SUPPLEMENT DATED 11 APRIL 2024 TO THE BASE PROSPECTUS DATED 21 DECEMBER 2023

BANCO SANTANDER, S.A.

(incorporated with limited liability in the Kingdom of Spain)

EUR 5,000,000,000 Structured Euro Medium Term Note Programme

This first supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with the base prospectus dated 21 December 2023 (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 EUR 5,000,000,000 in aggregate principal amount of debt instruments (the "**Notes**"). 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 Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**"), as competent authority for the purpose of the Prospectus Regulation. The CNMV only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed under Spanish and European Union ("**EU**") law pursuant to the Prospectus Regulation.

This Supplement has been prepared for the purposes of (i) updating the "*Investment Considerations*" section to reflect the latest amendments on the rules and regulations applicable to Banco Santander and its Group; (ii) incorporating by reference the December 2023 Annual Report (as defined below) and amending other sections of the Programme to reflect this update; and (iii) updating the risk factors in respect of the Issuer and its Group in order to be consistent with Banco Santander's risk factors under its EUR 50,000,000,000 Programme approved by the Central Bank of Ireland as of 13 March 2024.

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 contains 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.

INVESTMENTS CONSIDERATIONS

The following text shall amend some of the sub-sections included under section entitled "Investment Considerations" on pages 54 to 64 of the Base Prospectus:

Additional information on the BRRD and SRM Regulation

The following text shall replace in its entirety the text in the sub-section entitled "Additional information on the BRRD and SRM Regulation / Capital requirements, liquidity, funding and structural reform" on pages 57 to 61 of the Base Prospectus:

The Issuer, as a Spanish financial institution, is subject to the Capital Requirements Regulation (Regulation (EU) No 575/2013) ("**CRR**") and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"). through which the EU began implementing the Basel III capital reforms from 1 January 2014. While the CRD IV required national transposition, the CRR was directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV into Spanish law has taken place through Royal Decree Law 14/2013 and Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016.

On 27 June 2019, a comprehensive package of reforms amending CRR, CRD IV as well as the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) ("**BRRD**") and Regulation (EU) No 1093/2010 ("**SRM Regulation**") came into force: (i) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending CRD IV with respect to exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures ("**CRD V**"); (ii) Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending BRRD with respect to the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC ("**BRRD II**"); (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending CRR with respect to the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012 ("**CRR II**"); and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending the SRM Regulation with respect to the loss-absorbing and recapitalisation capacity of credit institutions and investment firms ("**SRMR II**", and together with CRD V, BRRD II and CRR II, the "**EU Banking Reforms**").

The EU Banking Reforms cover multiple areas, including the Pillar 2 framework, the leverage ratio, mandatory restrictions on distributions, permission for reducing own funds and eligible liabilities, macroprudential tools, a new category of "non-preferred" senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities, changes to the definitions of Tier 2 Instruments and Additional Tier 1 Instruments (as defined in the Terms and Conditions of the Notes), the MREL framework and the integration of the TLAC standard into EU legislation as mentioned above.

With respect to the European Commission's proposal to create a new asset class of "non-preferred" senior debt, on 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union and sets forth a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of senior "non-preferred" instruments. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters created in Spain the new asset class of senior "non-preferred" debt.

In addition, on 18 April 2023, the European Commission adopted a legislative package proposal to adjust and strengthen the EU's existing bank crisis management and deposit insurance framework (the "**CMDI Proposal**"), which had been under development for some time and was accelerated in light of recent bank failures. The package contains further amendments to the BRRD, the SRM Regulation and Directive 2014/49/EU of the European Parliament and of the Council on deposit guarantee schemes, which aim at further preserving financial stability, protecting taxpayers and depositors, and supporting the real economy and its competitiveness. The proposals enable authorities to organise the orderly market exit for a failing bank of any size and business model and consists of three pillars: (i) preserving financial stability and protecting taxpayers' money through facilitating the use of deposit guarantee schemes in crisis situations, (ii) shielding the real economy from the impact of bank failure by allowing authorities to fully use resolution as a key component of the crisis management toolbox, and (iii) better protecting depositors. The CMDI Proposal also includes a targeted amendment of the "daisy chains" proposal as a separate legal instrument to address specific issues on the treatment of internal MREL. The European Commission's proposal harmonizes the standards of depositor protection across the EU by (i) harmonizing the protection of temporary high balances on bank accounts in excess of €100,000 linked to specific life events (such as inheritance or insurance indemnities), (ii) extending the depositor protection to public entities, and (iii) introducing a new single-tiered preferential ranking for all deposits, with the result that all deposits (including eligible deposits of large corporates and deposits by other banks) would rank above unsecured and unsubordinated obligations (*créditos ordinarios*), and *pari passu* with each other. Covered deposits would continue to be excluded from bail-in (and therefore have better protection than other deposits in a bail-in) but would have no "super-preference" on insolvency compared to other deposits. At the same time, non-covered deposits would rank in priority to unsecured and unsubordinated creditors and would therefore be bailed in after any such unsecured and unsubordinated creditors (which is aimed at reducing contagion risk). On 3 October 2023 the Economic and Monetary Affairs Committee of the European Parliament published three draft reports on the proposals and on 6 December 2023 the European Parliament and the Council reached provisional political agreement on the "daisy chains" proposal. As of the date of this Base Prospectus there is a high degree of uncertainty with regards to the adjustments to the CMDI Proposal and when they will be finally implemented in the EU.

CRD V Directive and BRRD II were partially implemented into Spanish law through Royal Decree-Law 7/2021, of 27 April, (RDL 7/2021) which has amended, amongst others, Law 10/2014 and Law 11/2015, of 18 June, on the Recovery and Resolution of Credit Institutions and Investment Firms (Law 11/2015). Furthermore, Royal Decree 970/2021, of 8 November, amended Royal Decree 84/2015, and Circulars 5/2021 and 3/2022 of the Bank of Spain, which amended Circular 2/2016, completed the implementation into Spanish law of CRD V. In addition, Royal Decree 1041/2021, of 23 November, amended Royal Decree 1012/2015, of 6 November, which implemented Law 11/2015 (Royal Decree 1012/2015) and completed the implementation of CRD V and BRRD II. Of note, however, is the uncertainty regarding how the EU Banking Reforms will be applied by the relevant authorities.

On 27 October 2021, the European Commission published legislative proposals to amend CRR and the CRD IV, as well as a separate legislative proposal to amend CRR and BRRD in the area of resolution. In particular, the main objectives of the European Commission’s legislative proposals are to strengthen the risk-based capital framework, enhance the focus on environmental, social and governance ("**ESG**") risks in the prudential framework, further harmonise supervisory powers and tools and reduce institutions’ administrative costs related to public disclosures and to improve access to institutions’ prudential data. Moreover, these legislative proposals include the following: (i) a directive of the European Parliament and of the Council amending CRD IV with respect to supervisory powers, sanctions, third-country branches, and environmental, social and governance risks; (ii) a regulation of the European Parliament and of the Council and its annex amending CRR with respect to requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) a regulation of the European Parliament and of the Council amending CRR and BRRD with respect to the prudential treatment of global systemically important institutions with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities (the so-called "daisy chain" proposal). The European Parliament and the Council adopted on 19 October 2022 Regulation (EU) 2022/2036 amending CRR and BRRD, which partially started to apply on 14 November 2022. The timing for the final implementation of these legislative proposals is unclear as of the date of this Base Prospectus and new or amended elements may be introduced through the course of the legislative process. Furthermore, with respect to (i) above, the Directive will need to be implemented in each of the Member States, and the way it will be implemented may vary depending on the relevant Member State.

Credit institutions, such as the Bank, are required, on a standalone and consolidated basis, to hold a minimum amount of regulatory capital of 8% of risk weighted assets (of which at least 4.5% must be Common Equity Tier 1 (CET1) capital and at least 6% must be Tier 1 capital). In addition to the minimum regulatory capital requirements, the CRD IV also introduced five capital buffer requirements that must be met with CET1 capital: (1) the capital conservation buffer for unexpected losses, requiring additional CET1 of up to 2.5% of total risk weighted assets; (2) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may require as much as additional CET1 capital of 2.5% of total risk weighted assets or higher pursuant to the requirements set by the competent authority; (3) the G-SIIs buffer requiring additional CET1 which shall be not less than 1% of risk weighted assets; (4) the other systemically important institutions buffer, which may be as much as 2% of risk weighted assets; and (5) the CET1 systemic risk buffer to prevent systemic or macroprudential risks of at least 1% of risk weighted assets (to be set by the competent authority). Entities are required to comply with the 'combined buffer requirement' (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer and the higher of (depending on the institution) the systemic risk buffer, the G-SIIs buffer and the other systemically important institutions (O-SII) buffer, in each case as applicable to the institution). Under the CRD V, where an institution is subject to a systemic risk buffer, that buffer will be cumulative with the applicable

G-SIIs buffer or the other systemically important institution buffer.

While the capital conservation buffer and the G-SII buffer are mandatory, the Bank of Spain has greater discretion in relation to the counter-cyclical capital buffer, the O-SII buffer and the systemic risks buffer. The ECB also has the ability to provide certain recommendations in this respect.

As of the date of this Base Prospectus, the Bank is required to maintain a capital conservation buffer of additional CET1 capital of 2.5% of risk weighted assets, a G-SII / O-SII buffer of additional CET1 capital of 1.25% of risk weighted assets and a counter-cyclical capital buffer of additional CET1 capital of 0.3693% of risk weighted assets. On 13 December 2023 the Bank of Spain agreed to maintain the countercyclical buffer applicable to credit exposures in Spain at 0% for the first quarter of 2024.

Moreover, article 104 of the CRD IV, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the SSM Regulation), also contemplate that in addition to the minimum Pillar 1 capital requirements and any applicable capital buffer, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those risks incurred by the individual institutions due to their activities not considered to be fully captured by the minimum capital requirements under the CRD IV and CRR, which should be set according to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution). This may result in the imposition of additional capital requirements on the Bank and/or the Group pursuant to this Pillar 2 framework.

In accordance with Articles 104a and b of the CRD V, as implemented in Spain by Article 69 and 69bis of Law 10/2014, that the institutions specific Pillar 2 capital shall consist of two parts: Pillar 2 requirements and Pillar 2 guidance. Pillar 2 requirements are binding, and breaches can have direct legal consequences for banks, while Pillar 2 guidance is not directly binding and a failure to meet Pillar 2 guidance does not automatically trigger legal action, even though the ECB expects banks to meet Pillar 2 guidance. Failure to comply with the Pillar 2 guidance is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the 'Maximum Distributable Amount' (as defined below) but, in addition to certain other measures, competent authorities are entitled to impose further Pillar 2 capital requirements where an institution repeatedly fails to follow the Pillar 2 capital guidance previously imposed.

Although CRR and CRD V do not require disclosure of the Pillar 2 guidance, the Market Abuse Regulation (MAR) ESMA Guidelines on delay in the disclosure of inside information and interaction with prudential supervision, as amended on 5 January 2022, provide that Pillar 2 guidance may be inside information if, for example, the difference between the Pillar 2 guidance and the institution’s level of capital is not minor and is likely to involve a major reaction by the institution, such as a capital increase; or if the institution’s Pillar 2 guidance is not in line with market expectations. To the extent that Pillar 2 guidance constitutes inside information, it will need to be disclosed pursuant to the obligations applicable to the Bank contained in Regulation (EU) No 596/2014 of April 16, 2014, on market abuse.

In addition to the above, the EBA published on 19 December 2014 its final guidelines for common procedures and methodologies in respect of its supervisory review and evaluation process ("**SREP**"), as revised on 18 March 2022 with the aim of implementing the amendments to the CRD V Directive and CRR II and promoting convergence towards best supervisory practices (the "**EBA SREP Guidelines**"). Included in this were the EBA's proposed guidelines for a common approach to determining the amount and composition of additional Pillar 2 capital requirements implemented on 1 January 2016. Under these guidelines, national supervisors must set a composition requirement for the Pillar 2 additional capital requirements to cover certain specified risks of at least 56% CET1 capital and at least 75% Tier 1 capital. Under Article 104(a) of CRD V (implemented into Spanish law by Article 94.6 of Royal Decree 84/2015), EU banks are now allowed to meet Pillar 2 requirements with these minimum proportions of CET1 capital and tier 1 capital.

The EBA SREP Guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macroprudential requirements; and, accordingly, the above 'combined buffer requirement' is in addition to the Pillar 1 and Pillar 2 capital requirements. Therefore, capital buffers would be the first layer of capital to be eroded pursuant to the applicable stacking order, as set out in the 'Opinion of the EBA on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions' published on 16 December 2015. In this regard, under Article 141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the 'combined buffer requirement', be prohibited from paying any 'Discretionary Payments' (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and discretionary pension benefits and distributions relating to Additional Tier 1 Instruments (as defined in the Terms and Conditions of the Notes)), until it calculates its applicable restrictions and communicates them to the regulator. Thereafter, any such Discretionary Payments shall be subject to such restrictions. The restrictions shall be scaled according to the extent of the breach of the 'combined buffer requirement' and calculated as a percentage of the profits of the institution since the last distribution of profits or 'Discretionary Payment'. Such calculation shall result in a Maximum Distributable Amount in each relevant period. As an example, the scaling is such that in the bottom quartile of the 'combined buffer requirement', no 'discretionary distributions' will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular, Article 48 of Law 10/2014 and Articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. Furthermore, pursuant to article 16bis of Law 11/2015 and article 48ter of Law 10/2014, the calculation of the Maximum Distributable Amount, as well as consequences of, and pending, such calculation could also take place as a result of the breach of MREL and a breach of the leverage ratio buffer requirement.

CRD V further clarifies that Pillar 2 requirements should be positioned in the relevant stacking order of own funds requirements above the Pillar 1 capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as applicable. In addition, CRD V also clarifies that Pillar 2 requirements should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution). Under Article 104(a) of CRD V (implemented into Spanish law by Article 94.6 of Royal Decree 84/2015), EU banks are now allowed to meet Pillar 2 requirements with these minimum proportions of CET1 capital and Tier 1 Capital.

The Issuer announced on 11 December 2023 that it had received from the ECB its decision regarding the prudential minimum capital requirements effective as of 1 January 2024, following the results of SREP. The ECB's decision establishes a Pillar 2 requirement of 1.74 per cent. at a consolidated level of which at least 0.98 per cent. must be covered with CET1. Accordingly, the minimum CET1 and capital requirements as of 1 January 2024 are 9.60 per cent. and 13.86 per cent. on a consolidated basis, respectively. As of 31 December 2023, on a consolidated basis, the Group's total capital ratio was 16.39 per cent. while its CET1 ratio was 12.3 per cent. If the Group did not apply the transitory IFRS 9 provisions, nor the subsequent amendments introduced by Regulation 2020/873 of the EU, the fully-loaded CET1 ratio would have been 12.30 per cent.

As described above, Santander maintains a surplus of capital over these requirements, both at a consolidated and an individual level. Therefore, these capital requirements do not imply any limitation on discretionary payments, including to holders of Santander's Additional Tier 1 Instruments.

In addition to the above, the CRR also contains a binding 3 per cent. Tier 1 leverage ratio ("**LR**") requirement, and which institutions must meet in addition and separately to their risk-based requirements.

Additional own funds requirements may be imposed by competent authorities to address the risk of excessive leverage, these requirements should be added to the minimum leverage ratio requirement (and not to the minimum risk-based own funds requirement). Additionally, competent authorities could communicate to an institution, in the form of guidance, any adjustment to the amount of capital in excess of the relevant minimum own funds requirements, the relevant additional own funds requirement and, as relevant, the "combined buffer requirement" or the leverage ratio buffer requirement that they expect such an institution to hold in order to deal with forward looking stress scenarios. Since such guidance constitutes a capital target, it should be regarded as positioned above the relevant minimum own funds requirements, the relevant additional own funds requirement and the combined buffer requirement or leverage buffer requirement, as relevant.

Moreover, article 92.1a of CRR include a leverage ratio buffer for G-SIIs to be met with Tier 1 Capital and set at 50 per cent. of the applicable risk weighted G-SIIs buffer and that is in force since 1 January 2023. Pursuant to Article 141b of the CRD IV and Article 48ter of Law 10/2014, G-SIIs are also obliged to determine their Maximum Distributable Amount and restrict Discretionary Payments where they do not meet the leverage ratio buffer requirement under Article 92.1a of CRR.

Under Article 92a of CRR, institutions such as the Bank that are identified as resolution entities and are G-SII shall satisfy the following requirements for own funds and eligible liabilities: (a) 18 per cent of risk weighted assets, and (b) 6.75 per cent. of its leverage ratio exposure (the Pillar 1 TLAC/MREL Requirements for G-SIIs). On top of that, Article 45 of the BRRD provides that Member States shall ensure that institutions meet, at all times, a minimum MREL requirement (the "**TLAC/MREL Requirements**").

The EU Banking Reforms integrate the total loss absorbing capacity ("**TLAC**") standard into the existing MREL rules and to ensure that both requirements are met with the largely similar instruments, with the exception of the subordination requirement, which will be partially institution-specific and determined by the resolution authority. Therefore, institutions such as the Bank could be subject to an institution-specific TLAC/MREL requirement, which may be higher than the Pillar 1 TLAC/MREL Requirements for G-SIIs.

Although the specific MREL requirements may vary depending on the specific characteristics of the credit entity (its application falls on resolution institution or resolution group, being entities subject to resolution following a Single Point of Entry or Multiple Point of Entry resolution strategy) and the resolution process, BRRD II together with CRR II introduce a relevant change for complying with MREL which now includes two different ratios (i) a risk ratio (percentage of total risk weighted assets of the resolution entity) and (ii) a non-risk ratio (percentage of the resolution entity's total exposure), as well as empower the Relevant Resolution Authority to authorise or require (a) complying with additional CET1, Additional Tier 1 or Tier 2 capital ratios (which was not foreseen in the previous MREL rules) and (b) that certain level of senior liabilities issued by the resolution entity can be subject to Bail-in.

MREL application is also subject to a different regime depending on the nature of the entity based on its resource volume and systemic profile. Thus, the MREL requirements are different for G-SIIs, "top tier" entities (which are not G-SIIs with aggregated asset volume of over EUR 100 billion), O-SIIs (which are institutions that, due to their systemic importance, are more likely to create risks to financial stability) and the rest of the resolution institutions. In particular, G-SIIs, "top tier" banks and O-SIIs are subject to Pillar 1 requirements: 18% (including the combined buffer requirements under CRD IV), and 13% of risk weighted assets and 6.75% and 5% of leverage exposure, respectively for G-SIIs and "top tier" banks and O-SIIs. These requirements are complemented by further Pillar 2 requirements, which would be determined on a case-by-case basis for the rest of the resolution institutions.

The EU Banking Reforms have introduced limited adjustments to the existing MREL Rules ensuring technical consistency with the structure of any requirements for G-SIIs. Since 1 January 2022, the TLAC/MREL Requirements are fully applicable (a 18% minimum TLAC requirement).

According to Article 16.a) of the BRRD, any failure by an institution to meet the 'combined buffer requirement' when considered in addition to the applicable minimum TLAC/MREL Requirements is intended to be treated in a similar manner as a failure to meet the 'combined buffer requirement' on top of its minimum regulatory capital requirements (i.e. a resolution authority will have the power to impose restrictions or prohibitions on Discretionary Payments by the Bank). The referred Article 16.a) of the BRRD includes a potential nine month grace period, whereby the resolution authority will assess on a monthly basis whether to exercise its powers, after such nine-month period the resolution authority is compelled to exercise its power to restrict Discretionary Payments (subject to certain limited exceptions). These restrictions have been implemented in Spain by means of Article 16bis of Law 11/2015.

The Bank announced on 18 May 2023 that it had received a formal notification from the Bank of Spain with its binding minimum MREL requirement, both total and subordinated, for the Resolution Group at a sub-consolidated level, as determined by the SRB. The total MREL requirement, which became effective on 1 January 2024, was set at 29.81 per cent. of the Resolution Group's total risk weighted assets. The subordination requirement was set at 10.27 per cent. As of 31 December 2023, the structure of own funds and eligible liabilities of the Resolution Group met the requirement. Future requirements are subject to ongoing review by the resolution authority.

Additionally, the Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions that are members of the Basel Committee.

In addition to the above, the Group shall also comply with the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**") requirements provided in CRR. As of 31 December 2023, the Group's LCR was 166 per cent., above the 100 per cent. minimum requirement. In relation to the NSFR, the institutions shall maintain from 28 June 2021 an NSFR (calculated in accordance with Title IV of the CRR) of at least 100 per cent. As of 31 December 2023, the Group's NSFR was 123 per cent. above the minimum 100 per cent. requirement.

The following sub-sections will be included as new subsections under section entitled "Investment Considerations" of the Base Prospectus:

Temporary Banking Tax in Spain

On 29 December 2022, Spain enacted Law 38/2022 for the establishment of temporary levies on energy and credit institutions and the creation of the temporary solidarity tax for high-net-worth individuals (*Ley 38/2022, de 27 de diciembre, para el establecimiento de gravámenes temporales energético y de entidades de crédito y establecimientos financieros de crédito y por la que se crea el impuesto temporal de solidaridad de las grandes fortunas, y se modifican determinadas normas tributarias*). This law creates a temporary levy for credit institutions operating in Spain with a total interest and commission income in the year ended 31 December 2019 equal to or greater than €800 million (on an individual or a consolidated basis). This bank levy will apply during the years 2023, 2024 and 2025 (unless the Spanish Government decides to make this levy permanent) and taxes, at a rate of 4.8 per cent., the sum of the net interest income and commission income and expenses derived from the activity carried out in Spain. Amounts payable for the proposed levy will not be tax deductible in the taxable base for the purposes of the Corporate Income Tax (*Impuesto sobre Sociedades*). Moreover, the law expressly prohibits the direct or indirect pass-through of payments of the levy and failure to comply with this obligation would result in sanctions to the corresponding credit institution in the amount of 150 per cent. of the amount passed through.

Artificial Intelligence ("AI")

The Group utilises and is continuing to explore further uses of AI in connection with its business, products and services. However, regulation of AI is rapidly evolving worldwide as legislators and regulators are increasingly focused on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, privacy, data protection and information security, consumer protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations.

For example, in Europe, on 8 December 2023, the Council of the European Union, European Parliament and European Commission reached provisional agreement on a revised draft of the Artificial Intelligence Act ("**AI Act**") which is currently expected to be enacted in early 2024. The current draft of the AI Act, if enacted, would establish a risk-based governance framework for regulating AI systems operating in the EU market. This framework would categorize AI systems based on the risks associated with such AI systems' intended purposes as creating "unacceptable", "high" or "limited" risks. While the AI Act has not been enacted or enforced, there is a risk that the Group's current or future AI-powered software or applications may be categorized as certain risk categories that may obligate the Group to comply with the applicable requirements of the AI Act, which may impose additional costs on the Group, increase its risk of liability, or adversely affect its business. For example, "high" risk AI systems are required, among other things, to implement and maintain certain risk and quality management systems, conduct certain conformity and risk assessments, use appropriate data governance and management practices, including in development and training, and meet certain standards related to testing, technical robustness, transparency, human oversight, and cybersecurity. Even if the Group's current AI-powered software or applications are not categorised as "high" risk AI systems, it may be subject to additional transparency and other obligations for "limited" risk AI systems. The AI Act sets forth certain penalties, including fines of up to the greater of €35 million or 7 per cent. of worldwide annual turnover for the prior year for violations related to offering prohibited AI systems or data governance, fines of up to the greater of €15 million or 3 per cent. of worldwide annual turnover for the prior million or 1.5 per cent. of worldwide annual turnover for the prior year for violations related to supplying incorrect, incomplete or misleading information to EU and member state authorities. If enacted in this form or a similar form, this regulatory framework is expected to have a material impact on the way AI is regulated in the EU (and, potentially, globally), together with developing guidance and decisions in this area.

The Group may not be able to anticipate how to respond to these rapidly evolving laws and regulations, and it may need to expend resources to adjust the Group's offerings in certain jurisdictions if the legal and regulatory frameworks are inconsistent across jurisdictions. Furthermore, because AI technology itself is highly complex and rapidly developing, it is not possible to predict all of the legal or regulatory risks that may arise relating to the use of AI. If laws and regulations relating to AI are implemented, interpreted or applied in a manner inconsistent with the Group's current practices or policies, such laws and regulations may adversely affect the Group's use of AI and its ability to provide and to improve its services, require additional compliance measures and changes to its operations and processes, result in increased compliance costs and potential increases in civil claims against the Group, any of which could adversely affect its operating results, financial condition and prospects.

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below shall supplement the section of the Base Prospectus entitled "Documents Incorporated by Reference" on pages 66 to 73 of the Base Prospectus:

The following documents shall be deemed to be incorporated by reference in and to form part of, the Base Prospectus and will be published on the website of Banco Santander (www.santander.com):

1. The annual report of the Issuer prepared for the year ended 31 December 2023 (the "**2023 Annual Report**"), which contains the English language translation of the audited annual consolidated financial statements of the Issuer prepared under IFRS-EU for the year ended 31 December 2023 (the "**2023 Financial Statements**"), together with the English language translation of the Auditor's report, on pages 519 to 826.

    https://www.santander.com/content/dam/santander-com/en/documentos/informe-financiero-anual/2023/ifa-2023-consolidated-annual-financial-report-en.pdf

In relation to the 2023 Annual Report, any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference has been derived, is for information purposes only and is not incorporated by reference because it is not relevant for the investor.

Issuer Annual Financial Information and Annual Report

The tables below set out the relevant page references in the 2023 Annual Report and the 2023 Financial Statements where the following information incorporated by reference in this Base Prospectus can be found:

Information incorporated by reference in this Base Prospectus		**2023 Annual Report page reference(1)**
1.	Independent Auditor's report on consolidated financial statements for the year ended 31 December 2023	521-530
2.	Audited consolidated balance sheets at 31 December 2023 and the comparative consolidated financial information of the Issuer at 31 December 2022 and 31 December 2021	531-535
3.	Audited consolidated income statements for the year ended 31 December 2023 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2022 and 31 December 2021	536-537
4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2023 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2022 and 31 December 2021	538
5.	Audited consolidated statements of changes in total equity for the year ended 31 December 2023 and the comparative for the years ended 31 December 2022 and 31 December 2021	539-544
6.	Audited consolidated statements of cash flow for the year ended 31 December 2023 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2022 and 31 December 2021	545-546
7.	Notes to the consolidated financial statements for the year ended 31 December 2023	547-779
8.	2. Ownership structure	CG 186-191(2)
9.	4. Board of directors	CG 199-249(2)
10.	7. Group structure and internal governance	CG 278-279(2)
11.	4. Financial information by segments	EFR 377-426(3)
12.	8. Alternative Performance Measures (APMs)	EFR 441-450(3)
13.	Glossary	GL 513-518(4)
14.	General Information	GI 824-825(5)

Notes:

(1) Not all the pages of the 2023 Annual Report are paginated continuously. See Notes below for detailed indications on where the relevant sections incorporated by reference in this Prospectus are located.

(2) "CG" corresponds to the section entitled "Corporate Governance" of the 2023 Annual Report located immediately after the section entitled "Responsible banking" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(3) "EFR" corresponds to the sub-section entitled "Economic Financial Review" of the 2023 Annual Report located immediately after the section entitled "Corporate governance" (see note (2) above) and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(4) "GL" corresponds to the sub-section entitled "Glossary" of the 2023 Annual Report located immediately after the section entitled "Risk management and compliance" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(5) "GI" corresponds to the section entitled "General Information" of the 2023 Annual Report located immediately after the Glossary and the page reference is to the page number appearing in the bottom left of such section.

Information incorporated by reference in this Base Prospectus	**2023 Financial Statements page reference**

1.	Independent Auditor's report on consolidated financial statements for the year ended 31 December 2023	519-530
2.	Audited consolidated balance sheets at 31 December 2023 and the comparative consolidated financial information of the Issuer at 31 December 2022 and 31 December 2021	531-535
3.	Audited consolidated income statements for the year ended 31 December 2023 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2022 and 31 December 2021	536-537
4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2023 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2022 and 31 December 2021	538
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6.	Audited consolidated statements of cash flow for the year ended 31 December 2023 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2022 and 31 December 2021	545-546
7.	Notes to the consolidated financial statements for the year ended 31 December 2023	547-779

2023 Annual Report – Extracts of Annex 7 of the Commission Delegated Regulation (EU) 2019/908 of 14 March 2019 supplementing the Prospectus Regulation, as amended

The table below sets out the relevant page references in the 2023 Annual Report where the following information incorporated by reference in this Base Prospectus can be found:

Extracts of Annex 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, as amended		**2023 Annual Report page reference**
SECTION 4	INFORMATION ABOUT THE ISSUER	
Item 4.1	History and development of the issuer	824 – see subsection entitled "*Corporate history*".
Item 4.1.4	The domicile and legal form of the issuer, the legislation under which the issuer operates, its country of incorporation, the address, telephone number of its registered office (or principal place of business if different from its registered office) and website of the issuer, if any, with a disclaimer that the information on the website does not form part of the prospectus unless that information is incorporated by reference into the prospectus.	824 – see subsection entitled "*Corporate information*", which includes this information, save for the website of the Issuer and the related disclaimer.

Extracts of Annex 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, as amended		2023 Annual Report page reference
Item 4.1.5	Any recent events particular to the issuer and which are to a material extent relevant to an evaluation of the issuer's solvency.	353-373 – in particular see description of the evolution of customer deposits on page 353, subsection "*liquidity in 2023*" on page 356, subsection "*Rating agencies*" on page 360, description of capital management measures on page 363 and subsection "*Capital planning and stress tests*", on page 370.
SECTION 5	BUSINESS OVERVIEW	
Item 5.1	Principal activities	
Item 5.1.1	A brief description of the issuer's principal activities stating the main categories of products sold and/or services performed.	377-426 – in particular, see sections entitled "*Description of segments – b. Current composition of Group Segments*", "*Primary segments*" and "*Secondary segments*".
SECTION 6	ORGANISATIONAL STRUCTURE	
Item 6.1	If the issuer is part of a group, a brief description of the group and the issuer's position within the group. This may be in the form of, or accompanied by, a diagram of the organisational structure if this helps to clarify the structure.	278 – in particular, see first paragraph; 580 – in particular see subsection *a) Banco Santander, S.A., and international Group Structure*; there has been no change to this information as of the date of

Extracts of Annex 7 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019 supplementing the Prospectus Regulation, as amended		2023 Annual Report page reference
		this Base Prospectus
SECTION 9	ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES	
Item 9.1	Names, business addresses and functions within the issuer of the following persons and an indication of the principal activities performed by them outside of that issuer where these are significant with respect to that issuer: (a) members of the administrative, management or supervisory bodies; (b) partners with unlimited liability, in the case of a limited partnership with a share capital.	199-207; there has been no change to this information as of the date of this Base Prospectus
SECTION 11	FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES	
Item 11.1.1	Historical financial information covering the latest two financial years (at least 24 months) or such shorter period as the issuer has been in operation and the audit report in respect of each year.	531-546
Item 11.1.3	Accounting standards The financial information must be prepared according to International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002. If Regulation (EC) No 1606/2002 is not applicable, the financial statements must be prepared according to: (a) a Member State's national accounting standards for issuers from the EEA, as required by the Directive 2013/34/EU; (b) a third country's national accounting standards equivalent to Regulation (EC) No 1606/2002 for third country issuers. Otherwise the following information must be included in the registration document: (a) a prominent statement that the financial information included in the registration document has not been prepared in accordance with International Financial Reporting Standards as endorsed in the Union based on Regulation (EC) No 1606/2002 and that there may be material differences in the financial information had Regulation (EC) No 1606/2002 been applied to the historical financial information; (b) immediately following the historical financial information a narrative description of the differences between Regulation (EC) No 1606/2002, as adopted by the Union and the accounting principles adopted by the issuer in preparing its annual financial statements.	548-553 – in particular, see fourth paragraph of subsection entitled "*b) Basis of presentation of the consolidated financial statements*" on page 548.
Item 11.2.1	The historical financial information must be independently audited. The audit report shall be prepared in accordance with the Directive 2014/56/EU and Regulation (EU) No 537/2014. Where Directive 2014/56/EU and Regulation (EU) No 537/2014 do not apply: (a) the historical financial information must be audited or reported on as to whether or not, for the purposes of the registration document, it gives a true and fair view in accordance with auditing standards applicable in a Member State or an equivalent standard. Otherwise, the following information must be included in the registration document: (i) a prominent statement disclosing which auditing standards have been applied; (ii) an explanation of any significant departures from International Standards on Auditing;	521-530 – in particular, see second paragraph of subsection "*Opinion*".

(b) if audit reports on the historical financial information contain qualifications, modifications of opinion, disclaimers or an emphasis of matter, such qualifications, modifications, disclaimers or emphasis of matter must be reproduced in full and the reasons given.

Any information contained in any of the documents specified above which is not incorporated by reference in this Base Prospectus is either not relevant to investors or is covered elsewhere in this Base Prospectus.

RISK FACTORS

The following text shall replace in its entirety sub-sections entitled "Macro-Economic Risks relating to the Issuer and the Group" and "Risks Relating to the Group's Business" in the section of the Base Prospectus entitled "Risk Factors" on pages 35 to 53 of the Base Prospectus:

5. Macro-Economic Risks relating to the Issuer and the Group

The growth, asset quality and profitability of the Group, among others, may be adversely affected by a slowdown in one or more of the economies in which the Group operates, volatile macroeconomic and political conditions and persistent high inflation.

A slowdown or recession of one or more of the economies in which the Group operates could lead major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies to experience significant difficulties, including runs on deposits, the need for government aid or assistance or the need to reduce or cease providing funding to borrowers (including to other financial institutions).

Volatile conditions in the global financial markets could also have a material adverse effect on the Group, including on the ability of the Group to access capital and liquidity on financial terms acceptable to the Group, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on its interest margins and liquidity.

In particular, the Group faces, among others, the following risks related to the economic downturn and volatile conditions:

- Reduced demand for its products and services.
- Increased regulation of its industry. Compliance with such regulation would likely continue to increase the costs of the Group and may affect the pricing for its products and services, increase its conduct and regulatory risks related to non-compliance and limit its ability to pursue business opportunities.
- Inability of its borrowers to timely or fully comply with their existing obligations. Macroeconomic shocks may negatively impact the income of its customers, both retail and corporate, and may adversely affect the recoverability of its loans, resulting in increased loan losses.
- The process the Group uses to estimate losses inherent in its credit exposure requires complex judgements, including forecasts of economic conditions and how these economic conditions might impair the ability of its borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of its estimates, which may, in turn, impact the reliability of the process and the sufficiency of its loan loss allowances.
- The value and liquidity of the portfolio of investment securities that the Group holds may be adversely affected.

The recoverability of the loan portfolios of the Group and its ability to increase the amount of loans outstanding and its results of operations and financial condition in general, are dependent to a significant extent on the level of economic activity in Europe (in particular, Spain and the UK), North America (in particular, Mexico and the United States) and South America (in particular, Brazil). The credit quality of the loan portfolio of the Group may deteriorate as a result of these risks and the Group's loan loss reserves could be insufficient to cover the Group's loan losses, which can have a material adverse effect on the Group. See risk factor "*The credit quality of the loan portfolio of the Group may deteriorate and the Group's loan loss reserves could be insufficient to cover its loan losses, which could have a material adverse effect on the Group*".

In addition, the Group is exposed to sovereign debt in these regions. The Group's net exposure to sovereign debt at 31 December 2023 amounted to €160,975 million (8.96 per cent. of the Group's total assets at that date) of which the main exposures in the eurozone relate to Spain and Portugal with net exposure of €39,627 million and €6,859 million, respectively. In North America, the main exposures relate to Mexico and the United States (€20,825 million and €21,304 million, respectively) and in South America to Brazil (€27,733 million). Recessionary conditions in the economies of Europe, North America or some of the South American countries in which the Group operates, would likely have a significant adverse impact on its loan portfolio and sovereign debt holdings and, as a result, on its financial condition, cash flows and results of operations.

The Group's revenues are also subject to risk of deterioration from unfavourable political and diplomatic developments, social instability, international conflicts, and changes in governmental policies, including expropriation, nationalisation, international ownership legislation, sanctions, interest-rate caps, fiscal and monetary policies globally.

For the year ending 31 December 2023, 45 per cent. of the underlying profit attributable to the Bank areas (i.e., without considering the -€998 million underlying losses account for in the Corporate Centre resulting from centralised management of the areas) came from Europe (of which 20 per cent. was from Spain and 13 per cent. from the UK), 25 per cent. from South America (16 per cent. from Brazil), 20 per cent. from North America (8 per cent. from the United States and 13 per cent. from Mexico) and 10 per cent. from the Digital Consumer Bank segment (primarily Europe). As of 31 December 2023, the Group's total assets (i.e., without considering €254,705 million total assets accounted for in the Corporate Centre and without intra-group eliminations) stood at 55 per cent. in Europe (28 per cent. in Spain and 19 per cent. in the UK), 19 per cent. in South America (13 per cent. in Brazil) and 17 per cent. in North America (11 per cent. in the United States and 6 per cent. in Mexico) and 9 per cent. in the Digital Consumer Bank segment (primarily Europe).

In particular, the main regions where the Group operates are subject to the following macroeconomic and political conditions, which could have a material adverse effect on its business, results of operations, financial condition and prospects:

- Governmental and regulatory authorities throughout the world, particularly in Europe and the United States, implemented fiscal and monetary policies and initiatives in response to the adverse effects of the covid-19 pandemic on the economy, individual businesses and households. These fiscal and monetary policy measures accelerated the economic recovery in 2021 but in turn significantly increased public debt and introduced risks of economic overheating in certain countries. In 2022, inflationary pressures intensified due to a number of factors, including the revitalisation of demand for consumer goods, labour shortages, supply chain issues and the rise of the prices of energy, oil, gas and other commodities exacerbated by the war in Ukraine. In an effort to contain inflation, central banks increased interest rates during 2022 and 2023 contributing to a slowdown of the global economy. Most of the countries in which the Group operates experienced an environment of persistent high inflation, and even though inflation has fallen in most of the Group's markets during 2023, central banks are expected to sustain high interest rates to address persistent underlying inflation pressures through mid-2024. Prolonged periods of high inflation are likely to result in higher operating costs, a decrease in the purchasing power of families with the consequent increase in delinquencies in the Group's credit portfolios, and lower economic growth derived from the tightening of monetary and fiscal policies aimed and containing inflation, among other risks, any of which could have a material adverse effect on the Group's operations, financial condition and prospects.

- Among the risks that could negatively affect the economies and financial markets of the regions where the Group operates and lead to a further slowdown of the global economy, recession and/or stagflation are (i) the continuance or escalation of the war in Ukraine and the conflict in the Middle East, (ii) further increases in the prices of energy and other commodities that can lead to further inflationary pressures, (iii) the continued breakdown of global supply chains, and (iv) the maintenance of tight monetary and fiscal policies or the tightening thereof, including by rising or maintaining high interest costs.

- Scenarios of political tensions and instability throughout the world stemming from a variety of factors, such as heightened polarisation and political fragmentation, may lead to shifting and unpredictable outcomes in political elections, legislative and policy-making efforts, social conditions and the global economy and could erode the rule of law in certain long-standing democracies. Furthermore, increasing public debt levels together with rising interest costs may not be sustainable, which could lead certain countries into sovereign debt crises. A deterioration of the global economic, political and financial environment, particularly in Europe and the Americas, could have a material adverse impact on the financial sector, affecting the Group's operating results, financial position and prospects.

- In particular, the risk of returning in Europe to a fragile and volatile environment and to heightened political tensions could be aggravated if, among others, (i) the policies implemented to provide emergency assistance and support to Ukraine, to alleviate the consequences of the war in the EU countries and to contain inflation do not succeed, (ii) the reforms aimed at improving productivity and competition fail, (iii) the banking union and other measures of European integration do not take hold, or (iv) anti- European groups become more widespread. The shift of the global economy's centre of gravity from the Atlantic to the Pacific and, more particularly, China's ambition to reach higher levels of economic power through increasing their relevance as key trading partners and source of financing for Latin American economies, could negatively impact US and European banks, particularly those like the Group with limited presence in Asia, reducing the Group's global market share and customer base and affecting the Group's business, operating results, financial condition and prospects.

- Growing protectionism and trade tensions, such as the tensions between the United States and China in recent years, could have a negative impact on the economies of the countries where the Group operates, which would also impact its operating results, financial condition and prospects.
- Uncertain economic outlook for China could negatively affect the world economy which would also impact the Group's operating results, financial condition and prospects.
- The economies of some of the countries where the Group operates, particularly in Latin America, face long-standing structural problems, including weaknesses in infrastructure, economic competitiveness and education, high levels of social inequality, rising inflation and increasing public debt have experienced significant volatility in recent decades. This volatility resulted in fluctuations in the levels of deposits and in the relative economic strength of various segments of the economies to which the Group lends. In addition, some of the countries where the Group operates are particularly affected by commodities price fluctuations, which in turn may affect financial market conditions through exchange rate fluctuations, interest rate volatility and deposits volatility. In addition, the Group is exposed to variations in its net interest income or in the fair value of its assets and liabilities resulting from exchange rate fluctuations. Fiscal instability, political tensions and financial volatility, particularly in Brazil, Mexico and in Argentina, could have a negative impact on the economy of these countries and may have a material adverse effect on the Group.

The continuance or escalation of the war in Ukraine and the conflict in the Middle East could materially affect the Group's financial position and increase the Group's operational risk.

On 24 February 2022, Russia launched a large-scale military action against Ukraine. The war in Ukraine has caused an ongoing humanitarian crisis in Europe, as well as volatility in financial markets globally, heightened inflation, shortages and increases in the prices of energy, oil, gas and other commodities. The continuance or escalation of the war, including its extension to other countries in the region, could lead to further increases in energy, oil and gas prices (particularly if supplies to Europe are interrupted) and heightened inflationary pressures, which in turn could lead to further increases in interest rates and market volatility. In addition, the war has exacerbated supply chain problems, particularly to those businesses most sensitive to rising energy prices. The war and its effects could exacerbate the current slowdown in the global economy and could negatively affect the payment capacity of some of the Group's customers, especially those with more exposure to the Russian or Ukrainian markets.

In response to the Russian military action against Ukraine, several countries, including the United States, the EU member states, the UK and other United Nations ("UN") member states, have imposed severe sanctions on Russia and Belarus, including freezing/blocking assets, targeting major Russian banks, the Russian Central Bank, and certain Russian companies and individuals, imposing trade restrictions against Russia and Russian interests, as well as the disconnection of certain Russian banks from the SWIFT system (Society for Worldwide Interbank Financial Telecommunication). In addition, the sanctions imposed also include a ban on trading in sovereign debt and other securities. The scale of sanctions is unprecedented, complex and rapidly evolving, and poses continuously increasing operational risk to the Group. Its corporate framework and policies are designed to ensure compliance with applicable laws, regulations and economic sanctions in the countries in which the Group operates, including the United States, UK, EU and UN economic sanctions. The Group cannot predict whether any of the countries in which it operates will enact additional economic sanctions or trade restrictions in response to the Russian military action against Ukraine. While the Group does not knowingly engage in direct or indirect dealings with sanctioned parties according to applicable sanctions, or in direct dealings with the sanctioned countries/territories, it may on occasion have indirect dealings within the sanctioned countries/territories, but it aims to operate in line with applicable United States, EU, UK and UN blocking and sectoral sanctions regulations.

Furthermore, the risk of cyberattacks on companies and institutions has increased and could increase even further. Although the Group is actively monitoring the situation, there can be no assurance that the Group's cyber security and data protection measures and defences will be effective at identifying or preventing, mitigating or remediating any such cyberattacks.

On 7 October 2023, Hamas launched an attack on Israel targeting Israeli civilians. In response, Israel declared war against Hamas, attacking Hamas targets in Gaza and the region. The war, the escalation of the conflict and any resulting conflicts in the region could lead to higher oil and gas prices, the imposition of sanctions, travel and import/export restrictions, increased inflationary pressures and market volatility, among other potential consequences. In response to the war in Gaza, since mid-November 2023, Houthi rebels in Yemen have targeted and carried out attacks on commercial shipping vessels travelling through the Red Sea which may result in further disruptions in supply chains.

The Group does not have a physical presence in Russia and Ukraine and their direct presence in the Middle East is very limited. Further, the Group's direct exposure to Russian, Ukrainian or Middle Eastern markets is not material. However, the impact of the wars and sanctions on global markets, macroeconomic conditions globally, and other potential future geopolitical tensions and consequences remain uncertain and may exacerbate its operational risk. Episodes of economic and market volatility and pressure on supply chains and inflation may continue to occur and could worsen if the wars persist or increase in severity. As a result, the Group's businesses, results of operations and financial position could be adversely affected by any of these factors directly or indirectly arising from the war in Ukraine and the conflict in the Middle East.

The global covid-19 pandemic materially impacted the business of the Group, and the continuance of this pandemic or any future outbreak of any other highly contagious diseases or other public health emergencies, could materially and adversely impact its business, financial condition, liquidity and results of operations.

Although the World Health Organization declared an end to covid-19 as a public health emergency, certain adverse consequences of the covid-19 pandemic continued to impact the macroeconomic environment in 2023 and may persist for some time.

If new covid-19 waves, the emergence of variants or strains resistant to existing or new vaccines, or any other highly contagious diseases or other public health emergencies force countries to re-adopt measures that restrict economic activity, the macroeconomic environment could deteriorate and adversely impact the business and results of operations of the Group, which could include, but is not limited to (i) a continued decreased demand for its products and services, (ii) further material impairment of its loans and other assets including goodwill, (iii) decline in the value of collateral, (iv) constraints on its liquidity due to market conditions, exchange rates and customer withdrawal of deposits and continued draws on lines of credit, and (v) downgrades to its credit ratings. See risk factor "*Credit, market and liquidity risk may have an adverse effect on the credit ratings of the Group and its cost of funds. Any downgrade in the credit rating of the Group would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative and other contracts and adversely affect its interest margins and results of operations*".

Moreover, the operations of the Group could still be impacted by risks from remote work or bans on non-essential activities. If, as a result of any future public health emergencies, the Group becomes unable to successfully operate its business from remote locations including, for example, due to failures of its technology infrastructure, increased cybersecurity risks, or governmental restrictions that affect its operations, this could result in business disruptions that could have a material and adverse effect on its business.

In light of the impact that the covid-19 pandemic had on the economic situation and forecasts in the markets where the Group is present, a review was carried out in 2020 to evaluate both goodwill and the recoverability of deferred tax assets. As a result of this review, in 2020 the Group adjusted the valuation of its goodwill and deferred tax assets, resulting in a non-recurring impairment of €12,600 million. Furthermore, at the end of 2020 the Group recorded additional allowances for impairment of financial assets at amortised cost of €3,105 million due to the effect of the covid-19 pandemic. In 2021, 2022 and 2023 the Group did not record additional provisions related to the covid-19 pandemic.

The resurgence of covid-19 variants or other variants or strains, or any future outbreak of any other highly contagious diseases, or other public health emergencies may have adverse effects on the Group's business, financial condition, liquidity and results of operations or cause other risks to it.

The UK's withdrawal from the EU has had and could continue to have a material adverse effect on the UK-based operations, financial condition and prospects of the Group.

On 31 January 2020, the UK ceased to be a member of the EU ("**Brexit**") and a limited trade deal was agreed between the UK and the EU with the relevant new regulations coming into force on 1 January 2021.

The trade deal, however, did not include agreements on certain areas, such as financial services and data adequacy. The European Commission (the "**Commission**") is expected to decide in 2024 whether to extend the data adequacy decisions for the UK for an additional period of up to a maximum of four years. If the Commission does not extend the decisions, then the decisions will expire on 27 June 2025. As a result, Santander UK plc ("**Santander UK**") has had, and will continue to have, a limited ability to provide cross-border services to EU customers and to trade with EU counterparties.

See – "*The Group is subject to extensive regulation and regulatory and governmental oversight which could adversely affect its business, operations and financial condition*" for additional information.

Following a consultation on the optimal structure for UK financial services post-Brexit, the Financial Services and Markets Act 2023 (**"FSMA 2023"**) received royal assent on 29 June 2023. FSMA 2023 establishes a framework for

HM Treasury to revoke EU-derived financial services legislation and for it to be replaced by Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) rules, with the intention of delivering a comprehensive FSMA model of regulation under which the regulators have extensive rule-making powers. This process of revoking and replacing retained EU law may result in material changes to the UK regulatory regime and the impact of these reforms on Santander UK is difficult to predict.

The wider and continuing impact of the UK's withdrawal from the EU on financial markets through market fragmentation, reduced access to finance and funding, and a lack of access to certain financial market infrastructure, may affect the operations, financial condition and prospects of the Group and those of its customers.

Residual risks remain around the impact of Brexit to the UK's economy. Brexit has contributed to global covid-19 pandemic-related supply and labour market constraints and reduced economic output and exports as businesses attempt to adapt the new cross-border procedures and rules applicable in the UK and in the EU to their activities, products, customers and suppliers.

The UK's withdrawal from the EU has been hampered by the overlay and development of economic risks from the covid-19 pandemic, the war in Ukraine and the conflict in the Middle East and the longer-term effects are difficult to assess. Further, there is ongoing political and economic uncertainty, such as increased friction with the EU and EU countries, which could negatively affect Santander UK's customers and counterparties and have a material adverse effect on the operations, financial condition and prospects of the Group.

The Group considered these circumstances in its assessment of the recoverability of the cash-generating unit that supports Santander UK's goodwill, which was impaired during 2020 and 2019. In 2021, 2022 and 2023 there was no impairment of Santander UK's goodwill.

6. Risks relating to the Group's Business

Legal, Regulatory and Compliance Risks to the business model of the Group.

The Group is exposed to risk of loss from legal and regulatory proceedings.

The Group faces risk of loss from legal and regulatory proceedings, including tax proceedings, that could subject it to monetary judgements, regulatory enforcement actions, fines and penalties. The current regulatory and tax enforcement environment in the jurisdictions in which the Group operates reflects an increased supervisory focus on enforcement, combined with uncertainty about the evolution of the regulatory regime, and may lead to material operational and compliance costs.

The Group is from time to time subject to regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of its business, including, among others, in connection with conflicts of interest, lending and derivatives activities, relationships with its employees and other commercial, data protection or tax matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of investigation or discovery, the Group cannot state with certainty what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be.

The amount of the Group's reserves in respect of these matters, which considers the likelihood of future cash flow outflows associated with each of such claims, is substantially less than the total amount of the claims asserted against it, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group. As a result, the outcome of a particular matter may be material to its operating results for a particular period. As of 31 December 2023, the Group had provisions for taxes, other legal contingencies and other provisions for €4,634 million.

For example, in Poland the Group is exposed to significant litigation in connection with CHF indexed and CHF denominated loans in which it is facing claims that those loans or clauses included in them are abusive. Whilst the Court of Justice of the European Union ("**CJEU**") and the Polish Supreme Court have issued several rulings on this matter (including the CJEU ruling of 15 June 2023), sufficient case law has not yet been developed. The case law of the Polish national courts implementing the CJEU rulings (including the ruling of 15 June 2023) and the possible position of the Polish Supreme Court will be crucial for the final assessment of the legal risks related to this matter.

As of the date of this Base Prospectus, it is not possible to predict the Polish Supreme Court's and CJEU's decisions on individual cases. As of 31 December 2023, Santander Bank Polska S.A. and Santander Consumer Bank S.A. maintained a portfolio of mortgages denominated in or indexed to CHF for an approximate gross amount of zł6,398.1 million (€1,473.1 million) and the total value of the adjustments to gross carrying amount in accordance with IFRS9 as well as the provisions recorded under IAS37, amount to zł5,030.3million (€1,158.2 million). The provisions and adjustments recorded are deemed sufficient to cover the risks associated with the legal claims against the Group. However, in the event that the Group is required to make higher payments than estimated, either with respect to existing or new claims, there could be a significant adverse effect on its results and financial situation.

The Group is subject to extensive regulation and regulatory and governmental oversight which could adversely affect its business, operations and financial condition.

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses. In Spain and the other jurisdictions where the Group operates, there is continuing political, competitive and regulatory scrutiny of the banking industry, including banking practices, products, services and pricing policies. Political involvement in the regulatory process, in the behaviour and governance of the banking sector and in the major financial institutions in which the local governments have a direct financial interest and in their products and services, and the prices and other terms they apply to them, is likely to continue. Accordingly, the statutes, regulations and policies to which the Group is subject may be changed at any time. In addition, the interpretation and the application by regulators of the laws and regulations to which the Group is subject may also change from time to time. Extensive legislation and regulation affecting the financial services industry has been adopted in regions that directly or indirectly affect the Group's business, including Spain, the United States, the EU, the UK, Latin America and other jurisdictions, and further regulations are in the process of being implemented. The manner in which those laws and related regulations are applied to the operations of financial institutions is still evolving. Moreover, to the extent these regulations are implemented inconsistently in the various jurisdictions in which the Group operates, it may face higher compliance costs. Any legislative or regulatory actions and any required changes to its business operations resulting from such legislation and regulations, as well as any deficiencies in its compliance with such legislation and regulation, could result in significant loss of revenue, limit the ability of the Group to pursue business opportunities in which the Group might otherwise consider engaging, limit the Group's ability to provide certain products and services, affect the value of assets that it holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional compliance and other costs on the Group or otherwise adversely affect its businesses.

In particular, legislative or regulatory actions resulting in enhanced prudential standards, in particular with respect to capital and liquidity, could impose a significant regulatory burden on the Bank or on its subsidiaries and could limit the Bank subsidiaries' ability to distribute capital and liquidity, thereby negatively impacting the Bank. Future liquidity standards could require the Bank to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, which would negatively affect its net interest margin. Moreover, regulatory and supervisory authorities periodically review the Group's allowance for loan losses.

Such regulators and supervisors may recommend the Bank to increase its allowance for loan losses or to recognise further losses. Any such additional provisions for loan losses, as recommended by these regulatory and supervisory agencies, whose views may differ from those of the Bank's management, could have an adverse effect on its earnings and financial condition. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect the Group.

The wide range of regulations, actions and proposals which most significantly affect, or which could most significantly affect, the Group in the future, relate to capital requirements, funding and liquidity and development of a fiscal and banking union in the EU, which are discussed in further detail below. Moreover, there is uncertainty regarding the future of financial reforms in the United States and the impact that potential financial reform changes to the United States banking system may have on ongoing international regulatory proposals. In general, regulatory reforms adopted or proposed in the wake of the financial crisis have increased and may continue to materially increase the Group's operating costs and negatively impact the Group's business model. Furthermore, regulatory authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Group that are deemed to be a global systemically important institution ("**G-SII**"). The main regulations and regulatory and governmental oversight that can adversely impact the Group include but are not limited to the items below.

Increasingly stricter capital regulations and potential requirements could have an impact on the functioning of the Group and its businesses.

Increasingly onerous capital requirements constitute one of the Bank's main regulatory challenges. Increasing capital requirements may adversely affect the Bank's profitability and create regulatory risk associated with the possibility of failure to maintain required capital levels.

In 2011, the framework known as Basel III, which is a full set of reform measures to strengthen the regulation, supervision and risk management of the banking sector, was introduced (see "*Regulation—Capital, liquidity and funding requirements*"). This aimed to boost the banking sector's ability to absorb impacts caused by financial and economic stress, improve risk management and corporate governance, and improve banking transparency and disclosures. Concerning capital, Basel III redefines available capital at financial institutions (including new deductions and raising the requirements for eligible equity instruments), tightens the minimum capital requirements, compels financial institutions to operate permanently with surplus capital (capital "buffers"), and includes new requirements for the risks considered.

The amendments to the solvency requirements of credit institutions and various transparency regulations, from the practical standpoint, grant priority to high-quality capital (Common Equity Tier 1 or "**CET1**"), introducing stricter eligibility criteria and more stringent ratios, in a bid to guarantee higher standards of capital adequacy in the financial sector.

The European Central Bank (the "**ECB**") is required under Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the "**SSM Regulation**") to carry out a supervisory review and evaluation process (the "**SREP**") at least on an annual basis.

The Bank announced on 11 December 2023 that it had received from the ECB its decision regarding the prudential minimum capital requirements effective as of 1 January 2024, following the results of SREP. The ECB's decision establishes a Pillar 2 requirement (P2R) of 1.74 per cent. at a consolidated level of which at least 0.98 per cent. must be covered with CET1. Accordingly, the minimum CET1 and capital requirements as of 1 January 2024 are 9.60 per cent. and 13.86 per cent. on a consolidated basis, respectively. As of 31 December 2023, on a consolidated basis, the Group's total capital ratio was 16.39 per cent. while its CET1 ratio was 12.3 per cent. If the Group did not apply the transitory IFRS 9 provisions, nor the subsequent amendments introduced by Regulation 2020/873 of the EU, the fully-loaded CET1 ratio would have been 12.30 per cent.

In addition, the Bank shall comply with the TLAC/MREL Requirements (as defined in section "*Regulation –EU Banking Reforms*"). The Bank announced on 18 May 2023 that it received a formal notification from the Bank of Spain with its binding minimum MREL requirement, both total and subordinated, for the resolution group of Banco Santander (the "**Resolution Group**") at a sub-consolidated level, as determined by the Single Resolution Board ("**SRB**"). The total MREL requirement, which became effective on 1 January 2024, has been set at 29.81 per cent. of the resolution group's total risk weighted assets. The subordination requirement was set at 10.27 per cent. As of 31 December 2023, the structure of own funds and eligible liabilities of the Resolution Group met the requirement. Future requirements are subject to ongoing review by the resolution authority.

See "*Regulation—Capital, liquidity and funding requirements*" for additional information.

In this regard, there can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Bank to issue additional securities that qualify as own funds or eligible liabilities, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments, to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Group's business, results of operations and/or financial position.

Any failure by the Bank and/or the Group to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements could result in administrative actions or sanctions (including restrictions on Discretionary Payments, as defined in section *"Regulation – EU Banking Reforms"*), which, in turn, may have a material adverse impact on the Group's results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future, notably once the final Basel III reforms are implemented in the EU. In this regard, the European Commission published on 27 October 2021 a legislative proposal which aims to complete the post-crisis reforms and to faithfully implement the outstanding elements of the Basel III reform in the EU.

All the applicable regulations and the approval of any other regulatory requirements could have an adverse effect on the Group's activities and operations, and most particularly affect the ability of the Bank to distribute dividends. Therefore, these regulations could have a material adverse effect on the Group's business, results of operations and/or financial position.

Anti-Money Laundering and economic sanctions

Failures to comply with applicable US, UK or EU AML laws or regulations or economic sanctions could have severe legal and reputational consequences, including significant civil and criminal penalties, and certain AML violations could result in a termination of banking licenses. For example, in December 2022 Santander UK plc paid a GBP 107.8 million (EUR 127 million) financial penalty to settle the Financial Conduct Authority's (FCA) enforcement investigation into the anti-money laundering systems and controls in the Business Banking division in the period between 31 December 2012 and 18 October 2017. This settlement concluded the FCA's investigation.

The lack of certainty on possible requirements arising from any new AML laws or sanctions could pose risks given the possible penalties for financial crime compliance failings. If such penalties are incurred, then they could have a material adverse effect on the Group's operations, financial condition and prospects. In addition, US regulators have taken actions against non-US bank holding companies requiring them to improve their oversight of their US subsidiaries' Bank Secrecy Act programmes and compliance. Further, US federal banking agencies are required, when reviewing bank and bank holding company acquisition or merger applications, to take into account the effectiveness of the AML compliance record of the applicant.

Data Privacy and cybersecurity

The Group receives, maintains, transmits, stores and otherwise processes proprietary, sensitive and confidential data, including public and non-public personal information of its customers, employees, counterparties and other third parties, including, but not limited to, personally identifiable information and personal financial information. The collection, sharing, use, retention, disclosure, protection, transfer and other processing of this information is governed by stringent federal, state, local and foreign laws, rules, regulations and standards. The regulatory framework for data privacy and cybersecurity is in considerable flux and evolving rapidly. As data privacy and cybersecurity risks for banking organisations and the broader financial system have significantly increased in recent years, data privacy and cybersecurity issues have become the subject of increasing legislative and regulatory focus.

Internationally, virtually every jurisdiction in which the Group operates has established its own data privacy and cybersecurity legal framework with which the Group must comply. For example, on 25 May 2018, Regulation (EU) 2016/279 of the European Parliament and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**" or "**GDPR**") became directly applicable in all member states of the EU. To align the Spanish legal regime with the GDPR, Spain enacted the Organic Law 3/2018, of 5 December, on Data Protection and the safeguarding of digital rights which repealed the Spanish Organic Law 15/1999, of 13 December, on data protection. Additionally, following the UK's withdrawal from the EU, the Group is also subject to the UK General Data Protection Regulation ("**UK GDPR**") (i.e., the GDPR as implemented into UK law). Although a number of basic existing principles have remained the same, the GDPR and UK GDPR introduced extensive new obligations on both data controllers and processors, as well as rights for data subjects.

The GDPR and UK GDPR, together with national legislation, regulations and guidelines of the EU member states governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR and UK GDPR include obligations and restrictions concerning the security and confidentiality of personal data, such as obtaining consent from the individuals to whom the personal data relates for certain processing activities, using safeguards on transfers of personal data out of the European Economic Area ("**EEA**") and the UK, respectively, and making notifications with respect to certain security breaches, among others. The GDPR and UK GDPR also impose significant fines and penalties for non-compliance of up to the higher of 4% of annual worldwide turnover or EUR 20 million (or GBP 17.5 million under the UK GDPR), whichever is greater. While the UK GDPR currently imposes substantially the same obligations as the GDPR, the UK GDPR will not automatically incorporate changes to the GDPR going forward (which would need to be specifically incorporated by the UK government). Moreover, the UK government has publicly announced plans to reform the UK GDPR in ways that, if formalised, are likely to deviate from the GDPR, all of which creates a risk of divergent parallel regimes and related uncertainty, along with the potential for increased compliance costs and risks for affected businesses.

The implementation of the GDPR, UK GDPR and other data protection regimes has required substantial amendments to the Group's procedures and policies. The changes have impacted, and could further adversely impact, the Group's business by increasing its operational and compliance costs. The Group expect the number of jurisdictions adopting their own data privacy and cybersecurity laws to increase, which will likely require the Group to devote additional significant operational resources for its compliance efforts and incur additional significant expenses. This legal environment is also likely to increase the Group's exposure to risk of claims alleging non-compliance with all applicable data privacy and cybersecurity laws, rules, regulations and standards.

Recent legal developments in the EEA, including recent rulings from the CJEU and from various EU Member State data protection authorities, have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States and other so-called third countries outside the EEA. While the Group has taken steps to mitigate its impact, such as implementing the European Commission's standard contractual clauses ("**SCCs**") the efficacy and longevity of these mechanisms remains uncertain. Although the UK currently has an adequacy decision from the European Commission, such that SCCs are not required for the transfer of personal data from the EEA to the UK, that decision will sunset in June 2025 unless extended and it may be revoked in the future by the European

Commission if the UK data protection regime is reformed in ways that deviate substantially from the GDPR. Adding further complexity for international data transfers, in March 2022, the UK adopted its own International Data Transfer Agreement for transfers of personal data out of the UK to so-called third countries, as well as an international data transfer addendum that can be used with the SCCs for the same purpose. Moreover, on 10 July 2023, the European Commission adopted an adequacy decision concluding that the US ensures an adequate level of protection for personal data transferred from the EEA to the US under the EU-U.S. Data Privacy Framework (followed on 12 October 2023, with the adoption of an adequacy decision in the UK for the UK-US Data Bridge). However, the adequacy decision does not foreclose, and is likely to face, future legal challenges and the ongoing legal uncertainty may increase the Group's costs and its ability to efficiently process personal data from the EEA or the UK. In addition to the ongoing legal uncertainty with respect to data transfers from the EEA or the UK, additional costs may need to be incurred in order to implement necessary safeguards to comply with the GDPR and the UK GDPR and potential new rules and restrictions on the flow of data across borders could increase the cost and complexity of conducting business in some markets. If the Group's policies and practices or those of its vendors are, or are perceived to be, insufficient, or if the Group's users have concerns regarding the transfer of data from the EEA or the UK to the US, the Group could be subject to enforcement actions or investigations by individual EU or UK data protection authorities or lawsuits by private parties.

Additionally, the EU adopted Regulation (EU) 2022/2554, or the Digital Operational Resilience Act ("DORA"), in November 2022, which will be effective from 17 January 2025. DORA, which will apply as lex specialis for the financial sector regarding cybersecurity, aims to achieve a common level of digital operational resilience as well as consolidate and upgrade existing Information Communication Technologies ("ICT") risk requirements that had been addressed separately in different regulations and directives, such as Directive (EU) 2022/2555 (otherwise known as the NIS 2 Directive). DORA establishes a set of uniform requirements for network and information systems security structured in five pillars: (i) ICT risk management and governance, (ii) ICT-related incident management, classification and reporting, (iii) digital operational resilience testing, (iv) management of third-party ICT risk, and (v) information and intelligence sharing. The financial sector faces risks and uncertainties regarding the implementation of DORA given that it has stringent compliance timelines and its technical standards are still under public consultation (final version of the standards expected by July 2024).

While the Group has taken steps to mitigate the impact of such complexities and uncertainties, such as implementing the supplementary measures applicable in accordance with the regulatory risk of the country of destination of the personal data, the efficacy and longevity of these mechanisms remains uncertain.

Data privacy and cybersecurity laws, rules and regulations continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions. The Group may become subject to new legislation or regulations concerning data privacy or cybersecurity, which could require to incur significant additional costs and expenses in an effort to comply. The Group could also be adversely affected if new legislation or regulations are adopted or if existing legislation or regulations are modified or interpreted such that the Group is required to alter its systems or require changes to its business practices, processes or privacy policies. If cybersecurity, data privacy, data protection, data transfer or data retention laws, rules or regulations are implemented, interpreted or applied in a manner inconsistent with the Group's current practices or policies, or if it fails to comply (or is perceived to have failed to comply) with applicable laws, rules and regulations relating to data privacy and cybersecurity, the Group may be subject to substantial fines, civil or criminal penalties, costly litigation (including class actions), claims, proceedings, judgments, awards, penalties, sanctions, regulatory enforcement actions, government investigations or inquiries, or other adverse impacts, or be ordered to change its business practices, policies or systems in a manner that adversely impacts the Group's operating results, any of which could have a material adverse effect on its business.

Credit Risks.

The credit quality of the loan portfolio of the Group may deteriorate, and the Group's loan loss reserves could be insufficient to cover its loan losses, which could have a material adverse effect on the Group.

Risks arising from changes in credit quality and the recoverability of loans and amounts due from counterparties are inherent to a wide range of the businesses of the Group. Non-performing or low credit quality loans have in the past negatively impacted the Group's results of operations and could do so in the future. In particular, the amount of the reported credit impaired loans of the Group may increase in the future as a result of growth in the Group's total loan portfolio, including as a result of loan portfolios that the Group may acquire in the future (the credit quality of which may turn out to be worse than it had anticipated), or factors beyond the Group's control, such as adverse changes in the credit quality of its borrowers and counterparties or a general deterioration in economic conditions in the regions where the Group operates or in global economic and political conditions, including as a result of the continuance or escalation of the war in Ukraine and the conflict in the Middle East. In certain markets, the combined pressure of economic downturn, high inflation and high interest rates may impact the ability of the Group's customers to repay their debt. If the Group was unable to control the level of its credit impaired or poor credit quality loans, this could have a material adverse effect on the Group.

The loan loss reserves of the Group are based on its current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, the financial condition of the borrowers of the Group, repayment abilities and repayment intentions, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond the Group's control and there is no infallible method for predicting loan and credit losses, the Group cannot assure that its current or future loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of its total loan portfolio deteriorates, for any reason, or if the future actual losses exceed the estimates of expected losses of the Group, it may be required to increase its loan loss reserves, which may adversely affect the Group. Additionally, in calculating the Group's loan loss reserves, the Group employs qualitative tools and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete. For further details regarding the risk management policies of the Group, see *–"Failure to successfully implement and continue to improve the risk management policies of the Group, procedures and methods, including its credit risk management system, could materially and adversely affect it, and the Group may be exposed to unidentified or unanticipated risks"*.

On 31 December 2023, net loans and advances to customers of the Group amounted to €1,036,349 million (compared to €1,036,004 million as of 31 December 2022).

The loan portfolio of the Group is mainly located in Europe (in particular, Spain and the UK), North America (in particular, the United States) and South America (in particular, Brazil). At 31 December 2023, Europe accounted for 55 per cent. of the Group's total loan portfolio (Spain accounted for 23 per cent. of its total loan portfolio and the UK, where the loan portfolio consists primarily of residential mortgages, accounted for 24 per cent.), North America accounted for 17 per cent. (of which the United States represents 12 per cent. of its total loan portfolio), South America accounted for 15 per cent. (of which Brazil represents 9 per cent. of its total loan portfolio) and the Digital Consumer Bank segment (primarily Europe) accounted for 13 per cent.

Mortgage loans are one of the Group's principal assets, comprising 43 per cent. of its net loans and advances as of 31 December 2023, mainly located in Spain and the UK. 81 per cent of such mortgage loans are residential. If Spain or the UK experience situations of economic stagnation, persistent housing oversupply, decreased housing demand, rising unemployment levels, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance or continued global markets volatility, for instance, home prices could decline, while mortgage delinquencies, forbearances and the Group's NPL ratio could increase, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations. At 31 December 2023, the NPL ratio of residential mortgage loans for the Group in Spain and the UK was 1.51 per cent. and 1.16 per cent., respectively.

At 31 December 2023 the total Group NPL ratio stood at 3.14 per cent. as compared to 3.08 per cent. at 31 December 2022. Coverage as of 31 December 2023 was 66 per cent. as compared to 68 per cent. a year earlier.

Impairment on financial assets not measured at fair value through profit or loss (net) of the Group in 2023 was €12,956 million (mainly related to loans and advances to customers), a 19 per cent. increase as compared to €10,863 million in 2022 mainly affected by the provisions resulting from the charges in Poland for CHF mortgages, the increase in the US (due to normalisation) and higher provisions recorded in Brazil in line with credit portfolio growth.

At 31 December 2023, the gross amount of the Group's refinancing and restructuring operations was €31,963 million (3 per cent. of total gross loans and credits), of which €8,721 million have real estate collateral. At the same date, the net amount of non-current assets held for sale amounted €3,014 million; €2,773 million were foreclosed assets.

The value of the collateral securing the loans of the Group may not be sufficient, and the Group may be unable to realise the full value of the collateral securing its loan portfolio.

The value of the collateral securing the loan portfolio of the Group may fluctuate or decline due to factors beyond its control, including as a result of macroeconomic factors, especially those affecting Europe, North America and South America or the continuance or escalation of the war in Ukraine and the conflict in the Middle East. The value of the collateral securing its loan portfolio may be adversely affected by force majeure events, such as natural disasters (including as a result of climate change), particularly in locations where a significant portion of its loan portfolio is composed of real estate loans. The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of its loans secured by such collateral. If any of the above were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect its results of operations and financial condition.

In addition, auto industry technology changes, accelerated by environmental rules, could affect the auto consumer business of the Group in the EU and the United States, particularly residual values of leased vehicles. This transformation could affect the Group's auto finance business view of (i) a transition from fuel to electric engines, environmental aspects related to emissions and transition risks derived from political and regulatory decisions (e.g., traffic restrictions in city centers), (ii) growing customer preferences for car leasing, subscription, car sharing and other services instead of vehicle ownership, (iii) greater market concentration in certain manufacturers, distributors and other agents, and (iv) more online sales channels. In addition, the auto industry could also suffer from supply chain disruption and shortages of batteries, semi-conductors and others in the wake of the wars, geopolitical and macroeconomic tensions, conflicts and other events, affecting guarantees, residual used car value and loan delinquencies. Although the Group monitors the auto portfolios and dealers and it has launched specific plans to tackle particular issues, the auto industry changes and disruptions described above which could have a material adverse effect on its operating results, financial condition and prospects.

At 31 December 2023, 43 per cent. of the Group's loans and advances to customers have property collateral while 22 per cent. have other types of collateral (securities, pledges and others), and therefore are susceptible to being affected by an individual or generalized decrease in the value of such collateral.

Liquidity and Funding Risks.

Liquidity and funding risks are inherent in the Group's business and could have a material adverse effect on it.

Liquidity risk is the risk that the Group either does not have sufficient financial resources available to meet its obligations as they are due or can only secure them at excessive cost. This risk is inherent in any banking business and can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding, changes in credit ratings or market-wide phenomena such as market dislocation, including as a result of the continuance or escalation of the war in Ukraine and of the conflict in the Middle East. While the Group has in place liquidity management processes to mitigate and control these risks as well as an organisational model based on autonomous subsidiaries in terms of capital and liquidity which limits the possibility of contagion between the units of the Group, systemic market factors make it difficult to eliminate these risks completely. Constraints in the supply of liquidity, including in inter-bank lending, could materially and adversely affect the cost of funding of the Group's business, and extreme liquidity constraints may affect its current operations and its ability to fulfil regulatory liquidity requirements, as well as limit growth possibilities.

The cost of the Group to obtain funding is directly related to prevailing interest rates and to its credit spreads. Increases in interest rates, such as those announced throughout 2022 and 2023 by the ECB, the Bank of England and the Federal Reserve, and/or in its credit spreads can significantly increase the cost of its funding. Credit spreads variations are market-driven and may be influenced by market perceptions of creditworthiness of the Group. Changes to interest rates and in the credit spreads of the Group may occur frequently and could be unpredictable and highly volatile.

The Group relies, and will continue to rely, primarily on retail deposits to fund lending activities. The ongoing availability of this type of funding is sensitive to a variety of factors beyond the Group's control, such as general economic conditions and the confidence of retail depositors in the economy and in the financial services industry, and the availability and extent of deposit guarantees, as well as competition for deposits between banks or with other products, such as mutual funds. Any of these factors could increase the amount of retail deposit withdrawals in a short period of time, thereby reducing the ability of the Group to access retail deposit funding on appropriate terms, or at all, in the future. If these circumstances were to arise, this could have a material adverse effect on the operating results of the Group, financial condition and prospects.

In the first half of 2023, the liquidity issues faced by Silicon Valley Bank and other banks in the United States, and the issues faced by the Swiss bank Credit Suisse, caused withdrawals of deposits from these banks and volatility in international markets. Central banks took measures designed to guarantee the liquidity of the banking system. Although the Group does not have material exposure to the affected banks, the spread or potential spread of these or other issues to the broader financial sector could have a material adverse effect on the Group's operating results, financial condition and prospects.

Central banks took extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis and the covid-19 pandemic. In Europe, the ECB's pandemic emergency purchase programme ("**PEPP**") was finalised by the end of March 2022, although maturing principal payments are expected to be repurchased until at least at the end of 2024. If these facilities, which are progressively being reduced, were to be rapidly removed, this could have an adverse effect on the ability of the Group to access liquidity and on the Group's funding costs.

Additionally, the activities of the Group could be adversely impacted by liquidity tensions arising from generalised drawdowns of committed credit lines to the customers of the Group.

The Issuer cannot assure that in the event of a sudden or unexpected shortage of funds in the banking system, the Group will be able to maintain levels of funding without incurring high funding costs, a reduction in the term of funding instruments or the liquidation of certain assets. If this were to happen, the Group could be materially adversely affected.

Finally, the implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of the Group. The liquidity coverage ratio ("**LCR**") is a liquidity standard that measures if banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. At 31 December 2023, the LCR ratio of the Group was 166 per cent., above the 100 per cent. minimum requirement. The net stable funding ration ("**NSFR**") provides a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their activities. At the end of 2023, the NSFR ratio of the Group stood at 123 per cent. for the Group and over 100 per cent. for all of the Group's main subsidiaries.

Credit, market and liquidity risk may have an adverse effect on the credit ratings of the Group and its cost of funds. Any downgrade in the credit rating of the Group would likely increase its cost of funding, require the Group to post additional collateral or take other actions under some of its derivative and other contracts and adversely affect its interest margins and results of operations.

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 its 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 credit rating of the Group is affected by the rating of Spanish sovereign debt. If Spain's sovereign debt is downgraded, the credit rating of the Group would also likely be downgraded.

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 the Group's access to capital markets and adversely affect its commercial business. For example, a ratings downgrade could adversely affect the ability of the Group to sell or market some of its products, engage in certain longer-term and derivatives transactions and retain the Group's customers, particularly customers who need a minimum rating threshold in order to invest. In addition, under the terms of certain of the derivative contracts and other financial commitments of the Group, the Group 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 liquidity of the Group and have an adverse effect on it, including on its operating results and financial condition.

The Group has the following ratings by the major rating agencies as of the report dates indicated below:

Rating agency	**Long term**	**Short term**	**Last report date**	**Outlook**
Banco Santander, S.A.				
Fitch Ratings (1)	A-	F2	December 2023	Stable
Moody's (2)	A2	P-1	March 2024	Positive
Standard & Poor's (3)	A+	A-1	October 2023	Stable
DBRS (4)	A (High)	R-1 (Medium)	September 2023	Stable
Santander UK plc				
Fitch Ratings (1)	A+	F1	December 2023	Stable
Moody's (2)	A1	P-1	June 2023	Stable
Standard & Poor's (3)	A	A-1	June 2023	Stable
Banco Santander (Brasil), S.A.				
Moody's (2)	Ba1	-	February 2023	Stable
Standard & Poor's (3)	BB-	B	June 2023	Positive

(1) Fitch Ratings Ireland Limited (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 Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. The Group estimates that as of 31 December 2023, 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 €210 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 €178 million in additional collateral. The Group estimates that as of 31 December 2023, 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 £1.2 billion (equivalent to €1.4 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 £ 0.8 billion (equivalent to €0.9 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 on numerous dynamic, complex and inter-related factors and assumptions, including market conditions at the time of any downgrade, whether any downgrade of the Group's long-term credit rating precipitates downgrades to its 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 credit rating of the Group, 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 stress testing scenarios of the Group and a portion of its 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 market risk profile of the Group could be altered.

There can be no assurance that the rating agencies will maintain the current ratings or outlooks. In general, the future evolution of the Group's ratings is linked, to a large extent, to the general macroeconomic outlook which includes the impact of the continuance or escalation of the war in Ukraine and of the conflict in the Middle East on the asset quality, profitability and capital of the Group. Failure to maintain favourable ratings and outlooks could increase the cost of funding of the Group and adversely affect interest margins, which could have a material adverse effect on the Group.

Market Risks.

The Group's financial results are constantly exposed to market risk. The Group is subject to fluctuations in interest rates and other market risks, which may materially and adversely affect the Group and its profitability.

The Group's financial results are constantly exposed to market risk. In 2022 and 2023, inflationary pressures, increases in the prices of energy, oil, gas and other commodities and the continuance or escalation of the war in Ukraine and of the conflict in the Middle East caused and could continue to cause high market volatility, which could materially and adversely affect the Group and its trading and banking book.

Economic activities exposed to market risk include (i) 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, (ii) the liquidity risk from the Group's products and markets, and (iii) the balance sheet liquidity risk. Therefore, they include trading risks and structural risks.

Variations in the interest income/ (charges) of the Group

Interest rate risk arises from movements in interest rates that reduce the value of a financial instrument, a portfolio or the Grupo Santander. It can affect loans, deposits, debt securities, most assets and liabilities held for trading, and derivatives.

Interest rates are sensitive to many factors beyond the Group's control, including increased regulation of the financial sector, monetary policies and domestic and international economic and political conditions. Variations in interest rates could affect the interest earned on our assets and the interest paid on the borrowings of the Group, thereby affecting its interest income / (charges), which comprises the majority of its revenue, reducing the growth rate of the Group and potentially resulting in losses. In addition, costs in which the Group incurs as it implements strategies to reduce interest rate exposure could increase in the future (which, in turn, will impact the results of the Group).

Due to the historically low interest rate environment in the eurozone, in the UK and in the United States in recent years, the rates on many of the interest-bearing deposit products of the Group were priced at or near zero or negative, limiting its ability to further reduce rates and thus negatively impacting its margins and the Group's results of operations.

Throughout 2022 and 2023, central banks, including the ECB, the Bank of England and the Federal Reserve, increased interest rates to contain inflation.

Increases in interest rates may reduce the volume of loans that the Group originates. Sustained high interest rates have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of the financial assets of the Group and may reduce gains or require the Group to record losses on sales of its loans or securities. Additionally, a shrinking yield premium between short-term and long-term market interest rates coupled with inflation, could adversely affect the Group's business and results of operations.

Exchange rate risk and equity risk of the Group

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.).

The performance of financial markets may cause changes in the value of our investment and trading portfolios. The volatility of world equity markets due to the continued economic uncertainty and sovereign debt crisis has had a particularly strong impact on the financial sector. Continued volatility may affect the value of our investments in equity securities and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against our results.

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. In addition, 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.

Market risk affects (i) the Group's interest income / (charges); (ii) the market value of the Group's assets and liabilities, in particular of its securities holdings, loans and deposits and derivatives transactions; and (iii) other areas of the Group's business such as the volume of loans originated or credit spreads.

Market risk could include unexpected or unpredictable risks related to periods in which the market does not calculate prices efficiently (for example, during market interruptions or shocks).

If any of these risks were to materialize, the Group's net interest income or the market value of its assets and liabilities could suffer a material adverse impact.

Variations in the market value of the assets and liabilities of the Group

Main risks metrics are the following:

Trading market risks

The standard methodology that the Group applies for risk management is Value at Risk (**VaR**), which measures the maximum expected loss within a certain confidence level and time frame. In relation to the trading portfolio, the Santander Corporate & Investment Banking segment VaR closed December 2023 with €13.5 million, being interest rates the most significant risk factor.

Structural interest rate risk

At 31 December 2023, the risk on net interest income over a one year period, measured as the sensitivity to parallel changes in the worst-case scenario of ± 100 basis points, (i) was positive in Europe (i.e. a decrease in interest rates would potentially produce a decrease in net interest income) and mainly in the euro, at €886 million, the British pound at €246 million, the Polish zloty, at €24 million; and the US dollar, at €99 million, (ii) was positive in North America (i.e. a decrease in interest rates would potentially produce a decrease in net interest income) and the risk was mainly located in the United States (€117 million), and (iii) was negative in South America (i.e. an increase in interest rates would potentially produce a decrease in net interest income) and was mainly found in Chile (€36 million) and Brazil (€141 million).

At 31 December 2023, the risk on economic value of equity over a one year period, measured as the sensitivity to parallel changes in interest rates of the worst-case scenario of ±100 basis points, (i) in Europe, the main balances were negative in the UK in a scenario of interest rate increases and positive in Spain in the same scenario, concentrated mainly in the euro, at €391.9 million, the British pound at €392.1 million, the US dollar, at €364.3 million and the Polish zloty, at €176.4 million; (ii) was negative in North America to interest rates increases and the risk was mainly located in the US (EUR 786 million); and (iii) in South America was positioned for interest rate cuts and the most significant risk was recorded in Chile (€255 million) and in Brazil (€360 million).

Structural foreign currency rate risk

The Group's structural foreign currency risk stems mainly from the income and hedging of foreign currency transactions for permanent financial investments.

In December 2023, the Group's 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 złoty. The estimated effect on the consolidated equity attributable to the Group and on consolidated profit and loss account of a 1 per cent. appreciation or depreciation of the Euro against the corresponding currency is shown in note 2.a.v to the 2023 consolidated financial statements.

Structural equity risk

Structural equity positions are exposed to market risk. The Group calculates its VaR with a set of market prices and proxies. At 31 December 2023, the maximum expected loss in the value of assets and liabilities due to variations in equity portfolio was €171.1 million (€195.4 million and €309.1 million at 31 December 2022 and 2021, respectively), measured with a VaR confidence level of 99 per cent. and a temporary horizon of one day.

If any of these risks were to materialise, net interest income or the market value of the Group's assets and liabilities could suffer a material adverse impact.

The Group is subject to market, operational and other related risks associated with its derivative transactions that could have a material adverse effect on the Group.

The Group enters into derivative transactions for trading purposes as well as for hedging purposes. The Group is subject to market, credit and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

Market practices and documentation for derivative transactions differ by country. In addition, the execution and performance of these transactions depend on the ability of the Group to maintain adequate control and administration systems. Moreover, its ability to adequately monitor, analyse and report derivative transactions continues to depend, largely, on its information technology systems. These factors further increase the risks associated with these transactions and could have a material adverse effect on the Group.

At 31 December 2023, the notional value of the trading derivatives in the books of the Group amounted to €7,837,818 million (with a fair value of €56,328 million of debit balance and €50,589 million of credit balance).

At 31 December 2023, the nominal value of the hedging derivatives in the books of the Group within its financial risk management strategy and with the aim of reducing asymmetries in the accounting treatment of its operations amounted to €418,294 million (with fair value of €5,297 million in assets and €7,656 million in liabilities).

Risks related to the industry of the Group.

Goodwill impairments may be required in relation to acquired businesses.

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect to goodwill is performed annually, or more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect the regulatory capital of the Group. In 2021 the Group recognised an impairment of goodwill of €6 million, while no impairment was recognised in 2022 and an impairment of €20 million was recognised in 2023. There can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net assets.

Changes in the pension liabilities and obligations of the Group could have a material adverse effect on it.

The Group provides retirement benefits for many of its former and current employees through a number of defined benefit pension plans. The Group calculates the amount of its defined benefit obligations using actuarial techniques and assumptions, including mortality rates, the rate of increase of salaries, discount rates, inflation, the expected rate of return on plan assets, and others. The accounting and disclosures are based on IFRS-IASB and on those other requirements defined by the local supervisors. Given the nature of these obligations, changes in the assumptions that support valuations, including market conditions, can result in actuarial losses which would in turn impact the financial condition of the pension funds of the Group. Because pension obligations are generally long term obligations, fluctuations in interest rates have a material impact on the projected costs of its defined benefit obligations and therefore on the amount of pension expense that it accrues.

Any increase in the current size of the funding deficit in the defined benefit pension plans of the Group could result in the Group having to make increased contributions to reduce or satisfy the deficits, which would divert resources from use in other areas of its business. Any such increase may be due to certain factors over which the Group has no or limited control. Increases in its pension liabilities and obligations could have a material adverse effect on its business, financial condition and results of operations.

At 31 December 2023, the provision for pensions and other obligations of the Group amounted to €3,105 million.

The Group depends in part on dividends and other funds from subsidiaries.

Some of the operations of the Group are conducted through its financial services subsidiaries. As a result, its ability to pay dividends, to the extent the Group decides to do so, depends in part on the ability of its subsidiaries to generate earnings and to pay dividends to the Group. Payment of dividends, distributions and advances by the subsidiaries of the Group will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from its Argentine subsidiaries have been subject to certain restrictions. Additionally, the right of the Group to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganisation will be effectively subordinated to the claims of its subsidiaries' creditors, including trade creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on "discretionary payments" including the payment of dividends and other distributions to the Group by its subsidiaries. In 2020, given the uncertainty about the economic impact of the covid-19 pandemic, the ECB, the Prudential Regulation Authority of the UK and the Federal Reserve of the United States, imposed limitations on the distribution of dividends which were in force until the third quarter of 2021. Since then, supervisors assess the capital and dividend distribution plans for each entity as part of their regular supervisory process and make individualised recommendations.

To the extent that these recommendations, or other similar measures that may be taken by supervisory authorities from other regions, are applied by some of the subsidiaries of the Group, it could have a material adverse effect on its business, financial condition and results of operations.

At 31 December 2023, dividend income for Banco Santander, S.A. represented 52 per cent. of its total income.

Increased competition, including from non-traditional providers of banking services such as financial technology providers, and industry consolidation may adversely affect the results of operations of the Group.

The Group faces substantial competition in all parts of its business, including in payments, in originating loans and in attracting deposits. The competition in originating loans comes principally from other domestic and foreign banks, mortgage banking companies, consumer finance companies, insurance companies and other lenders and purchasers of loans.

In addition, there has been a trend towards consolidation in the banking industry, which has created larger banks with which the Group must now compete. There can be no assurance that this increased competition will not adversely affect its growth prospects, and therefore its operations. The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies.

Non-traditional providers of banking services, such as internet based e-commerce providers, mobile telephone companies and internet search engines may offer and/or increase their offerings of financial products and services directly to customers. These non-traditional providers of banking services currently have an advantage over traditional providers because they are not subject to banking regulation. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing.

New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, its business may be adversely affected. In addition, the failure of the Group to effectively anticipate or adapt to emerging technologies or changes in customer behaviour, including among younger customers, could delay or prevent its access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business. Furthermore, the widespread adoption of new technologies, including distributed ledger, AI and/or biometrics, to provide services such as digital currencies, cryptocurrencies and payments, could require substantial expenditures to modify or adapt the existing products and services of the Group as it continues to grow its internet and mobile banking capabilities and could entail new direct risks (including financial and non-financial risks) and indirect risks related to loss of business opportunities. Its customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Further growth of such new technologies and mobile banking platforms could negatively impact the value of the investments of the Group in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may further necessitate changes to its retail distribution strategy, which may include closing, restructuring and/or selling certain branches of the Group (as the Group has been doing in recent years). These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of its remaining branches or to otherwise reform its retail distribution channel. Furthermore, if the Group fails to swiftly and effectively implement such changes to its distribution strategy could have an adverse effect its competitive position. As part of these restructuring processes, in 2021 the Group faced costs for a net impact of -€530 million, mainly in the UK and Portugal, while no restructuring costs were accounted for in 2022 and 2023.

In particular, the Group faces the challenge to compete in an ecosystem where the relationship with the consumer is based on access to digital data and interactions. This access is increasingly dominated by digital platforms who are already eroding its results in very relevant markets such as payments. This privileged access to data can be used as a leverage to compete with the Group in other adjacent markets and may reduce its operations and margins in core businesses such as lending or wealth management. The alliances that its competitors are starting to build with large technology firms can make it more difficult for the Group to successfully compete with them and could adversely affect it.

Increasing competition could also require that the Group increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Group, including its profitability. It may also negatively affect its business results and prospects by, among other things, limiting its ability to increase its customer base and expand its operations and increasing competition for investment opportunities.

If the customer service levels of the Group were perceived by the market to be materially below those of its competitor financial institutions, the Group could lose existing and potential business. If the Group is not successful in retaining and strengthening customer relationships, it may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on the Group's operating results, financial condition and prospects.

If the Group is unable to manage the growth of its operations, to integrate successfully its inorganic growth, or to execute successfully any of its strategic actions this could have an adverse impact on its profitability.

The Group allocates management and planning resources to develop strategic plans for organic growth, and to identify possible acquisitions and disposals and areas for restructuring its businesses. From time to time, the Group evaluates acquisition and partnership opportunities that it believes offer additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and its ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems, unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and delivery and execution risks. The Group can give no assurances that its expectations with regards to integration and synergies will materialise. It also cannot provide assurance that the

Group will, in all cases, be able to manage its growth effectively or deliver its strategic growth objectives. Challenges that may result from its strategic growth decisions include the ability of the Group to:

- manage efficiently the operations and employees of expanding businesses;
- maintain or grow its existing customer base;
- assess the value, strengths and weaknesses of investment or acquisition candidates, including local regulation that can reduce or eliminate expected synergies;
- finance strategic investments or acquisitions;
- align its current information technology systems adequately with those of an enlarged group;
- apply its risk management policy effectively to an enlarged group; and
- manage a growing number of entities without over-committing management or losing key personnel.

Any failure to manage growth effectively or to execute successfully any of the Group's strategic actions could have a material adverse effect on its operating results, financial condition and prospects. In addition, any acquisition or venture could result in the loss of key employees and inconsistencies in standards, controls, procedures and policies.

Moreover, the success of the acquisition or venture will at least in part be subject to a number of political, economic and other factors that are beyond the control of the Group. Any of these factors, individually or collectively, could have a material adverse effect on the Group.

Furthermore, there is no assurance that the changes to the Group's operating model that became effective on 1 January 2024, which included the reorganisation of its primary and secondary segments, will yield all of the expected benefits in the timeframes that the Group expects, if at all.

BANCO SANTANDER, S.A.

The following text shall replace in its entirety the text in the sub-section entitled "Banco Santander, S.A. / Description of the Issuer" on page 298 of the Base Prospectus:

The description of the Issuer is set out in certain sections of the 2023 Annual Report. These sections have been incorporated by reference into this Base Prospectus (see "Documents Incorporated by Reference", which provides a table reconciling the content of this section with the corresponding page number(s) of the 2023 Annual Report containing such information).

GENERAL INFORMATION

The following text shall replace paragraphs 6 and 7 in the section entitled "General Information" on page 315 of the Base Prospectus:

6. Since 31 December 2023 there has been no material adverse change in the prospects of the Issuer.
7. Since 31 December 2023 there has been no significant change in the financial position or financial performance of the Issuer.