

EUR million

	2023				2022			
	Capital gains by valuation	Capital losses by valuation	Net gains/ losses by valuation	Fair value	Capital gains by valuation	Capital losses by valuation	Net gains/ losses by valuation	Fair value
Equity instruments	52	(1,214)	(1,162)	983	48	(956)	(908)	1,268

Since the entry into force of Bank of Spain Circular 4/2017, no impairment analysis is performed on equity instruments measured at fair value through other comprehensive income. Bank of Spain Circular 4/2017 eliminates the need to estimate the impairment of this type of equity instruments and the reclassification to profit or loss of gains and losses on derecognition of these assets, which are recognised at fair value through equity.

d) Other accumulated comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives - Cash flow hedges (Effective portion)

'Other comprehensive income - Items that may be reclassified to profit or loss - Cash flow hedges' includes the gains or losses attributable to hedging instruments that qualify as effective hedges. These amounts will remain under this heading until they are recognized in the income statement in the periods in which the hedged items affect it (see note 11).

e) Other accumulated comprehensive income - Items that may be reclassified to profit or loss - Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income

Includes the net amount of unrealized changes in the fair value of assets classified as items that can be reclassified in results 'Changes in the fair value of debt instruments measured at fair value with changes in other comprehensive income' (see note 7).

Below is a breakdown of the balance composition as of December 31, 2023 and 2022 of 'Other accumulated global income - Items that can be reclassified in results - Changes in the fair value of the instruments of debt valued at fair value with changes in other comprehensive income' depending on the type of instrument:

EUR million

	2023			Fair value	2022			Fair value
	Revaluation gains	Revaluation losses	Net revaluation gains/(losses)		Revaluation gains	Revaluation losses	Net revaluation gains/(losses)	
Debt instruments	32	(42)	(10)	4,456	7	(94)	(87)	4,120

As of December 31, 2023 and 2022, the handicaps recorded in the 'Other cumulative comprehensive income - Elements that can be reclassified into profit or loss - Changes in the fair value of debt instruments measured at fair value through other comprehensive income' are not significant.

26. Shareholders' equity

The changes in 'Shareholders' equity' are presented in the statement of changes in total equity. Significant information on certain items of 'Shareholders' equity' and the changes therein in 2023 are set forth below.

27. Issued capital

a) Changes

On 1 April 2022, there was a capital reduction amounting to EUR 129,965,136.50 through the redemption of 259,930,273 shares, corresponding to the share buyback program carried out in 2021.

Likewise, on 28 June 2022, Banco Santander decreased its capital by an amount of EUR 143,154,722.50 through the redemption of 286,309,445 shares, corresponding to the share buyback program carried out during the first half of 2022.

Therefore, at 31 December 2022, Banco Santander's share capital consisted of EUR 8,397 million, represented by 16,794,401,584 shares of EUR 0.50 of nominal value each and all of them of a unique class and series. It includes 340,406,572 shares corresponding to the first 2022 share buyback program.

On 21 March 2023, there was a capital reduction amounting EUR 170.203286 million through the redemption of 340,406,572 shares, corresponding to the share buyback program carried out in 2022 and ended in January 2023.

Likewise, on 30 June 2023, there was a capital reduction of EUR 134,924,476.50 through the redemption of 269,848,953 shares, corresponding to the share buyback program during the first half of 2023.

Aforementioned operations have not entailed the return of contributions to the shareholders as Banco Santander was the owner of the redeemed shares.

Therefore, Banco Santander's share capital at 31 December 2023 consisted of EUR 8,092 million, represented by 16,184,146,059 shares of EUR 0.50 of nominal value each and all of them of a unique class and series; including 286,842,316 shares corresponding to the first buyback program of 2023. (See note 1.j.).

Banco Santander's shares are listed on the Spanish Stock Market Interconnection System and on the New York, London and Warsaw Stock Exchanges, and all of them have the same features and rights. Santander shares are listed on the London Stock Exchange under Crest Depository Interest (CDI), each CDI representing one Bank's share. They are also listed on the New York Stock Exchange under American Depositary Shares (ADS), each ADS representing one share. Additionally, Banco Santander's shares were listed on the traditional listing of the Mexican Stock Exchange (BMV) and since 29 December 2023, they were listed only in the International Quotation System of said stock exchange.

As of 31 December 2023, no Banco Santander shareholder individually held more than 3% of its total share capital (which is the threshold generally provided for in Spanish regulations for mandatory notification of a significant participation in a listed company). Even though at 31 December 2023, certain custodians appeared in our shareholder registry as holding more than 3% of our share capital, we understand that those shares were held in custody on behalf of other investors, none of whom exceeded that threshold individually. These custodians were State Street Bank (14.97%), Chase Nominees Limited (6.89%), The Bank of New York Mellon Corporation (5.98%), Citibank New York (3.87%), BNP (3.09%).

At 31 December 2023, neither Banco Santander's shareholder registry nor the CNMV's registry showed any shareholder residing in a non-cooperative jurisdiction with a shareholding equal to, or greater than, 1% of our share capital (which is the other threshold applicable under Spanish regulations).

b) Other considerations

Under Spanish law, only shareholders at the general meeting have the authority to increase share capital. However, they may delegate the authority to approve or execute capital increases to the board of directors. Banco Santander's Bylaws are fully aligned with Spanish law and do not establish any different conditions for share capital increases.

At 31 December 2023 the shares of the following companies were listed on official stock markets: Banco Santander Argentina S.A.; Banco Santander - Chile; Banco Santander (Brasil) S.A. and Santander Bank Polska S.A.

At 31 December 2023 the number of Banco Santander shares owned by third parties and managed by Group management companies (mainly portfolio, collective investment undertaking and pension fund managers) or jointly managed was 36 million shares, which represented 0.22% of Banco Santander's share capital (50 million shares, representing 0.30% of the share capital in 2022). In addition, the number of Banco Santander shares owned by third parties and received as security was 159 million shares (equal to 0.98% of the Bank's share capital).

28. Share premium

Share premium includes the amount paid up by the Bank's shareholders in capital issues in excess of the par value.

The Corporate Enterprises Act expressly permits the use of the share premium account balance to increase capital at the entities at which it is recognised and does not establish any specific restrictions as to its use.

The change in the balance of share premium corresponds to the capital increases detailed in (note 27.a).

The decrease produced in 2022 by an amount of EUR 1,433 million was the consequence of the difference between the purchase value of the redeemed shares (EUR 1,706 million) and the par value of said shares (EUR 273 million) as a consequence of the capital decreases described in note 27.a.

Likewise, in accordance with applicable legislation, a reserve for redeemed capital has been allocated with a charge to the share premium in an amount equal to the nominal value of said redeemed shares (273 million euros).

The decrease produced in 2023 by an amount of EUR 1,595 million has been the consequence of the difference between the purchase value of the redeemed shares (EUR 1,900 million) and the par value of said shares (EUR 305 million) (see note 4.a and statements of changes in total equity) as a consequence of the capital decreases described in note 27.a.

Likewise, in accordance with the applicable legislation, a reserve has been provided for amortized capital charged to the issue premium for an amount equal to the nominal value of said amortized shares (EUR 305 million).

29. Accumulated retained earnings

a) Definitions

The balance of 'Equity - Accumulated gains and Other reserves' includes the net amount of the accumulated results (profits or losses) recognised in previous years through the income statement which in the profit distribution were allocated in equity, the expenses of own equity instrument issues, the differences between the amount for which the treasury shares are sold and their acquisition price, as well as the net amount of the results accumulated in previous years, generated by the result of non-current assets held for sale, recognised through the income statement.

b) Breakdown

The detail of 'Shareholders' equity - reserves' at 31 December 2023 and 2022 is as follows:

EUR million		
	2023	2022
Restricted reserves	2,899	2,798
Legal reserve ^A	1,618	1,734
Own shares	649	737
Revaluation reserve Royal Decree-Law 7/1996	43	43
Reserve for retired capital	589	284
Unrestricted reserves	14,284	7,917
Voluntary reserves	14,284	7,917
Total	17,183	10,715

A. The board of directors has proposed to the general shareholders' meeting the reclassification of the excess that the amount of the balance of the legal reserve account shows over the figure that is equivalent to 20% of the resulting share capital after the executed capital reductions, to be included in the voluntary reserves account.

i. Legal reserve

Under the Consolidated Spanish Corporate Enterprises Act, 10% of net profit for each year must be transferred to the legal reserve. These transfers must be made until the balance of this reserve reaches 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount.

During 2022, Banco Santander did not allocate any amount to Legal Reserve (see note 28).

During the 2023 financial year, the Legal Reserve has been reduced by EUR 116 million, in order to adjust the amount of this legal reserve to be equivalent to 20% of the share capital, following the capital reductions carried out during the year. This amount has been transferred to the voluntary reserves account.

The amount of the Legal Reserve complied with the percentage of 20% of the share capital figure as of December 31, 2023 and 2022.

ii. Reserve for equity shares

According to the Corporate Enterprises Act, an unavailable reserve equivalent to the amount for which Banco Santander's shares owned by subsidiaries are recorded. This reservation shall be freely available when the circumstances which have obliged its constitution disappear. In addition, this reserve covers the outstanding balance of loans granted by the Group with Banco Santander's share guarantee and the amount equivalent to the credits granted by the Group companies to third parties for the acquisition of own shares.

iii. Revaluation reserve Royal Decree Law 7/1996, of 7 June

The balance of Revaluation reserve Royal Decree-Law 7/1996 can be used, free of tax, to increase share capital. From 1 January 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised. The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised.

If the balance of this reserve were used in a manner other than that provided for in Royal Decree law 7/1996, of 7 June, it would be subject to taxation.

iv. Voluntary Reserve

During the financial year 2023 there has been an increase in voluntary reserves amounting EUR 6,367 million; which is due to the application of the profit for 2022 amounting to EUR 5,979, an increase of EUR 116 million from the reclassification of the excess legal reserve, a decrease of EUR 391 million from the interest on the PPCCs (see note 21), an increase of EUR 613 million from the contribution of in-kind securities to Santander Insurance, an increase of EUR 4 million from losses on the sale of equity instruments measured at fair value charged to other accumulated comprehensive income and an increase of EUR 46 million from the transfer between equity items and other concepts.

30. Other equity instruments and own shares

a) Equity instruments issued not capital and other equity instruments

Other equity instruments includes the equity component of compound financial instruments, the increase in equity due to personnel remuneration, and other items not recognised in other "Shareholders' equity" items.

On July 13, 2017, Banco Santander and Banco Popular Español, S.A.U. (hereinafter, Banco Popular) communicated that they had decided to launch a commercial action with the purpose of building loyalty among retail customers of their networks affected by the resolution of Banco Popular (the 'Loyalty Action').

Under the Loyalty Action, customers who met certain conditions and have been affected by Banco Popular's decision could receive, without disbursement by their part, marketable securities issued by Banco Santander for a nominal amount equivalent to the investment in shares or in certain bonds subordinates of Banco Popular (with certain limits) of which they held at the date of Banco Popular's resolution. In order to avail itself of such action, it was necessary for the client to waive legal action against the Group.

The Loyalty Action would be carried out by providing the customer with contingently amortizable perpetual obligations ('Loyalty Bonds') of Banco Santander, S.A. Loyalty Bonds will accrue a cash coupon, discretionary, non-cumulative, payable for completed quarters.

This issuance was made by Banco Santander, S.A. on 8 September 2017 for a nominal amount of EUR 981 million, fully subscribed by Banco Popular Español, S.A.U. As at 31 December 2023, the cost recorded under the heading 'Equity instruments' issued other than capital on Banco Santander balance sheet amounts to EUR 720 million (EUR 688 million as at 31 December 2022).

Loyalty Bonds are perpetual securities; however, they may be fully amortized at the will of Banco Santander, S.A., with prior authorization from the European Central Bank, on any of the dates of payment of the coupon, seven years after its issuance.

Additionally, at 31 December 2023 the Bank had other equity instruments amounting to EUR 195 million.

b) Own shares

'Shareholders' equity - Own shares' includes the amount of equity instruments held by Banco Santander.

Transactions involving own equity instruments, including their issuance and cancellation, are recognised directly in equity, and no profit or loss may be recognised on these transactions. The costs of any transaction involving own equity instruments are deducted directly from equity, net of any related tax effect.

The Bank's shares owned by the consolidated companies accounted for 1.84% of issued share capital at 31 December 2023 (December 31, 2022 1.451%).

During the 2023 financial year, 872,273,247 Bank shares have been acquired at an average price of EUR 3.41 per share, of which 389,312,719 correspond to the share repurchase program carried out during the first quarter of 2023 and 286,842,316 shares correspond to the new buy-back program started on September 28. Likewise, 610,255,525 shares have been redeemed and 196,118,212 shares have been transferred at an average price of EUR 3.31 per share. Banco Santander also transferred 6,617,008 shares in a donation to the Fundación Banco Santander.

31. Memorandum items

Memorandum items relate to balances representing rights, obligations and other legal situations that in the future may have an impact on net assets, as well as any other balances needed to reflect all transactions even though they may not impinge on its net assets.

a) Guarantees and contingent commitments granted

Guarantees include transactions for which an entity secures obligations of a third party arising from financial guarantees granted by the entity or other types of contracts. 'Contingent liabilities' include all transactions under which an entity guarantees the obligations of a third party and which result from financial guarantees granted by the entity or from other types of contract. The detail is as follows:

EUR million	2023	2022
Loans commitment granted	128,487	122,374
Available in lines of credit	128,487	122,374
Deposits in the future	—	—
Financial guarantees granted	14,746	11,956
Financial guarantees	177	190
Credit derivatives sold	14,569	11,766
Other commitments granted	90,048	71,948
Irrevocable documentary credits	4,436	4,628
Other guarantees and guarantees granted	42,817	36,725
Other	42,795	30,595
<i>Of which:</i>		
<i>Subscribed securities pending disbursement</i>	<i>1</i>	<i>1</i>
<i>Conventional asset acquisition contracts</i>	<i>21,083</i>	<i>10,123</i>
<i>Other contingent commitments</i>	<i>21,711</i>	<i>20,471</i>
Total Other guarantees and commitments	233,281	206,278

The breakdown at December 31, 2023 of off-balance sheet exposures and allowance fund (see note 23) by impairment phase under Bank of Spain Circular 4/2017 are EUR 228,367 million and EUR 56 million in phase 1, EUR 4,286 million and EUR 50 million in phase 2 and EUR 628 million and EUR 78 million in phase 3, respectively. In addition the breakdown at December 31, 2022 of exposures and the allowance fund were EUR 201,654 million and EUR 55 million in phase 1, EUR 3,700 million and EUR 83 million in phase 2 and EUR 924 million and EUR 82 million in phase 3, respectively.

A significant part of these amounts will mature without any payment obligation material for the Bank; therefore, the aggregate balance of these commitments cannot be considered as a real future need for financing or liquidity to be granted to third parties by Banco Santander.

Income from guarantee instruments is recognized under 'Fee and commission income' in the income statements and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee.

i. Loan commitments granted

Firm commitments to provide credit under pre-established conditions and terms, except for those that meet the definition of derivatives because they may be settled in cash or through the delivery or issuance of another financial instrument. They include those available in lines of credit and forward deposits.

ii. Financial guarantees granted

Include financial guarantee contracts such as financial guarantees, credit derivatives sold, derivative risks contracted on behalf of third parties and others.

iii. Other commitments granted

Other contingent liabilities include all commitments that could give rise to the recognition of financial assets not included in the above items, such as technical guarantees and guarantees for the import and export of goods and services.

b) Other information

i. Assets advanced as collateral

In addition to collateral assets, there are assets owned by Banco Santander which guarantee both transactions carried out by the Bank or by third parties and various contingent liabilities and liabilities over which the assignee has the right, by contract or custom, to re-transfer and pledge them.

The carrying value of Banco Santander's financial assets delivered as collateral for such contingent and assimilated liabilities or liabilities is the following:

EUR million	2023	2022
Financial assets held for trading	26,768	26,730
<i>Of which</i>	<i>—</i>	<i>—</i>
<i>Public debt Public Sector Agencies</i>	<i>5,294</i>	<i>5,300</i>
<i>Fix rent instruments</i>	<i>18,274</i>	<i>13,551</i>
<i>Equity instruments</i>	<i>3,200</i>	<i>7,879</i>
Non-trading financial assets mandatorily at fair value through profit or loss	326	627
Financial assets at fair value through other comprehensive income	1,551	1,517
Financial assets at amortized cost	16,003	6,019
Total	44,648	34,893

32. Hedging derivatives

Banco Santander, within its financial risk management strategy, and in order to reduce asymmetries in the accounting treatment of its operations, enters into hedging derivatives on interest, exchange rate, credit risk or variation of stock prices, depending on the nature of the risk covered.

Based on its objective, Banco Santander classifies its hedges in the following categories:

- Cash flow hedges: cover the exposure to the variation of the cash flows associated with an asset, liability or a highly probable forecast transaction. This cover the variable-rate issues in foreign currencies, fixed-rate issues in non-local currency, variable-rate interbank financing and variable-rate assets (bonds, commercial loans, mortgages, etc.).
- Fair value hedges: cover the exposure to the variation in the fair value of assets or liabilities, attributable to an identified and hedged risk. This covers the interest risk of assets or liabilities (bonds, loans, bills, issues, deposits, etc.) with coupons or fixed interest rates, interests in entities, issues in foreign currencies and deposits or other fixed rate liabilities.
- Hedging of net investments abroad: cover the exchange rate risk of the investments in subsidiaries domiciled in a country with a different currency from the functional one of the Bank.

The details of the coverage derivatives of Banco Santander, S.A. according to the type of coverage, the risk they cover and the product, can be found in the following table:

EUR million

	31 December 2023				Balance sheet items
	Notional Value	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness	
		Assets	Liabilities		
Fair Value Hedges	49,598	983	(2,198)	655	
Interest rate risk	41,095	772	(1,849)	595	Hedging derivatives
<i>Of which:</i>					
Interest Rate Swap	40,716	766	(1,847)	597	
Exchange rate risk	1,486	12	(11)	(11)	Hedging derivatives
<i>Of which:</i>					
Fx forward	1,486	12	(11)	(11)	
Interest rate and exchange risk	7,017	199	(338)	71	Hedging derivatives
<i>Of which:</i>					
Interest Rate Swap	1,218	6	(82)	59	
Currency Swap	5,798	193	(256)	12	
Credit Risk	—	—	—	—	Hedging derivatives
<i>Of which:</i>					
CDS	—	—	—	—	
Cash flow Hedges	11,724	63	(437)	285	
Interest rate risk	10,000	—	(388)	288	Hedging derivatives
<i>Of which:</i>					
Interest Rate Swap	10,000	—	(388)	288	
Exchange rate risk	149	—	—	4	Hedging derivatives
<i>Of which:</i>					
Fx forward	149	—	—	4	
Interest rate and exchange risk	1,575	63	(49)	(6)	Hedging derivatives
<i>Of which:</i>					
Currency exchange	1,276	63	(36)	(12)	
Inflation rate risk	—	—	—	(1)	Hedging derivatives
<i>Of which</i>					
Interest Rate Swap	—	—	—	—	
Floor	—	—	—	(1)	
Net Investments hedges abroad	16,497	56	(464)	(1,873)	
Exchange rate risk	16,497	56	(464)	(1,873)	Hedging derivatives
<i>Of which:</i>					
Fx forward	16,497	56	(464)	(1,873)	
Total	77,819	1,102	(3,099)	(933)	

EUR million

	31 December 2022				Balance sheet line items
	Notional Value	Carrying amount		Changes in fair value used for calculating hedge ineffectiveness	
		Assets	Liabilities		
Fair value hedges	47,626	1,181	(2,563)	(2,065)	
Interest rate risk	37,575	879	(2,323)	(1,872)	Hedging derivatives
Of which:					
Interest Rate Swap	37,220	873	(2,321)	(1,870)	
Exchange rate risk	3,214	137	(24)	(36)	Hedging derivatives
Of which:					
Fx forward	3,214	137	(24)	(36)	
Interest rate and exchange rate risk	6,781	165	(216)	(158)	Hedging derivatives
Of which:					
Interest Rate Swap	905	4	(80)	(79)	
Currency Swap	5,876	160	(136)	(79)	
Credit risk	56	—	—	1	Hedging derivatives
Of which:					
CDS	56	—	—	1	
Cash flow hedges	31,267	70	(563)	(420)	
Interest rate risk	28,200	1	(462)	(443)	Hedging derivatives
Of which:					
Interest rate swap	28,200	1	(462)	(443)	
Exchange rate risk	132	—	(3)	(3)	Hedging derivatives
Of which:					
Fx forward	132	—	(3)	(3)	
Interest rate and exchange rate risk	2,235	69	(97)	25	Hedging derivatives
Of which:					
Currency swap	2,171	69	(90)	30	
Inflation rate risk	700	—	(1)	1	Hedging derivatives
Of which:					
Interest Rate Swap	—	—	—	—	
Floor	350	—	(1)	1	
Net investment hedges abroad	20,570	199	(829)	(2,432)	
Exchange rate risk	20,570	199	(829)	(2,432)	Hedging derivatives
Of which:					
Fx forward	20,570	199	(829)	(2,432)	
Total	99,463	1,450	(3,955)	(4,917)	

Banco Santander covers the risks of its balance sheet in a variety of ways. On the one hand, documented as fair value hedges, it covers the interest rate and foreign exchange risk of fixed-income portfolios at a fixed rate (REPOs are included in this category). Resulting, in an exposure to changes in their fair value due to variations in market conditions based on the various risks hedged, which has an impact on Banco Santander's income statement. To mitigate these risks, Banco Santander contracts derivatives, mainly Interest Rate Swaps, Cross Currency Swaps, Cap&floors and Forex Forward.

On the other hand, the interest and exchange rate risk of loans granted to corporate clients at a fixed rate or variable rate is covered. These hedges, are carried out through interest rate swaps, cross currency swaps and exchange rate derivatives (forex swaps and forex forward).

In addition, Banco Santander, S.A. manages the interest and exchange risk of debt issues in its various categories (issuing covered bonds, perpetual, subordinated and senior bond) and in different currencies, denominated at fixed rates, and therefore subject to changes in their fair

value. These issues are covered through interest rate swaps and cross currency swaps.

The methodology used by Banco Santander to measure the effectiveness of fair value hedges is based on comparing the market values of the hedged items (based on the objective risk of the hedge) and of the hedging instruments in order to analyse whether the changes in the market value of the hedged items are offset by the market value of the hedging instruments, thereby mitigating the hedged risk and minimizing volatility in the income statement.

Prospectively, the same analysis is performed, measuring the theoretical market values in the event of parallel variations in the market curves of a positive basis point.

There is a macro hedge of structured loans in which the interest rate risk of fixed-rate loans (mortgage, personal or with other guarantees) granted to legal entities in commercial or corporate banking and wealth clients in the medium-long term is hedged. This hedge is instrumented as a macro hedge of fair value, the main hedging instruments being Interest Rate Swap and Cap&floors. In case of total or partial cancellation or early repayment, the customer is obliged to pay/receive the cost/income of the cancellation of the interest rate risk hedge managed by the Bank.

Regarding cash flow hedges, the objective is to hedge the cash flow exposure to changes in interest rates and exchange rates.

For retrospective purposes, the hypothetical derivative methodology is used to measure effectiveness. By means of this methodology, the hedged risk is modelled as a derivative instrument -not real-, created exclusively for the purpose of measuring the effectiveness of the hedge, and which must comply with the fact that its main characteristics coincide with the critical terms of the hedged item throughout the period for which the hedging relationship is designated. This hypothetical derivative does not incorporate characteristics that are exclusive to the hedging instrument. Additionally, it is worth mentioning that any risk component not associated with the hedged objective risk and effectively documented at the beginning of the hedge is excluded for the purpose of calculating the effectiveness. The market value of the hypothetical derivative that replicates the hedged item is compared with the market value of the hedging instrument, verifying that the hedged risk is effectively mitigated and that the impact on the income statement due to potential ineffectiveness is residual.

Prospectively, the variations in the market values of the hedging instrument and the hedged item (represented by the hypothetical derivative) are measured in the event of parallel shifts of a positive basis point in the affected market curves.

There is another macro-hedge, this time of cash flows, the purpose of which is to actively manage the risk-free interest rate risk (excluding credit risk) of a portion of the floating rate assets of Banco Santander, S.A., through the arrangement of interest rate derivatives whereby the bank exchanges floating rate interest flows for others at a fixed rate agreed at the time the transactions are arranged. The items affected by the Macro-hedging have been designated as those in which their cash flows are exposed to interest rate risk, specifically the floating rate mortgages of the Banco Santander, S.A. network referenced to Euribor 12 Months or Euribor Mortgage, with annual renewal of rates, classified as sound risk and which do not have a contractual floor (or, if not, this floor is not activated). The hedged position affecting the Macro Cash Flow Hedge at the present time is near to EUR 10,000 million.

Regarding net foreign investments hedges, basically, they are allocated in Banco Santander, S.A. and Santander Consumer Finance Group. Grupo Santander assumes as a priority risk management objective to minimize -to the limit determined by the Group's Financial Management- the impact on the calculation of the capital ratio of its permanent investments included within the Group's consolidation perimeter, and whose shares or equity interests are legally denominated in a currency other than that of the Group's parent company. For this purpose, financial instruments (generally derivatives) are contracted to hedge the impact on the capital ratio of changes in forward exchange rates. Grupo Santander mainly hedges the risk for the following currencies: BRL, CLP, MXN, CAD, COP, CNY, GBP, CHF, NOK, USD, PLN, UYU and PEN. The instruments used to hedge the risk of these investments are forex swaps, forex forward and spot currency purchases/sales.

For this type of hedges, ineffectiveness scenarios are considered to be of low probability, given that the hedging instrument is designated considering the position determined and the spot rate at which the position is located.

Additionally, the profile information of maturities and the price/average rate for Banco Santander is shown:

EUR million

	31 December 2023					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
Fair value hedges	1,840	894	9,854	27,085	9,925	49,598
Interest rate risk						
<i>Interest rate instruments</i>						
Nominal	1,532	194	7,880	22,714	8,775	41,095
Average fixed interest rate (%) GBP	—	—	1.38	4.48	2.04	
Average fixed interest rate (%) EUR	0.09	0.02	2.09	2.42	3.42	
Average fixed interest rate (%) CZK	—	—	—	—	—	
Average fixed interest rate (%) NOK	—	—	—	—	—	
Average fixed interest rate (%) AUD	—	—	—	—	—	
Average fixed interest rate (%) CHF	—	—	1.01	—	—	
Average fixed interest rate (%) JPY	—	—	—	—	—	
Average fixed interest rate (%) RON	—	—	—	—	—	
Average fixed interest rate (%) USD	0.02	3.69	2.60	3.80	4.45	
Exchange rate risk						
<i>Exchange rate instruments</i>						
Nominal	278	634	524	50		1,486
GBP/EUR average exchange rate	-	-	-	-	-	
USD/EUR average exchange rate	-	-	-	-	-	
COP/USD average exchange rate	4,159.19	3,998.06	-	-	-	
PEN/USD average exchange rate	3.78	3.75	-	-	-	
AUD/EUR average exchange rate	1.65	1.67	-	-	-	
CNY/EUR average exchange rate	-	7.32	7.73	7.72	-	
MXN/EUR average exchange rate	-	19.36	-	-	-	
MAD/EUR average exchange rate	10.93	11.06	-	-	-	
PEN/EUR average exchange rate	4.09	4.11	-	-	-	
Interest rate and exchange risk						
<i>Instruments of exchange rate and interest</i>						
Nominal	30	66	1,450	4,321	1,150	7,017
Average fixed interest rate (%) AUD/EUR	—	—	—	4.80	3.62	
Average fixed interest rate (%) EUR/USD	—	—	(0.14)	—	—	
Average fixed interest rate (%) CZK/EUR	—	—	—	2.00	—	
Average fixed interest rate (%) RON/EUR	5.13	—	—	3.97	—	
Average fixed interest rate (%) HKD/EUR	—	—	2.58	5.27	—	
Average fixed interest rate (%) JPY/EUR	—	—	0.47	1.30	1.41	
Average fixed interest rate (%) NOK/EUR	—	—	—	3.44	4.50	
Average fixed interest rate (%) CHF/EUR	—	—	—	1.24	—	
Average fixed interest rate (%) USD/CLP	—	—	3.45	—	—	
Average fixed interest rate (%) USD/COP	—	17.98	6.15	13.21	7.15	
Average fixed interest rate (%) EUR/GBP	—	—	—	—	—	
Average fixed interest rate (%) USD/MXN	—	—	14.25	—	—	
AUD/EUR average exchange rate	—	—	—	1.50	1.55	
NZD/EUR average exchange rate	—	—	—	—	1.67	
CZK/EUR average exchange rate	—	—	—	25.83	—	
EUR/GBP average exchange rate	—	—	—	—	—	

EUR million

	31 December 2023					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
<i>EUR/USD average exchange rate</i>	—	—	0.89	0.96	—	
<i>HKD/EUR average exchange rate</i>	—	—	8.78	8.67	—	
<i>JPY/EUR average exchange rate</i>	—	—	120.57	134.15	129.23	
<i>MXN/EUR average exchange rate</i>	—	—	—	—	19.08	
<i>NOK/EUR average exchange rate</i>	—	—	—	9.52	10.43	
<i>RON/EUR average exchange rate</i>	4.71	—	—	4.89	—	
<i>CHF/EUR average exchange rate</i>	—	—	—	1.10	—	
<i>USD/MXN average exchange rate</i>	—	—	0.06	—	—	
Credit risk						
Credit Risk Instruments						
Nominal	—	—	—	—	—	
Cash flow hedges	763	1,525	8,275	1,075	86	11,724
Interest rate and exchange rate risk						
Interest rate and exchange instruments						
Nominal	—	—	414	1,075	86	1,575
<i>Average fixed interest rate (%) AUD/EUR</i>	—	—	—	3.52	—	
<i>Average fixed interest rate (%) USD/COP</i>	—	—	—	—	—	
<i>Average fixed interest rate (%) EUR/PEN</i>	—	—	—	—	—	
<i>Average fixed interest rate (%) EUR/AUD</i>	—	—	—	—	—	
<i>Average fixed interest rate (%) CHF/EUR</i>	—	—	—	3.11	—	
<i>EUR / PEN average exchange rate</i>	—	—	—	—	—	
<i>AUD / EUR average exchange rate</i>	—	—	1.63	1.58	1.56	
<i>JPY / EUR average exchange rate</i>	—	—	—	—	—	
<i>RON / EUR average exchange rate</i>	—	—	—	4.94	—	
<i>CHF / EUR average exchange rate</i>	—	—	—	1.00	—	
<i>EUR / GBP average exchange rate</i>	—	—	1.17	—	—	
<i>NOK / EUR average exchange rate</i>	—	—	—	—	—	
<i>CZK / EUR average exchange rate</i>	—	—	—	—	—	
<i>EUR / AUD average exchange rate</i>	—	—	—	—	—	
Interest rate risk						
Interest Rate Swaps						
Nominal	750	1,500	7,750	—	—	10,000
<i>Average fixed interest rate (%) EUR</i>	(0.12)	(0.09)	0.02	—	—	
Inflation rate risk						
Interest Rate Swaps						
Nominal	—	—	—	—	—	
<i>Average fixed interest rate (%) EUR</i>	—	—	—	—	—	
Exchange rate risk						
FX Swap						
Nominal	13	25	111	—	—	149
<i>GBP/EUR average exchange rate</i>	1.15	1.15	1.14	—	—	
Net investment hedges abroad	3,593	4,870	8,034	—	—	16,497
Exchange rate risk						
Exchange rate instruments						
Nominal	3,593	4,870	8,034	—	—	16,497
<i>BRL / EUR average exchange rate</i>	5.57	5.51	5.48	—	—	
<i>CLP / EUR average exchange rate</i>	916.72	936.17	987.20	—	—	

EUR million

	31 December 2023					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
<i>COP / EUR average exchange rate</i>	—	4,525.66	—	—	—	
<i>GBP / EUR average exchange rate</i>	0.87	0.87	0.88	—	—	
<i>MXN / EUR average exchange rate</i>	20.08	20.59	20.21	—	—	
<i>USD / EUR average exchange rate</i>	—	1.13	1.08	—	—	
<i>PLN / EUR average exchange rate</i>	4.66	4.75	4.58	—	—	
<i>CAD / EUR average exchange rate</i>	—	1.46	—	—	—	
<i>CHF / EUR average exchange rate</i>	—	0.94	—	—	—	
<i>UYU / EUR average exchange rate</i>	43.24	43.52	44.40	—	—	
Total	6,196	7,289	26,163	28,160	10,011	77,819

EUR million

	31 December 2022					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
Fair value hedges	2,194	2,194	5,521	27,920	9,797	47,626
Interest rate risk						
Interest rate instruments						
Nominal	1,032	1,248	2,348	24,115	8,809	37,552
Average fixed interest rate (%) GBP	—	2.04	2.04	1.86	2.04	
Average fixed interest rate (%) EUR	0.57	(0.41)	0.28	2.40	1.67	
Average fixed interest rate (%) CZK	—	—	—	1.65	—	
Average fixed interest rate (%) NOK	—	—	—	—	2.33	
Average fixed interest rate (%) AUD	—	1.07	—	—	—	
Average fixed interest rate (%) CHF	—	—	—	0.53	—	
Average fixed interest rate (%) JPY	—	—	—	0.46	—	
Average fixed interest rate (%) RON	—	—	—	3.61	—	
Average fixed interest rate (%) USD	2.89	3.12	3.83	3.18	3.37	
Exchange rate risk						
Exchange rate instruments						
Nominal	250	899	2,064	—	—	3,213
GBP/EUR average exchange rate	—	—	0.88	—	—	
USD/EUR average exchange rate	1.04	—	0.99	—	—	
COP/USD average exchange rate	—	—	—	—	—	
PEN/USD average exchange rate	—	—	—	—	—	
AUD/EUR average exchange rate	—	1.59	—	—	—	
CNY/EUR average exchange rate	7.17	7.25	7.16	—	—	
MXN/EUR average exchange rate	—	21.53	—	—	—	
MAD/EUR average exchange rate	—	—	—	—	—	
PEN/EUR average exchange rate	—	—	—	—	—	
Interest rate and exchange risk						
Instruments of exchange rate and interest						
Nominal	912	38	1,101	3,767	988	6,806
Average fixed interest rate (%) AUD/EUR	4.00	—	—	4.80	3.82	
Average fixed interest rate (%) EUR/USD	—	—	—	(0.14)	—	
Average fixed interest rate (%) CZK/EUR	—	—	0.86	—	—	
Average fixed interest rate (%) RON/EUR	—	4.52	—	5.13	—	
Average fixed interest rate (%) HKD/EUR	—	—	—	2.58	—	
Average fixed interest rate (%) JPY/EUR	0.57	—	—	1.44	1.36	
Average fixed interest rate (%) NOK/EUR	—	—	—	3.01	3.76	
Average fixed interest rate (%) CHF/EUR	—	—	—	1.24	—	
Average fixed interest rate (%) USD/CLP	—	—	—	3.45	—	
Average fixed interest rate (%) USD/COP	—	—	15.45	13.61	7.15	
Average fixed interest rate (%) EUR/GBP	—	5.17	—	—	—	
Average fixed interest rate (%) USD/MXN	—	—	12.98	—	—	
AUD/EUR average exchange rate	1.50	—	—	1.50	1.55	
NZD/EUR average exchange rate	—	—	—	—	1.67	
CZK/EUR average exchange rate	—	—	25.41	25.68	—	
EUR/GBP average exchange rate	—	1.16	—	—	—	
EUR/USD average exchange rate	—	—	—	0.94	—	

EUR million

	31 December 2022					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
<i>HKD/EUR average exchange rate</i>	—	—	—	8.85	—	
<i>JPY/EUR average exchange rate</i>	133.84	—	—	130.23	118.18	
<i>MXN/EUR average exchange rate</i>	—	—	—	—	—	
<i>NOK/EUR average exchange rate</i>	—	—	—	9.49	9.69	
<i>RON/EUR average exchange rate</i>	—	4.75	—	4.84	4.93	
<i>CHF/EUR average exchange rate</i>	—	—	1.09	1.11	—	
<i>USD/MXN average exchange rate</i>	—	—	0.05	—	—	
Credit risk						
Credit Risk Instruments						
Nominal	—	9	8	38	—	55
Cash flow hedges	2,261	4,525	12,846	11,451	184	31,267
Interest rate and exchange rate risk						
Interest rate and exchange instruments						
Nominal	—	3	597	1,451	184	2,235
<i>Average fixed interest rate (%) AUD/EUR</i>	—	—	—	0.30	—	
<i>Average fixed interest rate (%) USD/COP</i>	—	—	15.40	—	—	
<i>Average fixed interest rate (%) EUR/PEN</i>	—	—	6.50	—	—	
<i>Average fixed interest rate (%) EUR/AUD</i>	—	3.21	—	—	—	
<i>Average fixed interest rate (%) CHF/EUR</i>	—	—	—	—	—	
<i>EUR / PEN average exchange rate</i>	—	—	0.25	—	—	
<i>AUD / EUR average exchange rate</i>	—	—	—	1.60	1.56	
<i>RON / EUR average exchange rate</i>	—	—	—	4.89	—	
<i>JPY / EUR average exchange rate</i>	—	—	—	120.57	—	
<i>CHF / EUR average exchange rate</i>	—	—	—	1.10	—	
<i>EUR / GBP average exchange rate</i>	—	—	1.08	1.17	—	
<i>NOK / EUR average exchange rate</i>	—	—	—	—	10.24	
<i>CZK / EUR average exchange rate</i>	—	—	—	26.13	—	
<i>EUR / AUD average exchange rate</i>	—	0.65	—	—	—	
Interest rate risk						
Interest Rate Swaps						
Nominal	2,250	4,500	11,450	10,000	—	28,200
<i>Average fixed interest rate (%) EUR</i>	(0.43)	(0.40)	(0.35)	(0.01)	—	
Inflation rate risk						
Interest Rate Swaps						
Nominal	—	—	700	—	—	700
<i>Average fixed interest rate (%) EUR</i>	—	—	0.32	—	—	
Exchange rate risk						
FX Swap						
Nominal	11	22	99	—	—	132
<i>GBP/EUR average exchange rate</i>	1.16	1.15	1.14	—	—	
Net investment hedges abroad	2,020	4,711	13,839	—	—	20,570
Exchange rate risk						
Exchange rate instruments						
Nominal	2,020	4,711	13,839	—	—	20,570
<i>BRL / EUR average exchange rate</i>	6.55	5.80	5.87	—	—	
<i>CLP / EUR average exchange rate</i>	953.55	955.79	994.11	—	—	

EUR million

	31 December 2022					Total
	Up to one month	One to three months	Three months to one year	One year to five years	More than five years	
<i>COP / EUR average exchange rate</i>	—	4,935.12	—	—	—	
<i>GBP / EUR average exchange rate</i>	0.87	0.87	0.88	—	—	
<i>MXN / EUR average exchange rate</i>	25.13	23.97	22.16	—	—	
<i>USD / EUR average exchange rate</i>	—	—	—	—	—	
<i>PLN / EUR average exchange rate</i>	4.83	4.84	4.99	—	—	
<i>CAD / EUR average exchange rate</i>	—	—	—	—	—	
<i>CHF / EUR average exchange rate</i>	—	—	—	—	—	
<i>UYU / EUR average exchange rate</i>	—	—	—	—	—	
Total	6,475	11,430	32,206	39,371	9,981	99,463

Regarding the hedged items, in the following table we have the detail of the type of coverage, the risk that is covered and what products are being covered as of December 31, 2023 and 2022, mainly they are loaned deposits, financial and corporate bonds and corporate repos:

EUR million

	31 December 2023						
	Amount in books of the item covered		Cumulative amount of fair value adjustments on the covered line		Change in the fair value of the item covered for inefficiency assessment	Cash flow hedge reserve / foreign currency conversion	
	Assets	Liabilities	Assets	Liabilities		Coverage continues	Discontinuous coverage
Fair value hedges	6,438	35,079	(212)	(1,105)	(659)	—	—
Interest rate risk	5,600	29,690	(187)	(991)	(640)	—	—
Exchange rate risk	285	—	(1)	—	7	—	—
Interest rate and exchange rate risk	553	5,389	(24)	(114)	(26)	—	—
Credit risk	—	—	—	—	—	—	—
Cash flow hedges	—	—	—	—	(285)	(259)	(1)
Interest rate risk	—	—	—	—	(288)	(271)	(1)
Exchange rate risk	—	—	—	—	(4)	—	—
Interest rate and exchange rate risk	—	—	—	—	6	12	—
Inflation rate risk	—	—	—	—	1	—	—
Net investment hedges abroad	16,497	—	1,873	—	1,873	—	—
Exchange rate risk	16,497	—	1,873	—	1,873	—	—
Total	22,935	35,079	1,661	(1,105)	929	(259)	(1)

EUR million

	31 December 2022						
	Amount in books of the item covered		Cumulative amount of fair value adjustments on the covered line		Change in the fair value of the item covered for inefficiency assessment	Cash flow hedge reserve / foreign currency conversion	
	Assets	Liabilities	Assets	Liabilities		Coverage continues	Discontinuous coverage
Fair value hedges	13,021	29,812	(597)	(1,834)	2,051	—	—
Interest rate risk	10,237	26,865	(306)	(1,711)	1,881	—	—
Exchange rate risk	2,189	—	(284)	—	16	—	—
Interest rate and exchange rate risk	453	2,947	(7)	(123)	156	—	—
Credit risk	142	—	—	—	(2)	—	—
Cash flow hedges	—	—	—	—	420	(542)	(3)
Interest rate risk	—	—	—	—	443	(557)	(3)
Exchange rate risk	—	—	—	—	3	(3)	—
Interest rate and exchange rate risk	—	—	—	—	(25)	17	—
Inflation rate risk	—	—	—	—	(1)	1	—
Net investment hedges abroad	20,570	—	2,432	—	2,432	—	—
Exchange rate risk	20,570	—	2,432	—	2,432	—	—
Total	33,591	29,812	1,835	(1,834)	4,903	(542)	(3)

The cumulative amount of adjustments of the fair value hedging instruments that remain in the balance for hedges items that are no longer adjusted by profit and loss of coverage as at 31 December 2023 is EUR 48 million (EUR 46 million in 2022).

The following table contains information regarding the effectiveness of the hedging relationships designated by Banco Santander, as well as the impacts on profit or loss and other comprehensive income as of 31 December 2023 and 2022:

EUR million					
31 December 2023					
	Earnings / (losses) recognized in Other accumulated global income	Coverage inefficiency recognized in the income statement	Line of the income statement that includes ineffective coverage	Reclassified amount of reserves to the income statement due to:	
				Covered transaction that affects the income statement	Line of the income statement that includes reclassified amounts
Fair value hedges	—	(4)	Gain or losses of financial assets/ liabilities		
Interest rate risk	—	(45)			
Exchange rate risk	—	(4)			
Interest and Exchange rate risk	—	45			
Credit risk	—	—			
Cash flow hedges	285	—	Gain or losses of financial assets/ liabilities	355	Net interest income/ Gains or losses of financial assets/ liabilities
Interest rate risk	288	—		362	
Exchange rate risk	4	—		—	
Interest rate and exchange rate risk	(6)	—		(7)	
Inflation rate risk	(1)	—		—	
Total	285	(4)		355	

EUR million

	31 December 2022				
	Earnings / (losses) recognized in Other accumulated global income	Coverage inefficiency recognized in the income statement	Line of the income statement that includes ineffective coverage	Reclassified amount of reserves to the income statement due to:	
				Covered transaction that affects the income statement	Line of the income statement that includes reclassified amounts
Fair value hedges	—	(15)			
Interest rate risk	—	7	Gain or losses of financial assets/liabilities	—	N/A
Exchange rate risk	—	(20)	Gain or losses of financial assets/liabilities	—	N/A
Interest and Exchange rate risk	—	(1)	Gain or losses of financial assets/liabilities	—	N/A
Credit risk		(1)	N/A	—	N/A
Cash flow hedges	(420)	—		85	
Interest rate risk	(443)	—	Gains or losses of financial assets/liabilities	46	Net interest income/Gains or losses of financial assets/liabilities
Exchange rate risk	(3)	—	Gain or losses of financial assets/liabilities	—	Net interest income/Gains or losses of financial assets/liabilities
Interest rate and exchange rate risk	25	—	Gains or losses of financial assets/liabilities	10	Net interest income/Gains or losses of financial assets/liabilities
Inflation rate risk	1	—	Gain or losses of financial assets/liabilities	29	Net interest income/Gains or losses of financial assets/liabilities
Total	(420)	(15)		85	

The following table shows a reconciliation of each component of equity and an analysis of other comprehensive income in relation to hedge accounting at 31 December 2023 and 2022:

EUR million	2023	2022
Balance at the end of the previous year	(381)	(87)
Amount recognized in Other accumulated global income		
Cash flow hedges	285	(420)
Interest rate risk and interest rate and exchange rate risk	285	(420)
<i>Changes in equity by discharge at P&L</i>	355	85
<i>Remains of equity movements</i>	(70)	(505)
Taxes	(86)	126
Balance at year end	(182)	(381)

33. Off-balance-sheet funds under management

As of 31 December 2023, Banco Santander held off-balance-sheet funds under management, namely investment funds and assets under management, amounting to EUR 93,539 million (31 December 2022, EUR 82,446 million). Marketed but not held under management amounted to EUR 22,220 million (31 December 2022, EUR 22,907 million).

34. Interest income

Interest and similar income in the accompanying income statements comprises the interest accruing in the year on all financial assets with an implicit or explicit return, calculated by applying the effective interest method, irrespective of measurement at fair value, and the rectifications of income as a result of hedge accounting. Interest is recognized gross, without deducting any tax withheld originally.

The detail of the main items of interest and similar income earned in 2023 and 2022 is as follows:

EUR million

	2023	2022
Derivatives - Trading	135	32
Of which: Interest income derived from economic hedges	135	32
Debt instruments	2,890	1,337
Central Banks	53	12
Public sector	1,230	437
Credit entities	868	559
Other financial companies	601	267
Non-financial companies	138	62
Loans and advances	14,792	7,157
Central Banks	75	28
Public sector	409	182
Credit entities	1,770	423
Other financial companies	3,634	1,546
Non-financial companies	6,337	3,548
Households	2,567	1,430
Other assets	4,833	1,086
<i>Of which, insurance contracts linked to pensions (note 23.c)</i>	14	17
Deposits	71	449
Central Banks	31	259
Public sector	—	4
Credit entities	8	158
Other financial companies	28	21
Non-financial companies	4	7
Households	—	—
Hedging derivatives - Interest rate risk	(150)	45
Other financial liabilities	9	5
Debt securities issued	—	45
Total	22,580	10,156

Most of the interest and similar income was generated by Banco Santander's financial assets that are measured either at amortized cost or at fair value through Other comprehensive income.

35. Interest expense

Interest expense and similar charges in the accompanying income statements includes the interest accruing in the year on all financial liabilities with an implicit or explicit return, including remuneration in kind, calculated by applying the effective interest method, irrespective of measurement at fair value; the rectifications of cost as a result of hedge accounting; and the interest cost attributable to provisions recorded for pensions.

The detail of the main items of interest expense and similar charges accrued in 2023 and 2022 is as follows:

EUR million	2023	2022
Derivatives - Trading	54	138
<i>Of which: interest income from derivatives in economic hedges</i>	<i>54</i>	<i>138</i>
Debt securities Issued	4,062	2,251
Debt securities	60	68
Central Banks	—	—
Public sector	12	40
Credit entities	3	18
Other financial companies	43	9
Non-financial companies	2	1
Loans and advances	60	304
Central Banks	—	118
Public sector	—	4
Credit entities	10	139
Other financial companies	50	38
Non-financial companies	—	5
Households	—	—
Deposits	10,245	2,595
Central Banks	775	124
Public sector	713	179
Credit entities	2,298	541
Other financial companies	3,705	1,100
Non-financial companies	2,316	581
Households	438	70
Other financial liabilities	598	313
Hedging derivatives - Interest rate risk	1,057	218
Pensions and other obligations of defined post-employment benefits (note 23)	68	71
Others	—	—
Total	16,204	5,958

Most of the interest expense and similar charges was generated by Banco Santander's financial liabilities that are measured at amortized cost.

36. Dividend income

'Dividend income' includes the dividends and payments on equity instruments out of profits generated by investees after the acquisition of the equity interest.

The detail of income from equity instruments is as follows:

EUR million	2023	2022
Financial assets held for trading	408	355
Non-trading financial assets mandatorily at fair value through profit or loss	12	11
Financial assets at fair value through other comprehensive income	50	57
Investments in subsidiaries, jointly controlled entities and associates	9,182	8,743
<i>Group entities</i>	<i>8,888</i>	<i>8,460</i>
<i>Associates</i>	<i>294</i>	<i>283</i>
Total	9,652	9,166

Investments in subsidiaries, jointly controlled entities and associates

The detail of the main items of interest expense and similar charges accrued in 2023 and 2022 is as follows:

EUR million	2023	2022
Detail of the companies:		
SANTANDER HOLDINGS USA, INC.	2,760	4,101
GRUPO FINANCIERO SANTANDER MEXICO, S.A. de C.V.	1,444	634
SANTANDER UK GROUP HOLDINGS PLC	1,385	908
SANTANDER TOTTA, SGPS, S.A.	661	1,208
SANTANDER CONSUMER FINANCE, S.A.	607	652
BANCO SANTANDER MEXICO, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO SANTANDER MEXICO	497	179
SANTANDER SEGUROS Y REASEGUROS, COMPAÑÍA ASEGURADORA, S.A.	400	—
SANTANDER BANK POLSKA S.A.	369	39
ZURICH SANTANDER INSURANCE AMERICA, S.L.	202	160
SANTANDER UK GROUP HOLDINGS PLC (AT1)	114	98
SANTANDER CONSUMER FINANCE SA (AT1)	94	73
SANTANDER HOLDING USA (PERPETUAL PREFERRED STOCK)	84	—
TEATINOS SIGLO XXI INVERSIONES S.A.	84	69
SANTANDER FACTORING Y CONFIRMING, S.A. Unipersonal, E.F.C.	79	49
BANCO SANTANDER S.A.	74	50
CNP SANTANDER INSURANCE LIFE LTD	51	15
SANTANDER CHILE HOLDING S.A.	43	32
MERLIN PROPERTIES, SOCIMI, S.A.	39	107
SANTANDER GLOBAL TECHNOLOGY AND OPERATIONS, S.L. UNIPERSONAL	35	16
SAM INVESTMENT HOLDINGS, S.L.	23	14
BANCO SANTANDER PERÚ S.A.	21	20
SANTANDER TOTTA, SGPS, S.A. (AT1)	20	20
TRESMARES SANTANDER DIRECT LENDING SICC, S.A.	19	—
PEREDA GESTION, S.A.	11	28
SANTANDER TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH S.A.	9	12
BANCO SANTANDER ARGENTINA S.A.	7	18
SOCUR S.A.	7	10
SANTANDER LEASE, S.A. E.F.C.	6	11
SANTANDER INVESTMENT, S.A.	—	107
SANTANDER FINTECH LIMITED	—	77
AVIACION TRITON, A.I.E.	—	10
Other companies	37	26
Total	9,182	8,743

37. Commission income

Fee and commission income comprise the amount of all fees and commissions accruing in favour of Banco Santander in the year, except those that form an integral part of the effective interest rate on financial instruments.

The detail of fee and commission income in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Collection and payment services:	572	665
Current Accounts	185	305
Credit and debit cards	211	184
Transfers and other payment orders	134	100
Other commission income in connection with payment services	42	76
Marketing of non-banking financial products:	689	767
Collective Investment	454	496
Insurance	234	270
Other	1	1
Securities services:	260	233
Securities underwriting and placement	139	123
Transfer orders	16	17
Other	105	93
Clearing and settlement	63	66
Asset management	111	120
Custody	71	72
Structured finance	383	286
Loan granted commitments granted	388	343
Financial granted guarantees granted	267	246
Other:	499	461
Foreign currency exchange	131	126
Other concepts	368	335
Total	3,303	3,259

38. Commission expense

Fee and commission expense show the amount of all fees and commissions paid or payable by Banco Santander in the year, except those that form an integral part of the effective interest rate on financial instruments.

The detail of fee and commission expense in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Clearing and settlement	49	32
Loan commitments received	—	—
Financial guarantees received	174	117
Custody	—	—
Other ^A	452	453
Total	675	602

A. Other Includes mainly commissions paid for financial and mediation services, as well as credit cards.

39. Gains or losses on financial assets and liabilities

The following information is presented below regarding the gains or losses on financial assets or liabilities:

a) Breakdown

The detail, by classification of the related instrument, of Gains/losses on financial assets and liabilities in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Gains or losses on financial assets and liabilities not measured at fair value through profit or loss, net	(232)	75
Financial assets at amortized cost	(234)	(27)
Other financial assets and liabilities	2	102
Of which, debt instruments	(5)	102
Of which, equity instruments	—	—
Gains or losses on financial assets and liabilities held for trading, net ^A	723	412
Gains or losses on non-trading financial assets and liabilities mandatory at fair value through profit or loss	93	498
Gains or losses on financial assets and liabilities measured at fair value through profit or loss, net ^A	122	106
Gains or losses from hedge accounting, net	(4)	(15)
Total	702	1,076

A. Includes the net income obtained from transactions with debt securities, capital instruments, derivatives and short positions included in this portfolio when the Banco Santander jointly manages its risk in those instruments.

b) Financial assets and liabilities at fair value through profit or loss

The detail of the amount of the asset balances is as follows:

EUR million	2023	2022
Loans and receivables	29,753	29,934
Central Banks	1,146	1,933
Credit institutions	11,456	10,741
Customers	17,151	17,260
Debt instruments ^A	30,937	18,796
Equity instruments	15,102	10,491
Derivatives	46,516	54,456
Total	122,308	113,677

A. Include EUR 24,937 million related to Spanish and foreign government debt securities at 31 December 2023 (31 December 2022, EUR 14,509 million).

The foregoing table shows the maximum credit risk exposure of these assets at 31 December 2023 and 2022, respectively. Banco Santander mitigates and reduces this exposure as follows.

With respect to derivatives, Banco Santander has entered into framework agreements with a large number of credit institutions and customers for the netting-off of asset positions and the provision of collateral for non-payment.

Loans and receivable' to credit institutions and loans and receivable to 'customers' included reverse repos amounting to EUR 50,001 million at 31 December 2023 (31 December 2022: EUR 39,201 million).

In addition, assets amounting to EUR 775 million have a mortgage guarantee at 31 December 2023 (31 December 2022: EUR 919 million).

At 31 December 2023 and 2022, the amount of the change in the year in the fair value of financial assets at fair value through profit or loss attributable to variations in their credit risk (spread) was not material.

The detail of the amount of the liability balances is as follows:

EUR million	2023	2022
Deposits	74,052	58,273
Central Banks	6,662	6,005
Credit Institutions	19,420	11,109
Customers	47,970	41,159
Marketable debt instruments	208	89
Short positions	17,837	14,453
Derivatives	41,379	52,126
Total	133,476	124,941

At 31 December 2023 and 2022, the amount of the change in the fair value of financial liabilities at fair value through profit or loss attributable to changes in their credit risk during the year is not material.

40. Exchange differences, net

This chapter basically includes the results obtained in the purchase and sale of currencies, the differences that arise when converting monetary items in foreign currency to functional currency and those from non-monetary assets in foreign currency at the time of disposal.

The detail of 'Exchange differences (net)' in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Foreign currency purchases and sales	(193)	(877)

Banco Santander manages the currencies to which it is exposed together with the arrangement of derivative instruments and, accordingly, the changes in this line item should be analyzed together with those recognized under Gains or losses on financial assets and liabilities (see note 39).

41. Other operating income and other operating expenses

The detail of 'Other operating income' in the accompanying income statements for 2023 and 2022, is as follows:

EUR million	2023	2022
Exploitation of real estate investments and operating leases	261	252
Others	269	199
Total	530	451

The detail of 'Other operating expenses' in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Contribution to Deposit Guarantee Fund (note 1.h)	(247)	(258)
Contribution to Resolution Fund ^A (note 1.h)	(235)	(314)
Other operating expenses	(497)	(318)
Total	(979)	(890)

A. Includes the expense incurred by contribution to the National Resolution Fund and to the Single Resolution Fund.

B. It includes 189 million euros for the temporary tax on credit institutions (Law 38/2022).

42. Staff costs

a) Breakdown

The detail of 'Staff costs' in 2023 and 2022 is as follows:

EUR million	2023			2022		
	Of which, in Spain	Of which, foreign branches	Total	Of which, in Spain	Of which, foreign branches	Total
Wages and salaries	1,805	573	2,378	1,708	433	2,141
Social security costs	358	54	412	325	46	371
Additions to provisions for defined benefit pension plans (note 23)	2	—	2	2	—	2
Contributions to defined contribution pension funds	80	21	101	73	15	88
Equity-instrument-based remuneration	—	—	—	—	—	—
Other staff costs	159	32	191	167	27	194
Total	2,404	680	3,084	2,275	521	2,796

b) Headcount

The average number of employees at the Bank, by professional category, is as follows:

Average number of employees	2023	2022
Executive directors and Senior management	16	17
Other employees	22,112	21,872
Branches abroad	1,933	1,521
Total	24,061	23,410

The number of employees, as of December 31, 2023 and December 31, 2022, is 24,123 and 23,788, respectively.

The functional breakdown, by gender, at 31 December 2023, is as follows:

Breakdown by gender	Breakdown by gender			
	Executives		Other line personnel	
	Men	Women	Men	Women
Breakdown by gender	75 %	25 %	50 %	50 %

The labour relations between employees and the various Group companies and, therefore, the Bank are governed by the related collective agreements or similar regulations.

The number of employees with disabilities greater than or equal to 33%, distributed by professional categories at December 31, 2023 and 2022, is as follows:

	2023	2022
Senior executives	—	—
Other executives	36	29
Other employees	400	415
Total	436	444

The average number of employees of Banco Santander with a disability greater than or equal to 33%, during the year 2023 was 428 (331 at 2022).

c) Share-based payments

The main share-based payments granted by the Group in force at 31 December, 2023 and 2022 are described below.

i. Bank

The variable remuneration policy for the Bank's executive directors and certain executive personnel of the Bank and of other Group companies includes Bank share-based payments, the implementation of which requires, in conformity with the law and the Bank's Bylaws, specific resolutions to be adopted by the general meeting.

Were it necessary or advisable for legal, regulatory or other similar reasons, the delivery mechanisms described below may be adapted in specific cases without altering the maximum number of shares linked to the plan or the essential conditions to which the delivery thereof is subject.

These adaptations may involve replacing the delivery of shares with the delivery of cash amounts of an equal value.

The plans that include share-based payments are as follows: (i) Deferred and Conditional Variable Remuneration Plan; (ii) Deferred Multiyear Objectives Variable Remuneration Plan; (iii) Digital Transformation Award, (iv) Digital Transformation Award 2022 and (v) Digital Transformation Award 2023. The characteristics of the plans are set forth below:

Deferred variable remuneration systems	Description and plan beneficiaries	Conditions	Calculation Base
(i) Deferred and conditional variable remuneration plan (2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023)	<p>The purpose of these cycles is to defer a portion of the variable remuneration of the beneficiaries over a period of three years for the sixth cycles, over three or five years for the fifth, seventh, eighth, ninth, tenth and eleventh cycles, and over four or five years for the twelfth cycle, for it to be paid, where appropriate, in cash and in Santander shares. The other portion of the variable remuneration is also to be paid in cash and Santander shares, upon commencement of the cycles, in accordance with the rules set forth below.</p> <p>Beneficiaries:</p> <ul style="list-style-type: none"> Executive directors and certain executives (including senior management) and employees who assume risk, who perform control functions or receive an overall remuneration which puts them on the same remuneration level as executives and employees who assume risks (fifth cycle) In the case of the sixth, seventh, eighth, ninth, tenth, eleventh twelfth and thirteenth cycle, the beneficiaries are Material Risk Takers (Identified staff) that are not beneficiaries of the Deferred Multiyear Objectives Variable Remuneration Plan. 	<p>For the fifth and sixth cycles (2015 to 2016), the accrual of the deferred compensation is conditioned, in addition to the requirement that the beneficiary remains in the Group's employ, with the exceptions included in the plan regulations on none of the following circumstances existing during the period prior to each delivery, pursuant to the provisions set forth in each case in the plan regulations:</p> <ul style="list-style-type: none"> Poor financial performance of the Group. Breach by the beneficiary of internal regulations, including, in particular, those relating to risks. Material restatement of the Group's consolidated financial statements, except when it is required pursuant to a change in accounting standards. Significant changes in the Group's economic capital or risk profile <p>In the case of the seventh, eighth, ninth, tenth, eleventh, twelfth and thirteenth cycles (2017 to 2022), the accrual of deferred compensation is conditioned, in addition to the permanence of the beneficiary in the Group, with the exceptions contained in the plan's regulations, to non-occurrence of a poor performance of the entity as a whole or of a specific division or area of the entity or of the exposures generated by the personnel:</p> <ol style="list-style-type: none"> significant failures in risk management by the entity, or by a business unit or risk control unit. the increase suffered by the entity or by a business unit of its capital needs, not foreseen at the time of generation of the exposures. Regulatory sanctions or judicial sentences for events that could be attributable to the unit or the personnel responsible for those. Also, the breach of internal codes of conduct of the entity. Irregular behaviours, whether individual or collective, considering in particular the negative effects derived from the marketing of inappropriate products and the responsibilities of the persons or bodies that made those decisions. 	<p>Fifth cycle (2015):</p> <ul style="list-style-type: none"> Executive directors and members of the Identified Staff with total variable remuneration higher than 2.6 million euros: 40% paid immediately and 60% deferred over 5 years deferral period. Division managers, country heads (of countries which represent at least 1% of Group's economic capital), other executives of the Group with a similar profile and members of the Identified Staff with total variable remuneration between 1.7 million euros (1.8 million in fourth cycle) and 2.6 million euros: 50% paid immediately and 50% deferred over 5 years (fifth cycle) Other beneficiaries: 60% paid immediately and 40% deferred over 3 years. <p>Sixth cycle (2016):</p> <ul style="list-style-type: none"> 60% of bonus will be paid immediately and 40% deferred over a three years period. <p>Seventh, eighth, ninth, tenth and eleventh cycle (2017, 2018, 2019, 2020 and 2021):</p> <ul style="list-style-type: none"> Beneficiaries of these plans with target total variable remuneration higher or equal to 2.7 million euros: 40% paid immediately and 60% deferred over 5 years Beneficiaries of these plans with target total variable remuneration between 1.7 million euros and 2.7 million euros: 50% paid immediately and 50% paid over 5 years Other beneficiaries of these plans: 60% paid immediately and 40% deferred over 3 years. <p>Twelfth (2022) and thirteenth (2023) cycle:</p> <ul style="list-style-type: none"> Beneficiaries of these plans with target total variable remuneration higher or equal to 2.7 million euros: 40% paid immediately and 60% deferred over 5 years Beneficiaries of these plans with target total variable remuneration between 1.7 million euros and 2.7 million euros: 50% paid immediately and 50% paid over 5 years Other beneficiaries of these plans: 60% paid immediately and 40% deferred over 4 years .

Deferred variable remuneration systems

Description and plan beneficiaries	Conditions	Calculation Base
<p>(ii)Deferred Multiyear Objectives Variable Remuneration Plan (2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023)</p> <p>The aim is simplifying the remuneration structure, improving the ex ante risk adjustment and increasing the impact of the long-term objectives on the Group's most relevant roles. The purpose of these cycles is to defer a portion of the variable remuneration of the beneficiaries over a period of three or five years (four or five years for the seventh cycle) for it to be paid, where appropriate, in cash and in Santander shares; the other portion of the variable remuneration is also to be paid in cash and Santander shares (regarding the instruments part, executive directors in the seventh cycle have the opportunity to choose all in share options or half in share options and half in shares), upon commencement of the cycles, in accordance with the rules set forth below. The accrual of the last third of the deferral (in the case of 3 years deferral), the last 2 fourths (in the case of 4 years deferral) and the last three fifths (in the case of 5 years deferral) is also subject to long-term objectives.</p> <p>Beneficiaries Executive directors, senior management and certain executives of the Group's first lines of responsibility.</p>	<p>In 2016 the accrual is conditioned, in addition to the permanence of the beneficiary in the Group, with the exceptions contained in the plan's regulations, to non-occurrence of the following circumstances during the period prior to each of the deliveries in the terms set forth in each case in the plan's regulations:</p> <ol style="list-style-type: none"> Poor performance of the Group. Breach by the beneficiary of the internal regulations, including in particular that relating to risks. Material restatement of the Group's consolidated financial statements, except when appropriate under a change in accounting regulations. Significant changes in the Group's economic capital or risk profile. <p>In 2017, 2018, 2019, 2020 and 2021 the accrual is conditioned, in addition to the beneficiary's permanence in the Group, with the exceptions contained in the plan's regulations, to the non-occurrence of poor financial performance from the entity as a whole or of a specific division or area thereof or of the exposures generated by the personnel, taking into account the following factors:</p> <ol style="list-style-type: none"> Significant failures in risk management committed by the entity, or by a business unit or risk control unit. the increase suffered by the entity or by a business unit of its capital needs, not foreseen at the time of generation of the exposures. Regulatory sanctions or court rulings for events that could be attributable to the unit or the personnel responsible for those. Also, the breach of internal codes of conduct of the entity. Irregular behaviours, whether individual or collective, considering in particular negative effects derived from the marketing of inappropriate products and responsibilities of persons or bodies that made those decisions. <p>Paid half in cash and half in shares. In the seventh cycle, and only for executive directors: half in cash and 25% in share options and 25% in shares (unless the director chooses to receive options only).</p> <p>The maximum number of shares to be delivered is calculated by taking into account the weighted average daily volume of weighted average prices for the fifteen trading sessions prior to the previous Friday (excluding) on the date on which the board decides the bonus for the Executive directors of the Bank.</p> <p>In the eighth cycle, and for all Identified Staff: half in cash and 25% in shares and 25% in share options, or half in cash and half in shares, according to each executive's choice.</p>	<p>First cycle (2016): Executive directors and members of the Identified Staff with total variable remuneration higher than or equal to 2.7 million euros: 40% paid immediately and 60% deferred over a 5 years period. Senior managers, country heads of countries representing at least 1% of the Group's capital and other members of the identified staff whose total variable remuneration is between 1.7 million and 2.7 million euros: 50% paid immediately and 50% deferred over a 5 years period. Other beneficiaries: 60% paid immediately and 40% deferred over a 3 years period.</p> <p>The second, third, fourth, fifth and sixth cycles (2017, 2018, 2019, 2020 and 2021 respectively) are under the aforementioned deferral rules, except that the variable remuneration considered is the target for each executive and not the actual award.</p> <p>In 2016 the metrics for the deferred portion subject to long-term objectives (last third or last three fifths, respectively, for the cases of three years and five years deferrals) are: Earnings per share (EPS) growth in 2018 over 2015. Relative Total Shareholder Return (TSR) in the 2016-2018 period measured against a group of credit institutions. Compliance with the fully-loaded common equity tier 1 ("CET1") ratio target for financial year 2018. Compliance with Grupo Santander's underlying return on risk-weighted assets ("RoRWA") growth target for financial year 2018 compared to financial year 2015.</p> <p>In the second, third, fourth, fifth and sixth cycle (2017, 2018, 2019, 2020 and 2021) the metrics for the deferred portion subject to long-term objectives (last third or last three fifths, respectively, for the cases of three years and five years deferrals) are: EPS growth in 2019, 2020, 2021, 2022 and 2023 (over 2016, 2017, 2018, 2019 and 2020, for each respective cycle) Relative Total Shareholder Return (TSR) measured against a group of 17 credit institutions (second and third cycles) in the periods 2017-2019 and 2018-2019, respectively, and against a group of 9 entities (fourth, fifth and sixth cycle) for the 2019-2021, 2020-2022 and 2010-2023 period. Compliance with the fully-loaded common equity tier 1 ("CET1") ratio target for financial years 2019, 2020, 2021, 2022 and 2023, respectively.</p> <p>In the seventh (2022) and eighth cycle (2023), the metrics for the deferred portion subject to long-term objectives (two last fourths and last three fifths, for the cases of four years and five years deferrals) are:</p> <ul style="list-style-type: none"> Banco Santander's consolidated Return on tangible equity (RoTE) target in 2024 (7th cycle) and 2025 (8th cycle). Relative Total Shareholder Return (TSR) measured against a group of 9 credit institutions for the period 2022-2024 (7th cycle) and 2023-2025 (8th cycle). Five ESG metrics linked to our public targets of our Responsible Banking agenda.

Deferred variable remuneration systems

	Description and plan beneficiaries	Conditions	Calculation Base
(iii) Digital Transformation Award (2019, 2020 and 2021)	<p>The 2019, 2020 and 2021 Digital Transformation Incentive (the "Digital Incentive") is a variable remuneration system that includes the delivery of Santander shares and share options.</p> <p>The aim of the Digital Incentive is to attract and retain the critical skill sets to support and accelerate the digital transformation of the Group. By means of this program, the Group offers a remuneration element which is competitive with the remuneration systems offered by other market operators who also compete for digital talent.</p> <p>The number of beneficiaries is limited to a maximum of 250 employees and the total amount of the incentive is limited to 30 million euros.</p>	<p>The funding of this incentive is subject to meeting important milestones that are aligned with the Group's digital roadmap and have been approved by the board of directors, taking into account the digitalization strategy of the Group, with the aim of becoming the best open, responsible global financial services platform.</p> <p>Performance of 2019 incentive was measured based on achievement of the following milestones: (i) Launch of a Global Trade Services (GTS) platform; (ii) launch of a Global Merchant Services (GMS) platform; (iii) migration of our fully digital bank, OpenBank, to a "next generation" platform and launch in 3 markets; (iv) extension of SuperDigital in Brazil to at least one other country; (v) and launch of our international payments app based on blockchain Pago FX to non-Santander customers.</p> <p>The milestones for the 2020 Digital Transformation Award were: (i) rolling out the global merchant services (GMS) platform in 3 new geographies, enhancing the platform functionality and achieving volume targets for transactions and participating merchants; (ii) doing the commercial rollout of the global trade services (GTS) platform in 8 new geographies, enhancing platform functionality, and achieving volume targets for on-boarded clients and monthly active users; (iii) launching OpenBank in a new market and migrating the retail banking infrastructure to "new-mode" bank; (iv) launch the global platform SuperDigital in at least 4 countries, driving target active user growth; (v) deploying machine learning across pre-defined markets for 4 priority use cases, rolling out Conversion Rate Optimization (Digital marketing) for at least 40 sales programs, delivering profit targets, and driving reduction of agent handled calls in contact centers; (vi) successfully implementing initiatives related to on-board and identity services, common API (application programming interface) layer, payment hubs, mobile app for SMEs and virtual assistant services; and (vii) launching the PagoFX global platform in at least 4 countries.</p> <p>The milestones for 2021 were: (i) in relation to Pago Nxt Consumer payment platform: implementation of Superdigital platform in seven countries, acquisition of over 1.5 million active customer base and accelerating growth through B2B (business to business) and B2B2C (business to business to customer) partnerships, acquiring more than 50% of the new customers through these channels, which are more cost-effective; (ii) in relation to Digital Consumer Bank: launching online API for checkout lending in the European Union and completion of controllable items for Openbank launch in USA; (iii) in relation to One Santander strategy: implementation in Europe of One Common Mobile Experience and, specifically, implementation of Europe ONE app for individual customers in at least three of the four countries by December 2021; and be among the three-top rated entities in terms of Mobile NetPromoter Score (Mobile NPS) in at least two of the four countries by December 2021; (iv) In relation to cloud adoption: host 75% of migratable virtual machines on cloud technology (either public cloud or OHE) by December 2021. For these purposes, mainframes, physical servers and servers with non-x86 operating systems will be considered non-migratable.</p>	<p>The Digital Incentive is structured 50% in Santander shares and 50% in options over Santander shares, taking into account the fair value of the option at the moment in which they are granted. For Material Risk Takers subject to five years deferrals, the Digital Incentive (shares and options over shares) shall be delivered in thirds, on the third, fourth and fifth anniversary from their granting. For Material Risk Takers subject to three years deferrals and employees not subject to deferrals, delivery shall be done on the third anniversary from their granting.</p> <p>Any delivery of shares, either directly or via exercise of options over shares, will be subject generally to the Group's general <i>malus & clawback</i> provisions as described in the Group's remuneration policy and to the continuity of the beneficiary within the Group Santander. In this regard, the board may define specific rules for non-Identified Staff.</p> <p>Vested share options can be exercised until maturity, with all options lapsing after ten years (for granting the 2019 incentive) and eight years (for granting the 2020 and 2021 incentive).</p> <p>The total achievement for 2021 Digital Incentive was 77.5% (85% en 2020 and 83% en 2019).</p>

Deferred variable remuneration systems

Deferred variable remuneration systems	Description and plan beneficiaries	Conditions	Calculation base
(iv) Digital Transformation Award (2022)	<p>The board of directors approved the 2022 Digital Transformation Incentive. It is a variable remuneration scheme splits in two different blocks:</p> <ul style="list-style-type: none"> • The first one, with the same mechanism than previous years, that delivers Santander shares and share options if the group hits major milestones on its digital roadmap. This is aimed at a group of up to 250 (is limited to 30 million euros) employees whose functions are deemed essential to Santander's growth. • And the second one, which delivers PagoNxt, S.L. RSUs and premium priced options (PPOs), and is aimed at up to 50 employees (and limited to 15 million euros) whose roles are considered key to PagoNxt's success. <p>The aim of the Digital Incentive is to attract and retain the critical skill sets to support and accelerate the digital transformation of the Group. By means of this program, the Group offers a remuneration element which is competitive with the remuneration systems offered by other market operators who also compete for digital talent.</p>	<p>Performance of the first block of the incentive shall be measured based on achievement of the following milestones:</p> <ol style="list-style-type: none"> Edelweiss: Our Santander future retail architecture EDELWEISS will mean moving from our current Core centric banking architecture towards a Customer and Data-Centric Core supported by lean Record Processing engines. Simplification: Speed up the simplification of our technology platform and business model by Reducing the total number of applications in production and reducing number of products in the regions. Agile: Agile ways of working enable a better and faster reaction to customers' needs and is based on a value-driven delivery that increases efficiency by reducing time-to-market and development costs, and increasing quality. People working in Agile are more collaborative, engaged, empowered and creative. In Digital Consumer Bank: <ol style="list-style-type: none"> To create the BNPL platform connected to at least one merchant in Netherlands and Germany, and to make sure the platform is ready to connect in Spain. To support the definition of Openbank US's IT digital strategy and achieve 2022 milestones in it. To have the new leasing platform connected to dealers in Italy. To expand the Wabi B2B online business to Germany. To execute the first B2B deal with an Original Equipment Manufacturer or mobility player in at least one country. To expand coches.com business and platform to Portugal. <p>And in regard to the second block of digital incentive: the consolidation of PagoNxt Core Perimeter.</p>	<p>The first block of the Digital Incentive is structured 50% in Santander shares and 50% in options over Santander shares, taking into account the fair value of the option at the moment in which they are granted. For Material Risk Takers subject to five years deferrals, the Digital Incentive (shares and options over shares) shall be delivered in thirds, on the third, fourth and fifth anniversary from their granting. For Material Risk Takers subject to three years deferrals and employees not subject to deferrals, delivery shall be done on the third anniversary from their granting.</p> <p>Any delivery of shares, either directly or via exercise of options over shares, will be subject generally to the Group's general <i>malus & clawback</i> provisions as described in the Group's remuneration policy and to the continuity of the beneficiary within the Grupo Santander. In this regard, the board may define specific rules for non-Identified Staff.</p> <p>Vested share options can be exercised until maturity, with all options lapsing after ten years .</p> <p>The total achievement for 2022 Digital Incentive was 96.5%.</p> <p>The second block of Digital Incentive is structured in restricted stock units (RSUs) and premium priced Options (PPOs) of PagoNxt, S.L. in a percentage determined by the internal category of the beneficiary. The total achievement for 2022 was 100%.</p>
(iv) Digital Transformation Award (2023)	<p>The board of directors approved the 2022 Digital Transformation Incentive. It is a variable remuneration scheme which delivers PagoNxt, S.L. RSUs and premium priced options (PPOs), and is aimed at up to 50 employees (and limited to 15 million euros) whose roles are considered key to PagoNxt's success.</p> <p>With this program, the Group offers a remuneration element which is competitive with the remuneration systems offered by other market operators who also compete for digital talent.</p>	<p>And the performance conditions were focus on key digital projects related with PagoNxt's main businesses (Trade, Merchant and Payments) in its core geographies.</p>	<p>This incentive is structured in restricted stock units (RSUs) and premium priced Options (PPOs) of PagoNxt S.L. in a percentage determined by the internal category of the beneficiary. The average achievement for 2023 was 88%.</p>

iii. Fair value

The fair value of the performance share plans was calculated as follows:

- Deferred variable compensation plan linked to multi-year objectives 2022 and 2023:

The Group calculates at the grant date the fair value of the plan based on the valuation report of an independent expert, Willis Towers Watson. According to the design of the plan for 2022 and 2023 and the levels of achievement of similar plans in comparable entities, it has been considered that the fair value is 70%.

43. Other general administrative expenses

a) Breakdown

The detail of Other general administrative expenses in the accompanying income statements for 2023 and 2022 is as follows:

EUR million	2023	2022
Technology and systems	718	695
Fixtures and supplies	113	190
Other administrative expenses	689	574
Technical reports	181	165
Advertising	108	90
Per diems and travel expenses	61	41
Surveillance and cash courier services	33	36
Communications	31	7
Taxes other than income tax	79	65
Insurance premiums	14	24
Total	2,027	1,887

b) Technical reports and other

Technical reports includes the fees from the various Group companies (detailed in the accompanying appendices) for the services provided by their respective auditors, the detail being as follows:

EUR million	2023 ^A	2022 ^A
Audit	116.8	115.4
Audit-related services	8.6	6.4
Tax services	1.6	0.5
All other	5.9	4.8
Total	132.9	127.1

- A. Of those corresponding to Banco Santander, SA, EUR 32.2 million, EUR 2.8 million, EUR 0 million and EUR 2.5 million, respectively, as of December 31, 2023 (EUR 30.7 million, EUR 1.8 million, EUR 0 million and EUR 2.4 million, respectively, as of December 31, 2022); and Branches of Banco Santander, SA, EUR 0.7 million, EUR 0.1 million, EUR 0 million and EUR 0 million, respectively, as of December 31, 2023 (EUR 2.5 million, EUR 0 million, EUR 0 million and EUR 0.1 million, respectively as of December 31, 2022).

The audit services and main non-audit services included for each item in the above breakdown are detailed as follows:

- Audit services: audit of the individual and consolidated financial statements of Banco Santander and its subsidiaries (of which PwC or another firm in its network is the statutory auditor); audit of the interim consolidated financial statements of Banco Santander; audit of the integrated audits prepared in order to file Form 20-F for the annual report with the SEC in the US and the internal control audit (SOx) for required Grupo Santander's entities; the limited review of the financial statements; and the regulatory auditor's reports on Grupo Santander's entities.
- Audit-related services: comfort letters; verification of the financial and non-financial information (as required by regulators); and other reviews of documents that, due to their nature, the external auditor provides for submission to domestic or foreign authorities.
- Tax services: tax compliance and advisory services provided to Group companies outside Spain, which have no direct effect on the audited financial statements and are permitted in accordance with independence regulations.
- Other services: agreed-upon procedure reports, assurance reports and special reports performed under the accepted profession's standards; as well as other reports required by the regulator.

The 'Audit' heading includes the fees for the year's audit, regardless of the date the audit was completed. Any subsequent adjustments, which are not significant, and for purposes of comparison, are shown in this note for each year. The fees corresponding to the rest of the services are shown by reference to when the audit committee approved them.

The services commissioned from the Group's auditors meet the independence requirements under applicable European and Spanish law, the SEC rules and the Public Company Accounting Oversight Board (PCAOB), applicable to the Group, and they did not involve in any case the performance of any work that is incompatible with the auditor's role.

Lastly, the Group commissioned services from audit firms other than PwC amounting to EUR 174.1 million in 2023 (EUR 185.5 million in 2022).

c) Number of branches

The number of offices at 31 December 2023 and 2022 is as follows:

Number of branches	Group	
	2023	2022
Spain	1,924	1,966
Group	6,594	7,053
	8,518	9,019

Number of branches	Of which, Banco Santander	
	2023	2022
Spain	1,901	1,908
International	10	10
Total	1,911	1,918

44. Impairment or reversal of the impairment of investments in subsidiaries, joint ventures and associates or non-financial assets

The detail of 'Impairment losses on other assets (net)' in the accompanying income statements for 2023 and 2022 is as follows:

EUR million		
	2023	2022
Investments in subsidiaries, joint ventures or associates (note 13)	(1,047)	(512)
Non-financial assets (notes 15 and 16)	21	—
Total	(1,026)	(512)

45. Gains or losses on non-financial assets and investments, net

The detail of 'Gains/(losses) on disposal of assets not classified as non-current assets held for sale' in the accompanying income statements for 2023 and 2022 is as follows:

EUR million		
	2023	2022
On disposal of tangible assets	1	2
On disposal of investments in subsidiaries, jointly controlled entities and associates	5	5
Total	6	7

46. Gains or losses on non-current assets held for sale not classified as discontinued operations

The detail of 'Gains/(losses) on non-current assets held for sale not classified as discontinued operations' in the accompanying income statements for 2023 and 2022 is as follows:

EUR million		
	2023	2022
Impairment of non-current assets held for sale (note 12)	(59)	(68)
Gain / (loss) on disposal	(40)	28
Total	(99)	(40)

47. Related parties

The parties related to Banco Santander are deemed to include, in addition to its subsidiaries, associates and jointly controlled entities, Banco Santander'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 is a detail of the transactions performed by Banco Santander with its related parties at 31 December 2023 and 2022, distinguishing between group entities, joint venture entities and associated entities, members of Banco Santander's board of directors, Banco Santander'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.

EUR million

	2023			
	Subsidiaries, associates and jointly controlled entities	Members of the Board of Directors ^A	Senior Management	Other related parties ^A
Assets	149,221	—	12	184
Equity instruments	99,576	—	—	—
Debt instruments	17,593	—	—	1
Loans and advances	32,052	—	12	185
<i>From which: impaired financial assets</i>	164	—	—	—
Liabilities	16,126	14	5	150
Deposits credit institution and clients	14,947	14	5	150
Marketable debt securities	1,179	—	—	—
Income statement	11,464	—	—	11
Interest and similar income	1,719	—	—	9
Interest expense and similar charges	(512)	—	—	(1)
Interest from equity instruments	9,179	—	—	—
Gains / (Losses) on financial instruments and other	754	—	—	—
Fee and commission income	108	—	—	3
Fee and commission expense	216	—	—	—
Other	17,889	3	2	1,094
Contingent liabilities	7,796	2	1	861
Contingent commitments	10,093	1	1	9
Financial instruments - derivatives	—	—	—	224

A. Includes transactions carried out with both Banco Santander and with other entities of Grupo Santander.

EUR million

	2022			
	Subsidiaries, associates and jointly controlled entities	Members of the board of directors ^A	Senior Management	Other related parties ^A
Assets	153,372	—	13	116
Equity instruments	94,698	—	—	—
Debt instruments	15,851	—	—	—
Loans and advances	42,823	—	13	116
<i>From which: impaired financial assets</i>	330	—	—	—
Liabilities	24,099	11	11	106
Deposits credit institution and clients	22,712	11	11	106
Marketable debt securities	1,387	—	—	—
Income statement	10,314	—	—	2
Interest and similar income	968	—	—	1
Interest expense and similar charges	(244)	—	—	—
Interest from equity instruments	8,745	—	—	—
Gains / (Losses) on financial instruments and other	750	—	—	—
Fee and commission income	89	—	—	1
Fee and commission expense	6	—	—	—
Other	501,498	1	1	60
Contingent liabilities	6,758	—	—	4
Contingent commitments	8,255	1	1	13
Financial instruments - derivatives	486,485	—	—	43

A. Includes transactions carried out with both Banco Santander and with other entities of Grupo Santander.

Additionally, the above-mentioned breakdown shows pension insurance contracts with Grupo Santander insurance companies amounting to EUR 195 million on December 31 of 2023 (EUR 209 million on December 31 of 2022).

48. Fair value of financial instruments

a) Detail

The following table summarises the fair values, at the end of each of the years indicated, of the financial assets and liabilities listed below, classified according to the different valuation methodologies used by the Bank to determine their fair value:

EUR million

	2023			2022		
	Published price quotations in active Markets (Level 1)	Internal Models (Level 2 and 3)	Total	Published price quotations in active Markets (Level 1)	Internal Models (Level 2 and 3)	Total
Financial assets held for trading	44,442	69,755	114,197	27,024	76,844	103,868
Non-trading financial assets mandatorily at fair value through profit or loss	64	2,241	2,305	514	2,654	3,168
Financial assets designated at fair value through profit or loss	—	5,806	5,806	—	6,641	6,641
Financial assets at fair value through other comprehensive income	4,929	4,845	9,774	4,615	5,992	10,607
Hedging derivatives (assets)	—	1,102	1,102	—	1,450	1,450
Financial liabilities held for trading	18,126	77,926	96,052	14,762	71,611	86,373
Financial liabilities designated at fair value through profit or loss	—	37,424	37,424	—	38,568	38,568
Hedging derivatives (liabilities)	—	3,099	3,099	—	3,955	3,955

Grupo Santander has developed a formal process for the systematic valuation and management of financial instruments, which has been implemented worldwide across all the Group's units. The governance scheme for this process, applicable to the Bank, distributes responsibilities between two independent divisions: Treasury (development, marketing and daily management of financial products and market data) and Risk (on a periodic basis, validation of pricing models and market data, computation of risk metrics, new transaction approval policies, management of market risk and implementation of fair value adjustment policies).

The approval of new products follows a sequence of steps (request, development, validation, integration in corporate systems and quality assurance) before the product is brought into production. This process ensures that pricing systems have been properly reviewed and are stable before they are used.

The following subsections set forth the most important products and families of derivatives, and the related valuation techniques and inputs, by asset class:

Fixed income and inflation

The fixed income asset class includes basic instruments such as interest rate forwards, interest rate swaps and cross currency swaps, which are valued using the net present value of the estimated future cash flows discounted taking into account basis (swap and cross currency spreads) determined on the basis of the payment frequency and currency of each leg of the derivative. Vanilla options, including caps, floors and swaptions, are priced using the Black-Scholes model, which is one of the benchmark industry models. More exotic derivatives are priced using more complex models which are generally accepted as standard across institutions.

These pricing models are fed with observable market data such as deposit interest rates, futures rates, cross currency swap and constant maturity swap rates, and basis spreads, on the basis of which different yield curves, depending on the payment frequency, and discounting curves are calculated for each currency. In the case of options, implied volatilities are also used as model inputs. These volatilities are observable in the market for cap and floor options and swaptions, and

interpolation and extrapolation of volatilities from the quoted ranges are carried out using generally accepted industry models. The pricing of more exotic derivatives may require the use of non-observable data or parameters, such as correlation (among interest rates and cross-asset), mean reversion rates and prepayment rates, which are usually defined from historical data or through calibration.

Inflation-related assets include zero-coupon or year-on-year inflation-linked bonds and swaps, valued with the present value method using forward estimation and discounting. Derivatives on inflation indices are priced using standard or more complex bespoke models, as appropriate. Valuation inputs of these models consider inflation-linked swap spreads observable in the market and estimations of inflation seasonality, on the basis of which a forward inflation curve is calculated. Also, implied volatilities taken from zero-coupon and year-on-year inflation options are also inputs for the pricing of more complex derivatives.

Equity and foreign exchange

The most important products in these asset classes are forward and futures contracts; they also include vanilla, listed and OTC (Over-The-Counter) derivatives on single underlying assets and baskets of assets. Vanilla options are priced using the standard Black-Scholes model and more exotic derivatives involving forward returns, average performance, or digital, barrier or callable features are priced using generally accepted industry models or bespoke models, as appropriate. For derivatives on illiquid stocks, hedging takes into account the liquidity constraints in models.

The inputs of equity models consider yield curves, spot prices, dividends, asset funding costs (repo margin spreads), implied volatilities, correlation among equity stocks and indices, and cross-asset correlation. Implied volatilities are obtained from market quotes of European and American-style vanilla call and put options. Various interpolation and extrapolation techniques are used to obtain continuous volatility for illiquid stocks. Dividends are usually estimated for the mid and long term. Correlations are implied, when possible, from market quotes of correlation-dependent products. In all other cases, proxies are used for correlations between benchmark underlyings or correlations are obtained from historical data.

The inputs of foreign exchange models include the yield curve for each currency, the spot foreign exchange rate, the implied volatilities and the correlation among assets of this class. Volatilities are obtained from European call and put options which are quoted in markets as of-the-money, risk reversal or butterfly options. Illiquid currency pairs are usually handled by using the data of the liquid pairs from which the illiquid currency can be derived. For more exotic products, unobservable model parameters may be estimated by

fitting to reference prices provided by other non-quoted market sources.

Credit

The most common instrument in this asset class is the credit default swap (CDS), which is used to hedge credit exposure to third parties. In addition, models for first-to-default (FTD), n-to-default (NTD) and single-tranche collateralised debt obligation (CDO) products are also available. These products are valued with standard industry models, which estimate the probability of default of a single issuer (for CDS) or the joint probability of default of more than one issuer for FTD, NTD and CDO.

Valuation inputs are the yield curve, the CDS spread curve and the recovery rate. For indices and important individual issuers, the CDS spread curve is obtained in the market. For less liquid issuers, this spread curve is estimated using proxies or other credit-dependent instruments. Recovery rates are usually set to standard values. For listed single-tranche CDO, the correlation of joint default of several issuers is implied from the market. For FTD, NTD and bespoke CDO, the correlation is estimated from proxies or historical data when no other option is available.

Valuation adjustment for counterparty risk or default risk

The Credit valuation adjustment (CVA) is a valuation adjustment to over the counter (OTC) derivatives as a result of the risk associated with the credit exposure assumed to each counterparty.

The CVA is calculated taking into account potential exposure to each counterparty in each future period. The CVA for a specific counterparty is equal to the sum of the CVA for all the periods. The following inputs are used to calculate the CVA:

- Expected exposure: including for each transaction the mark-to-market (MtM) value plus an add-on for the potential future exposure for each period. Mitigating factors such as collateral and netting agreements are taken into account, as well as a temporary impairment factor for derivatives with interim payments.
- Severity: percentage of final loss assumed in a counterparty credit event/default.
- Probability of default: for cases where there is no market information (the CDS quoted spread curve, etc.), proxies based on companies holding exchange-listed CDS, in the same industry and with the same external rating as the counterparty, are used.
- Discount factor curve.

The Debit Valuation Adjustment (DVA) is a valuation adjustment similar to the CVA but, in this case, it arises

as a result of the Bank's own risk assumed by its counterparties in OTC derivatives.

The CVA at 31 December 2023, at a consolidated level, amounted to EUR 293 million (resulting in a decrease of 16.5% compared to 31 December 2022) and DVA amounted to EUR 330 million (resulting in a decrease of 9.3% compared to 31 December 2022). These decreases are mainly due to movements in credit markets whose spread levels have reduced moderately compared to those of December 2022, partially offset by the upward movement in interest rates.

The CVA at 31 December 2022 amounted to EUR 351 million (resulting in an increase of 48% compared to 31 December 2021) and DVA amounted to EUR 364 million (resulting in an increase of 125% compared to 31 December 2021). The increase is mainly due to movements in credit markets whose spread levels have increased substantially compared to those at the end of 2021.

Regarding the Bank, at the end of December 2023, CVA adjustment of EUR -177 million (a decrease of 18.81% compared to 31 December 2022 -218 millions-) and DVA adjustment of EUR 7 million (a decrease of 95.30% compared to 31 December 2022 -149 millions-) were recorded. The increase is mainly due to movements in the credit markets, whose spread levels have reduced substantially with respect to those at the end of 2022.

The CVA at 31 December 2022 amounted to EUR 218 million (resulting in an increase of 22.48% compared to 31 December 2021) and DVA amounted to EUR 149 million (resulting in an increase of 136.51% compared to 31 December 2021). The variations were due to a decrease in credit spreads in percentages greater than 40% in the most liquid terms.

In addition, the Group amounts the funding fair value adjustment (FFVA) is calculated by applying future market funding spreads to the expected future funding exposure of any uncollateralised component of the OTC derivative portfolio. This includes the uncollateralised component of collateralised derivatives in addition to derivatives that are fully uncollateralised. The expected future funding exposure is calculated by a simulation methodology, where available. The FFVA impact is not material for the consolidated annual accounts as of 31 December 2023 and 2022.

During fiscal year 2023 there have been relevant reclassifications of instruments as Level 3, especially during the last quarter of the year. These changes have been motivated by the implementation of improvements in the classification criteria of financial instruments within the levels of the fair value hierarchy, to comply with regulatory expectations. Thus, the use of expert judgment to determine the observability of valuation inputs has been significantly reduced and objective criteria have been established based on access to price contributors and real market transactions. On

the other hand, it has been strengthened the measurement of the significance of unobservable valuation inputs considering all the inputs that impact the valuation, including both market factors and others associated with credit risk.

As a consequence of these improvements, certain instruments have been classified as Level 3 as they are considered to use unobservable and significant inputs in their assessment. Among them, some long-term derivatives may be highlighted, others that incorporate optionality at unobservable terms or operations that include adjustments for credit risk in their valuation in which some of their components turn out to be unobservable and material. Likewise, some debt instruments that are not considered observable have been reclassified based on the new and stricter criteria currently used.

The effects on the consolidated financial statements resulting from the implementation of this new framework have been recognized prospectively in accordance with the provisions of IAS 8.

The rest of the changes in the instruments classified as Level 3 in the year have been due to movements in the volume of the positions of these instruments in the portfolio due to purchases/sales, with no significant variations having been detected in the market observability conditions of their inputs. of valuation.

In 2023, the amount reclassified to Level 3 by Banco Santander is EUR 1,232 million (EUR 337 million in 2022).

Valuation adjustments due to model risk

The valuation models described above do not involve a significant level of subjectivity, since they can be adjusted and recalibrated, where appropriate, through internal calculation of the fair value and subsequent comparison with the related actively traded price. However, valuation adjustments may be necessary when market quoted prices are not available for comparison purposes.

The sources of risk are associated with uncertain model parameters, illiquid underlying issuers, and poor quality market data or missing risk factors (sometimes the best available option is to use limited models with controllable risk). In these situations, the Group and the Bank calculate and apply valuation adjustments in accordance with common industry practice. The main sources of model risk are described below:

- In the fixed income markets, the sources of model risk include bond index correlations, basis spread modelling, the risk of calibrating model parameters and the treatment of near-zero or negative interest rates. Other sources of risk arise from the estimation of market data, such as volatilities or yield curves, whether used for estimation or cash flow discounting purposes.

- In the stock markets, the sources of model risk include forward skew modelling, the impact of stochastic interest rates, correlation and multi-curve modelling. Other sources of risk arise from managing hedges of digital callable and barrier option payments. Also worthy of consideration as sources of risk are the estimation of market data such as dividends and correlation for quanto and composite basket options.
- For specific financial instruments relating to home mortgage loans secured by financial institutions in the UK (which are regulated and partially financed by the Government) and property asset derivatives, the main input is the Halifax House Price Index (HPI). In these cases, risk assumptions include estimations of the future growth and the volatility of the HPI, the mortality rate and the implied credit spreads.
- Inflation markets are exposed to model risk resulting from uncertainty around modelling the correlation structure among various Consumer Price Index (CPI) rates. Another source of risk may arise from the bid-offer spread of inflation-linked swaps.
- The currency markets are exposed to model risk resulting from forward skew modelling and the impact of stochastic interest rate and correlation modelling for multi-asset instruments. Risk may also arise from market data, due to the existence of specific illiquid foreign exchange pairs.
- The most important source of model risk for credit derivatives relates to the estimation of the correlation between the probabilities of default of different underlying issuers. For illiquid underlying issuers, the CDS spread may not be well defined.

Set forth below are the financial instruments of Grupo Santander at fair value whose measurement was based on internal models (levels 2 and 3) at 31 December 2023 and 2022:

EUR million

	Fair values calculated using internal models at 2023 ^A		Valuation techniques	Main assumptions
	Level 2	Level 3		
ASSETS	133,874	10,351		
Financial assets held for trading	106,993	2,086		
Central banks ^B	17,717	—	Present value method	Yield curves, FX market prices
Credit institutions ^B	14,061	—	Present value method	Yield curves, FX market prices
Customers ^B	11,418	24	Present value method	Yield curves, FX market prices
Debt and equity instruments	8,683	915	Present value method	Yield curves, FX market prices
Derivatives	55,114	1,147		
<i>Swaps</i>	44,987	577	Present value method, Gaussian Copulac	Yield curves, FX market prices, HPI, Basis, Liquidity
<i>Exchange rate options</i>	836	9	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate options</i>	2,210	153	Black's Model, multifactorial advanced models interest rate	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate futures</i>	33	—	Present value method	Yield curves, FX market prices
<i>Index and securities options</i>	126	235	Black's Model, multifactorial advanced models interest rate	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Liquidity
<i>Other</i>	6,922	173	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX and EQ market prices, Dividends, Correlation, HPI, Credit, Others
Hedging derivatives	5,297	—		
<i>Swaps</i>	4,665	—	Present value method	Yield curves, FX market prices, Basis
<i>Interest rate options</i>	2	—	Black's Model	Yield curves, FX market prices, Volatility surfaces
<i>Other</i>	630	—	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX market prices, Credit, Liquidity, Others
Non-trading financial assets mandatorily at fair value through profit or loss	2,050	2,095		
Equity instruments	815	1,495	Present value method	Market price, Interest rates curves, Dividends and Others
Debt securities	539	313	Present value method	Yield curves
Loans and receivables	696	287	Present value method, swap asset model & CDS	Yield curves and Credit curves
Financial assets designated at fair value through profit or loss	6,846	181		
Credit institutions	459	—	Present value method	Yield curves, FX market prices
Customers ^C	6,189	31	Present value method	Yield curves, FX market prices, HPI
Debt securities	198	150	Present value method	Yield curves, FX market prices
Financial assets at fair value through other comprehensive income	12,688	5,989		
Equity instruments	5	492	Present value method	Market price, Yield curves, Dividends and Others
Debt securities	9,638	559	Present value method	Yield curves, FX market prices
Loans and receivables	3,045	4,938	Present value method	Yield curves, FX market prices and Credit curves

EUR million

	Fair values calculated using internal models at 2023 ^A		Valuation techniques	Main assumptions
	Level 2	Level 3		
LIABILITIES	166,542	1,227		
Financial liabilities held for trading	101,103	869		
Central banks ^B	7,808	—	Present value method	FX market prices, Yield curves
Credit institutions ^B	17,862	—	Present value method	FX market prices, Yield curves
Customers	19,837	—	Present value method	FX market prices, Yield curves
Derivatives	49,380	869		
<i>Swaps</i>	39,395	388	Present value method, Gaussian Copulac	Yield curves, FX market prices, Basis, Liquidity, HPI
<i>Exchange rate options</i>	549	8	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate options</i>	2,207	139	Black's Model, multifactorial advanced models interest rate	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Index and securities options</i>	466	187	Black-Scholes model	Yield curves, FX market prices
<i>Futures on interest rate and variable income</i>	101	—	Present value method	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Correlation, Liquidity, HPI
<i>Other</i>	6,662	147	Present value method, Advanced stochastic volatility models	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Correlation, Liquidity, HPI, Credit, Others
Short positions	6,216	—	Present value method	Yield curves, FX & EQ market prices, Equity
Hedging derivatives	7,650	6		
<i>Swaps</i>	6,866	6	Present value method	Yield curves, FX & EQ market prices, Basis
<i>Interest rate options</i>	1	—	Black's Model	Yield curves, Volatility surfaces, FX market prices and Liquidity
<i>Other</i>	783	—	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX market prices, Credit, Liquidity, Other
Financial liabilities designated at fair value through profit or loss	40,313	29	Present value method	Yield curves, FX market prices
Liabilities under insurance contracts	17,476	323	Present Value Method with actuarial techniques	Mortality tables and interest rate curves

- A. Level 2 internal models use data based on observable market parameters, while level 3 internal models use significant non-observable inputs in market data.
- B. Includes mainly short-term loans/deposits and repurchase/reverse repurchase agreements with corporate customers (mainly brokerage and investment companies).
- C. Includes, mainly, structured loans to corporate clients.

EUR million

	Fair values calculated using internal models at 2022 ^A		
	Level 2	Level 3	Valuation techniques
ASSETS	142,832	8,290	
Financial assets held for trading	110,721	383	
Central banks ^B	11,595	—	Present value method
Credit institutions ^B	16,502	—	Present Value method
Customers ^B	9,550	—	Present Value method
Debt and equity instruments	6,537	43	Present Value method
Derivatives	66,537	340	
<i>Swaps</i>	54,367	139	Present Value method, Gaussian Copula
<i>Exchange rate options</i>	916	4	Black-Scholes Model
<i>Interest rate options</i>	2,681	39	Black's Model, advanced multifactor interest rate models
<i>Interest rate futures</i>	113	—	Present Value method
<i>Index and securities options</i>	354	48	Black's Model, advanced multifactor interest rate models
<i>Other</i>	8,106	110	Present Value method, Advanced stochastic volatility models and other
Hedging derivatives	8,069	—	
<i>Swaps</i>	6,687	—	Present Value method
<i>Interest rate options</i>	2	—	Black's Model
<i>Other</i>	1,380	—	Present Value method, Advanced stochastic volatility models and other
Non-trading financial assets mandatorily at fair value through profit or loss	2,080	1,833	
Equity instruments	643	1,269	Present Value method
Debt securities issued	809	325	Present Value method
Loans and receivables	628	239	Present Value method, swap asset model & CDS
Financial assets designated at fair value through profit or loss	6,586	427	
Credit institutions	673	—	Present Value method
Customers ^C	5,769	5	Present Value method
Debt securities	144	422	Present Value method
Financial assets at fair value through other comprehensive income	15,376	5,647	
Equity instruments	9	700	Present Value method
Debt securities	11,869	229	Present Value method
Loans and receivables	3,498	4,718	Present Value method

EUR million

	Fair values calculated using internal models at		Valuation techniques
	2022 ^A		
	Level 2	Level 3	
LIABILITIES	163,733	925	
Financial liabilities held for trading	98,533	415	
Central banks ^B	5,759	—	Present Value method
Credit institutions ^B	9,796	—	Present Value method
Customers ^B	12,226	—	Present Value method
Derivatives	64,147	415	
Swaps	51,191	235	Present Value method, Gaussian Copula
Exchange rate options	769	—	Black-Scholes Model
Interest rate options	3,268	19	Black's Model, advanced multifactor interest rate models
Index and securities options	591	42	Black's Model, advanced multifactor interest rate models
Interest rate and equity futures	807	—	Present Value method
Other	7,521	119	Present Value method, Advanced stochastic volatility models and other
Short positions	6,605	—	Present Value method
Hedging derivatives	9,214	14	
Swaps	8,142	14	Present Value method
Other	1,072	—	Present Value method, Advanced stochastic volatility models and other
Financial liabilities designated at fair value through profit or loss^C	39,905	151	Present Value method
Liabilities under insurance contracts	16,081	345	Present Value method with actuarial techniques

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- B. Includes mainly short-term loans/deposits and repurchase/reverse repurchase with corporate customers (mainly brokerage and investment companies).
- C. Includes, mainly, structured loans to corporate clients.
- D. Includes, mainly, short-term deposits that are managed based on their fair value.

The same information from the previous table, but referred to Banco Santander, S.A., is presented below:

EUR million

	Fair values calculated using internal models at 2023 ^A		Valuation techniques	Main assumptions
	Level 2	Level 3		
ASSETS	77,120	6,629		
Financial assets held for trading	68,355	1,400		
Central banks ^B	1,146	—	Present value method	Yield curves, FX market prices
Credit institutions ^B	10,755	—	Present value method	Yield curves, FX market prices
Customers ^B	10,809	—	Present value method	Yield curves, FX market prices
Debt and equity instruments	231	366	Present value method	Yield curves, FX market prices
Derivatives	45,414	1,034		
<i>Swaps</i>	36,461	861	Present value method, Gaussian Copula	Yield curves, FX market prices, HPI, Basis, Liquidity
<i>Exchange rate options</i>	5,826	10	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate options</i>	1,911	151	Black's Model, multifactorial advanced models interest rate	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate futures</i>	666	—	Present value method	Yield curves, FX market prices
<i>Index and securities options</i>	172	12	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Liquidity
<i>Other</i>	378	—	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX and EQ market prices, Dividends, Correlation, HPI, Credit, Others
Hedging derivatives	1,093	9		
<i>Swaps</i>	1,034	9	Present value method	Yield curves, FX market prices, Basis
<i>Exchange rate options</i>	57	—	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
<i>Interest rate options</i>	2	—	Black's Model	Yield curves, FX market prices, Volatility surfaces
Non-trading financial assets mandatorily at fair value through profit or loss	1,556	685		
Equity instruments	41	574	Present value method	Market price, Interest rates curves, Dividends and Others
Debt securities	487	93	Present value method	Yield curves
Loans and receivables	1,028	18	Present value method	Yield and credit curves
Financial assets designated at fair value through profit or loss	5,603	203		
Credit institutions	701	—	Present value method	Interest rates curves, FX market prices
Customers ^C	4,902	203	Present value method	Interest rates curves, FX market prices, HPI
Financial assets at fair value through other comprehensive income	513	4,332		
Equity instruments	—	252	Present value method	Market price, Interest rates curves, Dividends and Others
Debt securities	224	34	Present value method	Interest rates curves, FX market prices
Loans and receivables	289	4,046	Present value method	Interest and credit curves, FX market prices

EUR million

	Fair values calculated using internal models at		Valuation techniques	Main assumptions
	2023A			
	Level 2	Level 3		
LIABILITIES	117,217	1,232		
Financial liabilities held for trading	77,000	926		
Central banks ^B	5,453	—	Present value method	Interest rates curves, FX market prices
Credit institutions ^B	17,548	—	Present value method	Interest rates curves, FX market prices
Customers	13,834	—	Present value method	Interest rates curves, FX market prices
Derivatives	40,165	926	Present value method, Gaussian Copula, Black-Scholes Model, multifactorial advanced models interest rate, advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX and EQ market prices, Dividends, Correlation, HPI, Credit, Others
Swaps	30,582	593	Present value method, Gaussian Copula	Yield curves, FX market prices, Basis, Liquidity, HPI
Exchange rate options	5,576	14	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
Index and securities options	2,463	136	Black's Model, multifactorial advanced models interest rate	Yield curves, Volatility surfaces, FX market prices, Liquidity
Interest rate options	666	39	Black-Scholes Model	Yield curves, FX market prices, Volatility surfaces, Liquidity
Futures on interest rate and variable income	388	—	Present value method	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Correlation, Liquidity, HPI
Other	490	144	Present value method, Advanced stochastic volatility models	Yield curves, Volatility surfaces, FX & EQ market prices, Dividends, Correlation, Liquidity, HPI, Credit, Others
Hedging derivatives	3,093	6		
Swaps	2,628	6	Present value method	Yield curves, FX & EQ market prices, Basis
Exchange rate options	464	—	Black-Scholes Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
Interest rate options	1	—	Black's Model	Yield curves, Volatility surfaces, FX market prices, Liquidity
Other	—	—	Present value method, Advanced stochastic volatility models and other	Yield curves, Volatility surfaces, FX market prices, Credit, Liquidity, Other
Financial liabilities designated at fair value through profit or loss^D	—	—	Present value method	Yield curves, FX market prices
Central banks	37,124	300	Present value method	Yield curves, FX market prices
Credit institutions	1,209	—	Present value method	Yield curves, FX market prices
Customers	1,872	—	Present value method	Yield curves, FX market prices
Liabilities under insurance contracts	34,043	300	Present Value Method with actuarial techniques	Mortality tables and interest rate curves

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- C. Includes, mainly, structured loans to corporate clients.
- D. Includes, mainly, short-term deposits that are managed based on their fair value.

EUR million

	Fair values calculated using internal models at		
	2022A		
	Level 2	Level 3	Valuation techniques
ASSETS	87,911	5,670	
Financial assets held for trading	76,360	484	
Central banks ^B	1,933	—	Present value method
Credit institutions ^B	9,807	—	Present value method
Customers ^B	10,377	—	Present value method
Debt and equity instruments	397	2	Present value method
Derivatives	53,846	482	
Swaps	43,841	420	Present value method, Gaussian Copula
Exchange rate options	6,519	3	Black-Scholes Model
Interest rate options	2,942	39	Black's Model, multifactorial advanced models interest rate
Interest rate futures	160	—	Present value method
Index and securities options	341	8	Present value method, Advanced stochastic volatility models and other
Other	43	12	Present value method, Advanced stochastic volatility models and other
Hedging derivatives	1,450	—	
Swaps	1,250	—	Present value method
Exchange rate options	198	—	Black-Scholes Model
Interest rate options	2	—	Black's Model
Non-trading financial assets mandatorily at fair value through profit or loss	2,005	649	
Equity instruments	87	440	Present value method
Debt securities	760	190	Present value method
Loans and receivables	1158	19	Present value method
Financial assets designated at fair value through profit or loss	6,641	—	
Credit institutions	934	—	Present value method
Customers	5,707	—	Present value method
Financial assets at fair value through other comprehensive income	1,455	4,537	
Equity instruments	—	499	Present value method
Debt securities	274	—	Present value method
Loans and receivables	1,181	4,038	Present value method

EUR million

Fair values calculated using internal models at 2022 ^A			
	Level 2	Level 3	Valuation techniques
LIABILITIES	113,295	839	
Financial liabilities held for trading	70,933	678	
Central banks ^B	4,265	—	Present value method
Credit institutions ^B	8,949	—	Present value method
Customers	6,578	—	Present value method
Derivatives	51,141	678	Present value method, Gaussian Copula, Black-Scholes Model, multifactorial advanced models interest rate, advanced stochastic volatility models and other
<i>Swaps</i>	41,030	516	Present value method, Gaussian Copula
<i>Exchange rate options</i>	5,798	—	Black-Scholes Model
<i>Index and securities options</i>	3,435	20	Black's Model, advanced multifactor interest rate models
<i>Interest rate options</i>	140	27	Black-Scholes Model
<i>Futures on interest rate and variable income</i>	675	—	Present value method
<i>Other</i>	63	115	Present value method, Advanced stochastic volatility models
Hedging derivatives	3,941	14	
<i>Swaps</i>	3,111	14	Present value method
<i>Exchange rate options</i>	829	—	Black-Scholes Model
<i>Interest rate options</i>	1	—	Black's Model
<i>Other</i>	—	—	Present value method, Advanced stochastic volatility models and other
Financial liabilities designated at fair value through profit or loss	38,421	147	Present value method
Central banks	1,740	—	Present value method
Credit institutions	2,160	—	Present value method
Customers	34,521	147	Present value method
Liabilities under insurance contracts	—	—	Present Value Method with actuarial techniques

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- B. Includes mainly short-term loans/deposits and repurchase/reverse repurchase with corporate customers (mainly brokerage and investment companies).
- C. Includes, mainly, structured loans to corporate clients.
- D. Includes, mainly, short-term deposits that are managed based on their fair value.

b) Financial Instruments (level 3)

Financial Instruments (level 3)

Set forth below are the Group and the Bank's main financial instruments measured using unobservable market data as significant inputs of the internal models (level 3):

- HTC&S (Held to collect and sale) syndicated loans classified in the fair value category with changes in other comprehensive income, where the cost of liquidity is not directly observable in the market, as well as the prepayment option in favour of the borrower.
- Illiquid equity in non-trading portfolios, classified at fair value through profit or loss and at fair value through equity.
- Instruments in Santander UK's portfolio (loans, debt securities and derivatives) linked to the House Price Index (HPI). Even if the valuation techniques used for these instruments may be the same as those used to value similar products (present value in the case of loans and debt securities, and the Black-Scholes model for derivatives), the main factors used in the valuation of these instruments are the HPI spot rate, the growth and volatility thereof, and the mortality rates, which are not always observable in the market and, accordingly, these instruments are considered illiquid.
- Callable interest rate derivatives (Bermudan-style options) where the main unobservable input is mean reversion of interest rates.
- Trading derivatives on interest rates, taking as an underlying asset titling and with the amortization rate (CPR, Conditional prepayment rate) as unobservable main entry.
- Derivatives from trading on inflation in Spain, where volatility is not observable in the market.
- Equity volatility derivatives, specifically indices and equities, where volatility is not observable in the long term.
- Derivatives on long-term interest rate and FX in some units (mainly South America) where for certain underlyings it is not possible to demonstrate observability to these terms.
- Debt instruments referenced to certain illiquid interest rates, for which there is no reasonable market observability.

The measurements obtained using the internal models might have been different if other methods or assumptions had been used with respect to interest rate risk, to credit risk, market risk and foreign currency risk spreads, or to their related correlations and volatilities. Nevertheless, the Banco Santander directors consider that the fair value of the financial assets and liabilities recognised in the balance sheet and the gains and losses arising from these financial instruments are reasonable.

The net amount recorded in the results of the 2023 financial year derived from valuation models whose significant inputs are unobservable market data (Level 3) amounts to a profit of EUR 210 million (of which EUR 12 million are losses already realized and EUR 222 million correspond to profits from the valuation of operations in force at the end of the year). In 2022 the net amount recorded in the results was a profit of EUR 235 million.

The table below shows the effect, at 31 December 2023 and 2022 on the fair value of the main financial instruments classified as level 3 of a reasonable change in the assumptions used in the valuation. This effect was determined by applying the probable valuation ranges of the main unobservable inputs detailed in the following table:

2023

Portfolio/Instrument (Level 3)	Valuation technique	Main unobservable inputs	Range	Weighted average	Impacts (EUR million)	
					Unfavourable scenario	Favourable scenario
Financial assets held for trading						
Loans and advances to customers						
Repos/Reverse repos	Other	Long-term repo spread	n.a.	n.a.	(0.08)	—
Debt securities						
Corporate debt	Discounted Cash Flows	Credit spread	0% - 10%	5.01%	(1.90)	1.90
Government debt	Discounted Cash Flows	Discount curve	0% - 8%	3.99%	(7.77)	7.72
Derivatives						
CCS	Forward estimation	Interest rate	(6)bps - 6bps	0.40pb	(0.90)	1.03
CDS	Credit default models	Illiquid credit default spread curves	100bps - 200bps	149.14pb	(0.14)	0.14
EQ Options	EQ option pricing model	Volatility	0% - 70%	44.39%	(0.51)	0.89
EQ Options	Local volatility	Volatility	10% - 90%	50.00%	(1.26)	1.26
FX Options	FX option pricing model	Volatility	0% - 40%	20.81%	(0.55)	0.59
Inflation Derivatives	Asset Swap model	Inflation Swap Rate	2% - 8%	4.18%	(0.28)	0.16
IR Options	IR option pricing model	Volatility	0.4% - 32.2%	18.86%	(0.29)	0.41
IRS	Others	Others	5% - n.a.	n.a.	(1.25)	—
IRS	Discounted Cash Flows	Credit spread	2.6% - 8.3%	5.60%	(1.97)	2.18
IRS	Discounted Cash Flows	Swap rate	9.4% - 9.8%	9.60%	(1.01)	0.95
IRS	Forward estimation	Interest rate	(5.2)bps - 5.2bps	0.09pb	(0.03)	0.03
IRS	Prepayment modelling	Prepayment rate	2.5% - 9.0%	8.92%	—	0.05
Property derivatives	Option pricing model	Growth rate	(5)% - 5%	—	(3.92)	3.92
Securitisation Swap	Discounted Cash Flows	Constant prepayment rates	(22.30)% - 27.20%	2.47%	(4.95)	4.95
Structured notes	Price based	Price	(10)% - 10%	—	(1.53)	1.53
Financial assets designated at fair value through profit or loss						
Loans and advances to customers						
Loans	Discounted Cash Flows	Credit spreads	0.1% - 3%	1.55%	(0.21)	0.21
Mortgage portfolio	Black Scholes model	Growth rate	(5)% - 5%	0.00%	(0.23)	0.23
Debt securities						
Other debt securities	Others	Inflation Swap Rate	0% - 8%	3.89%	(4.48)	4.25
Non-trading financial assets mandatorily at fair value through profit or loss						
Debt securities						
Property securities	Probability weighting	Growth rate	(5)% - 5%	0.00%	(0.35)	0.35
Equity instruments						
Equities	Price Based	Price	90% - 110%	100.00%	(149.49)	149.49

2023

Portfolio/Instrument (Level 3)	Valuation technique	Main unobservable inputs	Range	Weighted average	Impacts (EUR million)	
					Unfavourable scenario	Favourable scenario
Financial assets at fair value through other comprehensive income						
Loans and advances to customers						
Loans	Discounted Cash Flows	Credit spread	n.a.	n.a.	(20.80)	—
Loans	Discounted Cash Flows	Interest rate curve	4.6% - 9.0%	6.80%	(0.68)	0.68
Loans	Discounted Cash Flows	Margin of a reference portfolio	(1)bp - 1bp	0bp	(20.30)	20.30
Loans	Forward estimation	Credit spread	167.7bps - 365.8bps	167.74pb	(3.46)	—
Loans	Market price	Market price	(10)% - 20%	0.00%	(5.02)	2.51
Debt securities						
Corporate debt	Discounted Cash Flows	Margin of a reference portfolio	(1)% - 1%	0.00%	(0.09)	0.09
Government debt	Discounted Cash Flows	Interest rate	0% - 2%	0.99%	—	—
Equity instruments						
Equities	Price Based	Price	90% - 110%	100.00%	(49.24)	49.24
Financial liabilities held for trading						
Derivatives						
Cap&Floor	Volatility option model	Volatility	10% - 90%	39.03%	(0.45)	0.25
CMS	Discounted Cash Flows	Volatility	10% - 90%	47.66%	—	—
FX Options	Volatility option model	Volatility	10% - 90%	28.09%	(0.45)	0.13
IRS	Discounted Cash Flows	Inflation Swap Rate	10% - 90%	39.03%	(0.45)	0.25
Swaptions	Volatility option model	Volatility	10% - 90%	35.55%	(0.21)	0.10

- A. For each instrument, the valuation technique, the unobservable inputs are shown in the "Main observable inputs" column under probable scenarios, variation range, average value and impact resulting from valuing the position in the established maximum and minimum range.
- B. The breakdown of impacts is shown by type of instrument and unobservable inputs.
- C. The estimation of the range of variation of the unobservable inputs has been carried out taking into account plausible movements of said parameters depending on the type of instrument.
- D. Zero impacts from fully hedged or back-to-back transactions have not been included in this exercise.

2022

Portfolio/ Instrument	Valuation technique	Main unobservable inputs	Range	Weighted average	Impacts (EUR million)	
					(Level 3)	Unfavourable scenario
Financial assets held for trading						
Debt securities						
Corporate debt	Discounted Cash Flows	Credit spread	0% - 20%	10.07%	(1.38)	1.40
Corporate debt	Price based	Market price	85% - 115%	100.00%	—	—
Government debt	Discounted Cash Flows	Discount curve	0% - 10%	4.92%	(8.34)	8.07
Derivatives						
CCS	Discounted Cash Flows	Interest rate	(0.7)% - 0.7%	0.00%	—	—
CCS	Forward estimation	Interest rate	(4)bps - 4bps	0.42bps	(0.06)	0.07
CDS	Discounted Cash flows	Credit Spread	14.9bps - 42.1bps	21.99bps	(0.05)	0.02
EQ Options	EQ option pricing model	Volatility	0% - 90%	61.30%	(0.23)	0.48
EQ Options	Local volatility	Volatility	10% - 90%	50.00%	(1.05)	1.05
FRAs	Asset Swap model	Interest rate	0% - 6%	2.71%	(1.16)	0.95
Fx Swap	Others	Others	n.a.	n.a	(1.37)	1.37
Inflation Derivatives	Asset Swap model	Inflation Swap Rate	0% - 10%	3.41%	(0.21)	0.11
Inflation Derivatives	Volatility option model	Volatility	0% - 40%	17.37%	(0.14)	0.11
IR Options	IR option pricing model	Volatility	0% -60%	35.82%	(0.30)	0.44
IRS	Asset Swap model	Interest rate	0% - 15%	9.20%	(0.05)	0.08
IRS	Discounted Cash Flows	Credit spread	1.25% - 6.29%	3.89%	(2.25)	2.47
IRS	Discounted Cash Flows	Swap rate	8.6% - 9.1%	8.84%	(0.02)	0.03
IRS	Forward estimation	Interest rate	(6)bps - 6bps	0.13bps	(0.04)	0.04
IRS	Others	Others	5% - n.a.	n.a	(11.58)	—
IRS	Prepayment modelling	Prepayment rate	2.5% - 6.2%	4.17%	(0.06)	0.05
Others	Forward estimation	Price	0% -2%	0.62%	(0.53)	0.24
Property derivatives	Option pricing model	Growth rate	(5)% - 5%	0.00%	(5.75)	5.75
Financial assets designated at fair value through profit or loss						
Loans and advances to customers						
Loans	Discounted Cash Flows	Credit spreads	0.1% - 2%	1.05%	(0.18)	0.18
Mortgage portfolio	Black Scholes model	Growth rate	(5)% - 5%	0.00%	(0.8)	0.8
Debt securities						
Other debt securities	Others	Inflation Swap Rate	0% - 10%	4.74%	(4.25)	3.83

2022

Portfolio/ Instrument	Valuation technique	Main unobservable inputs	Range	Weighted average	Impacts (EUR million)	
					Unfavourable scenario	Favourable scenario
(Level 3)						
Non-trading financial assets mandatorily at fair value through profit or loss						
Corporate debt	Discounted Cash Flows	Margin of a reference portfolio	(1)bp - 1bp	0.01pbs	(0.33)	0.33
Property securities	Probability weighting	Growth rate	(5)% - 5%	0.00%	(0.68)	0.68
Equity instruments						
Equities	Price Based	Price	90% - 110%	100.00%	(126.87)	126.87
Financial assets at fair value through other comprehensive income						
Loans and advances to customers						
Loans	Discounted Cash Flows	Credit spread	n.a.	n.a	(24.10)	—
Loans	Discounted Cash Flows	Interest rate curve	0.8% - 1.0%	0.88%	(0.08)	0.08
Loans	Discounted Cash Flows	Margin of a reference portfolio	(1)bp - 1bp	0bp	(17.51)	17.51
Loans	Forward estimation	Credit spread	2.56% - 3.4%	2.56%	(0.49)	—
Debt securities						
Government debt	Discounted Cash Flows	Interest rate	(0.4)% - 1.6%	0.63%	(0.01)	0.01
Equity instruments						
Equities	Price Based	Price	90% - 110%	100.00%	(70.04)	70.04
Financial liabilities held for trading						
Derivatives						
Cap&Floor	Volatility option model	Volatility	10% - 90%	40.73%	(0.29)	0.18
Financial liabilities designated at fair value through profit or loss						
Loans and advances to customers						
Repos/Reverse repos	Others	Long-term repo spread	n.a.	n.a.	(0.13)	—

- A. For each instrument, the valuation technique, the unobservable inputs are shown in the "Main observable inputs" column under probable scenarios, variation range, average value and impact resulting from valuing the position in the established maximum and minimum range.
- B. The breakdown of impacts is shown by type of instrument and unobservable inputs.
- C. The estimation of the range of variation of the unobservable inputs has been carried out taking into account plausible movements of said parameters depending on the type of instrument.
- D. Zero impacts from fully hedged or back-to-back transactions have not been included in this exercise.

Lastly, the changes in the financial instruments classified as Level 3, at Grupo Santander, in 2023 and 2022:

EUR million	01/01/2023	Changes						31/12/2023
	Fair value calculated using internal models (Level 3)	Purchases/ Issuances	Sales/ Settlements	Changes in fair value recognised in profit or loss	Changes in fair value recognised in equity	Level reclassifications	Other	Fair value calculated using internal models (level 3)
Financial assets held for trading	383	496	(149)	194	—	1,162	—	2,086
Customers	—	23	—	1	—	—	—	24
Debt securities	42	126	(63)	30	—	773	6	914
Equity instruments	1	—	—	—	—	—	—	1
Trading derivatives	340	347	(86)	163	—	389	(6)	1,147
Swaps	139	90	(4)	179	—	191	(18)	577
Exchange rate options	4	1	—	4	—	—	—	9
Interest rate options	39	—	—	2	—	112	—	153
Index and securities options	48	132	(4)	(20)	—	76	3	235
Other	110	124	(78)	(2)	—	10	9	173
Financial assets at fair value through profit or loss	427	51	—	(21)	—	22	(298)	181
Loans and advances to customers	5	—	—	4	—	22	—	31
Debt securities	422	51	—	(25)	—	—	(298)	150
Non-trading financial assets mandatorily at fair value through profit or loss	1,833	345	(238)	107	—	(6)	54	2,095
Customers	239	99	(73)	13	—	—	9	287
Debt instruments	325	38	(48)	(5)	—	—	3	313
Equity instruments	1,269	208	(117)	99	—	(6)	42	1,495
Financial assets at fair value through other comprehensive income	5,647	3,322	(3,411)	—	(204)	231	404	5,989
Loans and advances	4,718	3,322	(3,408)	—	36	160	110	4,938
Debt securities	229	—	—	—	5	71	254	559
Equity instruments	700	—	(3)	—	(245)	—	40	492
TOTAL ASSETS	8,290	4,214	(3,798)	280	(204)	1,409	160	10,351
Financial liabilities held for trading	415	276	(167)	(118)	—	476	(13)	869
Trading derivatives	415	276	(167)	(118)	—	476	(13)	869
Swaps	235	53	(83)	(58)	—	257	(16)	388
Exchange rate options	—	6	—	2	—	—	—	8
Interest rate options	19	4	(5)	(16)	—	137	—	139
Index and securities options	42	88	(13)	(15)	—	82	3	187
Others	119	125	(66)	(31)	—	—	—	147
Hedging derivatives (Liabilities)	14	—	—	(3)	—	(5)	—	6
Swaps	14	—	—	(3)	—	(5)	—	6
Financial liabilities designated at fair value through profit or loss	151	32	(151)	(3)	—	—	—	29
Liabilities under insurance contracts	345	—	—	—	(40)	—	18	323
TOTAL LIABILITIES	925	308	(318)	(124)	(40)	471	5	1,227

EUR million	01/01/22	Changes						31/12/2022
	Fair value calculated using internal models (level 3)	Purchases /Issuances	Sales/ Settlements	Changes in fair value recognized in profit or loss	Changes in fair value recognized in equity	Level reclassifications	Other	Fair value calculated using internal models (level 3)
Financial assets held for trading	537	91	(99)	(116)	—	(15)	(15)	383
Debt securities	22	2	(2)	15	—	2	3	42
Equity instruments	2	—	—	—	—	(1)	—	1
<i>Trading derivatives</i>	513	89	(97)	(131)	—	(16)	(18)	340
Swaps	224	1	(47)	(20)	—	4	(23)	139
<i>Exchange rate options</i>	12	—	(9)	2	—	—	(1)	4
<i>Interest rate options</i>	182	—	—	(142)	—	(1)	—	39
<i>Index and securities options</i>	41	27	(28)	29	—	(26)	5	48
<i>Other</i>	54	61	(13)	—	—	7	1	110
Financial assets at fair value through profit or loss	418	—	(9)	(31)	—	—	49	427
Loans and advances to customers	18	—	(9)	(5)	—	—	1	5
Debt securities	400	—	—	(26)	—	—	48	422
Non-trading financial assets mandatorily at fair value through profit or loss	1,865	521	(579)	98	—	(22)	(50)	1,833
Customers	268	276	(280)	(25)	—	—	—	239
Debt securities	366	51	(33)	(31)	—	(27)	(1)	325
Equity instruments	1,231	194	(266)	154	—	5	(49)	1,269
Financial assets at fair value through other comprehensive income	4,847	8,564	(8,029)	—	(172)	417	20	5,647
Loans and advances	3,880	8,471	(7,988)	—	1	349	5	4,718
Debt securities	146	91	(23)	—	—	—	15	229
Equity instruments	821	2	(18)	—	(173)	68	—	700
TOTAL ASSETS	7,667	9,176	(8,716)	(49)	(172)	380	4	8,290
Financial liabilities held for trading	160	328	(97)	35	—	(2)	(9)	415
<i>Trading derivatives</i>	160	328	(97)	35	—	(2)	(9)	415
Swaps	44	32	(16)	189	—	9	(23)	235
<i>Exchange rate options</i>	7	6	(14)	1	—	—	—	—
<i>Interest rate options</i>	26	56	(44)	(19)	—	—	—	19
<i>Index and securities options</i>	67	23	(19)	(32)	—	(11)	14	42
<i>Others</i>	16	211	(4)	(104)	—	—	—	119
Hedging derivatives (Liabilities)	—	—	—	14	—	—	—	14
<i>Swaps</i>	—	—	—	14	—	—	—	14
Financial liabilities designated at fair value through profit or loss	151	—	(3)	3	—	—	—	151
<i>Liabilities under insurance contracts</i>	318	—	—	(11)	—	—	38	345
TOTAL LIABILITIES	629	328	(100)	41	—	(2)	29	925

The same information on the movement of financial instruments classified in Level 3, but referred to Banco Santander, S.A., in 2023 and 2022, is presented below:

EUR million	01/01/2023		Changes				31/12/2023	
	Fair value calculated using internal models (Level 3)	Purchases/ Issuances	Sales/ Settlements	Changes in fair value recognised in profit or loss	Changes in fair value recognised in equity	Level reclassifications	Other	Fair value calculated using internal models (level 3)
Financial assets held for trading	485	173	(35)	187	—	659	(69)	1,400
Debt instruments and equity instrument	2	45	(2)	(4)	—	325	—	366
Trading derivatives	483	128	(33)	191	—	334	(69)	1,034
Swaps	420	123	(19)	192	—	214	(69)	861
Exchange rate options	3	1	—	6	—	—	—	10
Interest rate options	39	—	—	2	—	110	—	151
Index and securities options	8	4	(1)	(9)	—	10	—	12
Other	13	—	(13)	—	—	—	—	—
Hedging derivatives (Assets)	—	—	—	9	—	—	—	9
Swaps	—	—	—	9	—	—	—	9
Financial assets at fair value through profit or loss	—	47	—	134	—	22	—	203
Credit entities	—	—	—	—	—	—	—	—
Loans and advances to customers	—	47	—	134	—	22	—	203
Debt securities	—	—	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	649	188	(214)	50	—	12	—	685
Customers	19	2	(3)	—	—	—	—	18
Debt securities	190	31	(142)	2	—	12	—	93
Equity instruments	440	155	(69)	48	—	—	—	574
Financial assets at fair value through other comprehensive income	4,536	2,833	(2,974)	—	(257)	194	—	4,332
Loans and advances	4,038	2,833	(2,974)	—	(11)	160	—	4,046
Debt securities	—	—	—	—	—	34	—	34
Equity instruments	498	—	—	—	(246)	—	—	252
TOTAL ASSETS	5,670	3,241	(3,223)	380	(257)	887	(69)	6,629
Financial liabilities held for trading	675	213	(168)	(73)	—	349	(70)	926
Trading derivatives	675	213	(168)	(73)	—	349	(70)	926
Swaps	513	69	(97)	(56)	—	233	(69)	593
Exchange rate options	—	7	—	7	—	—	—	14
Interest rate options	20	4	(5)	(14)	—	131	—	136
Index and securities options	27	9	—	19	—	(15)	(1)	39
Securities and interest rate futures	—	—	—	—	—	—	—	—
Others	115	124	(66)	(29)	—	—	—	144
Hedging derivatives (Liabilities)	14	—	—	(3)	—	(5)	—	6
Swaps	14	—	—	(3)	—	(5)	—	6
Financial liabilities designated at fair value through profit or loss	147	50	(147)	250	—	—	—	300
TOTAL LIABILITIES	836	263	(315)	174	—	344	(70)	1

EUR million	01/01/2022	Changes					31/12/2022	
	Fair value calculated using internal models (level 3)	Purchases /Issuances	Sales/ Settlements	Changes in fair value recognized in profit or loss	Changes in fair value recognized in equity	Level reclassifications	Other	Fair value calculated using internal models (level 3)
Financial assets held for trading	478	3	(58)	109	—	(10)	(38)	484
Debt instruments and equity instrument	—	—	—	—	—	2	—	2
Trading derivatives	478	3	(58)	109	—	(12)	(38)	482
<i>Swaps</i>	281	1	(47)	232	—	(9)	(38)	420
<i>Exchange rate options</i>	9	—	(9)	3	—	—	—	3
<i>Interest rate options</i>	183	—	—	(143)	—	(1)	—	39
<i>Index and securities options</i>	5	2	(2)	5	—	(2)	—	8
<i>Other</i>	—	—	—	12	—	—	—	12
Hedging derivatives (Assets)	—	—	—	—	—	—	—	—
<i>Swaps</i>	—	—	—	—	—	—	—	—
Financial assets at fair value through profit or loss	—	—	—	—	—	—	—	—
Credit entities	—	—	—	—	—	—	—	—
Loans and advances to customers	—	—	—	—	—	—	—	—
Debt securities	—	—	—	—	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	541	134	(41)	14	—	6	(5)	649
Customers	24	—	(3)	(2)	—	—	—	19
Debt securities	148	66	(30)	—	—	6	—	190
Equity instruments	369	68	(8)	16	—	—	(5)	440
Financial assets at fair value through other comprehensive income	3,991	8,090	(7,625)	—	(267)	348	—	4,537
Loans and advances	3,238	8,090	(7,617)	—	(21)	348	—	4,038
Debt securities	—	—	—	—	—	—	—	—
Equity instruments	753	—	(8)	—	(246)	—	—	499
TOTAL ASSETS	5,010	8,227	(7,724)	123	(267)	344.00	-43	5,670
Financial liabilities held for trading	183	307	(105)	340	—	(7)	(40)	678
Trading derivatives	183	307	(105)	340	—	(7)	(40)	678
<i>Swaps</i>	114	32	(41)	451	—	—	(40)	516
<i>Exchange rate options</i>	7	6	(14)	1	—	—	—	—
<i>Interest rate options</i>	33	57	(44)	(20)	—	(6)	—	20
<i>Index and securities options</i>	18	—	(2)	12	—	(1)	—	27
<i>Securities and interest rate futures</i>	—	—	—	—	—	—	—	—
<i>Others</i>	11	212	(4)	(104)	—	—	—	115
Hedging derivatives (Liabilities)	—	—	—	14	—	—	—	14
<i>Swaps</i>	—	—	—	14	—	—	—	14
Financial liabilities designated at fair value through profit or loss	143	—	—	4	—	—	—	147
TOTAL LIABILITIES	326	307	(105)	358	—	(7)	(40)	839

49. Other disclosures

a) Residual maturity periods

The detail, by maturity, of the balances of certain items in the balance sheets as of 31 December 2023 and 2022 is as follows:

EUR million

	31 December 2023						Total
	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets							
Cash, cash balances at central banks and other demand deposits	125,020	—	—	—	—	—	125,020
Financial assets at fair value with changes in other comprehensive income							
Representative values of debt	—	777	1,312	115	1,176	1,076	4,456
Financial assets at amortized cost							
Representative values of debt	—	3,337	1,501	2,899	12,395	36,495	56,627
Loans and advances							
Central banks	—	147	—	2	—	—	149
Credit institutions	54	3,733	6,793	4,376	7,617	12,179	34,752
Customer	7,213	20,711	36,527	39,600	92,250	91,281	287,582
	132,287	28,705	46,133	46,992	113,438	141,031	508,586
Liabilities:							
Financial liabilities at amortized cost							
Deposits							
Central banks	—	2,470	7,040	700	1,454	18	11,682
Credit institutions	2,423	6,249	5,024	4,212	10,943	6,652	35,503
Customer deposits	250,014	40,521	16,219	20,779	4,109	5,447	337,089
Marketable debt securities	—	5,098	8,153	25,573	56,980	44,066	139,870
Other financial liabilities	7,462	405	164	221	2,998	817	12,067
	259,899	54,743	36,600	51,485	76,484	57,000	536,211
Difference (assets less liabilities)	(127,612)	(26,038)	9,533	(4,493)	36,954	84,031	(27,625)

EUR million

	31 December 2022						Total
	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	
Assets:							
Cash, cash balances at Central Banks and other deposits on demand	130,083	—	—	—	—	—	130,083
Financial assets at fair value through other comprehensive income							
Representative values of debt	—	690	1,154	331	816	1,129	4,120
Financial assets at amortized cost							
Loans and advances	—	100	150	1,344	12,775	25,813	40,182
Loans and advances							
Central banks	—	25	—	69	—	—	94
Credits institutions	211	20,947	2,812	3,576	6,043	1,478	35,067
Customers	8,763	52,608	22,620	38,599	86,492	93,722	302,804
	139,057	74,370	26,736	43,919	106,126	122,142	512,350
Liabilities:							
Financial liabilities at amortized cost							
Deposits							
Central banks	—	908	1,597	5,749	7,474	—	15,728
Credit institutions	12,847	15,643	3,670	1,740	7,117	592	41,609
Customer deposits	286,017	32,505	11,054	11,754	3,461	1,084	345,875
Debt securities issued	—	7,027	12,314	17,145	48,473	41,010	125,969
Other financial liabilities	8,080	2,880	4	394	677	463	12,498
	306,944	58,963	28,639	36,782	67,202	43,149	541,679
Difference (assets less liabilities)	(167,887)	15,407	(1,903)	7,137	38,924	78,993	(29,329)

b) Equivalent euro value of assets and liabilities

The detail of the main foreign currency balances in the balance sheets as of 31 December 2023 and 2022, based on the nature of the related items, is as follows:

Countervalue in EUR million

	2023	2022
Assets	231,985	231,109
Cash, cash balances at central banks and other deposits on demand	40,319	44,073
Financial assets held for trading	37,360	35,337
Non-trading financial assets mandatorily at fair value through profit or loss	620	1,562
Financial assets designated at fair value through profit or loss	214	137
Financial assets at fair value through other comprehensive income	5,539	5,211
Financial assets at amortized cost	102,280	102,078
Hedging derivatives	369	283
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	—	—
Investments	44,676	41,984
Tangible assets	12	17
Intangible assets	13	9
Tax assets	106	90
Other assets	477	328
Non-current assets held-for-sale	—	—
Liabilities	191,894	186,057
Financial liabilities held for trading	28,306	27,286
Financial liabilities designated at fair value through profit or loss	9,972	17,391
Financial liabilities at amortized cost	151,136	138,895
Hedging derivatives	1,373	1,671
Changes in the fair value of hedged items in portfolio hedges of interest risk rate	—	—
Provisions	104	130
Tax liabilities	61	43
Refundable equity on demand	—	—
Other liabilities	942	641
Liabilities associated with non-current assets held-for-sale	—	—

c) Fair value of financial assets and liabilities not measured at fair value

Financial assets are measured at fair value in the accompanying balance sheets, except for loans and receivables under a business model whose objective is to collect the flows of principal and interest, equity instruments whose market value cannot be estimated reliably and derivatives that have these instruments as their underlying and are settled by delivery thereof.

Similarly, financial liabilities except for financial liabilities held for trading, those measured at fair value and derivatives having equity instruments whose market value cannot be estimated reliably as their underlying-are measured at amortized cost in the accompanying balance sheets.

The following is a comparison between the value of Grupo Santander's financial instruments valued using other criteria rather than fair value and their corresponding fair value at year-end:

Financial assets and liabilities measured at other than fair value

The fair value of financial instruments measured at amortized cost as of 31 December 2023 was as follows:

- The fair value of debt securities is 0,03% higher than the carrying amount.
- The fair value of the loans and advances is 2,17% lower than the carrying amount.
- The fair value of deposits is 0,19% lower than the carrying amount.
- The fair value of marketable debt securities is 2,52% lower than the carrying amount.

Set forth below are the main valuation methods and inputs used in the estimates made at 31 December 2023 to determine the fair values of the financial assets and liabilities recognized at cost detailed above:

- Loans and receivables: The fair value has been estimated using the present cost method, the estimation has considered factors such as the expected maturity of the portfolio, market interest rates, spreads of new concession of operations, or market spreads – If these were available.
- Held to maturity portfolio: The fair value has been determined based on market prices for those instruments.
- Financial liabilities at amortized cost:
 - a. The fair value of deposits at Central Banks has been assimilated to their carrying amount because they are mainly short-term balances.
 - b. Credit Institutions: Fair value has been obtained using the present value technique by applying interest rates and market spreads.
 - c. Customer deposits: Fair value has been estimated using the present value technique. The estimation has considered factors such as the expected maturity of the operations and the current financing cost of Grupo Santander in similar operations. On demand accounts are not valued.
 - d. Marketable debt securities: Fair value has been determined based on market prices for these instruments, when available, or using the present value technique, by applying interest rates and market spreads.

Additionally, the fair value of Cash, Cash Balances at central banks and other deposits on demand has been assimilated to its carrying amount, mainly because of short-term balances.

f) Offsetting of financial instruments

On the table below is the detail of financial assets and liabilities that were offset on the balance sheet as of 31 December 2023 and 2022:

EUR million			
2023			
Assets	Gross amount of financial assets	Gross amount of financial assets offset on the balance sheet	Net amount of financial assets presented on the balance sheet
Derivatives	131,384	(83,766)	47,618
Repos	92,320	(42,319)	50,001
Total	223,704	(126,085)	97,619

EUR million			
2022			
Assets	Gross amount of financial assets	Gross amount of financial assets offset on the balance sheet	Net amount of financial assets presented on the balance sheet
Derivatives	152,830	(96,924)	55,906
Repos	61,580	(22,379)	39,201
Total	214,410	(119,303)	95,107

EUR million			
2023			
Liabilities	Gross amount of financial liabilities	Gross amount of financial liabilities offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet
Derivatives	128,244	(83,766)	44,478
Repos	109,766	(42,319)	67,447
Total	238,010	(126,085)	111,925

EUR million			
2022			
Liabilities	Gross amount of financial liabilities	Gross amount of financial liabilities offset on the balance sheet	Net amount of financial liabilities presented on the balance sheet
Derivatives	153,005	(96,924)	56,081
Repos	65,023	(22,379)	42,644
Total	218,028	(119,303)	98,725

At December 31, 2023 the balance sheet amounts EUR 96,608 million on derivatives and temporary acquisition of assets and EUR 111,374 million on derivatives and repos as liabilities that are subject to netting and collateral arrangements (EUR 90,363 million and EUR 93,897 million in 2022, respectively).

50. Risk management

a) Risk principles and culture

The principles on which Grupo and Banco Santander's risk management and control are based are detailed below. They take into account regulatory requirements, best market practices and are mandatory:

1. All employees are risk managers who must understand the risks associated with their functions and not assume risks that will exceed the Bank's risk appetite or have an unknown impact.
2. Senior managers must make sure the Bank keeps its risk profile within risk appetite, with consistent risk conduct, action, communications, and oversight of our risk culture.
3. Independent risk management and control functions, according to the three lines of defence model of Grupo and Banco Santander.
4. Grupo and Banco Santander take a forward-looking, comprehensive approach towards all businesses and risk types.
5. Grupo and Banco Santander keep effective information management to identify, assess, manage and disclose risks at appropriate levels.

1. Key risk types

Grupo and Banco Santander's risks categorization ensures effective risk management, control and reporting. The risk framework distinguishes these risk types:

- Credit risk relates to financial loss arising from the default or credit quality deterioration of a customer or counterparty, to which Grupo and Banco Santander have directly provided credit or assumed a contractual obligation.
- Market risk results from changes in interest rates, exchange rates, equities, commodities and other market factors, and from their effect on profit or capital. It includes the structural risk relates to market movements or balance sheets behaviour will change the value or profit generation of assets or liabilities in the banking book.
- Liquidity risk occurs if liquid financial resources are insufficient or too costly to obtain in order to meet liabilities when they fall due.
- Capital risk is the risk that arises from the possibility of having an inadequate quantity or quality of capital to meet internal business objectives, regulatory requirements or market expectations in the area of structural risk.

Grupo and Banco Santander also take into account, on an ongoing basis in its management of the risk function, operational (includes fraud, technological, cyber, legal and conduct risks), financial crime (includes, among others, money laundering, terrorism financing, violation of international sanctions, corruption, bribery and tax evasion), model, structural (includes risks associated with insurance and pensions), reputational and strategic risks.

Besides, environmental and climate-related risk drivers are considered as factors that could impact the existing risks in the medium-to-long-term. These elements include, on the one hand, those derived from the physical effects of climate change, generated by one-off events as well as by chronic changes in the environment and, on the other hand, those derived from the process of transition to a development model with lower emissions, including legislative, technological or behaviour of economic agents changes.

Given the nature of its operations, the Group and Bank have no environment-related liabilities, expenses, assets or contingencies of a material relevance to its consolidated and individual equity, financial situation and results.

Most exposures in sectors potentially affected by climate change risk, according to market consensus and to the execution of our materiality assessment, are with wholesale clients, whose preliminary reviews, credit approval and credit ratings take such risk into account. Customers' ratings determine the parameters for calculating loan loss (typically in terms of probability of default or "PD"). Thus, when climate factors are relevant, in conjunction with other elements of analysis, they have an impact on the loan loss calculations which support capital and provisions.

Additionally, the Group and the Bank have participated in the various climate stress regulatory exercises carried out recently, which have been classified as learning exercises in the industry. Results showed that the Group's and therefore the Bank's coverage for potential losses would be sufficient in view of portfolio maturity over time.

Therefore, based on the best information available at the time these annual financial statements were prepared, the Group and the Bank see no additional environmental or climate change risk having a substantial impact on its equity, financial situation and results in 2023.

Still, this matter is constantly changing, and, like other banks, the Group and the Bank are working on developing more methodologies to better measure potential loan loss in line with new management needs, best practice, and regulators' and supervisors' requirements. In particular, we monitor progress in this regard both in the prudential area (mandate of the European Banking Authority in article 501c of Regulation (EU) 575/2013), and that resulting from the plan for the

second phase of the post-review implementation of IAS 9 by the IASB regarding the calculation of expected losses, planned during 2024.

2. Risk and compliance governance

Grupo and Banco Santander robust risk and compliance governance structure allows us to conduct effective oversight in line with our risk appetite. Grupo and Banco Santander stand on three lines of defence, a structure of committees and strong Group-subsidiary relations, guided by our risk culture, Risk Pro.

2.1 Lines of defence

Grupo and Banco Santander's model of three lines of defence effectively manages and controls risks:

- First line: formed by business and support areas that take or originate risks are primarily responsible for managing them. The first line detects, measures, controls, monitors and reports on the risks it originates according to internal risk management policies, models and procedures. Risk management must be consistent with the approved risk appetite and related limits.
- Second line: formed by risk and compliance & conduct functions, independently oversees and challenges risk management at the first line of defence. Its duties include ensuring that risks will be managed according to the risk appetite approved by senior management and strengthening our risk culture across the Group.
- Third line: internal audit function, is fully independent to give the board and senior managers assurance of high-quality and efficient risk governance and management to preserve our value, solvency and reputation.

Risk, compliance & conduct, and internal audit are sufficiently separate and autonomous functions, with direct access to the board and its committees.

2.2 Risk committee structure

The board of directors has final oversight of risk management and compliance promoting a sound risk culture and reviewing and approving risk appetite and frameworks, with support from its risk, regulation and compliance committee and its executive committee. The Group and the Bank's risk governance keeps risk control and risk-taking areas separate.

The Group chief risk officer (Group CRO), who leads the application and execution of risk strategy and promotes proper risk culture, is in charge of overseeing all risks and challenging and advising business lines on risk management.

The Group chief compliance officer (Group CCO), who handles compliance risk and leads the application and execution of the compliance and conduct risk strategy

and provides the Group CRO with a complete overview on the situation of risks being monitored.

The Group CRO and the Group CCO report directly to both the risk supervision, regulation and compliance committee and the board of directors.

The executive risk, risk control and compliance and conduct committees are executive committees with powers delegated from the board.

Furthermore, risk functions have forums and regular meetings to manage and control the risks within their purview. Executive committees also delegate some duties to subordinate forums.

Their responsibilities include:

- Inform the Group CRO, the Group CCO, the risk control committee and the compliance and conduct committee if risks are being managed within risk appetite;
- Regularly monitor each key risk type; and
- Overseeing measures to meet supervisors and auditors' expectations.

Besides, Grupo and Banco Santander, in order to establish an adequate control environment for the management of each risk types, the Risk and Compliance and Conduct functions have effective internal regulation to create the right environment to manage and control all risks.

Grupo and Banco Santander can establish additional governance measures for special situations, as it has done with the covid crisis, the war in Ukraine, the uncertainty caused by the collapse of several regional banks in the US and Credit Suisse, and the current geopolitical situation. We have upgraded the monitoring of all risks, with special attention to the main macroeconomic indicators, liquidity, vulnerable sectors and clients, cybersecurity reinforcement, among other areas. The special situations forums we have activated are enabling us to cope with the geopolitical and macroeconomic environment in a resilient manner.

2.3 The Group's relationship with subsidiaries

Grupo Santander subsidiaries have a model for managing risk, compliance and conduct that is consistent with the frameworks approved by the group's board of directors, which they adhere to through their own boards and can only adapt to higher standards according to local law and regulation.

Furthermore, the Group's aggregate oversight area advises and validates subsidiaries on internal regulation and operations. This reinforces a common risk management model across Grupo Santander.

The risk and compliance functions will continue to support global businesses and control at a global and local level. In 2023, Grupo Santander continued to build on our group-subsidary relations model by leveraging our global scale to uncover synergy under a common operating model and platform. The model promotes process simplification and more enhanced control to help grow the business.

The Group CRO, the Group CCO and regional heads of risk are involved in appointing, setting objectives for, reviewing and compensating their country-unit counterparts to promote proper risk management.

Each local CRO/CCO interacts regularly with its regional risk leader and with the Group CRO and the Group CCO, through periodic follow-up meetings, either business or country. There are also meetings between local and global risk and compliance functions to discuss issues specific to each function.

Local and global risk and compliance areas also meet to address special matters. Country and regional units work closely to effectively strengthen group-subsidary relations through these common initiatives:

- Restructuring based on subsidiary benchmarks, strategic vision, and advanced risk management infrastructures and practices.
- Exchange of best practices that will strengthen processes, drive innovation and result in a quantitative impact.
- Search for talent in risk and compliance teams with internal mobility through the global risk talent programme and strong succession plans.

3. Management processes and tools

Grupo and Banco Santander have these effective risk management processes and tools:

3.1 Risk appetite and structure of limits

Risk appetite is the aggregate level and types of risk that Grupo Santander deems prudent for our business strategy, even in unforeseen circumstances. In Grupo and Banco Santander, these principles influence risk appetite:

- Risk appetite is part of the board's duties. It prepares the risk appetite statement (RAS) for the whole Group and the Banks every year. In a cascading down process, each subsidiary's board also sets its own risk appetite.
- Comprehensiveness and forward-looking approach. The Bank's appetite includes of all material risks that Santander are exposed to and defines our target risk profile for the current and medium term with a forward-looking view considering stress scenarios.
- Common standards and embedding in the day-to-day risk management. The Group and the Bank share

the same risk appetite model, which sets common requirements for processes, metrics, governance bodies, controls and standards.. It also ensures an effective and traceable embedding of our appetite into more granular management policies and limits across the Group's subsidiaries, and therefore the Bank.

- Continuous adaptation to market best practices, regulatory requirements and supervisors' expectations.
- Aligning with business plans and strategy. The risk appetite is a key point of reference for strategic and business planning. The Group and the Bank verify that the three-year strategic plans, the annual budget and capital and liquidity planning are within the limits set in the RAS before Santander approves them.

Grupo and Banco Santander's risk appetite and business model rest on the following elements:

- A medium-low, predictable target risk profile, centred on retail and commercial banking, internationally diversified operations and a strong market share;
- Stable, recurrent earnings and shareholder remuneration, sustained by a sound base of capital, liquidity and sources of funding;
- Autonomous subsidiaries that are self-sufficient in terms of capital and liquidity to ensure their risk profiles won't compromise the Group and the Bank's solvency;
- An independent Risk function and a senior management actively engaged in supporting a robust control environment and risk culture; and
- A conduct model that protects our customers and our Simple, Personal and Fair culture.

The risk appetite is expressed through qualitative statements and limits on metrics representative of the bank's risk profile at present and under stress. Those metrics cover all risk types according to our corporate risk framework. Grupo Santander articulates them in five axes that provide the Bank with a holistic view of all risks it incurs in the development of its business model. These five axes are applicable to all Santander's key risk types, and comprise:

- P&L volatility: Control of P&L volatility of business plan under baseline and stressed conditions (aligned with ICAAP stress test).
- Solvency: Control of capital ratios under baseline and stressed scenarios (aligned with ICAAP).
- Liquidity: Control of liquidity ratios under base and stress scenarios (aligned with ILAAP).

- Concentration: Control of credit concentration on top clients, portfolios and industries.
- Non financial: Control on non financial risks aimed to minimize events which could lead to financial loss, operative, technological, legal and regulatory breaches, conduct issues or reputational damage.

b) Credit risk

1. Introduction to the credit risk treatment

Credit risk is the risk of financial loss due to the failure to pay or impaired credit of a customer or counterparty. Grupo and Banco Santander have financed or maintains a contractual obligation with. It includes counterparty risk, country risk and sovereign risk. It is the Bank's most significant risk in terms of exposure and capital consumption.

Credit risk management

Grupo and Banco Santander take a holistic view of the credit risk cycle, including the transaction, the customer and the portfolio, in order to identify, analyse, control and decide on credit risk.

Credit risk identification facilitates active and effective portfolio management and control. Grupo and Banco Santander classify external and internal risk in each business to adopt any corrective or mitigating measures through:

1.1. Planning

Grupo and Banco Santander's planning helps to set business targets and draw up action plans within our risk appetite statement.

Strategic commercial plans (SCP) are a management and control tool the business and risk areas prepare for Grupo and Banco Santander's credit portfolios. They determine commercial strategies, risk policies, resources and infrastructure, ensuring a holistic view of the portfolios.

They provide managers with an updated view of portfolio credit quality to measure credit risk, run internal controls to regularly monitor credit strategy detect significant risk deviation and potential impacts, and take corrective action.

They are suited to the Group and the Bank's risk appetite and subsidiaries' capital targets, having been reviewed and pre-approved by senior managers before Group management revises and validates them.

1.2. Risk assessment and credit rating

Risk approval generally depends on the applicant's ability to repay the debt, regardless of any collateral or personal guarantees the Bank requires. Grupo and Banco Santander review their regular sources of income, including funds and net cash flows from any businesses.

Grupo and Banco Santander monitor credit rating drivers to calibrate the decisions and ratings that the Group's and the Bank's credit quality assessment models determine. Risk management uses these ratings for many things like applying approval limits, pre-approvals, monitoring risk, and policies on pricing credit.

The Group and the Bank then use rating models to measure ability to pay. Depending on each segment, credit rating drivers can be:

- Rating: from mathematical algorithms that have a quantitative model based on balance sheet ratios or macroeconomic variables, and a qualitative module supplemented by the credit analyst's expert judgement. It is used for SCIB, corporate, institutional and SME segments (with individualised treatment).
- Scoring: system of automatic evaluation of loan applications. It automatically assigns customers an individual score retail on which the subsequent decision is based. It is used for SME segments without an assigned analyst.

Grupo and Banco Santander's parameter estimation models, based on econometric models of past defaults and losses, calculate economic and regulatory capital as well as IFRS 9 and Bank of Spain circular 4/2017 provisions for each customer portfolio.

Grupo and Banco Santander regularly monitors and evaluates models' suitability, predictive capacity, performance, granularity, and compliance with policy, among other factors. Grupo and Banco Santander review ratings with the latest financial and other relevant information to assess credit risk due to depreciation caused by customers' lower creditworthiness and manage credit portfolios according to the risk appetite and profile target set out in SCPs, with exposure limits adjusted to an acceptable level for each portfolio and counterparty and for new loan originations.

Grupo and Banco Santander use SCPs to manage credit portfolios, defining limits for each of them and for new originations, in line with the Group and the Banks's credit risk appetite and its target risk profile. Transposing the risk appetite to portfolio management strengthens controls over our credit portfolios.

Grupo and Banco Santander's limits, pre-classifications and pre-approvals processes, which are highly automated and digitalized, determine the risk Grupo and Banco Santander can assume with each customer. Limits are approved by the executive risk committee (or delegated committees) and should reflect a transaction's expected risk-return. The Group and the Bank also uses risk-based pricing tools to make sure portfolio growth is sustainable.

Grupo and Banco Santander apply various limits models to each segment:

- Large corporate groups are subject to a pre-classification model based on a system for measuring and monitoring economic capital. Pre-classification models express the level of risk Grupo and Banco Santander are willing to assume in transactions with customers/groups.
- Corporates and institutions that meet certain requirements (strong relationships, rating, etc.) are subject to a simpler pre-classification model that sets a recommended risk level for each customer. Transactions above certain limits or with special characteristics could require approval from a senior credit analyst or a committee.

Transactions with large corporates, corporates and institutions above certain limits or with special characteristics could require approval from a senior credit analyst or a committee.

- For individual customers and SMEs with low turnover, Grupo Santander manages large volumes of credit transactions with automatic decision models to classify customers and transactions.

1.3. Scenario analysis

Grupo and Banco Santander's scenario analyses determine the potential risks in its credit portfolios and provide a better understanding of our portfolios' performance under various macroeconomic conditions. They allow us to anticipate management strategies that will avoid future deviations from defined plans and targets. They simulate the impact of alternative scenarios in portfolios' credit parameters (PD, LGD) and expected credit losses. Grupo Santander compares findings with portfolios' credit profile indicators to find the right measures for managers to take. Credit risk management of portfolios and SCPs incorporate scenario analyses.

1.4. Monitoring

Regularly monitoring business performance and comparing it to pre-defined plans is key to our management of risk. Grupo and Banco Santander's holistic monitoring of customers helps detect impacts on risk performance and credit quality early.

The monitoring process considers projections on the performance of the operations and their characteristics, in addition to any variation in their classification. Anticipation and preventive monitoring uses transactional data sources and advanced analytics (early warning engine) which determines specific actions at the client level, based on the assigned monitoring classification.

Monitoring is performed by local and global risk teams and is based on customer segmentation:

- For SCIB, monitoring is initially a function of business managers and risk analysts which provide an up-to-date view of customers' credit quality to predict a potential customer's deterioration.
- For commercial banking, institutions and SMEs assigned a credit analyst, Grupo and Banco Santander track customers requiring closer monitoring and review their ratings based on relevant indicators.
- Monitoring of individual customers, businesses and smaller SMEs follows a system of automatic alerts to detect shifts in portfolios' performance.

Monitoring uses the Santander Customer Assessment Note (SCAN) tool. It helps set individual monitoring levels and frequencies, policies, and actions for customers based on credit quality and particular circumstances. In addition to monitoring customer credit quality, Grupo and Banco Santander define control procedures to analyse portfolios and performance, as well as any deviations from planning or approved alert levels.

1.5. Credit risk mitigation techniques

Grupo and Banco Santander generally approves risk according to a borrower's ability to make due payment, regardless of any additional collateral or personal guarantees Santander may require to modulate exposure.

To determine ability to pay, the Group and the Bank analyse funds or cash flows from businesses or other regular income, not including guarantors or loan collateral which are always considered as a secondary means of recourse.

In general, guarantees are to reinforce a credit transaction and mitigate a loss if the borrower defaults. The Group and the Bank techniques to mitigate credit risk cover various types of customer and product. Some are for specific transactions (e.g. property) or a series of transactions (e.g. derivatives netting and collateral). The Group and the Bank group them by personal guarantees (with a solvent guarantor), collateral (mainly in primary residence mortgages) and hedges with credit derivatives.

The correct acceptance of these mitigation techniques is established by ensuring their legal enforceability in all jurisdictions. The entire process is subject to internal control and effective monitoring of the valuation of the guarantees, especially mortgages.

1.6. Collections & recoveries management

Collections & recoveries, an important area in risk management, develops a global management strategy based on local economic conditions, business models and other recovery-related particulars, with a full approach and general action lines for our subsidiaries. Recovery management follows regulatory requirements

set out in the EBA Guidelines on the management of non-performing and forborne exposures.

For effective and efficient recoveries management, the area segments customers based on certain aspects, using new digital channels that help create value in Collections & Recoveries. It follows hi-tech, digital procedures to handle large groups of similar customer profiles and products; but it also adapts management for customers who need an assigned manager and tailored approach.

Collections & Recoveries splits recoveries into four phases: arrears/early delinquency, default, write-offs and foreclosed assets. To recover debt, the Group and the Bank always seek alternatives to court action, like forbearance and other arrears management techniques.

Grupo and Banco Santander also review debt instruments individually and treat them as write-offs (even when they're not past due) if the Group and the Bank see signs of irreversible impairment that suggest recovery to be remote. Though this may lead us to cancel all or part of the gross carrying amount, Group and the Bank never interrupt negotiations and legal proceedings to recover debt.

In markets where the real estate risk exposure is high, Grupo and Banco Santander can take action to quickly dispose of assets, like selling off portfolios or foreclosed assets with efficient sales instruments to recover as many on-balance-sheet assets as possible.

2. Main aggregates and variations

Following are the main aggregates relating to credit risk from our activities with customers:

Main credit risk performance metrics from activity with customers^A

December data

	Credit risk with customers (EUR million) ^B		Credit impaired loans (EUR million)		NPL ratio (%)	
	2023	2022	2023	2022	2023	2022
Europe	624,696	639,996	14,495	15,186	2.32 %	2.37 %
Spain	278,569	293,197	8,529	9,598	3.06 %	3.27 %
UK	247,360	253,455	3,518	3,059	1.42 %	1.21 %
Portugal	39,503	41,755	1,024	1,247	2.59 %	2.99 %
Poland	39,329	33,350	1,397	1,268	3.55 %	3.80 %
North America	190,720	185,614	7,805	5,629	4.09 %	3.03 %
US	137,893	140,452	6,303	4,571	4.57 %	3.25 %
Mexico	52,785	45,107	1,489	1,047	2.82 %	2.32 %
South America	177,380	167,348	10,142	10,381	5.72 %	6.20 %
Brazil	113,937	101,801	7,479	7,705	6.56 %	7.57 %
Chile	46,565	47,811	2,332	2,384	5.01 %	4.99 %
Argentina	3,903	5,844	78	122	1.99 %	2.08 %
Digital Consumer Bank	135,608	125,339	2,877	2,583	2.12 %	2.06 %
Corporate Centre	5,494	5,824	301	894	5.48 %	15.35 %
Total Group	1,133,898	1,124,121	35,620	34,673	3.14 %	3.08 %

A. Management perimeter according to the reported segments.

B. Includes gross lending to customers, guarantees and documentary credits.

Key figures by geographic region are described below at 31 December 2023:

- Europe: The NPL ratio fell 5 bps to 2.32% from 2022 because impaired loans decreased significantly in the UK, and in Spain and Portugal due to the NPL portfolio sales.
- North America: The NPL ratio increased 106 bps to 4.09% from 2022, mainly due to increases at SC USA (normalization of the portfolio) and in Mexico (portfolio growth in higher return-risk segment).
- South America: The NPL ratio decreased 48 bp from 2022 to 5.72%, due to the portfolio growth in Brazil and the performance of the Chilean portfolio.
- Digital Consumer Bank: The NPL ratio increased 6 bps to 2.12%, due to a slight increase in impaired loans, not offset by portfolio growth.

In the case of delinquent operations with ICO guarantee, the transfer of the overdue guaranteed amounts will take place as the guarantee is executed, regardless of whether the guarantor is subrogated to the right to receive said amounts, according to the regulation of these guarantees. The derecognition of the transferred guaranteed amounts will entail the recognition, at its fair value, of a collection right against the guarantor.

In addition, the Group and the Bank are following the measures launched by the governments of Spain, United Kingdom, Portugal and Poland, aimed at relieving the mortgage payment burden for vulnerable customers after the increase in interest rates.

Information on the estimation of impairment losses

The calculation of credit risk provisions is performed at financial asset level, estimating potential credit losses through the difference between the expected cash flows and the contractual cash flows, ensuring that the results are adequate considering the status of the transaction, economic conditions and available forward-looking information.

The Bank of Spain circular 4/2017 impairment model applies to financial assets valued at amortized cost; debt instruments valued at fair value with changes in other comprehensive income; leasing receivables; and commitments and guarantees not valued at fair value.

The portfolio of financial instruments subject to the Bank of Spain circular 4/2017 has three credit risk categories (or stages) according to the status of each instrument in relation to its level of credit risk:

- Stage 1: financial instruments with no significant increase in risk since initial recognition – the impairment provision reflects expected credit losses

from defaults over the twelve months from the reporting date.

- Stage 2: financial instruments with a significant credit risk increase since initial recognition but no materialized impairment event – the impairment provision reflects expected losses from defaults over the financial instrument's residual life.
- Stage 3: financial instruments with true signs of impairment as a result of one or more events resulting in a loss – the impairment provision reflects expected losses for credit risk over the instrument's expected residual life.

The classification of financial instrument in the Bank of Spain circular 4/2017 stages is carried out in accordance with the guidelines through the risk management policies of the Bank, which are consistent with the Group's policies.

Estimation of expected loss

Grupo and Banco Santander calculate impairment losses using parameters (mainly EAD, PD, LGD and discount rate) based on internal models, the stage in which each financial asset is classified, and regulatory and management expertise. Far from being a simple adaptation, the Bank defined and validated them according to specific requirements of IFRS 9, Bank of Spain Circular 4/2017 and other guidelines by regulators, supervisors and other international organizations (EBA, NCAs, BIS, GPPC, etc.), such as forward-looking information, point-in-time (PIT) vision, multiple scenarios, calculation of losses for the entire life of the transaction through lifetime PD, etc.

Determination of significant increase in credit risk

In order to determine the classification in stage 2, the Group and the Bank assess whether there has been a significant increase in credit risk (SICR) since the initial recognition of the transactions, considering a series of common principles throughout the Bank that guarantee that all financial instruments are subject to this assessment, which considers the particularities of each portfolio and type of product on the basis of various quantitative and qualitative indicators. Furthermore, transactions are subject to the expert judgement of the analysts, who set the thresholds under an effective integration in management and implemented according to the approved governance.

The criteria thresholds used by the Group and the Bank are based on a series of principles, and develop a set of techniques. The principles are as follows:

- Universality: all financial instruments subject to a credit rating must be assessed for their possible SICR.
- Proportionality: the definition of the SICR must take into account the particularities of each portfolio.

- Materiality: its implementation must be also consistent with the relevance of each portfolio so as not to incur in unnecessary costs or efforts.
- Holistic vision: the approach selected must be a combination of the most relevant credit risk aspects (e.g. quantitative and qualitative).
- Application of IFRS 9 and Bank of Spain Circular 4/2017: the approach must take into consideration IFRS 9 and Bank of Spain Circular 4/2017 characteristics, focusing on a comparison with credit risk at initial recognition, as well as considering forward-looking information.
- Risk management integration: the criteria must be consistent with those metrics considered in the day-to-day risk management.
- Documentation: Appropriate documentation must be prepared.

The techniques are summarised below:

- Stability of stage 2: in the absence of significant changes in the portfolios credit quality, the volume of assets in stage 2 should maintain a certain stability as a whole.
- Economic reasonableness: at transaction level, stage 2 is expected to be a transitional rating for exposures that could eventually move to a deteriorating credit status at some point or stage 3, as well as for exposures that have suffered credit deterioration and whose credit quality is improving and returns to stage 1.
- Predictive power: it is expected that the SICR definition avoids, as far as possible, direct migrations from stage 1 to stage 3 without having been previously classified in stage 2.
- Time in stage 2: it is expected that the exposures do not remain categorized as stage 2 for an excessive time.

The application of the aforementioned techniques, conclude in the setting of one or several thresholds for each portfolio in each geography. Likewise, these thresholds are subject to a regular review by means of calibration tests, which may entail updating the thresholds types or their values.

Identifying a significant increase in credit risk: when classifying financial instruments under stage 2, Banco Santander considers:

- Quantitative criteria: Banco Santander reviews and quantifies changes in the risk of default during their expected life based on their credit risk level on initial recognition.

In order to consider significant changes when financial instruments are classified in stage 2, each subsidiary has defined the quantitative thresholds of its portfolios in accordance with the Group's guidelines, ensuring a consistent interpretation in all our geographies. These thresholds can be expressed as an absolute or relative increase in the probability of default.

Within the aforementioned quantitative thresholds we consider two types: we understand a relative threshold as one that compares the current credit quality with the credit quality at the time of granting the operation in percentage terms of variation. For its part, an absolute threshold compares both references in total terms, calculating the difference between them. These absolute/relative concepts are used homogeneously (with different values) in all geographies. The calibration of these two thresholds will depend on the type of portfolio and characteristics such as the starting point of the average credit quality of the portfolio.

- Qualitative criteria: Several indicators aligned with ordinary credit risk management indicators (e.g. past due for over 30 days, forbearance, etc.). Each subsidiary defined these criteria for its portfolios. The Group and the Bank supplements these qualitative criteria with expert opinions.

When the presumption of a significant deterioration of credit risk is removed, due to a sufficient improvement of the credit quality, the obligor can be re-classified to Stage 1, without any probationary period in Stage 2.

- Definition of default: Grupo and Banco Santander incorporated the new definition to provisions calculation according to the EBA's guidelines; the Bank is also considering applying it to prudential framework. In addition, the default definition and stage 3 have been aligned.

This definition considers the following criteria to classify exposures as stage 3: financial instruments with one or more payments more than 90 consecutive days past due, representing at least 1% of the client's total exposure or the identification of other criteria demonstrating, even in the absence of defaults, that it is unlikely that the counterparty is unlikely to meet all of its financial obligations.

The Group and the Bank apply the default criteria to all exposures of the impaired client. Where an obligor belongs to a group, the default criteria may also be applied to all exposures of the Group.

The default classification is maintained during the 3-month test period following the disappearance of all default indicators described above, and this period is extended to one year for forbearances that have been classified as default.

- Expected life of financial instruments: Grupo and Banco Santander estimate the expected life of financial instruments according to their contractual terms (e.g. prepayments, duration, purchase options, etc.).

The contractual period (including extension options) is the maximum time frame for measuring the expected credit loss. If financial instruments have an undefined maturity period and available balance (e.g. credit cards), the Group and the Bank estimate their expected life based on the total exposure period and effective management practices to mitigate exposure.

1. Forward-looking vision

To estimate expected losses, Grupo and Banco Santander require a great deal of expert analysis as well as past, present and future data. The Group and the Bank quantify expected losses from credit events using an unbiased, weighted consideration of up to five future scenarios that could affect our ability to collect contractual cash flows. These scenarios take into account the time value of money, the relevant information available about past events and current conditions, and projections of macroeconomic factors that are considered important to estimate this amount (e.g. GDP, house prices, rate of unemployment, among others).

Grupo and Banco Santander use forward-looking information in internal management and regulatory processes under several scenarios. The Bank's guidelines and governance ensure synergy and consistency between these different processes.

2. Additional elements

Additional elements will be required when necessary because they have not been captured under the two previous elements. This has included, among others, the analysis of sectors most affected if their impacts are not sufficiently captured by the macroeconomic scenarios. Also collective analysis techniques, when the potential impairment in a group of clients cannot be identified individually.

With the elements indicated above, Grupo and Banco Santander have evaluated the evolution of the credit quality of its customers, for the purposes of their classification in Grupo Santander financial statements.

Management overlays

During fiscal year 2023, the Group has significantly reduced its amount of overlays, homogeneously among its different concepts, mainly due to adjustments associated with uncertainties resulting from the war in Ukraine and the current macroeconomic context, as said adjustments were included in the expected loss models or are no longer required. The amount of overlays at the end of the 2023 financial year is not material.

Exposure and impaired losses

Then, considering the most relevant units of the Group (United Kingdom, Spain, United States, Brazil, also Chile, Mexico, Portugal, Poland, Argentina and Santander Consumer Finance), which represent approximately 96% of the total Group's provisions. The table below shows the impairment losses associated with each stage as of 31 December 2023 and 2022. In addition, depending on the transactions credit quality, the exposure is divided into four categories according to Standard & Poor's rating scale:

Exposure and impairment losses by stage

EUR million				
2023				
Credit quality ^A	Stage 1	Stage 2	Stage 3	Total
From AAA to AA-	147,065	2,261	—	149,326
From A+ to BB	421,449	13,910	—	435,359
From BB- to B-	262,954	41,237	—	304,191
CCC and below	11,829	19,376	33,838	65,043
Total exposure^B	843,297	76,784	33,838	953,919
Impairment losses^C	3,592	5,055	14,131	22,778

Exposure and impairment losses by stage

EUR million				
2022				
Credit quality ^A	Stage 1	Stage 2	Stage 3	Total
From AAA to AA-	172,440	1,506	—	173,946
From A+ to BB	394,084	10,601	—	404,685
From BB- to B-	272,456	32,653	—	305,109
CCC and below	11,799	21,436	32,608	65,843
Total exposure^B	850,779	66,196	32,608	949,583
Impairment losses^C	3,807	5,195	13,852	22,854

A. Detail of credit quality ratings calculated for Group management purposes.

B. Total exposure includes loan balances (drawn amounts) and off balance (letters of credit + guarantees) and excludes REPOs, FV portfolio, trading portfolio and undrawn commitments.

C. Includes provisions for undrawn authorized lines (loan commitments).

The remaining units that form the totality of the Group exposure, contributed EUR 68,788 million in stage 1; EUR 1,504 million in stage 2, and EUR 658 million in stage 3 (in 2022 EUR 123,796 million in stage 1; EUR 2,902 million in stage 2, and EUR 2,064 million in stage 3), and impairment losses of EUR 199 million in stage 1; EUR 73 million for stage 2, and EUR 161 million in stage 3 (in 2022, EUR 147 million, EUR 123 million and EUR 294 million).

The remaining exposure, including all financial instruments not included before, amounts to EUR 598,385 million (EUR 538,364 million in 2022), and it includes all undrawn authorized lines (loan commitments).

As of 31 December 2023, the Group had EUR 743 million net of provisions (EUR 322 million at 31 December 2022) of purchased credit-impaired assets, which relate mainly to the business combinations carried out by the Group.

Regarding the evolution of credit risk provisions, Grupo and Banco Santander, in collaboration with the main geographical areas, monitors them by carrying out sensitivity analyses considering changes in macroeconomic scenarios and main variables that have an impact on the financial assets distribution in the different stages and calculating credit risk provisions.

Additionally, based on consistent macroeconomic scenarios, Grupo and Banco Santander also perform stress tests and sensitivity analysis in a regular basis, such as ICAAP, strategic plans, budgets and recovery and resolution plans. In this sense, a prospective view of the sensitivity of each of the Group's loan portfolio is created in relation to the possible deviation from the base scenario, considering both the macroeconomic developments in different scenarios and the three year evolution of the business. These tests include potentially adverse and favourable scenarios.

3.Detail of the main geographical areas

Following is the risk information relating to the geography of Grupo España portfolio in terms of exposure and risk allowances.

This information includes sensitivity analysis, consisting on simulations of +/-100 bp in the main macroeconomic variables. A set of specific and complete scenarios is used in each geography, where different shocks that affect both the reference variable as well as the rest of the parameters is simulated. These shocks collect mainly the most relevant risks and may be originated by productivity, tax, wages or exchange and interest rates factors.

Sensitivity is measured as the average variation on expected loss corresponding to the aforementioned movement of +/-100 bp. Following a conservative approach, the negative movements take into account one additional standard deviation in order to reflect the potential higher variability of losses.

3.1. Spain

Portfolio overview

Santander España's credit risk totalled EUR 278,569 million (25% of Grupo Santander's total). It is appropriately diversified among products and customer segments.

The macroeconomic outlook continues to be marked by an environment of high uncertainty, both domestic and international. Economic forecasts for 2024 are being cut due to persistently high inflation, a weaker global scenario and tightening monetary conditions. The Spanish economy has been sustained largely by greater domestic demand in the face of a weaker than expected foreign sector.

In a context of growing economic weakness and increasing financing costs, bank credit remained weak during 2023. It decreased significantly in the mortgage portfolio due to the rise in interest rates, which has led to a decrease in demand for credit and an increase in the early amortization of the portfolio, and in the SME segment due to lower demand for financing and the progressive amortization of support and liquidity programs (financing lines of the Official Credit Institute - ICO). On the contrary, the portfolios of larger companies and consumption showed greater resilience despite the environment.

Total credit risk decreased 5% from December 2022. The ICO loans that were granted as a result of the pandemic (EUR 25,428 million for which the majority of the grace periods have expired, standing at EUR 18,997 million, representing approx. 7% of Santander España total portfolio.

The credit portfolio's NPL ratio was 3.06%, 21 bps lower than in December 2022. This decrease was due to the good performance of the portfolio motivated by the management of specific cases and portfolio sales.

The NPL coverage ratio remained at 49% (-2 bps year-on-year). The cost of credit remained stable at 0.62% (+1 bps vs. December 2022).

Residential mortgage portfolio

Residential mortgages in Spain, including Santander Consumer Finance business, amounted to EUR 61,097 million in 2023 (EUR 63,688 million in 2022), 99.65% of which have a mortgage guarantee (99.55% in 2022).

EUR million

	2023			
	Santander Group Spain		Of Which, Banco Santander, S.A.	
	Gross amount	Of which: impaired	Gross amount	Of which: Non-performing
Home purchase loans to families	61,097	924	60,040	874
Without mortgage guarantee	215	16	214	17
With mortgage guarantee	60,882	908	59,826	857

EUR million

	2022			
	Santander Group Spain		Of Which, Banco Santander, S.A.	
	Gross amount	Of which: impaired	Gross amount	Of which: Non-performing
Home purchase loans to families	63,688	1,088	62,472	1,032
Without mortgage guarantee	288	24	289	24
With mortgage guarantee	63,400	1,064	62,183	1,008

The mortgage portfolio for the acquisition of homes in Spain is characterised by its medium-low risk profile, which limits expectations of any potential additional impairment:

- Principal is repaid on all mortgages from the start.
- Early repayment is common so the average life of the transaction is well below that of the contract.
- High quality of collateral, concentrated almost exclusively in financing for first homes.
- The average affordability rate stood at 24% (26% in 2022).
- The 95% of the portfolio has a LTV below 80% calculated as total risk/latest available house appraisal.
- All customers applying for a residential mortgage are subject to a rigorous credit risk and viability assessment, analysing whether their income is sufficient to meet all repayments and will remain stable over the term of the loan.

The NPL ratio for the residential mortgages portfolio stood at 1.49%, with a reduction of 19 bps, compared to 31 December 2022, mainly due to by portfolio sales.

Starting in mid-2022, the rise in the EURIBOR translated into increases in the instalments paid by clients with variable mortgages (approximately 75% of the portfolio). This increase is partially mitigated by the conservative evaluation of payment capacity made at the time of admission.

Breakdown of the credit with mortgage guarantee to households for house acquisition, according to the percentage that the total risk represents on the amount of the latest available valuation (loan to value):

EUR million

	2023					Total
	Loan to value ratio					
	Less than or equal to 40%	More than 40% and less than 60%	More than 60% and less than 80%	More than 80% and less than or equal to 100%	More than 100%	
Santander Group						
Gross amount	18,728	20,720	18,083	2,294	1,057	60,882
Of which impaired	131	192	199	151	235	908
Of which, Banco Santander, S.A.						
Gross amount	18,449	20,452	17,901	2,146	878	59,826
Of which, impaired	127	184	192	141	213	857

In November 2022, Royal Decree-Law 19/2022 was published, which establishes a Code of Good Practices in response to the rise in interest rates on mortgage loans for primary residences and Royal Decree-Law 6/2012 of protection measures for mortgage debtors without resources. The code of good practices is focused on granting capital grace periods and extending the term of the operations. At 31 December 2023, the requests made have not been significant.

Corporate & SME financing

Credit risk with SME and corporates in commercial banking amounted to EUR 107,613 million, 4.7% lower than in December 2022, mainly due to the fall in the portfolio of SMEs of 6.1%. This is Santander Spain's main lending segment, accounting for 39% of the total, compared to 35% of CIB's portfolio, which from 2022 includes branches in Europe.

Most of the portfolio corresponds to clients who have been assigned a credit analyst, who performs continuous management of said clients during all phases of the risk cycle.

The portfolio is broadly diversified and not concentrated by sector of activity.

The Bank has continued to rely on its support and proximity to SMEs and the self-employed and has positioned itself as the leading entity in ICO Loans in 2023 with a share of 39%. The majority of this financing was allocated to the ICO Companies and Entrepreneurs Lines and the ICO International Line. ICO financing represents around 35% of the SME portfolio, and its performance is as expected thanks to our robust risk management policies.

The portfolio's NPL ratio stood at 5.27% in December 2023. The NPL ratio decreased by 45 bps compared to December 2022, due to a reduction in the delinquency stock in SMEs, due to the proactive management of delinquent positions with the support of portfolio sales.

Real estate activity

Santander has specialized teams that are in charge of managing real estate business production and risk areas that cover the entire life cycle of these operations.

The changes in gross property development loans to customers were as follows:

EUR million	2023	2022
Balance at beginning of year	2,327	2,625
Foreclosed assets	(1)	—
Net variation	115	(295)
Written-off assets	(8)	(3)
Balance at end of year	2,433	2,327

The NPL ratio of this portfolio ended the year at 3.04% (compared with 4.04% at December 2022) due to the decrease of non-performing assets in the troubled loan portfolio and, in particular, to the sharp reduction in lending in this segment. The table below shows the distribution of the portfolio. The coverage ratio of the real estate doubtful exposure in Spain stands at 39.19% (35.11% and in 2022).

EUR million

EUR Million	2023					
	Santander Group			Of which, Banco Santander, S.A.		
	Gross amount	Excess of gross exposure over maximum recoverable amount of effective collateral	Specific allowance	Gross amount	Excess of gross exposure over maximum recoverable amount	Specific allowance
Financing for construction and property development (including land) (business in Spain)	2,433	259	40	2,456	262	-40
<i>Of which impaired</i>	74	5	29	74	5	(29)
Memorandum items written-off assets	346	—	—	346	—	—

Memorandum items: Data from the public balance sheet

EUR million

	2023	
	Carrying amount	
	Santander Group	Of which, Banco Santander, S.A.
Total loans and advances to customers excluding the Public sector (business in Spain) (Book value)	241,695	232,807
Total consolidated assets (Total business) (Book value)	1,797,062	757,342
Impairment losses and credit risk allowances. Coverage for unimpaired assets (business in Spain)	1,230	1,199

At year-end, the distribution of this portfolio was as follows:

EUR Million	Loans: Gross amount	
	Santander Group	Of which, Banco Santander, S.A.
1. Without mortgage guarantee	16	16
2. With mortgage guarantee	2,417	2,440
2.1 Completed buildings	1,032	1,033
2.1.1 Residential	642	643
2.1.2 Other	390	390
2.2 Buildings and other constructions under construction	1,364	1,386
2.2.1 Residential	1,292	1,314
2.2.2 Other	72	72
2.3 Land	21	21
2.3.1 Developed consolidated land	14	14
2.3.2 Other land	7	7
Total	2,433	2,456

Policies and strategies in place for the management of these risks

The policies in force for the management of this portfolio are periodically reviewed and approved on a regular basis by Santander's senior management.

As has already been disclosed in this section, the Group and the Bank's anticipatory management of these risks enabled it to significantly reduce its exposure, and it has a granular, geographically diversified portfolio in which the financing of second residences accounts for a very small proportion of the total.

Mortgage lending on non-urban land represents a low percentage of mortgage exposure to land, while the remainder relates to land already classified as urban or approved for development.

The significant reduction of exposure in the case of residential financing projects in which the construction work has already been completed was based on various actions. As well as the specialised marketing channels already in existence, campaigns were carried out with the support of specific teams of managers for this function who, in the case of the Santander network, were directly supervised by the recoveries business area. These campaigns, which involved the direct management of the projects with property developers and purchasers, reducing sale prices and adapting the lending conditions to the buyers' needs, enabled loans already in force to be subrogated. These subrogations enable to diversify its risk in a business segment that displays a clearly lower non-performing loans ratio.

In the case of construction-phase projects that are experiencing difficulties of any kind, the policy adopted is to complete the construction work so as to obtain completed buildings that can be sold in the market. To achieve this aim, the projects are analysed on a case-by-case basis in order to adopt the most effective series of measures for each case (structured payments to suppliers to ensure completion of the work, specific schedules for drawing down amounts, etc.).

For the real estate business production, the admission processes are managed by specialized teams that work in direct coordination with the commercial teams, with clearly defined policies and criteria:

- Property developers with a robust solvency profile and a proven track record in the market.
- Medium-high level projects, conducting to contracted demand and significant cities.
- Strict criteria regarding the specific parameters of the transactions: exclusive financing for the construction cost, high percentages of accredited sales, principal residence financing, etc.
- Support of financing of government-subsidised housing, with accredited sales percentages.
- Restricted financing of land purchases dealt with exceptional nature.

In addition to the permanent control performed by its risk monitoring teams, the Group has a specialist technical unit that monitors and controls this portfolio with regard to the stage of completion of construction work, planning compliance and sales control, and validates and controls progress billing payments. The Group has created a set of specific tools for this function. All mortgage distributions, amounts drawn down of any kind, changes made to the grace periods, etc. are authorised on a centralised basis.

Foreclosed properties

At 31 December 2023, the net balance of these assets amounted to EUR 2,448 million (EUR 2,971 million at 31 December 2022), gross amount of EUR 5,506 million (EUR 6,422 million at 31 December 2022); recognised allowance of EUR 3,058 million (EUR 3,451 million at 31 December 2022).

The following table shows the detail of the assets foreclosed by the businesses in Spain at the end of 2023:

EUR million

	2023			Net Carrying amount
	Gross carrying amount	Valuation adjustments	Of which impairment losses on assets since time of foreclosure	
Property assets arising from financing provided to construction and property development companies	4,901	2,801	2,072	2,100
<i>Of which:</i>				
<i>Completed buildings</i>	1,054	615	519	439
<i>Residential</i>	224	111	89	113
<i>Other</i>	830	504	430	326
<i>Buildings under construction</i>	101	45	36	56
<i>Residential</i>	12	9	6	3
<i>Other</i>	89	36	30	53
<i>Land</i>	3,746	2,141	1,517	1,605
<i>Developed land</i>	1,107	589	366	518
<i>Other land</i>	2,639	1,552	1,151	1,087
Property assets from home purchase mortgage loans to households	473	197	131	276
Other foreclosed property assets	132	60	46	72
Total property assets	5,506	3,058	2,249	2,448

The same information in the previous table reference to Banco Santander, S.A. is presented below:

EUR million

	2023			Carrying amount
	Gross carrying amount	Valuation adjustments	Of which impairment losses on assets since time of foreclosure	
Property assets arising from financing provided to construction and property development companies	568	311	258	257
<i>Of which:</i>				
<i>Completed buildings</i>	537	302	251	235
<i>Residential</i>	126	58	47	68
<i>Other</i>	411	244	204	167
<i>Buildings under construction</i>	—	—	—	—
<i>Residential</i>	—	—	—	—
<i>Other</i>	—	—	—	—
<i>Land</i>	31	9	7	22
<i>Developed land</i>	23	7	6	16
<i>Other land</i>	8	2	1	6
Property assets from home purchase mortgage loans to households	429	174	114	255
Other foreclosed property assets	108	46	38	62
Total property assets	1,105	531	410	574

In addition, the Group has shareholdings in entities holding foreclosed assets amounting to EUR 179 million (mainly Project Quasar Investment 2017, S.L. with EUR 155 million), and equity instruments foreclosed or received in payment of debts amounting to EUR 14 million.

In recent years, the Group and the Bank have considered foreclosure to be a more efficient method for resolving cases of default than legal proceedings. The Group and the Bank initially recognise foreclosed assets at the lower of the carrying amount of the debt (net of provisions) and the fair value of the foreclosed asset (less estimated costs to sell). Subsequent to initial recognition, the assets are measured at the lower of fair value (less costs to sell) and the amount initially recognised.

The fair value of this type of assets is determined by the market value (appraisal) adjusted with discounts obtained according to internal valuation methodologies based on the entity's sales experience in goods with similar characteristics.

The management of real estate assets on the balance sheet is carried out through companies specializing in the sale of real estate that is complemented by the structure of the commercial network. The sale is realised with at prices in accordance with the market situation and the offer of wholesale buyers.

The gross movement in foreclosed properties were as follows (EUR billion):

	2023	2022
Gross additions	0.3	0.2
Disposals	(1.2)	(1.3)
Difference	(0.9)	(1.1)

Information on the estimation of impairment losses

The detail of Santander Spain exposure and impairment losses associated with each of the stages at 31 December, 2023 and 2022 is shown below. In addition, the exposure is divided in four tranches of the Standard & Poor's rating scale, according to their current credit quality:

Exposure and impairment losses by stage

EUR million				
2023				
Credit quality ^A	Stage 1	Stage 2	Stage 3	Total
From AAA to AA-	46,827	48	—	46,875
From A+ to BB	101,079	780	—	101,859
From BB- to B-	33,905	9,789	—	43,694
CCC and below	1,513	4,517	7,536	13,566
Total exposure^B	183,324	15,134	7,536	205,994
Impairment losses^C	300	663	2,959	3,922

Exposure and impairment losses by stage

EUR million				
2022				
Credit quality ^A	Stage 1	Stage 2	Stage 3	Total
From AAA to AA-	37,133	447	—	37,580
From A+ to BB	107,667	282	—	107,949
From BB- to B-	46,296	6,388	—	52,684
CCC and below	253	5,234	8,893	14,380
Total exposure^B	191,349	12,351	8,893	212,593
Impairment losses^C	507	666	3,472	4,645

- A. Detail of credit quality ratings calculated for Group management purposes. Excluding the SCIB branches business
- B. Total exposure includes loan balances (drawn amounts) and off balance (letters of credit + guarantees) and excludes REPOs, FV portfolio, trading portfolio and undrawn commitments.
- C. Includes provisions for undrawn authorized lines (loan commitments).

From the information detailed above, Banco Santander, S.A. reaches a total gross exposure of EUR 326,372 million in the heading of financial assets at amortized cost (see note 6 and 10) and EUR 128,487 million in loan commitments granted for off-balance sheet exposures (see note 31) Impairment losses amount to EUR 3,888 and EUR 184 million, respectively. (The amount of losses due to impairment of off-balance sheet exposures includes the coverage of financial guarantees and other commitments granted in addition to the aforementioned loan commitments).

For the estimation of the expected losses, the prospective information is taken into account. Specifically, Santander Spain considers three macroeconomic scenarios, which are updated periodically. The projected evolution for a period of five years of the main macroeconomic indicators used by Santander Spain for estimating expected losses as of 2023, is presented below:

Variables	2024-2028		
	Pessimistic scenario	Base scenario	Optimistic scenario
Interest rate	3.6 %	3.1 %	3.0 %
Unemployment rate	14.3 %	11.0 %	9.5 %
Housing price change	0.5 %	2.1 %	2.6 %
GDP growth	0.0 %	1.5 %	2.7 %

Each macroeconomic scenarios is associated with a given weight. As for its allocation, Santander Spain associates the Base scenario with the highest weight, while associating the lower weights to the most extreme scenarios:

	2023	2022
Pessimistic scenario	30%	30%
Base scenario	40%	40%
Optimistic scenario 1	30%	30%

The sensitivity analysis of the main portfolios expected loss to variations of +/-100 bp for the macroeconomic variables used in the construction of the scenarios, at December 31 2023, is as follows:

	Change in Provision		
	Mortgages	Corporates	Others
GDP Growth			
-100 bp	4.1 %	3.3 %	3.7 %
100 bp	(1.9)%	(1.2)%	(2.2)%
Housing price change			
-100 bp	3.1 %	2.5 %	4.2 %
100 bp	(2.1)%	(1.2)%	(2.1)%

Regarding the stage 2 classification determination, the quantitative criteria applied in Santander Spain are based on identifying whether any increase in the PD for the entire expected life of the operation is greater than a relative or absolute threshold. The established threshold is different for each portfolio depending on the characteristics of the operations, and an operation is considered to exceed said threshold when the PD for the entire life of the operation increases a certain amount over the PD it had at the time of initial recognition. The values of these thresholds depend on their calibration, carried out periodically, as indicated in previous paragraphs. Additionally, Santander Spain has implemented a backstop to the relative threshold in all portfolios. Consequently, contracts whose current PD has increased more than twice with respect to its PD at the time of its origination will be classified in phase 2.

In addition, a series of specific qualitative criteria are defined that indicate that the exposure has had a significant increase in credit risk, regardless of the evolution of its PD since the moment of initial recognition. Santander Spain, among other criteria, considers that an operation presents a significant increase in risk when it presents irregular positions for more than 30 days or if it is determined based on a system of Early Warning Indicators (EWIs).

4. Other credit risk aspects

4.1. Credit risk by activity in the financial markets

This section covers credit risk from treasury, with money market financing and counterparty risk products to satisfy the needs of customers (especially credit institutions) and the Bank.

Counterparty credit risk is the risk that a customer will default before the final settlement of a transaction's cash flows. It creates a bilateral credit risk because it can affect both parties to a transaction. It is also uncertain because it depends on market factors, which can be volatile.

Grupo and Banco Santander manage counterparties with several credit risk models based on their characteristics and needs. Model segmentation is by business and risk treatment and based on counterparty disclosures as well as the credit risk cycle. The exposure that the counterparty credit risk model covers includes derivatives contracts, repurchase agreements, securities and commodities lending, long settlements and margin lending.

An infrastructure that can quickly and dynamically measure current and potential exposure with various degrees of aggregation and granularity to generate detailed reports is important for decision-making.

To measure exposure, Grupo y Banco Santander use two methods: "Mark-to-market" (MtM) (replacement cost of derivatives), plus potential future exposure ("add-on"); and the Monte Carlo simulation for certain countries and products. In addition, Santander calculates capital at risk and unexpected loss (e.g. economic capital, net of collateral and recoveries, after deducting expected loss).

At market close, Grupo and Banco Santander recalculate its exposure by adjusting transactions to a new time horizon, adapting potential future exposure, and applying netting, collateral and other mitigants. That way, Santander can check exposure daily against the limits approved by senior management within risk appetite. For risk control, the Group uses a real-time integrated system that shows the exposure limit with a counterparty, for any product and term, in all subsidiaries.

As part of the exposure to counterparty credit risk, an additional risk known as wrong-way risk may arise. This risk is the one that arises in the event that the exposure with a portfolio or with a counterparty increases when its credit quality deteriorates. That is, wrong-way risk exists when there is an increase in the risk of default and, as a consequence, the exposure we have with the counterparty increases. Santander has specific models to measure this risk.

Regarding settlement risk, this occurs when the settlement of a transaction involves a bilateral exchange of flows or assets between two counterparties, and there is a risk that one of the parties will fail to comply with their settlement commitments. To measure this risk, Santander has developed a global infrastructure and specific models.

4.2. Concentration risk

Concentration risk control is a vital part of our management. The Group and the Bank continuously monitors the degree of concentration of its credit risk portfolios using various criteria: geographic areas and countries, economic sectors and groups of customers.

The board, via the risk appetite framework, determines the maximum levels of concentration.

In line with these maximum levels and limits, the executive risk committee establishes the risk policies and reviews the appropriate exposure levels for the effective management of the degree of concentration in Santander's credit risk portfolios.

Grupo and Banco Santander must adhere to the regulation on large risks contained in the CRR, according to which the exposure contracted by an entity with a customer or group of associated customers will be considered a large exposure when its value is equal to or greater than 10% of eligible capital.

In addition, in order to limit large exposures, no entity may assume exposures exceeding 25% of its eligible capital with a single customer or group of associated customers, having factored in the credit risk mitigation effect contained in the regulation.

At the end of December, after applying risk mitigation techniques, no group reaches the above-mentioned thresholds.

Regulatory credit exposure with the 20 largest groups within the scope of large risks represented 5.6% of the outstanding credit risk with customers (lending to customers plus off-balance sheet risks) as of December 2023. While the regulatory credit exposure with the 40 largest groups represents 8.5% of the credit risk.

The detail, by activity and geographical area of the Group's risk concentration at 31 December 2023 is as follows:

EUR million

	2023 ^A				
	Total	Spain	Other EU countries	America	Rest of the world
Central banks and Credit institutions	379,533	99,186	69,692	132,573	78,082
Public sector	215,038	56,158	51,160	96,477	11,243
<i>Of which:</i>					
<i>Central government</i>	186,872	43,442	45,469	87,217	10,744
<i>Other central government</i>	28,166	12,716	5,691	9,260	499
<i>Other financial institutions (financial business activity)</i>	158,730	15,578	44,480	60,321	38,351
Non-financial companies and individual entrepreneurs (non-financial business activity) (broken down by purpose)	455,926	109,246	106,328	179,349	61,003
<i>Of which:</i>					
<i>Construction and property development</i>	20,621	3,318	4,189	7,561	5,553
<i>Civil engineering construction</i>	5,538	2,354	1,740	1,257	187
<i>Large companies</i>	282,357	48,777	61,506	126,207	45,867
<i>SMEs and individual entrepreneurs</i>	147,410	54,797	38,893	44,324	9,396
Households – other (broken down by purpose)	564,425	88,660	103,380	148,026	224,359
<i>Of which:</i>					
<i>Residential</i>	352,478	63,294	36,480	47,347	205,357
<i>Consumer loans</i>	192,960	17,428	64,084	94,805	16,643
<i>Other purposes</i>	18,987	7,938	2,816	5,874	2,359
Total	1,773,652	368,828	375,040	616,746	413,038

A. For the purposes of this table, the definition of risk includes the following items in the public balance sheet: 'Loans and advances to credit institutions', 'Loans and advances to Central Banks', 'Loans and advances to Customers', 'Debt securities', 'Equity Instruments', 'Trading Derivatives', 'Hedging derivatives', 'Investments and financial guarantees given'.

The same information in the previous table referring to Banco Santander, S.A. it is presented below:

EUR million

	2023 ^A				
	Total	Spain	Other EU countries	America	Rest of the world
Central banks and Credit institutions	246,557	116,178	45,033	58,844	26,502
Public sector	73,639	42,668	19,068	4,379	7,524
<i>Of which:</i>					
<i>Central government</i>	57,827	30,035	17,318	4,351	6,123
<i>Other central government</i>	15,812	12,633	1,750	28	1,401
<i>Other financial institutions (financial business activity)</i>	191,235	52,947	51,243	52,285	34,760
Non-financial companies and individual entrepreneurs (Non-financial business activity) (broken down by purpose)	210,004	100,908	37,584	34,841	36,671
<i>Of which:</i>					
<i>Construction and property development</i>	2,317	2,303	14	—	—
<i>Civil engineering construction</i>	4,140	2,061	986	927	166
<i>Rest of purposes</i>	203,547	96,544	36,584	33,914	36,505
<i>Large companies</i>	152,159	48,203	36,123	32,622	35,211
<i>SMEs and individual entrepreneurs</i>	51,388	48,341	461	1,292	1,294
Households – other (broken down by purpose)	77,807	76,129	467	519	692
<i>Of which:</i>					
<i>Residential</i>	61,227	59,876	397	345	609
<i>Consumer loans</i>	8,583	8,526	6	18	33
<i>Other purposes</i>	7,997	7,727	64	156	50
Total	799,242	388,830	153,395	150,868	106,149

A. For the purposes of this table, the definition of risk includes the following items in the public balance sheet: 'Loans and advances to credit institutions', 'Loans and advances to Central Banks', 'Loans and advances to Customers', 'Debt securities', 'Equity Instruments', 'Trading Derivatives', 'Hedging derivatives', 'Investments and financial guarantees given'.

4.3 Sectors identification and management

Grupo and Banco Santander conduct a quarterly review of exposure to customers operating in sectors that could be more affected by macroeconomic conditions (energy consumption, commodity prices, and key macroeconomic variables). This monitoring is complemented by the use of internal tools that allow projecting the behaviour and evolution of clients in each sector under different macroeconomic scenarios. Additionally, this process considers, among other things, the following information at the sector level:

- Market information: Industries' stock market performance.
- Analysts' EBITDA forecasts for the coming years.
- Internal information: Changes in credit exposure, defaults (in different timelines) and stagings.
- Our industry experts' opinion, based on specific details about our exposures and our relationships with customers.

4.4. Sovereign risk and exposure to other public sector entities

Sovereign risk occurs in transactions with a central bank. It includes the regulatory cash reserve, issuer risk with

the Treasury (public debt portfolio) and risk from transactions with government institutions whose funding only come from the state's budgetary revenue and not commercial operations.

Grupo Santander's standard for sovereign risk differs somewhat from the European Banking Authority's (EBA) standard for regular stress testing. In particular, the EBA does not consider deposits with central banks, exposures with insurance companies or indirect exposures from guarantees and other financial instruments. However, its standard does generally include entities run by regional, local and central governments.

Grupo and Banco Santander continue to track and manage transactions with sovereign risk based on available information, such as reports by rating agencies and international organizations. Grupo and Banco Santander monitor each country where the Group and the Bank have cross-border and sovereign risk. The Group and the Bank analyse events that could affect the country's political or institutional stability and assign its government or central bank a credit rating. This helps us set limits for transactions with sovereign risk.

At the end of December, Grupo and Banco Santander's local sovereign exposure, in currencies other than the official currency of the country of issuance, is not significant (EUR 4,404 million, 1.1% of total sovereign risk) according to our management criteria. Furthermore, exposure to non-local sovereign issuers involving cross-border risk is even less significant (EUR 11,085 million, 2.7% of total sovereign risk).

Sovereign exposure in Latin America is mostly in local currency, and is recognised in the local accounts and concentrated in short-term maturities.

Over the past few years, total exposure to sovereign risk has remained in line with regulatory requirements and our strategy to manage this portfolio.

The shifts observed in the different countries exposure is due to our liquidity management strategy and the hedging of interest and exchange rates risks. Santander's exposure spreads among countries with varied macroeconomic outlooks and dissimilar scenarios in terms of growth, interest and exchange rates.

Our investment strategy for sovereign risk considers country's credit quality to set the maximum exposure limits^A:

	2023	2022
AAA	18 %	27 %
AA	19 %	19 %
A	41 %	34 %
BBB	12 %	11 %
Less than BBB	10 %	9 %

A. Internal ratings are applied.

Sovereign exposure at the end of 31 December 2023 is shown in the table below (data in million euros):

Country	2023				2022	
	Portfolio				Total net direct exposure	Total net direct exposure
	Financial assets held for trading and Financial assets designated as FV with changes in results	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Non-trading financial assets mandatorilly at fair value through profit or loss		
Spain	4,996	97	34,534	—	39,627	29,095
Portugal	462	1,247	5,150	—	6,859	5,456
Italy	(2,187)	415	7,366	—	5,594	7,415
Greece	—	—	—	—	—	—
Ireland	—	—	—	—	—	—
Rest Eurozone	2,899	604	4,621	—	8,124	5,651
UK	1,261	607	1,919	—	3,787	2,106
Poland	194	6,340	4,733	—	11,267	8,715
Rest of Europe	16	2,467	310	—	2,793	132
US	2,049	5,253	14,002	—	21,304	23,298
Brazil	11,715	10,273	5,745	—	27,733	23,728
Mexico	3,311	12,075	5,439	—	20,825	17,306
Chile	97	1,040	5,148	—	6,285	6,485
Rest of America	277	543	1,430	—	2,250	1,964
Rest of the World	229	2,843	1,455	—	4,527	3,542
TOTAL	25,319	43,804	91,852	—	160,975	134,893

5. Forborne loan portfolio

Grupo and Banco Santander's customer debt redirection policy incorporates the regulatory requirements of the EBA guidelines on the management of non-performing exposures, refinancing and restructuring. This policy acts as a reference for the transposition in our subsidiaries and shares the applicable supervisory expectations.

This policy also sets down rigorous criteria for evaluating, classifying and monitoring forbearances to ensure the strictest possible care and diligence in recovering due amounts. Thus, it dictates that Grupo and Banco Santander must adapt payment obligations to customers' current circumstances. Our forbearance policy also defines classification criteria to ensure Grupo and Banco Santander recognize risks appropriately. They must remain classified as non-performing or in watch-list for a prudential period for reasonable certainty of repayment. In no case will repayments be used to delay the immediate recognition of losses or so that their use distorts the timely recognition of the risk of non-payment.

At 31 December 2023, forbearance stock fell again and stood at EUR 31,963 million, due to the good payment behaviour in the main geographies. In terms of credit quality, 47% of the loans is classified as credit impaired, with a coverage ratio of 44%. In addition, 53% of the portfolio is classified as performing.

The following terms are used with the meanings specified below:

- **Refinancing transaction:** transaction that is granted or used, for reasons relating to current or foreseeable financial difficulties of the borrower, to repay one or more of the transactions granted to it, or through which the payments on such transactions are brought fully or partially up to date, in order to enable the borrowers of the cancelled or refinanced transactions to repay their debt (principal and interest) because they are unable, or might foreseeably become unable, to comply with the conditions there of in due time and form.
- **Restructured transaction:** transaction with respect to which, for economic or legal reasons relating to current or foreseeable financial difficulties of the borrower, the financial terms and conditions are modified in order to facilitate the payment of the debt (principal and interest) because the borrower is unable, or might foreseeably become unable, to comply with the aforementioned terms and conditions in due time and form, even if such modification is envisaged in the agreement.

Current refinancing and restructuring balances

Amounts in EUR million, except number of transactions that are in units

	2023													
	Total							Of which, non-performing/Doubtful						
	Without real guarantee			With real guarantee				Without real guarantee			With real guarantee			
	Number of transactions	Gross amount	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered		Impairment of accumulated value or accumulated losses in fair value due to credit risk	Number of transactions	Gross amount	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered		Impairment of accumulated value or accumulated losses in fair value due to credit risk
Real estate guarantee					Rest of real guarantees	Real estate guarantee						Rest of real guarantees		
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	12,851	437	37	5	2	—	4	7	3	7	1	1	—	3
Other financial institutions and individual shareholder	1,011	258	833	285	38	182	58	472	25	428	107	21	51	50
Non-financial institutions and individual shareholder	728,123	7,709	61,110	6,977	4,079	1,461	3,543	385,859	3,307	37,225	3,751	2,134	709	3,078
Of which financing for constructions and property development	14,236	106	2,035	506	415	41	134	7,759	56	1,155	235	183	18	112
Other warehouses	4,400,346	6,107	507,378	10,185	4,602	4,043	4,484	2,092,099	2,593	293,433	5,257	1,744	2,394	3,415
Total	5,142,331	14,511	569,358	17,452	8,721	5,686	8,089	2,478,437	5,928	331,093	9,116	3,900	3,154	6,546
Financing classified as non-current assets and disposable groups of items that have been classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—

The same information in the previous table referring to Banco Santander, S.A. it is presented below:

Current refinancing and restructuring balances

Amounts in EUR million, except number of transactions that are in units

	2023													
	Total							Of which, non-performing/Doubtful						
	Without real guarantee			With real guarantee				Without real guarantee			With real guarantee			
	Number of transactions	Gross amount	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered		Impairment of accumulated value or accumulated losses in fair value due to credit risk	Number of transactions	Gross amount	Number of transactions	Gross amount	Maximum amount of the actual collateral that can be considered		Impairment of accumulated value or accumulated losses in fair value due to credit risk
				Real estate guarantee	Rest of real guarantees						Real estate guarantee	Rest of real guarantees		
Credit entities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Public sector	12,845	434	30	5	2	—	—	1	—	3	1	1	—	—
Other financial companies and sole proprietorships (financial business activity)	190	227	72	201	38	104	(47)	52	17	39	98	21	45	(44)
Non-financial corporations and sole proprietorships (non-financial business activity)	24,396	4,939	8,329	3,600	2,396	617	(1,437)	5,628	1,501	5,692	2,109	1,417	336	(1,289)
<i>Of which, financing for construction and real estate development (including land)</i>	9	—	152	103	101	—	(29)	7	—	86	63	62	—	(26)
Other warehouses	13,122	255	19,091	1,579	1,397	10	(368)	1,573	61	10,331	880	745	5	(309)
Total	50,553	5,855	27,522	5,385	3,833	731	(1,852)	7,254	1,579	16,065	3,088	2,184	386	(1,642)
Financing classified as non-current assets and disposable groups of items that have been classified as held for sale	—	—	—	—	—	—	—	—	—	—	—	—	—	—

In 2023, the amortised cost of financial assets whose contractual cash flows were modified during the year when the corresponding loss adjustment was valued at an amount equal to the expected credit losses over the life of the asset amounted to EUR 2,902 million (2,379 million in 2022), without these modifications having a material impact on the income statement. Also, during 2023, the total of financial assets that have been modified since the initial recognition, and whose correction for expected loss has gone from being valued during the entire life of the asset to the following twelve months, amounts to EUR 2,804 million (1,677 million in 2022).

In 2023, the amortised cost of financial assets owned by the Bank whose contractual cash flows were modified during the year when the corresponding loss adjustment was valued at an amount equal to the expected credit losses over the life of the asset amounted to EUR 360 million, without these modifications having a material impact on the income statement. Also, during 2023, the total of financial assets owned by the Bank that have been modified since the initial recognition, and whose correction for expected loss has gone from being valued during the entire life of the asset to the following twelve months, amounts to EUR 2,027 million.

The transactions presented in the foregoing tables were classified at 31 December 2023 by nature, as follows:

- Credit impaired: Operations that rest on an inadequate payment scheme will be classified within the non-performing category, regardless they include contract clauses that delay the repayment of the operation throughout regular payments or present amounts written off the balance sheet for being considered irrecoverable.
- Performing: Operations not classifiable as non-performing will be classified within this category. Operations will also be classified as normal if they have been reclassified from the non-performing category for complying with the specific criteria detailed below:
 - a A period of a year must have passed from the refinancing or restructuring date.
 - b The owner must have paid for the accrued amounts of the capital and interests, thus reducing the rearranged capital amount, from the date when the restructuring of refinancing operation was formalised.
 - c The owner must not have any other operation with amounts past due by more than 90 consecutive days of material delay on the date of the reclassification to the normal risk category.

Attending to the credit attention 53% of the forborne loan transactions are classified as other than non-performing. Particularly noteworthy are the level of existing guarantees (45% of transactions are secured by collateral) and the coverage provided by specific allowances (representing 25% of the total forborne loan portfolio and 44% of the non-performing portfolio).

c) Market, structural and liquidity risk

1. Activities subject to market risk and types of 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; the liquidity risk from our products and markets, and the balance-sheet liquidity risk. Therefore, they include trading risks and structural risks.

- Interest rate risk arises from movements in interest rates that reduce the value of a financial instrument, a portfolio or the Group or the Bank. It can affect loans, deposits, debt securities, most assets and liabilities held for trading, and derivatives.
- Inflation rate risk arises from movements in inflation that can reduce the value of a financial instrument, a portfolio or the Group or the Bank. It can affect loans, debt securities and derivatives (e.g. inflation swaps and futures) whose profitability is linked to inflation.
- Exchange rate risk is the possibility of loss because the currency of a long or open position will depreciate against the base currency. It can affect debt in subsidiaries whose local currency is not the euro, as well as loans denominated in a foreign currency.
 - Equity risk is the possibility of loss from open positions in securities if their market price or expected future dividends fall. It affects shares, stock market indices, convertible bonds and derivatives with shares as the underlying asset (put, call, equity swaps, etc.).
- Credit spread risk is the possibility of loss from open positions in fixed-income securities or credit derivatives if their yield curve, or the recovery rate of their issuer or type change. A spread is the yield difference between financial instruments against a benchmark (e.g. the internal rate of return (IRR) of government bonds and interbank interest rates).
- Commodity price risk is the possibility of loss from movements in commodity prices. Grupo and Banco Santander's commodity exposure is minor and stems mainly from commodity derivatives.

- Volatility risk is the possibility of loss caused by movements in interest rates, exchange rates, the stock market, credit spreads and other risk factors affecting portfolio value. It is inherent to all financial instruments whose value considers volatility (especially options contracts).

Derivative contracts (such as options, futures, forwards and swaps) can mitigate market risks partially or fully.

Additionally, other more complex coverage market risks are considered, such as correlation risk, market liquidity risk, prepayment or cancellation risk and subscription risk.

- Correlation risk is the possibility of loss due to an adverse correlation between risk variables that affect portfolio value. Risk variables could be the same (e.g. two FX rates) or different (e.g. an interest rate and a commodity price).
- Market liquidity risk is the possibility that fewer market makers or institutional investors, a large number of transactions, market instability and other factors will cause the Group or a subsidiary to exit a position at a worse market price or trade cost. Exposure to different products and currencies can also increase this risk.
- Pre-payment or cancellation risk originates when mortgages, deposits and other on-balance-sheet instruments give holders the option to buy or sell them, thus altering future cash flows. Potential mismatches on the balance sheet pose a risk since cash flows may have to be reinvested at an interest rate that is potentially lower (assets) or higher (liabilities).
- Underwriting risk is the possibility that the bank will have to hold part of a debt issue it has underwritten or agreed to place if it cannot all be placed among potential buyers.

Balance sheet liquidity risk (unlike market liquidity risk) is the possibility of loss caused by forced disposal of assets or cash flow imbalance if the bank meets its payment obligations late or at excessive cost. It can cause losses by forced asset sales or impacts on margins due to the mismatch between expected cash inflows and outflows.

Pension and actuarial risks (explained at the end of this section) also depend on market variables.

Grupo and Banco Santander aim to comply with the *Basel Committee's Fundamental Review of the Trading Book* (FRTB) and the EBA's Guidelines on the management of interest rate risk arising from non-trading book activities. The purpose of several projects Grupo Santander runs is to provide risk control managers and teams with the best market risk management tools under the right governance framework for the models Grupo Santander uses for metric reporting; and to comply with regulation on the risks mentioned above.

2. Trading market risk management

Setting market risk limits in a dynamic process according to the risk appetite in the annual limits plan prepared by senior management and extended to all subsidiaries.

The standard methodology for risk management and control in trading, measures the maximum expected loss with a specific level of confidence and time frame. The standard for historical simulation is a confidence level of 99% over one day.

Grupo and Banco Santander apply statistical adjustments efficiently to incorporate recent developments affecting our levels of risk. Our time frame is two years or at least 520 days from the reference date of the VaR calculation.

The balance sheet items in the Group's consolidated position that are subject to market risk are shown below, distinguishing those positions for which the main risk metric is VaR from those for which risk monitoring is carried out using other metrics:

EUR million

	Balance sheet amount	Main market risk metric		Main risk factor for 'Other' balance
		VaR	Other	
Assets subject to market risk				
Cash, cash balances at central banks and other deposits on demand	220,342		220,342	Interest rate
Financial assets held for trading	176,921	176,921		
Non-trading financial assets mandatorily at fair value through profit or loss	5,910	4,068	1,842	Interest rate, spread
Financial assets designated at fair value through profit or loss	9,773	1,360	8,413	Interest rate, spread
Financial assets designated at fair value through other comprehensive income	83,308	1,761	81,547	Interest rate, spread
Financial assets at amortized cost	1,191,403		1,191,403	Interest rate, spread
Hedging derivatives	5,297		5,297	Interest rate, exchange rate
Changes in the fair value of hedged items in portfolio hedges of interest risk	(788)		(788)	Interest rate
Other assets	104,896			
Total assets	1,797,062	—	—	
Liabilities subject to market risk				
Financial liabilities held for trading	122,270	122,270		
Financial liabilities designated at fair value through profit or loss	40,367	450	39,917	Interest rate, spread
Financial liabilities at amortized cost	1,468,703		1,468,703	Interest rate, spread
Hedging derivatives	7,656		7,656	Interest rate, exchange rate
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	55		55	Interest rate
Other liabilities	53,770			
Total liabilities	1,692,821			
Equity	104,241			

The following table displays the latest and average VaR values at 99% by risk factor over the last three years. It also shows the minimum and maximum VaR values in 2023 and 97.5% ES at the end of December 2023:

VaR statistics and expected shortfall by risk factor^A

EUR million. VaR at 99% and ES at 97.5% with one day time horizon

	2023				2022			
	VaR (99%)			ES (97.5%)		VaR		
	Min	Average	Max	Latest	Latest	Average	Latest	
Total Trading	7.5	11.7	19.3	13.5	12.5	14.1	11.6	
Diversification effect	(8.5)	(14.9)	(27.3)	(17.1)	(18.9)	(14.6)	(15.5)	
Interest rate	8.9	12.2	20.3	11.1	11.5	12.6	9.9	
Equities	1.4	3.2	7.3	6.0	6.1	4.2	5.5	
Exchange rate	2.3	5.3	9.4	4.8	4.9	4.8	3.6	
Credit spread	2.7	4.3	6.4	6.1	5.9	5.4	5.8	
Commodities	0.7	1.6	3.2	2.6	3.0	1.7	2.3	
Total Europe	6.6	9.4	14.7	11.8	11.1	12.2	10.5	
Diversification effect	(5.3)	(10.5)	(21.6)	(13.8)	(14.9)	(10.4)	(14.2)	
Interest rate	5.6	9.1	16.5	8.2	9.3	10.2	10.1	
Equities	1.5	2.8	7.1	5.8	5.3	3.6	5.5	
Exchange rate	2.1	3.5	5.7	5.2	5.2	3.4	3.3	
Credit spread	2.7	4.3	6.4	6.1	5.9	5.4	5.8	
Commodities	—	0.2	0.6	0.3	0.3	—	—	
Total North America	1.8	4.0	6.4	5.0	5.0	2.3	2.7	
Diversification effect	(0.3)	(0.7)	(2.6)	(0.5)	(0.5)	(0.8)	(1.1)	
Interest rate	1.8	3.7	6.3	5.0	5.0	2.2	2.7	
Equities	—	0.2	0.5	—	—	0.1	0.1	
Exchange rate	0.3	0.8	2.2	0.5	0.5	0.8	1.0	
Total South America	4.2	7.3	13.3	7.0	6.2	8.0	6.2	
Diversification effect	(1.3)	(6.2)	(14.2)	(6.6)	(7.6)	(5.0)	(4.2)	
Interest rate	4.3	7.3	12.6	5.6	5.4	7.0	5.5	
Equities	—	1.4	3.7	2.4	2.5	1.6	1.7	
Exchange rate	0.5	3.2	8.0	3.0	2.9	2.7	0.9	
Commodities	0.7	1.6	3.2	2.6	3.0	1.7	2.3	

A. In South and North America, VaR levels of credit spreads and commodities are not shown separately due to their low or null materiality.

VaR at the end of December was slightly higher (EUR 1.9 million compared to the end of 2022, reflecting the spike in market volatility after the latest meetings of the main Central Banks, albeit generally less volatile this year than previous one.

In 2023, average VaR (EUR 11.7 million) was lower than 2022 for all risk factors except exchange rate, which was slightly higher. Temporary VaR increases owe more to short-term price volatility than to significant changes in positions.

By region, average VaR fell mainly in Europe (in almost every risk factor), while the slight increase in North America was due to interest rates.

Backtesting

Actual losses can differ from predicted losses because of the VaR's limitations. The Bank and the Group measure the accuracy of the VaR calculation model to make sure it is reliable. The most important tests Grupo Santander and Banco run involve backtesting:

- Backtesting of hypothetical P/L and of the entire trading book: an exception was observed (daily loss greater than the VaR) on 13 of March, as a consequence of market volatility coinciding with events related to some regional American banks. Regarding to 99% VaE, an exception (daily profit

higher than VaE) was observed on 13 of December as a result of the devaluation of the Argentine peso.

- The exceptions observed in the past year are consistent with the assumptions of the VaR calculation model.

IBOR reform

Since 2013, different supranational organizations and authorities (IOSCO and FSB) have promoted and monitored initiatives aimed at carrying out reforms to strengthen interest rate indices. The main objective was to facilitate the transition to the risk-free indices identified in different jurisdictions, highlighting the SONIA index as a replacement for the LIBOR references in pounds, the SOFR for the LIBOR in dollars, and the €STR for the LIBOR in euros.

In this sense and as a result of the joint effort of authorities and market participants, this transition process has been materialized in different milestones during the period between 2019 and 2023, pending, according to the regulatory milestones of the transition, the terms of the 3-month pound LIBOR, and the 1-month, 3-month and 6-month dollar LIBOR, which will continue to be published under a synthetic methodology until the end of March and September 2024, respectively, dates from which publication will cease permanently.

The Group and the Bank have carried out the operational and technological changes necessary to undertake the transition of these reference indices, with the book amount of financial assets and liabilities as of December 31, 2023 that continue to be referenced to the benchmarks being non-significant. pending transition indices.

3. Structural balance sheet risks

3.1. Main aggregates and variations

Consistent with previous years, the market risk profile of Grupo and Banco Santander's balance sheet remained moderate in 2022 in terms of asset, shareholders' equity and NII volumes, each subsidiaries.

Each subsidiary's finance division manages interest rate risk from commercial banking and is responsible for handling structural risk from interest rate fluctuations.

To measure interest rate risk, Grupo Santander uses statistical models based on strategies to mitigate structural risk with interest-rate instruments (such as bonds and derivatives) to keep risk profile within risk appetite.

The NII and EVE sensitivities below are based on scenarios of parallel interest rate movements from -100 to +100 basis points.

Structural VaR

With such a homogeneous metric as VaR, Grupo Santander can fully monitor market risk in the banking book (excluding SCIB trading activity). The Bank differentiates fixed income based on interest rates and credit spreads in ALCO portfolios, FX rates and shares.

In general, the structural VaR of Grupo and Banco Santander total assets and equity is minor.

Structural VaR

EUR million. Structural VaR 99% with a temporary horizon of one day.

	2023				2022	
	Minimum	Average	Maximum	Latest	Average	Latest
Structural VaR	552.7	705.0	914.5	749.5	664.0	538.5
Diversification effect	(368.7)	(416.6)	(422.2)	(444.7)	(417.1)	(422.4)
VaR Interest Rate	273.3	348.4	478.0	380.2	350.8	304.5
VaR Exchange Rate	477.0	580.4	661.1	642.9	493.4	461.0
VaR Equities	171.1	192.8	197.6	171.1	236.9	195.4

A. Includes credit spread VaR on ALCO portfolios.

Structural interest rate risk:

– Europe

At the end of December, the net interest income (NII) of our main balance sheets showed positive sensitivities to increases in interest rates. On the same date, in the case of the economic value of equity (EVE), it showed negative sensitivity to increases in interest rates in the case of the UK and positive sensitivity in the case of Spain in the same scenario.

At the end of December, under the scenarios previously described, significant risk of NII sensitivity to the euro amounted to EUR 886.2 million; to the pound sterling, EUR 245.8 million; to the US dollar, EUR 99.4 million; and to the Polish zloty, EUR 24 million, all with risk of rate cuts.

Significant risk of EVE sensitivity to yield curves of the euro was EUR 391.9 million; of the pound sterling, EUR 392.1 million; of the US dollar, EUR 364.3 million euros; and of the Polish zloty, EUR 176.4 million euros, mostly with risk of rate cuts.

Exposure was moderate in relation to annual budget and capital levels in 2023.

– North America

At the end of December, sensitivity of NII on our North America balance sheet to interest rate hikes was positive, while EVE sensitivity was negative.

Exposure was moderate in relation to annual budget and capital levels in 2023.

At the end of December, significant risk to NII was mainly in the US and amounted to EUR 117 million.

The most significant risk to EVE was in the US and amounted to EUR 786 million.

– South America

EVE and NII on our main South American balance sheets are positioned for interest rate cuts.

Exposure in all countries was moderate in relation to the annual budget and capital levels in 2023.

At the end of December, most significant risk to NII was mainly in Chile (EUR 36 million) and in Brazil (EUR 141 million).

Most significant risk to EVE was recorded in Chile (EUR 255 million) and in Brazil (EUR 360 million).

Structural foreign currency rate risk/results hedging

Grupo Santander's structural FX risk stems mainly from the income and hedging of foreign currency transactions for permanent financial investments. In the dynamic management of this risk, Grupo Santander aims to limit the impact of FX rate movements on the core capital ratio. In 2023, the hedged of the different currencies that have an impact on our core capital ratio was close to 100%.

In December 2023, our permanent exposures (with potential impact on shareholders' equity) were, from largest to smallest, in US dollars, Brazilian reais, British pounds sterling, Mexican pesos, Chilean pesos and Polish zloty.

Grupo and Banco Santander use FX derivatives to hedge part of those permanent positions. The Finance division manages FX risk and hedging for the expected profits and dividends of subsidiaries whose base currency is not the euro.

Structural equity risk

Grupo Santander holds equity positions in its banking and trading books. They are either equity instruments or stock, depending on the share of ownership or control.

At the end of December 2023, the equities and shareholdings in the banking book were diversified among Spain, China, Morocco, Poland and other countries. Most of them invest in the financial and insurance sectors. Grupo Santander has minor equity exposure to property and other sectors.

Structural equity positions are exposed to market risk. The Group calculates its VaR with a set of market prices and proxies. At the end of the year 2023, VaR at a 99% confidence level over a one-day horizon was EUR 171 million (EUR 195 million in 2022).

3.2. Methodologies

Structural interest rate risk

The Group and the Bank measure the potential impact of interest rate movements on EVE and NII. Because changing rates may generate impacts, Grupo Santander must manage and control many subtypes of interest rate risk, such as repricing risk, curve risk, basis risk and option risk (e.g. behavioural or automatic).

Interest rate risk in the balance sheet and market conditions and outlooks could necessitate certain financial measures to achieve Group and Bank's desired risk profile (such as selling positions or setting interest rates on products markets).

The metrics used to monitor IRRBB include NII and EVE sensitivity to interest rate movements.

- Net interest income sensitivity

Net interest income (NII) is the difference between interest income from assets and the interest cost of liabilities in the banking book over a typical one- to three-year horizon (one year being standard in Grupo Santander). Because NII sensitivity is the difference in income between a selected scenario and the base scenario, its values can be as many as considered scenarios. It enables us to see short-term risks and supplement economic value of equity (EVE) sensitivity.

- Economic value of equity sensitivity

Economic value of equity (EVE) is the difference between the current value of all assets minus the current value of all liabilities in the banking book. It does not include shareholders' equity and non-interest-bearing instruments. The sensitivity of the economic value of own funds is obtained as the difference between said

economic value calculated with a selected scenario and that calculated with a base scenario.

Because EVE sensitivity is the difference in EVE between a selected scenario and the base scenario, it can have as many values as considered scenarios. It enables us to see long-term risks and supplement NII sensitivity.

Structural exchange-rate risk/hedging of results

Every day, Grupo Santander measures FX positions, VaR and P/L.

Structural equity risk

Grupo Santander measures equity positions, VaR and P/L.

4. Liquidity risk

Structural liquidity management aims to fund the Group and the Bank's recurring activity optimising maturities and costs, while avoiding taking on undesired liquidity risks.

Grupo and Banco Santander's liquidity management is based on the following principles:

- Define liquidity risk and provide detailed assessments of current and emerging material liquidity risks.
- Define liquidity risk metrics, review and challenge liquidity risk appetite and limits on first line of defence proposals.
- Evaluates and challenges commercial/business proposals; It provides senior management and business units with the necessary elements to understand the liquidity risk of Santander's businesses and operations.
- Supervise the liquidity risk management of the first line of defence and assess the permanence of businesses within the limits of liquidity risk.
- Reports on compliance with risk appetite limits and exceptions, if any, to governing bodies.
- Provides a consolidated view of liquidity risk exposures and liquidity risk profile.
- Confirms the existence of adequate liquidity procedures to manage the business within the limits of risk appetite.

The effective application of these principles by all institutions comprising the Group required the development of a unique management framework built upon three fundamental pillars:

- A solid organisational and governance model that ensures the involvement of the subsidiaries' senior management in decision-taking and its integration into the Group's global strategy. The decision-making process for all structural risks, including liquidity and funding risk, is carried out by local Asset and Liability

Committees (ALCOs) in coordination with the global ALCO, which is the body empowered by the Bank's board in accordance with the corporate Asset and Liability Management (ALM) framework.

This governance model has been reinforced as it has been included within Santander's Risk Appetite Framework. This framework meets demands from regulators and market players emanating from the financial crisis to strengthen banks' risk management and control systems.

In-depth balance sheet analysis and measurement of liquidity risk, supporting decision-taking and its control. Group and Bank's objective is to maintain adequate liquidity levels necessary to cover its short- and long-term needs with stable funding sources, optimising the impact of their costs on the income statement. Grupo and Banco Santander's liquidity risk management processes are contained within a conservative risk appetite framework established in each geographic area in accordance with its commercial strategy. This risk appetite establishes the limits within which the subsidiaries and, therefore, the Bank can operate in order to achieve their strategic objectives.

- Management adapted in practice to the liquidity needs of each business. Every year, based on business needs, a liquidity plan is developed which seeks to achieve:
 - a solid balance sheet structure, with a diversified presence in the wholesale markets;
 - the use of liquidity buffers and limited encumbrance of assets;
 - compliance with both regulatory metrics and other metrics included in each entity's risk appetite statement.

Over the course of the year, all dimensions of the plan are monitored.

Grupo Santander continues to develop the ILAAP (Internal Liquidity Adequacy Assessment Process), an internal self-assessment of liquidity adequacy which must be integrated into the Group's other risk management and strategic processes. It focuses on both quantitative and qualitative matters and is used as an input to the SREP (Supervisory Review and Evaluation Process). The ILAAP evaluates the liquidity position both in ordinary and stressed scenarios.

i. Liquidity risk measurement

Grupo Santander uses the Basel regulatory definition and calculates a set of metrics and stress scenarios in relation to intraday liquidity risk to maintain a high level of management and control. On the one hand, the regulatory liquidity metrics (LCR, NSFR) are prepared following the regulatory criteria established in the CRR-II and CRD IV. Regarding internal metrics, liquidity scenarios are determined using a combination of

behavioral observation in actual liquidity crises occurred at other banks, regulatory assumptions and expert judgment.

a) Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio (LCR) is a regulatory metric. Its purpose is to promote the short-term resilience of a bank's liquidity profile and make sure it has enough high-quality liquid assets to withstand a considerable idiosyncratic or market stress scenario over 30 calendar days.

b) Net Stable Funding Ratio (NSFR)

The net stable funding ratio (NSFR) is a regulatory metric we use to measure long-term liquidity risk. It is the ratio of available stable funding to required stable funding. It requires banks to keep a robust balance sheet, with off-balance-sheet assets and operations financed by stable liabilities.

c) Liquidity buffer

The liquidity buffer is the total liquid assets a bank has to cope with cash outflows during periods of stress. The assets are free of encumbrances and can be used immediately to generate liquidity without losses or excessive discounts. The liquidity buffer is a tool for calculating most liquidity metrics. It is also a metric with defined limits for each subsidiary.

d) Wholesale liquidity metric

The wholesale liquidity metric measures the number of days Grupo and Banco Santander would survive if it used liquid assets to cover lost liquidity from a wholesale deposit run-off (without possible renewal) over a set time horizon. Grupo and Banco Santander also uses it as an internal short-term liquidity metric to reduce risk from dependence on wholesale funding.

e) Asset Encumbrance metrics

Grupo and Banco Santander calculate two metrics to measure asset encumbrance risk. On the one hand, the asset encumbrance ratio gives the proportion of encumbered assets to total assets; on the other, the structural asset encumbrance ratio gives the proportion of encumbered assets by structural funding transaction (namely long-term collateralized issues and credit transactions with central banks).

f) Other additional liquidity indicators

In addition to traditional tools to measure short and long-term liquidity and funding risk, Grupo and Banco Santander have a set of additional liquidity indicators to complement those and to measure other non-covered liquidity risk factors. These include concentration metrics, such as the main and the five largest funding counterparties, or the distribution of funding by maturity.

In this sense, deposits do not show a tendency towards concentration, maintaining a stable structure at 31 December 2023, where approximately 75% are transactional and more than 80% of retail deposits are insured by deposit guarantee systems of the different countries.

g) Liquidity scenario analysis

As liquidity stress tests, Grupo and Banco Santander have four standard scenarios have been defined:

- i. An idiosyncratic scenario of events detrimental only to the Group and the Bank;
- ii. a local market scenario of events highly detrimental to a base country's financial system or real economy;
- iii. a global market scenario of events highly detrimental to the global financial system; and
- iv. combined scenario consisting of a combination of more severe idiosyncratic and market events (local and global) occurring simultaneously and interactively.
- v. climate scenarios where different stress cases derived from the effects that climate change could have on the economy are collected.

Grupo and Banco Santander use these stress test outcomes as tools to determine risk appetite and support business decision-making.

h) Liquidity early warning indicators

The system of early warning indicators (EWI) consists of quantitative and qualitative liquidity indicators that help predict stress situations and weaknesses in the funding and liquidity structure of Grupo, and therefore, Banco Santander entities. External indicators relate to market-based financial variables; internal indicators relate to our own performance.

i) Intraday liquidity metrics

Grupo and Banco Santander follow Basel regulation and calculates several metrics and stress scenarios for intraday liquidity risk to maintain a high level of control.

ii. Liquidity coverage ratio and net stable financing ratio

As regards the liquidity coverage ratio (LCR), the regulatory requirement for this ratio, set at 100%, has been at its maximum level since 2018.

Below is a breakdown of the composition of the Group's liquid assets under the criteria set out in the supervisory prudential reporting (Commission Implementing Regulation (EU) 2017/2114 of 9 November 2017) for the determination of high quality liquid assets for the calculation of the LCR ratio (HQLA):

EUR million		
	2023	2022
	Amount weighted applicable	Amount weighted applicable
High-quality liquid assets-HQLAs		
<i>Cash and reserves available at central banks</i>	217,935	127,285
<i>Marketable assets Level 1</i>	119,043	177,887
<i>Marketable assets Level 2A</i>	4,236	3,308
<i>Marketable assets Level 2B</i>	6,814	3,562
Total high-quality liquid assets	348,028	312,042

In relation to the net stable funding ratio (NSFR), its definition was approved by the Basel Committee in October 2014. The transposition of this requirement to the European regulation took place in June 2019 with the publication in the Official Gazette of the European Union of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. The Regulation establishes that entities must have a net stable financing ratio, as defined in the Regulation, higher 100% from June 2021. The liquidity coverage ratio, broken down by component, and the net stable funding ratio for the Group at year-ends 2023, 2022 are presented below:

EUR million		
	2023	2022
High-quality liquid assets-HQLAs (numerator)	348,028	312,042
<i>Total net cash outflows (denominator)</i>	209,892	204,759
<i>Cash outflows</i>	282,982	270,748
<i>Cash inflows</i>	73,090	65,989
LCR ratio (%)	166%	152%
NSFR ratio (%)	123%	121%

As regards the funding structure, given the predominantly commercial nature of the Group's balance sheet, the loan portfolio is mainly financed by customer deposits. Note 20, 'Debt securities', shows the composition of these liabilities based on the basis of their nature and classification, the movements and maturity profile of the debt securities issued by the Group and the Bank, reflecting the strategy of diversification by products, markets, issuers and maturities followed by the Group and Bank in its approach to wholesale markets.

The movement in the composition of the buffer between "Level 1 marketable assets" to "Cash and reserves available at central banks" corresponds to a change in criteria in the classification of deposits with the Central Bank, at the request of the regulator.

In the last quarter of 2022, Grupo Santander has began to repay in advance a significant part of the financing received under the TLTRO-III program launched by the European Central Bank, which originally matured in 2023. The replacement of these funds has been carried out after having strengthened the balance sheet through a combination of growth in customer deposits, an increase in short-term instruments and greater activity in medium and long-term issuances, which has allowed Grupo Santander to maintain liquidity coverage ratios (LCR) and net stable funding (NSFR) at prudent levels after the repayment.

iii. Asset encumbrance

Finally, the moderate use of assets by Grupo Santander as collateral in the sources of structural financing of the balance sheet should be highlighted.

In accordance with the guidelines established by the European Banking Authority (EBA) in 2014 on committed and uncommitted assets, the concept of assets committed in financing transactions (asset encumbrance) includes both on-balance sheet assets provided as collateral in transactions to obtain liquidity and off-balance sheet assets that have been received and reused for similar purposes, as well as other assets associated with liabilities for reasons other than financing.

The residual maturities of the liabilities associated with the assets and guarantees received and committed are presented below, as of 31 of December of 2023 (EUR thousand million):

Residual maturities of the liabilities	Unmatured	<=1month	>1 month <=3 months	>3 months <=12 months	>1 year <=2 years	>2 years <=3 years	3 years <=5 years	5 years <=10 years	>10 years	Total
Committed assets	40.8	49.3	21.6	39.7	40.8	27.9	55.0	17.4	13.8	306.3
Guarantees received committed	31.6	72.3	17.6	11.0	3.2	2.5	0.6	—	—	138.8

The reported Group information as required by the EBA at 2023 year-end is as follows:

On-balance-sheet encumbered assets

EUR billion				
	Carrying amount of encumbered assets	Fair value of encumbered assets	Fair value of non-encumbered assets	Carrying amount of non-encumbered assets
Loans and advances	186.4		1,172.2	
Equity instruments	9.4	9.4	11.5	11.5
Debt securities	86.8	87.6	156.4	156.1
Other assets	23.7		150.6	
Total assets	306.3		1,490.7	

Encumbrance of collateral received

EUR billion		
	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	138.8	51.3
Loans and advances	1.1	—
Equity instruments	5.5	8.7
Debt securities	132.2	42.5
Other collateral received	—	0.1
Own debt securities issued other than own covered bonds or ABSs	—	1.9

Encumbered assets and collateral received and matching liabilities

EUR billion		
	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Total sources of encumbrance (carrying amount)	330.6	445.2

On-balance-sheet encumbered assets amounted to EUR 306,300 million, of which 61% are loans (mortgage loans, corporate loans, etc.). Guarantees received committed amounted to EUR 138,800 million, relating mostly to debt securities received as security in asset purchase transactions and re-used.

Taken together, these two categories represent a total of EUR 445,200 million of encumbered assets, which give rise to EUR 330,600 million matching liabilities.

As of December 2023, total asset encumbrance in funding operations represented 22.36% of the Group's extended balance sheet under EBA criteria (total assets plus guarantees received: EUR 1,987,100 million), as of December 2022.

d) Capital risk

In the second line of defence, capital risk management can independently challenge business and first-line activities by:

- Supervising capital planning and adequacy exercises through a review of the main components affecting the capital ratios.
- Identifying key metrics to calculate the Group's regulatory capital, setting tolerance levels and analysing significant variations, as well as single transactions with impact on capital.
- Reviewing and challenging the execution of capital actions proposed in line with capital planning and risk appetite.

Grupo Santander commands a sound solvency position, above the levels required by regulators and by the European Central bank.

Regulatory capital

At 1 January 2024, at a consolidated level, the Group must maintain a minimum capital ratio of 9.60% of CET1 (4.50% being the requirement for Pillar I, 0.98% being the requirement for Pillar 2R (requirement), 2.50% being the requirement for capital conservation buffer, 1.25% being the requirement for global systemically entity (G-SIB) and 0.37% being the requirement for anti-cyclical capital buffer).

Grupo Santander must also maintain a minimum capital ratio of 11.42% of tier 1 and a minimum total ratio of 13.86%.

In 2023, the solvency target set was achieved. Santander's CET1 ratio stood at 12.30%³ at the close of the year, demonstrating its organic capacity to generate capital. The key regulatory capital figures are indicated below:

Reconciliation of accounting capital with regulatory capital

EUR million	2023	2022
Subscribed capital	8,092	8,397
Share premium account	44,373	46,273
Reserves	69,278	62,111
Treasury shares	(1,078)	(675)
Attributable profit	11,076	9,605
Approved dividend	(1,298)	(979)
Shareholders' equity on public balance sheet	130,443	124,732
Valuation adjustments	(35,020)	(35,628)
Non-controlling interests	8,818	8,481
Total Equity on public balance sheet	104,241	97,585
Goodwill and intangible assets	(17,313)	(17,272)
Eligible preference shares and participating securities	9,002	8,831
Accrued dividend ^C	(1,471)	(942)
Other adjustments ^A	(8,717)	(5,169)
Tier 1^B	85,742	83,033

A. Fundamentally for non-computable non-controlling interests and deductions and reasonable filters in compliance with CRR.

B. Figures calculated by applying the transitional provisions of IFRS 9.

C. Assumes 25% of ordinary profit, see note 4.a for proposed distribution of results.

Note: Certain figures presented in this capital note have been rounded for ease of presentation. Consequently, the amounts corresponding to the rows or columns of totals in the tables presented in this note may not coincide with the arithmetic sum of the concepts or items that make up the total.

The following table shows the capital coefficients and a detail of the eligible internal resources of the Group:

Capital coefficients	2023	2022
Level 1 ordinary eligible capital (EUR million)	76,741	74,202
Level 1 additional eligible capital (EUR million)	9,002	8,831
Level 2 eligible capital (EUR million)	16,497	14,359
Risk-weighted assets (EUR million)	623,731	609,266
Level 1 ordinary capital coefficient (CET 1)	12.30 %	12.18 %
Level 1 additional capital coefficient (AT1)	1.45 %	1.45 %
Level 1 capital coefficient (TIER1)	13.75 %	13.63 %
Level 2 capital coefficient (TIER 2)	2.64 %	2.36 %
Total capital coefficient	16.39 %	15.99 %

³ Data calculated applying the transitional provisions of IFRS 9

Eligible capital

EUR million

	2023	2022
Eligible capital		
Common Equity Tier I	76,741	74,202
Capital	8,092	8,397
(-) Treasury shares and own shares financed	(2,847)	(60)
Share Premium	44,373	46,273
Reserves	68,721	62,246
Other retained earnings	(35,038)	(37,439)
Minority interests	6,899	7,416
Profit net of dividends	8,307	7,684
Deductions	(21,766)	(20,315)
Goodwill and intangible assets	(17,220)	(17,182)
Others	(4,546)	(3,133)
Additional Tier I	9,002	8,831
Eligible instruments AT1	8,461	8,344
AT1-excesses-subsidiaries	541	487
Tier II	16,497	14,359
Eligible instruments T2	17,101	14,770
Excess IRB provision on PE	76	—
T2-excesses - subsidiaries	(680)	(411)
Total eligible capital	102,240	97,392

Note: Banco Santander, S.A. and its affiliates had not taken part in any State aid programmes.

Leverage ratio

Basel III established the leverage ratio as a non-risk sensitive measure aimed at limiting excessive balance sheet growth relative to available capital.

The Group performs the calculation in accordance with Regulation (EU) 2019/876 of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio.

This ratio is calculated as tier 1 capital divided by leverage exposure. Exposure is calculated as the sum of the following items:

- Accounting assets, excluding derivatives and items treated as deductions from tier 1 capital (for example, the balance of loans is included, but not that of goodwill) further excluding the exposures referred to in Article 429.a (1) of the regulation.
- Off-balance-sheet items (mainly guarantees, unused credit limits granted and documentary credits) weighted using credit conversion factors.
- Inclusion of net value of derivatives (gains and losses are netted with the same counterparty, minus collaterals if they comply with certain criteria) plus a charge for the future potential exposure.
- A charge for the potential risk of security funding transactions.

- Lastly, it includes a charge for the risk of credit derivative swaps (CDS).

With the publication of Regulation (EU) 2019/876 of 20 May, 2019, amending Regulation (EU) n.º 575/2013 as regards the leverage ratio, the final calibration of the ratio is set at 3% for all entities and, for systemic entities G-SIB, is established an additional surcharge which will be 50% of the cushion ratio applicable to the EISM, applicable from January 2023. In addition, modifications are included in its calculation, including the exclusion of certain exposures from the total exposure measure: public loans when exceptional circumstances arise, public loans, transfer loans and officially guaranteed export credits, transfer loans and officially guaranteed export credits.

EUR million

	2023	2022
Leverage		
Level 1 Capital	85,742	83,033
Exposure	1,826,922	1,750,626
Leverage Ratio	4.69 %	4.74 %

Global systemically important banks

Grupo Santander is one of 29 banks designated as global systemically important banks (G-SIBs).

The designation as a globally systemic entity comes from a measurement established by the regulators (FSB and BCBS) that they have implemented based on five indicators (size, interjurisdictional activity, interconnection with other financial entities, substitutability and complexity). The application methodology has been modified in December 2021, incorporating, among other things, an additional score considering the Member States of the SRM as a single jurisdiction.

This definition means it has to fulfil certain additional requirements, which consist mainly of a capital buffer (1%), in TLAC requirements (total loss absorbing capacity), that Grupo Santander has to publish relevant information more frequently than other banks, greater regulatory requirements for internal control bodies, special supervision and drawing up of special reports to be submitted to supervisors.

Additionally, Grupo Santander appears both on the list of global systemic entities and on the list of domestic systemic entities. Bank of Spain, based on rule 23 of Circular 2/2016, requires the application of the highest of the two corresponding buffers, in the case of Grupo Santander being the domestic one, 1.25%, a surcharge payable by 2024.

The fact that Grupo Santander has to comply with these requirements makes it a more solid bank than its domestic rivals.

Appendix I

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander	Direct	Indirect	Year 2023		Year 2022	Capital + reserves	Net results
2 & 3 Triton Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Real estate	19	1	12
A & L CF (Guernsey) Limited (n)	Guernsey	0.00%	100.00%	100.00%	100.00%	Leasing	0	0	0
A & L CF June (2) Limited (e) (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
A & L CF June (3) Limited (e)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Leasing	0	0	0
A & L CF March (5) Limited (d) (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
A & L CF September (4) Limited (f)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	20	0	0
Abbey Business Services (India) Private Limited (d)	India	0.00%	100.00%	100.00%	100.00%	Holding company	0	0	0
Abbey Covered Bonds (Holdings) Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Abbey Covered Bonds (LM) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Abbey Covered Bonds LLP	United Kingdom	—	(b)	—	—	Securitization	399	84	0
Abbey National Beta Investments Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National Business Office Equipment Leasing Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National International Limited	Jersey	0.00%	100.00%	100.00%	100.00%	Financial services	3	0	4
Abbey National Nominees Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National PLP (UK) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National Property Investments	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	243	10	159
Abbey National Treasury Services Investments Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National Treasury Services Overseas Holdings	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey National UK Investments	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey Stockbrokers (Nominees) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abbey Stockbrokers Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Abent 3T, S.A.P.I de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Electricity production	(36)	(69)	0
Ablasa Participaciones, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	281	130	894
Aduro S.A.	Uruguay	0.00%	100.00%	100.00%	100.00%	Payments and collection services	2	(1)	4
Aevis Europa, S.L.	Spain	96.34%	0.00%	96.34%	96.34%	Cards	1	0	1
AFB SAM Holdings, S.L.	Spain	1.00%	99.00%	100.00%	100.00%	Holding company	0	30	0
Afisa S.A.	Chile	0.00%	100.00%	100.00%	100.00%	Fund management company	4	0	4

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Allane Leasing GmbH	Austria	0.00%	46.95%	100.00%	100.00%	Renting	(2)	0	0
Allane Location Longue Durée S.a.r.l.	France	0.00%	46.95%	100.00%	100.00%	Renting	17	4	0
Allane Mobility Consulting AG	Switzerland	0.00%	46.95%	100.00%	100.00%	Consulting services	1	(1)	0
Allane Mobility Consulting B.V.	Netherlands	0.00%	46.95%	100.00%	100.00%	Consulting services	(3)	0	0
Allane Mobility Consulting GmbH	Germany	0.00%	46.95%	100.00%	100.00%	Consulting services	11	1	5
Allane Mobility Consulting Österreich GmbH	Austria	0.00%	46.95%	100.00%	100.00%	Consulting services	(1)	0	0
Allane Mobility Consulting S.a.r.l.	France	0.00%	46.95%	100.00%	100.00%	Consulting services	(1)	0	0
Allane Schweiz AG	Switzerland	0.00%	46.95%	100.00%	100.00%	Renting	14	0	0
Allane SE	Germany	0.00%	46.95%	92.07%	92.07%	Renting	195	9	150
Allane Services GmbH & co. KG	Germany	0.00%	46.95%	100.00%	100.00%	Services	2	0	0
Allane Services Verwaltungs GmbH	Germany	0.00%	46.95%	100.00%	100.00%	Management of portfolios	0	0	0
Alliance & Leicester Cash Solutions Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Commercial Bank Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Investments (Derivatives) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Investments (No.2) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Investments Limited (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Alliance & Leicester Personal Finance Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	(233)	(11)	0
Altamira Santander Real Estate, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	282	(152)	219
Alternative Leasing, FIL (Compartimento B)	Spain	100.00%	0.00%	100.00%	100.00%	Investment fund	131	8	123
Amazonia Trade Limited	United Kingdom	100.00%	0.00%	100.00%	100.00%	Inactive	0	0	0
Amherst Pierpont Commercial Mortgage Securities LLC	United States	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Amherst Pierpont International Ltd.	Hong-Kong	0.00%	100.00%	100.00%	100.00%	Inactive	3	0	3
AMS Auto Markt Am Schieferstein GmbH (d)	Germany	0.00%	90.01%	100.00%	0.00%	Vehicle sales	0	0	0
AN (123) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Andaluz de Inversiones, S.A. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	37	0	27
ANITCO Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
AP Acquisition Trust I	United States	0.00%	100.00%	100.00%	100.00%	Trust company	0	0	0
AP Acquisition Trust II	United States	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
AP Asset Acquisition LLC	United States	0.00%	100.00%	100.00%	100.00%	Financial services	1	0	1
Apê11 Tecnologia e Negócios Imobiliários S.A.	Brazil	0.00%	81.17%	90.00%	90.00%	Real estate	6	(2)	3

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
APSG GP LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	0	0	0
Aquanima Brasil Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	E-commerce	3	0	3
Aquanima Chile S.A.	Chile	0.00%	100.00%	100.00%	100.00%	Services	3	1	3
Aquanima México S. de R.L. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	E-commerce	4	0	4
Aquanima S.A.	Argentina	0.00%	100.00%	100.00%	100.00%	Services	2	(1)	4
Artarien S.A.	Uruguay	100.00%	0.00%	100.00%	100.00%	Insurance intermediary	1	7	2
Athena Corporation Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Financial services	(9)	0	0
Atlantes Mortgage No. 2	Portugal	—	(b)	—	—	Securitization	0	0	0
Atlantes Mortgage No. 3	Portugal	—	(b)	—	—	Securitization	0	0	0
Atlantes Mortgage No. 4	Portugal	—	(b)	—	—	Securitization	0	0	0
Atual - Fundo de Invest Multimercado Crédito Privado Investimento no Exterior	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	529	106	573
Auto ABS Belgium Loans 2019 SA/NV	Belgium	—	(b)	—	—	Securitization	0	0	0
Auto ABS DFP Master Compartment France 2013	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS French Leases 2021	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS French Leases 2023	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS French Leases Master Compartment 2016	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS French Loans Master	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS French LT Leases Master	France	—	(b)	—	—	Securitization	0	0	0
Auto ABS Italian Balloon 2019-1 S.r.l.	Italy	—	(b)	—	—	Securitization	0	0	0
Auto ABS Italian Rainbow Loans S.r.l.	Italy	—	(b)	—	—	Securitization	0	0	0
Auto ABS Italian Stella Loans 2023-1 S.r.l.	Italy	—	(b)	—	—	Securitization	0	0	0
Auto ABS Spanish Loans 2018-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Auto ABS Spanish Loans 2020-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Auto ABS Spanish Loans 2022-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Autodescuento, S.L.	Spain	0.00%	93.89%	93.89%	93.89%	Vehicles purchased by internet	3	0	18
Autohaus24 GmbH	Germany	0.00%	46.95%	100.00%	100.00%	Internet	(2)	0	0
Auttar HUT Processamento de Dados Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	IT services	7	1	8
Aviación Antares, A.I.E.	Spain	99.99%	0.01%	100.00%	100.00%	Renting	59	6	28
Aviación Británica, A.I.E.	Spain	99.99%	0.01%	100.00%	100.00%	Renting	30	(7)	6

Subsidiaries of Banco Santander, S.A.¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Aviación Comillas, S.L. Unipersonal	Spain	100.00%	—%	100.00%	100.00%	Renting	8	(1)	7
Aviación Laredo, S.L.	Spain	99.00%	1.00%	100.00%	100.00%	Air transport	3	0	3
Aviación Oyambre, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Renting	3	0	0
Aviación Santillana, S.L.	Spain	99.00%	1.00%	100.00%	100.00%	Renting	5	1	2
Aviación Suances, S.L.	Spain	99.00%	1.00%	100.00%	100.00%	Air transport	7	1	3
Aymoré Crédito, Financiamento e Investimento S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Finance company	3,813	444	3,839
Banco Bandepe S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Banking	977	88	960
Banco de Albacete, S.A. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Banking	14	0	9
Banco Hyundai Capital Brasil S.A.	Brazil	0.00%	45.09%	50.00%	50.00%	Banking	81	17	44
Banco Santander - Chile	Chile	0.00%	67.13%	67.18%	67.18%	Banking	4,165	514	3,927
Banco Santander (Brasil) S.A.	Brazil	0.04%	90.15%	90.80%	90.90%	Banking	14,362	1,652	10,795
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México como Fiduciaria del Fideicomiso 100740	Mexico	0.00%	99.97%	100.00%	100.00%	Finance company	180	23	130
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México como Fiduciaria del Fideicomiso 2002114	Mexico	0.00%	99.97%	100.00%	100.00%	Finance company	5	0	5
Banco Santander (México), S.A., Institución de Banca Múltiple, Grupo Financiero Santander México como Fiduciaria del Fideicomiso GFSSLPT	Mexico	0.00%	99.97%	100.00%	100.00%	Finance company	16	2	18
Banco Santander Argentina S.A.	Argentina	0.00%	99.82%	99.78%	99.77%	Banking	1,355	320	537
Banco Santander de Negocios Colombia S.A.	Colombia	94.90%	5.10%	100.00%	100.00%	Banking	187	1	178
Banco Santander International	United States	0.00%	100.00%	100.00%	100.00%	Banking	942	163	1,105
Banco Santander International SA	Switzerland	0.00%	100.00%	100.00%	100.00%	Banking	1,332	9	869
Banco Santander México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	Mexico	24.93%	75.05%	99.97%	96.24%	Banking	7,007	1,570	9,085
Banco Santander Perú S.A.	Peru	99.90%	0.10%	100.00%	100.00%	Banking	257	54	122
Banco Santander S.A.	Uruguay	97.75%	2.25%	100.00%	100.00%	Banking	525	159	191
Banco Santander Totta, S.A.	Portugal	0.00%	99.87%	99.96%	99.96%	Banking	3,110	943	3,815
Banque Stellantis France	France	0.00%	50.00%	50.00%	50.00%	Banking	1,060	129	881
Bansa Santander S.A.	Chile	0.00%	100.00%	100.00%	100.00%	Real estate	25	4	29
BEN Benefícios e Serviços Instituição de Pagamento S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Payment services	11	1	10
BEXs Banco de Cambio S/A	Brazil	0.00%	66.54%	100.00%	0.00%	Payment services	15	1	11
BEXs Tech Participacoes Ltda.	Brazil	0.00%	66.54%	100.00%	0.00%	Holding company	4	0	5
BEXs Tecnologia da Informacao Ltda.	Brazil	0.00%	66.54%	100.00%	0.00%	IT services	4	(1)	4

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Bilkredit 7 Designated Activity Company (j)	Ireland	—	(b)	—	—	Securitization	0	0	0
Blecno Investments, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	176	4	183
BRS Investments S.A.	Argentina	5.10%	94.90%	100.00%	100.00%	Finance company	60	(6)	50
Camine D - Services, Unipessoal Lda.	Portugal	0.00%	100.00%	100.00%	0.00%	Software	0	0	3
Cántabra de Inversiones, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	127	(5)	103
Cántabro Catalana de Inversiones, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	274	7	267
Capital Street Delaware LP	United States	0.00%	100.00%	100.00%	100.00%	Holding company	0	0	0
Capital Street Holdings, LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	11	0	11
Capital Street REIT Holdings, LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	953	46	999
Capital Street S.A.	Luxembourg	0.00%	100.00%	100.00%	100.00%	Finance company	0	0	0
Cartasur Cards S.A.	Argentina	0.00%	99.82%	100.00%	0.00%	Finance company	11	(4)	7
Casa de Bolsa Santander, S.A. de C.V., Grupo Financiero Santander México	Mexico	0.00%	99.97%	99.97%	99.97%	Securities company	71	22	93
Cater Allen Holdings Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Cater Allen International Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Cater Allen Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Banking	293	141	256
Cater Allen Lloyd's Holdings Limited (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Cater Allen Syndicate Management Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
CCAP Auto Lease Ltd.	United States	0.00%	100.00%	100.00%	100.00%	Leasing	393	44	437
Centro de Capacitación Santander, A.C.	Mexico	0.00%	99.97%	100.00%	100.00%	Non-profit institute	1	0	1
Certidesa, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Aircraft rental	(67)	(8)	0
Charlotte 2023 Funding Plc	United Kingdom	0.00%	100.00%	100.00%	0.00%	Securitization	0	0	0
Charlotte 2023 Holdings Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Chrysler Capital Auto Funding II LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	36	1	0
Chrysler Capital Master Auto Receivables Funding 2 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(250)	(22)	0
Cianite New Energy, S.r.l.	Italy	0.00%	49.00%	70.00%	0.00%	Renewable energies	0	0	1
CIMA Finance DAC Series 2022-1	Ireland	—	(b)	—	—	Securitization	0	0	0
CIMA Finance Designated Activity Company Loan Series 2023-11	Ireland	—	(b)	—	—	Finance company	0	0	0
CIMA Finance Designated Activity Company Series 2023-15	Ireland	—	(b)	—	—	Finance company	0	0	0
Cobranza Amigable, S.A.P.I. de C.V.	Mexico	0.00%	85.00%	100.00%	100.00%	Collection services	5	0	3

Subsidiaries of Banco Santander, S.A. ¹

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		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Community Development and Affordable Housing Fund LLC (c)	United States	0.00%	96.00%	96.00%	96.00%	Asset management	34	(1)	9
Compagnie Generale de Credit Aux Particuliers - Credipar S.A.	France	0.00%	50.00%	100.00%	100.00%	Banking	363	41	428
Compagnie Pour la Location de Vehicules - CLV	France	0.00%	50.00%	100.00%	100.00%	Banking	22	2	26
Consulteam Consultores de Gestão, Unipessoal, Lda.	Portugal	100.00%	0.00%	100.00%	100.00%	Real estate	0	0	0
Consumer Totta 1	Portugal	—	(b)	—	—	Securitization	0	0	0
Credileads S.A.	Uruguay	0.00%	100.00%	100.00%	100.00%	Advertising	0	0	4
Cyber Guardian Solutions, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	0.00%	IT consulting	5	(1)	4
Darep Designated Activity Company	Ireland	100.00%	0.00%	100.00%	100.00%	Reinsurances	7	(1)	7
Decarome, S.A.P.I. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Finance company	59	3	58
Decarope S.A.C.	Peru	0.00%	100.00%	100.00%	0.00%	Investment Company	14	2	14
Deva Capital Advisory Company, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Advisory services	2	1	2
Deva Capital Holding Company, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	273	(18)	290
Deva Capital Investment Company, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	193	21	182
Deva Capital Management Company, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Advisory services	22	(13)	10
Deva Capital Servicer Company, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	67	(5)	61
Diglo Servicer Company 2021, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Real estate management	21	3	19
Diners Club Spain, S.A. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Cards	9	0	10
Dirección Estratega, S.C.	Mexico	0.00%	100.00%	100.00%	100.00%	Services	0	0	0
Drive Auto Receivables Trust 2020-1	United States	—	(b)	—	—	Securitization	111	32	0
Drive Auto Receivables Trust 2020-2	United States	—	(b)	—	—	Securitization	125	37	0
Drive Auto Receivables Trust 2021-1	United States	—	(b)	—	—	Securitization	60	87	0
Drive Auto Receivables Trust 2021-2	United States	—	(b)	—	—	Securitization	(64)	111	0
Drive Auto Receivables Trust 2021-3	United States	—	(b)	—	—	Securitization	(117)	84	0
Drive Auto Receivables Trust 2023-1	United States	—	(b)	—	—	Inactive	0	0	0
Drive Auto Receivables Trust 2023-2	United States	—	(b)	—	—	Inactive	0	0	0
Drive Auto Receivables Trust 2023-3	United States	—	(b)	—	—	Inactive	0	0	0
Drive S.r.l.	Italy	0.00%	75.00%	75.00%	100.00%	Renting	7	(1)	6
Ductor Real Estate, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	26	2	24
Ebury Brasil Consultoria S.A.	Brazil	0.00%	66.54%	100.00%	100.00%	Consulting services	106	(2)	104

Subsidiaries of Banco Santander, S.A. ¹

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		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Ebury Brasil Participações S.A.	Brazil	0.00%	66.54	100.00%	100.00%	Holding company	105	0	104
Ebury Facilitadora De Pagamentos Ltda.	Brazil	0.00%	66.54	100.00%	100.00%	Software	0	0	0
Ebury Finance Belgium NV (g) (j)	Belgium	0.00%	66.54	100.00%	100.00%	Finance company	0	0	0
Ebury Mass Payments Holdco Limited (o)	United Kingdom	0.00%	0.67	100.00%	100.00%	Holding company	0	0	18
Ebury Mass Payments Limited (o)	United Kingdom	0.00%	0.67	100.00%	100.00%	Payment services	8	2	0
Ebury Partners (DIFC) Limited (o)	Arab United Emirates	0.00%	66.54%	100.00%	0.00%	Finance company	0	0	0
Ebury Partners Australia Pty Ltd. (o)	Australia	0.00%	0.67	100.00%	100.00%	Finance company	2	0	2
Ebury Partners Belgium NV (o)	Belgium	0.00%	66.54%	100.00%	100.00%	Payment services	16	4	18
Ebury Partners Canada Limited (o)	Canada	0.00%	66.54%	100.00%	100.00%	Finance company	3	0	7
Ebury Partners Chile S.p.A.	Chile	0.00%	66.54%	100.00%	0.00%	Finance company	0	0	0
Ebury Partners China Limited	China	0.00%	66.54%	100.00%	100.00%	Inactive	0	0	0
Ebury Partners Finance Limited (o)	United Kingdom	0.00%	66.54%	100.00%	100.00%	Finance company	(11)	0	0
Ebury Partners Holdings Limited (g)	United Kingdom	0.00%	66.54%	100.00%	100.00%	Holding company	0	0	0
Ebury Partners Hong Kong Limited (o)	Hong-Kong	0.00%	66.54%	100.00%	100.00%	Finance company	2	0	3
Ebury Partners Limited (o)	United Kingdom	0.00%	66.54%	66.54%	66.54%	Holding company	249	(10)	503
Ebury Partners Markets Cyprus Limited (o)	Cyprus	0.00%	66.54%	100.00%	0.00%	Finance company	0	0	0
Ebury Partners Markets Limited (o)	United Kingdom	0.00%	66.54%	100.00%	100.00%	Finance company	22	1	18
Ebury Partners SA (Pty) Ltd. (o)	Republic of South Africa	0.00%	66.54%	100.00%	100.00%	Inactive	0	0	0
Ebury Partners South Africa (Pty) Ltd	Republic of South Africa	0.00%	66.54%	100.00%	0.00%	Finance company	0	0	0
Ebury Partners Switzerland AG (o)	Switzerland	0.00%	66.54%	100.00%	100.00%	Finance company	6	0	5
Ebury Partners UK Limited (o)	United Kingdom	0.00%	66.54%	100.00%	100.00%	Electronic money	25	(8)	159
Ebury Payments PTE Ltd. (o)	Singapur	0.00%	66.54%	100.00%	100.00%	Payment services	0	0	2
Ebury Technology Limited (o)	United Kingdom	0.00%	66.54%	100.00%	100.00%	Software	(54)	1	0
EDT FTPYME Pastor 3, Fondo de Titulización de Activos	Spain	—	(b)	—	—	Securitization	0	0	0
Elcano Renovables, S.L.	Spain	0.00%	70.00%	70.00%	70.00%	Holding company	0	0	0
Electrolyser, S.A. de C.V.	Mexico	0.00%	99.97%	100.00%	100.00%	Services	0	0	0
Elevate Tech Platforms, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	50	(3)	50
Em Dia Serviços Especializados em Cobranças Ltda.	Brazil	0.00%	90.19%	100.00%	100.00%	Collection services	49	(5)	36
Empresa de Créditos Santander Consumo Perú S.A.	Peru	100.00%	0.00%	100.00%	100.00%	Finance company	49	2	48
Erestone S.A.S. (j)	France	0.00%	90.00%	90.00%	90.00%	Inactive	1	0	1
Esfere Fidelidade S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Services	25	145	153
Evidence Previdência S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Insurance	144	11	139

Subsidiaries of Banco Santander, S.A.¹

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		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Eyemobile Tecnologia S.A.	Brazil	0.00%	100.00%	100.00%	60.00%	IT services	1	(1)	0
F1rst Tecnologia e Inovação Ltda.	Brazil	0.00%	90.19%	100.00%	100.00%	IT services	61	18	71
Finaceira El Corte Inglés, Portugal, S.F.C., S.A.	Portugal	0.00%	51.00%	100.00%	100.00%	Finance company	8	1	4
Financiera El Corte Inglés, E.F.C., S.A.	Spain	0.00%	51.00%	51.00%	51.00%	Finance company	267	41	140
Finsantusa, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	1,255	30	1,020
First National Motor plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
First National Tricity Finance Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	6	0	6
Fondation Holding Auto ABS Belgium Loans	Belgium	—	(b)	—	—	Securitization	0	0	0
Fondo de Titulización PYMES Santander 15	Spain	—	(b)	—	—	Securitization	0	0	0
Fondo de Titulización Santander Consumer Spain Auto 2016-2	Spain	—	(b)	—	—	Securitization	0	0	0
Fondo de Titulización Santander Financiación 1	Spain	—	(b)	—	—	Securitization	0	0	0
Fondo de Titulización, RMBS Santander 7	Spain	—	(b)	—	—	Securitization	0	0	0
Fondos Santander, S.A. Administradora de Fondos de Inversión (en liquidación) (j)	Uruguay	0.00%	100.00%	100.00%	100.00%	Fund management company	0	0	0
Foreign Exchange Solutions (UK) Limited (j) (o)	United Kingdom	0.00%	66.54%	100.00%	100.00%	IT services	0	0	0
Foreign Exchange Solutions S.L. (o)	Spain	0.00%	66.54%	100.00%	100.00%	IT services	1	0	0
Fortensky Trading, Ltd.	Ireland	0.00%	100.00%	100.00%	100.00%	Finance company	0	0	0
Fosse (Master Issuer) Holdings Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Fosse Funding (No.1) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	84	(59)	0
Fosse Master Issuer PLC	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	(1)	0	0
Fosse Trustee (UK) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Freedom Depository Holdings, LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	0	0	0
Freedom Depository, LLC	United States	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Fundo de Investimento em Direitos Creditórios Atacado - Não Padronizado	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	120	42	147
Fundo de Investimento em Direitos Creditórios Tellus	Brazil	0.00%	90.19%	100.00%	0.00%	Investment fund	0	0	0
Fundo de Investimentos em Direitos Creditórios Multisegmentos NPL Ipanema VI - Não padronizado	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	409	64	427
Gamma, Sociedade Financeira de Titularização de Créditos, S.A.	Portugal	0.00%	99.87%	100.00%	100.00%	Securitization	7	0	8
GC FTPYME Pastor 4, Fondo de Titulización de Activos	Spain	—	(b)	—	—	Securitization	0	0	0
Gesban México Servicios Administrativos Globales, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Services	2	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Gesban Santander Servicios Profesionales Contables Limitada	Chile	0.00%	100.00%	100.00%	100.00%	Accounting services	0	0	0
Gesban Servicios Administrativos Globales, S.L.	Spain	99.99%	0.01%	100.00%	100.00%	Services	5	0	1
Gesban UK Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Payments and collection services	2	0	0
Gestión de Inversiones JILT, S.A. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Services	15	0	15
Gestora de Procesos S.A. en liquidación (j)	Peru	0.00%	100.00%	100.00%	100.00%	Holding company	(1)	0	0
Getnet Adquirência e Serviços para Meios de Pagamento S.A. - Instituição de Pagamento	Brazil	0.00%	100.00%	100.00%	97.10%	Payment services	477	156	354
Getnet Argentina S.A.U.	Argentine	0.00%	100.00%	100.00%	100.00%	Payment methods	20	(3)	17
Getnet Europe, Entidad de Pago, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Payment services	185	18	177
Getnet Fundo de Investimento em Direitos Creditórios	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	2	(1)	2
Getnet Merchant Solutions UK Ltd	United Kingdom	0.00%	100.00%	100.00%	100.00%	Financial services	6	(1)	6
Getnet Sociedade de Credito Direto S.A.	Brazil	0.00%	100.00%	100.00%	100.00%	Finance company	22	13	35
Getnet Uruguay S.A.	Uruguay	0.00%	100.00%	100.00%	100.00%	Payment methods	8	(2)	6
Gira, Gestão Integrada de Recebíveis do Agronegócio S.A. (p)	Brazil	0.00%	72.15%	80.00%	80.00%	Consulting services	1	(5)	0
GNXT Serviços de Atendimento Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	Telemarketing	3	2	5
Golden Bar (Securitisation) S.r.l.	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2019-1	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2020-1	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2020-2	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2021-1	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2022-1	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2023-1	Italy	—	(b)	—	—	Securitization	0	0	0
Golden Bar Stand Alone 2023-2	Italy	—	(b)	—	—	Securitization	0	0	0
Grafite New Energy, S.r.l.	Italy	0.00%	49.00%	70.00%	0.00%	Renewable energies	0	0	1
Gravity Cloud Technology, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	IT services	33	0	27
Grupo Empresarial Santander, S.L.	Spain	99.62%	0.38%	100.00%	100.00%	Holding company	4,556	364	3,089
Grupo Financiero Santander México, S.A. de C.V.	Mexico	100.00%	0.00%	100.00%	100.00%	Holding company	5,380	1,193	5,980
Guaranty Car, S.A. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Automotive	3	0	2
Hipototta No. 13	Portugal	—	(b)	—	—	Securitization	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
Hipototta No. 4 FTC	Portugal	—	(b)	—	—	Securitization	(53)	(1)	0
Hipototta No. 4 plc	Ireland	—	(b)	—	—	Securitization	(2)	(4)	0
Hipototta No. 5 FTC	Portugal	—	(b)	—	—	Securitization	(46)	0	0
Hipototta No. 5 plc	Ireland	—	(b)	—	—	Securitization	(11)	(5)	0
Holbah Santander, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	484	86	871
Holding BEXs Banco Participacoes Ltda.	Brazil	0.00%	66.54%	100.00%	0.00%	Holding company	3	0	0
Holmes Funding Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	67	(100)	0
Holmes Holdings Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Holmes Master Issuer plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	(12)	2	0
Holmes Trustees Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Hyundai Capital Bank Europe GmbH	Germany	0.00%	51.00%	51.00%	51.00%	Banking	868	4	445
Ibérica de Compras Corporativas, S.L.	Spain	97.17%	2.83%	100.00%	100.00%	E-commerce	26	0	6
Independence Community Bank Corp.	United States	0.00%	100.00%	100.00%	100.00%	Holding company	3,566	46	3,612
Innohub, S.A.P.I. de C.V.	Mexico	0.00%	62.01%	62.01%	40.84%	IT services	2	(1)	1
Insurance Funding Solutions Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Inversiones Capital Global, S.A. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	97	(1)	106
Inversiones Marítimas del Mediterráneo, S.A.	Spain	0.00%	100.00%	100.00%	100.00%	Inactive	2	(1)	0
Isar Valley S.A.	Luxembourg	—	(b)	—	—	Securitization	4	0	0
Isla de los Buques, S.A.	Spain	99.98%	0.02%	100.00%	100.00%	Finance company	1	0	1
Klare Corredora de Seguros S.A.	Chile	0.00%	33.63%	50.10%	50.10%	Insurance intermediary	1	(3)	0
Landcompany 2020, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate management	1,679	(21)	1,670
Laparanza, S.A.	Spain	61.59%	0.00%	61.59%	61.59%	Agricultural holding	29	0	16
Lerma Investments 2018, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	10	1	11
Liquetine, S.L. Unipersonal	Spain	0.00%	70.00%	100.00%	100.00%	Renewable energies	1	0	3
Liquidity Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Factoring	(1)	0	0
Lynx Financial Crime Tech, S.A. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	IT services	48	(2)	46
MAC No. 1 Limited	United Kingdom	—	(b)	—	—	Mortgage credit company	0	0	0
Master Red Europa, S.L.	Spain	96.34%	0.00%	96.34%	96.34%	Cards	1	0	1
Mata Alta, S.L. Unipersonal	Spain	0.00%	61.59%	100.00%	100.00%	Agricultural holding	1	0	0
MCE Bank GmbH (d)	Germany	0.00%	90.01%	90.01%	0.00%	Banking	125	8	86

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by		Percentage of voting power (k)		Activity	EUR million (a)		
		Banco Santander		Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
		Direct	Indirect						
MCE Verwaltung GmbH (d)	Germany	0.00%	90.01%	100.00%	0.00%	Real estate rental	10	0	9
Mercadotecnia, Ideas y Tecnología, S.A. de C.V.	Mexico	0.00%	70.00%	70.00%	70.00%	Payment methods	1	12	14

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
Merciver, S.L.	Spain	99.90%	0.10%	100.00%	100.00%	Financial advisory	0	0	0
Mercury Trade Finance Solutions S.A.S.	Colombia	0.00%	50.10%	100.00%	100.00%	IT services	0	0	0
Mercury Trade Finance Solutions SpA	Chile	0.00%	50.10%	100.00%	100.00%	Inactive	0	0	0
Mercury Trade Finance Solutions, S.A. de C.V.	Mexico	0.00 %	50.10%	100.00%	100.00%	IT services	0	0	0
Mercury Trade Finance Solutions, S.L.	Spain	0.00 %	50.10%	50.10%	50.10%	IT services	11	(4)	6
Merlion Aviation One Designated Activity Company	Ireland	—	(b)	—	—	Renting	23	(1)	0
Midata Service GmbH (d)	Germany	0.00 %	90.01%	100.00 %	0.00 %	IT services	0	0	0
Mobills Corretora de Seguros Ltda.	Brazil	0.00 %	56.48%	100.00 %	100.00 %	Insurance intermediary	0	0	0
Mobills Labs Soluções em Tecnologia Ltda. - EPP	Brazil	0.00 %	56.48%	100.00 %	100.00 %	IT services	3	1	2
Motor 2016-1 Holdings Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Motor 2016-1 PLC	United Kingdom	0.00%	100.00%	100.00%	100.00%	Securitization	0	0	0
Motor 2017-1 Holdings Limited	United Kingdom	—	(b)	—	—	Securitization	0	0	0
Motor Securities 2018-1 Designated Activity Company (j)	Ireland	—	(b)	—	—	Securitization	(2)	2	0
Mouro Capital I LP	United Kingdom	0.00%	100.00%	100.00%	100.00%	Investment fund	722	43	316
Multiplica SpA	Chile	0.00%	100.00%	100.00%	100.00%	Payment services	3	(1)	3
Munduspar Participações S.A.	Brazil	80.00%	0.00%	80.00%	80.00%	Holding company	29	(1)	66
Navegante Américo Vespuccio SpA	Chile	0.00%	100.00%	100.00%	100.00%	Real estate	68	(1)	98

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Naviera Mirambel, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Finance company	0	0	0
Naviera Trans Gas, A.I.E.	Spain	99.99%	0.01%	100.00%	100.00%	% Renting	33	18	57
Naviera Trans Ore, A.I.E.	Spain	99.99%	0.01%	100.00%	100.00%	% Renting	38	12	17
Naviera Transcantábrica, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	% Leasing	5	0	4
Naviera Transchem, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	% Leasing	1	0	1
NeoAuto S.A.C.	Peru	0.00%	100.00%	100.00%	55.00%	Vehicles purchased by internet	1	0	2
Newco Didier Holding Ltda.	Brazil	0.00%	66.54%	100.00%	0.00%	Holding company	13	(8)	102
Newcomar, S.L., en liquidación (j)	Spain	40.00%	40.00%	80.00%	80.00%	Real estate	0	0	0
Novimovest – Fundo de Investimento Imobiliário	Portugal	0.00%	78.64%	78.74%	78.74%	Investment fund	172	3	138
NW Services CO.	United States	0.00%	100.00%	100.00%	100.00%	E-commerce	8	1	8
One Mobility Management GmbH	Germany	0.00%	46.95%	100.00%	100.00%	Services	0	0	0
Open Bank Argentina S.A.	Argentine	0.00%	99.91%	100.00%	100.00%	Banking	33	(20)	13
Open Bank, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Banking	563	126	630
Open Digital Market, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Commerce	0	0	0
Open Digital Services, S.L.	Spain	99.97%	0.03%	100.00%	100.00%	Services	82	(52)	0
Openbank México, S.A., Institución de Banca Múltiple, Grupo Financiero Santander México	Mexico	0.00%	100.00%	100.00%	100.00%	Banking	48	(4)	44
Operadora de Carteras Gamma, S.A.P.I. de C.V.	Mexico	100.00%	0.00%	100.00%	100.00%	Holding company	11	1	11

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Optimal Investment Services SA	Switzerland	100.00%	0.00%	100.00%	100.00%	Fund management company	46	(3)	30
Optimal Multiadvisors Ireland Plc / Optimal Strategic US Equity Ireland Euro Fund (i) (m)	Ireland	0.00%	0.00%	0.00%	0.00%	Fund management company	0	0	0
Optimal Multiadvisors Ireland Plc / Optimal Strategic US Equity Ireland US Dollar Fund (i) (m)	Ireland	0.00%	0.00%	0.00%	0.00%	Fund management company	0	0	0
Paga Después, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Financial services	4	0	4
PagoFX UK Ltd	United Kingdom	0.00%	100.00%	100.00%	100.00%	Payment services	4	(2)	2
PagoNxt Emoney, E.D.E., S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Financial services	3	(1)	4
PagoNxt Ltd	United Kingdom	1.00%	0.00%	100.00%	100.00%	Holding company	4	2	0
PagoNxt Merchant Soluções Tecnológicas Brasil Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	IT services	142	(30)	112
PagoNxt Merchant Solutions FZ-LLC	Arab United Emirates	0.00%	100.00%	100.00%	100.00%	Financial services	0	0	1
PagoNxt Merchant Solutions India Private Limited	India	0.00%	100.00%	100.00%	100.00%	Financial services	1	0	1
PagoNxt Merchant Solutions, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	1,147	(21)	1,323
PagoNxt One Trade UK Ltd	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
PagoNxt Payments Platform México, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	IT services	0	(1)	0
PagoNxt Solutions, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Payment services	20	(2)	14
PagoNxt Trade Brasil Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	Financial services	1	0	1
PagoNxt Trade Chile SpA	Chile	0.00%	100.00%	100.00%	100.00%	Services	1	0	1
PagoNxt Trade Services, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Services	305	(72)	232

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
PagoNxt Trade, S.L.	Spain	0.00 %	100.00%	100.00 %	100.00 %	IT services	343	(93)	250
PagoNxt US, LLC	United States	0.00 %	100.00%	100.00 %	0.00 %	Inactive	0	0	0
PagoNxt, S.L.	Spain	100.00 %	0.00%	100.00 %	100.00 %	Holding company	2,390	(135)	2,558
Parasant SA	Switzerland	100.00 %	0.00%	100.00 %	100.00 %	Holding company	1,284	(1)	1,013
Partners Ebury México, S.A. de C.V.	Mexico	0.00 %	66.54%	100.00 %	0.00 %	Payment services	0	0	0
Paytec Logística e Armazém Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	Logistics services	0	0	0
Paytec Tecnologia em Pagamentos Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	Commerce	5	0	5
PBE Companies, LLC	United States	0.00 %	100.00%	100.00%	100.00%	Real estate	112	(1)	112
Pereda Gestión, S.A.	Spain	99.99%	0.01%	100.00%	100.00%	Securities brokerage	52	25	4
Phoenix C1 Aviation Designated Activity Company	Ireland	—	(b)	—	—	Renting	18	(1)	0
Phoenix S.A.	Uruguay	0.00%	100.00%	100.00%	100.00%	Payment methods	0	0	3
Pingham International, S.A. (j)	Uruguay	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Pony S.A.	Luxembourg	—	(b)	—	—	Securitization	0	0	0
Pony S.A., Compartment German Auto Loans 2021-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
Pony S.A., Compartment German Auto Loans 2023-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
Portal Universia Argentina S.A.	Argentina	0.00%	75.75%	75.75%	75.75%	Internet	0	0	0
Portal Universia Portugal, Prestação de Serviços de Informática, S.A.	Portugal	0.00%	100.00%	100.00%	100.00%	Internet	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
Precato IV Fundo de Investimento em Direitos Creditórios - Não Padronizados	Brazil	0.00 %	90.19 %	100.00 %	0.00 %	Investment fund	9	0	8
Prime 16 – Fundo de Investimentos Imobiliário	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	19	(2)	13
Punta Lima Wind Farm, LLC	United States	0.00%	100.00%	100.00%	100.00%	Renewable energies	38	(4)	34
Punta Lima, LLC	United States	0.00%	100.00%	100.00%	100.00%	Leasing	38	(4)	34
Repton 2023-1 Limited	United Kingdom	—	(b)	—	—	Securitization	0	(3)	0
Retailcompany 2021, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	305	(8)	296
Retop S.A. (f)	Uruguay	100.00%	0.00%	100.00%	100.00 %	Finance company	20	12	61
Return Capital S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Collection services	1,244	152	1,258
Roc Aviation One Designated Activity Company	Ireland	—	(b)	—	—	Renting	(5)	(3)	0
Roc Shipping One Designated Activity Company	Ireland	—	(b)	—	—	Renting	(4)	1	0
Rojo Entretenimento S.A.	Brazil	0.00%	85.32%	94.60%	94.60%	Real estate	26	2	24
SAFO Alternative Lending, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00 %	Finance company	1	0	1
SALCO, Servicios de Seguridad Santander, S.A.	Spain	99.99 %	0.01 %	100.00 %	100.00 %	Security	2	0	1
SAM Argentina Sociedad Gerente de Fondos Comunes de Inversión S.A.	Argentine	0.00%	100.00%	100.00%	0.00%	Investment fund management	1	0	1
SAM Asset Management, S.A. de C.V., Sociedad Operadora de Fondos de Inversión	Mexico	0.00 %	100.00 %	100.00 %	100.00 %	Fund management company	34	28	188
SAM Inversiones Argentina S.A.	Argentine	0.00%	100.00%	100.00%	0.00%	Pension fund management company	0	0	0
SAM Investment Holdings, S.L.	Spain	92.37%	7.63%	100.00%	100.00%	Holding company	1,464	132	1,597

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
San Créditos Estruturados i Fundo de Investimento em Direitos Creditórios Não Padronizados	Brazil	0.00%	90.19%	100.00%	0.00%	Investment fund	257	46	273
San Pietro Solar PV, S.r.l.	Italy	0.00%	56.00%	80.00%	0.00%	Renewable energies	2	0	10
SANB Promotora de Vendas e Cobrança S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Finance company	3	(4)	0
Sancap Investimentos e Participações S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Holding company	129	124	206
Santander (CF Trustee Property Nominee) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Santander (CF Trustee) Limited (d)	United Kingdom	—	(b)	—	—	Inactive	0	0	0
Santander (UK) Group Pension Schemes Trustees Limited (d)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Santander Ahorro Inmobiliario 1, S.A.	Spain	98.53%	0.00%	98.53%	98.53%	Real estate rental	1	0	1
Santander Alternative Investments, S.G.I.I.C., S.A. Unipersonal	Spain	0.00%	100.00%	100.00%	0.00%	Fund management company	19	(9)	19
Santander AM Global Working Capital Fund I	Luxembourg	100.00%	0.00%	100.00%	0.00%	Investment fund	55	1	55
Santander Asesorias Financieras Limitada	Chile	0.00%	67.45%	100.00%	100.00%	Financial advisory	0	3	3
Santander Asset Finance (December) Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Leasing	80	(1)	0
Santander Asset Finance Opportunities	Luxembourg	100.00%	0.00%	100.00%	100.00%	Investment fund	66	3	67
Santander Asset Finance plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Leasing	77	14	167
Santander Asset Management - SGOIC, S.A.	Portugal	0.00%	100.00%	100.00%	100.00%	Fund management company	6	3	12
Santander Asset Management Chile S.A.	Chile	0.00%	100.00%	100.00%	100.00%	Securities Investment	0	0	0
Santander Asset Management Gerente de Fondos Comunes de Inversión S.A.	Argentine	0.00%	100.00%	100.00%	100.00%	Fund management company	16	12	3

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Asset Management Luxembourg, S.A.	Luxembourg	0.00%	100.00%	100.00%	100.00%	Fund management company	4	1	0
Santander Asset Management S.A. Administradora General de Fondos	Chile	0.00%	100.00%	100.00%	100.00%	Fund management company	4	12	132
Santander Asset Management UK Holdings Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Holding company	223	68	186
Santander Asset Management UK Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Management of funds and portfolios	35	7	150
Santander Asset Management, S.A., SGIC	Spain	0.00%	100.00%	100.00%	100.00%	Fund management company	253	49	393
Santander Auto Lease Titling Ltd.	United States	0.00%	100.00%	100.00%	100.00%	Leasing	0	0	0
Santander Back-Offices Globales Mayoristas, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Services	3	1	1
Santander Banca de Inversión Colombia, S.A.S.	Colombia	100.00%	0.00%	100.00%	100.00%	Advisory services	2	0	2
Santander Bank & Trust Ltd.	Bahamas	0.00%	100.00%	100.00%	100.00%	Banking	377	14	332
Santander Bank Polska S.A.	Poland	67.41%	0.00%	67.41%	67.41%	Banking	5,713	1,076	4,570
Santander Bank, National Association	United States	0.00%	100.00%	100.00%	100.00%	Banking	10,336	238	10,565
Santander Brasil Administradora de Consórcio Ltda.	Brazil	0.00%	90.19%	100.00%	100.00%	Services	84	108	173
Santander Brasil Gestão de Recursos Ltda.	Brazil	0.08%	99.92%	100.00%	100.00%	Securities Investment	461	41	488
Santander Capital Holdings LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	1,039	(86)	953
Santander Capital Structuring, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Investment Company	8	(2)	0
Santander Capitalização S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Insurance	(30)	107	69
Santander Cards Ireland Limited (n)	Ireland	0.00%	100.00%	100.00%	100.00%	Cards	(8)	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Cards Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Cards	97	0	97
Santander Cards UK Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	159	0	111
Santander Chile Holding S.A.	Chile	22.11%	77.75%	99.86%	99.86%	Holding company	1,878	181	1,712
Santander Consulting (Beijing) Co., Ltd.	China	0.00%	100.00%	100.00%	100.00%	Advisory services	9	1	4
Santander Consumer (UK) plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	1,042	178	300
Santander Consumer Auto Receivables Funding 2018-L1 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	286	(5)	0
Santander Consumer Auto Receivables Funding 2018-L3 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	134	0	0
Santander Consumer Auto Receivables Funding 2018-L5 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	186	(4)	0
Santander Consumer Auto Receivables Funding 2020-L1 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	122	(6)	0
Santander Consumer Auto Receivables Funding 2022-B1 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(130)	47	0
Santander Consumer Auto Receivables Funding 2022-B2 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(157)	60	0
Santander Consumer Auto Receivables Funding 2022-B3 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(259)	102	0
Santander Consumer Auto Receivables Funding 2022-B4 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(178)	76	0
Santander Consumer Auto Receivables Funding 2023-B1 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	0	(125)	0
Santander Consumer Auto Receivables Funding 2023-B2 LLC	United States	0.00%	100.00%	100.00%	0.00%	Finance company	0	(79)	0
Santander Consumer Auto Receivables Funding 2023-B3 LLC	United States	0.00%	100.00%	100.00%	0.00%	Finance company	0	(70)	0
Santander Consumer Auto Receivables Funding 2023-B4 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	0	(82)	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
Santander Consumer Auto Receivables Funding 2023-B5 LLC	United States	0.00%	100.00%	100.00%	0.00%	Inactive	0	0	0
Santander Consumer Auto Receivables Funding 2023-B6 LLC	United States	0.00%	100.00%	100.00%	0.00%	Inactive	0	0	0
Santander Consumer Auto Receivables Funding 2023-L1 LLC	United States	0.00%	100.00%	100.00%	0.00%	Inactive	0	0	0
Santander Consumer Auto Receivables Grantor Trust 2021-D	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Auto Receivables Grantor Trust 2023-A	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Auto Receivables Grantor Trust 2023-B	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Auto Receivables Trust 2021-D	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Auto Receivables Trust 2023-A	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Auto Receivables Trust 2023-B	United States	—	(b)	—	—	Inactive	0	0	0
Santander Consumer Bank AG	Germany	0.00 %	100.00 %	100.00 %	100.00 %	Banking	3,388	273	5,145
Santander Consumer Bank AS	Norway	0.00 %	100.00 %	100.00 %	100.00 %	Banking	2,103	209	2,139
Santander Consumer Bank GmbH	Austria	0.00 %	100.00 %	100.00 %	100.00 %	Banking	482	61	363
Santander Consumer Bank S.A.	Poland	0.00 %	80.44	100.00	100.00	Banking	911	15	517
Santander Consumer Bank S.p.A.	Italy	0.00%	100.00%	100.00%	100.00%	Banking	925	43	603
Santander Consumer Credit Services Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	(38)	(1)	0
Santander Consumer Finance Global Services, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	IT	6	3	5
Santander Consumer Finance Inc.	Canada	0.00%	100.00%	100.00%	100.00%	Holding company	91	0	149

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Consumer Finance Limitada	Chile	49.00%	34.24%	100.00%	100.00%	Finance company	104	17	57
Santander Consumer Finance México, S.A. de C.V., S.O.F.O.M., E.R., Grupo Financiero Santander México	Mexico	0.00%	99.97%	100.00%	100.00%	Inactive	3	0	3
Santander Consumer Finance Oy	Finland	0.00%	100.00%	100.00%	100.00%	Finance company	416	42	161
Santander Consumer Finance Schweiz AG	Switzerland	0.00%	100.00%	100.00%	100.00%	Leasing	70	6	61
Santander Consumer Finance, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Banking	8,886	917	10,037
Santander Consumer Financial Solutions Sp. z o.o.	Poland	0.00%	80.44%	100.00%	100.00%	Leasing	1	(2)	2
Santander Consumer Holding Austria GmbH	Austria	0.00%	100.00%	100.00%	100.00%	Holding company	364	0	518
Santander Consumer Holding GmbH	Germany	0.00%	100.00%	100.00%	100.00%	Holding company	5,564	179	6,077
Santander Consumer Inc.	Canada	0.00%	100.00%	100.00%	100.00%	Finance company	89	3	47
Santander Consumer Leasing B.V.	Netherlands	0.00%	100.00%	100.00%	100.00%	Renting	10	3	21
Santander Consumer Leasing GmbH	Germany	0.00%	100.00%	100.00%	100.00%	Leasing	70	35	151
Santander Consumer Leasing S.A.	France	0.00%	100.00%	100.00%	0.00%	Renting	3	0	3
Santander Consumer Mobility Services, S.A.	Spain	0.00%	100.00%	100.00%	100.00%	Renting	16	(5)	20
Santander Consumer Multirent Sp. z o.o.	Poland	0.00%	80.44%	100.00%	100.00%	Leasing	68	9	28
Santander Consumer Operations Services GmbH	Germany	0.00%	100.00%	100.00%	100.00%	Services	13	1	18
Santander Consumer Receivables 10 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	1,074	(173)	0
Santander Consumer Receivables 11 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	538	95	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Consumer Receivables 15 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(69)	81	0
Santander Consumer Receivables 16 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	(47)	4	0
Santander Consumer Receivables 7 LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	484	219	0
Santander Consumer Receivables Funding LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	5	2	0
Santander Consumer Renting S.r.l.	Italy	0.00%	100.00%	100.00%	100.00%	Renting	8	(2)	9
Santander Consumer Renting, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Renting	41	2	38
Santander Consumer S.A.	Argentine	0.00%	99.82%	100.00%	100.00%	Finance company	10	(1)	9
Santander Consumer S.A. Compañía de Financiamiento	Colombia	79.02 %	20.98 %	100.00 %	100.00 %	Finance company	26	0	26
Santander Consumer Services GmbH	Austria	0.00 %	100.00 %	100.00 %	100.00 %	Services	0	0	0
Santander Consumer Services, S.A.	Portugal	0.00%	100.00%	100.00%	100.00%	Finance company	13	1	6
Santander Consumer Spain Auto 2019-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumer Spain Auto 2020-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumer Spain Auto 2021-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumer Spain Auto 2022-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumer Spain Auto 2023-1, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumer Technology Services GmbH	Germany	0.00%	100.00%	100.00%	100.00%	IT services	27	2	22
Santander Consumer USA Holdings Inc.	United States	0.00%	100.00%	100.00%	100.00%	Holding company	3,262	722	5,016

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Consumer USA Inc.	United States	— %	100.00%	100.00 %	100.00 %	Finance company	5,697	722	6,419
Santander Consumo 4, F.T.	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Consumo 5, F.T.	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Corredora de Seguros Limitada	Chile	0.00%	67.21%	100.00%	100.00%	Insurance intermediary	13	9	12
Santander Corredores de Bolsa Limitada	Chile	0.00%	83.24%	100.00%	100.00%	Securities company	54	4	48
Santander Corretora de Câmbio e Valores Mobiliários S.A.	Brazil	0.00%	90.19%	100.00%	100.00 %	Securities company	172	9	164
Santander Corretora de Seguros, Investimentos e Serviços S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Insurance intermediary	821	386	1,086
Santander Customer Voice, S.A.	Spain	99.50%	0.50%	100.00%	100.00%	Services	2	(3)	2
Santander de Titulización, S.G.F.T., S.A.	Spain	81.00%	19.00%	100.00%	100.00%	Fund management company	5	3	2
Santander Distribuidora de Títulos e Valores Mobiliários S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Securities company	87	(2)	77
Santander Drive Auto Receivables Grantor Trust 2023-A	United States	—	(b)	—	—	Inactive	0	0	0
Santander Drive Auto Receivables LLC	United States	0.00%	100.00%	100.00%	100.00%	Finance company	0	0	0
Santander Drive Auto Receivables Trust 2020-1	United States	—	(b)	—	—	Securitization	78	22	0
Santander Drive Auto Receivables Trust 2020-2	United States	—	(b)	—	—	Securitization	118	34	0
Santander Drive Auto Receivables Trust 2020-3	United States	—	(b)	—	—	Securitization	140	54	0
Santander Drive Auto Receivables Trust 2020-4	United States	—	(b)	—	—	Securitization	0	0	0
Santander Drive Auto Receivables Trust 2021-1	United States	—	(b)	—	—	Securitization	89	68	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Drive Auto Receivables Trust 2021-2	United States	—	(b)	—	—	Securitization	23	87	0
Santander Drive Auto Receivables Trust 2021-3	United States	—	(b)	—	—	Securitization	(21)	119	0
Santander Drive Auto Receivables Trust 2021-4	United States	—	(b)	—	—	Securitization	(87)	90	0
Santander Drive Auto Receivables Trust 2022-1	United States	—	(b)	—	—	Securitization	(135)	77	0
Santander Drive Auto Receivables Trust 2022-2	United States	—	(b)	—	—	Securitization	(187)	100	0
Santander Drive Auto Receivables Trust 2022-3	United States	—	(b)	—	—	Securitization	(189)	93	0
Santander Drive Auto Receivables Trust 2022-4	United States	0.00%	(b)	0.00%	—%	Securitization	(259)	117	0
Santander Drive Auto Receivables Trust 2022-5	United States	—	(b)	—	—	Securitization	(304)	130	0
Santander Drive Auto Receivables Trust 2022-6	United States	—	(b)	—	—	Securitization	(312)	143	0
Santander Drive Auto Receivables Trust 2022-7	United States	—	(b)	—	—	Securitization	(151)	66	0
Santander Drive Auto Receivables Trust 2023-1	United States	—	(b)	—	—	Securitization	(1)	(89)	0
Santander Drive Auto Receivables Trust 2023-2	United States	—	(b)	—	—	Securitization	0	(152)	0
Santander Drive Auto Receivables Trust 2023-3	United States	—	(b)	—	—	Securitization	0	(195)	0
Santander Drive Auto Receivables Trust 2023-4	United States	—	(b)	—	—	Securitization	0	(175)	0
Santander Drive Auto Receivables Trust 2023-5	United States	—	(b)	—	—	Securitization	0	(176)	0
Santander Drive Auto Receivables Trust 2023-6	United States	—	(b)	—	—	Securitization	0	(144)	0
Santander Drive Auto Receivables Trust 2023-A	United States	—	(b)	—	—	Inactive	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Drive Auto Receivables Trust 2023-S1	United States	—	(b)	—	—	Securitization	0	0	0
Santander Drive Auto Receivables Trust 2024-1	United States	—	(b)	—	—	Inactive	0	0	0
Santander Equity Investments Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	14	54	34
Santander España Servicios Legales y de Cumplimiento, S.L.	Spain	99.97%	0.03%	100.00%	100.00%	Services	9	1	7
Santander Estates Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Real estate	(7)	0	0
Santander European Hospitality Opportunities	Luxembourg	100.00%	0.00%	100.00%	100.00%	Investment fund	22	4	27
Santander F24 S.A.	Poland	0.00%	67.41%	100.00%	100.00%	Finance company	2	0	2
Santander Facility Management España, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	414	(2)	393
Santander Factoring S.A.	Chile	0.00%	99.86%	100.00%	100.00%	Factoring	9	1	10
Santander Factoring Sp. z o.o.	Poland	0.00%	67.41%	100.00%	100.00%	Financial services	52	14	1
Santander Factoring y Confirming, S.A. Unipersonal, E.F.C.	Spain	100.00%	0.00%	100.00%	100.00%	Factoring	208	32	126
Santander Finance 2012-1 LLC	United States	0.00%	100.00%	100.00%	100.00%	Financial services	3	0	3
Santander Financial Exchanges Limited	United Kingdom	100.00%	0.00%	100.00%	100.00%	Inactive	0	0	0
Santander Financial Services plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Banking	396	14	446
Santander Financiamientos S.A.	Peru	100.00%	0.00%	100.00%	100.00%	Finance company	23	(6)	18
Santander Financing S.A.S.	Colombia	100.00%	0.00%	100.00%	100.00%	Financial advisory	(1)	2	0
Santander Finanse Sp. z o.o.	Poland	0.00%	67.41%	100.00%	100.00%	Financial services	60	9	20

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Fintech Holdings, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	323	6	366
Santander Fintech Limited (j)	United Kingdom	100.00%	0.00%	100.00%	100.00%	Finance company	0	0	0
Santander Flex Fundo de Investimento Direitos Creditórios	Brazil	0.00%	90.19%	100.00%	0.00%	Investment fund	330	55	347
Santander Fundo de Investimento SBAC Referenciado di Crédito Privado (h)	Brazil	0.00%	90.19%	100.00%	100.00%	Investment fund	1,514	259	1,225
Santander Gestión de Recaudación y Cobranzas Ltda.	Chile	0.00%	99.86%	100.00%	100.00%	Financial services	8	2	9
Santander Global Cards & Digital Solutions Brasil S.A.	Brazil	0.00%	100.00%	100.00%	100.00%	IT consulting	92	(1)	91
Santander Global Cards & Digital Solutions, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	IT services	220	0	216
Santander Global Consumer Finance Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	7	0	7
Santander Global Facilities, S.A. de C.V.	Mexico	100.00%	0.00%	100.00%	100.00%	Services	166	11	176
Santander Global Services S.A. (j)	Uruguay	0.00%	100.00%	100.00%	100.00%	Services	0	0	0
Santander Global Services, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	Real estate	392	0	391
Santander Global Sport, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Sports activity	17	(1)	16
Santander Global Technology and Operations Brasil Ltda.	Brazil	0.00%	100.00%	100.00%	100.00%	IT services	4	0	1
Santander Global Technology and Operations Chile Limitada	Chile	0.00%	100.00%	100.00%	100.00%	IT services	6	0	7
Santander Global Technology and Operations, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	IT services	469	22	438
Santander Green Investment, S.L.	Spain	99.97%	0.03%	100.00%	100.00%	Holding company	82	1	83
Santander Guarantee Company	United Kingdom	0.00%	100.00%	100.00%	100.00%	Leasing	5	0	3

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Hipotecario 2 Fondo de Titulización de Activos	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Hipotecario 3 Fondo de Titulización de Activos	Spain	—	(b)	—	—	Securitization	0	0	0
Santander Holding Imobiliária S.A.	Brazil	0.00%	90.19%	100.00%	100.00%	Real estate	90	2	82
Santander Holding Internacional, S.A.	Spain	99.95%	0.05%	100.00%	100.00%	Holding company	4,125	83	2,530
Santander Holdings USA, Inc.	United States	100.00%	0.00%	100.00%	100.00%	Holding company	14,990	844	14,743
Santander Inclusión Financiera, S.A. de C.V., S.O.F.O.M., E.R., Grupo Financiero Santander México	Mexico	0.00%	99.97%	100.00%	100.00%	Finance company	18	(9)	8
Santander Insurance Agency, U.S., LLC	United States	0.00%	100.00%	100.00%	100.00%	Insurance intermediary	1	0	1
Santander Insurance Services UK Limited	United Kingdom	100.00%	0.00%	100.00%	100.00%	Wealth management	43	2	46
Santander Insurance, S.L.	Spain	100.00%	0.00%	100.00%	0.00%	Holding company	3,139	(1)	3,140
Santander Intermediación Correduría de Seguros, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Insurance intermediary	28	4	18
Santander International Products, Plc. (I)	Ireland	99.99%	0.01%	100.00%	100.00%	Finance company	1	0	0
Santander Inversiones S.A.	Chile	0.00%	100.00%	100.00%	100.00%	Holding company	1,507	142	1,032
Santander Investment Chile Limitada	Chile	0.00%	100.00%	100.00%	100.00%	Finance company	517	43	321
Santander Investment, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Banking	1,316	2	245
Santander Investments GP 1 S.à.r.l.	Luxembourg	0.00%	100.00%	100.00%	100.00%	Fund management company	1	0	1
Santander Inwestycje Sp. z o.o.	Poland	0.00%	67.41%	100.00%	100.00%	Securities company	14	0	7
Santander ISA Managers Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Management of funds and portfolios	49	7	6

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Lease, S.A., E.F.C.	Spain	100.00%	0.00%	100.00%	100.00%	Leasing	61	(1)	51
Santander Leasing S.A.	Poland	0.00%	67.41%	100.00%	100.00%	Leasing	180	17	39
Santander Leasing S.A. Arrendamento Mercantil	Brazil	0.00 %	90.19 %	100.00 %	100.00 %	Leasing	1,998	136	1,924
Santander Leasing, LLC	United States	0.00%	100.00%	100.00%	100.00%	Leasing	1	(2)	0
Santander Lending Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Mortgage credit company	252	13	239
Santander Mediación Operador de Banca-Seguros Vinculado, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Insurance intermediary	52	0	3
Santander Merchant S.A.	Argentine	5.10%	94.90%	100.00%	100.00%	Finance company	0	0	2
Santander Mortgage Holdings Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Holding company	(23)	0	0
Santander New Business, S.A.	Spain	99.00%	1.00%	100.00%	0.00%	Trade intermediary	1	0	1
Santander Paraty Qif PLC	Ireland	0.00%	90.19%	100.00%	100.00%	Investment Company	283	215	500
Santander Pensiones, S.A., E.G.F.P.	Spain	0.00%	100.00%	100.00%	100.00%	Pension fund management company	85	14	184
Santander Pensões - Sociedade Gestora de Fundos de Pensões, S.A.	Portugal	100.00%	0.00%	100.00%	100.00 %	Pension fund management company	3	0	3
Santander Prime Auto Issuance Notes 2018-A Designated Activity Company	Ireland	—	(b)	—	—	Inactive	0	0	0
Santander Prime Auto Issuance Notes 2018-B Designated Activity Company	Ireland	—	(b)	—	—	Inactive	0	0	0
Santander Prime Auto Issuance Notes 2018-C Designated Activity Company	Ireland	—	(b)	—	—	Inactive	0	0	0
Santander Prime Auto Issuance Notes 2018-D Designated Activity Company	Ireland	—	(b)	—	—	Inactive	0	0	0
Santander Prime Auto Issuance Notes 2018-E Designated Activity Company	Ireland	—	(b)	—	—	Inactive	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander Private Banking Gestión, S.A., S.G.I.I.C.	Spain	100.00 %	0.00 %	100.00 %	100.00 %	Fund management company	74	9	35
Santander Private Banking s.p.a. in Liquidazione (j)	Italy	100.00 %	0.00 %	100.00 %	100.00 %	Finance company	14	0	8
Santander Private Banking UK Limited	United Kingdom	0.00 %	100.00 %	100.00 %	100.00 %	Holding company	294	117	401
Santander Private Real Estate Advisory & Management, S.A.	Spain	99.99 %	0.01 %	100.00 %	100.00 %	Real estate	4	0	4
Santander Private Real Estate Advisory, S.A.	Spain	100.00 %	0.00 %	100.00 %	100.00 %	Real estate	16	1	16
Santander Real Estate Debt 1 sub-fund	Luxembourg	1.00	0.00%	100.00	—	Investment fund	0	1	0
Santander Real Estate, S.A.	Spain	100.00 %	0.00 %	100.00 %	100.00 %	Inactive	1	0	1
Santander Retail Auto Lease Funding LLC	United States	0.00 %	100.00 %	100.00 %	100.00 %	Finance company	0	0	0
Santander Retail Auto Lease Trust 2021-A	United States	—	(b)	—	—	Securitization	116	50	0
Santander Retail Auto Lease Trust 2021-B	United States	—	(b)	—	—	Securitization	115	45	0
Santander Retail Auto Lease Trust 2021-C	United States	—	(b)	—	—	Securitization	136	36	0
Santander Retail Auto Lease Trust 2022-A	United States	—	(b)	—	—	Securitization	14	4	0
Santander Retail Auto Lease Trust 2022-B	United States	—	(b)	—	—	Securitization	21	(8)	0
Santander Retail Auto Lease Trust 2022-C	United States	—	(b)	—	—	Inactive	0	0	0
Santander Revolving Auto Loan Trust 2019-A	United States	—	(b)	—	—	Securitization	29	40	0
Santander Revolving Auto Loan Trust 2021-A	United States	—	(b)	—	—	Inactive	0	0	0
Santander RMBS 6, Fondo de Titulización	Spain	—	(b)	—	—	Securitization	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander S.A. Sociedad Securitizadora	Chile	0.00%	67.25%	100.00%	100.00%	Fund management company	1	0	0
Santander Secretariat Services Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Santander Securities LLC	United States	0.00%	100.00%	100.00%	100.00%	Securities company	25	12	37
Santander Seguros y Reaseguros, Compañía Aseguradora, S.A.	Spain	0.00%	100.00%	100.00%	100.00%	Insurance	1,221	167	1,536
Santander Servicios Corporativos, S.A. de C.V.	Mexico	0.00%	99.97%	100.00%	100.00%	Services	14	1	16
Santander Technology USA, LLC	United States	0.00%	100.00%	100.00%	100.00%	IT services	59	(10)	50
Santander Tecnología Argentina S.A.	Argentine	0.00%	99.83%	100.00%	100.00%	IT services	8	12	16
Santander Tecnología México, S.A. de C.V.	Mexico	0.00%	99.97%	100.00%	100.00%	IT services	58	1	58
Santander Totta Seguros, Companhia de Seguros de Vida, S.A.	Portugal	0.00%	100.00%	100.00%	100.00%	Insurance	98	25	281
Santander Totta, SGPS, S.A.	Portugal	99.91%	0.00%	99.91%	99.91%	Holding company	3,442	795	5,352
Santander Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	50.00%	33.70%	100.00%	100.00%	Fund management company	4	21	12
Santander Trade Services Limited	Hong-Kong	0.00%	100.00%	100.00%	100.00%	Inactive	25	0	16
Santander Trust S.A.	Argentine	0.00%	99.99%	100.00%	100.00%	Services	0	0	0
Santander UK Group Holdings plc	United Kingdom	77.67%	22.33%	100.00%	100.00%	Holding company	13,703	1,934	16,825
Santander UK Investments	United Kingdom	100.00%	0.00%	100.00%	100.00%	Finance company	117	(4)	115
Santander UK Operations Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Finance company	7	0	0
Santander UK plc	United Kingdom	0.00%	100.00%	100.00%	100.00%	Banking	12,610	2,204	15,240

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Santander UK Technology Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	IT services	43	0	7
Santander US Capital Markets LLC	United States	0.00%	100.00%	100.00%	100.00%	Real Estate investment	1,123	(93)	1,030
Santander Valores S.A.	Argentina	5.10%	94.73%	100.00%	100.00%	Securities company	3	5	8
Santusa Holding, S.L.	Spain	69.76%	30.24%	100.00%	100.00%	Holding company	9,289	512	6,524
SBNA Auto Lease Funding LLC	United States	0.00%	100.00%	100.00%	0.00%	Finance company	0	(2)	0
SBNA Auto Lease Trust 2023-A	United States	—	(b)	—	—	Securitization	0	0	0
SBNA Auto Lease Trust 2024-A	United States	—	(b)	—	—	Inactive	0	0	0
SBNA Auto Lease Trust 2024-B	United States	—	(b)	—	—	Inactive	0	0	0
SBNA Auto Lease Trust 2024-C	United States	—	(b)	—	—	Inactive	0	0	0
SBNA Investor LLC	United States	0.00%	100.00%	100.00%	0.00%	Holding company	1,016	3	1,019
SC Austria Auto Finance 2020-1 Designated Activity Company	Ireland	—	(b)	—	—	Securitization	0	0	0
SC Austria Consumer Loan 2021 Designated Activity Company	Ireland	—	(b)	—	—	Securitization	0	0	0
SC Canada Asset Securitization Trust	Canada	—	(b)	—	—	Securitization	0	0	0
SC Germany Auto 2014-2 UG (haftungsbeschränkt) (j)	Germany	—	(b)	—	—	Securitization	0	0	0
SC Germany Auto 2016-2 UG (haftungsbeschränkt) (j)	Germany	—	(b)	—	—	Securitization	0	0	0
SC Germany Auto 2018-1 UG (haftungsbeschränkt) (j)	Germany	—	(b)	—	—	Securitization	0	0	0
SC Germany Auto 2019-1 UG (haftungsbeschränkt)	Germany	—	(b)	—	—	Securitization	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
SC Germany Consumer 2018-1 UG (haftungsbeschränkt) (j)	Germany	—	(b)	—	—	Securitization	0	0	0
SC Germany Mobility 2019-1 UG (haftungsbeschränkt) (j)	Germany	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A.	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A., Compartment Consumer 2020-1	Luxembourg	—	(b)	—	—	Securitization	—	—	—
SC Germany S.A., Compartment Consumer 2021-1	Luxembourg	—	(b)	—	—	Securitization	—	—	—
SC Germany S.A., Compartment Consumer 2022-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A., Compartment Consumer 2023-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A., Compartment Consumer Private 2023-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A., Compartment Leasing 2023-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Germany S.A., Compartment Mobility 2020-1	Luxembourg	—	(b)	—	—	Securitization	0	0	0
SC Mobility AB	Sweden	0.00%	100.00%	100.00%	0.00%	Renting	0	0	0
SC Mobility AS	Norway	0.00%	100.00%	100.00%	0.00%	Renting	10	0	10
SC Poland Consumer 23-1 Designated Activity Company	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Ajoneuvohallinto IX Limited	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Ajoneuvohallinto VII Limited (j)	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Ajoneuvohallinto VIII Limited	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Ajoneuvohallinto X Limited	Ireland	—	(b)	—	—	Securitization	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

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		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
SCF Ajoneuvohallinto XI Limited	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Ajoneuvohallinto XII Limited	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Eastside Locks GP Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Real estate management	0	0	0
SCF Rahoituspalvelut IX DAC	Ireland	—	(b)	—	—	Securitization	4	0	0
SCF Rahoituspalvelut VII Designated Activity Company (j)	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Rahoituspalvelut VIII Designated Activity Company	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Rahoituspalvelut X DAC	Ireland	—	(b)	—	—	Securitization	0	0	0
SCF Rahoituspalvelut XI Designated Activity Company	Ireland	—	(b)	—	—	Securitization	(7)	0	0
SCF Rahoituspalvelut XII DAC	Ireland	—	(b)	—	—	Securitization	0	0	0
SCM Poland Auto 2019-1 DAC	Ireland	—	(b)	—	—	Securitization	0	0	0
SDMX Superdigital, S.A. de C.V., Institución de Fondos de Pago Electrónico	Mexico	0.00%	100.00%	100.00%	100.00%	Payment platform	3	(1)	2
Secucor Finance 2021-1, DAC	Ireland	—	(b)	—	—	Securitization	0	0	0
Services and Promotions Delaware Corp.	United States	0.00%	100.00%	100.00%	100.00%	Holding company	64	2	66
Services and Promotions Miami LLC	United States	0.00%	100.00%	100.00%	100.00%	Real estate	58	3	61
Servicios de Cobranza, Recuperación y Seguimiento, S.A. de C.V.	Mexico	0.00%	85.00%	85.00%	85.00%	Finance company	46	2	32
Sheppards Moneybrokers Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Shiloh III Wind Project, LLC	United States	0.00%	100.00%	100.00%	100.00%	Renewable energies	334	7	341

Subsidiaries of Banco Santander, S.A. ¹

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		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
SIB Besaya, S.L. Unipersonal	Spain	0.00 %	100.00%	100.00%	100.00%	Holding company	472	5	619
Silk Finance No. 5	Portugal	—	(b)	—	—	Securitization	52	(15)	0
SMPS Merchant Platform Solutions México, S.A de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Payments and collection services	154	51	205
Sociedad Integral de Valoraciones Automatizadas, S.A. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Appraisals	1	0	1
Sociedad Operadora de Tarjetas de Pago Santander Getnet Chile S.A.	Chile	0.00%	67.13%	100.00%	100.00%	Payments and collection services	16	11	18
Socur S.A. (f)	Uruguay	100.00%	0.00%	100.00%	100.00%	Finance company	59	14	59
Solarlaser Limited (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Solution 4Fleet Consultoria Empresarial S.A.	Brazil	0.00%	72.15%	80.00%	80.00%	Vehicle rental	2	(2)	0
Sovereign Community Development Company	United States	0.00%	100.00	100.00%	100.00%	Holding company	41	2	43
Sovereign Delaware Investment Corporation	United States	0.00%	100.00	100.00%	100.00%	Holding company	142	6	148
Sovereign Lease Holdings, LLC	United States	0.00%	100.00%	100.00%	100.00%	Financial services	228	7	235
Sovereign REIT Holdings, Inc.	United States	0.00%	100.00%	100.00%	100.00%	Holding company	7,913	323	8,236
Sovereign Spirit Limited (n)	Bermuda	0.00%	100.00%	100.00%	100.00%	Leasing	0	0	0
SPIRE SA Compartment 2023-265	Luxembourg	—	(b)	—	—	Finance company	0	0	0
SPIRE SA Compartment 2023-374	Luxembourg	—	(b)	—	—	Finance company	0	0	0
SSA Swiss Advisors AG	Switzerland	0.00%	100.00%	100.00%	100.00%	Wealth management	1	0	4
Stellantis Consumer Financial Services Polska Sp. z o.o.	Poland	0.00%	40.22%	100.00%	100.00%	Finance company	4	0	0

Subsidiaries of Banco Santander, S.A. ¹

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		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Stellantis Financial Services Belux SA	Belgium	0.00%	50.00%	100.00%	100.00%	Finance company	102	18	57
Stellantis Financial Services España, E.F.C., S.A.	Spain	0.00%	50.00%	50.00%	50.00%	Finance company	543	202	283
Stellantis Financial Services Italia S.p.A.	Italy	0.00%	50.00%	50.00%	50.00%	Banking	741	61	293
Stellantis Financial Services Nederland B.V.	Netherlands	0.00%	50.00%	100.00%	100.00%	Finance company	67	10	39
Stellantis Financial Services Polska Sp. z o.o.	Poland	0.00%	40.22%	50.00%	50.00%	Finance company	52	10	13
Stellantis Renting Italia S.p.A.	Italy	0.00%	50.00%	100.00%	100.00%	Renting	13	15	3
Sterrebeeck B.V.	Netherlands	100.00%	0.00%	100.00%	100.00%	Holding company	5,404	491	11,095
Suleyado 2003, S.L. Unipersonal	Spain	0.00%	100.00%	100.00%	100.00%	Securities Investment	33	(1)	28
Summer Empreendimentos Ltda.	Brazil	0.00%	90.19%	100.00%	100.00%	Real estate management	5	1	5
Superdigital Argentina S.A.U.	Argentine	0.00%	100.00%	100.00%	100.00%	IT services	1	0	1
Superdigital Colombia S.A.S.	Colombia	0.00%	100.00%	100.00%	100.00%	IT services	1	(1)	1
Superdigital Holding Company, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	176	(10)	164
Superdigital Instituição de Pagamento S.A.	Brazil	0.00%	100.00%	100.00%	100.00%	Payment services	76	(21)	139
Superdigital Perú S.A.C.	Peru	0.00%	100.00%	100.00%	100.00%	Financial services	1	(1)	0
Suzuki Servicios Financieros, S.L.	Spain	0.00%	51.00%	51.00%	51.00%	Intermediation	14	1	0
Svensk Autofinans WH 1 Designated Activity Company (j)	Ireland	—	(b)	—	—	Securitization	0	0	0
Swesant SA	Switzerland	0.00%	100.00%	100.00%	100.00%	Holding company	112	227	0

Subsidiaries of Banco Santander, S.A. ¹

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		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
SX Negócios Ltda.	Brazil	0.00 %	90.19 %	100.00 %	100.00 %	Telemarketing	16	5	19
Tabasco Energía España, S.L. Unipersonal	Spain	100.00 %	0.00 %	100.00 %	100.00 %	Holding company	1	0	0
Taxagest Sociedade Gestora de Participações Sociais, S.A.	Portugal	0.00 %	99.87 %	100.00 %	100.00 %	Holding company	56	0	0
Taxos Luz, S.L. Unipersonal	Spain	0.00 %	70.00 %	100.00 %	100.00 %	Renewable energies	2	0	11
Teatinos Siglo XXI Inversiones S.A.	Chile	50.00 %	50.00 %	100.00 %	100.00 %	Holding company	1,843	169	2,151
The Alliance & Leicester Corporation Limited	United Kingdom	0.00 %	100.00 %	100.00 %	100.00 %	Real estate	0	0	0
The Best Specialty Coffee, S.L. Unipersonal	Spain	100.00 %	0.00 %	100.00 %	100.00 %	Restaurant services	1	1	2
Time Retail Finance Limited (j)	United Kingdom	0.00 %	100.00 %	100.00 %	100.00 %	Services	0	0	0
TIMFin S.p.A.	Italy	0.00 %	51.00 %	51.00 %	51.00 %	Finance company	62	0	38
Tonopah Solar I, LLC	United States	0.00 %	100.00 %	100.00 %	100.00 %	Holding company	5	0	5
Tools Soluções e Serviços Compartilhados Ltda.	Brazil	0.00 %	90.19 %	100.00 %	100.00 %	Services	37	6	39
Tornquist Asesores de Seguros S.A. (j)	Argentine	0.00%	99.99%	99.99%	99.99%	Inactive	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Toro Asset Management S.A.	Brazil	0.00 %	56.48 %	100.00 %	100.00 %	Securities Investment	2	0	1
Toro Corretora de Títulos e Valores Mobiliários Ltda.	Brazil	0.00 %	56.38 %	62.51 %	63.00 %	Securities company	57	-2	31
Toro Investimentos S.A.	Brazil	0.00 %	56.48 %	91.32 %	91.32 %	Securities company	40	1	23
Totta (Ireland), PLC (h)	Ireland	0.00 %	99.87 %	100.00 %	100.00 %	Finance company	451	22	450
Totta Urbe - Empresa de Administração e Construções, S.A.	Portugal	0.00 %	99.87 %	100.00 %	100.00 %	Real estate	88	-2	90
Trabajando.com Mexico, S.A. de C.V. en liquidación (j)	Mexico	0.00 %	100.00 %	100.00 %	100.00 %	Services	0	0	0
Trainera Venture Finance I, F.C.R.-PYME	Spain	99.00 %	0.00 %	99.00 %	0.00 %	Venture capital fund	2	0	2
Trans Skills Employment Services - Sole Proprietorship LLC	Arab United Emirates	0.00 %	66.54 %	100.00 %	0.00 %	Human resources services	0	0	0
Trans Skills Information Technology LLC	Saudi Arabia	0.00 %	66.54 %	100.00 %	0.00 %	Inactive	0	0	0
Trans Skills Investment in Commercial Enterprises & Management Co. LLC	Arab United Emirates	0.00 %	66.54 %	100.00 %	0.00 %	Holding company	0	0	5
Trans Skills South Africa (Pty) Limited	Republic of South Africa	0.00 %	66.54 %	100.00 %	0.00 %	Inactive	0	0	0
Trans Skills Technology Services LLC	Arab United Emirates	0.00 %	66.54 %	100.00 %	0.00 %	IT services	2	0	0
Transolver Finance EFC, S.A.	Spain	0.00 %	51.00 %	51.00 %	51.00 %	Leasing	74	5	17
Tresmares Santander Direct Lending, SICC, S.A.	Spain	99.67 %	0.00 %	99.67 %	99.60 %	Fund management company	1037	54	1027

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
Tuttle and Son Limited (j)	United Kingdom	0.00 %	100.00 %	100.00 %	100.00 %	Inactive	0	0	0
TVG-Trappgroup Versicherungsvermittlungs-GmbH (d)	Germany	0.00%	90.01%	100.00%	0.00%	Insurance brokerage	0	0	2
Universia Brasil S.A.	Brazil	0.00 %	100.00%	100.00 %	100.00 %	Internet	1	0	0
Universia Chile S.A.	Chile	0.00 %	86.84%	86.84 %	86.84 %	Internet	1	0	0
Universia Colombia S.A.S.	Colombia	0.00 %	100.00%	100.00 %	100.00 %	Internet	0	0	0
Universia España Red de Universidades, S.A.	Spain	0.00 %	89.45%	89.45 %	89.45 %	Internet	2	0	2
Universia Holding, S.L.	Spain	100.00 %	0.00%	100.00 %	100.00 %	Holding company	15	-4	12
Universia México, S.A. de C.V.	Mexico	0.00 %	100.00 %	100.00 %	100.00 %	Internet	0	0	1
Universia Perú, S.A.	Peru	0.00 %	99.40 %	99.40 %	99.76 %	Internet	0	0	0
Universia Uruguay, S.A.	Uruguay	0.00 %	100.00 %	100.00 %	100.00 %	Internet	0	0	0
Uro Property Holdings, S.A.	Spain	99.99 %	0.00 %	99.99 %	99.99 %	Real estate investment	160	17	179
Virtua Advanced Solutions FZE	Arab United Emirates	0.00%	66.54%	100.00 %	0.00 %	Payment services	1	0	0
Wallcesa, S.A.	Spain	100.00%	0.00%	100.00 %	100.00 %	Financial services	-926	0	0
Waycarbon Soluções Ambientais e Projetos de Carbono S.A.	Brazil	0.00%	80.00%	100.00%	100.00%	Consulting services	29	-1	23

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
WIM Servicios Corporativos, S.A. de C.V.	Mexico	0.00%	85.00%	100.00%	100.00%	Advisory services	0	0	0
WTW Shipping Designated Activity Company	Ireland	100.00%	0.00%	100.00%	100.00%	Leasing	13	5	9
The Best Specialty Coffee, S.L. Unipersonal	Spain	100.00%	0.00%	100.00%	100.00%	Restaurant services	2	(1)	1
Time Retail Finance Limited (j)	United Kingdom	0.00%	100.00%	100.00%	100.00%	Services	0	0	0
TIMFin S.p.A.	Italy	0.00%	51.00%	51.00%	51.00%	Finance company	45	(4)	28
Tonopah Solar I, LLC	United States	0.00%	100.00%	100.00%	100.00%	Holding company	5	0	5
Tornquist Asesores de Seguros S.A. (j)	Argentina	0.00%	99.99%	99.99%	99.99%	Inactive	0	0	0
Toro Corretora de Titulos e Valores Mobiliários Ltda.	Brazil	0.00%	56.88%	63.00%	60.00%	Securities company	53	1	31
Toro Investimentos S.A.	Brazil	0.00%	56.88%	91.32%	100.00%	Securities company	38	0	22
Totta (Ireland), PLC (h)	Ireland	0.00%	99.87%	100.00%	100.00%	Finance company	451	5	450
Totta Urbe - Empresa de Administração e Construções, S.A.	Portugal	0.00%	99.87%	100.00%	100.00%	Real estate	98	(10)	100
Trabajando.com Mexico, S.A. de C.V. en liquidación (j)	Mexico	0.00%	100.00%	100.00%	100.00%	Services	0	0	0
Trade Maps 3 Ireland Limited (j)	Ireland	—	(b)	—	—	Securitization	0	0	0
Trans Rotor Limited (j)	United Kingdom	100.00%	0.00%	100.00%	100.00%	Renting	0	0	0

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)		Activity	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022		Capital + reserves	Net results	Carrying amount
Transolver Finance EFC, S.A.	Spain	0.00%	51.00%	51.00%	51.00%	Leasing	71	3	17
Tresmares Growth Fund Santander, S.C.R., S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	53	(1)	53
Tresmares Santander Direct Lending, SICCC, S.A.	Spain	99.60%	0.00%	99.60%	99.60%	Fund management company	685	19	678
Tuttle and Son Limited	United Kingdom	0.00%	100.00%	100.00%	100.00%	Inactive	0	0	0
Universia Brasil S.A.	Brazil	0.00%	100.00%	100.00%	100.00%	Internet	0	0	0
Universia Chile S.A.	Chile	0.00%	86.84%	86.84%	86.84%	Internet	0	0	0
Universia Colombia S.A.S.	Colombia	0.00%	100.00%	100.00%	100.00%	Internet	0	0	0
Universia España Red de Universidades, S.A.	Spain	0.00%	89.45%	89.45%	89.45%	Internet	2	0	2
Universia Holding, S.L.	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	20	(5)	17
Universia México, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Internet	0	0	0
Universia Perú, S.A.	Peru	0.00%	99.76%	99.76%	99.76%	Internet	0	0	0
Universia Uruguay, S.A.	Uruguay	0.00%	100.00%	100.00%	100.00%	Internet	0	0	0
Uro Property Holdings, S.A.	Spain	99.99%	0.00%	99.99%	99.99%	Real estate investment	178	(22)	179
Verbena FCVS - Fundo de Investimentos em Direitos Creditórios (e)	Brazil	—	(b)	—	—	Investment fund	-3	3	0
Wallcesa, S.A.	Spain	100.00%	0.00%	100.00%	100.00%	Financial services	(928)	6	0
Wave Holdco, S.L.	Spain	0.00%	100.00%	100.00%	100.00%	Holding company	0	0	0
Waycarbon Soluções Ambientais e Projetos de Carbono S.A.	Brazil	0.00%	80.00%	100.00%	100.00%	Consulting services	27	(1)	21
Waypoint Insurance Group, Inc.	United States	0.00%	100.00%	100.00%	100.00%	Holding company	9	0	9

Subsidiaries of Banco Santander, S.A. ¹

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (k)			EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity	Capital + reserves	Net results	Carrying amount
WIM Servicios Corporativos, S.A. de C.V.	Mexico	0.00%	100.00%	100.00%	100.00%	Advisory services	0	0	0
WTW Shipping Designated Activity Company	Ireland	100.00%	0.00%	100.00%	100.00%	Leasing	16	(3)	9

- a. Amount according to the provisional books of each company as of the date of publication of these annexes, generally referring to 31 December 2023 without considering, where appropriate, interim dividends that have been made during the year. In the book value (net provision cost), the percentage of ownership of the Group has been applied to the figure of each of the holding companies, without considering the impairment of goodwill made in the consolidation process. The data for foreign companies are converted into euros at the exchange rate at the end of the year.
 - b. Companies over which effective control is maintained.
 - c. Data as at 31 December 2022, latest available accounts.
 - d. Data as at 31 March 2023, latest accounts available.
 - e. Data as at 30 June 2023, last accounts available.
 - f. Data as at 30 September 2023, last accounts available.
 - g. Data as at 30 April 2022, last accounts available.
 - h. Data as at 30 November 2023, last accounts available.
 - i. Companies in liquidation. Pending registration.
 - j. Company in liquidation as at 31 December 2023.
 - k. Pursuant to Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of consolidated annual accounts, in order to determine the voting rights, voting rights held directly by the parent company have been added to those held by companies controlled by the parent company or by other persons acting in their own name but on behalf of a Group company. For these purposes, the number of votes corresponding to the parent company, in relation to the companies indirectly dependent on it, is that corresponding to the dependent company that directly participates in the share capital of the latter.
 - l. Company resident for tax purposes in Spain.
 - m. Data as of 30 June 2021, latest available accounts.
 - n. Company resident for tax purposes in the United Kingdom.
 - o. Data as at 30 April 2023, last accounts available.
 - p. Data as at 30 June 2022, last accounts available.
- (1) Companies issuing preference shares are listed in Annex III, together with other relevant information.

Appendix II

Societies of which Grupo Santander owns more than 5% (g), entities associated with Grupo Santander and jointly controlled entities

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)			Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022	Activity		Asset	Capital + reserves	Net results
Abra 1 Limited (k)	Cayman Island	—	(h)	—	—	Leasing	Joint ventures	0	0	0
Administrador Financiero de Transantiago S.A.	Chile	0.00%	13.43%	20.00%	20.00%	Collection and payment services	Associated	70	18	4
Aegon Santander Portugal Não Vida - Companhia de Seguros, S.A.	Portugal	0.00%	49.00%	49.00%	49.00%	Insurance	Joint Ventures	72	12	18
Aegon Santander Portugal Vida - Companhia de Seguros Vida, S.A.	Portugal	0.00%	49.00%	49.00%	49.00%	Insurance	Joint Ventures	129	22	18
Aeroplan - Sociedade Construtora de Aeroportos, Lda. (e)	Portugal	0.00%	19.97%	20.00%	20.00%	Inactive	—	0	0	0
Aguas de Fuensanta, S.A. (e) (k)	Spain	36.78%	0.00%	36.78%	36.78%	Food	—	0	0	0
Alcuter 2, S.L. (k)	Spain	37.23%	0.00%	37.23%	37.23%	Technical services	—	0	0	0
Alma UK Holdings Ltd (consolidado) (b)	United Kingdom	30.00%	0.00%	30.00%	30.00%	Holding company	Joint Ventures	4	0	4
Apolo Fundo de Investimento em Direitos Creditórios	Brazil	0.00%	30.06%	33.33%	33.33%	Investment fund	Joint Ventures	264	214	49
Attijariwafa Bank Soci�t� Anonyme (consolidado) (b)	Morocco	0.00%	5.10%	5.10%	5.10%	Banking	—	57,795	5,139	556
AutoFi Inc. (b)	United States	0.00%	18.01%	4.99%	4.99%	E-commerce	—	40	44	(15)
Autopistas del Sol S.A. (b)	Argentina	0.00%	14.17%	14.17%	14.17%	Highway concession	—	57	30	2
Avanath Affordable Housing IV LLC (b)	United States	0.00%	7.27%	7.27%	7.27%	Investment company	—	531	528	26
Banco RCI Brasil S.A.	Brazil	0.00%	35.98%	39.89%	39.89%	Banking	Joint Ventures	2,152	206	31
Banco S3 Caceis M�xico, S.A., Instituci�n de Banca M�ltiple	Mexico	0.00%	50.00%	50.00%	50.00%	Banking	Joint Ventures	205	97	14
Bank of Beijing Consumer Finance Company	China	0.00%	20.00%	20.00%	20.00%	Financial company	Associated	1,668	129	15
Bank of Shanghai Co., Ltd. (consolidado) (b)	China	6.54%	0.00%	6.54%	6.54%	Banking	—	366,810	25,405	2,839
Biomass – Servi�os Ambientais, Restaura�o e Carbono S.A.	Brazil	0.00%	15.03%	16.67%	0.00%	Consulting services	Associated	5	6	(2)
Bizum, S.L. (b)	Spain	20.92%	0.00%	20.92%	20.92%	Payment services	Associated	14	3	2
CACEIS (consolidado)	France	0.00%	30.50%	30.50%	0.305	Custody services	Associated	116,331	4,384	392
Campo Grande Empreendimentos Ltda. (k) (e)	Brazil	0.00%	22.84%	25.32%	25.32%	Inactive	—	0	0	0
Carrow Works (Norwich) Limited	United Kingdom	0.00%	88.00%	88.00%	0.00%	Real Estate investment	Joint Ventures	0	0	0
CCPT - ComprarCasa, Rede Servi�os Imobili�rios, S.A.	Portugal	0.00%	49.98%	49.98%	49.98%	Real Estate services	Joint Ventures	0	0	0
Centro de Compensaci�n Automatizado S.A.	Chile	0.00%	22.38%	33.33%	33.33%	Collection and payment services	Associated	18	10	5
Centro para el Desarrollo, Investigaci�n y Aplicaci�n de Nuevas Tecnolog�as, S.A. (b)	Spain	0.00%	49.00%	49.00%	49.00%	Technology	Associated	3	3	0
CIP S.A.	Brazil	0.00%	15.80%	17.52%	17.87%	Financial services	Associated	615	434	102
CNP Santander Insurance Europe Designated Activity Company	Ireland	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	1,274	247	43
CNP Santander Insurance Life Designated Activity Company	Ireland	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	1,086	89	56
CNP Santander Insurance Services Ireland Limited	Ireland	0.00%	49.00%	49.00%	49.00%	Services	Associated	14	6	1

Societies of which Grupo Santander owns more than 5% (g), entities associated with Grupo Santander and jointly controlled entities

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)		Activity	Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022			Asset	Capital + reserves	Net results
Comder Contraparte Central S.A	Chile	0.00%	8.37%	12.47%	12.47%	Financial services	Associated	32	11	2
Companhia Promotora UCI	Brazil	0.00%	25.00%	25.00%	25.00%	Financial services	Joint Ventures	1	(1)	0
Compañía Española de Financiación de Desarrollo, Cofides, S.A., SME (b)	Spain	20.18%	0.00%	20.18%	20.18%	Financial company	—	194	169	20
Compañía Española de Seguros de Crédito a la Exportación, S.A., Compañía de Seguros y Reaseguros (consolidado) (b)	Spain	23.33%	0.55%	23.88%	23.88%	Credit Insurance	—	1,227	491	72
Compañía Española de Viviendas en Alquiler, S.A.	Spain	24.07%	0.00%	24.07%	24.07%	Real Estate	Associated	556	378	9
Compañía para los Desarrollos Inmobiliarios de la Ciudad de Hispalis, S.L., en liquidación (d) (e)	Spain	21.98%	0.00%	21.98%	21.98%	Real Estate promotion	—	38	(325)	0
Connecting Visions Ecosystems, S.L.	Spain	19.90%	0.00%	19.90%	19.90%	Consulting services	Joint Ventures	2	1	0
Corkfoc Cortiças, S.A. (c)	Portugal	0.00%	27.54%	27.58%	27.58%	Cork industry	—	3	20	0
CSD Central de Serviços de Registro e Depósito Aos Mercados Financeiro e de Capitais S.A.	Brazil	0.00%	18.04%	20.00%	20.00%	Financial services	Associated	41	39	1
Desarrollo Eólico las Majas VI, S.L.	Spain	45.00%	0.00%	45.00%	45.00%	Renewable energies	Joint Ventures	49	7	(2)
DoRes Securitisation S.r.l	Italy	—	(h)	—	—	Securitization	Joint Ventures	0	0	0
Enauta Participações S.A. (consolidado) (b)	Brazil	0.00%	5.52%	6.12%	0.00%	Holding company	—	1,543	695	71
Energías Renovables de Ormonde 25, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables de Ormonde 26, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables de Ormonde 27, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables de Ormonde 30, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables de Titania, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables Gladiateur 45, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Energías Renovables Prometeo, S.L.	Spain	0.00%	55.00%	55.00%	55.00%	Renewable energies	Joint Ventures	1	1	0
Ethias Lease N.V.	Belgium	0.00%	50.00%	50.00%	0.00%	Leasing	Associated	5	5	(1)
Euro Automatic Cash Entidad de Pago, S.L.	Spain	50.00%	0.00%	50.00%	50.00%	Payment services	Associated	51	29	0
European Hospitality Opportunities S.à r.l. (b)	Luxembourg	0.00%	49.00%	49.00%	49.00%	Holding company	Joint Ventures	41	13	0
Evacuación Liquesun, S.L.	Spain	0.00%	35.00%	50.00%	0.00%	Exploitation of electrical energy	Joint Ventures	0	0	0
Evolve SPV S.r.l.	Italy	0.00%	(h)	0.00%	0.00%	Securitization	Joint Ventures	89	0	0
FAFER- Empreendimentos Urbanísticos e de Construção, S.A. (b) (e)	Portugal	0.00%	36.58%	36.62%	36.62%	Real Estate	—	0	1	0
Federal Home Loan Bank of Pittsburgh (b)	United States	0.00%	7.48%	7.48%	6.05%	Banking	—	86,982	4,226	205
Federal Reserve Bank of Boston (b)	United States	0.00%	19.14%	19.14%	19.12%	Banking	—	201,292	1,602	25
Fondo de Titulización de Activos UCI 11	Spain	—	(h)	—	—	Securitization	Joint Ventures	95	0	0
Fondo de Titulización de Activos UCI 14	Spain	—	(h)	—	—	Securitization	Joint Ventures	229	0	0
Fondo de Titulización de Activos UCI 15	Spain	—	(h)	—	—	Securitization	Joint Ventures	283	0	0

Societies of which Grupo Santander owns more than 5% (g), entities associated with Grupo Santander and jointly controlled entities

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)		Activity	Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022			Asset	Capital + reserves	Net results
Fondo de Titulización de Activos UCI 16	Spain	—	(h)	—	—	Securitization	Joint Ventures	388	0	0
Fondo de Titulización de Activos UCI 17	Spain	—	(h)	—	—	Securitization	Joint Ventures	338	0	0
Fondo de Titulización Hipotecaria UCI 12	Spain	—	(h)	—	—	Securitization	Joint Ventures	129	0	0
Fondo de Titulización, RMBS Green Prado XI	Spain	—	(h)	—	—	Securitization	Joint Ventures	467	0	0
Fondo de Titulización, RMBS Prado IX	Spain	—	(h)	—	—	Securitization	Joint Ventures	425	0	0
Fondo de Titulización, RMBS Prado VII	Spain	—	(h)	—	—	Securitization	Joint Ventures	399	0	0
Fondo de Titulización, RMBS Prado VIII	Spain	—	(h)	—	—	Securitization	Joint Ventures	370	0	0
Fondo de Titulización, RMBS Prado X	Spain	—	(h)	—	—	Securitization	Joint Ventures	498	0	0
Fortune Auto Finance Co., Ltd	China	0.00%	50.00%	50.00%	50.00%	Finance Company	Joint Ventures	2,220	459	50
FrauDfense, S.L.	Spain	0.00%	33.33%	33.33%	—%	Technological services	Joint Ventures	6	7	(2)
Fremman limited	United Kingdom	32.99%	0.00%	4.99%	4.99%	Finance Company	Associated	13	1	3
Gestora de Inteligência de Crédito S.A.	Brazil	0.00%	14.03%	16.00%	10.00%	Collection service	Joint Ventures	232	75	(7)
Gire S.A.	Argentina	0.00%	58.23%	58.33%	58.33%	Collection and payment services	Associated	96	55	(3)
Glenrowan Solar Holdings Pty Ltd	Australia	49.00%	0.00%	49.00%	—%	Holding company	Joint Ventures	139	63	2
HCUK Auto Funding 2017-2 Ltd	United Kingdom	—	(h)	—	—	Securitization	Joint Ventures	404	0	0
HCUK Auto Funding 2022-1 Limited (m)	United Kingdom	—	(h)	—	—	Securitization	Joint Ventures	880	0	(2)
Healthy Neighborhoods Equity Fund I LP (b)	United States	0.00%	22.37%	22.37%	22.37%	Real Estate	—	9	9	10
Hillcrest Private Equity Real Estate LLP	United Kingdom	0.00%	88.00%	88.00%	—%	Real Estate	Joint Ventures	1	1	0
Hyundai Capital UK Limited	United Kingdom	0.00%	50.01%	50.01%	50.01%	Finance Company	Joint Ventures	4,984	341	72
Hyundai Corretora de Seguros Ltda.	Brazil	0.00%	45.09%	50.00%	50.00%	Insurance mediation	Joint Ventures	1	0	0
Imperial Holding S.C.A. (e) (i)	Luxembourg	0.00%	36.36%	36.36%	36.36%	Securities Investment	—	0	(112)	0
Imperial Management S.à r.l. (b) (e)	Luxembourg	0.00%	40.20%	40.20%	40.20%	Holding company	—	0	0	0
Inverlur Aguilas I, S.L.	Spain	0.00%	50.00%	50.00%	50.00%	Real Estate	Joint Ventures	0	0	0
Inverlur Aguilas II, S.L.	Spain	0.00%	50.00%	50.00%	50.00%	Real Estate	Joint Ventures	1	1	(1)
Inversiones Ibersuizas, S.A. en liquidación (e) (l)	Spain	25.42%	0.00%	25.42%	25.42%	Venture Capital company	—	11	11	0
Inversiones ZS América Dos Ltda.	Chile	0.00%	49.00%	49.00%	49.00%	Securities and Real Estate Investment	Associated	268	231	38
Inversiones ZS América SpA	Chile	0.00%	49.00%	49.00%	49.00%	Securities and Real Estate Investment	Associated	395	357	39
LB Oprent, S.A. (b)	Spain	40.00%	0.00%	40.00%	40.00%	Rental of industrial machinery	Associated	4	1	1
Mapfre Santander Portugal - Companhia de Seguros, S.A.	Portugal	0.00%	49.99%	49.99%	49.99%	Insurance	Associated	20	8	0

Societies of which Grupo Santander owns more than 5% (g), entities associated with Grupo Santander and jointly controlled entities

Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)		Activity	Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022			Asset	Capital + reserves	Net results
Massachusetts Business Development Corp. (consolidado) (b)	United States	0.00%	21.61%	21.61%	21.61%	Finance Company	—	85	14	3
MB Capital Fund IV, LLC (b)	United States	0.00%	21.51%	21.51%	21.51%	Finance Company	—	14	14	1
Merlin Properties, SOCIMI, S.A. (consolidado) (b)	Spain	19.03%	5.63%	24.66%	24.64%	Real Estate investment	Associated	12,051	7,031	263
Metrovacesa, S.A. (consolidado) (b)	Spain	31.94%	17.55%	49.49%	49.44%	Real Estate promotion	Associated	2,514	1,829	(23)
Niuco 15, S.L. (k)	Spain	57.10%	0.00%	57.10%	57.10%	Technical services	—	0	0	0
Ocyener 2008, S.L.	Spain	0.00%	45.00%	45.00%	45.00%	Holding company	Associated	35	2	(2)
Operadora de Activos Beta, S.A. de C.V.	Mexico	49.99%	0.00%	49.99%	49.99%	Finance Company	Associated	0	0	0
Payever GmbH	Germany	0.00%	10.00%	10.00%	10.00%	Software	Associated	4	2	1
Play Digital S.A.	Argentina	0.00%	14.69%	14.71%	15.38%	Payment platform	Associated	13	21	(13)
POLFUND - Fundusz Poręczeń Kredytowych S.A.	Poland	0.00%	33.70%	50.00%	50.00%	Investment management	Associated	33	22	1
Portland SPV S.r.l.	Italy	—	(h)	—	—	Securitization	Joint Ventures	166	0	0
Premier House (Twickenham) Limited	United Kingdom	0.00%	88.00%	88.00%	0.00%	Real Estate	Joint Ventures	0	0	0
Procapital - Investimentos Imobiliários, S.A. (e) (l)	Portugal	0.00%	39.97%	40.00%	40.00%	Real Estate	—	0	13	0
Project Quasar Investments 2017, S.L. (consolidado) (b)	Spain	49.00%	0.00%	49.00%	49.00%	Holding company	—	4,770	366	(288)
Promontoria Manzana, S.A. (consolidado) (b)	Spain	20.00%	0.00%	20.00%	20.00%	Holding company	Associated	846	222	(46)
Redbanc S.A.	Chile	0.00%	22.44%	33.43%	33.43%	Services	Associated	28	12	1
Redsys Servicios de Procesamiento, S.L. (consolidado)	Spain	24.90%	0.06%	24.96%	24.96%	Cards	Associated	155	80	8
Retama Real Estate, S.A. Unipersonal	Spain	0.00%	50.00%	50.00%	50.00%	Real Estate	Joint Ventures	17	(48)	(3)
Rías Redbanc S.A.	Uruguay	0.00%	25.00%	25.00%	25.00%	Services	—	4	1	0
RMBS Belém No.2	Portugal	—	(h)	—	—	Securitization	Joint Ventures	252	0	0
RMBS Green Belém No.1	Portugal	—	(h)	—	—	Securitization	Joint Ventures	178	0	0
S3 Caceis Brasil Distribuidora de Títulos e Valores Mobiliários S.A.	Brazil	0.00%	50.00%	50.00%	50.00%	Securities company	Joint Ventures	274	192	33
S3 Caceis Brasil Participações S.A.	Brazil	0.00%	50.00%	50.00%	50.00%	Holding company	Joint Ventures	231	195	32
S3 CACEIS Colombia S.A. Sociedad Fiduciaria	Colombia	0.00%	50.00%	50.00%	50.00%	Finance Company	Joint Ventures	11	7	0
San Preca Federal I Fundo de Investimento em Direitos Creditórios Não-Padronizados	Brazil	0.00%	45.09%	50.00%	50.00%	Investment fund	Joint Ventures	12	10	0
Sancus Green Investments II, S.C.R., S.A. (b)	Spain	0.00%	32.95%	32.95%	41.60%	Venture Capital company	—	8	9	(1)
Santander Allianz Towarzystwo Ubezpieczeń na Życie S.A.	Poland	0.00%	33.03%	49.00%	49.00%	Insurance	Associated	340	27	35
Santander Allianz Towarzystwo Ubezpieczeń S.A.	Poland	0.00%	33.03%	49.00%	49.00%	Insurance	Associated	88	40	10
Santander Assurance Solutions, S.A.	Spain	0.00%	66.67%	66.67%	66.67%	Insurance mediation	Joint Ventures	16	6	1
Santander Auto S.A.	Brazil	0.00%	45.09%	50.00%	50.00%	Insurance	Associated	59	7	7
Santander Caceis Latam Holding 1, S.L.	Spain	0.00%	50.00%	50.00%	50.00%	Holding company	Joint Ventures	742	731	11
Santander Caceis Latam Holding 2, S.L.	Spain	0.00%	50.00%	50.00%	50.00%	Holding company	Joint Ventures	3	3	0

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Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)		Activity	Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022			Asset	Capital + reserves	Net results
Santander Generales Seguros y Reaseguros, S.A.	Spain	0.00%	49.00%	49.00%	49.00%	Insurance	Joint Ventures	765	180	40
Santander Mapfre Hipoteca Inversa, E.F.C., S.A.	Spain	0.00%	50.00%	50.00%	45.00%	Finance Company	Associated	29	10	(1)
Santander Mapfre Seguros y Reaseguros, S.A.	Spain	0.00%	49.99%	49.99%	49.99%	Insurance	Associated	150	81	(8)
Santander Vida Seguros y Reaseguros, S.A.	Spain	0.00%	49.00%	49.00%	49.00%	Insurance	Joint Ventures	1,009	339	68
Sepacon 31, S.L. (k)	Spain	37.23%	0.00%	37.23%	37.23%	Technical services	—	0	0	0
Servicios de Infraestructura de Mercado OTC S.A	Chile	0.00%	8.38%	12.48%	12.48%	Services	Associated	34	14	1
SIBS-SGSPS, S.A. (consolidado) (b)	Portugal	0.00%	15.54%	15.56%	16.55%	Portfolio Management	—	239	74	13
SIG RCRS A/B MF 2023 Venture LLC (o)	United States	0.00%	20.00%	20.00%	—%	Finance Company	—	0	0	0
Siguler Guff SBIC Fund LP (b)	United States	0.00%	20.00%	20.00%	20.00%	Investment company	—	41	26	2
Sistema de Tarjetas y Medios de Pago, S.A. (b)	Spain	20.61%	0.00%	20.61%	20.61%	Payment methods	Associated	851	5	0
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, E.F.C., S.A.	Spain	45.70%	0.00%	45.70%	45.70%	Payment services	Joint Ventures	120	35	1
Sociedad de Garantía Recíproca de Santander, S.G.R. (b)	Spain	24.94%	0.22%	25.16%	25.60%	Financial services	—	17	11	0
Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (b)	Spain	22.21%	0.00%	22.21%	22.21%	Financial services	—	17,846	(1,040)	(1,506)
Sociedad Interbancaria de Depósitos de Valores S.A.	Chile	0.00%	19.66%	29.29%	29.29%	Securities depository	Associated	9	7	2
Solar Maritime Designated Activity Company (b)	Ireland	0.00%	(h)	0.00%	0.00%	Leasing	Joint Ventures	146	11	0
STELLANTIS Insurance Europe Limited	Malta	0.00%	50.00%	50.00%	50.00%	Insurance	Joint Ventures	222	73	30
STELLANTIS Life Insurance Europe Limited	Malta	0.00%	50.00%	50.00%	50.00%	Insurance	Joint Ventures	78	18	16
Stephens Ranch Wind Energy Holdco LLC (consolidado) (b)	United States	0.00%	17.00%	17.00%	20.50%	Renewable energies	—	212	183	(3)
Tecnologia Bancária S.A.	Brazil	0.00%	17.11%	19.81%	18.98%	ATMs	Associated	519	177	4
Tonopah Solar Energy Holdings I, LLC (k)	United States	0.00%	26.80%	26.80%	26.80%	Holding company	Joint Ventures	0	0	0
Trabajando.com Chile S.A.	Chile	0.00%	33.33%	33.33%	33.33%	Services	Associated	2	0	1
Transbank S.A.	Chile	0.00%	16.78%	25.00%	25.00%	Cards	Associated	1,583	115	28
Tresmares Growth Fund II, S.C.R., S.A.	Spain	40.00%	0.00%	40.00%	40.00%	Holding company	—	74	76	(3)
Tresmares Growth Fund III, S.C.R., S.A.	Spain	40.00%	0.00%	40.00%	40.00%	Holding company	—	56	58	(2)
Tresmares Growth Fund Santander, S.C.R., S.A. (n)	Spain	100.00%	0.00%	100.00%	100.00%	Holding company	—	103	109	(7)
U.C.I., S.A.	Spain	50.00%	0.00%	50.00%	50.00%	Holding company	Joint Ventures	720	338	(8)
UCI Hellas Credit and Loan Receivables Servicing Company S.A.	Greece	0.00%	50.00%	50.00%	50.00%	Financial services	Joint Ventures	2	1	0
UCI Holding Brasil Ltda.	Brazil	0.00%	50.00%	50.00%	50.00%	Holding company	Joint Ventures	2	(1)	0
UCI Mediação de Seguros, Unipessoal Lda.	Portugal	0.00%	50.00%	50.00%	50.00%	Insurance mediation	Joint Ventures	0	0	0
UCI Servicios para Profesionales Inmobiliarios, S.A. Unipersonal	Spain	0.00%	50.00%	50.00%	50.00%	Real Estate services	Joint Ventures	1	0	0
Unicre-Instituição Financeira de Crédito, S.A.	Portugal	0.00%	21.83%	21.86%	21.86%	Finance Company	—	530	106	22

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Company	Location	% of ownership held by Banco Santander		Percentage of voting power (f)		Activity	Type of company	EUR million (a)		
		Direct	Indirect	Year 2023	Year 2022			Asset	Capital + reserves	Net results
Unión de Créditos Inmobiliarios, S.A. Unipersonal, EFC	Spain	0.00%	50.00%	50.00%	50.00%	Mortgage company	Joint Ventures	10,475	897	(70)
VCFS Germany GmbH	Germany	0.00%	50.00%	50.00%	50.00%	Marketing	Negocios Conjuntos	1	1	0
Venda de Veículos Fundo de Investimento em Direitos Creditórios	Brazil	0.00%	35.87%	39.77%	—	Securitization	Joint Ventures	389	348	40
Volvo Car Financial Services UK Limited	United Kingdom	0.00%	50.01%	50.01%	50.01%	Leasing	Joint Ventures	2,101	126	27
Webmotors S.A.	Brazil	0.00%	27.06%	30.00%	70.00%	Services	Associated	90	44	22
Zurich Santander Brasil Seguros e Previdência S.A.	Brazil	0.00%	48.79%	48.79%	48.79%	Insurance	Associated	18,421	436	210
Zurich Santander Holding (Spain), S.L. Unipersonal	Spain	0.00%	49.00%	49.00%	49.00%	Holding company	Associated	937	936	210
Zurich Santander Holding Dos (Spain), S.L. Unipersonal	Spain	0.00%	49.00%	49.00%	49.00%	Holding company	Associated	384	382	171
Zurich Santander Insurance América, S.L.	Spain	0.00%	49.00%	49.00%	49.00%	Holding company	Associated	1,497	1,450	412
Zurich Santander Seguros Argentina S.A. (j)	Argentina	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	32	19	3
Zurich Santander Seguros de Vida Chile S.A.	Chile	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	238	41	34
Zurich Santander Seguros Generales Chile S.A.	Chile	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	284	56	21
Zurich Santander Seguros México, S.A.	Mexico	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	1,827	53	191
Zurich Santander Seguros Uruguay S.A.	Uruguay	0.00%	49.00%	49.00%	49.00%	Insurance	Associated	44	19	11

- a. Amount according to the provisional books at the date of publication of these annexes of each company, generally referring to 31 December 2023, except where otherwise indicated due to the fact that the annual accounts are pending formulation. The data for foreign companies are converted into euros at the exchange rate at the end of the year.
- b. Data as at 31 December 2022, latest available accounts.
- c. Data as at 31 December 2019, latest available accounts.
- d. Data as at 30 November 2021, latest available accounts.
- e. Company in liquidation as at 31 December 2023.
- f. Pursuant to Article 3 of Royal Decree 1159/2010, of 17 September, approving the rules for the preparation of consolidated annual accounts, in order to determine the voting rights, voting rights held directly by the parent company have been added to those held by companies controlled by the parent company or by other persons acting in their own name but on behalf of a group company. For these purposes, the number of votes corresponding to the parent company, in relation to the companies indirectly dependent on it, is that corresponding to the dependent company that directly participates in the share capital of the latter.
- g. Excluding the Group companies listed in Appendix I, as well as those which are of negligible interest with respect to the true and fair view that the consolidated financial statements must give (in accordance with articles 48 of the Commercial Code and 260 of the Spanish Companies Act).
- h. Companies over which joint control is maintained.
- i. Data as at 31 October 2022, latest available accounts.
- j. Data as at 30 June 2023, latest available accounts.
- k. Company with no financial information available.
- l. Data as 31 December 2021, latest available account.
- m. Data as at 30 September 2023, latest available accounts.
- n. Investment managed discretionally by a manager outside the Santander Group, the voting rights not being, in this case, decisive in determining control of the entity.
- o. Recently created company, without financial information available.

Appendix III

Issuing subsidiaries of shares and preference shares

Company	Location	% of ownership held by Banco Santander		Activity	EUR million (a)			
		Direct	Indirect		Capital	Reserves	Cost of preferred	Net results
Emisora Santander España, S.A. Unipersonal	Spain	100.00%	0.00%	Finance company	2	0	0	0
Santander Global Issuances B.V. (b)	Netherlands	100.00%	0.00%	Finance company	0	0	0	0
Santander UK (Structured Solutions) Limited	United Kingdom	0.00%	100.00%	Finance company	0	0	0	0
Sovereign Real Estate Investment Trust	United States	0.00%	100.00%	Finance company	4,763	(3,150)	92	12

a. Amount according to the books of each interim company as at 31 December 2023, converted into euro (in the case of foreign companies) at the year-end exchange rate.

b. Sociedad con Residencia Fiscal en España.

Appendix IV

Notifications of acquisitions and disposals of investments in 2023

Details of the notifications of acquisitions and disposals of participations for 2023 in accordance with Article 105 of the Securities Market Law may be found below:

On June 29, 2023, Banco Santander, S.A. disclosed to the CNMV the increase of its stake in REPSOL, S.A. exceeding the 3% threshold, keeping a stake of 3.213% as of June 23, 2023.

On July 31, 2023, Banco Santander, S.A. disclosed to the CNMV the decrease of its stake in REPSOL, S.A. below the 3% threshold, keeping a stake of 2.512%, as of July 26, 2023.

In relation to the information required by 155 of the Corporate Enterprises Act, on the shareholdings in which Grupo Santander owns more than 10% of the capital of another company, and the successive acquisitions of more than 5% of the share capital, see appendices I, II and III.

Appendix V

List of Transactions subject to the Special Regime for Mergers, Divisions, Assets Contributions, Exchange of Securities and corporate domicile change of a European Company or a European Cooperative Society from one Member State to another Member State of the European Union in which the company has acted as an Acquiring Entity or Partner

In compliance with the reporting obligations established in Article 86 of Law 27/2014, of 27 November, on Corporate Tax (LIS), the following information is provided on the transactions subject to the tax regime of mergers, divisions, contributions of assets, exchange of securities and corporate domicile change of a European Company or a European Cooperative Society from one Member State to another Member State of the European Union, provided for in Chapter VII of Title VII of the LIS, in which BANCO SANTANDER, S.A. has intervened during 2023:

I. In accordance with the provisions of section 2 of article 86 of the LIS, it is reported that the company BANCO SANTANDER, S.A. has intervened as a partner in the following transactions:

- Merger by absorption of LURI 6, S.A. UNIPERSONAL by ALTAMIRA SANTANDER REAL ESTATE, S.A. UNIPERSONAL. This operation constitutes a merger as regulated in article 76.1 a) of the LIS. BANCO SANTANDER, S.A. had a full shareholding in the capital of both the absorbed and the absorbing company. The book value of the securities delivered from LURI 6, S.A. UNIPERSONAL was 457,392,235 euros, coinciding with their tax value. The value at which BANCO SANTANDER, S.A. has accounted for the new investment in ALTAMIRA SANTANDER REAL ESTATE, S.A. UNIPERSONAL is 618,348,930 euros.
- Exchange of securities regulated in articles 76.5 and 80 of the LIS whereby SANTANDER INSURANCE, S.L. acquires a 99.99% stake in the share capital and voting rights of SANTANDER SEGUROS Y REASEGUROS, COMPAÑÍA ASEGURADORA, S.A. through the attribution to its partner BANCO SANTANDER, S.A. of securities representing the acquiring company. The book value at which BANCO SANTANDER, S.A. had accounted for the securities delivered from SANTANDER SEGUROS Y REASEGUROS, COMPAÑÍA ASEGURADORA, S.A. was 1,187,920,567 euros, while their tax value amounted to 963,677,997 euros. The value at which BANCO SANTANDER, S.A. has accounted for the securities received from SANTANDER INSURANCE, S.L. is 1,535,657,000 euros.
- Non-monetary contributions regulated in article 87 of the LIS by which SANTANDER INSURANCE, S.L. acquires a 49% stake in the share capital and voting rights in the joint ventures with CNP ASSURANCES S.A. in Ireland - CNP SANTANDER

INSURANCE EUROPE DESIGNATED ACTIVITY COMPANY and CNP SANTANDER INSURANCE LIFE DESIGNATED ACTIVITY SERVICES IRELAND IRELAND. in Ireland - CNP SANTANDER INSURANCE EUROPE DESIGNATED ACTIVITY COMPANY, CNP SANTANDER INSURANCE LIFE DESIGNATED ACTIVITY COMPANY and CNP SANTANDER INSURANCE SERVICES IRELAND LIMITED - through the attribution to its partner BANCO SANTANDER, S.A., of securities representing the acquiring entity.

- The book value at which BANCO SANTANDER, S.A. had accounted for the securities delivered from CNP SANTANDER INSURANCE EUROPE DESIGNATED ACTIVITY COMPANY was 104,848,000 euros, while their tax value amounted to 25,970,000 euros.
- The book value at which BANCO SANTANDER, S.A. had accounted for the securities delivered from CNP SANTANDER INSURANCE LIFE DESIGNATED ACTIVITY COMPANY was 193,524,000 euros, while their tax value amounted to 50,764,000 euros.
- The book value at which BANCO SANTANDER, S.A. had accounted for the securities delivered from CNP SANTANDER INSURANCE SERVICES IRELAND LIMITED was 2,115,000 euros, while their tax value amounted to 49,000 euros.

The value at which BANCO SANTANDER, S.A. has accounted for the securities received from SANTANDER INSURANCE, S.L. is 404,265,490 euros.

- Non-monetary contribution regulated in article 87 of the LIS by which SANTANDER INSURANCE, S.L. acquires a 49% stake in the share capital and voting rights in the company ZURICH SANTANDER INSURANCE AMÉRICA, S.L. (Spanish holding company of the joint ventures with Zurich Insurance Group Ltd. in Brazil, Mexico, Chile, Argentina and Uruguay) through the attribution to its partner BANCO SANTANDER, S.A., of securities representing the acquiring company. The book value at which BANCO SANTANDER, S.A. had accounted for the securities delivered from ZURICH SANTANDER INSURANCE AMÉRICA, S.L. was 756,925,604 euros, matching its tax value. The value at which BANCO SANTANDER, S.A. has accounted for the securities received from SANTANDER INSURANCE, S.L. is 918,409,000 euros.
- Non-monetary contribution of real estate owned by BLECNO INVESTMENTS, S.L.U., LERMA INVESTMENTS 2018, S.L.U., DUCTOR REAL ESTATE, S.L.U., CÁNTABRO CATALANA DE INVERSIONES, S.A. and BANCO SANTANDER, S.A., to the company RETAILCOMPANY 2021, S.L.U. This transaction

constitutes a non-monetary contribution as regulated in article 87 of the LIS and was not covered by the regime provided for in article 77.1 of the aforementioned law. The net value of the real estate contributed amounted to 6,337,665 euros. The value at which BANCO SANTANDER, S.A. has accounted for the securities received from RETAILCOMPANY 2021, S.L.U. is 6,337,665 euros.

II. In compliance with the provisions of article 86.3 of the LIS, it is hereby stated for the record that the disclosures required by sections 1 and 2 of article 86, relating to transactions subject to the tax regime for mergers, spin-offs, contributions of assets, exchange of securities and change of registered office of a European Company or a European Cooperative Society from one Member State to another Member State of the European Union, provided for in Chapter VII of Title VII of the LIS, in which BANCO SANTANDER, S. A. has been involved as acquirer or partner during previous years, are included in the first annual report approved by the acquirers following each of the aforementioned transactions.

Appendix VI

Information regarding mergers by absorption carried out in the financial year 2023 pursuant to Article 86.1 of the Corporate Income Tax Law 27/2014.

Banco Santander has not carried out any merger by absorption agreements during 2023. For this reason, the information required by article 86.1 of Law 27/2014 on Corporate Income Tax is not disclosed.

Appendix VII

Agent network - Collaborating agents, Agents empowered at 31 of December 2023.

SERVICIOS FINANCIEROS SANLO SL	ELOY HARO ROMERO	ARACELI CARAVANTES CASTILLO
ALBERO PAYA FINANCIEROS SL	MADRIGAL FINANCIERO S.L.	JOSE GABRIEL BALLESTERO FERNANDEZ
GESFINPRO S.L.	MARIA JOSE AUSEJO MARTINEZ	FINANCIACIONES LAS CABEZAS SL
PATRICIA SOUTO LOPEZ	JAIME VALDES BRAVO	MARIA ISABEL RAMIREZ RODRIGUEZ
JOSE FERMIN MOMPO VIDAL	JUAN JERONIMO TIMERMANS NUÑEZ	CASTEL GANDOLFO S.L
BELEN PALACIO TORRES	RAFAEL JESUS VILLARREAL ARIZA	LTC GESTION SIGLO XXI SLU
MARIA LUISA SANGUINO GUTIERREZ	AC LA CISTERNIGA 2022 SL	ALBALATE SERVICIOS FINANCIEROS Y DE GESTION SL
ALESA CAPITAL SL	FRANQUICIES FINANCERES LLEIDA S.L.	MANUEL SALGADO KAITTANI
MARIA MANUELA SANCHEZ CASTAÑO	INMACULADA SAHUN JOVE	JAVIER COMA PALOU
RAFAEL SALGUERO VARGAS	PALMIRA RODRIGUEZ PEREZ	CRISTINA PURROY CASTELLO
FRANCISCO DAVID SAIZ CANO	SEHILA BARRIO DEL SAENZ	SR SANTANDER GESTION SL
JOSE MARIA ANTON GARCIA	LUIS ALFONSO MARTINEZ JIMENEZ	ANTONIO SANCHEZ ARGUELLES
LUIS MIGUEL VEGA JANILLO	JOSE MANUEL CAPON FERNANDEZ	ALEJANDRO PIÑOL PEREZ
BEATRIZ GALLEGRO MARTIN	SERGIO BUIL GARCIA	JORDI RIBALTA ARIAS
ASUNCION MATEOS PASCUAL	CRISTINA ZABALA USTARIZ	TRAKZIONA INVEST SL
ANA MARIA RODRIGUEZ VARGAS	GESTION FINANCIERA MALACITANA 2007 SL	PEDRO CONDE DIEZ
DAVID INCHAUSPE PEÑA	JON DIEZ DIEGO	TINTO & SANTA ROSA
EMPRESA GESTORA JUAN JOSE MUÑOZ S.L.	DAVID GARCIA-ARCICOLLAR RODRIGUEZ	LUIS LOPEZ SIRER
MIGUEL ANGEL FERNANDEZ MENDEZ	MARIA CRISTINA SANCHEZ UZAL	BANEST BLANES SL
ANA MARIA DIAZ SANTANA	ALEJANDRO SANCHEZ BERMUDEZ	ANGEL LUIS GONZALEZ CASTRO
RICARDO PIÑERO GARCIA	LAURA ERES FUENTES	VANESSA PEREZ RODRIGUEZ
	JADARREJO SL.	DAVID GONZALEZ SANZ

JOSE LUIS EXPOSITO PITA	JUAN MIGUEL ALFARO GONZALEZ	AGUEDA MARTIN RAMIREZ
AGUSTI MONTANE DELCOR	ALBARRAN FIGAL S.L.	JOSE MARIA BALTASAR TOMAS
DAMIA RIERA ALBAREDA	PEDRO MARIA MARINA MEDRANO	JUAN CARLOS LAZARO BERDEJO
IÑIGO MARTINEZ GARCIA	MARIA EUGENIA BOZAL HUGUET	MARIA TERESA PACHECO SANCHEZ
LUCIA MARTIN GRANDE	OMAR PEREZ GARCIA	MANUEL MARIA GARCIA FERNANDEZ
ENRIC PUJOL ROVIRA	NAVARRETE GESTION 2018 SL	ALBERTO GONZALEZ MONTES
MANUEL IVAN BOTE DIAZ	ISABEL OLMO VIBORAS	CHARUMA S.L.
SEMAGERA S.L.L.	SONIA LOPEZ AZNAR	MARIA JOSE PACHECO GALLEGO
ANA BELEN DUARTE FIGUEIRAS	SAGRARIO MAQUEDA RUIZ	ASESORES FINANCIEROS VIANA SL
MARIA SASTRE GONZALEZ	VICENTE MOSCARDO TORRES	MARIA PAZ IBARRA RECHE
GROUP CLOP INVERSIO SL	JOSE LUIS FARIÑAS PEREZ	NURIA FERNANDEZ REYES
SERVICIOS FINANCIEROS CERES SL	SONIA BRAZO BOSQUE	MARIA LETICIA GUTIERREZ SANZ
CRISTINA HUERTOS CABEZA	OIHANE AICUA RODRIGUEZ	FANDILA GARCIA ZAMORA
JUAN HERNANDEZ TORRES	ARCADIO PAREDES ROMERO	ASESORAMIENTO FINANCIERO Y ANALISIS DE MERCADOS SLU
ARANCHA LOPEZ SANTOS	GESTION GLOBAL BANCARIA S.L.U.	JAVIER ROYO HERRANZ
MARIA FERNANDEZ RUFO	VC SERVICIOS FINANCIEROS SL	MARIA CONCEPCION TELLEZ RUIZ
MARIA GONZALEZ MUNICIO	ANGELINA CUESTA BERAMENDI	ANA MARIA LOPEZ MARTINEZ
SHEILA RUIZ DONAIRE	MIGUEL MORENO ALONSO	ALEXANDRA FRANCH CANALDA
MARIA DEL SOCORRO BENAVIDES SANCHEZ	EVA COZAR CAÑADAS	RAFAEL ROMERO RODRIGUEZ
SERGIO MUÑOZ RAMIREZ	FABIAN MANTEIGA VARELA	ENMANUEL GRANDA TARRAZO
JUAN CARLOS MALDONADO HODAR	BARBARA FERNANDES DIAS	YEBEGEST S.L.
ELVIRA CASTRO FERNANDEZ	OSCAR RODRIGUEZ ROMERO	FINANTOR 2017 SL
ALEJANDRA SANCHEZ JUAN	ROCIO VAZQUEZ MORALES	MARIA DOLORES ROCA BLANCH

PILAR VILA AYERBE	AZAHARA MAGARIN CADARSO	ROSA MARIA HOMEDES PERIS
ALEJANDRO FERNANDEZ GARCIA	DAVID VALIN ANTON	FINANZAS NUEVA ERA S.L.
ELENA PARDO MARMOL	LAURA MARTIN PALOMO	PEDRO MANUEL BALSERA GARCIA
JESUS BERZAL MIGUEL	JAVIER TERAN CAMUS	AROA GOMEZ LOZANO
FERRERAS DE INVERSIONES S L	CRISTOBAL NAVARRO VEGA	MARTA LUJAN FERNANDEZ
A C CARRIZO DE LA RIBERA SL	CARLOS MIGUEL GIJON MELENDEZ	PATRICIA CONDE GARCIA BLANCO
ASIS DE FERREZ S.L	ROBERTO CABALLERO MARTIN	ROSA MARIA RIVERO ACEDO
VICTOR GONZALEZ CABO	ENRIQUE FOMPEROSA RUIZ	JOAN FELIU PUIGVERT
GORKA PEREZ DIAGO	DIEGO GALLEGU VALVERDE	LONUBRUAD SL
QUIRINO MASCITTI	OLGA LLORENTE COSTA	PEDRO MIGUEL DEUTOR GARRIDO
MARIA CARMEN CIUDAD MORENO	ANTONI MONSO BONET	AGUADO & ORTEGA ASESORES SL
HECTOR EDO ALEGRE	ALEJANDRO LLERA FERNANDEZ	FRANCISCO JOSE VIEJO GONZALEZ
LAURA MACIA GONZALEZ	VICENTE MANUEL MARTI SEGARRA	MANUELA BUERA GILABERT
ROSA MARIA PADROS ANGUITA	INMACULADA TORRES BERMUDEZ	MIRIAM PEREZ SORIA
SERFISAN SERVICIOS FINANCIEROS S.L	MARIA ELISA SAEZ JIMENEZ	POL MIR MARTINEZ
JOSE ANGEL RODRIGUEZ PRIETO	TABULA AGO S.L.	AGENTES XIRIVELLA SL
ALBERTO LOPEZ CARDENAS	PATRICIA GUIJO LOZANO	JUAN PEDRO GIRON ALONSO
SONSOLES RIVERO HERNANDEZ	MARIA DE LOS ANGELES RODRIGO GUTIERREZ	BERCAMLU S.L.
TROYANO FINANCIEROS 2021 SL	RC 2007 FINANCIEROS S.L.	JUAN JOSE SANCHEZ ACEDO
JESUS RAMON HERNANDEZ GARCIA	FINANZAS SAN ANDRES S.L.	MARIA ROSA BERTRAN CASALS
FINANCIAL ADVANTAGES SL.	MARIA JESUS MONROY CARNERO	MARIA DE LAS NIEVES CALDERON IZQUIERDO
JOSE MANUEL GUEVARA GONZALEZ	MUNICH FINANZ S.L	AA FF NV FINANCERA 2018 SL
ISABEL MARTINEZ MUÑOZ	ANGEL LOPEZ RODRIGUEZ	BELEN GONZALEZ BERMEJO

VALENZUELA MARTIN ASESORES S.L.	SANDRA ORTEGA QUILON	ENRIQUE MARCOS ORTEGA
JORGE ESCAPA ESPINEL	JUAN FRANCISCO GARCIA JUNCOS	LAURA COMENGE HIGUERAS
AGUSTIN RUIZ SAIZ	AREVALO Y MONGE SL	IGNACIO ARROYO RODRIGUEZ
ROSA ISABEL BENEITEZ SALINERO	SILVIA GARCIA SENDRA	LUCIA ALVAREZ GONZALEZ
JOANA LOPEZ ROZAS	SONIA ROIGE VIDAL	MIREYA GARCIA MARTINEZ
DANIEL LIENAS GRANDE	DIEGO FERNANDEZ MARCOTE	HOPE FINANCE SL
OLMO JULIAN PUERTO FERNANDEZ	IVAN QUINTANA ROJAS	FRANCISCA MARQUEZ CONTRERAS
JOARMAS ASESORAMIENTO S.L.U.	DAVID OLMO FORTE	MARIA LUZ SANZ DELGADO
MARIA EVA NUÑEZ GONZALEZ	MARIA MARTINA GONZALEZ ANDRADE	JULUM FINANZAS SLU
MARIA LOPEZ MARTINEZ	JORDI ROSA ARIZA	JOSE JUAN SANCHEZ SORIANO
NATALIA FERNANDEZ SANCHEZ	PEDRO CARO CANO	IGNACIO MARIA ANTOLIN FERNANDEZ
JOSE MANUEL PERERA QUINTANA	GONZALO PEREZ JOSE	A.C. SANTOVENIA DE PISUERGA SL.
AINOA LORAS COLL	JOSE MANUEL NIETO CASTRO	BUZABRIN S.L.
ALEJANDRO IBAÑEZ LERA	ANTONIO MARIN VALIENTE	ENRIC CORTADA GUTIERREZ
ARCADIO SAEZ SANZ	ANA MARIA RUBIO PALACIOS	SUSANA DONAT CRUZ
MARC OLIVA VIDAL	FERNANDO GARCIA BARATAS	JUAN PEDRO BENITEZ GARCIA
SANTANDER VEGUELLINA DE ORBIGO S.L.	MARIA ESCRIBANO PAVON	JAVIER BLANCO LOPEZ
JESUS MARTINEZ CAÑAVATE GOMEZ MILLAN	YOLANDA CASTILLO VILA	CLARA HERNANDEZ NOVOA
PAULA MARTINEZ GARCIA	MARIA DEL CARMEN NIEVES MARTINEZ	DANIEL MARTI RODRIGUEZ
ENRIQUE JONATAN EXPOSITO CAÑA	FRANCISCO JOSE GARCIA MORA	JUAN JOSE ARAGONESES MARTINEZ
ANA MARIA GARCIA DOMINGUEZ	JUAN CARLOS FUSTER CACERES	JEC INVERSIONES EN CAPITAL SOCIEDAD LIMITADA
MARMA MALLORCA SL	DE-TWO Y MAS INVESTMENT SERVICES S.L.	CONCEPCION MORATA HOMBRIA
JOSE BERZAL MIGUEL	PEDRO CUESTA BAUTISTA	CARMELO PACHECO MARIN

SERGIO VIVANCOS ALFARO	DANIEL MASSA I RAMIREZ	MARIA TERESA SALGADO RODRIGUEZ
JESUS ALVARADO CAMARA	DRIMTY S.L.	OSCAR NUÑEZ PUGA
EVA MARIA GUTIERREZ CARRASCO	MARTA ZAMBRANO PEREZ	LORENA HERNANDEZ ATIENZA
LARA & RAUL ASOCIADOS SL.	LASTRAS AGENTE FINANCIERO SLP	ERNESTO DOMINGUEZ SLU
SARA CRIADO ESTEBAN	MIGUEL GARCIA TAPIA	MARIA SOLE RIBERA
GEMMA GUTIERREZ BAJO	MARIA ESTHER FERRANDEZ PARDOS	ANA BEBI SL.
VINUESA & MOCHON 2014 SLL	PATRICIA BARTULOS MARTIN	FRANCISCO J SANTIAGO ALEMAN
MARIA DE LOS ANGELES ESCUDERO ORTEGA	ALBERTO VAZQUEZ OLMEDA	SERBAN AGUIÑO SL
MARTA MARIA COPA PEREZ	IVAN GUIU FARRE	JORDI JUAN RIBAS
ERNESTO MARTINEZ FERNANDEZ	LETICIA MARIA MARTINEZ ABAD	VERONICA REMIRO BASANTA
CRISTINA HIDALGO GARCIA	VEGUILLAS Y VEGUILLAS SL	VICTOR JIMENEZ VERANO
JOAQUIN SERRA BERTRAN	BASKY INVERSIONES FINANCIERAS SL	SANDRA MULERO MARTINEZ
MARIA TERESA GUTIERREZ GALERON	MKS GESTION FINANCIERA SL	ANABEL PALLAS FUENTES
MARIA MORATALLA RUIZ	GUERRERO FINANCIAL STRATEGIES S.L.	CRISTINA GOMEZ GUTIERREZ
0880 SANTANDER SANTIBAÑEZ SL	VILLASEQUILLA AP SL	ARREAZA SERVICIOS FINANCIEROS S.L.
ANGELA MAGDALENO GONZALEZ	RODRIGUEZ CALS FINANCIERA SL	JOSE MARIA CABERO MATA
DIANA DIAZ ANGELINA	EVA LEON BELINCHON	MARIA DEL CARMEN ZAMBRANO MONGE
TANIA GELPI ESCANDIL	MARTA GARRIDO FERNANDEZ	PLAZA SERVICIOS FINANCIEROS S.L.U
LUIS MARCELINO NARVAEZ MACIAS	SERGIO SANCHEZ RODRIGUEZ	ANDRES MINGUEZ LUJAN
JUAN ANTONIO SALGADO HERNANDEZ	AGURTZANE ITZIAR AGUIRRE COLECHA	JORGE APARICIO GONZALEZ
MARTA ISABEL MARTINEZ ESCOBAR	ANPADU INVERSIONES S.L.	JORDI BRULL MARGALEF
MARIA INES VALCUENDE GARMON	JUAN LEON NAVARRETE	FRANCISCO CASTILLO CONTRERAS
ELISABET PUGA JODAR	JOSE CABRERA COSANO	BRUNO MARTIN GARCIA

JAVIER NOVIO MIDON	JOSE ALFONSO FUENTE PARGA	IVAN LOPEZ DURA
NURIA BRAOJOS SANCHEZ	NATALIA DIOS OUTEDA	MYRIAM ALPAÑEZ PINO
LUCAS RIVAS PORTILLO	CARLOS MORENO LOPEZ SOLORZANO	MARIA AUXILIADORA PEREZ SERRADA
GESTIONES MORENO E HIJOS S.L.	ALEJANDRO GOMEZ CORRALES	FRANCISCO FERREIROS LOPEZ
GREGORIO LEAL MORALEDA	MIGUEL ANGEL CASASOLA CASASOLA	MONICA SERESOLA ALENTADO
JOSE IGNACIO BORDALLO MEDINA	ANA MARIA LOPEZ OVEJERO	ALVARO DELGADO DE MENDOZA CORTES
JOSE MARIA MANZANO CIDONCHA	TERESA ROLDAN QUINQUER	MARTA FAUS BLANES
MERCEDES SABATER JIMENEZ	DAVID JIMENEZ MARTINEZ	ASEVAL ASESORES S.L
MARIA DEL CARMEN LEDESMA COUTO	24198 SANTANDER LA VIRGEN DEL CAMINO SL	MARIA LUZ IMIA RIVERA
MARIA JOSE CHARNECO HERRERO	OSCAR MUSTE ROIG	TREZAVILLA SLU
BEATRIZ PEREZ GARCIA	JOSE ANTONIO REAL MUÑOZ	JIA AGENTS SL
ALEXANDRE COLL QUINTANA	MARIA DEL PILAR PLAZA MUÑOZ	ABU ROAD S.L.
JAVIER MONGE LOPEZ	AM SERVICIOS FINANCIEROS SL	MAIALEN SAEZ SEGUROLA
CELAVEDRA S.L	FC GLOBAL FINANCE SL	REQUERTILLO S.L.
ENRIQUE CHACON FERNANDEZ	EDUARDO GONZALEZ MARTIN	ALEJANDRO MARTIN KARLSSON
RUBEN MARTI CALATAYUD	VANESA GONZALEZ VILA	FORUM 20 SLU
CECILIA MARIA ROSSELLO FLORIT	ELISENDA ARIMANY BALLART	MARIA VICTORIA IGLESIAS MATEOS
SOLUCIONES DE PATRIMONIO E INVERSION S.L.	DAVID CONTRERAS SANZ	MANUEL BARRIGA DORADO
SARA MORALES ECHEVERRIA	VIRGINIA VELASCO MAJADA	GRANDERSAN SLU
BBR BATEA GROUP SL	OFILAR 2020 S.L.	ALFREDO ROLDAN FERNANDEZ
MARIA EUGENIA DE LA CRUZ DE LA ROSA	BLANCA FERNANDEZ MURAS	LUCIA CARO ESPARCIA
ANTONIO FORNOS ISERN	EFEROR ASOCIADOS SLU	ANSELMO HERNANDEZ RANZ
MARIA JOSE SALGADO ALVAREZ	MARIA DEL CARMEN CARBALLO GOMEZ	JUAN MANUEL ALARCON GARCIA

CARMEN MARIA MARTINEZ BOHORQUEZ	MISTERA BUSINESS SOLUTIONS S.L.	GESTION SANTANDER CARBAJOSA S.L.U
RAQUEL RIVERA PALACIO	SANPIBO SL	OLGA MARIA SANCHO ARASA
OFISFIN SL	JUAN CARLOS MORENO GARCIA	ALBERTO SANTIAGO LLORENTE MARTINEZ
MARIA ROCIO LOPEZ TABOADA	HUGO FLORES GALVAN	MARIA ANGELA MUÑOZ ARROJO
RICARDO CORREA FOLGAR	MARIA MERCEDES GARCIA SANTANA	OSCAR BLANCO CID
MARIA DE ARANZAZU DOMEZAIN GRANADOS	6395 POYALES DEL HOYO AGENTE COLABORADOR SL	LAURA FERNANDEZ TORIBIO
JOSE RAMON DOMONTE RODRIGUEZ	ANNA LOURDES MATEOS SANCHEZ	ROSA CARRERES LUCAS
GUILLEM GENOVARD CALDENTY	JUAN MIGUEL GOMEZ LOPEZ	JORGE ALONSO ARRIBAS
MANUEL GARCIA MONTOLIO	MARIA DEL PILAR RAMIREZ DIEZ	REYES MARTIN MORENO
ANA CRISTINA MUÑOZ ALVAREZ	JOSE MANUEL MUÑOZ EZQUERRO	AZARBE COLABORACIONES S.R.L
MARIA TRINIDAD BRIEVA DOMINGUEZ	ROBERTO MARTIN RIVERO	OSMON SERVICIOS FINANCIEROS SL
FRANCISCO JAVIER MARTINEZ FERNANDEZ	CARLOS MESA DIEZ	MARIA LUISA VALIENTE LORENZO
JOSE ANTONIO ESCUDERO ORTEGA	INES PINDADO SAEZ	FELIPE CHILLARON CASTILLO
ALFONSO ILLAN GARCIA-ROJAS	NUÑEZ MONTES FINANCIEROS S.L	MARIA ELISA ROSON FERRERO
IRENE ABIZANDA VAL	MARIA FERNANDEZ UZ	JOSE ANGEL TIERNO ARANDA
XAVIER RAMOS ANGLADA	GESTION INVERGARA S.L.	MARIA EUGENIA GONZALEZ SANCHEZ
NESTOR GALIMANY SANROMA	A.C. LAGUNA DE NEGRILLOS S.L.	MONICA LIBERAL CAMISON
KMB FINANCES SOCIEDAD LIMITADA.	MARIA MERCEDES GUZON LIEBANA	ANA BELEN PAMPLONA CALAHORRA
ANA MARIA SIERRA HERNANDEZ	PEDRO FERRAGUT DIAGO	MARIA ELENA BRAVO SAN INOCENTE
JOSE IGNACIO UBILLA BOLADO	JAIME RIVERO CALVO	MARIA BELEN GONZALEZ RAMIREZ
FLORENTINO LARA NOTIVOLI	CARLOS ALBERTO PALACIOS MARTIN	SERVICIOS FINANCIEROS MAZA Y VILAR SL
MALULA SERVICIOS FINANCIEROS SL	LAP ASTURIAS S.L.	SERGIO GONZALEZ PALACIO
FERNANDO AREVALO GOMEZ	ANTONIO CEREZUELA RUIZ	ASESORIA GESTION GLOBAL S.L.

ESTHER PEIRO ORTEGA	UNAI LEKUBE ARANBERRI	SANTANDERSANPEDRO FINANCIERO SL
ASESORAMIENTO Y COACHING FINANCIERO S.L.	HECTOR PIÑEIRO MARTIN	BLANCA MARIA HOLGUIN GALAN
MARIA CARMEN GONZALEZ BARRAL	NURIA AMO LETON	CLARA URGEL CASEDAS
JOSE CARLOS LOZANO CANO	SISMOINT SL.	BRIGIDA MARIA ROMERO SALADO
LUIS FERNANDO ANDRES VILLALBA	JORDI ALUJA OSSO	CARLOTA RODRIGUEZ VARELA
AYZA FINANZAS SL	AGENTES FINANCIEROS AOIZ SL	JOSE GABRIEL PASTOR MANZANO
MIRIAN GARCIA ALFARO	MIGUEL ANGEL RIOS MUT	EMA VILATORRADA 2007 S.L.
ALEXANDRE UTSET BADIELLA	MIGUEL RODRIGUEZ GARCIA	TAMARA CANTERO SANCHEZ
AGENCIA FINANCIERA ULLOA S.L.	JOSE JAVIER MAZUELA CREGO	ANA DURAN HERNANDEZ
MARTA MARIA GARCINUÑO CASELLES	DANIEL VIEIROS CAMPOS	JUAN RAMON BENITEZ GOMEZ
JESSICA LIMA BLANCO	ADRIAN TELLA VILLAMARIN	CORDOBESA DE INVERSIONES PUNTAS LEON S.L.
SANDRA COFRADES SANCHEZ	FERNANDO POLO MATEOS	CECILIO PARRO CORTES
ALBERTO SUTIL FERNANDEZ	FRANCISCO ALBARRAN PELAYO	SERVICIOS FINANCIEROS PEDRO ABAD SOCIEDAD LIMITADA
MAYKA GONZALEZ HEREDIA	NOELIA PEÑALVO MARINA	MARIA CARMEN SANCHEZ PEÑA
LUBESAGA SL	GAGO Y SOUTO FINANCIAL SERVICES S.L.	AS NEVES ARBO
ASESORAMIENTOS FINANCIEROS TEM 2012 SLL	FRANCISCA MARIA LOPEZ PEREZ	MARC MASERAS I SABATER
JUAN BAUTISTA HIDALGO IÑIGO	ESTEVE UTSET BADIELLA	MARIA ANTONIA BARCELO AMENGUAL
MIGUEL ANGEL ORTIZ MIGUEL	DIPTOS S.L.	MARIA ANGELICA CORTES CORTES
MONICA CUBAS HERNANDEZ	RAMON DANIEL MUNUERA SANZ	ROSA ANA FATAS LAPLANA
LIDIA MONTILLA GONZALEZ	CRISTINA SOLEDAD NAVARRO MACHIN	MANUEL JAVIER DELBOY RODRIGUEZ
MONICA CARRANZA S.L.U.	MARIA TERESA OLMEDA PICAZO	A.C. PAREDES DE NAVA S.L.
MEDA FINANCIERA S.L.	FRANCISCO JAVIER MORALES MURCIA	BERNABE JOSE VALLECILLO MUÑOZ
SERVICIOS BANCARIOS CANTORIA S.L.	ALICANTE VALLEY SERVICIOS FINANCIEROS S.L.	JOSE JIMENEZ OVEJAS

CARLA SANJULIAN MENDEZ	DAVID RIDER JIMENEZ	AGUSTINA AGUDO FRANCIA
ALEIX SUBIRA SOLER	FINANCIAL VALUE INVESTMENT S.L	INTERMEDIACION FINANCIERA RIAS BAIXAS S.L.L
PASCUAL HIGINIO DOMINGO PEÑA	JONATHAN AGUSTIN COLODRO DIAZ	ANTONIO ALFONSO HERRERA RAMIREZ
JOSE LUIS BLAZQUEZ FERNANDEZ	ANGEL ARMENTEROS CUESTA	SERVICIOS INTEGRALES DOÑANA S.L.
SERVICIOS FINANCIEROS AHIGAL SL.	JAVIER DOMINGO PASCUAL JIMENEZ	CARLOS RUIZ BURDALO
EDER SERVICIOS FINANCIEROS SL	MATEU & SANTANDER S.L.	DAVID LOPEZ GAVELA GAGO
CHUECA MARTIN GESTION BANCA SL	BERTA RIERA FERRAN	SONIA LANDROVE MARTINEZ
SERVICIOS FINANCIEROS EL CAMPILLO 2021	ELENA PUERTO GALVEZ	ALVARO FERNANDEZ ROCAMORA
MARIA MANUELA GONZALEZ CUESTA	IGNACIO SARAGUETA URTASUN	JOSE JOAQUIN APARISI GRAU
EDUARDO LERONES AGUADO	BANSACLE SOCIEDAD LIMITADA.	MERINO LOBATO S.L.
DAVID GONZALEZ BECEIRO	G S G GRUPO CORPORATIVO DE SERVICIOS S.L.	ISABEL MARIA CARBONELL SERNA
JOSE MANUEL FURELOS FERREIRA	MATARO ASESORES LEGALES Y TRIBUTARIOS S.L.	NAROBESA INV SL.
ADRIAN MILIAN GONZALEZ	MELODI MARIA DOMINGUEZ ZAHINO	VIRGINIA LEDESMA ARCOS
JAUME VEGAS BAUTISTA	MIRIAM CARRO HERNANDO	CARLOS ARCAS CHECA
CARMEN CARLA PEREZ CUESTA	OSCAR CAÑIBANO ALVAREZ	SONIA BELLMUNT SAURA
ABEL ISERN ROIG	FERNANDEZ DEL VALLE NOE 046869184C S L N E	ROLARG SERVICIOS FINANCIEROS S.L.
VERONICA GOMEZ MONTERO	ALBERTO RIAÑO MOROCHO	MARIA ANGELICA RODRIGUEZ OLIVEROS
VERONICA PUEY MUÑOZ	ANA MARIA RODRIGUEZ MORENO	DANIEL TORRES MUIXI
AMALIA AGUILAR CASAS	GESTIONES FINANCIERAS FERRER Y GARCIA 2015 SL	RUBEN BERNALDO DE QUIROS DOMPABLO
JUAN MONTERO RODENAS	ANDREA PRATS SEGURA	OSCAR PARDAL ANIDO
DAVID MOYA LUCAS	LUCIA PEREZ CUELLAR	JOSEFA SIMON YEBENES
EMILIO SANCHEZ ALCARAZ	GERENCIA & DESARROLLO DE SUCURSALES S.L.	MARTA HERNANDEZ PEREZ
JAVIER GURIDI EZQUERRO	ALICIA MATILDE LOPEZ FRANCO	MARIA PAZ CULEBRAS RAMOS

AOMAR NUÑEZ APARICIO	JUAN CARLOS GOMEZ GARCIA	MIGUEL ANGEL FUENTE REGO
PEDRO JAVIER SANCHEZ RODRIGUEZ	SEBASTIAN PAVON CAMPOY	LIDIA CARRASCO MARIN
JOSE LUIS COUCEIRO DORELLE	BEATRIZ SERRANO SAN PEDRO	LUIS MIGUEL SANCHEZ GIL
SONIA ZAPLANA VERGARA	VICTOR MANUEL DIAZ MARRON	LUIS RISQUETE REQUENA
NOELIA MARTIN BOLIVAR	JOSE CARLOS GARCIA SANCHEZ	ISIDRE CALBO PELLICER
MARIA GLORIA TENA BISTUE	FELIPE PARRA CARRERA	AA FF OLESA 2019 SL
ANA ISABEL MONTULL CACHO	JOSE MANUEL VAZQUEZ BERTOIA	MARCIAL SANTOS SANCHEZ
ROCIO NAVARRETE MARTINEZ	BEATRIZ SALA GARCIA	JACINTO MANUEL PALOMERO PALOMERO
ENRIQUE ARAUJO IRUSTA	CARBALLO & CARO 2019 SL	NALUC 23 SL
MARIA DOLORES MORIANA RODRIGUEZ	CRISTINA TORIJA PRIETO	ANNA SANS GARDEÑES
IRMA MARIA TEIJEIRO BARGE	GRUP BBR GESTIO PRIVADA SL	OSCAR SOTELO SALINAS
YUBERO MORENO AGENTES FINANCIEROS SL	ARACELI GONZALEZ MEJIAS	BURMA AGENTES FINANCIEROS S.L.
JOSE ANTONIO LOPEZ LOPEZ	AYALA MARTINEZ MELERO SLL	SANPUEBLA SL
RAQUEL GAVELA SANCHEZ	NATALIA LOPEZ LOPEZ	LOURDES ROMERO LOPEZ
LOURDES IGLESIAS ALONSO	BEATRIZ ARROYO AVILA	SARA MARTINEZ GONZALEZ
JOSE MANUEL MARTINEZ MILLAN	GONZALEZ Y NAVES S.L.	BRAIS MIDON LOPEZ
USTARIZ ZUBIRI ASOCIADOS SL	LORENZO BARREIRA VIA	PAULA EIRIZ OTERO
ESTEPONA FINANCIEROS SL	ANTONIO VICO ARCE	EDUARDO HERNANDEZ HERNANDEZ
GRUPO ALMARES 2015 SL	MARIA ANGELES GONZALEZ IBAÑEZ	MARIA TERESA BROCH RUBERT
FRANCISCO JAVIER RIVAS VALENZUELA	MARC TARRES MALE	SERVICIOS BANCARIOS OLULA DEL RIO SL
MIGUEL JOSE MALAVE FERNANDEZ	MILAGROSA ESTUDILLO CEPILLO	ISAMAR ORDOÑEZ MUÑOZ
FERNANDO ENRIQUE RODRIGUEZ PEREZ	PABLO SEIJO NOVOA	BEATRIZ LOPEZ MONTEJO
SERVICIOS BANCARIOS BERJA SL	MARIA ASUNCION PALOMARES RUIZ	ANTONIO ESCUDERO VILLAREJO

SUSANA CASADO FERRERO	TRAMYGEST FINANCIERA S.L.	JOLUANCA 2006 SL
MARIA ANTONIA ROVIROSA PIÑOL	ONUBA FINANCIEROS SL	MR2 SERVICIOS FINANCIEROS SL.
SOLEDAD GALAN FREJO	MARIA TRINIDAD SORIANO RAMIREZ	SOLFIN CONSULTORIA DE MERCADOS SL
MARIA ALMUDENA MORENO NAVARRO	BRAULIO ALMENA AMARO	ZONA 4 SERVICIOS FINANCIEROS S.R.L.
ANABEL SANCHEZ MARTIN	EGAMAR ASESORES SLU	MARCOS ASENJO HERNANDO
ANGEL MOLLEDA VELEZ	PEDRO ANGEL LUPIAÑEZ RODRIGUEZ	JESUS GABALDON MARTINEZ
FRANCISCO JAVIER ARTEAGA LOPEZ	MARIA INMACULADA LATORRE CANA	ALVARO DIAZ ASTARLOA
FRANCISCO FLORES ROMERO	JUAN MARIA VALDES MARTIN	VICENTE CANO CAMARA
MIGUEL ANGEL GARCIA RODRIGUEZ	MARIA CARMEN CEREIJO VARGAS	MONICA CANO CANO
MARIA TERESA JIMENEZ PACIOS	FINANZAS E INVERSIONES ALBAL SL	SANMAFRAILES S.L.
INTERMEDIACION NASARRE SL	LUIS MANUEL MAYO RUBIO	SANTOS BOL GARCIA
MARIA JESUS MARTIN RODRIGUEZ	GEMMA ARRUFAT RAFALES	MARIA BELEN GARCIA BLANCO
CELIA MONICA MARTINEZ OTERO	SILVA&RUA ASOCIADOS SLU	NIEVES NUÑEZ PUGA
JOSE MANUEL TORRES MIGUEL	ANA VANESA VILLASECA GARCIA	MIGUEL ANGEL MARTIN ISERTE
J&M INVERSION Y FINANCIACION EMPRESARIAL S.L.U.	ALBERTO MORAN PEREZ	MIRIAM SAMPAYO IGLESIAS
QUIROS & NAVAS SERVICIOS FINANCIEROS SL	JOSE ANDRES HERNANDEZ FALCON	MARIA JIMENEZ GONZALEZ
MAXIMO PLUMED LUCAS	BUSINESS AND PERSONAL SERVICE S.A.	CECILIO ALVARADO GARCIA
BARRIOS DE LA CRUZ S.L.	ANTONIO MOTOS RECUENCO	CARLOS GROS NAVARRO
MARIA INMACULADA LUENGO MARIN	MARC MAYORAL SERRET	ALEJANDRO GARCIA GUERRERO
NEOBAN SL	ANNA BATALLA FARRE	LAURA MARTINEZ ZUBIRI
OSCAR MANUEL ALFAGEME MARTIN	ROSA MARIA POBLADOR ASENSIO	JOSE ALFONSO TARI ESCLAPEZ
ALCARRAZ PERALTA SL	SERVICIOS FINANCIEROS SOUTELO SL	MARCOS GARCIA-DIES PASTRANA
SATURNINO QUIÑONES GARCIA	SONIA CASAPRIMA GONZALEZ	RAFAEL BELLMUNT BELLMUNT

BEATRIZ GARRIDO SANTANDER S.L.	JOSE GAMERO MUÑIZ	ADRIAN MONTERO VARELA
INVERSIONS RIBAGORÇA SL	MARIA VICTORIA DURAN ALVEZ	ALVARO FABREGAS SANTAMARIA
GUADALUPE FORNE TENA	POSADA GESTION FINANCIERA SLU	ANDRES RIVERO JIMENEZ
ANGELA FIGAROLA TARDIU	RAUL LANGA GOMEZ	ANTONIO BERNAL MERINO
SIMO CONSULTORIA SL	ALMUDENA GARCIA SANCHEZ	AC CIGÜEÑA SL
FEDERICO SOROLLA LLAQUET	JOSE JAVIER SALAVERRI MARTINEZ	MANUEL ARTURO DOVALE VAZQUEZ
MERCEDES LOPEZ MAYORAL	VIVANCOS ROS SL	JOSE IGNACIO CANTO PEREZ
AGENTES FINANCIEROS SANTESTEBAN SL.	MARIA TERESA MARTIN MUNIESA	VANESA VEGA BLANCO
JUAN MANUEL PEREZ PRADO	CARLOS GARCIA RODRIGUEZ	FELIX ALFONSO TORRADO DIAZ
NATALIA MOLINA SOLER	EFREN PEREZ ILLAS	BORRELL MICOLA SL
FRANCISCO RICARDO BELLO GOMEZ	40165 AGENTE COLABORADOR PRÁDENA S.L.	JUANA MARTINEZ MARTINEZ
JAVIER COBO GARCIA	RUBEN TORIJANO BUENO SLU	SERVICIOS FINANCIEROS DEL CONDADO S.L.U.
DIEGO MARTINEZ OTON	NEREA SOBRADILLO TRUEBA	PRISCILA CRISTOBAL MALO
ISABEL CARMEN DOMINGUEZ ZANON	ENRIQUE Y SINDE ASOCIADOS S.L.	ANTONIO LUIS CASTELLO APARISI
ANGELA ZURITA MARTINEZ	JOSE MARIA FERNANDEZ RAMIREZ	TATIANA RODRIGUEZ FERNANDEZ
LUCIA DIAZ PRUDENCIO	DIEGO CARCAS SANCHEZ	IMANOL IPARRAGUIRRE JAUREGUI
ANDREA SAYANS RIVEIRO	MARIA CRUZ GARCIA ESTELLER TORRES	JESUS ANTONIO AMO FERNANDEZ
SUSANA FARIÑA FERNANDEZ	MONTSERRAT SABATE BORRELL	MANUEL DOMINGUEZ BEATO
ANGELICA MONTEJO ASENSIO	PATRICIA RODRIGUEZ ALONSO	DIEGO CAÑAMERO NAVARRO
PUNT FINANCER GESTIO I ASSESSORAMENT SL	NOEMI VIVAS SANCHEZ	XUELING HOU
ALMUDENA GONZALEZ GALLEG0	MARIA AFRICA CARDIEL COLL	LUIS ALBERTO MASEDO DEL CASTILLO
MIKEL ANDRES SANCHEZ CASTILLO	MARIA LUISA VALIÑO IGLESIAS	MARIA JOSE CABALLERO GRAU
OSCAR JUSTO ALVAREZ	SARA SANCHEZ GONZALEZ	FINANCERES ARO S.L.

PAULA GRACIA CABRERA COLONQUES	TANIA ARAUJO SOTO	JOSE LUIS HERNANDEZ-SONSECA MIRANDA
ALBERTO ANDION ACEDOS	FINANZAS ALLOZA S.L	LUIS COSTA FERNANDEZ
LEAGENSA	JUAN JOSE GISBERT FERRERES	RAUL VEGA ROMERO
MARIA JOSE DUEÑA FUSTER	ASEMAR FINANCIERA SL	FERNANDO GONZALEZ SANCHEZ
JOMICACE SLU	DANIEL NAVAS ALONSO	MARIA PILAR MARTIN SANCHEZ
MARIA HERNANDEZ ALONSO	A.C. VILLARCAYO S.L.	ELENA DIAZ FERNANDEZ
LOURDES GIMENO TIRADO	YOLANDA ALVAREZ RODRIGUEZ	MULTIALGAIDA SERVICIOS FINANCIEROS SL.
C & M FINANCIAL SERVICES SL	SOLEDAD LAMBERTO GARCIA	SERVIBAN OURENSE SL
MONTSERRAT OLIVA MANDAÑA	BEATRIZ TORRENO NIETO	ALVARO MOLINER ABADIA
EMILIO MARTIN LANCHAS	CARLOS GAVIN LORIENTE	ANXO VAZQUEZ BLANCO
ERIC NADAL GRIFOL	MARIA DOLORES FOLLA-CISNEROS GARCIA	ROBERTO BLANCO GARCIA
HOTRARESCON S.L.	ALBERTO BARTOLOME BLAS DE GUASP	MARIA ELISA CAMBEIRO CAAMAÑO
ANTONIO DE PADUA BELLAUBI MIRO	HECTOR CANO SAZ	JUAN DAVID PEREZ VALENZUELA
GHG COPERNICO SL	MERCEDES GARCIA DURAN	JUAN ROSSELLO AMENGUAL
ALEJANDRO GIADANES TORREIRA	CASTOR INVERYSER SL	INGRID QUILES SANCHEZ
SERGIO LORENZO RODRIGUEZ	AGFINAND SL	RAUL PABLO OLMO
INVERS TERRA FERMA SL	NURIA MONTERO GONZALEZ	SAUSOLUCIONS SL
JESUS MAILLO NIETO	JOSE ANTONIO GARCIA CHINCHETRU	ANA MARIA JIMENEZ AGUAYO
SARA PULIDO PANADERO	PEDRO JESUS ROLDAN PRIETO	MARIA TERESA PEREZ PEREZ DE LAS VACAS
MAGDALENA JOVER SELLER	JESUS CANTON GONZALEZ	EDUARD MAS POMES
ANGEL EDUARDO RODRIGUEZ REY	LANDA MENDOZA GESTION FINANCIERA S.L.	GESTION INTEGRAL SANTANDER SL
ACF GESTIO I FINANCES SL	COFARESA SERVICIOS FINANCIEROS COMPLEMENTARIOS SAU	CARLOS PABLO LOPEZ
INVERSORA TUCKERTON SLU	ESTHER NOGUES FERNANDEZ	MARIA ROSA AMPARO BLAZQUEZ FRAILE

BENISSA C M SERVICES S.L.	GUILLERMO FOS ALZAMORA	LUIS CARLOS SEPULVEDA SANCHEZ
ALBA SANCHEZ MATEOS	IPEVA INVERSIONES FINANCIERAS SLU	NOELIA SANZ VILLARREAL
EUGENIA DURAN HERNANDEZ	MARTI FORTUNY PLANAS	FINANSANDO S.L.
SERCOM ASFICO AGENTES FINANCIEROS S.L.	GLINKGO BILOBA PROPERTIES SL	MARIA DE LOS ANGELES GARCIA PEREZ
BORJA MENDEZ VAZQUEZ	MARIA PILAR PEREZ NAVARRO	JOSE ANTONIO SANCHEZ NAVARRO
BEATRIZ GARCIA ESTELLER TORRES	CONCEPCION ISOLINA SOMOZA CALVIÑO	EDUARD RAMON NADEU ABENOZA
FATIMA PINO ARIZA	JUAN ANGEL ALCAZAR VERGARA	BARBARA FARIÑA REBOREDO
ALEJANDRO SANTAELLA FERRER	EDUARDO GOMES HORCAJUELO	MARIA LUISA PEREZ GUILLEN
MARIA VISITACION BECARES MARTINEZ	6155 SANTANDER LEDESMA S.L.	JOSE JUAN FERRANDEZ SANCHEZ
MARIA THAIS ROMERO NAVARRETE	MANUEL GUERRERO VERDEJA	INTERMEDIACION FINANCIERA DEL NOROESTE SL
JESSICA MARIA SEGADOR RISCO	R&B SOLUCIONES FINANCIERAS S.L.U.	RUBEN LOPEZ CARMONA
MIGUEL ANGEL VIDAL JOVER	IVAN GONZALEZ MARTINEZ	CARLES ROYO DELPOZO
JORGE BARRERA PEREZ	JUAN CARBONELL SOCIAS S.L.	BENEDICTO GUTIERREZ BERNAL
1321 SANTANDER LA ALBERCA S.L.	MONICA ALVAREZ ALVAREZ	CESAR RODRIGUEZ SOTELO
MARTA CASTRO HIDALGO	JUCAR ASESORES S.L.	ORDAS CASADO S.L.
BANFORTUNIA S.L	TAGOAN JUAREZ SL.	VICTOR TOME LLANOS
MARIA DEL PILAR MUÑOZ GONZALEZ	ALICIA ESTEBAN GARRIDO	SANDRA CHOVER GOMEZ
HELLEN JANETH MENDEZ MURCIA	VIMAGARMA A.F. SL	FRANCISCO JOSE LOPEZ SILVENTE
DAVID RUIZ MARCHESI	IGNACIO IÑARETA MARQUEZ	BEATRIZ GOMARIZ LOPEZ
JOTOBÉ GESTIONS S.L.	GESBANCYL SL	JOSE DANIEL GARCÉS VIRGOS
FERNANDO DOMINGUEZ RUIZ	PAOLA GARCIA NUÑEZ	MIGUEL GARCIA ABAD
SEFIAL 2021 SL	OFICINA 6788 SL	PIC LLOCH MONTGO SOCIEDAD LIMITADA
RAQUEL BARRERO GORDILLO	INJOISA INTERMEDIACION FINANCIERA SL.	A.A.F.F. RUTE SL

PEDRO LUIS CORTES BLANCO	JALCAIDEN SOCIEDAD LIMITADA.	VICENÇ MORE CAMPS
SAVINGS ELX 2014 S	SALVADOR CEA PEREZ	JUAN JOSE TAMUREJO CARDOSO
JAVIER COBO MENA	ELSA TORRES MOLINA	VANESSA SORO GINER
JESUS MATEO HIDALGO MARTIN	JOAN ANDREU GABARRI LLOP	ROSA MARIA BLAY PASCUAL
OLIVER LABARTA S.L.	SUSANA MARIA JOVANI BELTRAN	VENERO MARTIN S.L.
MARIA MERCEDES SALAS BAENA	CRISTINA NADALES PEREZ	MIGUEL ALCALDE PITARCH
JOSE MANUEL AYALA ARNALDOS	MARIA ISABEL GARCIA GONZALEZ	ENRIQUE SATURNINO MORENO
NUBARPOL SL.	CARMEN PINTO DIAZ	BEATRIZ BLANES RUIZ
MARIA DELS DESAMPARA ROSSELLO MORELL	RAUL RIVAS VAL	ANA MARIA MORALES NUÑEZ
MARIA DEL MAR TELLEZ ALVAREZ	JUAN JOSE MONTEAGUDO MARTINEZ	GESTIONES FINANCIERAS PLAZA S.L.
MARGARITA LUZ BOLINCHES IBÁÑEZ	MANSANET RIPOLL SL	JUAN MANUEL MAYORGA BELLOSO
ANGELA MARTIN PUENTES	IEA SERVICIOS FINANCIEROS S.L.U.	MANSARI FINANZAS S.L.
GABRIEL MENENDEZ NOTARIO	MARIA ELENA TREMPs ALDEA	JUAN ANTONIO CANTERO SANCHEZ
OSCAR PLANES NOVAU	EVA CASAHUGA FUSET	ELENA LAJA MONTES
ISMAEL PALACIOS AGUDO	SONIA ARNAO VILLANUEVA	ALICIA FADRIQUE PICO
SILVANA JAIME GARCES	JAVIER GONZALVEZ BOTELLA	MARIA TERESA RODRIGUEZ FUENTES
JOSE LUIS PRIETO PARADA	MARIA DEL MAR CARRETERO FERNANDEZ	ANTONIO GUILLEN RAMIREZ
BOPECON INVERSIONES SL	JAVIER VENEGAS LAGUENS	PABLO GODAYOL RUIZ
JOSE MARIN PEREZ	JULIA MARIA SEGURA VICENTE	SAMAI FINANZAS SL
SERVICIOS FINANCIEROS FORCAREI SL	BNT 2008 AGENTES FINANCIEROS SL	FERNANDO GABARRON FERNANDEZ
MARIA SALOME ROSA DIEZ	NURIA MANUEL CERVERA	PATRICIA ACOSTA SERRADILLA
JOSE MANUEL AMEAL MAS	MIGUEL LLANO ABAITUA	OSCAR ADAN CABEZON
JESUS ANGEL GUTIERREZ QUINTANILLA	JOSE MANUEL SOBREDO SIGUEIRO	LUIS JAVIER NAVARRO SIMON

TEROR VP INVERSION SL

CANDIDO JUNCAL RUA

MARIA DEL CARMEN CAMUS SAN
EMETERIO

FERNANDO DONET ALBEROLA

RUBEN TRAVER SALES

DAMIAN CEBALLOS SORIA

ANA MARIA SAN MILLAN COBO

JESUS QUINTANA MAULEON

MARTA HERREROS LOPEZ

MARESFIN MARESME S.L.

PATRICIA MONTERO DURAN

Directors' report

Banco Santander, S.A.

1. Introduction

Banco Santander, S.A. ('the Bank' or 'Banco Santander') is a Spanish bank, incorporated as a sociedad anónima in Spain and is the parent company of Grupo Santander or Santander. Banco Santander, S.A. operates under the commercial name Santander.

Banco Santander operates through a branch network distributed in Spain and abroad.

On 7 June 2017, Banco Santander acquired the entire share capital of Banco Popular Español, S.A.U. ('Banco Popular') in an auction in connection with a resolution plan adopted by the European Single Resolution Board (the European banking resolution authority) and executed by the FROB (the Spanish banking resolution authority) following a determination by the European Central Bank that Banco Popular was failing or likely to fail, in accordance with Regulation (EU) 806/2014 establishing a framework for the recovery and resolution of credit institutions and investment firms. On 24 April 2018, Banco Santander announced that the boards of directors of Banco Santander, S.A. and Banco Popular Español, S.A.U. had agreed to an absorption of Banco Popular by Banco Santander. The legal absorption was effective on 28 September 2018.

The directors' report has been prepared based on the accounting and Management records of Banco Santander, S.A.

The financial information included in this directors' report has been prepared in conformity with the Bank of Spain Circular 4/2017 of 27 November on Public and Reserved Financial Information Regulations and Financial Statements Forms, and subsequent modifications.

2. Situation of Banco Santander

Santander is one of the largest banks in the eurozone. At 2023 year-end, we had EUR 1,797,062 million in assets and EUR 1,306,942 million in total customer funds. Santander was the second largest bank by market capitalization in the eurozone (EUR 61,168 million as of 29 December 2023).

The Santander Way. Our Purpose is to help people and businesses prosper. Our Aim is to be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our stakeholders by being Simple, Personal and Fair in all we do.

Over the years, we have demonstrated the strength and resilience of our unique strategy and business model, despite the challenges that have arisen.

We engage in all types of typical banking activities, operations and services. We do not merely meet our legal and regulatory obligations but we also aim to exceed the expectations of our stakeholders: employees, customers, communities and shareholders. In detail:

We had 212,764 **employees** at 2023 year end. We continue to work towards being an employer of choice in all of our markets. Our strategic priorities centre around ensuring our employees are the heart of all we do through our Santander Way culture and by fostering diversity, equity & inclusion (DE&I) as well as wellbeing. We are attracting the best talent and promoting learning to ensure we have the right people in place.

In 2023, we continued to listen to employees through our "Your Voice" listening tool and our employee Net Promoter Scores (eNPS) increased to 62, in the top 10% of the Finance Sector and top 5% of all sectors (+22 and +26 above respective benchmarks) backed by several improvements in employee experience. We also implemented a potential assessment model that has helped us learn more about the skills, capabilities and career aspirations of our employees.

We took great strides in our DE&I efforts as we continued to address the importance of gender equality and pay gaps. Our DE&I strategy includes addressing the pay gap, with the aim of reducing it to near 0% (already close to 0%). The number of women in top management has increased, progressing towards our 2025 target, which we increased at the beginning of 2023 up to 35% (from 30%), reaching 31.4% at the end of the year. This represents a 7.7pp increase over last three years.

Customer focus is an essential part our strategy. Through our multichannel offering, we provide our 165 million customers the best products and services to meet their financial needs and make us their global, trusted and responsive partner. Our investments in customer growth are centred around three

fundamentals that customers look for: competitive prices, a frictionless digital experience and a trusted financial partner.

We continued to improve our distribution model through constant innovation. We are building a digital bank with branches to make our customers' lives easier, giving them the power to decide how they want to interact with us.

Each year, we have further enhanced our customer experience and satisfaction, reflected in our customer growth rates and Net Promoter Score (NPS) improvement where we are one of the top three banks in seven markets (including topping the ranking in Chile and Argentina).

At year end, we had 8,518 branches across a wide footprint, including WorkCafés, Smart Red branches and other specialized centres for businesses, private banking, universities and other customer segments. These physical spaces also incorporate new digital facilities and some have collaborative spaces.

Customer interactions continued to shift to digital and remote services. The number of digital customers and digital activity continued to increase. We now have more than 54 million digital customers (+5% year-on-year) and digital sales accounted for 56% of total sales (55% in 2022).

At Santander, we appreciate the value of the human connection our branch network provides and are mindful of our most vulnerable customers' needs, responding with offers to deliver growth through customer loyalty and customer experience.

We are committed to creating products and services catered to our customers' needs. Some examples of our commitment to financial inclusion are our initiatives in rural Spain: through our branches, ATMs and network of financial agents in communities with under 10,000 inhabitants and Correos Cash, we provide access to basic financial services to customers in these rural areas that might otherwise have been left unattended.

Santander is joining efforts with the Asociación Española de Banca (AEB) members to ensure and promote financial inclusion in remote areas and vulnerable population. In 2023, we helped customers in financial difficulties in Spain through different initiatives such as waiving fees to vulnerable customers or specific programmes to refinance debt to customers affected by the higher cost of living.

As another example, we have a cross-functional team that has been working on enhancing services for our elderly customers including measures such as extending the hours of counter/teller services and creating senior ambassadors to make sure senior citizens receive the best possible service. Additionally, we promote financial education with specific content for seniors through Finanzas para Mortales (our financial education

programme). Our commitment in Spain to financial education through this programme directly impacted to senior citizens, people with disabilities, people in vulnerable situations and school children, among others.

We support our **communities** by embedding ESG factors in all our businesses, ensuring we do things the right way.

We have a competitive advantage to help our customers on their green transitions.

In terms of financial inclusion, we revised our target of financial inclusion to reach 5 million people by 2025. In addition, we committed to invest EUR 400 million between 2023-2026 to foster education, employability and entrepreneurship.

For our **shareholders**, we delivered solid financial results in 2023. We achieved an all-time high attributable profit boosted by revenue and efficiency improvement, with profitability growing strongly.

Grupo Santander has a balanced diversification in three geographical between mature and emerging markets, and operates mainly in 10 core units, where it has significant market shares.

3. Financial performance

3.1 Economic outlook:

In 2023, Santander operated in an environment dominated by geopolitical tensions and higher interest rates as central banks looked to contain inflation, which gradually eased during the year. The world's major economies withstood monetary policy tightening well, although there has been a slowdown in activity. Labour markets were also resilient, with unemployment rates at or close to full employment in two thirds of Santander's footprint.

Our core regions' economies performed as follows:

Eurozone (GDP: +0.5% estimated in 2023). The positive start of the year, supported by the normalization of global supply chains and reduced uncertainty around energy supply, lost momentum in the second half of the year as interest rates rose, industry struggled to adjust to higher energy costs and households remained cautious about consumption. Inflation eased (2.9% in December) after the ECB raised its interest rates by 450 basis points in this monetary cycle (the deposit facility rate rose from -0.5% to 4%).

Spain (GDP: +2.5% estimated in 2023). GDP growth was driven by private consumption (fall in inflation improved households' purchasing power) and external sector, with record level of tourism. Investment was lower than expected, especially in investment in equipment. The labour market remained solid, with a record number of people registered in Social Security. Inflation closed the year at 3.1% (3.6% on average) with a decline in all components and a greater-than-expected moderation in core inflation (3.8% in December vs 7.6% in February).

To complete the information with the performance indicators of the rest of geographies where the Group is present, see the Consolidated Directors' Report.

3.2 Balance sheet and results:

Banco Santander, S.A. is the Parent Bank of a financial group that operates in different countries through different businesses therefore its financial statements not only reflect its commercial activity in Spain, but also the activity derived from being the head of the Group. This last aspect makes it difficult to analyse its evolution without distinguishing the results obtained from the commercial activity from those more directly related to its holding nature.

2023 was marked by a complex and highly uncertain environment that accelerated the deleveraging of the economy. In this context, our priority was to remain close to our customers, reflected in 28 consecutive months of net growth in active customers.

In Retail Banking, we continued to grow in short-term funding, while demand for long-term funding decreased in the year, impacted by the environment of rising interest rates and inflation. However, in the fourth quarter, new business rebounded, mainly in corporates and mortgages. We continued to gain market share in payrolls and PoS and in CIB, we consolidated our leadership in the main league tables.

Regarding the balance sheet, as of 31 December 2023, the **total assets** of Banco Santander stood at EUR 757,342 million, with an increase of 0.98% over the previous year.

Loans and advances to customers at the end of the year stood at EUR 309,068 million, with a decrease of 4.98% over the previous year motivated by the decrease in mortgages and loans to companies.

Customer deposits, at the end of the year, stood at EUR 309,068 million with a decrease of 0.51% over the previous year. Demand deposits decreased by 10.43% and time deposits increased by 20.06% , showing growth mainly in corporates.

Net interest income in 2022 stood at EUR 6,376 million, 51.88% higher than the previous year, positively impacted by the capture of the rate increase, driven by customer acquisition and active management of prices, with control of the cost of liabilities.

Income from equity instruments amounted to EUR 9,652 million in 2023. This line includes **dividends** received from the Group subsidiaries.

Net fee income decreased by 1.09% compared to 2022 to 2,628 million euros, due to lower income from asset management, impacted by the decline in markets in the previous year.

Gains/losses on financial transactions (including exchange differences) reflected gains of EUR 509 million as compared to 199 million in the previous year.

General administrative expenses (personnel and other administrative expenses) were EUR 5,111 million, increasing 9.14% as compared to the previous year,

affected by inflation and growth in the wholesale business.

Impairment losses on financial assets (net) in 2023 accounted for EUR 1,372 million, 0.35% of financial assets at fair value with changes in other comprehensive income plus financial assets at amortized cost.

On the other hand, **the impairment of investments in subsidiaries, joint ventures or associates and non-financial assets** in 2023 amounted to EUR 1,026 million and **losses of non-current assets held for sale** amounted to EUR 99 million.

Distribution proposal of the Bank's profit

With regard to the 2023 results, the board followed a policy of allocating 50% of the Group's reported profit, excluding non-cash, non-capital ratios impact items, to shareholder remuneration, distributed as approximately 50% in cash dividends and 50% share buybacks.

Interim remuneration. On 26 September 2023, the board resolved to:

Pay an interim cash dividend against the 2023 results of 8.10 euro cents per share entitled to the dividend (equivalent to approximately 25% of said Group's reported profit in H1'23); it was paid from 2 November 2023.

Execute the First 2023 Buyback Programme worth approximately EUR 1,310 million (equivalent to approximately 25% of said Group's reported profit in H1'23).

Final remuneration. Under the 2023 shareholder remuneration policy, on 19 February 2024 the board of directors resolved to:

Submit a resolution at the 2024 AGM to approve a final cash dividend in the gross amount of 9.50 euro cents per share entitled to dividends. If approved at the AGM, the dividend would be payable from 2 May 2024.

Implement the Second 2023 Buyback Programme worth 1,459 million euros, for which the appropriate regulatory authorization has been obtained, the execution of which will begin on 20 February 2024.

Once the above-mentioned actions are completed, total shareholder remuneration for 2023 will total 5,538 million euros (approximately 50% of the Group reported profit -excluding non-cash, non-capital ratios impact items- in 2023), distributed as approximately 50% in cash dividends (2,769 million euros) and 50% in share buybacks (2,769 million euros). These amounts have been estimated assuming that, as a consequence of the partial execution of the Second 2023 Buyback Programme, the number of outstanding shares entitled to final cash dividend will be 15,483,617,874. Therefore, that amount may be higher if fewer shares than planned are acquired in the Second 2023 Buyback Programme; otherwise, it will be lower.

See more information in section 9.2 Dividend policy.

4. Trend information

This directors' report contains prospective information on the directors' plans, forecasts and estimates, based on what they consider to be reasonable assumptions. Readers of this report should take into account that such prospective information must not be considered a guarantee of our future performance. As the plans, forecasts and estimates are subject to numerous risks and uncertainties our future performance may not match initial expectations. These risks and uncertainties are described in the Risk management chapter of this report and in note 49 of the financial statements.

We expect a moderate economic slowdown in 2024, in an environment of continued uncertainty due to global geopolitical tensions. We expect inflation will continue to decelerate gradually towards the central banks' targets, which should allow regions such as Latin America to continue to cut rates and others, such as the US and Europe, to slowly start reducing them, particularly in the second half of 2024. We do not expect this slowdown to cause a marked pick up in unemployment, given the tight labour supply in most markets.

Our **macroeconomic forecast for 2024** by country/region is as follows:

Eurozone

Following the economic stagnation in 2023, we expect the weaker tone to continue in 2024 (forecast GDP growth 0.6%). However, the eurozone may avoid a recession as we expect private consumption and foreign demand to pick up. We believe inflation will continue to fall, though not linearly, as the withdrawal of fiscal measures causes temporary upturns. We expect a slight rise in the unemployment rate while remaining close to historic lows. Fiscal policy is expected to adopt a restrictive tone as the Stability Pact is reactivated. The reduction in inflation could pave the way for interest rate cuts in the second half of 2024.

Spain

We expect growth to slow down in 2024 to 1.6%. Private consumption will likely be the main driver of growth as household disposable income remains high (lower inflation, expected rate cuts in 2024 and a stable labour market). Tourism is expected to grow above general GDP, but would decelerate. We expect inflation (headline and core) will end the year around 3%. Energy should no longer detract from inflation and the withdrawal of the measures introduced to combat the energy crisis may drive a step up in inflation. Despite this, underlying pressures will moderate and we do not expect second round effects.

Our strategy in Europe is to stay focused on customer experience, service quality and delivering a common operating model. Our top priorities for 2024 are to:

- Improve our customer experience as we progress in our omni-channel strategy, simplifying and adding value to our interactions, moving towards our shared vision of being a digital bank with branches. Expand our franchise, leveraging our unique position of geographic diversification and scale.
- Increase efficiency, maintaining strong cost discipline and increasing productivity by implementing a common operating model based on simplification, scale and agility.
- Maximize our business value through agile pricing and active capital management focused on sustainable asset rotation and greater emphasis on high-value origination.

Our strategy in Spain will focus on:

- Grow in all business segments centred on further increasing the customer base and loyalty leveraging on our global and regional scale.
- Accelerate business transformation, in particular organizational, process and product simplification, leveraging global platforms and new technologies such as generative AI, which allow us to structurally reduce our cost to serve.

See more information in the Consolidated Directors' Report.

5. Non-financial information

This Statement of Non-Financial Disclosures of Banco Santander, S.A., which is part of the Separate Directors' Report, contains the non-financial disclosures set out in the Consolidated Directors' Report of Grupo Santander together with other material useful comparative information for Banco Santander, S.A. that is appropriate for an understanding of the trends, results, status and impact of the activities of Banco Santander, S.A., including information on matters of the environment, society, human rights, the fight against corruption and bribery, and personnel.

When drawing up the non-financial information contained in this Separate Statement Of Non-Financial Disclosures, we considered the double materiality analysis carried out by the Group, based on the Global Reporting Initiative (GRI) and considering the Corporate Sustainability Reporting Directive (CSRD).

General information

Banco Santander, S.A.'s purpose is to help people and businesses prosper. Our three sustainability priorities are:

- 1) aiding the transition to a low-carbon economy:
 - Help customers transition faster and develop the best possible sustainable finance and investment proposition.
 - Decarbonize our portfolios to reach net zero, without compromising other environmental objectives.
- 2) promoting inclusive growth:
 - Promote employee well-being and equal treatment and opportunity for all.
 - Support financial health and inclusion, as well as access to products, services and financial education.
 - Promote information transparency and customer data protection.
 - Support education, employability and entrepreneurship.
- 3) maintaining strong governance and culture across the organization:
 - Promote an ethical culture, conduct and behaviours according to The Santander Way and our Simple, Personal and Fair principles.
 - Continue embedding ESG standards in our governance and core operations, and bolster our teams' capabilities in business, data reporting and risk management.

Regarding sustainability, the board of directors approves and oversees the implementation of policies and

strategies related to our corporate culture and values, responsible practices and sustainability. It also ensures that all the Group's employees are aware of our codes of conduct, act ethically and comply with the law, customs and good practices of the sectors and countries in which we operate.

The responsible banking, sustainability and culture committee (RBSCC) assists the board of directors in monitoring the Group's responsible banking agenda and strategy.

The RBSCC has the support of the Responsible Banking Forum, which promotes and implements the responsible banking strategy throughout the Group, drives decision-making and ensures the execution of any mandates from the RBSCC, other board committees and the board of directors. The Forum also ensures alignment on key issues, including the review and submission of proposals to the RBSCC.

The Group's corporate responsible banking corporate unit and RB network work jointly to deliver on our strategy in a coordinated way across the Group:

The internal rules that embed sustainability standards in our business model include the Responsible banking framework, the Responsible banking and sustainability policy, and the Responsible banking model. In addition to these rules, which apply to all the Group's units and businesses, we have policies on responsible employee practice, responsible customer practice, donations, and business conduct.

Identifying the non-financial risks of our operations is a priority for Banco Santander.

We have procedures to identify, analyse and assess these risks in transactions that are subject to the bank's policies and to external commitments like the Equator Principles, which we have been applying since 2009.

Banco Santander is also part of these leading international sustainability initiatives: UN Global Compact, Banking Environment Initiative, World Business Council for Sustainable Development, UNEP FI, Glasgow Financial Alliance for Net Zero, Net Zero Banking Alliance, Net Zero Asset Management, CEO partnership for Financial Inclusion, and others. We're a founding member of the UN Principles for Responsible Banking.

In Spain, we're a member of Forética, the Spanish Association of Sustainable Growth, and Fundación SERES.

In 2023, we maintained our position in MSCI (AA) and remain in the DJSI World and European Index for Banks. In CDP we maintained our positioning at Leadership level, however decreased from A to A-. We improved our position in Sustainalytics, scoring 19.7 points (-2.7 points) and placing in the 'low risk' category. We scored 65 points (+4 points) in Moody's and 4.7 points (+0.6 points) in FTSE4Good.

Information about environmental issues

Our ambition is to be net zero in carbon emissions by 2050. We have a four-pronged climate strategy and made public commitments to:

1) Align our portfolio with the Paris Agreement goals to help limit warming to a 1.5°C rise above pre-industrial levels; and set sector portfolio alignment targets in line with the NZBA and with NZAMi.

2) Help our customers' green transition, with the target to raise or facilitate EUR 120 bn in green finance between 2019 and 2025 and EUR 220 bn by 2030; offer our customers guidance, advice and specific business solutions; and enable them to invest in a wide range of products according to their sustainability preferences, with the target of reaching EUR 100 bn AuM in SRI by 2025.

3) Reduce our impact on the environment, implementing efficiency measures, sourcing all our electricity from renewable energy by 2025 and remaining carbon neutral in our operational footprint. Our 2022-2025 Energy efficiency and sustainability plan includes more than 100 measures to reduce energy consumption. One of them is purchasing renewable electricity in every country where it's possible to certify its origin. The renewable electricity we purchase and produce accounts for 97% of our total consumption, which is close to our target for 2025;

4) Embed climate in risk management and understand and manage the sources of climate change risks in our portfolios.

Our 2023 highlights are:

- We raised or facilitated EUR 20.2 bn (EUR 114.6 bn since 2019) and took advantage of climate finance opportunities to make progress with our green finance target. We've been carbon neutral in our own operations since 2020.
- We updated our Sustainable Finance and Investment Classification System (SFICS) based on lessons learned and market trends. The SFICS accurately identifies and tracks lending and investment across the Group for business activities that help mitigate or adapt to climate change.
- We set additional decarbonization targets for the automotive sector for 2030: one for the auto manufacturing portfolio (-31% emissions intensity vs 2020); and one for the auto lending sector portfolio in Europe (between -35% and -45% vs 2022).
- We developed a methodology for tiering customers according to their degree of alignment forecast for 2030 for the energy, steel and aviation sectors. We enhanced quality assessments of transition plans, based

on updated benchmark methodologies and sector research. The tiering assessment helped set risk appetites in relation to these targets.

- We supported the University of Oxford with funding for a Transition Finance Centre of Excellence, which works in developing transition finance, best practice, new tools and insights. We also participated in the Banking for Impact on Climate in Agriculture (B4ICA) initiative, contributing through the development of methodologies to help the sector transition to low carbon.
- We continued to embed environmental and climate factors in policies, risk appetite and risk management. We strengthen our risk management cycle with initiatives such as 'The Climate Race', a target operating model to embed environmental and climate change (E&CC) factors in all stages of credit approval.
- We conducted an internal assessment of dependencies and impacts with the available data and methodologies regarding nature and biodiversity.
- In 2023, 97% of our electricity came from renewable sources (In Spain 100%). We have been reducing our carbon footprint since 2011 and mitigating beyond the value chain the remaining CO₂e emissions from our own operations since 2020.
- In Spain we offered sustainable products and services such as financing of solar panels, wind farms and battery and storage battery production; developer loans, private solar panel installation, smart meters, energy-efficient lighting, and mortgages with an A or B energy rating; leasing and financing of electric and hybrid vehicles (<50 g CO₂ per passenger/km), charging stations, bicycle lanes and others; and financing of sustainable agriculture practice, such as more efficient irrigation systems, machinery and reduced fertilizer use.

Information about labour questions and employees

We want to be an employer of choice. Our approach is based on three pillars:

- I. Ensuring we have the right talent and skills in place to enable the Bank's transformation; attracting and engaging the best talent, with a strong focus on employee development; and having a best-in-class employee value proposition.
- II. Putting the employee at the centre of all we do; ensuring that we have the best culture and a great employee experience delivered through diversity, equity and inclusion, culture, and

health and well-being initiatives; and listening to employees so we can continuously improve.

- III. Driving change in the company; shaping a more dynamic organization that's ready to face the future with a positive impact on society; having the best organizational design; utilizing new ways of working to drive value; and holding meaningful conversations with our stakeholders.

a) Employment and talent attraction

As at 31 December 2023, Banco Santander had 35,266 employees in Spain, with a split of 47 women and 53 men. Banco Santander, S.A.'s had 21,982 employees (49,9% women, 50,1% men), with 32,2% of women in senior positions, 99,8% of employment contracts are permanent, and the average gender pay gap at 2023 year end was 22,3%, and the equal Pay Gap 3,5%. 2% of our employees have some form of disability.

Our talent attraction strategy focuses on positioning ourselves as an employer of choice, providing a great candidate experience when hiring and onboarding, and moving fast to respond to the ever-changing needs of our business.

In 2023 we delivered:

a. Digital Transformation: We adopted a Group-wide Acquisition Tracking System in our core markets which enabled us to become more efficient in our hiring. Through digitalization, we reduced time to hire and improved the candidate experience. We also launched a test of a new platform to help us screen high volumes of applications quickly, as well as other machine learning solutions to assist with candidate selection.

b. Graduate Programmes: We have programmes to attract young and emerging talent across all our markets, ensuring we stay well positioned with new candidates joining the market. In 2023 we attended key local and global e-employment events and worked with Universia to reach into University talent.

c. We bolstered our employee value proposition (EVP): our focus in 2023 was specifically on STEM talent. Through our Global BeTech! programme we offer hybrid working models for tech teams and more agile ways of working.

b) Ways of working

Talent management

In 2023 we put a keen focus on being close to the needs of our businesses and helping them anticipate their future talent needs. We created talent programmes that help individuals meet their individual growth aspirations, while considering business demands.

Our Potential

In 2023 implemented a 'potential assessment model' in all units which saw 109,946 current employees go through a thorough assessment of their potential in order to propose personalized development actions based on individual needs.

The implementation of the model helped us improve our succession planning and ensure we are meritocratic in our decision making by using data-driven insights captured during this process.

Mobility matters

We simplified our internal mobility proposition with four simple and transparent forms of mobility that are consistent with the business and employee needs:

- International assignments (EXPATS)
- Permanent movements
- Project-based assignments (Mundo Santander)
- SWAP programme

This year we promoted both permanent and temporary mobility as the best way to meet business needs and offer our employees real development opportunities.

We posted our internal opportunities on our Global Job Posting website, which is accessible to employees, and we saw 18,134 opportunities posted there and 14,7% of our current workforce had an upward change to higher management level on 2023.

Our Global Project Marketplace allows any business or support area to form temporary teams of the Group's best professionals.

A project is proposed and posted on our Global Job Posting website and is visible to all employees of the Group, and anyone who meets the requirements can apply.

Learning and development

Our learning and development policy sets the standards for the programmes we offer our employees. We continued to enhance our catalogue of learning solutions aligned to the most critical skills our businesses demand.

We continued to reinforce a culture where employees are encouraged to lead their own development and ensure their skills and knowledge stay relevant. They can do this by taking advantage of our digital learning platform, accessible to them 24/7.

Current and future leaders

We put specific attention on development programmes for key segments of our employee base with two key programmes in 2023:

- Young Leaders: It's a nine-month development programme for our younger generation to contribute to the Bank's strategy, increase their exposure and grow as leaders through new

experiences. In 2023, its third edition took place.

- Elevate: Our global executive learning ecosystem for professionals in leadership positions once again enabled a cohort of employees to enjoy five tailor-made learning experiences while interacting and collaborating with their peers from other countries or business areas.

c) Health and safety

Santander is committed to being one of the world's healthiest companies and to building a culture of care and awareness for our organization and for society.

Our Health and well-being strategy sets out how we protect the health, safety and well-being of all employees, associates and customers; promote a healthy lifestyle; and create long-term value. At the core of this strategy is our global policy on health, safety and well-being.

The consistent, Group-wide deployment of this strategy saw our units implement hundreds of actions worldwide, aligned to mental and emotional health, nutrition and obesity, employees with disabilities, and other health priorities in 2023.

To ensure the right focus and successful implementation of our strategy, we continued to check our employees' satisfaction and opinions through internal surveys. In 2023, we asked them about general health and well-being, physical health, mental and emotional well-being, social care, and Santander's support.

We aim to raise awareness about health and well-being through our global BeHealthy programme, which celebrated its seventh year in 2023.

We have collective agreements at bank and sector level, which consider employee health and occupational risk prevention. We have an occupational risk prevention plan that is available to all employees on our corporate Intranet. In 2023, we carried our regular employee health check-ups and after extended absences. We also worked closely with local public health authorities.

d) Employee relations

Banco Santander has a formal commitment to promote labour relations as part of our code of conduct.

Our General code of conduct (GCC) promotes equal opportunity, diversity and non-discrimination, zero tolerance for sexual or work-related harassment, respect for others, work-life balance, human rights, and environmental protection. It is also one of the core elements to prevent criminal risk.

All Group employees — general workforce, top management and members of the management bodies of the companies that make up Grupo Santander — must be aware of and comply with the GCC. The Internal Audit

area regularly reviews compliance with the GCC, with autonomy to check that it and subsidiary-level versions are appropriate and effective.

Our Responsible banking and sustainability policy sets out the general principles and commitments that guide employee relations. We promote these commitments through social dialogue. They include:

- preventing discrimination and practices that offend people's dignity;
- rejecting forced labour and child exploitation;
- respecting freedom of association and collective bargaining;
- protecting employees' health; and
- offering decent employment.

In Spain, 99.95% of our workforce is protected under a collective agreement.

e) Training

Our Learning and development policy sets the standards for the programmes we offer our employees. We continue to enhance our catalogue of learning solutions aligned to the most critical skills our businesses demand.

We also continue to reinforce a culture where employees are encouraged to lead their own development and ensure their skills and knowledge stay relevant. They can do this by taking advantage of our digital learning platform, accessible to them 24/7.

We build skills from the ground up with on-demand and sequential learning. We use proven, easy-to-follow, self-paced learning paths so employees can form a knowledge base, build proficiencies and develop new skills — their way: Fostering innovation and digital skills, enhancing core banking skills and global mandatory training to make sure we have regulatory knowledge and align with key risks. In responsible banking, we made headway with our training strategy through the development of new mandatory content for all employees. In addition, local Learning and Development teams pinpoint specific needs in their geographies and design courses based on Dojo's set standards.

f) Accessibility

We continue to work on product, service and channel (branches, apps and websites) accessibility.

g) Equality

At Santander, diversity, equity and inclusion (DE&I) are part of the common enablers of our Corporate Culture Policy (linked to the Group's transformation) and are governed at the highest level.

We have an ongoing Strategic DE&I Plan (2020- 2025) to promote an inclusive working environment where everyone can be themselves. Our three DE&I principles can be found in the Culture policy.

We maintain rigorous standards for hiring, promotions, succession planning and talent pipelines to strengthen diversity. We also promote implicit bias training, as well as mentoring, networking and other actions aimed at creating a more inclusive environment.

Our public targets are:

- Having women members make up between 40% and 60% of our board of directors. We ended 2023 with 40% women members.
- Having women in at least 35% of our executive positions. We ended 2023 with 31.4% of our Group executive positions held by women. 31.4% also in Spain, and 32,2% in Banco Santander, S.A.

Information about Human Rights

In line with our corporate culture, Banco Santander will respect and promote human rights; and prevent or, otherwise, minimize any violation our operations may cause.

Our board-approved Responsible banking and sustainability policy sets out Santander's ESG commitments, including human rights protection for our employees, customers, vendors and the communities we serve. It upholds the highest standards, such as the United Nations Guiding Principles on Business and Human Rights (UNGP) and the Universal Declaration of Human Rights.

We run initiatives to combat discrimination, forced labour, child exploitation and other affronts to people's dignity, as well as to preserve freedom of association and collective bargaining, our employees' health, and decent employment.

We protect our customers' human rights through responsible business practices and guaranteeing the protection of their data.

We improved our vendor questionnaires and environmental, social and human rights analysis to ensure respect for human rights along our supply chain.

We're also enhancing human rights questionnaires to include risks to customers in the supply chain under our Environmental, social and climate change risk management policy. Thus, our analysis of customer exposure to social risks is more robust.

We assess the human rights impact on transactions that fall within the scope of the Equator Principles.

Canal Abierto is our mechanism to protect human rights in the Group's operations, according to principle 31 of the UNGP.

Information about the fight against corruption

The Group continued to prioritize embedding its anti-bribery and corruption (ABC) compliance framework in 2023, with a strong commitment from marketing,

sponsorships, vendor management, human resources and other key functions that are exposed to high ABC risk. Our training strategy continued to combine introductory courses with more detailed and customized content for certain teams. In 2023, we delivered technical training on penalty enforcement, ABC risk awareness workshops with staff from the Acquisitions team, and courses for board members.

The Group received 125 complaints about equal opportunity and non-discrimination; 12 led to disciplinary action, including 6 dismissals. There is no record of any lawsuits filed by an employee or their representatives against Banco Santander, S.A. in relation to incidents of discrimination or violation of rights.

The Group also received 15 complaints regarding corruption, which led to two dismissals.

Moreover, we received 267 reports from third parties (207 from customers and 60 from vendors).

All incidents reported through *Canal Abierto* are handled appropriately, whether they are found to be substantiated or not.

Information about society

a) Commitment to sustainable development

Banco Santander has supported education, employability and entrepreneurship for over 27 years through our unique Santander Universities initiative.

We have invested over 2.3 billion euros in partnership with more than 1,200 universities in 26 countries, supporting over 1.5 million people and businesses. In 2023 alone, we invested 105 million euros and supported over 499,000 people and businesses. We a commitment to invest some 400 million euros between 2023 and 2026.

Banco Santander also supports the communities we serve through local programmes, where we encourage our employees to get involved in a show of solidarity, motivation and pride in belonging, while staying close to their surroundings. In 2023, Banco Santander invested over EUR 68.9 million in social programmes, including some EUR 13,4 million in Spain, to help more than 300 thousand people.

In Spain, Fundación Banco Santander works to build a fair, inclusive and sustainable society by financing and running several cultural, educational, social and environmental projects.

b) Sub-contracting and vendors

Our corporate third-party certification policy provides a methodology for all subsidiaries to make sure that our suppliers meet the Group's minimum requirements. In addition to traditional legal, tax, technical and ethical standards, it includes such sustainability standards as human rights and diversity and inclusion for suppliers that provide risk services to the Group. Risk services are

services provided by suppliers that handle highly sensitive data or where a disruption in their services could severely damage the business.

In 2023, we continued to work on procedures to assess our vendors' compliance with ESG standards. The assessment consists of questionnaires on carbon footprint, gender and disability inclusion, flexible working, minimum wage, good corporate governance and other factors. We use the assessment findings to work with vendors on remediation plans and specific ESG training.

In 2023 we introduced ESG standards in tenders for certain product and service taxonomies with an environmental and social impact. We have created initiatives to support our suppliers and help them meet the requirements of domestic, European and international ESG regulatory frameworks.

c) Consumers

At the end of 2023 the bank has 15 million customers in Spain, and 165 million at group level. Our approach is to make every customer experience Simple, Personal, and Fair. The customer is at the centre of everything we do. We constantly listen to our customers to deliver the best practices.

As for customer protection, our product governance and consumer protection area oversees how we follow our customer conduct risk model. The model sets out the stages of service design, sales, post-sales and execution.

Santander's product and service approval policy, supported by local decision-making bodies and the corporate product governance forum, helps ensure that products and services are designed to meet the needs and interests of the target audience at a fair price, and with transparent processes and oversight throughout their service life.

As for our conduct in sales, we assess the customers' needs and characteristics to offer the most adequate products for each of them. Commercial teams training and remuneration schemes play a vital role in embedding conduct standards in our culture and daily operations.

As for our conduct in fraud management, in 2023, we continued to build on the customer impact component of our fraud management analysis that we began rolling out in 2022. The Compliance and conduct, Cybersecurity and Secure User Experience, Cards, and Non-financial risk areas worked together on drawing up lines of action to embed conduct in fraud management.

Moreover, we have a management model for vulnerable customers and special cases. In 2023, we enhanced our services for vulnerable customers to prevent over indebtedness and turn best practice guidelines into policy in all subsidiaries, so as to ensure a common approach throughout the Group for employee training, recognition of vulnerable customers, case escalation,

product and service design, recovery activities, fraud management, and assistance for senior citizens and people with disabilities.

We defined metrics to proactively identify and address the needs of customers in vulnerable circumstances.

We launched a global awareness training programme on helping vulnerable customers. Some clear indications of our vulnerable customer strategy's forward momentum are:

- We instituted customer protocol for senior citizens and people with disabilities to prevent exclusion and enhance their experience.
- In Brazil, we published Febraban's practices for engaging with vulnerable customers, in which Santander had a prominent role.

Financial inclusion and health are a priority for Santander in reducing inequality and promoting prosperity and entrepreneurship, and a component of how we identify customers facing financial distress.

To deliver on this, we established processes for developing products and services, training our teams, and engaging with external parties.

Santander wants to help tackle the financial inclusion challenges in the markets where we operate. In Latin America, our main objective is to guarantee access to the financial system. In mature markets, we want to make sure nobody has to exit it.

Having exceeded our target to financially empower 10 million people between 2019 and 2025 (reaching 11.8 million in 2022), we set a new target to financially include 5 million more between 2023 and 2025. We use the UNEP FI Principles as a guide. Our analysis of the World Bank's Global Findex Database 2021 in relation to our targets and the gap in access to the banking system in each of our markets confirmed that our target is consistent with our market share.

In 2023, we financially included 1.0 mn people through access initiatives; and 0.8 mn people through finance initiatives.

As for financial education, it is fundamental to financial health and inclusion, and to helping people and businesses prosper.

We aim to help our customers better understand banking products and financial concepts and risks to make the right decisions for their financial well-being, while promoting market stability.

In 2023, 11.5 million people accessed our financial education initiatives, includes social media as a tool to boost our younger customers' financial knowledge.

Additionally, we measure individual and SME customer satisfaction (Net promoter score — NPS) and experience through surveys on products, service and reputation in our core markets. We use the findings of these surveys

to draw up and execute action plans. The management committee oversees these plans at global and local level. We include the NPS in our pay schemes for all employees.

In 2023, we sent over 9 million surveys to customers from all segments to find out how we can enhance their experience and our products and services. Results showed improvements in customer service at our contact centres and in the perception of the bank's innovation.

In 2023, we ranked in the top 3 for NPS in seven of our core markets. Among them, in Spain.

As for complaints handling, we manage customer issues and complaints proactively by carrying out root-cause analysis and applying learning. In 2023, Banco Santander received 88,326 complaints in Spain (15.8% up on 2022).

d) Tax information

Santander's tax strategy sets out the tax principles that the entire Group must follow. The board of directors approves it and revises it regularly.

The Group's tax risk management and control, which draws on our internal control model, must be consistent with the principles in the tax strategy.

Since 2010, we've abided by Spain's Code of Good Tax Practices and the UK's Code of Practice on Taxation for Banks and, more recently, Portugal's Code of Good Tax Practices. Moreover, we participate in cooperative compliance initiatives led by tax authorities. Since 2015, we've voluntarily submitted an annual Tax Transparency Report to Spain's Tax Authority.

Banco Santander contributes economically and socially in the countries where we operate through the payment of taxes borne directly by the Group and the collection of taxes — as a collaborating entity with tax authorities — that third parties owe from their operations.

In 2023, the total taxes collected and paid by Banco Santander in Spain amounted to EUR 3,275 million, of which 1,633 million were the bank's own taxes and EUR 1,642 million were third-party taxes.

6. Research, development and innovation

Research, development and innovation activities

Innovation and technological development are crucial to Santander's strategy. We focus on operational excellence and customer experience to meet the challenges that stem from digitalization.

The information we gather on new technology platforms helps us better understand the customer journey and design a more accurate digital profile which boosts confidence and increases customer loyalty.

In addition to competition from other banks, we must be mindful of new entrants to the financial system that use new technology to stand out from the crowd and gain a competitive advantage.

Developing a sound strategic technology plan must provide:

- greater capacity to adapt to customers' needs (customized products and services, full availability and excellent, secure service on all channels);
- enhanced processes for Santander's professionals to ensure greater reliability and productivity; and
- proper risk management that provides teams with the means to spot and assess all business, operational, reputational, regulatory and compliance risks.

As a global systemically important bank, Santander and its subsidiaries face increasing regulatory demands that impact system models and underlying technology, which require considerable investments to guarantee compliance and legal certainty.

As in previous years, the European Commission's 2023 EU Industrial R&D Investment Scoreboard (based on 2022 data) recognized our technological effort. We were the top Spanish bank and the second bank globally in R&D investment, with EUR 1,748 million. The equivalent investment in R&D&I to that considered in the ranking was EUR 2,197 million.

Technological strategy

To aid the Group's strategy to become the best open digital platform for financial services, our technology must boost efficiency and minimize risk through optimization, growth and value creation.

Our IT strategy ensures that our technology supports future business growth and is based on simplification, reusable components and Platform model. It is consistent with the Group's strategic initiatives and global business and operating models.

As a result and mainly because of the successful implementation of Gravity in September 2023,

Santander was named the world's most innovative bank by The Banker magazine. This implementation established the foundations for digitalization with its own core banking software.

To ensure the commitment of all Group units to the IT strategy, the active players in the key decisions of the platform model meet monthly in the Global Platform Governance (GPG) formed by the heads of global, regional and global business technology.

These principles combined with the global businesses guide technological development and integration with such new digital capabilities as agile methodologies, the public and private Cloud, core systems development, and advanced technological skills (API - application programming interface-, artificial intelligence, robotics, blockchain, etc.) and data.

To implement our technology strategy, we use internal regulation, the Group's commitment and experience in working with our entities and a governance model that defines projects and initiatives to shape the strategy across our footprint.

The development of our Technology and Operations (T&O) model is constant as we adapt to business requirements. Santander Digital Services (SDS) was created in January 2023, as a result of the integration of Santander Global Technology & Operations and Santander Technology and Operations Spain. The company, with 9,000 employees in Spain, Poland, Portugal, the UK, Mexico, the US, Brazil and Chile, is a key element in Santander's technology and operations strategy, offering its services and know-how to the Group entities and banks.

Innovation is at the core of Santander's activity, with a commitment to the latest technologies that enable more robust, efficient and secure systems and processes, in which SDS equipment plays a key role.

Finally, like the rest of the Group, SDS is committed to improving its positive impact on society attracting diverse tech talent to help us gain the internal knowledge necessary for our transformation, enhancing internal volunteering initiatives and implementing specific plans to offset our carbon footprint.

Technological infrastructure

Santander has a network of high-quality data centres (CPDs) interconnected by a redundant communications system. They are spread across strategic markets to support and develop our operations. They combine traditional IT systems with the capabilities of a private, on-premise cloud, which, thanks to its swift adoption, enables us to integrate management of the business areas' technology, accelerate digitalization and achieve significant cost savings.

Santander has migrated more than 95% of its technology infrastructure to the cloud and has already started to deploy next generation infrastructure in the

on-premise private cloud with a technology architecture that provides greater resilience and efficiency while reducing energy consumption. Our local Cloud Centres of Excellence (CCoEs), coordinated by Global CCoE, guarantee consistent and rigorous Cloud adoption across our entities. This minimizes risk in accordance with our Public Cloud policy. Migration will also contribute towards Santander's responsible banking goals as we expect it to reduce the energy our technology infrastructure consumes by 70%.

Cybersecurity

Cybersecurity is crucial to support our purpose of helping people and businesses prosper and to offer customers excellent digital services. The growing cyber threat combined with the increasing reliance on digital systems, make cybersecurity one of Santander's main priorities.

In 2023, Santander has continued evolving our cyber defences in line with the Cybersecurity Vision and key strategic initiatives. New controls were implemented following a cyber threat-led approach, covering current areas of risk and new attack methods. In addition to the evolution of our Ransomware readiness and Data Leakage Prevention frameworks developed in 2022, a new Distributed Denial of Service framework has been designed, responding to the increased threat derived by the geopolitical backdrop. New controls have been developed, notably around supply chain, backup and recovery and fraud prevention measures reinforced by leveraging behavioural biometric solutions and machine learning technology.

To strengthen our response, streamline operations, and maximise resources, the Santander Fusion Centre was inaugurated in 2023, enabling closer collaboration between Cyber and IT Monitoring teams. The Fusion Centre operates 24 hours a day, 7 days per week, providing services to all entities of the Group, detecting, monitoring, and responding to operational failures and cybersecurity events.

In parallel, Santander is preparing for the new requirements of upcoming regulations on cybersecurity matters, whilst decoding the pros and cons derived from emerging technologies, such as Quantum and Generative AI. The collaboration with the World Economic Forum to publish "Quantum Readiness Toolkit: Building a Quantum-Secure Economy", and the implementation of new use cases leveraging AI to improve detection capabilities and automation in cybersecurity operations are some examples.

Santander continues boosting public-private collaboration, going beyond information sharing. In 2023, Santander was formally associated with the 'Cybercrime Atlas' initiative of the World Economic Forum as a member of the Steering Co. and co-leads the first cyber meeting of the European Financial Services Roundtable and Chairs the European FS-ISAC Board. Santander also hosted the 11th Institute of International Finance (IIF) Cyber Roundtable.

Santander proactively identifies IT assets, systems, and information and assesses their risk and protection levels to detect and remediate any potential weaknesses by using vulnerability scanning, penetration testing and red team simulations of real cyberattacks. Internal and external auditors review periodically our information systems.

In addition to regular testing and reviews, independent third-party certification authorities review and certify our critical cybersecurity processes. Certifications, including the International Organization for Standardization (ISO) 27001:2022 and 27017, and the Statement on Standards for Attestation Engagements (SSAE) 18, are periodically reviewed and updated, certifying new processes and controls on an annual basis.

Fintech ecosystem

Santander is an active participant in the fintech ecosystem in all the regions where we operate. As part of our efforts to foster and channel innovation into Santander while providing better customer experience and improving our efficiency, we work with fintech companies as partners. Through our Fintech Station programme, we work with startups and scaleups on pilot programmes and either implement or co-create new products and services with them. In 2023, Santander Fintech Station worked on 15 proof of concepts (POCs) and put six initiatives into production. Santander also provides banking services to these fintech companies, including growth financing, transactional banking, FX and advisory services among others. As an example of collaboration with a fintech, in 2023 SCIB partnered with Komgo to digitalize trade finance and made an equity investment in the company.

Santander is an active investor in the fintech sector, sometimes directly (like with Komgo) and through funds sponsored by the Group, such as Mouro Capital (global fintech venture capital fund). To date, Mouro has invested in 47 companies throughout Europe, North America and South America, and continues to be a key tool to spark innovation within the Group. Santander partners with many companies in Mouro's portfolio, for example with ThetaRay for AML/Sanctions screening globally and Autofi for PoS auto financing in the US. Atempo Growth, a pan-European venture debt fund also sponsored by Santander, solidified its market position in 2023, having funded 26 companies, many of them in the fintech space (e.g. Form3, Acin, Clarity.ai). Finally, in 2023, Santander launched a venture debt fund alongside

Inveready to provide financing to high growth startups in Spain.

See more information in the Consolidated Directors' Report.

7. Customer service and customer defence

Customer Service Annual Report

In accordance with article 17 of order ECO / 734/2004 of March 11 of the Ministry of Economy on the departments and services of Customer Service and the Customer Ombudsman of Financial Institutions, the directors' report summarizes the Annual Report to be presented by the holder of the Service on the Board of Directors in March 2023.

Customer service and customer defence service

In compliance with Law 44/2002 on Measures for the Reform of the Financial System of the 734/2004 Order of the Ministry of Economy on Departments and Services of Customer Service and the Customer Ombudsman of Financial Institutions and in accordance with Article 37 Of the Regulations of the Customer Claims and Attention and Defence Service in Grupo Santander, below is a summary of the activity developed by the said Service during 2023, in relation to the management of complaints and claims.

This complaint and customer service department has managed during 2023 the claims of 19 companies of Grupo Santander in Spain, following the accession of the company Santander Alternative Investments SGIIC, the merger of Luri 6 with Altamira and the deregistration of Santander Capital Desarrollo in September 2022

Global evolution of complaints and claims received by Banco Santander in 2023

In 2023, 96,438 claims were accepted in the complaint and customer service department. Of these, 1,876 came through the Customer Ombudsman, 1,309 through the Bank of Spain, 141 through the National Securities Market Commission (CNMV) and 73 through the General Directorate of Insurance and Pension Funds (DGSFP).

Analysis of claims by affected products

The following is the classification of complaints received in 2023 according to the type of product:

Number of complaints	2023	2022
Assets	46,500	25,031
Liabilities	12,310	15,151
Services	14,944	16,513
Insurances	1,359	1,615
Funds and Plans	855	1,529
Payment methods	17,047	22,995
Securities / Capital Markets / Treasury	1,118	1,853
Others	2,305	1,977
	96,438	86,664

Resolution of claims and complaints

As of 31 December 2023, 92.51% of the complaints and claims received had been resolved.

The average resolution time in 2023 was 14 calendar days. 38.51% of the complaints and claims resolved have required a processing time of more than 15 calendar days.

In 27% of cases, the resolutions have been favourable to customers.

Entities

The following are the companies adhering to the Regulation of the Customer Service of Complaints, Care and Defence of Grupo Santander and their corresponding number of complaints and claims received.

Entities	Admitted to processing	Non-admitted to processing
BANCO SANTANDER, S.A.	82,277	16,183
SANTANDER CONSUMER FINANCE, S.A.	8,106	3,860
OPEN BANK, S.A.	3,519	135
SANTANDER SEGUROS Y REASEGUROS, COMPAÑÍA ASEGURADORA, S.A.	1,320	205
SANTANDER PENSIONES, S.A., E.G.F.P.	366	48
GETNET EUROPE, ENTIDAD DE PAGO, S.L. UNIPERSONAL	344	17
SANTANDER ASSET MANAGEMENT, S.A., S.G.I.I.C.	268	77
ALTAMIRA SANTANDER REAL ESTATE, S.A.	155	52
SANTANDER FACTORING Y CONFIRMING, S.A. UNIPERSONAL , E.F.C.	47	5
SANTANDER LEASE, S.A., E.F.C.	19	7
EURO AUTOMATIC CASH ENTIDAD DE PAGO, S.L.	10	—
TRANSOLVER FINANCE, E.F.C., S.A.	6	2
SANTANDER PRIVATE BANKING GESTIÓN, S.A., S.G.I.I.C	1	1
PAGONXT EMONEY, EDE, SL	—	—
SANTANDER REAL ESTATE, S.A., S.G.I.I.C.	—	—
SANTANDER INTERMEDIACIÓN CORREIDURÍA DE SEGUROS, S.A.	—	—
SANTANDER INVESTMENT, S.A.	—	—
SANTANDER ALTERNATIVE INVESTMENTS, S.G.I.I.C.	—	—
BANCO DE ALBACETE, S.A. UNIPERSONAL	—	—
Total	96,438	20,592

The network of branches and the different channels of relationship solve, in the first instance, the requests, disconformities or incidents that the clients communicate to Banco Santander, trying to avoid that they become complaints to other instances.

8. Risk management, solvency and capital

See notes 50 and 1.e) on risk and capital to the Bank Annual Accounts. See more information in the Consolidated Directors' Report.

9. Other relevant information

9.1 Treasury shares:

See note 30 to the Bank Annual Accounts.

The acquisition of treasury shares was last authorized at our 2023 AGM, for five years and subject to these provisions:

- Treasury shares held cannot exceed 10% of Banco Santander's share capital at any time, which is the legal limit set under the Spanish Companies Act.
- The acquisition price may not be lower than the par value of the shares, nor exceed by more than 3% the highest of the last independent purchase or the highest independent offer at that time at the trading venue where the purchase is made.
- The board may set the purposes and the procedures in which it may apply.

On 27 June 2023, the board approved the current treasury shares policy, which dictates that treasury share transactions may be carried out for these purposes:

- Provide liquidity or supply of securities in the market for Banco Santander shares, which gives this market depth and minimizes any potential temporary imbalances in supply and demand.
- Take advantage, for the benefit of all shareholders, of weakness in the share price due to its medium-term outlook.
- Meet the Group's obligations to deliver shares to our employees and directors.
- Serve any other purpose authorized by the board within the legal limits and those set at the general meeting. In this regard, Banco Santander made during the year the donation to Fundación Banco Santander indicated below in the context of its Responsible Banking Policy.

Among other things, the policy also provides for:

- The principles to uphold in treasury share trades, which include protecting financial markets' integrity and prohibiting market manipulation and insider trading.
- The criteria for carrying out treasury share trades, unless in exceptional circumstances as per the policy or carried out through mechanisms, such as buyback programmes, with a regulation of their own. These criteria include:
 - Responsibility for execution of **these trades**, which falls on the Investments and Holdings department, which is kept separate from the rest of Banco Santander.

- Venues. Trades must generally be carried out in the orders market of the *mercado continuo* (continuous market) of Spanish stock exchanges.
- Volume limits. Trades must generally not exceed 15% of the average daily trading volume for Banco Santander shares in the previous 30 sessions on the relevant trading venue.
- Price limits. In general, (a) buy orders should not exceed by more than 3% the higher of (i) the price of the last independent transaction prior to the relevant acquisition or (ii) the highest independent bid at the time on the trading venue where the purchase is made; and (b) sell orders should not be lower than the lesser of the price of the last trade in the market by independent parties and the lowest sell order price in the order book.
- Time limits, including a black-out period that applies (a) during the 15 calendar days prior to the publication of the Bank's quarterly financial information and (b) if Banco Santander has decided to delay the disclosure of inside information according to market abuse regulations, until such information is disseminated. In the case of buyback programmes, the specific regulations establish a black-out period of 30 calendar days prior to the publication of annual and semi-annual results, which, however, will not apply when the buyback programme is managed by a third party or when the issuer has a temporary buyback programme in place.
- Disclosure to the markets of treasury shares trading.

The policy applies to the discretionary trading of treasury shares irrespective of whether they are carried out in regulated markets, in multilateral trading facilities, outside the orders market, either through blocks or through special transactions, or under buyback programmes. Furthermore, buyback programmes shall comply with all the applicable specific regulations, such as regulation on market abuse and their relevant implementing rules. The policy does not apply to transactions on Banco Santander's shares carried out to hedge market risks or provide brokerage or hedging for customers.

The full treasury shares policy is available on Banco Santander's corporate website.

Execution of the buyback programmes charged against 2022 results

According to the 2022 shareholder remuneration policy, two buyback programmes were executed:

- In the first buyback programme, executed from 22 November 2022 to 31 January 2023, we acquired 340,406,572 treasury shares (2.03% of share capital). Under the authorization of the 2022 AGM, on 1 February 2023 the board resolved to reduce

Banco Santander's share capital through the cancellation of the repurchased shares.

- In the second buyback programme, executed from 1 March to 21 April 2023, we acquired 269,848,953 treasury shares (1.64% of share capital). In the terms agreed by the 2023 AGM, on 24 April 2023 the board resolved to reduce Banco Santander's share capital through the cancellation of the repurchased shares.

First 2023 Buyback Programme

Under the authorization of the 2023 AGM, and according to the 2023 shareholder remuneration policy, on 26 September 2023 the board resolved to execute a new share buyback programme worth EUR 1,310 million (approximately 25% of the Group's underlying ordinary profit in first semester 2023).

In the First 2023 Buyback Programme (executed from 28 September 2023 to 25 January 2024, once the required regulatory authorization was obtained), we acquired 358,567,487 treasury shares, representing 2.22% of Banco Santander's share capital at such time, at a weighted average price per share of EUR 3.65.

On 30 January 2024, the board resolved to reduce the share capital in the amount of EUR 179,283,743.50, by cancelling the 358,567,487 repurchased shares.

Second 2023 Buyback Programme

Under the same AGM approval and also according to the 2023 shareholder remuneration policy, on 19 February 2024 the board resolved to execute a new share buyback programme worth up to EUR 1,459 million. The appropriate regulatory authorization has already been obtained and the execution will begin from 20 February 2024.

The board submitted the resolution to vote at the 2024 AGM for the share capital reduction by cancelling repurchased shares.

As at 31 December 2023, Banco Santander and its subsidiaries held 297,815,673 shares, which accounted for 1.84% of Banco Santander's share capital (compared to 243,689,025, 1.45% of the share capital, at 31 December 2022).

9.2 Dividend policy:

As required in Banco Santander's by-laws, each year the shareholder remuneration policy is submitted for approval by the AGM.

Distribution charged against 2023 results

With regard to the 2023 results, the board followed a policy of allocating 50% of the Group's reported profit, excluding non-cash, non-capital ratios impact items, to shareholder remuneration, distributed as approximately 50% in cash dividends and 50% share buybacks.

Interim remuneration. On 26 September 2023, the board resolved to:

Pay an interim cash dividend against the 2023 results of 8.10 euro cents per share entitled to the dividend (equivalent to approximately 25% of said Group's reported profit in H1'23); it was paid from 2 November 2023.

Execute the First 2023 Buyback Programme worth approximately EUR 1,310 million (equivalent to approximately 25% of said Group's reported profit in H1'23).

Final remuneration. Under the 2023 shareholder remuneration policy, on 19 February 2024 the board of directors resolved to:

Submit a resolution at the 2024 AGM to approve a final cash dividend in the gross amount of 9.50 euro cents per share entitled to dividends. If approved at the AGM, the dividend would be payable from 2 May 2024.

Implement the Second 2023 Buyback Programme worth 1,459 million euros, for which the appropriate regulatory authorization has been obtained, the execution of which will begin on 20 February 2024.

Once the above-mentioned actions are completed, total shareholder remuneration for 2023 will total 5,538 million euros (approximately 50% of the Group reported profit -excluding non-cash, non-capital ratios impact items- in 2023), distributed as approximately 50% in cash dividends (2,769 million euros) and 50% in share buybacks (2,769 million euros). These amounts have been estimated assuming that, as a consequence of the partial execution of the Second 2023 Buyback Programme, the number of outstanding shares entitled to final cash dividend will be 15,483,617,874. Therefore, that amount may be higher if fewer shares than planned are acquired in the Second 2023 Buyback Programme; otherwise, it will be lower.

Remuneration against 2024 results

For the 2024 results, the board intends to continue applying the same policy, consisting in a total shareholder remuneration of approximately 50% of the Group reported profit (excluding non-cash, non-capital ratios impact items), distributed in approximately equal parts in cash dividend and share buybacks, thus continuing the one applied with respect to 2023.

The shareholder remuneration policy is subject to future corporate and regulatory approvals.

9.3 Stock market information:

Banco Santander shares are listed on Spanish stock exchanges (Madrid, Barcelona, Bilbao and Valencia), the New York Stock Exchange as American Depositary Shares (ADS), the London Stock Exchange as Crest Depositary Interests (CDI) and the Warsaw Stock Exchange. Likewise, until 28 December 2023, Banco Santander shares were listed on the traditional listing of the Mexican Stock Exchange (BMV) and from 29 December 2023 the shares are listed only in the International Quotation System (SIC) of said stock exchange.

As at 29 December 2023, Banco Santander occupies the second position in the eurozone and in the twenty-first world by market value among financial institutions, with a market capitalization of EUR 61,168 million.

11,132 million Banco Santander shares traded in the year for an effective value of EUR 38,144 million and a liquidity ratio of 68%.

The Santander share closed 2023 at 3.78 euros.

9.4 Average period of payment to suppliers:

The average period of payment to suppliers during 2023 is 12 days, term which is below the maximum established in applicable regulations.

10. Events after the reporting period

No significant events occurred from 1 January 2023 to the date on which these financial statements were authorized for issue, other than those described in these annual accounts.

11. Annual corporate governance report and Annual report on directors' remuneration

According to articles 540 and 541 of the Spanish Companies Act, Banco Santander, S.A. has prepared the annual corporate governance report and the annual report on directors' remuneration for the year ended 31 December 2023 (that are part of the directors' report of that financial year) with the contents determined by Order ECC/461/2013, of 20 March, and by Circular 3/2021, of 28 September, of the National Securities Market Commission (CNMV), that modifies Circular 5/2013, of 12 June, that defines the annual corporate governance report model for listed companies, and Circular 4/2013, of 12 June, that defines the annual report on directors' remuneration model for listed companies.

The annual corporate governance report includes a section that refers to the compliance of the corporate governance recommendations in Spain.

The annual corporate governance report and the annual report on directors' remuneration are included, as a separate section, in the individual directors' report in accordance with the provisions of article 538 of the Spanish Companies Act. The aforementioned reports are sent individually, as other relevant information, to the CNMV, and are included in the consolidated directors' report as a separate section. They are available on the Bank's corporate website (www.santander.com) and on the CNMV website (www.cnmv.es).

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 AZCÁRRAGA

LUIS ISASI FERNÁNDEZ DE BOBADILLA

RAMIRO MATO GARCÍA-ANSORENA

BELÉN ROMANA GARCÍA

PAMELA ANN WALKDEN