

SUPPLEMENT DATED 4 JUNE 2020 TO THE BASE PROSPECTUS DATED 16 MARCH 2020



BANCO SANTANDER, S.A.

(incorporated with limited liability in Spain)

€25,000,000,000 PROGRAMME FOR THE ISSUANCE OF DEBT INSTRUMENTS

This supplement (the “**Supplement**”) is supplemental to, forms part of and must be read and construed in conjunction with the base prospectus dated 16 March 2020 (the “**Base Prospectus**”), prepared by Banco Santander, S.A. (“**Santander**”, “**Banco Santander**”, the “**Issuer**” or the “**Bank**”) in connection with its programme (the “**Programme**”) for the issuance of up to €25,000,000,000 in aggregate principal amount of debt instruments (the “**Instruments**”). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement constitutes a supplement to the Base Prospectus for the purposes of Article 23 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the “**Prospectus Regulation**”) and has been approved by the Central Bank of Ireland as competent authority for the purpose of the Prospectus Regulation. The Central Bank of Ireland assumes no responsibility as to the economic and financial soundness of the transactions and the quality or solvency of the Issuer. The Central Bank of Ireland only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed under Irish and European Union (“**EU**”) law pursuant to the Prospectus Regulation.

This Supplement has been prepared for the purposes of updating the risk factors in respect of the Issuer in order to reflect the latest actions of the Group and updates from the rating agencies derived from the effects on the macroeconomic conditions of the crisis caused by the Covid-19 pandemic.

IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Supplement and declares that, to the best of its knowledge, the information contained in this Supplement is in accordance with the facts and makes no omission likely to affect its import.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, no significant new fact, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Instruments issued under the Programme has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

With effect from the date of this Supplement the information appearing in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented in the manner described below.

RISK FACTORS

The following risk factor shall be inserted immediately after the risk factor “The Group's growth, asset quality and profitability may be adversely affected by volatile macroeconomic and political conditions” in the sub-section of the Base Prospectus entitled “Risk Factors—1. Macro-Economic and Political Risks”:

The decrease in the Group's economic activity and international commerce as a result of the Covid-19 could materially impact the Group

Since December 2019 a new strain of coronavirus (“**Covid-19**”) has spread from China gradually to the rest of the world, mainly the Middle East, Europe (including Spain and the UK) and the United States, among others, causing sharp declines on stock markets, a global slowdown in activity and a high level of uncertainty due to its possible impact in the medium and long term on local and global economic activity.

On 17 March 2020, the Group announced that, although it was early to estimate the impact of Covid-19, it did not expect a significant hit to business activity in the first quarter of 2020 due to the Covid-19 and that the effects would in any case depend on how the situation develops. In a V-shaped scenario of relatively minor impact, at that date the Group estimated a reduction in the order of 5 per cent. in results for 2020, without considering mitigating measures.

On 23 March 2020, Banco Santander announced that (i) the Board of Directors will consolidate any dividend payment from 2020 earnings into a single payment in May 2021, (ii) Santander has created a fund for the whole Group, financed by a reduction in senior management and board compensation, to which other employees can also contribute, to provide medical equipment and supplies to help limit the spread of the virus, and (iii) Santander's chair, Ana Botín, and chief executive officer, José Antonio Álvarez, have agreed to reduce their total compensation (salary and bonus) for 2020 by 50 per cent.

On 27 March 2020, Fitch Ratings confirmed the rating for Banco Santander's long-term deposits and debt changing the outlook from stable to negative in view of the economic consequences that the Covid-19 crisis may have on the rating in the medium term. On 29 April 2020, Standard & Poor's announced the same change of Banco Santander's outlook (from stable to negative) owing to the economic impact that the lockdown measures due to Covid-19 may have on the rating in the medium term (see “—Risks Relating to the Issuer and the Group Business - Liquidity and funding risks - A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect”).

On 28 April 2020, the Group announced that it had set aside provisions of €1.6 billion in the first quarter of 2020 due to the projected downturn in macro-economic conditions as a result of the healthcare crisis caused by the Covid-19 pandemic. These provisions are based on an early estimate of loan losses due to the pandemic. However, as of today, due to the high level of uncertainty and quickly changing situation, it is still too soon to know what all the economic effects of the crisis will be or draw conclusions in this respect.

The fall in economic activity and in international trade due to the effects of Covid-19 is having a material adverse effect on the economies of the countries where the Group operates. This worsening economic situation, tied to the negative impact that could be caused by greater protectionism, tensions in international trade or barriers to immigration, could have a material adverse effect on the Group's operating results, financial position and business outlook.

The following text shall replace the risk factor “A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect” in the sub-section of the Base Prospectus entitled “Risk Factors—2. Risks Relating to the Issuer and the Group Business—Liquidity and funding risks”:

A rating downgrade could increase the cost of funding or require the Group to provide additional guarantees in relation to some of its derivatives contracts and other contracts entered into, which could have a material adverse effect” in the sub-section of the Base Prospectus entitled

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group, and their ratings of the Group’s debt are based on a number of factors, including its financial strength and conditions affecting the financial services industry. In addition, due to the methodology of the main rating agencies, the Group’s credit rating is affected by the rating of Spanish sovereign debt. If Spain’s sovereign debt is downgraded, the Group’s credit rating would also likely be downgraded by an equivalent amount.

There is no certainty that the rating agencies will maintain their current ratings or their outlook.

Any downgrade in the Group’s debt credit ratings would likely increase its borrowing costs and require the Group to post additional collateral or take other actions under some of its derivative and other contracts, and could limit its access to capital markets and adversely affect the Group’s commercial business. For example, a ratings downgrade could adversely affect the Group’s ability to sell or market some of its products, engage in certain longer-term and derivatives transactions and retain its customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of the Group’s derivative contracts and other financial commitments, it may be required to maintain a minimum credit rating or terminate such contracts or require the posting of collateral. Any of these results of a ratings downgrade could reduce the Group’s liquidity and have an adverse effect on the Group, including its operating results and financial condition.

The Santander Group has been assigned the following credit ratings by the following agencies:

Rating agency	Long	Short	Last report date	Outlook
Banco Santander				
Fitch Ratings ⁽¹⁾	A-	F2	March 2020	Negative
Moody’s ⁽²⁾	A2	P-1	April 2020	Stable
Standard & Poor’s ⁽³⁾	A	A-1	April 2020	Negative
DBRS ⁽⁴⁾	A (High)	R-1 (Medium)	January 2020	Stable
Santander UK, plc				
Fitch Ratings ⁽¹⁾	A+	F1	April 2020	Negative
Moody’s ⁽²⁾	Aa3	P-1	November 2019	Negative
Standard & Poor’s ⁽³⁾	A	A-1	April 2020	Negative
Banco Santander (Brasil), S.A.				
Moody’s ⁽²⁾	Ba3	-	February 2020	Stable
Standard & Poor’s ⁽³⁾	BB-	B	April 2020	Stable

(1) Fitch Ratings España, S.A.U. (Fitch Ratings).

(2) Moody’s Investor Service Spain, S.A. (Moody’s).

(3) S&P Global Ratings Europe Limited (Standard & Poor’s).

(4) DBRS Ratings Limited (DBRS).

The aforementioned rating agencies have been registered with the European Securities and Markets Authority (“ESMA”) in accordance with the provisions of Regulation (EC) No. 1060/2009 of the European Parliament and of the European Council of 16 September 2009 on credit rating agencies.

The Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. Santander estimates that as of 31 December 2019, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch the Group would be required to post up to €90 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two-notch downgrade

would result in a further requirement to post up to €249 million in additional collateral. Santander estimates that as of 31 December 2019, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in contractual outflows from Santander UK's total liquid assets of GBP 1.5 billion of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two-notch downgrade would result in a further outflow of GBP 1.6 billion of cash and collateral under secured funding and derivatives contracts.

While certain potential impacts of these downgrades are contractual and quantifiable, the full consequences of a credit rating downgrade are inherently uncertain, as they depend upon numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, which may continue to be negatively affected by the Covid-19 pandemic, whether any downgrade of the Group's long-term credit rating precipitates downgrades to the Group's short-term credit rating, and assumptions about the potential behaviours of various customers, investors and counterparties. Actual outflows could be higher or lower than the preceding hypothetical examples, depending upon certain factors including which credit rating agency downgrades the Group's credit rating, any management or restructuring actions that could be taken to reduce cash outflows and the potential liquidity impact from loss of unsecured funding (such as from money market funds) or loss of secured funding capacity. Although unsecured and secured funding stresses are included in the Group's stress testing scenarios and a portion of our total liquid assets is held against these risks, a credit rating downgrade could still have a material adverse effect on the Group.

In addition, if the Group were required to cancel its derivatives contracts with certain counterparties and were unable to replace such contracts, the Group's market risk profile could be altered.

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. Failure to maintain favourable ratings and outlooks could increase the Group's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Group.