Glenn Hogan Hutchins

VICE CHAIR AND LEAD INDEPENDENT DIRECTOR

Non-executive director (independent)

Board member since 2022.

Nationality: American. Born in 1955 in Virginia, US.

Education: Graduated with a AB, MBA and JD from Harvard University.

Experience: Mr Hutchins co-founded US technology and investment firm Silver Lake, where he was CEO until 2011. Prior, Mr Hutchins had been a senior managing director at The Blackstone Group (1994-1999) and Thomas H. Lee Co. (1985-1994), and a consultant at Boston Consulting Group. He has also served on the boards of SunGard Data Systems (Chair, 2005-2015), NASDAQ (2005-2017) and Virtu Financial (2017-2021). He served as a director and Chair of the audit and risk committees of the Federal Reserve Bank of New York from 2011 to 2021. Additionally, he served on the board of the Harvard Management Company, which manages Harvard University's endowment. Mr Hutchins worked with President Clinton in his transition to power and the White House as special advisor on economic and healthcare policy.

Other positions of note: Mr Hutchins is non-executive Chair of investment firm North Island Ventures and an independent director of AT&T. He is a member of the international advisory board and investment board of Singapore's Government Investment Corporation (GIC), co-Chair of the Brookings Institution, director of not-for-profit organization CARE, and Vice Chair of the Obama Foundation. He also serves on the executive committee of the Boston Celtics basketball team.

Membership of board committees: Nomination committee, remuneration committee (Chair), and innovation and technology committee.

Skills and competencies: As a long-time investor in technology and fintech companies, Mr Hutchins has expertise in financial markets and is well-known among investors and stakeholders. He brings to the board his acumen in technology, telecommunications, innovation, finance and investment as well as extensive knowledge of financial regulation as a result of his leadership roles in government, especially with financial regulators and supervisors. He works closely with not-for-profit entities committed to fighting poverty, designing effective public policy and promoting social justice.

José Antonio Álvarez Álvarez

VICE CHAIR

Non-executive director

Board member since 2015.

Nationality: Spanish. Born in 1960 in León, Spain.

Education: Degree in Economics and Business Administration. MBA from the University of Chicago.

Experience: Mr Álvarez joined Santander in 2002. He was appointed Senior Executive Vice President of the Financial Management and Investor Relations division in 2004 (Group Chief Financial Officer) and was Group CEO from 2015 to 2022. He served as director at SAM Investments Holdings Limited, Santander Consumer Finance, S.A. and Santander Holdings USA, Inc. He sat on the supervisory boards of Santander Consumer Bank AG, Santander Consumer Holding GmbH and Santander Bank Polska, S.A. He was also a board member of Bolsas y Mercados Españoles, S.A.

Other positions of note: Mr Álvarez is an independent director of Aon PLC and a member of the advisory committee of Grupo GED.

Positions in other Group companies: Mr Álvarez is non-executive Vice Chair of Banco Santander (Brasil) S.A. and a non-executive director of PagoNxt, S.L.

Membership of board committees: Executive committee and innovation and technology committee.

Skills and competencies: Mr Álvarez is a highly qualified and talented leader with a distinguished career in banking. He brings significant strategic and international management expertise, in particular financial planning, asset management and consumer finance, and has vast knowledge of the Group from his tenure as CEO. He has extensive experience and an established reputation with such key stakeholders as regulators and investors.

Homaira Akbari
Non-executive director (independent)

Board member since 2016.

Nationality: American and French. Born in 1961 in Tehran, Iran.

Education: PhD in Experimental Particle Physics from Tufts University of Massachusetts and MBA from Carnegie Mellon University.

Experience: Ms Akbari was a non-executive director of Gemalto NV and Veolia Environment S.A. She was Chair and CEO of SkyBitz, Inc., managing director of TruePosition Inc., and a non-executive director of Covisint Corporation and US Pack Logistics, LLC. She also held various roles at Microsoft Corporation and Thales Group, was non-executive Chair of WorkFusion, Inc., and an independent director of Temenos, AG.

Other positions of note: Ms Akbari is CEO of AKnowledge Partners, LLC, a global consultancy firm on the Internet of Things, cyber security and artificial intelligence. She is an independent director of Landstar System, Inc. and a member of the security advisory board of Telefónica Soluciones de Criptografía, S.A.U. She is also a trustee of the French Institute Alliance Française.

Positions in other Group companies: Ms Akbari is a non-executive director of Santander Consumer USA Holdings Inc. and PagoNxt, S.L.

Membership of board committees: Audit committee, responsible banking, sustainability and culture committee, and innovation and technology committee.

Skills and competencies: Ms Akbari brings significant experience of technology companies. Her knowledge of digital transformation challenges and cyber security is an asset to the board. She also has extensive experience in diverse regions and knowledge of water, energy and waste management and treatment, which are of particular value to the Group's sustainability policy.

Javier Botín-Sanz de Sautuola y O'Shea
Non-executive director

Board member since 2004.

Nationality: Spanish. Born in 1973 in Santander, Spain.

Education: Degree in Law from the Complutense University of Madrid.

Experience: Mr Botín founded JB Capital Markets, S.V., S.A.U. in 2008 and has been its Executive Chair ever since. He was co-founder and executive director of the equities division of M&B Capital Advisers, S.V., S.A. (2000-2008). Previously, he had been a legal adviser within the International Legal department of Banco Santander (1998-1999).

Other positions of note: In addition to the financial sector, Mr Botín works with several not-for-profit organizations. He has been Chair of the Botín Foundation since 2014 and is also a trustee of the Princess of Girona Foundation.

Skills and competencies: Mr Botín brings international and managerial expertise to the board, particularly in finance and banking. He also brings a deep understanding of Grupo Santander, its operations and its strategy from his tenure as a non-executive director.

Bruce Carnegie-Brown
Non-executive director (independent)

Board member since 2015.

Nationality: British. Born in 1959 in Freetown, Sierra Leone.

Education: Master of Arts in English Language and Literature from the University of Oxford.

Experience: Mr Carnegie-Brown was non-executive Chair of Moneysupermarket.com Group PLC (2014-2019), a non-executive director of Jardine Lloyd Thompson Group PLC (2016-2017), Santander UK PLC and Santander UK Group Holdings PLC (2019-2021), and non-executive Chair of Aon UK Ltd (2012-2015). He was the founder and managing partner of the quoted private equity division of 3i Group PLC, and Chair and CEO of Marsh Europe, S.A. He was also Lead Independent Director at Close Brothers Group PLC (2006-2014) and Catlin Group Ltd (2010-2014). He previously worked at JP Morgan Chase for 18 years and Bank of America for four years. He was Vice Chair and Lead Independent Director of Banco Santander from 2015 to 2023.

Other positions of note: Mr Carnegie-Brown is the non-executive Chair of Lloyd's of London and of Cuvva Limited, a member of the investment committee of Gresham House PLC, Chair of Marylebone Cricket Club (MCC) and of TheCityUK leadership council, and member of the professional game committee of England and Wales Cricket Board.

Membership of board committees: Nomination committee (Chair) and remuneration committee.

Skills and competencies: Mr Carnegie-Brown has a lengthy background in banking, particularly investment banking, and considerable expertise in insurance. He also possesses significant international experience in top management positions in Europe (UK), the Middle East and Asia. His top-management insight provides the board with know-how in regard to remuneration, appointments and risk. As Lead Independent Director, he has also gained an excellent understanding of investors' expectations, as well as managing relations with them and the financial community.

Sol Daurella Comadrán
Non-executive director (independent)

Board member since 2015.

Nationality: Spanish. Born in 1966 in Barcelona, Spain.

Education: Degree in Business and MBA from ESADE.

Experience: Ms Daurella sat on the board of Círculo de Economía de Barcelona and was an independent director of Banco Sabadell, S.A., Ebro Foods, S.A. and Acciona, S.A. She was also honorary consul general of Iceland in Barcelona (1992-2021).

Other positions of note: Ms Daurella is Chair of Coca-Cola Europacific Partners PLC, Executive Chair of Olive Partners, S.A., and holds several roles in Grupo Cobega companies. She is also Vice Chair of the board of trustees of the FERO Oncology Research Foundation and of Instituto de la Empresa Familiar.

Membership of board committees: Nomination committee, remuneration committee, and responsible banking, sustainability and culture committee.

Skills and competencies: Ms Daurella brings to the board excellent strategy and high-level management skills from her international top-executive experience at listed and large privately-held entities, particularly distributors. She has vast experience of corporate governance as the former Chair of several boards and having served on several audit committees. As a trustee of various health, education and environmental foundations, she provides responsible business and sustainability insight to the board.

Henrique de Castro

Non-executive director (independent)

Board member since 2019.

Nationality: Portuguese. Born in 1965 in Lisbon, Portugal.

Education: Degree in Business Administration from the Lisbon School of Economics & Management and MBA from the University of Lausanne.

Experience: Mr de Castro was Chief Operating Officer at Yahoo. Previously, he had been the manager of worldwide devices, media and platforms at Google, European sales and business development manager at Dell Inc., and a consultant at McKinsey & Company. He was also an independent director at First Data Corporation.

Other positions of note: Mr de Castro is an independent director of Fiserv Inc.

Positions in other Group companies: Mr de Castro is a non-executive director of PagoNxt, S.L.

Membership of board committees: Audit committee, remuneration committee, and innovation and technology committee.

Skills and competencies: Mr de Castro brings to the board valuable international experience in technological and digital strategy due to his executive roles in the world´s top technology companies.

Germán de la Fuente Escamilla

Non-executive director (independent)

Board member since 2022.

Nationality: Spanish. Born in 1964 in Madrid, Spain.

Education: Degree in Economics and Business Administration with a diploma in auditing from the Complutense University of Madrid.

Experience: Mr de la Fuente has spent his professional career at Deloitte, where he has been Head of the audit business for the financial services industry (2002–2007), managing partner of Audit & Assurance (2007-2021) in Spain, and Chair and CEO of Deloitte, S.L. (2017-2022). He was also a member of the global board of directors of the firm from 2012 to 2016 and of the global audit and risk services committee until June 2021. He has been involved in auditing major Spanish financial groups and in multiple consulting and advisory projects.

Membership of board committees: Audit committee and risk supervision, regulation and compliance committee.

Skills and competencies: Mr de la Fuente brings extensive experience in the auditing industry and sound knowledge in auditing, accounting and internal and risk control, and the banking sector, all of which uphold his recognition as a financial expert.

Gina
Díez Barroso Azcárraga
Non-executive director (independent)

Board member since 2020.

Nationality: Mexican. Born in 1955 in Mexico City, Mexico.

Education: Degree in Design from Centro de Diseño of Mexico City.

Experience: Ms Díez Barroso was an independent director of Santander México and other Grupo Santander companies in Mexico until April 2020. She has been member of the board of directors of Americas Society and Council of the Americas, Laurel Strategies and Qualitas of Life Foundation. She was also a founder and a trustee of the Pro-Educación Centro and Diarq foundations.

Other positions of note: Ms Díez Barroso is the founder and non-executive Chair of Grupo Diarq, S.A. de C.V. and Centro de Diseño y Comunicación, S.C. (Universidad Centro). She is also a non-executive director of Bolsa Mexicana de Valores (BMV) and Dalia Women, S.A.P.I de C.V. (Dalia Empower), a member of Comité de 200 (C200) and represents Mexico at the W20, the G20 women's initiative to promote gender diversity.

Positions in other Group companies: Ms Díez Barroso is a non-executive director of Universia México, S.A. de C.V.

Membership of board committees: Nomination committee and responsible banking, sustainability and culture committee.

Skills and competencies: Ms Díez Barroso brings to the board vast experience in the real estate and education sectors, and has extensive knowledge of, and an ever-lasting commitment to, sustainability, inclusion and responsible business, having been a founder and trustee of foundations that focus on education, gender diversity and social support.

Luis
Isasi Fernández de Bobadilla
Non-executive director (*)

Board member since 2020.

Nationality: Spanish. Born in 1956 in Jerez de la Frontera, Spain.

Education: Degree in Economics and Business Administration and MBA from Columbia Business School.

Experience: Mr Isasi began his career at Abengoa, before holding various executive positions at JP Morgan in New York and First National Bank of Chicago in London.

In 1987, he joined Morgan Stanley where he was managing director of investment banking for Europe and Chair and Country Head for Spain (1997-2020) and senior advisor (2020-2023). He has also been director of Madrileña Red de Gas, S.A. and Sociedad Rectora de la Bolsa de Madrid, S.A., as well as an independent director of Grifols, S.A.

Other positions of note: Mr Isasi is non-executive Chair of Santander España and of Logista Integral, S.A. (LOGISTA).

Membership of board committees: Executive committee, remuneration committee, and risk supervision, regulation and compliance committee.

Skills and competencies: Mr Isasi has vast experience in a wide range of sectors and international markets (in particular, finance and investment banking) as well as a strong institutional network within Spain.

(*) In the opinion of the nomination committee and the board of directors, Mr Isasi meets the requirements to be considered independent, despite being categorized as other external based on a standard of prudence. For more details, see subsection 'Other external directors', in section 4.2.

Ramiro
Mato García-Ansorena
Non-executive director (independent)

Board member since 2017.

Nationality: Spanish. Born in 1952 in Madrid, Spain.

Education: Degree in Economics from the Complutense University of Madrid and graduate of Harvard University´s Management Development Programme.

Experience: Mr Mato held several roles in Banque BNP Paribas, including Chair of BNP Paribas Group in Spain. Previously, he had held several top roles in Argentaria. He sat on the board of the Spanish Banking Association (AEB) as representative of Banque BNP Paribas, and of Bolsas y Mercados Españoles, S.A. He has also been a member of the board of trustees of the Fundación Española de Banca para Estudios Financieros (FEBEF).

Other positions of note: Mr Mato is Chair of Ansorena, S.A., senior advisor of ACON Southern Europe Advisory, S.L., and Vice Chair of the board of trustees of the Fundación Esperanza y Alegría.

Membership of board committees: Executive committee, audit committee, risk supervision, regulation and compliance committee, and responsible banking, sustainability and culture committee (Chair).

Skills and competencies: Mr Mato has had an extensive professional career in banking and capital market sectors. He has held senior executive and non-executive roles and brings considerable expertise in top management, audit, risk and strategy, mainly within the financial sector. He has also been active on the boards of trustees of several foundations to promote education.

Belén
Romana García
Non-executive director (independent)

Board member since 2015.

Nationality: Spanish. Born in 1965 in Madrid, Spain.

Education: Degree in Economics and Business Administration from Universidad Autónoma de Madrid. She is also State Economist for Spain.

Experience: Ms Romana was formerly director general of Economic Policy, director general of the Treasury of the Spanish Ministry of Economy, and director at Banco de España and the CNMV. She was also a director at the Instituto de Crédito Oficial and other entities on behalf of the Ministry of Economy. She served as a non-executive director at Banesto and as Executive Chair of Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria, S.A. (SAREB). She has also been non-executive director of Aviva PLC and Aviva Italia Holding S.p.A. She has also been co-Chair of the board of trustees of The Digital Future Society and advisory board member at Inetum and TribalData.

Other positions of note: Ms Romana is an independent director of SIX Group AG and its subsidiary Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.U. She is also the non-executive Chair of its other subsidiaries, SIX Digital Exchange AG and SDX Trading AG. Furthermore, she is an independent director of Werfen, S.A.; an advisory board member at Rafael del Pino Foundation; senior adviser to Artá Capital; and academic director of the IE Leadership & Foresight Hub Programme.

Membership of board committees: Executive committee, audit committee, nomination committee, risk supervision, regulation and compliance committee (Chair), responsible banking, sustainability and culture committee, and innovation and technology committee.

Skills and competencies: Given her background as a government economist and overall executive and non-executive experience in finance (particularly from serving on the audit committees of listed companies), Ms Romana is a recognized financial expert. Having held key positions in credit institutions and the regulatory and supervisory bodies of the financial industry and securities markets in Spain, she also provides strategic insights into banking, financial regulations and government relations in Spain and Europe.

Pamela
Walkden
Non-executive director (independent)

Board member since 2019.

Nationality: British. Born in 1960 in Worcester, England.

Education: Master's Degree in Economics from Cambridge University.

Experience: Mrs Walkden has served in a number of senior management positions at Standard Chartered Bank, including as Group Head of Human Resources, Chief Risk Officer, Group Treasurer, Group Head of Asset and Liability Management and Regional Markets, Group Head of Internal Audit, Group Head of Corporate Affairs and Group Manager of Investor Relations. In addition, she served as an independent member of the UK Prudential Regulation Authority (PRA) Regulatory Reform Panel, as member of the European Banking Authority Stakeholder Group, and was a lay member of the Welfare and Ethics Committee of the Royal Veterinary College.

Other positions of note: Mrs Walkden is a member of the advisory board of JD Haspel Limited.

Positions in other Group companies: Mrs Walkden is a non-executive director of Santander UK PLC and Santander UK Group Holdings PLC.

Membership of board committees: Audit committee (Chair) and risk supervision, regulation and compliance committee.

Skills and competencies: Mrs Walkden qualifies as a financial expert in light of her broad, international experience in banking and auditing.

Jaime
Pérez Renovales
General Counsel and secretary of the board

Joined the Group in 2003.

Nationality: Spanish. Born in 1968 in Valladolid, Spain.

Education: Degree in Law and Business Administration from Universidad Pontificia Comillas (ICADE E-3) and State Attorney for Spain.

Experience: Jaime Pérez Renovales was director of the office of the second deputy Prime Minister for Economic Affairs and Minister of Economy, deputy secretary to the Spanish Prime Minister, Chair of the *Spanish State Official Gazette* and the committee for Government Reform. Previously, he had been Vice General Counsel, vice secretary of the board and Head of Grupo Santander's legal department, General Counsel and secretary of the board at Banesto, and deputy director of legal services at the CNMV. He is the Banco Santander representative on the board of trustees of the Princess of Asturias Foundation and is a member of the jury for its award for Social Sciences. He is Chair of the ICADE Business Club, member of the board of trustees of the Fundación Universitaria Comillas-I.C.A.I. and professor of Constitutional Law in the Faculty of Law at Universidad Pontificia Comillas (ICADE).

Jaime Pérez Renovales is the secretary of every board committee.

4.2 Board composition

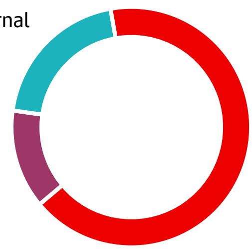
Size

As at 31 December 2023, the board of directors comprised 15 members, whose profile and background are described in section 4.1 'Our directors'. The Bylaws dictate that the board must be composed of not less than 12 and no more than 17 members.

Composition by type of director

The board of directors has a balanced composition between executive and non-executive directors, most of whom are independent. Each director's status has been verified by the nomination committee.

Our board composition



Executive directors

- Ana Botín, Group Executive Chair
- Héctor Grisi, Chief Executive Officer

Section 4.3 provides a detailed description of their respective roles and duties under 'Group Executive Chair and Chief Executive Officer'.

Independent directors

- Glenn Hutchins (Lead Independent Director)
- Homaira Akbari
- Bruce Carnegie-Brown
- Sol Daurella
- Henrique de Castro
- Germán de la Fuente
- Gina Díez Barroso
- Ramiro Mato
- Belén Romana
- Pamela Walkden

Every year, the nomination committee verifies the independence of the board members. It considers potentially significant business relations that could affect their independence and other pertinent circumstances. This analysis is described further in section 4.6 'Nomination committee activities in 2023' and in subsection C.1.3 in section 9.2 'Statistical information on corporate governance required by the CNMV'.

Independent non-executive directors account for 66.7% of board members. This conforms to best corporate governance practices as well as to the Rules and regulations of the board, which require that the board be predominantly made up of non-executive directors with at least 50% independent directors.

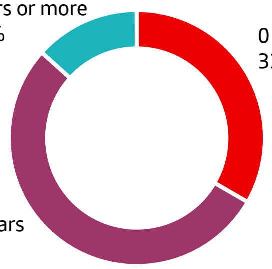
Other external directors

- José Antonio Álvarez
- Javier Botín
- Luis Isasi

These directors cannot be classified as independent directors for the following reasons:

- Mr Álvarez, because he was the former CEO of Banco Santander until 31 December 2022.
- Mr Botín, because he has been a director for over 12 years.
- Mr Isasi, because it is considered preferable to classify him as an external director under prudent criteria, in view of his remuneration as non-executive chair of Santander España in addition to his remuneration as a director and the special nature of this body as supervisor of a business unit without its own corporate identity separate to Banco Santander, despite the nomination committee and the board believing that he meets the requirements to be classed as an independent director.

Board tenure



At the end of 2023, the average term of directors was 8.17 years and the average term of independent directors was 5.33 years. See 'Board skills and diversity matrix' and 'Tenure and equity ownership' in this section 4.2.

Tenure and equity ownership[A]

Board of directors		Tenure			Banco Santander shareholding[D]				
		Date of first appointment[B]	Date of last appointment	End date[C]	Direct	Indirect	Shares represented	Total	% of share capital
Executive Chair	Ana Botín	04/02/1989	31/03/2023	31/03/2026	1,463,276	31,161,724		32,625,000	0.202%
Chief Executive Officer	Héctor Grisi	20/12/2022	31/03/2023	31/03/2026	1,693,710			1,693,710	0,010%
Vice Chair and Lead Independent Director	Glenn Hutchins	20/12/2022	31/03/2023	31/03/2026	524,027			524,027	0.003%
Vice Chair	José Antonio Álvarez	25/11/2014	01/04/2022	01/04/2025	2,497,881			2,497,881	0.015%
Members	Homaira Akbari	27/09/2016	31/03/2023	31/03/2026	67,826	100,913		168,739	0.001%
	Javier Botín	25/07/2004	26/03/2021	26/03/2024	5,502,083	25,598,851	156.529.169 [E]	187,630,103	1.159%
	Bruce Carnegie-Brown	25/11/2014	26/03/2021	26/03/2024	59,940			59,940	0.000%
	Sol Daurella	25/11/2014	31/03/2023	31/03/2026	149,483	476,837		626,320	0.004%
	Henrique de Castro	12/04/2019	01/04/2022	01/04/2025	2,982			2,982	0.000%
	Germán de la Fuente	01/04/2022	01/04/2022	01/04/2025	10,000			10,000	0.000%
	Gina Díez	22/12/2020	31/03/2023	31/03/2026	27,000			27,000	0.000%
	Luis Isasi	03/04/2020	01/04/2022	01/04/2025					0.000%
	Ramiro Mato	28/11/2017	26/03/2021	26/03/2024	506,860			506,860	0.003%
	Belén Romana	22/12/2015	01/04/2022	01/04/2025	208	4		212	0.000%
	Pamela Walkden	29/10/2019	31/03/2023	31/03/2026	82,608			82,608	0.001%
	Total				**12,587,884**	**57,338,329**	**156,529,169**	**193,830,382**	**1.198%**
General secretary and secretary of the board	Jaime Pérez Renovales								

A. Figures as at 31 December 2023.
B. The date of first appointment referred herein may not match with the date of acceptance of the position.
C. The date provided does not take into account the additional period that may apply under article 222 of the Spanish Companies Act, nor the annual renewal of one-third of the board established in article 55.1 of the Bylaws. For more details, see 'Election, appointment, re-election and succession of directors' in section 4.2.
D. Banco Santander's shareholding policy aims to align our executive directors and shareholders' long-term interests. It includes the obligation for each executive director to maintain a significant investment in Banco Santander's shares, equivalent to twice their annual salary. Executive directors have five years from the time they were appointed to reach the required level of investment. Any shares they receive as remuneration are subject to a mandatory three-year holding period from their date of delivery, unless they already hold the mentioned investment equivalent, in addition to the regulatory obligation not to sell them for one year from delivery, which applies in all cases.
E. Includes shares owned by Fundación Botín, chaired by Javier Botín, and syndicated shares, including shares corresponding to Ana Botín that are also included within her direct or indirect shareholdings above, but excluding those corresponding to Javier Botín. See section 2.4 'Shareholders' agreements'. In subsection A.3 of section 9.2 'Statistical information on corporate governance required by the CNMV', we adapted this information to the CNMV's format.

For more details, see section 9.2 'Statistical information on corporate governance required by the CNMV'.

Diversity

A diverse board of directors is essential to its effectiveness. Mixed skills, experiences and points of view create an environment that promotes independent opinion and constructive debate, and ensures proper decision-making. Thus, we seek to achieve a sound balance of technical expertise, experience and broad diversity.

Our policy on the selection, suitability assessment and succession of directors helps make our board more diverse, not only in terms of gender, but also from an age, geographical provenance, experience and knowledge standpoint, without implicit bias that could lead to any form of discrimination, based for instance on disability, race or ethnic origin.

The policy follows the European Banking Authority (EBA) and the European Securities and Markets Authority's (ESMA) joint guidelines on the suitability assessment of board members and key functions holders, as well as the ECB´s Guide to fit and proper assessments.

Since 2019, when we added a gender equality target to our policy set by the nomination committee, our board of directors has had a balanced composition of women and men each accounting for between 40% and 60% of its members. In fact, since 2019, 40% of our board members are women. In 2020, the policy was amended to include age as additional diversity criteria to consider in the qualitative composition of the board amid a review of the succession process for directors and other executive positions following the last amendment of the CNMV's Corporate Governance Code.

Our selection policy aims to diversify the board of directors based on different points of view, in particular:

- **Country of origin/international education.** Selection considers cultural diversity, geographical provenance, and international education and experience, especially in the Group's core markets.

- **Gender.** The nomination committee and the board of directors understand the importance of fostering equal opportunity between men and women as well as the need for women board members who possess the necessary skills, suitability and commitment to the role. Our policy promotes selection that maintains a balanced presence of women and men on the board, with a representation of both genders between 40% and 60%.

Women represent 40% of Banco Santander´s board members, which is above the average for large listed companies in Spain and Europe. According to figures published by the CNMV in September 2023, the boards of IBEX 35 companies in Spain in 2022 had an average of 37.6% women members. Moreover, according to the European Commission's report on gender equality in the EU dated March 2023, the boards of large listed companies across the European Union had an average of 32.2% women members.

- **Age**: Our policy also considers that selection must promote age diversity. There are no age limits for becoming a director nor for the roles of chair and chief executive officer.
- **Education and career**: Selection considers candidates´ academic training and career history to ensure they are qualified to understand our Group's businesses, structure and markets, and that they fit within the Santander culture and other aspects deemed material to the Group.

Board skills and diversity matrix

The nomination committee updates a board skills and diversity matrix that reflects the balance of the knowledge, skills, qualifications, diversity and experience required to pursue our long-term strategy in an ever-changing market.

It considers EBA and ESMA guidelines on the suitability assessment of board members and key functions holders, as well as the ECB´s Guide to fit and proper assessments.

The matrix follows the structure below:

- We distinguish between **thematic (technical)** and **horizontal skills.**
- We include a separate **diversity section** that details gender, country of origin/ international education, and age.
- We show each member´s **tenure**.

The matrix discloses each board member's particular expertise and skills, some of which are further detailed in section 4.1 'Our directors'), and is a sign of our commitment to transparency.

We continuously review the suitability of skills and diversity to ensure a diverse board that can meet Banco Santander's strategy needs. The matrix enables us to pinpoint areas we need to strengthen in succession and election of new board members.

Last, the 'Committees skills and diversity matrix' shows the diverse composition of each committee and members´ knowledge and expertise relevant to their committee's remit.

Board skills and diversity matrix

		Ana Botín	Héctor Grisi	Glenn Hutchins	José Antonio Álvarez	Homaira Akbari	Javier Botín	Bruce Carnegie-Brown	Sol Daurella	Henrique de Castro	Germán de la Fuente	Gina Díez Barroso	Luis Isasi	Ramiro Mato	Belén Romana	Pamela Walkden
		Executive Chair	CEO	Vice Chair Lead Independent Director	Vice Chair Non-executive	Independent	Non-executive	Independent	Independent	Independent	Independent	Independent	Non-executive	Independent	Independent	Independent
SKILLS AND EXPERIENCE																
THEMATIC SKILLS																
Banking (93.3%)		•	•	•	•	•	•	•	•		•	•	•	•	•	•
Other financial services (86.7%)		•	•	•	•	•	•	•		•	•	•	•	•	•	
Accounting, auditing and financial literacy (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Retail (80%)		•	•		•	•	•	•	•	•			•	•	•	•
Digital & information technology (60%)		•	•	•	•	•		•		•				•	•	
Risk management (86.7%)		•	•	•	•	•	•	•	•		•		•	•	•	•
Business strategy (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Responsible business & sustainability (73.3%)		•	•	•	•	•	•	•	•			•		•	•	
Human resources, culture, talent & remuneration (93.3%)		•	•	•	•	•		•	•	•	•	•	•	•	•	•
Legal and regulatory (13.3%)				•											•	
Governance and control (86.7%)		•	•	•	•	•	•	•	•		•		•	•	•	•
International experience	Continental Europe (73.3%)	•			•	•	•	•	•	•	•		•	•	•	
	US/UK (93.3%)	•	•	•	•	•	•	•	•	•	•		•	•	•	•
	Latam (66.7%)	•	•		•	•	•			•	•	•	•	•		
	Others (40%)							•	•	•	•			•		•
HORIZONTAL SKILLS																
Top management (100%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Government, regulatory and public policy (13.3%)				•											•	
Academia and education (40%)		•				•		•	•			•		•		
Significant directorship tenure (93.3%)		•	•	•	•	•	•	•	•	•	•	•	•	•	•	
DIVERSITY																
Gender	Female (40%)	•				•			•			•			•	•
	Male (60%)		•	•	•		•	•		•	•		•	•		
Country of origin/ international education	Continental Europe (60%)	•			•		•		•	•	•		•	•	•	
	US/UK (66.7%)	•		•	•	•		•				•	•	•	•	•
	Latam (13.3%)		•									•				
	Others (6.7%)					•										
Age	Under 55 (6.7%)						•									
	55 to 65 (66.7%)	•	•		•	•		•	•	•	•				•	•
	Over 65 (26.7%)			•								•	•	•		
BOARD TENURE																
0 to 3 years (33.3%)			•	•							•	•	•			
4 to 11 years (53.3%)					•	•		•	•	•				•	•	•
12 years or more (13.3%)		•					•									

Committees skills and diversity matrix

		Executive committee	Audit committee	Nomination committee	Remuneration committee	Risk supervision, regulation and compliance committee	Responsible banking, sustainability and culture committee	Innovation and technology committee
SKILLS AND EXPERIENCE								
THEMATIC SKILLS								
Banking		100%	83.3%	100%	80%	100%	100%	85.7%
Other financial services		100%	83.3%	80%	80%	80%	80%	100%
Accounting, auditing and financial literacy		100%	100%	100%	100%	100%	100%	100%
Retail		100%	83.3%	60%	80%	80%	80%	85.7%
Digital and information technology		83.3%	66.7%	60%	60%	40%	60%	100%
Risk management		100%	83.3%	80%	80%	100%	80%	85.7%
Business strategy		100%	100%	100%	100%	100%	100%	100%
Responsible business and sustainability		83.3%	50%	100%	60%	40%	100%	85.7%
Human resources, culture, talent and remuneration		100%	100%	100%	100%	100%	100%	100%
Legal and regulatory		16.7%	16.7%	40%	20%	20%	20%	28.6%
Governance and control		100%	83.3%	80%	80%	100%	80%	85.7%
International experience	Continental Europe	83.3%	83.3%	60%	80%	80%	80%	71.4%
	US/UK	100%	100%	80%	100%	100%	80%	100%
	Latam	83.3%	66.7%	20%	40%	60%	60%	71.4%
	Others	16.7%	66.7%	40%	60%	60%	40%	14.3%
HORIZONTAL SKILLS								
Top management		100%	100%	100%	100%	100%	100%	100%
Government, regulatory and public policy		16.7%	16.7%	40%	20%	20%	20%	28.6%
Academia and education		33.3%	33.3%	60%	40%	20%	80%	28.6%
Significant directorship tenure		100%	83.3%	100%	100%	80%	100%	100%
DIVERSITY								
Gender	Female	33.3%	50%	60%	20%	40%	80%	42.9%
	Male	66.7%	50%	40%	80%	60%	20%	57.1%
Country of origin/international education	Continental Europe	83.3%	66.7%	40%	60%	80%	60%	57.1%
	US/UK	83.3%	66.7%	80%	60%	80%	80%	71.4%
	Latam	16.7%	–	20%	–	–	20%	14.3%
	Others	–	16.7%	–	–	–	20%	14.3%
Age	Under 55	–	–	–	–	–	–	–
	55 to 65	66.7%	83.3%	60%	60%	60%	60%	85.7%
	Over 65	33.3%	16.7%	40%	40%	40%	40%	14.3%
BOARD TENURE								
0 to 3 years		33.3%	16.7%	40%	40%	40%	20%	28.6%
4 to 11 years		50%	83.3%	60%	60%	60%	80%	57.1%
12 years or more		16.7%	–	–	–	–	–	14.3%

Election, appointment, re-election and succession of directors

Election

Our internal policy for the selection, suitability assessment and succession of directors dictates standards for the board's composition, how it is revised and how new candidates are identified, selected and appointed.

Directors must meet specific requirements dictated by laws for credit institutions and our Bylaws. Upon taking office, they must formally undertake to fulfil the obligations and duties prescribed therein and in the Rules and regulations of the board.

Our directors must be of renowned business and professional integrity, and have the knowledge and experience needed to perform their role and exercise good governance. Director candidates will also be selected on the basis of their professional contribution to the entire board.

The board of directors will endeavour to have significantly more external or non-executive directors than executive directors, and for the number of independent directors to make up at least half of all members.

Appointment and re-election

Shareholders appoint and re-elect directors at the general meeting.

Furthermore, if directors step down during their term of office, the board of directors may provisionally designate another director by co-option until the shareholders at the general meeting confirm the appointment at the earliest subsequent meeting.

Each appointment, re-election and ratification of directors is submitted to a separate vote at the general meeting.

Proposals for appointment, re-election and ratification of directors (regardless of their category), which the board of directors submits to the shareholders, as well as appointments of the board in cases of co-option, should be preceded by the corresponding reasoned proposal of the nomination committee.

Proposals to be submitted to the general meeting must include a duly substantiated report by the board, containing an assessment of the qualifications, experience and merits of the proposed candidate. Re-election and ratification proposals will also provide an assessment of the work and dedication to the position during the last period in which the proposed director held office. If the board disregards the nomination committee's opinion, it must explain its decision and record its reasons in the minutes of the meeting.

Term and cessation

Our directors are appointed for three-year terms. However, one-third of board members are renewed each year in order of their tenure. Outgoing directors may be re-elected.

Our directors shall cease to hold office when the term for which they were appointed ends, unless they are re-elected, when the general meeting so resolves, or when they resign. When a director ceases to hold office prior to the end of their term (i.e. by general meeting resolution or by resignation), they shall explain the reasons for resignation or, in the event of non-executive directors, their opinion on the reasons for their cessation in office by the general meeting in a letter to the other board members unless they report them at a meeting of the board and this is recorded in the minutes. When appropriate, the resignation shall be publicly disclosed, including sufficient information on the director's reasons or circumstances provided by the director.

Directors must tender their resignation to the board and formally step down from their position if the board, on the nomination committee's recommendation, deems it appropriate in cases that may adversely affect the board's functioning or Banco Santander's credit or reputation. In particular, they must resign if they find themselves in a circumstance of ineligibility or prohibition provided by law, without prejudice to the honourability requirements for directors and the consequences deriving from subsequent failure to meet those requirements, set out in Royal Decree 84/2015, that implements Act 10/2014.

Directors must notify the board as soon as possible of any circumstances affecting them, whether related to their performance in Banco Santander or not, that might damage Banco Santander's credit or reputation, especially if under criminal investigation, and of the developments of any such criminal proceedings. When the board is informed or becomes otherwise aware of any such situations, it will examine them as soon as possible and decide, based on the particulars and on a report from the nomination committee, any measures to adopt, such as opening an internal investigation, calling on directors to resign or proposing their dismissal.

Proprietary directors must also tender their resignation when the shareholder they represent sells off or significantly reduces its equity holding.

Succession planning

Succession planning is a key element of our good governance as it ensures orderly role transitions as well as board continuity and stability and its adequate renewal and independence. It is a yearly cycle with a well-defined methodology and timelines, and a clear allocation of responsibilities. Our aim is to identify candidates with the necessary talent for each function and who contribute to the board's proper diversity and balance of skills.

Banco Santander director succession plan focuses on diversity standards and targets and the suitability assessment policy, as well as the regular review of the composition of the board and its committees, and the identification of potential board member candidates.

The policy has specific core performance indicators, reviewed each year, for such aspects as succession effectiveness (vacancies filled by identified candidates); the number of internal and external candidates immediately available to succeed executive directors; training and development plans for potential candidates to succeed executive directors in one to three years; gender diversity and country of origin or international education; updated board member tenure; the strength of the list of successors to executive directors, committee chairs and the Lead Independent Director; and the percentage of candidates to succeed directors who are immediately available (or candidates for a one-to-three year period).

The nomination committee and the board prioritize succession planning, with sound and appropriate plans in place that are regularly revisited to make sure they meet regulatory requirements and align with industry best practice.

4.3 Board functioning and effectiveness

Board functions

Banco Santander's board of directors is our highest decision-making body, except in matters reserved to shareholders at the general meeting. It performs its duties with unity of purpose and independent judgement.

The board's policy is to designate executive bodies and managers to run day-to-day operations and implement the strategy. It focuses on general supervision and other functions it cannot delegate by law, the Bylaws or the Rules and regulations of the board, including:

- General policies and strategies (including capital and liquidity; tax; new products, operations and services; corporate culture and values, including policies on responsible business and sustainability and, in particular, on environmental and social matters; crisis management and resolution planning; risk (including tax risk) control and management; remuneration policy; and compliance).
- Financial and non-financial reporting, and - more generally - information reported to shareholders, investors and the general public, as well as the processes and controls that ensure full disclosure.
- Policies on reporting and communication with shareholders, markets and public opinion, and supervision of the disclosure of information.
- Internal audit plan.
- The selection, succession and remuneration of directors, senior management and other key positions.
- Effectiveness of Grupo Santander's corporate and internal governance system, including the GSGM, corporate frameworks and internal regulations.
- Significant corporate transactions and investments.
- Calling the general shareholders' meeting.
- Related-party transactions.

Board regulation

The board is governed by the rules set out in the Bylaws and the Rules and regulations of the board, both of which are available on our corporate website.

- **Bylaws.** Dictate the basic rules that apply to the composition and operation of the board and its members' duties, and are supplemented and implemented by the Rules and regulations of the board. They can only be amended by shareholders at the general meeting. See 'Rules for amending our Bylaws' in section 3.2.
- **Rules and regulations of the board.** Set the rules for running and internally organizing the board of directors and its committees through the development of applicable laws and Bylaws provisions and good governance recommendations. They set out the principles governing its actions and the duties of its members.

  On 25 July, the board of directors resolved to amend the Rules and regulations of the board of directors with the purpose of:

  - adapting them to the new provisions of Act 2/2023 of 20 February on the protection of persons who report violations of the law and the fight against corruption, bringing the responsibility of the board for implementing an internal system (Canal Abierto) and of the audit and risk supervision, regulation and compliance committees for overseeing it;
  - aligning them with the EBA guidelines on improving resolvability for institutions and resolution authorities, which apply from January 2024, to outline the board's oversight of crisis management planning, with support from the risk supervision, regulation and compliance committee; and
  - introducing technical improvements to increase the board effectiveness in the performance of its duties.

  The Rules and regulations of the board adhere to all legal provisions as well as the principles and recommendations set out in the Spanish Corporate Governance Code; Corporate Governance Principles for Banks of the Basel Committee on Banking Supervision; and the EBA's in Guidelines on internal governance.

  Our rules on the audit committee also adhere to the good operating practices set out in CNMV's Technical Guide 3/2017 on Audit Committees of Public Interest Entities; as well as with the applicable regulations because our shares are listed as ADS on the NYSE and, in particular, with Rule 10A-3 under the Securities Exchange Act (SEA) on standards relating to audit committees.

  Our rules on the nomination and the remuneration committees also adhere to the good operating practices set out in the CNMV's Technical Guide 1/2019 on Nomination and Remuneration Committees.

Structure of the board

The board's corporate governance structure ensures that it discharges its duties effectively.

Group Executive Chair and Chief Executive Officer

Our Executive Chair is Ana Botín and our Chief Executive Officer is Héctor Grisi. They are the most senior executives in the Group's strategic and ordinary management, which the board is responsible for overseeing, ensuring that their roles are clearly separated and complementary. Both report exclusively to the board of directors.

The roles of our Executive Chair and Chief Executive Officer can be summarized as follows:

Roles of the Executive Chair and the Chief Executive Officer

Executive Chair	Chief Executive Officer
• The Chair is the highest-ranking executive in Grupo Santander and its main representative with regulators, authorities and other major stakeholders. • The Chair is responsible for the long-term strategy of the Group, including new tech and digital growth engines, namely PagoNxt and the Digital Consumer Bank. • The Chair is also responsible for other corporate functions and units that help drive the Group's long-term strategy and transformation, comprising Technology and Data & Architecture, Human Resources, Talent, Financial Accounting & Control, Strategy and Corporate Development, General Secretariat and Communications & Corporate Marketing. This reflects the Chair's ultimate accountability for Transformation. • The Chair also leads the appointment and succession planning of Grupo Santander senior management, to be submitted to the nomination committee and board for approval.	• The Chief Executive Officer is entrusted with the day-to-day management of the business with the highest executive functions and reports exclusively to the board. • Accordingly, the Chief Executive Officer's direct reports are the senior managers in charge of the business units: the regional heads (Europe, North America and South America) and those in charge of the global businesses (Wealth Management & Insurance, Corporate & Investment Banking, Payments and Retail & Commercial Banking (including Transformation[A])), encompassing the relevant support and control functions. Whilst the Chair is accountable for Digital Consumer Bank, given that it is a global business, the Group CEO remains fully accountable for the Countries through which Digital Consumer Bank operates. • As responsible for day-to-day management, the CFO and head of Investment Platforms & Corporate Investments also report to the Chief Executive Officer. • Additionally, the Chief Executive Officer is responsible for Regulatory & Supervisory Relations and for embedding the Group's sustainability policy in the day-to-day management of Group businesses and the support and control functions.

A. Whilst Retail & Commercial Banking reports directly to the Chief Executive Officer (with no functional line to the Executive Chair), ultimate accountability for Transformation remains with the Executive Chair.

The duties of the Executive Chair, the Chief Executive Officer, the board, and its committees are clearly separated. Various checks and balances give Grupo Santander's corporate governance structure the appropriate equilibrium. In particular:

- The board and its committees supervise both the Executive Chair and the Chief Executive Officer. Both the Executive Chair and Chief Executive Officer report to the board of directors.
- The board has delegated all its powers to the Executive Chair and the Chief Executive Officer, except for those that cannot be delegated by law and under the Bylaws and the Rules and regulations of the board. The board directly exercises those powers to perform its general supervisory function.
- The Lead Independent Director leads the Group Executive Chair's succession and appointment in coordination with the nomination committee.
- The audit committee is chaired by an independent director who is considered a 'financial expert' as defined in Regulation S-K of the Securities and Exchange Commission (SEC).
- The audit; nomination; responsible banking, sustainability and culture; remuneration; and risk supervision, regulation and compliance committees are chaired by, and have a majority of, independent directors. The first three committees are composed entirely of independent directors.
- The Executive Chair may not simultaneously act as Banco Santander's Chief Executive Officer.
- The corporate Risk, Compliance and Conduct, and Internal Audit functions report as independent units to a committee or a member of the board of directors and have direct, unfettered access to the board.

Lead Independent Director

Our Lead Independent Director is Glenn Hutchins as of 1 October 2023. He replaced Bruce Carnegie-Brown, who had been in the role for almost nine years. The Lead Independent Director, who is key to our governance, coordinates the non-executive directors effectively and makes sure they serve as an appropriate counter-balance to the executive directors.

The following chart shows the Lead Independent Director's functions and activities in 2023. Before stepping down, Bruce Carnegie-Brown provided a detailed report to the nomination committee and board of directors on his activities and the discharge of his duties.

Duties of the Lead Independent Director and activities during 2023

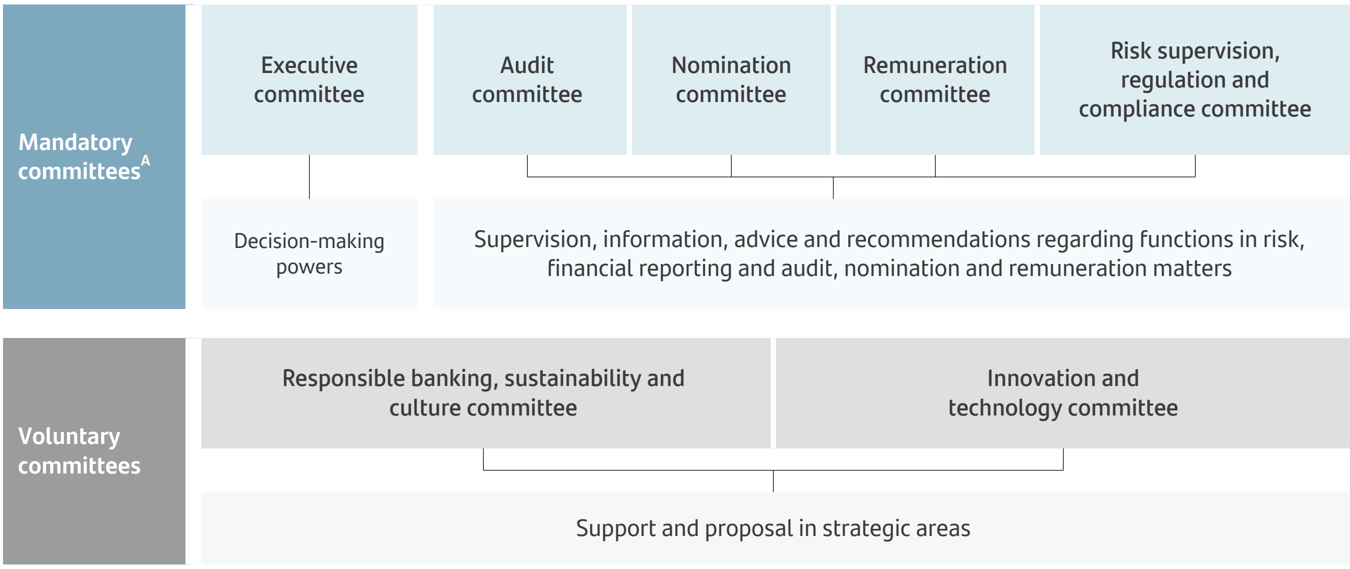
Duties	Activities in 2023
Facilitate discussion and open dialogue among independent directors, coordinating private meetings of non-executive directors without the executive directors present and proactively engaging with them to consider their views and opinions.	Held five meetings with non-executive directors where they were able to voice their views and opinions. These meetings provided a valuable opportunity to reflect on the overall board and committee cycle throughout the year, to discuss board training topics, strategy execution, executive director and top management performance and objectives, succession planning and reflections on areas of continuous improvement. Given the appointment of a new Chief Executive Officer, the non-executive directors invited him to one session to gain his views after three months in office. In addition, the Lead Independent Director included in the agenda for these sessions the performance assessment of the CEO, in recognition of his reporting line to the board.
Direct the periodic evaluation of the Chair of the board of directors and coordinate her succession plans.	Bruce Carnegie-Brown led the Executive Chair's annual performance review in order to determine her variable pay. Furthermore, he led her succession planning activity, as additionally facilitated through his chairmanship of the nomination committee.
Engage with shareholders and other investors to learn of their concerns, especially with regard to Banco Santander's corporate governance.	See section 3.1 'Shareholder communication and engagement' for full details of the Lead Independent Director's activities.
Replace the Chair in her absence, with such key rights as the ability to call board meetings under the terms of the Rules and regulations of the board.	Though the Lead Independent Director did not have to replace the Executive Chair at any board meeting, he remained committed to ensure the proper functioning of board meetings.
Request a board meeting or that new items be added to the agenda.	While the Lead Independent Director did not need to request additional board meetings to be called, he remained fully engaged in, and informed of, board meeting agendas to make proposals of items.

Structure of board committees

The board committee supports the board in:

- Managing the Group by exercising decision-making powers through the executive committee.
- Formulating strategy for core areas through the responsible banking, sustainability and culture committee, and the innovation and technology committee.
- Supervising and making important decisions through the audit committee, nomination committee, remuneration committee and risk supervision, regulation and compliance committee.

The board has seven committees with the following structure:



A. Required by law, the Bylaws or the Rules and regulations of the board.

Secretary of the board

Jaime Pérez Renovales is the secretary of the board. He assists the chair and ensures the formal and substantial legality of all the board's actions. He also makes sure good governance recommendations and procedures are observed and regularly reviewed.

The secretary of the board is also the General Counsel of Banco Santander. He acts as the secretary of all board committees and facilitates a fluid and effective relationship between the committees and the Group's units that must collaborate with them.

The appointment of the secretary of the board is a matter for the board to approve, taking into account the prior opinion of the nomination committee. The secretary does not need to be a director.

The board has three vice secretaries, F. Javier Illescas Fernández-Bermejo (Head of Group Corporate Legal), Julia Bayón Pedraza (Head of Group Business Legal) and Adolfo Díaz-Ambrona Moreno (General Counsel of Santander España). They assist the secretary with his duties on the board and its committees, and replace him in the event of absence, inability to act or illness.

Board operation

The board of directors held 15 meetings (12 ordinary and three extraordinary) in 2023. The Rules and regulations of the board dictate that it must hold at least nine annual ordinary meetings and one quarterly meeting.

Although board meetings follow a calendar approved annually and a provisional agenda of items to discuss among the matters that fall under its remit, new items can be added and additional meetings can be called. Directors may also propose items to be added to the agenda and are duly informed of changes to the calendar and meeting agendas.

To help directors prepare effectively for each meeting, they are given relevant documents sufficiently in advance and in a secure electronic format. In the board's opinion, these documents are appropriately detailed and received in good time.

The Rules and regulations of the board of directors also expressly acknowledge directors' rights to request and obtain information on anything related to Banco Santander and its domestic and foreign subsidiaries. They also acknowledge their right to inspect the books, files, documents and any other records of corporate transactions, in addition to premises and facilities. Furthermore, directors can request and obtain any information and advice they deem necessary from the secretary in order to perform their duties.

Additionally, the board meets at the Chair's discretion or at the request of at least three directors. The Lead Independent Director is also authorized to request a board meeting or that new items be added to the agenda for a meeting that has already been called.

Directors must attend meetings in person, either physically or virtually, and endeavour to limit their absence to situations of absolute necessity. The nomination committee checks that directors attend at least 75% of board and committee meetings and that any absence has a valid excuse without raising doubt about the director´s commitment to good governance. For more details, see 'Board and committee preparation and attendance' in this section 4.3.

If directors are unable to attend a meeting, they can designate (in writing and on a special basis for each session) another director to act on their behalf. Proxies are granted with instructions. Non-executive directors may only be represented by other non-executive directors. A director can hold more than one proxy.

The board may meet in various rooms at the same time, provided that members can interact in real time ensuring interactivity and intercommunication via audio-visual means or telephone.

Board meetings are validly quorate when more than half of its members attend in person or by proxy.

Resolutions are adopted by absolute majority of directors in attendance. The chair has the casting vote in the event of a tie. The Bylaws and the Rules and regulations of the board only require the qualified majorities according to law.

The secretary of the board keeps the board's documents on file and records the content of meetings in meeting minutes. Meeting minutes of the board and committees include statements members expressly request to be put on record.

The board may hire legal, accounting or financial advisers and other experts at Banco Santander's expense for assistance with their duties.

The board should encourage communication between its committees, especially the risk supervision, regulation and compliance committee and the audit committee. It should also promote dialogue between the risk supervision, regulation and compliance committee and the remuneration committee and the responsible banking, sustainability and culture committee, given the relevance of their respective work with each other.

Some committees hold joint meetings throughout the year. Though they cannot vote, any director can attend and participate in meetings of committees on which they do not serve if invited by the chair of the board and the chair of the respective committee, after having asked the chair of the board. Furthermore, all board members who are not executive committee members may attend executive committee meetings at least twice a year, for which they are to be called by the chair.

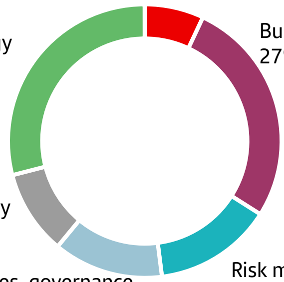
Comparison of number of meetings held[A]

	Banco Santander	Spain average	US average	UK average
Board	15	11.3	7.6	8.9
Executive committee	23	8.6	—	—
Audit committee	15	8.5	8.2	5.4
Nomination committee	13	6.8	4.6	4.2
Remuneration committee	12	6.8	5.8	5.4
Risk supervision, regulation and compliance committee	17	NA	NA	NA

A. Source: Spencer Stuart Board Index 2023 (Spain, United States and United Kingdom).
NA: Not available.

The following chart shows the board's approximate time allocation to each function in 2023.

Approximate allocation of the board's time in 2023



Committee operation

Board committees follow a calendar that includes at least four meetings (except for the innovation and technology committee, which holds at least three meetings) and an annual work plan established every year. Each committee meets as often as is required to fulfil its duties.

A committee meeting is quorate if it is attended by more than half the committee's members in person or through an appointed proxy. A committee resolution passes with a simple majority of votes. In the event of a tie, the committee chair has the casting vote. Committee members may appoint a proxy to vote for them and, as in board meetings, non-executive directors can only appoint a non-executive director proxy.

Committee members are given relevant meeting materials sufficiently in advance of each meeting to facilitate adequate meeting preparation and therefore promote overall committee effectiveness.

Committees have the authority to summon executives, who will appear at meetings at the invitation of, and under the terms dictated by, the respective chair. Furthermore, committees may also submit a request to the General Counsel to hire legal, accounting or financial advisers or other experts to assist with their duties at Banco Santander's expense.

The role of committee secretary is non-voting and falls on the General Counsel and secretary of the board. This fosters a fluid and efficient relationship with the units that must work with, and report to, committees.

Committee chairs report on committees' meetings and activities at all board meetings. Furthermore, all board members are given a copy of committee meeting minutes and all documents provided for meetings.

Board and committee preparation and attendance

The following table shows the attendance rate of board and committee meetings in 2023.

		Committees						
Directors	**Board**	**Executive**	**Audit**	**Nomination**	**Remuneration**	**Risk supervision, regulation and compliance**	**Responsible banking, sustainability and culture**	**Innovation and technology**
Average attendance	**100%**	**95%**	**99%**	**94%**	**95%**	**98%**	**93%**	**98%**
Individual attendance								
Ana Botín	15/15	23/23	_	_	_	_	_	4/4
Héctor Grisi	15/15	22/23	_	_	_	_	_	3/4
Glenn Hutchins	15/15	_	_	13/13	12/12	_	_	4/4
José Antonio Álvarez	15/15	23/23	_	_	_	_	_	4/4
Homaira Akbari	15/15	_	15/15	_	_	_	5/6	4/4
Javier Botín	15/15	_	_	_	_	_	_	_
Bruce Carnegie-Brown[A]	15/15	12/16	_	13/13	12/12	_	_	3/3
Sol Daurella	15/15	_	_	10/13	10/12	_	5/6	_
Henrique de Castro	15/15	_	14/15	_	12/12	_	_	4/4
Germán de la Fuente	15/15	_	15/15	_	_	17/17	_	_
Gina Díez Barroso	15/15	_	_	13/13	_	_	6/6	_
Luis Isasi	15/15	22/23	_	_	11/12	14/17	_	_
Ramiro Mato	15/15	22/23	15/15	_	_	17/17	6/6	_
Belén Romana	15/15	22/23	15/15	_	_	17/17	6/6	4/4
Pamela Walkden	15/15	_	15/15	_	_	17/17	_	_

Note: This table shows each director's in-person attendance at ordinary and extraordinary board or committee meetings except when they attended by proxy. The nomination committee was informed of directors' excused absences and verified that they raised no doubt about their capability of good governance. Some directors did not attend extraordinary meetings that were not scheduled in the annual meeting calendar.
A. Stepped down as member of the executive committee and innovation and technology committee on 1 October 2023.

The following table shows the average preparation of directors in the exercise of their functions on the board and committees in 2023:

	Meetings	**Average of hours per member[A]**	**Average of hours per chair[A]**
Board	15	169[B]	338[B]
Executive committee	23	138	276
Audit committee	15	150	300
Nomination committee	13	52	104
Remuneration committee	12	48	96
Risk supervision, regulation and compliance committee	17	170	340
Responsible banking, sustainability and culture committee	6	30	60
Innovation and technology committee	4	16	32

A. Includes hours of meeting preparation and attendance.
B. Not including two extraordinary sessions held in 2023 due to their short duration and low impact on the directors' required commitment.

Directors' average time commitment is calculated by taking the number of members on the board and on each committee, the number of times each body meets during the year, average meeting length, and an estimate of the time each director needs to prepare for every meeting. We estimate that the board chair and the committee chairs have a greater time commitment than the other directors because of the added functions their roles require. We also consider the commitment to attend sessions that form part of directors' training and development programme. We consider the average time that directors not living in Spain must take to travel to board and committee meetings, but it is not factored into their average time commitment.

Considering the above mentioned criteria, on average, directors dedicate approximately 57 eight-hour days a year to preparing and attending board and committee meetings.

Directors must report to the nomination committee any professional activity or role that they are going to perform outside the Group so that the committee can check that they can dedicate enough time to the Group and the professional activity or role does not pose conflicts of interest.

The annual suitability reassessment our nomination committee conducts (see section 4.6 'Nomination committee activities in 2023') enables us to update information on the estimated time directors dedicate to roles or professional activities outside the Group and demonstrates their ability to exercise good governance.

This makes sure the number of board roles that our directors have at once is within the legal limit (i.e. no more than one executive and two non-executive roles, or four non-executive roles; roles in the same group are considered a single role and roles in not-for-profit or non-commercial organizations are not included).

Director training and induction programmes

The board has an annual training and development programme to help directors continue to develop skills and increase their understanding of the Group and industry, taking into account their experience and expertise. The board chooses contents based on feedback from its members and supervisory and regulatory requirements, among others.

In 2023, programme workshops were delivered collectively to all board members and covered the following topics:

- **Behavioural economics**, with the spotlight on impactful decision-making.
- **Regulatory compliance** and compliance risk review.
- **Cloud**, including an overview of the market and its implications for the financial industry.
- **ESG**, with a focus on regulatory and supervision requirements and greenwashing risk.
- **Financial crime compliance**, bribery and corruption risks, sanctions and anti-money laundering regulation.
- **Risk appetite statement** and associated methodology review.
- **Decentralised Finance (DeFi)**, blockchain and smart contracts.
- **Capital and Provisions Models**.

Moreover, the audit committee requested training on the **Sarbanes-Oxley Act (SOx)** to stay abreast of its core principles; the differences between accounting rules and standards in Europe and the US; and forthcoming SEC regulations and their implications. Though this session was initially designed for the audit committee, board members were also able to attend.

Directors can also request one to one and ad-hoc training on specific topics tailored to their own needs, if deemed helpful. The objective of such sessions would be to enable directors to deep dive into specific areas in order to ensure that their knowledge is optimal.

Banco Santander shares its training, induction and development methodology with subsidiaries to promote best practices and drive consistency of approach across our footprint. Some executives facilitated special sessions for subsidiary directors throughout the year to keep them up to speed with relevant Group matters such as cybersecurity, ESG, financial crime, governance, talent management, culture and others.

Every board member receives the directors' manual. It is a support guide that provides both new and existing directors with a complete reference of information relevant to their role. In addition, the board has robust induction programmes so new directors can deeply understand the industry and Grupo Santander's business model and structure, risk profile and governance arrangements, taking into account their existing skills, competencies and knowledge. They are completed within six months after taking up their position as new directors. Induction and development needs are facilitated through different methods, including document reviews, tailored meetings, site visits and training sessions with senior managers of the Group.

In June 2023, Glenn Hutchins completed his induction programme, which was tailored to his experience and particular needs.

Board effectiveness review in 2023

The board undergoes a yearly assessment of its performance and effectiveness, composition, quality of its work and individual performance of its members. The review includes its committees. Every three years, it is conducted by an external consultant, whose independence is verified by the nomination committee. In 2023, the review was conducted by an external independent expert.

External consultant independence

A robust selection process was undertaken to identify an external independent consultant with an in-depth understanding of Spanish and banking markets, and of truly effective boards. As a result, Spencer Stuart was appointed.

Spencer Stuart, a leader in its field, advised the Group in 2023 - occasionally and never exclusively - on identifying, selecting and reviewing managers' skills and potential. The amounts paid to Spencer Stuart in 2023 for these services were:

Entity	Amount (EUR)
Santander Asset Management	360,995
Banco Santander	349,272
TOTAL	**710,267**

The nomination committee did not consider the referred amounts material in the context of the overall budget for such services, nor that they represented a significant proportion of Spencer Stuart's total fees.

Methodology and scope of the assessment

The Executive Chair and the Chair of the nomination committee led the assessment, which aimed to identify areas of continuous improvement and maximise the board's effectiveness going forward. The review methodology agreed with Spencer Stuart and endorsed by the nomination committee comprised:

- an anonymous questionnaire completed by all board members;
- structured, detailed and confidential interviews with individual board members and select members of the executive team, covering their qualitative and quantitative assessment of key areas; and
- attendance to board and committee meetings as an observer to assess the quality of debate and challenge, dynamics and internal culture.

The review focused on board and committee structure, composition, diversity of board membership and competences, and behaviours, including:

- the quality of their functioning;

- their size, composition and diversity;
- the effectiveness of the executive chair model;
- the performance of the Executive Chair, the CEO, the Lead Independent Director and the secretary of the board, together with the contribution of the remaining individual directors, with particular attention to the Chairs of each committee;
- the frequency and duration of meetings; content of the agenda and time dedicated to each item; quality of the information received; and decision-making processes including appropriate level of challenge; and
- the overall effectiveness of measures introduced in 2022 on the back of a comprehensive review of our governance model.

Findings and action plan

In January 2024, the nomination committee and the board of directors discussed the findings and specific actions to address those findings resulting from the 2023 review, with a consensus view that the results were positive and that the board and its committees operate effectively. Specifically, the review concluded that our governance model is both robust and comprehensive and is continuously monitored and adjusted to meet the highest standards. The review also acknowledged the strong commitment to, and delivery of, continuous improvement, as evidenced by the review findings, which highlighted the following:

- The board remains appropriately composed, with a depth and variety of board skills and expertise, high degree of independence, diversity and appropriate directors' tenure average.
- The board culture is strong, with a collaborative and respectful collective mindset, which facilitates healthy debate and challenge, and rigorous decision-making processes, leveraging the skills and diversity of the board.
- The executive chair model is working effectively and there is a universal understanding of the division of responsibilities between the Executive Chair and the CEO, which is clearly documented. As part of that, the role of the Lead Independent Director is considered critical in providing additional checks and balances.
- The Executive Chair, Chief Executive Officer, Lead Independent Director and General Secretary performed positively, effectively and with the competence expected. The remaining directors performed positively with an overall effective contribution.
- The committee structure, composition and overall functioning is considered to be both effective and efficient and in particular, the support provided to the board is highly appreciated and rated positively.

As a result of the review, the board of directors discussed potential areas for improvement and approved an associated action plan in February 2024. Each committee will be engaged on specific actions applicable to their remit to ensure their ongoing effectiveness and efficient functioning.

The key aspects of the action plan can be summarized as follows:

- **Structure of the board**: as part of any future board refreshment, a continued focus will be placed on maintaining an appropriate international diversity, in recognition of our geographical footprint; and on technology and innovation skills, in accordance with our strategic direction.
- **Effectiveness of the executive chair model**: keep the split of the roles and responsibilities between the Executive Chair and the Group CEO under continuous review and refinement, as appropriate, to ensure its ongoing effectiveness and robustness.
- **Lead Independent Director**: consolidate the orderly transition of the Lead Independent Director's responsibilities in favour of Glenn Hutchins, enabling him to be truly effective in role.
- **Organization and internal culture**: continue to ensure that paper volume and content is sufficient and concise in order to facilitate its understanding and corresponding debate. Furthermore, continue to leverage informal time between board members, acknowledging the value that this brings to board culture.
- **Committees**: keep committee composition under review, ensuring optimal performance and effectiveness. In addition, further develop the role and functioning of the responsible banking, sustainability and culture committee given its important ESG agenda, whilst leveraging on the work of other committees, to ensure that it remains effective.

The review findings and resulting actions are a sign of our ongoing commitment to effective governance. See 'Board effectiveness review and actions to continuously improve' in section 1.2 for further detail.

4.4 Executive committee activities in 2023

COMPOSITION

Position		Category	Appointed on
Chair	Ana Botín	Executive	11/12/1989[A]
Members	Héctor Grisi	Executive	01/01/2023
	José Antonio Álvarez	Other external	13/01/2015
	Luis Isasi	Other external	20/05/2020
	Ramiro Mato	Independent	28/11/2017
	Belén Romana	Independent	01/07/2018
Secretary	Jaime Pérez Renovales		

A. Committee Chair since 10 September 2014.

Functions

The executive committee is a key governance body in Banco Santander and the Group. The board delegated to it all its powers except those that cannot be delegated by law or under the Bylaws and Rules and regulations of the board. Its meeting frequency and the nature of its decisions allows the board to focus on general oversight. It also reports regularly to the board on its core matters and provides all directors with the minutes and documents from its meetings.

Committee performance

The board, supported by its nomination committee, determines the committee's size and composition, to ensure its effectiveness based on board composition guidelines. As well as the board, the committee has an external director majority, including two independent directors, ensuring a balance of opinions and compliance with Recommendation 37 of the Spanish Corporate Governance Code. Its secretary is the secretary of the board.

The committee frequency ensures the discharge of its duties and it is generally convened every two weeks, although it can meet as many times as required by the Chair.

Main activities in 2023

In 2023, the executive committee addressed a breadth of matters relating to the business of the Group and its main subsidiaries, risk management, corporate transactions and main proposals that were subsequently submitted to the board of directors. It covered the following matters:

- **Results**: Regularly reviewed the Group's results and stakeholder reaction to them.
- **Business performance**: Regularly received management reports on the performance of the Group's business areas and other related matters.
- **Information reported by the Executive Chair**: The Executive Chair regularly reported on the Group´s management, strategy and institutional issues.
- **Information reported by the CEO**: The CEO reported on the Group´s performance and on the budget and execution of plans for all the units and the global businesses reporting to him.
- **Corporate transactions:** Analysed and approved, where appropriate, corporate transactions on investments and divestments, joint ventures and capital transactions.
- **Risks**: Received regular holistic risk and compliance reports. Within the framework of the risk governance model, the committee authorized or declined transactions that it had to review due to their materiality. It paid specific attention to monitor the credit risk impact relating to the war in Ukraine and the conflict in the Middle East, as well as to the global macroeconomic situation.
- **Global businesses and subsidiaries**: Received updates on global businesses, subsidiaries and other business lines' performance against agreed plans. This helped the committee support the board with the oversight and control of its global business and subsidiary operations, and with the fulfillment of the targets announced at the 2023 Investor Day.
- **Capital and liquidity**: Received regular reports on capital ratio and the optimization measures, pricing (originations) and portfolio profitability. By virtue of the board's delegation and within capital and funding plans, the committee agreed non-convertible debt issuances and securitizations.
- **Supervisors and regulatory matters**: Reviewed regulatory developments, the yearly supervisory agenda and projects to ensure compliance with supervisory recommendations and regulatory reforms.
- **Governance matters**: Approved specific internal regulation under its remit. In particular, the committee reviewed and approved the key governance changes associated with the new organizational model based on five global businesses, respecting the split of responsibilities established between the Chair and the CEO.

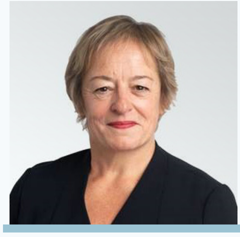
In 2023, the executive committee held 23 meetings. See 'Board and committee preparation and attendance' in section 4.3 for members' meeting attendance and the estimated average time each one spent on meeting preparation and attendance.

2024 priorities

The committee set the following priorities for 2024:

- Monitor the performance of the Group's global businesses and subsidiaries, including progress in the execution of their strategic plans.
- Oversee the deployment and embeddedness of the new organizational model based on five global businesses within the Group as primary reporting segments, with a specific focus on Retail & Commercial Banking and Digital Consumer Bank.
- Continue to assess proposed corporate transactions relating to investments and divestments, joint ventures and capital transactions.
- Continue to oversee the execution and achievement of specific public targets, including those disclosed at the 2023 Investor Day.
- Continue to facilitate timely and efficient decision making, supporting the board and enabling it to focus on general oversight and strategy matters.
- Continue to ensure the committee's effectiveness and efficient coordination with the board, its committees and the executive first level committees.

4.5 Audit committee activities in 2023



Pamela Walkden
Chair of the audit committee

"In 2023, we have remained focused on the effective oversight of the financial information process and internal controls, the effectiveness of our Internal Audit function, while maintaining a professional and open relationship with the external auditors.

The enhancements of our ESG reporting were high on our agenda last year. In particular, significant time was devoted to ensuring its consistency and our preparedness for the greater independent assurance required, closely monitoring the progress in all the units. In addition, we continued to focus on the oversight of the internal audit plan execution, ensuring appropriate amendments to facilitate an ongoing focus on fundamental risks, such as credit risk, and new risks and, in particular, a key focus was given to cyber risk and Internal Audit's approach to it.

We have maintained a close communication with our subsidiary audit committee chairs throughout the year, as it allowed us to share our priorities, concerns and thoughts with them. In addition, the committee continued to benefit from our members' mix of experience and skills, leveraging their collective insights to ensure best possible outcomes.

In the coming year, we will continue to supervise the Group's units and global businesses and especially those more relevant to One Transformation, to ensure that appropriate controls remain in place. In addition, we will review the new primary reporting segments as part of our fundamental responsibility to provide oversight of the integrity of the financial statements. As part of that, we will progress how all the Group's activities across all markets are consolidated under the five global businesses, in which we will continue to strike the right balance of supporting management and ensuring an appropriate level of control for a Group of our size. The committee, in coordination with the responsible banking, sustainability and culture committee, will monitor compliance with new ESG regulatory initiatives and non-financial reporting standards across the world and particularly, in the European Union.

I have been delighted to chair this committee over the last four years and will ensure a smooth transition with my successor so that the committee continues to be effective in the exercise of its duties."

COMPOSITION

Position		Category	Appointed on
Chair	Pamela Walkden	Independent	29/10/2019[A]
	Homaira Akbari	Independent	26/06/2017
	Henrique de Castro	Independent	21/10/2019
Members	Germán de la Fuente	Independent	21/04/2022
	Ramiro Mato	Independent	28/11/2017
	Belén Romana	Independent	22/12/2015
Secretary	Jaime Pérez Renovales		

A. Committee Chair since 26 April 2020.

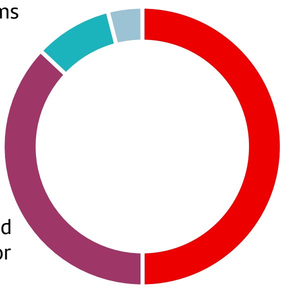
The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board skills and diversity matrix' in section 4.2.

According to SEC Regulation S-K, committee Chair Pamela Walkden is considered a financial expert based on her training and experience in accounting, auditing and risk management, past leadership positions at entities where accounting expertise and risk management were essential, and international experience (primarily in the UK and Asia).

TIME ALLOCATION

In 2023, the committee held 15 meetings, including four joint sessions with the risk supervision, regulation and compliance committee. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the audit committee's activities in 2023.

Duties	Actions taken
Financial and non-financial information	
Review the financial statements and other financial information	• Reviewed the individual and consolidated financial statements and directors' report for 2023 and submitted them to the board of directors for approval. Monitored compliance with legal requirements and accounting principles, and ensured that the external auditor issued a report on the effectiveness of the Group's system of internal control over financial reporting (ICFR). • Reviewed quarterly financial information (dated 31 December 2022, 31 March, 30 June and 30 September 2023, respectively), before being approved by the board and subsequently released to the market and supervisory bodies. • Reviewed such other financial information included in the annual report; Universal Registration Document filed with the CNMV; Form 20-F filed with the SEC; and the half-yearly financial information filed with the CNMV and with the SEC as Form 6-K. • Reviewed, prior to their submission to the board for approval, the adaptation of the 2022 and 2023 financial information by segments, in line with the agreed change of reporting to the five global businesses as primary segments.
Review the non-financial information	• Oversaw and assessed the preparation and reporting processes of non-financial reporting, in coordination with the responsible banking, sustainability and culture committee, and informed the board accordingly. • Received regular updates on ESG reporting evolution and progress within the Group, including the associated scope of metrics and action plans. • Reviewed the Climate Finance Report and the Green Bond Report in coordination with the responsible banking, sustainability and culture committee, prior to its submission to the board for approval, assessing the integrity of such disclosures and the review conducted by the external auditor.
Information on applied tax policies	• Was informed by the Head of Tax on applied tax policies based on the Code of Good Tax Practices, as well as the annual review of the tax strategy and policy on control and management of risk, including tax risk, prior to their submission to the board for approval. • Was informed on the filing of the 2022 Tax transparency report with the Spanish tax agency (*Agencia Estatal de Administración Tributaria*).
Relations with the external auditor	
Information on the external audit plan	• Received updates on the planning, progress and execution of the audit plan. • Was informed on the impact of new legal and regulatory requirements in connection with financial information. • Obtained the external auditor's confirmation of its full access to all information to conduct the audit. • Analysed the audits for the annual financial statements before the external auditor submitted them to the board of directors. • Received reports on ESG information reporting process, evolution of reporting requirements, their impact on timelines and assurance scope of the independent external verification of such information.
Interaction with the external auditor	• Met twice with the lead audit partner without executives present to ensure fluent communication and the independent performance of its function. • The lead audit partner, who met periodically with the committee Chair, attended all committee meetings, which facilitated effective communication between the external auditor and the board.
Assessment of the external auditor's performance	• Conducted the final evaluation of the external auditor's performance and how it has contributed to the integrity of the financial information based on its knowledge of the business, the frequency and quality of its communications; its independence; and opinions of the main local audit committee Chairs and controllers of the main local units or relevant subgroups on it, among others. • Received PwC's 2023 Transparency report from the lead audit partner, who also informed about the public outcomes of quality controls conducted by the ICAC or other supervisors and any other relevant investigations.

Duties	Actions taken
External auditor independence	
PwC's remuneration for audit and non-audit services	• Monitored PwC's remuneration, including the following fees for audit and non-audit services provided to the Group:

EUR million

	2023	2022	2021
Audit	116.8	115.4	106.0
Audit-related services	8.6	6.4	6.0
Tax advisory services	1.6	0.5	0.7
Other services	5.9	4.8	2.4
Total	**132.9**	**127.1**	**115.1**

The audit services and main non-audit services included for each item in the above breakdown are detailed as follows:

- Audit services: audit of the individual and consolidated financial statements of Banco Santander and its subsidiaries (of which PwC or another firm in its network is the statutory auditor); audit of the interim consolidated financial statements of Banco Santander; audit of the integrated audits prepared in order to file Form 20-F for the annual report with the SEC in the US and the internal control audit (SOx) for required Grupo Santander's entities; the limited review of the financial statements; and the regulatory auditor's reports on Grupo Santander's entities.
- Audit-related services: comfort letters; verification of the financial and non-financial information (as required by regulators); and other reviews of documents that, due to their nature, the external auditor provides for submission to domestic or foreign authorities.
- Tax services: tax compliance and advisory services provided to Group companies outside Spain, which have no direct effect on the audited financial statements and are permitted in accordance with independence regulations.
- Other services: agreed-upon procedure reports, assurance reports and special reports performed under the accepted profession's standards; as well as other reports required by the regulator.

The 'Audit' heading includes the fees for the year's audit, regardless of the date the audit was completed. Any subsequent adjustments, which are not significant, and for purposes of comparison, are shown in note 47.b) in the 'Notes to the consolidated financial statements' for each year. The fees corresponding to the rest of the services are shown by reference to when the audit committee approved them.

- Verified that the ratio of PwC's total fees paid for all services for Banco Santander and the Group to its annual revenue in Spain and worldwide did not exceed 15% for three consecutive years. In 2023 the ratio stood at 0.27% of PwC's worldwide total revenues.
- Verified every quarter, according to Regulation (EU) No 537/2014 of the European Parliament and of the Council, that the fees approved in 2023 for non-audit services provided by PricewaterhouseCoopers Auditores, S.L. (PwC), (including for 'Other services' and 'Audit-related services', and not including services that the external auditor is required to perform under domestic or EU laws) were significantly less than 70% of the average fees paid specifically to PwC in the past three consecutive years for the 'Audit' of Banco Santander and its subsidiaries in Spain (not including fees for reviews with more limited assurance than required for accounts auditing, which are included as non-audit services). In 2023, the ratio stood at 31.12%; and it would be 21.05% if services approved for PwC and other firms in its network and provided to Grupo Santander in and outside Spain were included.

  See subsection C.1.32 of section 9.1 'Reconciliation with the CNMV's corporate governance report model' for the reconciled amounts of the above mentioned fees listed, with the numerator and denominator values of each ratio found in section C.1.32 of section 9.2 'Statistical information on corporate governance required by the CNMV'.
- In 2023, Grupo Santander contracted for services by audit firms other than PwC in the amount of EUR 174.1 million (EUR 185.5 and 263.8 million in 2022 and 2021, respectively).

Duties	Actions taken
Non-audit services	• Approved, on a monthly basis, all non-audit services rendered by the Group's external auditor verifying that all of them met the independence requirements in line with applicable Spanish and European regulation, SEC and Public Company Accounting Oversight Board (PCAOB) rules.

Duties	Actions taken
Personal and financial relations	• Received confirmation from PwC that the designated audit team, PwC as the auditor firm, everyone else that forms part of PwC or of other firms in its network, including all applicable extended relations to them complied with requirements on external auditor independence, analysing possible threats and taking appropriate safeguarding measures in line with their internal policies and procedures. • Received information about the results of the internal review carried out every six months of possible financial ties between the Group and PwC and its related parties, which concluded that no existing ties compromised the independence of PwC as external auditor.
External auditor independence report	• Verified the external auditor's independence prior to the issuance of the 2023 auditor's report on the financial statements, considering: · the remuneration it has received for audit and non-audit services; · all non-audit services rendered by the external auditor; and · the personal circumstances and financial dealings, that the external auditor or persons performing the audit may have with the Group. • Received written confirmation from PwC of its independence from Grupo Santander in accordance with applicable European and Spanish law, the SEC and the PCAOB rules. • Concluded that, by its judgement, it had no objective reason to question the external auditor's independence.
Re-election of the external auditor	
Re-election of the external auditor	• Recommended to the board, for subsequent submission to the 2024 AGM, the re-election of PwC as the external auditor of Banco Santander and its consolidated Group for 2024. As from 2021, the lead audit partner is Julián González, PwC's banking sector audit leader who has experience as a global group audit partner (mainly in Spain and the UK) and a strong background in the Spanish financial sector. He also participates in various international banking supervisory and regulatory forums. • Was informed on the changes introduced by the Law on Auditing in connection with the external auditor's mandate, as well as the associated calendar and selection process milestones for a nomination in 2026.
Internal audit	
Oversight of the Internal Audit function	• Supervised the Internal Audit function and ensured its independence and effectiveness in 2023. • Reviewed the external quality assessment performed by the Institute of Internal Auditors in Spain to further ensure the effectiveness of the function and its alignment with best practice. • Held meetings with the Group Chief Audit Executive (CAE) and internal audit officers, and one private meeting with the CAE without other executives or the external auditor present. • Proposed a 2023 Internal Audit function budget, ensuring that the function had the resources needed to discharge its duties effectively. • Was kept apprised of the hubs created to improve the efficiency of the internal audit works and the internal audit digital initiatives, including artificial intelligence capabilities. • Assessed the preparedness and effectiveness of the Internal Audit function to fulfil its duties. • Reviewed and reported to the board on the CAE's 2023 objectives and performance in 2023 and reported to the remuneration committee and board of directors to set his variable remuneration. • Verified the suitability of the subsidiary CAEs, in coordination with the nomination committee.
Monitoring of internal audit activities	• Reported on the internal audit plan, internal audit recommendations and ratings of units and corporate functions. Each unit CAE reported to the committee at least once in 2023. • Reviewed the strategic audit plan for 2023-2026 and recommended it to the board for approval, ensuring that it covered the Group's relevant risks. • Received regular information on the internal audit activities carried out in 2023, monitoring the progress in audit ratings, and further promoting a continued focus on a stronger control environment; and conducted an additional review of issued audit reports, requiring that relevant areas to present action plans. • Continued promoting the first-line's further involvement in internal audit recommendations and ensured that senior management and the board understood the conclusions of internal audit reports. • Received holistic reviews of internal audit coverage of cybersecurity, IT risks, financial crime, ESG, model risk, capital and solvency, operational risk, access control and vendor management, amongst other topics, to ensure proper oversight, with first and second line of defence representatives invited to provide additional feedback, as appropriate.

Duties	Actions taken
Internal control systems	
Monitoring the assessment of internal control systems	• Received information on the Group's internal control system and monitored related action plans, together with the internal control strategic plan. • Received reports and certification on the Group's 2022 internal control system (ICS) and assessed its effectiveness in compliance with CNMV (SCIIF) and the SEC (SOx). • Received specific training on SOx to further enhance committee members' knowledge on this matter. See 'Director training and induction programmes' in section 4.3.
Coordination with Risk and with Compliance and Conduct	• Held four joint meetings with the risk supervision, regulation and compliance committee to review risk, compliance and internal audit aspects of the different regions and global businesses, with first line of defence representatives present. • Received information in a joint meeting with the risk supervision, regulation and compliance committee on Canal Abierto, the Group's whistleblowing channel with a special focus on matters within the committee's area of authority to ensure the Group's culture empowers employees and other persons related to Banco Santander can talk straight, be heard and report irregular practices without fear of reprisal. • Collectively discussed with the risk supervision, regulation and compliance committee additional topics of mutual interest, such as risk culture, third-party supplier risk management, SEC cybersecurity rules and received an update on internal audit matters of the Risk and Compliance and Conduct functions. • Received biannual reports on the main legal contingencies, associated provisions and applicable public information, in coordination with the risk supervision, regulation and compliance committee. • Invited the CRO to all 2023 committee meetings. • The Chairs of the audit committee and of the risk supervision, regulation and compliance committee met regularly, ensuring ongoing coordination and collaboration.
Other activities	• Endorsed the Pillar III disclosures report, which was submitted to the board for approval. • Received reports from Santander España audit committee on the main items covered at its meetings throughout the year. • Invited subsidiary audit committee chairs to specific committee meetings throughout the year and, in turn, the committee Chair attended specific subsidiary audit committee meetings to further enhance communication between them.
Related-party and corporate transactions	
Creation or acquisition of special-purpose vehicles and entities based in countries considered non-cooperative jurisdictions	• Was informed of the activities of the Group's offshore entities by the Head of Tax. See note 3.c) in the 'Notes to the consolidated financial statements'. • Reported favourably to the board, for its approval, on proposals to create or acquire interests in special purpose entities and also received the Special Purpose Entities Annual Update.
Authorization and oversight of related-party transactions	• Reviewed the details and balances of the related-party transactions that appear in the annual and half-yearly financial statements. Checked that those transactions were carried out under market conditions. • Conducted bi-annual reviews to check that related-party transactions complied with the law, the Rules and regulations of the board and the conditions set by board resolution, and met the requirements to be considered fair, reasonable and transparent. Reported its findings to the board. • Issued the Related-party transactions report. See section 4.12 'Related-party transactions and other conflicts of interest'.
Information for general meetings and corporate documents	
Shareholder information	• Was represented by Pamela Walkden, in her capacity as committee Chair, to report at the 2023 AGM on the committee's activities in 2022.
Corporate documents for 2023	• Prepared this activities report on 13 February 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

- Continued to monitor the impact of the volatile environment on key aspects within the committee's remit. These included the macroeconomic scenarios which flow through to the key management judgements and estimates, such as provisioning, that were made in preparing the Group's financial statements, as well as the heightened risks around, for example, supply chain and cyber.

- Continued to supervise, in coordination with the risk supervision, regulation and compliance committee, the Group's units and global businesses, with a special focus on those more relevant to digital transformation, to ensure that appropriate controls were in place. In particular, updates on units and global businesses were provided in joint sessions with the risk supervision, regulation and compliance committee by the relevant CRO, CCO and CAE, with the respective country CEO and/or global business head present, in readiness for their presentation to the board of directors. This facilitated a holistic view of each unit and global business' risks by the committee before a more strategic and business driven discussion was held at the board meeting.

- Continued to focus on the oversight of the internal audit plan execution, ensuring appropriate amendments to address new risks and appropriateness of the internal controls to manage such risks. In particular, a key focus was given to cyber risk, the Internal Audit approach to it and the Group's preparedness to address the challenges associated with it.

- Reviewed our enhanced ESG disclosures to ensure consistency and coherence in a complex legislative framework and monitor the increased independent assurance required in the coming years, by the Corporate Sustainability Reporting Directive. As a result, the committee further reinforced its strong working relationship with the responsible banking, sustainability and culture committee. Specific updates were provided by the Chief Accounting Officer in this respect, with a special focus on the enhancements and progress made by the different units. As part of that, the subsidiary audit committee chairs were also duly apprised on these developments at specific sessions led by the committee Chair throughout the year.

- Remained focused on the independence, quality and effectiveness of both the Internal Audit team and the committee itself, ensuring that their roles were discharged effectively. Specifically, the committee considered the findings and suggested areas for improvement resulting from the 2022 internal board effectiveness review concerning its remit.

2024 priorities

The committee set the following priorities for 2024:

- Continue to supervise the Group's units from a control perspective and specifically, the five global businesses, with a special focus on those more relevant to One Transformation, to ensure that appropriate controls are in place.

- Oversee the change of reporting of financial results to global businesses as primary segments, to better align the way we report with the manner we manage the Group.

- Continue to focus on the oversight of the internal audit plan execution, allowing for the appropriate level of flexibility to face challenges and new risks ahead, including cyber and risk derived from emerging technologies such as artificial intelligence. Remain focused on the independence and effectiveness of the Internal Audit function, ensuring its preparedness to fulfil its duties, including the need for new skillsets and expertise of its workforce.

- Remain focused on analysis and reporting processes for non-financial information and, in particular, to further embed climate related disclosures to meet increasing stakeholders expectations, with a key focus on the implementation of robust processes and controls in the current complex legislative framework, and monitor the greater independent assurance required going forward.

- Oversee and lead proactively an external auditor selection process according to applicable regulation, which will be coordinated by the CAO, with a view to appointing Banco Santander and its consolidated group's external auditor at the 2026 AGM, after expiration of the 10-year term of office of PwC as our external auditor.

- Remain focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner and oversee a smooth transition of committee Chair, given that Pamela Walkden's four-year term of office expires in April 2024.

4.6 Nomination committee activities in 2023

Bruce Carnegie-Brown
Chair of the nomination committee

"Board composition, succession planning, senior appointments, effective governance, career development and talent strategy remained top priorities in our agenda throughout 2023. The committee holds the belief that effective group-wide governance is an essential element of business success, and supported initiatives such as the subsidiary Chairs in-person convention hosted by the Group Executive Chair in Madrid, with a clear focus on the importance of effective governance across the Group, ongoing connectivity and sharing knowledge and associated best practices. We remained focused on robust governance standards aligned to our strategic goals. In this regard, a diverse workforce and an ambitious and compelling employee value proposition are key to both developing the quality of our internal pipeline and attracting the external talent required to deliver our strategic targets.

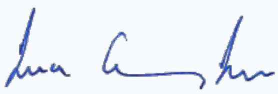
In particular, significant time was devoted to the robust succession process followed for the Lead Independent Director role, which I passed to Glenn Hutchins on 1 October 2023. This work included the importance of an appropriate and structured handover process which enabled Glenn seamlessly to assume Lead Director responsibilities.

We also remained focused on board composition, ensuring that its depth of skills, experience and overall make-up remained appropriate and relevant to the needs of the Group. As a result, we strengthened the board with the addition of both Carlos Barrabés and Antonio Weiss, who both bring highly relevant skills and experience.

With respect to senior executive appointments, the committee has supported Héctor Grisi in his first year as the Group's CEO and overseen the recommendations of new senior appointments for the Regional Heads of Europe and North America and for the Global Head of Retail & Commercial Banking, amongst others.

The effectiveness of the board, its committees and our overall governance remained a key priority in the year. We tested our progress on our overall effectiveness through commissioning an external evaluation of the board and its committees. The review, conducted by Spencer Stuart, considered our board to be highly effective. Recommendations resulting from this review have been incorporated into each committee's priorities for 2024.

The committee continued to benefit from a great mix of experience and skills, and we have complemented this with the appointment of Belén Romana as a member with effect from 1 January 2024. It has been a privilege for me to chair this committee over the last nine years and I am confident that my committee Chair successor and colleagues will play their part in supporting the further development of the Group in the years to come."



COMPOSITION

Position		Category	Appointed on
Chair	Bruce Carnegie-Brown	Independent	12/02/2015[A]
Members	Sol Daurella	Independent	23/02/2015
	Gina Díez Barroso	Independent	22/12/2021
	Glenn Hutchins	Independent	20/12/2022
	Belén Romana	Independent	01/01/2024
Secretary	Jaime Pérez Renovales		

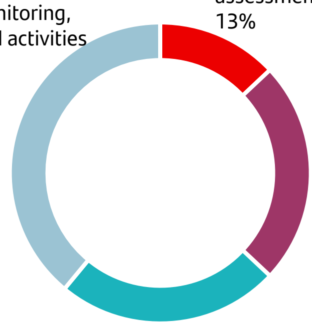
A. Committee Chair since 12 February 2015.

The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board and committees skills and diversity matrix' in section 4.2.

TIME ALLOCATION

In 2023, the committee held 13 meetings. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the nomination committee's activities in 2023.

Duties	Actions taken
Board and committees composition and succession planning	
Selection and succession of the board and its committees	• Ensured board member selection procedures guaranteed directors' individual and collective suitability; fostered diversity in its broadest sense; and analysed the required expertise, skills and time commitment for effective board membership. • Continued to be involved, together with the Group Executive Chair, in succession planning activities for the board. • Assessed the composition of the board committees and the international advisory board in order to ensure they had the right skills and experience to perform their duties successfully. • Continued monitoring the board of directors' overall skills and competencies, ensuring that the collective board and its committees composition remains appropriate to oversee and lead the strategic direction of the Group. • Ensured that any proposed appointment had been drawn from a depth of candidate pool which recognised diversity in its broadest sense.
Appointment, re-election and ratification of directors and committee members	• Considered areas of expertise and experience required to complement the board of directors by reference to the board skills and diversity matrix as well as the annual board effectiveness review in order to target the relevant recruitment. • Recommended the appointments of Carlos Barrabés and Antonio Weiss, as independent directors, effective from the 2024 AGM, subject to regulatory approval. • Oversaw a rigorous and comprehensive process to facilitate the orderly succession of the Lead Independent Director position, taking into account and constructively challenging all relevant factors. As a result, confirmed the suitability of Glenn Hutchins for the position and proposed his nomination to the board. • Proposed composition changes for certain committees to further enhance their performance and support to the board in their areas of authority. See section 1.1 'Board skills and diversity'. • Recommended the nominations of Carolyn Everson and Juan Ignacio Gallardo Thurlow as members of the international advisory board.
Annual verification of the status of directors	• Verified each director category (i.e. executive, independent and other external) and submitted a proposal to the board of directors for it to be confirmed in the annual corporate governance report and at the 2024 AGM. See section 4.2 'Board composition'. • Assessed directors' independence, verifying there were no significant business ties between the Group and companies in which they are or have been significant shareholders, directors or senior managers, in particular regarding financing extended by the Group to such companies. In all cases, the committee concluded that existing ties were not significant because (i) financing (a) did not constitute economic dependency for such companies because other sources of funding were available, and (b) was consistent with the Group's share of the relevant market; and because (ii) business ties did not reach comparable materiality thresholds used in other jurisdictions as benchmarks (e.g. New York Stock Exchange (NYSE), Nasdaq and Canada's Bank Act), among other reasons.
Directors' potential conflicts of interest and other professional activities	• Examined the information provided by directors about their intention to carry out other professional activities or positions outside the Group and the related time commitment. Concluded that those commitments were compliant with applicable legislation regarding the maximum number of boards to which they may belong, and did not interfere with their obligations as Banco Santander directors nor entail any conflict of interest.
Director induction, training and development programmes	• Assessed the effectiveness of the director induction, training and development programmes, guaranteeing that such programmes are designed according to each director's circumstances and needs. • Identified areas for improvement and additional training topics for the 2024 training programme.
Senior management succession planning and effectiveness monitoring, talent and related activities	
Succession planning for executive directors and senior management	• Oversaw the discipline applied to senior executive succession planning, which included key positions in subsidiaries, and made sure plans were being implemented for the orderly succession of senior managers through a rigorous, transparent, merit-based and objective process that promotes diversity in its broadest sense. • Oversaw appointments of key positions and monitored the effectiveness of the top management succession plans.
Appointment of key officers	• Recommended the following nominees, later agreed by the board: • Pedro Castro e Almeida, as Regional Head for Europe. • Christiana Riley, as Regional Head for North America. • Daniel Barriuso, as Global Head of Retail & Commercial Banking and Group Chief Transformation Officer. • José Luis de Mora, as Global Head of Digital Consumer Bank.

Duties	Actions taken
Talent and culture	• Discussed Human Resources' activities and progress and proposals regarding diversity, equity and inclusion; and reviewed the Group's STEM (science, technology, engineering and mathematics) talent strategy. • Assessed and challenged proposals on top-leadership goals, career development plans and mobility.
Governance	
Board effectiveness review	• Reviewed the execution of the action plan to address the areas for improvement revealed in the 2022 board effectiveness annual review. • Oversaw the 2023 board effectiveness review, which was conducted with the collaboration of an independent external consultant (Spencer Stuart), whose independence was verified by the committee upon analysing its business relations with the Group and, in particular, the services rendered and the amounts received. See 'Board effectiveness review in 2023' in section 4.3.
Internal governance	• Assessed the suitability of certain proposed key position appointments for the subsidiaries, subject to the Group's appointments and suitability procedure. • Oversaw subsidiary board composition to ensure consistent suitability in line with expectations across the Group. • Endorsed Group director nominations for subsidiary boards to ensure they were suitable and correctly perform their duties. • Verified the suitability of the subsidiary CAEs, CROs and CCOs with the Group audit and risk supervision, regulation and compliance committees. • Remained apprised on new governance regulation, trends, best practices and implications for the Group. • Verified that subsidiaries followed the provisions of the GSGM relating to board and committee structure and their functions pursuant to best practices. In addition, the committee tracked subsidiary actions and progress in implementing internal regulation required by the Group. See section 7. 'Group structure and internal governance'. • Reviewed the subsidiary board and board Chairs annual effectiveness reviews.
Corporate governance	• Reviewed the key highlights of the 2023 AGM. • Reviewed the activities conducted by the Lead Independent Director, ensuring the discharge of his duties, as evidenced through a summary of his activities in the year, which was also submitted to the board. • Reviewed the activities conducted by the Shareholder and Investor Relations team, as well as the Lead Independent Director's engagement with investors, shareholders and proxy advisors, and their feedback on the Group's corporate governance arrangements. • Reviewed the independence of the external advisers hired by the nomination committee and the remuneration committee in 2023, analysing their services, the amounts they received and other items. • Reviewed the annual corporate governance report to verify that information contained therein conforms to the applicable law and that the corporate governance system promotes corporate interests and considers all stakeholders' expectations. • Endorsed the proposed amendments to the Rules and regulations of the board which were submitted to the board for approval.
Suitability assessment	
Annual suitability assessment of directors and key function holders	• Assessed the suitability of directors, senior management, heads of internal control functions and the Group's key position holders, confirming their continued business and professional good reputes and appropriate knowledge and experience to perform their duties. • Concluded that board members are capable of good governance. To this effect, it supervised, amongst others, the attendance of the directors at the meetings of the board and the committees, ensuring that it was not less than 75% and, in the specific cases of lower attendance, that the absences were duly justified and do not undermine their capacity to devote sufficient time to discharge their functions. Furthermore, average board attendance was verified as 100%. See 'Board and committee preparation and attendance' in section 4.3. • Confirmed the absence of circumstances that could harm the Group's credit and reputation, based on the information received from directors.
Information for general meetings and corporate documents	
Shareholder information	• Was represented by Bruce Carnegie-Brown, in his capacity as committee Chair, to report at the 2023 AGM on the committee's activities in 2022.
Corporate documents for 2023	• Prepared this activities report on 12 February 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

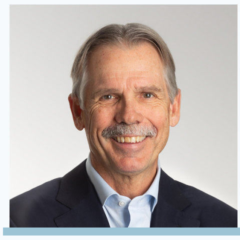
- Continued to review the board member and senior executive succession plans based on the strategic direction of the Group and ensuring that the collective board composition remained commensurate with the required skills, experience and diversity required to oversee and drive such strategy, including understanding of the operating context of the Group. The committee approach to succession planning also ensured the continued development of a robust internal succession pipeline.
- Continued to promote internal mobility within the Group and diversity in its broadest sense in our succession policy and talent strategy, acknowledging that building a more diverse and inclusive workforce is critical to business sustainability and success.
- Continued to monitor board members' expertise and training needs, as well as the board's development, to continuously improve the knowledge of the most important topics of the organisation and industry.
- Led the process for the appointment of a successor to the Lead Independent Director, which resulted in the appointment of Glenn Hutchins. He was also appointed as Vice Chair of the board with effect from 1 October 2023. As part of that, the committee received updated information throughout the year to ensure the robustness of the process followed, which included, amongst others, the suitability of the candidates considered, the associated timeline, the transition process and the associated impact to committee composition.
- Kept corporate governance arrangements under constant review, ensuring that the expectations of all stakeholders with strategic relevance for the Group were considered. In particular, the committee closely monitored shareholder engagement and considered their feedback and insights together with the Lead Independent Director.
- Continued to ensure the ongoing application of the GSGM and related internal regulation across the Group, and as a consequence, robust oversight and control of the Group´s subsidiaries, with a key focus on the effectiveness of local boards and their annual board effectiveness assessment disciplines and associated action plans.
- Remained focused on the overall effectiveness of the committee, ensuring that its role was discharged with appropriate rigour. As part of that, the committee considered the findings and suggested areas for improvement resulting from the 2022 internal board effectiveness review. In addition, the committee oversaw the selection process of the external review firm and coordinated the 2023 board effectiveness review. See 'Board effectiveness review in 2023' in section 4.3.

2024 priorities

The committee set the following priorities for 2024:

- Continue to apply and supervise succession arrangements for the board as a whole, playing an important role in ensuring that succession planning more generally is discharged in an effective manner. Continue to take its proactive approach to board refreshment and associated succession planning.
- Keep a proactive focus on senior executive succession planning based on the Group's strategic needs and the potential challenges the business may face, maintaining our key focus on the continued development of our internal succession pipeline.
- Continue to place a great focus on diversity in its broadest sense as part of our talent strategy and, in particular, in gender diversity, to ensure a balanced representation of both genders. Further promote international mobility to ensure we leverage on the possibilities that being a group of our size represents for talent development purposes.
- Monitor the effective implementation of the action plan derived from the 2023 board effectiveness review, in line with our commitment to continuous governance improvements.
- Remain focused on the overall effectiveness of the board and its committees, ensuring that their role is discharged in the most tangible and effective manner. This will be particularly important to ensure our continued positive business performance and success. In addition, oversee a smooth transition of committee Chair, given that Bruce Carnegie-Brown has expressed his intention not to stand for re-election at the 2024 AGM, stepping down with effect from that same date.

4.7 Remuneration committee activities in 2023

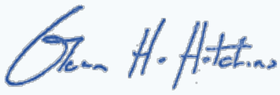


Glenn Hutchins
Chair of the remuneration committee

"Our role, in coordination with the nomination committee, is to attract and retain key talent to support the Group's transformation agenda and strategic ambitions in order to increase shareholder value. Our remuneration philosophy involves enhancing our employee value proposition while simultaneously meeting supervisory expectations and serving all of our stakeholders' best interests. This requires us to balance key objectives such as fair pay, effective risk management, sustainability, meritocracy, and cross-collaboration - all the while taking stakeholder feedback into account.

The committee continued to benefit from a good mix of experience and skills of our members, each providing valuable advice and challenge to management. As in previous years, we received the confirmation from an external provider that the Group's policies, procedures and practices fully comply with applicable legislation.

I would like especially to thank Bruce Carnegie-Brown for his service over the last years as Chair of the committee until I took over in October 2023, and his continued membership until the 2024 AGM. He has been an effective steward of the interest of our stakeholder community."



COMPOSITION

Position		Category	Appointed on
Chair	Glenn Hutchins	Independent	20/12/2022
Members	Bruce Carnegie-Brown	Independent	12/02/2015
	Sol Daurella	Independent	23/02/2015
	Henrique de Castro	Independent	29/10/2019
	Luis Isasi	Other external	19/05/2020
Secretary	Jaime Pérez Renovales		

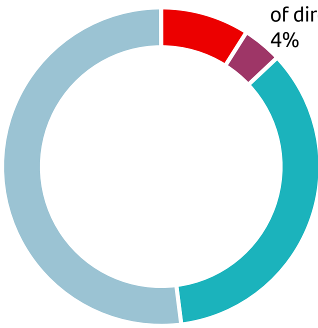
A. Committee Chair since 1 October 2023.

The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board and committees skills and diversity matrix' in section 4.2.

TIME ALLOCATION

In 2023, the committee held 12 meetings, including one joint session with the risk supervision, regulation and compliance committee. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the remuneration committee's activities in 2023.

Duties	Actions taken
Remuneration schemes and policies	
Remuneration policy for executive directors, senior management and other key executives	• Remained focused on simplifying executive directors and senior management remuneration, shaping remuneration schemes consistent with Banco Santander's Simple, Personal and Fair values, and updated the long-term ESG-related metrics in coordination with the responsible banking, sustainability and culture committee. • Recommended the 2022 individual variable remuneration of members of senior management, based on annual performance targets and their weightings as set by the board. • Proposed to the board the global annual variable remuneration for 2023 (payable immediately and deferred executive remuneration), based on achievement of previously set quantitative and qualitative targets. • Recommended to the board the annual performance indicators to calculate variable remuneration for 2024 with limited variations versus previous years in order to maintain focus on customer centricity, risk, capital, profitable sustainable growth and cost discipline. • Set the achievement scales for the annual and multi-year performance targets and weightings for submission to the board. • Endorsed specific enhancements in the performance management process for senior management to further promote the latter as corporate culture representatives and supporters of the effective transformation of the business.
Assist the board of directors in supervising compliance with remuneration policies	• Checked that remuneration schemes were appropriate to the Group's results, corporate culture and risk appetite and created no incentive to breach risk appetite. • Reported to the board on Group remuneration practices and assessed their effectiveness, receiving confirmation on their alignment with the Group remuneration policy. • Reported to the board that an external advisor assessment on the remuneration policy found that the Group's policies, procedures and practices comply with the regulatory requirements for credit institutions. • Endorsed proposed changes to the remuneration policy to adapt it to the SEC Remuneration Recoupment ('clawback') rules, amongst others. • Reviewed the adoption of ex-post risk adjustments, including the application of malus and clawback arrangements within the Group.
Diversity, equity and inclusion	• Reviewed gender pay gap reduction and equal pay with a view to promoting greater diversity in its broadest sense, acknowledging progress made in the number of women in senior positions. • Reviewed internal 'equal pay for equal work' data against the previous year and targets and focused on measures to enhance them in each unit. • Received information on inclusion indicators and initiatives launched to continue promoting a culture of inclusion in the Group and ensured the avoidance of pay gaps in this regard.
Remuneration of senior management and other key executives	
Performance assessments	• Reviewed the calibration of executives' performance reviews for the senior management and, in particular, for the Executive Chair, the CEO and the main executives in coordination with non-executive directors; for the CRO and CCO with the risk supervision, regulation and compliance committee; and for the CAE with the audit committee.
Fixed remuneration for executive directors and senior management	• Checked that executive directors' fixed remuneration remained appropriate to their duties based on market rates. • Made sure remuneration for senior management remained fair and competitive, recommending adjustments where appropriate to the board, based on a benchmark analysis and specific pay principles.
Variable remuneration for executive directors and senior management	• Proposed to the board variable remuneration for the preceding year payable either immediately or in deferred amounts.
Share plans	• Submitted a proposal to the board for approval and subsequently for vote at the 2023 AGM on remuneration plans that involve the delivery to executive directors of shares or share options (deferred multiyear target variable remuneration plan; deferred and conditional variable remuneration plan; application of the Group buy-out policy). • Analysed and submitted to the board tailored incentive schemes for different units to drive talent retention and alignment with the Group's strategic priorities.

Duties	Actions taken
Remuneration of directors	
Individual remuneration of directors in their capacity as such	• Analysed and proposed adjustments to the directors' remuneration in their capacity as such, based on the positions they held on the collective decision-making body, their membership and attendance at committee meetings, benchmark information and other objective circumstances.
Remuneration of Identified Staff	
Remuneration of other executives who are Identified Staff	• Reviewed the volume of the Identified Staff (Material Risk Takers) in 2023, trends versus previous years and checked that fixed and variable remuneration ratios for control functions remained consistent with regulation and targets. • Set key remuneration components for Identified Staff in coordination with the risk supervision, regulation and compliance committee. • Submitted a proposal to the board, for subsequent submission to the 2023 AGM, regarding the approval of maximum variable remuneration of up to 200% of the fixed component for certain e Identified Staff, including executive directors and senior management. • Checked that remuneration schemes supported attraction and retention of key talent to help drive the Group's strategy, the application of the incentives implemented in the Group, and the level of achievement of long-term deferred remuneration metrics.
Governance	
Coordination with subsidiaries	• Received information on practices, remuneration trends and challenges in different local markets. • Held a joint session with the risk supervision, regulation and compliance committee to review the subsidiary action plans on internal sales force pay and conduct risk for the external sales force. • Verified that remuneration schemes factor in capital and liquidity, and do not offer incentives to assume risks that exceed Banco Santander's tolerance, thus promoting and being compatible with adequate and effective risk management.
Director remuneration policy report	• Reviewed the Lead Independent Director's report on engagement with key shareholders and proxy advisors regarding executive director remuneration. • Reviewed and proposed to the board the annual directors' remuneration report for an advisory vote at the 2023 AGM. • Assisted the board in overseeing compliance with the director remuneration policy. • Positively recommended the proposal for the directors' remuneration policy for 2024, 2025 and 2026 that will be submitted by the board of directors at the 2024 AGM as a separate item on the agenda pursuant to Article 529 *novodecies* of the Spanish Companies Act and is an integral part of this report. See sections 6.4 Directors' remuneration policy for 2024, 2025 and 2026' and 6.5 'Preparatory work and decision-making for the remuneration policy; remuneration committee involvement'. As part of that, the committee considered the inputs from shareholder and stakeholder engagement during the year. It also considered any recommendations from regulators, legal requirements or applicable regulation concerning remuneration matters and verified that the policy is consistent with the Group's culture and Simple, Personal and Fair values. • Confirmed that the directors' remuneration policy for 2024, 2025 and 2026 is consistent with the Group's remuneration policy and with the remuneration scheme outlined in the Bylaws. The main changes included are as follows: the simplification of the short-term bonus pool scorecard, moving the multiplier approved in 2023 to the qualitative adjustment going forward, with an associated weight of +/-10%. In addition, we reinforced the focus on our solid cost discipline as a measure to succeed in transformation. We also eliminated the stock options for the executive directors.
Information for general meetings and corporate documents	
Shareholders information	• Was represented by Bruce Carnegie-Brown, in his capacity as committee Chair, to report at the 2023 AGM on the committee's activities in 2022.
Corporate documents for 2023	• Prepared this report on 12 February 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

- Kept incentive measures under continuous review to ensure that they continue to align with our strategic aims. In particular, this included a continued focus on customers and sustainable profitability, carefully considering our corporate culture and behaviours, balancing the needs of our different stakeholders. As part of that, the committee established the annual performance indicators to calculate variable remuneration for 2024 with limited variations versus the previous year in order to maintain focus on customer centricity, risk, capital, profitable sustainable growth and cost discipline. In addition, it recommended to the board for approval specific changes in the performance management process for our top management to ensure they lead by example.
- Continued to monitor external developments in executive remuneration best practices in the financial industry and broader market within regulation to enhance our employee value proposition. The committee continued to focus on ensuring that our remuneration schemes remain effective for attracting and retaining key talent for the Group’s strategic ambitions, and that they promote meritocracy and effective risk management. In particular, it received specific deep-dives on remuneration matters for key segments, such as STEM talent, or certain countries.
- Continued to focus on accelerating pay equality in the Group to support our commitment to diversity, equity and inclusion. Checked that the methodology to calculate diversity metrics was accurate and action plans effectively promote a more diverse composition of our employee population.
- Remained focused on the overall effectiveness of the committee, ensuring that its role is discharged with appropriate rigour. Specifically, the committee considered the findings and suggested areas for improvement resulting from the internal board effectiveness review conducted in 2022 concerning its remit.

2024 priorities

The committee set the following priorities for 2024:

- Keep incentive measures under continuous review to ensure that they continue to align with our organization based on segments and global businesses, and shareholder value creation ambition. This will include a continued focus on customers and sustainable profitability and an assessment on how they drive our corporate culture and behaviours, balancing the needs of our different stakeholders.
- Continue to monitor trends and best practices in executive remuneration to further enhance our employee value proposition, promoting effective attraction and retention of key talent to deliver the Group's strategy while maintaining the strong shareholder support received and appreciation from investors and proxy advisors.
- Ensure that remuneration schemes support attraction and retention of key talent to help us deliver against our agreed strategy and associated targets, including our transformation agenda.
- Continue focusing on diversity, equity and inclusion across the Group, ensuring the avoidance of pay gaps in this regard. As part of that, review the implementation of new regulation regarding remuneration and salary equity information to be included in our non-financial disclosures.
- Remain focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner.

4.8 Risk supervision, regulation and compliance committee activities in 2023

Belén Romana
Chair of the risk supervision, regulation and compliance committee

"In 2023, we navigated a complex and dynamic risk landscape, characterised by macroeconomic and industry-specific challenges, primarily driven by rising inflation and interest rates, as well as a volatile geopolitical landscape. As part of this, the committee has closely monitored the actions taken by management to address these circumstances.

During the year, the committee has ensured that we maintained prudent lending practices to achieve adequate credit quality of our loan portfolio and that the exposure remained within acceptable limits. The committee has kept its strong commitment to compliance and conduct risk to safeguard our reputation and integrity, with an ongoing focus on financial crime compliance.

We have also reflected and acknowledged how critical it is, in the current environment, to enhance cross-country collaboration. As a result, we have shared our concerns, best practices and views by organising a convention with the Chairs of the subsidiary risk supervision, regulation and compliance committees. In addition, the committee has maintained a key focus on identifying emerging and non-traditional risks in order to anticipate potential impacts on our business model; as in previous years, this featured the committee's strategy meeting agenda.

The committee continues to benefit from a good mix of experience and skills, and I am confident that this would help us to successfully navigate the challenges ahead. In the coming year, the committee will remain vigilant on the main risks of the Group, including credit, operational, financial crime compliance and model risks and also the risks related to the transformation of the Group, amongst others."

COMPOSITION

Position		Category	Appointed on
Chair	Belén Romana	Independent	28/10/2016[A]
Members	Germán de la Fuente	Independent	01/01/2023
	Luis Isasi	Other external	19/05/2020
	Ramiro Mato	Independent	28/11/2017
	Pamela Walkden	Independent	01/05/2021
Secretary	Jaime Pérez Renovales		

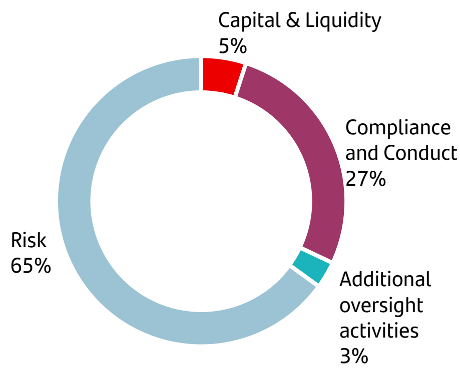
A. Committee Chair since 1 April 2021.

The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board and committees skills and diversity matrix' in section 4.2.

TIME ALLOCATION

In 2023, the committee held 17 meetings, including one strategy session, four joint sessions with the audit committee and one joint session with the remuneration committee. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the risk supervision, regulation and compliance committee's activities in 2023.

Duties	Actions taken
Risk	
Assist the board in (i) defining the Group's risks policies, (ii) determining the risk appetite strategy and culture, and (iii) supervising their alignment with the Group's corporate values	• Reviewed and proposed to the board for approval the annual risk appetite statement proposal, and the analysis of proposed new metrics and limits. • Reviewed risk appetite metrics, compliance with the limits and any breaches in the year on a quarterly basis. • Reviewed the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP), the Strategic Plan, the three-year strategic financial plan, the annual budget and the recovery and resolution plans before the board of directors approved them. Reviewed and challenged the identified risks and mitigating factors associated with those key processes, their consistency, and their alignment to the Group' risk appetite.
Risk management and control	• Reviewed the Group's main risks by unit and risk type, with a special focus on credit risk, operational risk and financial crime. • Analysed the subsidiaries and businesses risk management and control periodically, in coordination with the audit committee. • Reviewed the risks of strategic projects before their submission to the board of directors, and their mitigation measures, with a special focus on the new global businesses and strategic initiatives. • Checked that the Group's risk control management, most notably the risk profile assessment (RPA) and the risk control self-assessment (RCSA), remained robust. • Analysed the potential impact and opportunities associated with emerging risks and how they would affect different geographies, our subsidiaries and businesses. • Supported the board in conducting stress tests of Banco Santander through the assessment of scenarios and assumptions, analysing the results and the measures proposed by the Risk function. • Ensured that the stress test programme was aligned with the EBA Guidelines 2018/04 on institutions' stress testing. • Received and analysed specific information on credit risk, with a special focus on non-performing assets; market risk, structural and counterparty risk; operational risk, specially the risks derived from the cybersecurity and technological obsolescence, with a key focus on legal, reputational, social and environmental risks. The analysis on each matter was conducted in coordination with the audit and innovation and technology committees. The committee reviewed the business continuity and contingency plans with the latter. • Supervised, together with the responsible banking, sustainability and culture committee, (i) the alignment of risk appetite and limits with corporate culture and values; (ii) non-financial risks; and (iii) new metrics related to climate that were proposed under the Risk Appetite Statement annual proposal. • Supported the board in the supervision of crisis management and resolution planning.
Supervise the Risk function	• Reviewed the Risk function’s activities, strategy, strengths and potential areas for improvement. • Ensured the ongoing independence and effectiveness of the Risk function, including the assessment of the sufficiency and appropriateness of its resourcing. • Reported to the board on the CRO's 2023 objectives and reviewed his performance against those, and reported to the remuneration committee and board of directors to set his variable remuneration. • Verified the suitability of the subsidiary CROs, in coordination with the nomination committee of the Group.
Collaboration to establish rational remuneration policies and practices	• Held a joint session with the remuneration committee to review the subsidiary action plans on internal sales force pay and conduct risk for the external sales force. • Verified that remuneration schemes factor in capital and liquidity, and do not offer incentives to assume risks that exceed Banco Santander's tolerance, thus promoting and being compatible with adequate and effective risk management. • Reviewed the ex-ante risk adjustment of total variable remuneration assigned to the units, based on actual risk outcomes and their management, in conjunction with the remuneration committee. • Reviewed the 2023 bonus pool and results of the exercise carried out annually to identify employees whose professional activities had a material impact on the Group´s risk profile (Identified Staff).
Regulatory and supervisory relations	• Reviewed relevant developments regarding regulatory and supervisory relations and maintained focus on the most relevant developments related to the Single Supervisory Mechanism (SSM), the Single Resolution Board (SRB), the supervisors of all the Group’s subsidiaries and the Supervisory Review and Evaluation Process (SREP) and specific on-site inspections related to risk and compliance matters, as appropriate.

Duties	Actions taken
Compliance and conduct	
Supervise the Compliance and Conduct function	• Supervised the Compliance and Conduct function's activities, strategy, strength and potential areas of improvement, as well as the development of the 2023 compliance programme. • Ensured the ongoing independence and effectiveness of the Compliance and Conduct function, including the assessment of its staffing levels and overall appropriateness of its resourcing. • Reviewed monthly reports on regulatory issues, product governance and consumer protection, reputational risk, internal and external events, notifications and inspections by supervisors, updates on the One Financial Crime Compliance (One FCC) programme, amongst others. • Received updates on compliance and conduct risks from the Group's main subsidiaries and global businesses, with a special focus on the status of the implementation of the One FCC programme. • Met with the CCO (twice in private session, in addition to other informal meetings) to discuss strategic compliance topics as well as to discuss independently and directly any potential material issue relating to the Compliance and Conduct function. • Reported to the board on the CCO's 2023 objectives and reviewed her performance against those, and reported to the remuneration committee and board to set her variable remuneration. • Verified the suitability of the subsidiary CCOs, in coordination with the nomination committee of the Group.
Regulatory compliance including Canal Abierto	• Reviewed the situation of compliance with data protection regulation across Grupo Santander and received the data protection officer's annual report. • Endorsed, prior to presentation to the board, the changes to the general code of conduct. • Received information, in a joint meeting with the audit committee, on Canal Abierto, the Group's whistleblowing channel with a special focus on matters within the committee's area of authority to ensure the Group's culture empowers employees and other persons related to Banco Santander can talk straight, be heard and report irregular practices without fear of reprisal.

Financial crime compliance (FCC)	• Oversaw the Group's observance of FCC regulations as well as the activities carried out by the function:
	  • Was provided with quarterly updates on progress on the One FCC implementation and reviewed the sanctions screening activity.
	  • Received recommendations and observations stemming from the annual independent expert report on Banco Santander in accordance with Act 10/2010 and Royal Decree 304/2014 (on anti-money laundering and terrorism financing).

Product governance and consumer protection	• Reviewed reports on customer complaints, their causes and action plans launched to reduce and mitigate the identified deficiencies, in coordination with the responsible banking, sustainability and culture committee. • Reviewed risk management and the main risks identified, as well as the concerns, priorities and actions taken by the Product Governance and Consumer Protection area regarding conduct risk with retail and vulnerable customers.
Capital and liquidity	
Assist the board in reviewing and approving capital and liquidity strategies and supervising their implementation	• Reviewed and reported to the board on the annual ICAAP run by the Finance division and challenged by the Risk function in accordance with industry best practices and supervisory guidelines. • Reviewed a capital plan according to the scenarios envisaged over a three-year period. • Reviewed and reported to the board on the ILAAP, which was challenged by the Risk function and developed in line with the Group´s business model and its liquidity needs. • Reviewed liquidity risk and liquidity levels of the Group and its subsidiaries. • Continuously monitored capital levels, capital management and associated tools, the 2023 securitizations plan and the analysis of the portfolio profitability versus the risk undertaken.
Additional oversight activities	
Additional oversight activities	• Held four joint meetings with the audit committee to review risk, compliance and internal audit aspects of the different regions and global businesses, with first line of defence representatives present. • Collectively discussed with the audit committee additional topics of mutual interest, such as risk culture, third-party supplier risk management and SEC cybersecurity rules, and received an update on internal audit matters of the Risk and Compliance and Conduct functions. • Received reports from the Santander España risk committee on the main items covered at its meetings throughout the year. • The committee Chair attended specific subsidiary risk supervision, regulation and compliance committee to further enhance communication between them. • Received updates on the matters discussed at the responsible banking, sustainability and culture committee by the Chair of that committee. • Received monthly updates from the CRO and CCO on the work conducted by both the risk control and the compliance and conduct committees in their capacity as Chairs, respectively. • The Chairs of the audit committee and of the risk supervision, regulation and compliance committee met regularly, ensuring ongoing coordination and collaboration.

Duties	Actions taken
Information for general meetings and corporate documents	
Shareholder information	• Was represented by Belén Romana, in her capacity as committee Chair, to report at the 2023 AGM committee's activities in 2022.
Corporate documents for 2023	• Prepared this activities report on 14 February 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

- Monitored the macroeconomic conditions, especially the energy crisis, inflation, interest rates hikes and potential recession in certain countries, and the potential impact on the Group. In particular, the committee continued to supervise, in coordination with the audit committee, the Group's units and global businesses to ensure that there was an appropriate focus on local nuances and risks. In particular, updates on global businesses and units were provided in joint sessions with the audit committee by the relevant CRO, CCO and CAE, with the respective global business head and/or country CEO present, in readiness for their presentation to the board of directors. This facilitated a holistic view on each unit and global business' risks by the committee before a more strategic and business driven discussion was held at the board meeting.

- Oversaw the risks associated with PagoNxt and Digital Consumer Bank, and reviewed specific deep dives on financial crime and money laundering prevention, IT obsolescence, climate change and model risk. As part of that, specific deep-dives were scheduled throughout the year to facilitate discussion and oversight of these risks.

- Monitored the Group’s top risks, early warning indicators and mitigation actions to manage risks and the Group's risk profile effectively and within risk appetite.

- Identified emerging and non-traditional risks to anticipate potential impacts on our business model. In particular, the committee held a strategy session where those items were covered, with a key focus on the geopolitical risks and regulatory and supervisory developments.

- Enhanced coordination and information exchange with core units and divisions, with Group and subsidiary-level committee Chairs taking part in each other’s risk supervision, regulation and compliance committee meetings. As part of that, a convention of the Chairs of the risk supervision, regulation and compliance committees of the Group was held at our headquarters to discuss global initiatives, expectations and common relevant issues for them.

- Monitored and oversaw the smooth transition of the new CRO and ensured that his onboarding was robust and effective, enabling him to be truly effective in his role. He attended all the 2023 committee meetings and frequently met with the committee Chair.

- Remained focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner. Specifically, the committee considered the findings and suggested areas for improvement resulting from the 2022 internal board effectiveness review concerning its remit.

2024 Priorities

The committee set the following priorities for 2024:

- Continue to supervise and monitor the macroeconomic conditions, especially interest rates, the consequences of the energy crisis, inflation and the geopolitical landscape, including armed conflicts.

- Continue to monitor all risks of the Group, with specific focus on credit, operational, market, model, IT, cyber and risk derived from emerging technologies such as artificial intelligence and financial crime compliance, to ensure that those risks remain within our approved risk appetite. In addition, continue to identify the emerging and non-traditional risks in order to anticipate potential impacts on our business model.

- Supervise the main risks associated with the transformation and the five global businesses, ensuring that we maintain and even strengthen risk management under the new organization, at any time.

- Promote ongoing communication mechanisms between the Chair of the risk supervision, regulation and compliance committees of the Group and her counterparts in the subsidiaries to discuss areas of mutual interest, including risks that may have a greater impact at a Group level, exchange concerns and best practices.

- Remain focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner.

4.9 Responsible banking, sustainability and culture committee activities in 2023

Ramiro Mato
Chair of the responsible banking, sustainability and culture committee

"As in previous years, the committee´s main focus was to assist the board in driving ESG to build a more responsible bank. As part of this, in 2023 we have remained focused on delivering our Net Zero ambition by 2050, while we continue helping customers transition to a low carbon economy, developing best-in-class sustainable propositions, and doing things in a Simple, Personal and Fair way.

Specifically, the committee oversaw actions, recommendations and targets to help Santander to become a global leader in green finance and an engine of profitable growth for the Group, helping our clients in their green transition. The committee monitored progress and key initiatives to effectively integrate green finance within risk management. Furthermore, the inevitable range of challenges faced in the countries where Santander is present (geopolitical environment, regulatory fragmentation, different governmental support, etc) were considered by the committee to ensure the right approach to achieve the best possible outcomes, including achieving our established targets.

In addition, education and our communities also remained high on our agenda. We further reinforced our working relationship with the audit committee by reviewing the preparation and presentation of non-financial information according to the applicable regulations and international standards.

Members' skills and experience helped the committee to operate effectively and to provide appropriate constructive challenge to management, and to assist the board with the significant ESG challenges ahead. In addition, we shared concerns and views with our subsidiary responsible banking, sustainability and culture committees throughout the year, which enabled us to harness their vast collective expertise.

Going forward, we will remain focused on progressing our climate change strategy and monitoring the development of our green and sustainable finance proposition."

COMPOSITION

Position		Category	Appointed on
Chair	Ramiro Mato	Independent	01/07/2018[A]
Members	Homaira Akbari	Independent	01/07/2018
	Sol Daurella	Independent	01/07/2018
	Gina Díez Barroso	Independent	31/01/2023
	Belén Romana	Independent	01/07/2018
Secretary	Jaime Pérez Renovales		

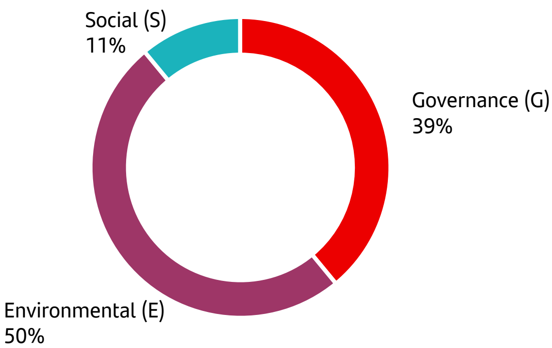
A. Committee Chair since 1 July 2018.

The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board and committees skills and diversity matrix' in section 4.2.

TIME ALLOCATION

In 2023, the committee held six meetings. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the responsible banking, sustainability and culture committee's activities in 2023.

Duties	Actions taken
Environmental (E)	
Portfolio alignment with Net Zero by 2050	• Reviewed the Group's climate change strategy, providing challenge to it to ensure that it remained a key enabler to achieve our ambition of net zero emissions by 2050. • Reviewed decarbonization targets in the thermal coal, power generation, energy (oil and gas), aviation and steel sectors and discussed and recommended to the board for approval new decarbonization targets for auto manufacturers (SCIB) and auto lending portfolio in Europe (SCF). • Reviewed the decarbonization plans of the subsidiaries, covering activity regarding mortgages, commercial real estate and agriculture to further develop our roadmap towards net zero while we address supervisory expectations. • Endorsed the Group priorities for 2023 in relation to responsible banking, including supporting our customers in their green transition and promoting a sustainable culture. • Reviewed actions proposed to align with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations and the transition plans and its communication needed in relation to the Glasgow Financial Alliance for Net Zero (GFANZ).
ESG in risk management	• Reviewed ESG factors introduced in the credit approval process, associated action plans and related achievements. • Reviewed the proposed risk appetite statement to support the reduction of carbon emissions relative to thermal coal, power generation, energy (oil and gas), aviation and steel sectors.
Green Finance	• Review the green finance strategy and its execution, including the Group´s exposure in green finance more generally.
Biodiversity	• Reviewed a disclosure proposal concerning Banco Santander's position on nature and biodiversity and submitted it to the board of directors for approval. • Reviewed Santander's participation with respect to the Febraban Protocol, which includes standards for managing the risk of illegal deforestation in Brazil and defines guidelines to be adopted by its signatories.
Environmental Footprint	• Reviewed our 2022-2025 Environmental Footprint Plan and carbon emissions offset criteria. • Monitored carbon footprint offsetting projects across the Group to fulfil public targets.
Regulatory landscape	• Reviewed the main European and international financial regulatory and supervisory initiatives and priorities related to ESG under discussion for 2023 and 2024, to maximize investment in the transition to a low carbon economy by 2050 and increase transparency on business models and operations.
Social (S)	
Social agenda	• Reviewed our social agenda, which includes financial inclusion; financial health; business with social output; and corporate social responsibility or philanthropic activities.
Education and other support to communities	• Reviewed the strategy, objectives, and performance indicators in relation to Universia's activity in the communities, in the context of the Group's social agenda, which includes our support to universities in education, employability and entrepreneurship. • Reviewed and challenged communication strategy in relation to universities.

Duties	Actions taken
Governance (G)	
Corporate governance	• Assisted the board in ensuring that responsible banking targets and metrics were embedded in the Group's remuneration schemes. As part of that, reviewed, in coordination with the remuneration committee, a proposal to further increase the alignment of the long-term incentive for 2023-2025 with our ESG agenda. • Monitored and assessed the Group's progress on its public targets to ensure that its KPIs remained relevant and aligned with committee expectations. • Worked with the risk supervision, regulation and compliance committee to review the progress made in embedding climate-related and environmental risks, as well as to monitor the implementation of controls and processes to mitigate ESG risks, including greenwashing. • Reviewed responsible banking progress in the regions, units, global businesses and corporate areas on a regular basis to ensure best practices globally. • Identified priority ESG areas for action based on the outcomes of a materiality assessment exercise, which the Responsible Banking team conducts every year. • Verified that the proposed responsible banking agenda and targets remain aligned with Santander´s strategy. • Reviewed ESG global ratings' assessments of Banco Santander, identifying strengths, areas for improvement and areas of focus. Reviewed any resultant action plans after engaging with investors and NGOs on ESG matters. • Reviewed reports on customer complaints, their causes and associated action plans launched to reduce and mitigate the identified deficiencies, in coordination with the risk supervision, regulation and compliance committee. • Revised the environmental, social and climate change risk management policy and the responsible banking and sustainability policy.
ESG reporting	• Supported the audit committee on the supervision and assessment of the process of preparation and presentation of non-financial information according to the applicable regulations and international standards. • Reviewed the 2023 Group statement on non-financial information and the independent expert's report. See the 'Responsible banking' chapter. • Reviewed the Climate Finance Report in coordination with the audit committee, prior to its submission to the board for approval, including new targets for the energy, metal and aviation sectors, the action plan for the power generation sector and the disclosures for nature and biodiversity. • Reviewed the Green Bond Report in coordination with the audit committee, prior to its submission to the board for approval. • Analysed industry practices in ESG reporting under the Pilar III framework.
Others	• The Chair of the committee periodically reported on its activities to the risk supervision, regulation and compliance committee. • Invited subsidiary responsible banking, sustainability and culture Chairs to specific committee meetings throughout the year and, in turn, the committee Chair attended specific subsidiary responsible banking, sustainability and culture committee meetings to further enhance communication between them.
Information for general meetings and corporate documents	
Shareholder information	• Was represented by Ramiro Mato, in his capacity as committee Chair, to report at the 2023 AGM committee's activities in 2022.
Corporate documents for 2023	• Prepared this activities report on 13 February 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

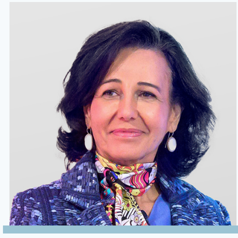
- Continued to advise the board on the climate change strategy and our ambition to be net zero by 2050, monitoring the development of our green and sustainable finance proposition and customers' transition to a low-carbon economy. As part of that, the committee oversaw progress in relation to the implementation of the TCFD recommendations, including the introduction of targets to reduce emissions in certain climate-intensive sectors and the decarbonization plans. As part of that, the committee considered the challenges that the overall economic and geopolitical context entail in this respect.
- Continued to monitor financial health and financial inclusion by reviewing the progress made on specific social metrics and KPIs, such as people financially included in the year and microcredits provided to microentrepreneurs.
- Reviewed the Group's performance assessed by ESG analysts, and supervised the actions for improvement in this respect.
- Monitored the implementation of enablers to further embed ESG in the business and business-as-usual, including Banco Santander's performance of our responsible banking targets and KPIs.
- Provided support to the board in analysing and providing feedback on ESG information for reporting, disclosure, and management purposes, in coordination with the audit committee. Specific updates were provided by the Group's CAO in this respect, with a special focus on the enhancements and progress made by the different units.
- Remained focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner. Specifically, it considered the findings and suggested areas for improvement resulting from the 2022 internal board effectiveness review concerning its remit.

2024 Priorities

The committee set the following priorities for 2024:

- Continue to advise the board on the climate change strategy and our ambition to be net zero by 2050, monitoring the development of our green finance proposition and how the global businesses support our customers' transition to a low-carbon economy.
- Oversee that actions and targets for climate material exposure and decarbonization strategy are consistent with the TCFD recommendations and support the delivery of our public targets.
- Continue to focus on our sustainable finance proposition to continue promoting customer welfare.
- Analyse the heterogeneity in public policies and actions of authorities and institutions in the countries across our footprint, as well as their associated risks, and the potential impact on our ESG strategy.
- Continue to enhance data quality and monitor ESG disclosures and associated strategy in coordination with the audit committee, in order to meet increasing expectations from stakeholders in the current complex legislative framework.
- Remain focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner.

4.10 Innovation and technology committee activities in 2023



Ana Botín
Chair of the innovation and technology committee

"We aim to be the best open financial services platform by acting responsibly. We continued our work on enhancing our technology capabilities to drive the improvement of our customer's experience when banking with us, while delivering significant efficiencies through cutting-edge technologies and end-to-end automation. In this regard, we remained focused on overseeing the execution and progress of One Transformation and its overall alignment with the 2023 Investor Day targets and the Group's strategy.

Cybersecurity and data strategy remained a top priority of our agenda during the year, recognising the importance of having adequate defences and security controls in place against increasing threats; and how data contributes to improve business growth and customer experience.

In addition, we addressed the challenges and opportunities that artificial intelligence poses to the Group, ensuring that its use promotes effective risk management. In the coming year, we will continue to focus on how innovation and technology can help us deliver on our strategic ambitions, particularly linked to our newly created Retail & Commercial Banking and Digital Consumer Bank global businesses.

An appropriate mix of members' skills ensured that the committee remained well positioned to fulfil its responsibilities and operate effectively. I would like to thank Bruce Carnegie-Brown, who left the committee in October 2023, for his hard work, contribution, and commitment."

COMPOSITION

Position		Category	Appointed on
Chair	Ana Botín	Executive	23/04/2007[A]
Members	Homaira Akbari	Independent	27/09/2016
	José Antonio Álvarez	Other external	23/02/2015
	Henrique de Castro	Independent	23/07/2019
	Héctor Grisi	Executive	01/01/2023
	Glenn Hutchins	Independent	20/12/2022
	Belén Romana	Independent	19/12/2017
Secretary	Jaime Pérez Renovales		

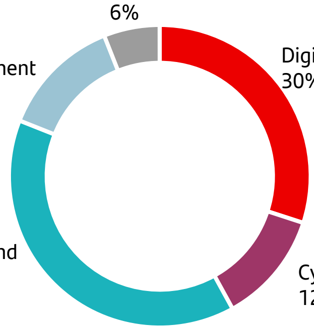
A. Committee Chair since 19 April 2022.

The board of directors appointed the committee's members based on their expertise, skills and experience in the matters the committee handles. For more details, see section 4.1 'Our directors' and 'Board and committees skills and diversity matrix' in section 4.2.

TIME ALLOCATION

In 2023, the committee held four meetings. See 'Board and committee preparation and attendance' in section 4.3 for members' attendance and the estimated average time each one spent on meeting preparation and attendance.

The chart below shows the committee's approximate time allocation in 2023:



Duties and activities in 2023

This section summarizes the innovation and technology committee's activities in 2023.

Duties	Actions taken
Digital & innovation	
Digital	• Monitored metrics in connection with the digital evolution and associated transformation, with a special focus on customer experience, simplification and efficiency. • Reviewed core digital strategies to transform the business and accelerate new businesses growth. • Reviewed strategic technological tools developed internally to further increase value creation across the Group, improving efficiency and driving appropriate synergies. • Reviewed the execution and progress of One Transformation and its overall alignment with our strategy and targets disclosed at the 2023 Investor Day.
Cloud	• Reviewed the cloud strategy focused on improving innovation, time–to-market and efficiency with a business-based approach.
Innovation framework	• Reviewed the implementation of the technological and strategic plan and Group's innovation agenda, leveraging on our digital and data management capabilities. • Identified the challenges and capabilities in terms of innovation in order to increase end-to-end business agile transformation. • Identified new opportunities for accelerated innovation across the Group and increased the likelihood of success in new business models, technologies, systems and platforms.
Technology and operations	
Technology and operations (T&O)	• Assisted the board in supervising technological risks in coordination with the risk supervision, regulation and compliance and audit committees. • Reviewed the global technology strategy plan, reported to the board on T&O planning and activities, and ensured that T&O strategy was properly focused on the Group's relevant priorities, supervising its execution progress through defined top-level strategic KPIs, including those specific to the execution of One Transformation. • Endorsed the Group's core strategic technology priorities to integrate key digital capabilities, leveraging five pillars: agile, cloud, core systems evolution, artificial intelligence and deep technology related skills and data. • Continued to oversee the implementation of a new operating model and a common architecture. • Analysed the priorities of the T&O function and specifically, their alignment with the Group's ambition to become a 'digital bank with branches', with a special focus on the contact centres' contribution for such purposes and alternatives for further optimization, simplification and improvement of processes.
Cybersecurity	
Strategy	• Reviewed the cybersecurity strategy and the progress made on its main action lines: protecting the Group, bolstering its defences, and generating trust among stakeholders, customers, and society in general. • Monitored the status and progress made on the fraud prevention plan, including its associated impacts and the actions underway to further harmonize fraud prevention capabilities across the Group.
Risk management oversight	• Assisted the board in the supervision of cybersecurity risks in coordination with the risk supervision, regulation and compliance and audit committees. • Supervised defences against increasing threats and reviewed security controls and automated security processes. • Analysed cyber incidents and specific incidents outside the Group according to their relevance and impact, as appropriate. • Monitored closely the global cybersecurity threat landscape and continued to monitor the associated impacts of the Ukraine war and the conflict in the Middle East. • Received quarterly updates on cybersecurity risks, with a special focus on crisis simulation exercises and internal data leakage protection. • Reviewed external threats such as ransomware and analysed the strategy designed to shorten data recovery time and reduce its potential impact.
Data management	
Data management	• Reviewed data management strategy and the Models & Data unit's priorities for the year, focusing on the business model and how data contributes to improve the business growth and customer experience. • Reviewed the Group approach to artificial intelligence usage based on a specific governance and risk management framework.

Duties	Actions taken
Information for general meetings and corporate documents	
Corporate documents for 2023	• Prepared this activities report on 25 January 2024, which includes a performance review of the committee's functions and key priorities identified for 2024. The board of directors approved it on 19 February 2024.

Achievement of 2023 objectives

The committee took these actions planned for 2023:

- Reviewed the Group innovation strategy, driving support and coordination to the global businesses and to the development of a global technologic platform.
- Continued to review the effectiveness of data management and analytics as enablers for the Group to fulfil strategic priorities, focusing on the main business use cases and the use of the artificial intelligence considering the international advisory board´s feedback, amongst others, to ensure appropriate support to the Group´s strategy.
- Continued to strengthen the Group's cybersecurity and fraud ecosystems, proposing strategies to respond to a constantly changing threat environment, while creating additional commercial value and a safe environment for clients.
- Continued to assess and provide suggestions on initiatives, targets, commitments, KPIs and proposed metrics on cross-cutting projects that conformed with the Group's digital strategy, reviewing them to ensure full alignment with the operating model of the Group.
- Remained focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner. Specifically, the committee considered the findings and suggested areas for improvement resulting from the 2022 internal board effectiveness review concerning its remit.

2024 Priorities

The committee set the following priorities for 2024:

- Continue to support the Group's innovation strategy, aligned with our global businesses, to develop our five technological pillars, supported by our operating model, common architecture and global platforms.
- Continue to drive a culture of innovation that positions data and analytics at the core of our business strategy while meeting regulatory expectations on data management and taking advantage of the benefits of using artificial intelligence.
- Continue to evolve our cyber security defences, with a special focus on emerging threats, as well as to continue to monitor the implementation of the technology and operations transformation model.
- Remain focused on the overall effectiveness of the committee, ensuring that its role is discharged in the most tangible and effective manner.

4.11 International advisory board

Composition

Position		Background
Chair	Larry Summers	Former Secretary of the US Treasury and President Emeritus and Charles W. Eliot University Professor of Harvard University
Members	Sheila C. Bair	Former Chair of the Federal Deposit Insurance Corporation and former President of Washington College
	Mike Rhodin	Supervisory board member of TomTom and director of HzO. Former IBM Watson Senior Vice President
	Francisco D'Souza	Managing Partner and co-founder at Recognize
	James Whitehurst	Senior Advisor at IBM and former CEO of Red Hat
	George Kurtz	CEO and co-founder of CrowdStrike. Former Chief Technology Officer of McAfee
	Nadia Schadlow	Former Deputy National Security Advisor for Strategy and former Assistant to the President of the United States
	Andreas Dombret	Former board member of Deutsche Bundesbank, of Supervisory Board of the ECB and of Bank International Settlements and former Vice Chair of Bank of America in Europe
	Carolyn Everson	Director at The Coca-Cola Company and The Walt Disney Company. Former chair of Instacart and former vice-president of Global Business Group at Facebook (Meta)
	Juan Ignacio Gallardo Thurlow	Chair of Organización Cultiba, Grupo Azucarero México and Grupo GEPP (PepsiCo bottling company in Mexico)
Secretary	Jaime Pérez Renovales	

Functions

Since 2016, Banco Santander's international advisory board has provided the Group with expert insight into innovation, digital transformation, cybersecurity, new technologies, capital markets, corporate governance, branding, reputation, regulation and compliance.

Its members are external and not members of the board. They are prominent and respected leaders who have extensive experience in the most relevant areas for the strategy of the Group, particularly in terms of innovation, digital transformation and the US and European markets.

Meetings

The international advisory board meets at least twice a year. In 2023, it met in May and October. It addressed key strategic trending topics for the near future within the overall context of our transformation agenda and our global-local organization with five global businesses. In particular, it covered specific topics such as the advantages and repercussion of the use of artificial intelligence in the financial sector; our brand and its strategic implications; digital assets, crypto trends and business opportunities; the overall global business structure and the cyber threat landscape, amongst others.

4.12 Related-party transactions and other conflicts of interest

Related-party transactions

This section contains the related-party transactions report referred to in recommendation six of the CNMV´s Corporate Governance Code, the audit committee prepared on 13 February 2024.

Directors, senior managers and shareholders

Pursuant to the Rules and regulations of the board, a transaction that Banco Santander or its subsidiaries make with directors, shareholders who hold at least 10% of voting rights or sit on the board, and parties considered "related parties" under the International Financial Reporting Standards must be authorized:

- In the general meeting if it is worth 10% or more of assets on the last consolidated balance sheet; or
- By the board of directors in all other cases. Nonetheless, according to relevant rules and on the audit committee's recommendation, our board delegated authority to executive bodies, committees and competent proxies to approve related-party transactions if they:
  - are carried out under agreements with standard terms that would generally apply to customers who contract for the same product or service;
  - are made at prices or rates set by the supplier of such products or service or, where such products or service have no existing prices or rates, under regular market conditions as in business relations with similar customers; and
  - do not exceed 0.5% of the net annual income as stated in the last consolidated financial statements approved at the general meeting.

The board approved an internal reporting and monitoring procedure in which the audit committee confirms twice a year that such transactions authorized with delegated board powers are fair and transparent and meet the above-mentioned requirements.

The board also has an internal approval mechanism for non-banking and other transactions that do not meet the delegation requirements. It sets out minimum transaction terms and conditions in order to protect corporate and shareholder interests.

The board and audit committee check that transactions with related parties are fair and reasonable to Banco Santander and to the other shareholders.

If a related-party transaction must be approved at the general meeting or by the board, the law says that audit committee must issue a preliminary report about it. However, the law does not require the report for related-party transactions if they are approved under the board's delegated authority and meet the audit committee's requirements.

Board members must recuse themselves from all deliberations and votes on resolutions about a related-party transaction if they have a conflict of interest with it.

In 2023, the audit committee found that no director or related party, in the terms of International Financial Reporting Standards, carried out transactions deemed 'significant' or material to Santander and the related party, or under non-market conditions.

The audit committee confirmed that all related-party transactions in 2023 had been performed correctly after conducting a bi-annual review on their conformity to the law, the Rules and regulations of the board and the conditions set by board resolution, and met the requirements to be considered fair, reasonable and under market conditions (see the audit committee activities report under section 4.5 'Audit committee activities in 2023').

Banco Santander has a policy for the admission, authorisation and monitoring of financing transactions to directors and senior managers as well as to their spouse (or similar partner), a child who is a minor or legal adult and their financial dependent, or a company controlled by a director or a senior manager whose business is to hold assets for the sole purpose of managing their personal or family wealth. The policy applies to financing transactions carried out by Banco Santander, or any of its subsidiaries, and sets out general maximum borrowing rules, interest rates and other conditions that apply to related-party transactions, which are the same for all other employees. It dictates that the board must authorize loans, credit facilities and guarantees extended to Banco Santander's directors and senior managers, and, except the cases listed below, subsequently by the ECB:

- Transactions guaranteed in a collective agreement signed by Banco Santander, with similar terms and conditions to transactions with any employee.
- Transactions made under agreements with standard conditions that generally apply to a large number of customers, if the amount granted to the beneficiary or their related parties does not exceed EUR 200,000.

Note 5.f) 'Loans' to the consolidated financial statements describes the direct risk Grupo Santander maintained with board members as at 31 December 2023. Those transactions are consistent with market conditions, have the same terms and conditions as transactions with employees, and allocate payments in kind where appropriate.

No Banco Santander shareholder holds 10% or more of voting rights or has a seat on the board.

Intra-group transactions

The law does not consider direct or indirect transactions with a wholly-owned subsidiary or investee to be "related-party" if no party related to Banco Santander holds an interest in it. To this end, Santander monitors subsidiaries or investees' observance of these rules if they can be affected by related-party transactions. The rules and approval bodies and procedures that apply to intragroup transactions are the same as for transactions with customers to make sure they are conducted at market prices and conditions.

Note 53 'Related parties' to the consolidated financial statements and note 47 'Related parties' to the individual financial statements state the balance of transactions with subsidiaries, affiliates, jointly-owned entities, directors, senior managers and related parties.

Other conflicts of interest

Banco Santander has rules and procedures for preventing and managing conflicts of interest that can arise from operations or with directors and senior managers. We also have an internal policy for Group employees, directors and entities on preventing and managing conflicts of interest.

Directors and senior managers

Our directors must adopt necessary measures to avoid situations in which their direct or indirect interests may enter into conflict with corporate interests or their duty towards Banco Santander.

Directors must refrain from using Santander's name or their position to exert undue influence on private transactions; using corporate assets for private purposes; using business opportunities for personal gain; obtaining favours or remuneration from others for being directors; and engaging in activities for themselves or others that will put them and Banco Santander in competition or permanent conflict.

Directors must report to the board conflicts of interest that they or their related parties may have with Banco Santander, which are to be disclosed in the financial statements. The nomination committee verifies compliance with the rules set from time to time to avoid potential conflicts of interest in other roles held by directors.

In 2023, no director reported a conflict of interest with Santander. Nonetheless, there were 52 abstentions in votes on matters deliberated at board and committee meetings, including 28 instances where directors did not vote on resolutions on nominations, re-elections or board committee assignments; 10 instances concerning remuneration; four instances relating to a transaction between Banco Santander and a director or a close relative of a director; and 10 instances where directors removed themselves during the review of their status and suitability.

The Code of conduct in security markets (CCSM), which directors and senior managers follow, provides mechanisms to recognize and resolve conflicts of interest. It also dictates that directors and senior managers must provide the Compliance & Conduct area with a statement on their relations, and they must keep it up to date.

They must also disclose any matter that could put them in a conflict of interest because of their ties or otherwise, and the chief officer of their area will resolve it. Conflicts that involve several areas must be resolved by their common senior officer. In other cases, the Compliance & Conduct area should be consulted.

The CCSM also dictates that directors, senior managers and related parties should not trade Grupo Santander's securities within 30 days either from the time they are bought or sold or before the quarterly, half-year or annual results are announced and published.

The CCSM can be found on our corporate website.

Group companies

Banco Santander is the Group's only company listed in Spain, where it's not required to have mechanisms in place to resolve conflicts of interest with a listed subsidiary.

In a conflict of interest with a listed subsidiary, Banco Santander, as the parent company, must consider the interests of all its subsidiaries and how the conflict may affect the long-term interests of the Group. Subsidiaries should also consider the interests of Grupo Santander when making decisions within their competence.

The Group structures governance on a system of rules that guarantees regulation on governance as well as proper oversight over subsidiaries (see section 7. 'Group structure and internal governance').

5. Senior management team

The table below shows the profiles of Banco Santander's Senior Executive Vice Presidents. It does not include executive directors, whose profiles are described in section 4.1 'Our directors'.

Name	Position	Profile
Mahesh Aditya	GROUP CHIEF RISK OFFICER	Born in 1962, Mahesh Aditya joined Grupo Santander in 2017 as Chief Operating Officer of Santander Holdings USA. He became Chief Risk Officer in 2018 and Chief Executive Officer of Santander Consumer USA in 2019. Previously, he had been Chief Risk Officer at Visa (2017-2019) and Chief Risk Officer of Retail & Mortgage Banking at JP Morgan, Capital One and Citibank. He was appointed Group Chief Risk Officer in 2023.
Daniel Barriuso	GLOBAL HEAD OF RETAIL & COMMERCIAL BANKING AND GROUP CHIEF TRANSFORMATION OFFICER	Born in 1973, Daniel Barriuso joined Grupo Santander in 2017 as Global Head of Cyber Security (CISO) and Fraud Prevention. In 2023, he was named Senior Executive Vice President, Chief Transformation Officer, and Global Head of Retail and Commercial Banking. Previously, he had held several executive roles at BP, Credit Suisse and ABN AMRO.
Alexandra Brandão	GROUP HEAD OF HUMAN RESOURCES	Born in 1978, Alexandra Brandão joined Grupo Santander in 2003 as Head of Products and Services for Individuals at Santander Totta. She was Global Head of Knowledge and Development at the Grupo Santander Corporate Centre (2012-2016); Head of Human Resources (2016-2018); and Head of Commercial Management and Segments at Santander Portugal (2019-2020). She was appointed Group Head of Human Resources in 2021.
Juan Manuel Cendoya	GROUP HEAD OF COMMUNICATIONS, CORPORATE MARKETING AND RESEARCH	Born in 1967, Juan Manuel Cendoya joined Grupo Santander in 2001 as Senior Executive Vice President and Group Head of the Communications, Corporate Marketing and Research division. In 2016, he was appointed Vice Chair of the board of directors and Head of Institutional and Media Relations of Santander España. Previously, he had been Head of the Legal and Tax department of Bankinter, S.A. He is also a State Attorney for Spain.
José Doncel	GROUP CHIEF ACCOUNTING OFFICER	Born in 1961, José Doncel joined Grupo Santander in 1989 as Head of Accounting. He had also served as Head of Accounting and Financial Management at Banesto (1994-2013). He was appointed Senior Executive Vice President and Head of the Internal Audit division in 2013 and Group Chief Accounting Officer in 2014.
José Antonio García Cantera	GROUP CHIEF FINANCIAL OFFICER	Born in 1966, José Antonio García joined Grupo Santander in 2003 as Senior Executive Vice President of Global Wholesale Banking of Banesto and was appointed CEO in 2006. Previously, he had served on the executive committee of Citigroup EMEA, as well as on the board of directors of Citigroup Capital Markets, Ltd and Citigroup Capital Markets UK. He was appointed Senior Executive Vice President of Global Corporate Banking in 2012 and Group Chief Financial Officer in 2015.
Juan Guitard	GROUP CHIEF AUDIT EXECUTIVE	Born in 1960, Juan Guitard joined Grupo Santander in 1997 as Head of Human Resources at Santander Investment, S.A. and was also General Counsel and secretary of the board of Santander Investment, S.A. and Banco Santander de Negocios, S.A. In 2002, he was appointed Vice General Counsel of Banco Santander. In 2013, he was Head of Banco Santander's Risk division. In 2014, he was appointed Group Chief Audit Executive. He is also a State Attorney for Spain.

José María Linares	GLOBAL HEAD OF CORPORATE & INVESTMENT BANKING	Born in 1971, José María Linares joined Grupo Santander in 2017 as Senior Executive Vice President and Global Head of Corporate and Investment Banking. Previously, he served as an equity analyst at Morgan Stanley & Co. (1993-1994). He worked as Senior Vice President and senior equity analyst at Oppenheimer & Co. (1994-1997), as well as director and senior equity analyst at Société Générale (1997-1999). He joined J.P. Morgan in 1999 and was subsequently appointed managing director and Head of Global Corporate Banking at J.P. Morgan Chase & Co. (2011-2017).
Mónica López-Monís	GROUP HEAD OF SUPERVISORY AND REGULATORY RELATIONS	Born in 1969, Mónica López-Monís joined Grupo Santander in 2009 as General Counsel and secretary of the board of Banesto. Previously, she had been General Counsel at Aldeasa, S.A. She also was General Counsel at Bankinter, S.A., as well as independent director at Abertis Infraestructuras, S.A. In 2015, she was appointed Senior Executive Vice President of Banco Santander and Group Chief Compliance Officer until her appointment in 2019 as Group Head of Supervisory and Regulatory Relations. She is also a State Attorney for Spain.
Dirk Marzluf	GROUP CHIEF OPERATING & TECHNOLOGY OFFICER	Born in 1970, Dirk Marzluf joined Grupo Santander in 2018 as Senior Executive Vice President and Head of IT and Operations. Previously, he had held several roles at AXA Group, where he became CIO, leading the insurance group's technology and information security transformation and co-sponsoring its digital strategy. He also held global senior management roles at Accenture, Daimler Chrysler and Winterthur Group.
Víctor Matarranz	GLOBAL HEAD OF WEALTH MANAGEMENT & INSURANCE	Born in 1976, Víctor Matarranz joined Grupo Santander in 2012 as Head of Strategy and Innovation at Santander UK. In 2014, he was appointed Senior Executive Vice President and Head of the Executive Chairman's Office and Strategy until his appointment in 2017 as global Head of Wealth Management & Insurance. Previously, he held several management roles at McKinsey & Company, where he had become partner.
José Luis de Mora	GLOBAL HEAD OF DIGITAL CONSUMER BANK AND GROUP HEAD OF CORPORATE DEVELOPMENT AND FINANCIAL PLANNING	Born in 1966, José Luis de Mora joined Grupo Santander in 2003 to Head the Group's Strategic Plan Development and Acquisitions. In 2015, he was appointed Senior Executive Vice President and Group Head of Financial Planning and Corporate Development. In 2020, he was named Head of Consumer Finance (now Digital Consumer Bank). He was also Head of Strategy (2019-2023).
Jaime Pérez Renovales	GROUP GENERAL COUNSEL	See profile in section 4.1 'Our directors'.
Marjolein van Hellemondt-Gerdingh	GROUP CHIEF COMPLIANCE OFFICER	Born in 1964, Marjolein van Hellemondt-Gerdingh joined Grupo Santander in 2019 as Senior Executive Vice President and Group Chief Compliance Officer. Previously, she had been Chief Compliance Officer of several banking and financial entities such as NN Group, Zurich Insurance Company and De Lage Landen International B.V.

6. Remuneration

Sections 6.1, 6.2, 6.3, 6.5, 6.6, 6.7, 9.4 and 9.5 comprise the annual report on directors' remuneration that must be prepared and submitted to the consultative vote of the general shareholders' meeting.

In addition, sections 6.4 and 6.5 sets out the directors' remuneration policy for 2024, 2025 and 2026, which is to be put to a vote at the general shareholders' meeting, which is binding.

The annual report on directors' remuneration and the directors' remuneration policy for 2024, 2025 and 2026 were approved by our board of directors on 19 February 2024. All directors were present at the time of vote casting and voted in favour.

The remuneration policy for directors in force as of the date of this report is available on our corporate website.

6.1 Principles of the remuneration policy

Directors' remuneration in their capacity as such

The board of directors sets the individual remuneration of directors (including executive directors) for the performance of supervisory and collective decision-making duties within the amount fixed by shareholders and commensurately with the roles they perform on the collective decision-making body, their committee membership and attendance, and other objective circumstances the board might consider.

Remuneration of directors for executive duties

Banco Santander's remuneration policy for executive duties (which also generally applies to Banco Santander employees) dictates that:

1 Remuneration must be in line with shareholders and customers' interests, conducive to creating long-term value and compatible with our rigorous risk management, long-term strategy and values, as well as with maintaining a sound capital base.

2 Fixed remuneration must make up a significant proportion of total compensation.

3 Variable remuneration must reward performance for achieving individual, local company and, as the case may be, Group targets.

4 The global remuneration package and its structure must be competitive in order to attract and retain talent.

5 Remuneration decisions must be free of conflicts of interest and discrimination of any kind different from that based on the performance assessment of objectives and corporate behaviours. Remuneration must be free of gender-based bias and help eliminate inequalities that could result from it.

The remuneration elements the policy lays down include necessary mechanisms to ensure remuneration will be conducive to achieving strategic and long-term sustainability objectives of the Bank.

Accordingly, it bases executive directors and senior managers' variable pay on pre-determined, specific and quantifiable financial, sustainability-based and value-creation targets that are consistent with Banco Santander's interests, including in regard to environmental, social and governance matters.

For more details, see section 6.3 about the policy's application in 2023 and section 6.4 about the remuneration policy for 2024 and subsequent years.

Lastly, the remuneration committee and the board enlisted the assistance of Willis Towers Watson to:

- Compare markets and entities similar to the Group in size, characteristics and operations using relevant data for setting remuneration.
- Analyse and confirm compliance with certain quantitative metrics required to evaluate accomplishment of objectives.
- Estimate the fair value of variable remuneration linked to long-term objectives.

6.2 Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2023

A. Composition and limits

According to our Bylaws, the remuneration of directors in their roles consists of a fixed annual amount set at the general shareholders' meeting. This amount remains in effect until shareholders vote to amend it, even though the board may reduce it in the years it deems appropriate. At the annual general shareholders' meeting, remuneration for 2023 was set at EUR 6 million, which included (a) annual allotment and (b) attendance fees.

Santander has taken out a civil liability insurance policy for directors and other executives of the Group, subject to usual terms proportionate to its circumstances.

Directors can receive shares, share options or other forms of share-based compensation, subject to prior approval at the general meeting. Directors can also receive other compensation following a proposal made by the remuneration committee and upon resolution by the board of directors, as may be deemed appropriate, in consideration for the performance of other duties in Banco Santander, whether they are executives duties or not, in addition to their oversight and collective decision-making as board members.

Non-executive directors do not have the right to receive any benefit on the occasion of their removal from office.

In 2023, we worked alongside an independent expert to conduct a comparative market analysis on the remuneration of non-executive board members at 20 banks across the world, including Santander's nine official peers. This analysis concludes that the high dedication of Santander's board members significantly exceeds the average time commitment of directors at the peer banks analysed, with the hourly rate thus standing between the 25th and the 50th percentile of the sample.

B. Annual allotment

Each director received the amounts for serving on the board and its committees and positions held in them included in the chart below for 2022 and 2023.

In accordance with the remuneration policy approved at the general shareholders' meeting on 31 March 2023, the annual allotment for board and committee membership (except for the executive committee) increased EUR 3,000 compared to the amounts for 2022. Applicable amounts were:

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

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

C. Attendance fees

Pursuant to resolutions approved by the board on the remuneration committee's recommendations, attendance fees for board and committees meetings (with the exception of the executive committee, for which no fees are set) totalled the amounts included in the chart below for the last two years.

The fees have not been modified since 2016. And for 2023, the board voted to keep the same amounts set out in the 2022 policy.

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

D. Breakdown of Bylaw-stipulated emoluments

Total director Bylaw-stipulated emoluments and attendance fees received in 2023 amounted to EUR 5.3 million (EUR 4.7 million in 2022). This is 11% less than the amount approved at the general meeting. The increase compared to the previous year is mainly due to the fact that the executive committee has incorporated Hector Grisi as CEO of the Bank, and the higher number of board meetings and commissions held in 2023 (15 board meetings in 2023 versus 14 in 2022 and 67 board committee meetings in 2023 versus 62 in 2022, excluding executive committee meetings). Each director earned the following amounts for these items:

		Amount in euros											
		2023											2022
		Annual allotment									Board and committee attendance fees	Total By-law stipulated emoluments and attendance fees	
Directors	**Category**	**Board[G]**	**EC**	**AC**	**NC**	**RC**	**RSRCC**	**RBSCC**	**ITC**	**Total**			
Ana Botín	Executive	98,000	170,000	—	—	—	—	—	98,000	366,000	45,000	411,000	379,900
Héctor Grisi[A]	Executive	98,000	170,000	—	—	—	—	—	28,000	296,000	43,500	339,500	—
José Antonio Álvarez	Other external	128,000	170,000	—	—	—	—	—	28,000	326,000	45,000	371,000	329,400
Bruce Carnegie-Brown	Independent	203,000	127,500	—	78,000	65,500	—	—	21,000	495,000	81,000	576,000	700,000
Homaira Akbari	Independent	98,000	—	43,000	—	—	—	18,000	28,000	187,000	78,000	265,000	243,800
Javier Botín[B]	Other external	98,000	—	—	—	—	—	—	—	98,000	39,000	137,000	128,800
Sol Daurella	Independent	98,000	—	—	28,000	28,000	—	18,000	—	172,000	76,500	248,500	229,800
Henrique de Castro	Independent	98,000	—	43,000	—	28,000	—	—	28,000	197,000	86,800	283,800	261,100
Gina Díez	Independent	98,000	—	—	28,000	—	—	16,550	—	142,550	67,500	210,050	171,800
Luis Isasi	Other external	98,000	170,000	—	—	28,000	43,000	—	—	339,000	77,800	416,800	411,600
Ramiro Mato	Independent	98,000	170,000	43,000	—	—	43,000	68,000	—	422,000	95,600	517,600	499,800
Belén Romana	Independent	98,000	170,000	43,000	—	—	113,000	18,000	28,000	470,000	101,600	571,600	549,300
Pamela Walkden	Independent	98,000	—	113,000	—	—	43,000	—	—	254,000	86,600	340,600	323,000
Germán de la Fuente	Independent	98,000	—	43,000	—	—	43,000	—	—	184,000	86,600	270,600	136,683
Glenn Hutchins[C]	Independent	192,600	—	—	28,000	40,500	—	—	28,000	289,100	82,500	371,600	9,689
Álvaro Cardoso[D]	Independent	—	—	—	—	—	—	—	—	—	—	—	38,601
R. Martín Chavez[E]	Independent	—	—	—	—	—	—	—	—	—	—	—	146,447
Sergio Rial[F]	Other external	—	—	—	—	—	—	—	—	—	—	—	131,400
		1,699,600	**1,147,500**	**328,000**	**162,000**	**190,000**	**285,000**	**138,550**	**287,000**	**4,237,650**	**1,093,000**	**5,330,650**	**4,691,121**

A. Member of board of directors since 1 January 2023.
B. All amounts received were reimbursed to Fundación Botín.
C.From 1 October 2023 the Lead Independent Director, non-executive Vice Chair and Chair of remuneration committee is Mr. Glenn Hutchins, succeeding Mr. Carnegie-Brown.
D. Stepped down as director on 1 April 2022.
E. Stepped down as director on 1 July 2022.
F. Stepped down as director on 1 January 2023.
G. Also includes emoluments for other roles in the board.
I: Independent. N: Non-external (neither proprietary nor independent).
EC: executive committee AC: audit committee NC: nomination committee RC: remuneration committee
RSRCC: risk supervision, regulation and compliance committee. RBSCC: responsible Banking, sustainability and culture committee. ITC: innovation and technology committee.

6.3 Remuneration of directors for executive duties

The policy on directors' remuneration for executive duties in 2023 was approved by the board of directors and put to a binding vote at the 2023 general shareholders' meeting, with 90.78% votes in favour. The table below summarizes the remuneration policy of Ana Botín and Héctor Grisi.

Component	Type	Policy	Effective in 2023
Gross annual salary	Fixed	→ Paid in cash on a monthly basis.	Ana Botin: EUR 3,271 thousand. Héctor Grisi: EUR 3,000 thousand.
Variable remuneration	Variable	→ Individual benchmark reference → Calculated against annual quantitative metrics, a multiplier and a qualitative assessment, and taking into account individual performance. → 50% of each payment is instruments, consisting of Banco Santander, S.A instruments, and restricted stock units (RSUs) of PagoNxt, S.A., split as: ◦ the amount of PagoNxt RSUs set for each executive director; and. ◦ the rest, all in shares of Banco Santander, S.A. → The number of instruments is set at the time of the award. → 40% paid in 2024. → 60% deferred in five years. ◦ 24% paid in equal parts in 2025 and 2026. ◦ 36% paid in equal parts in 2027, 2028 and 2029, provided certain long-term objectives are met (2023-2025).	• See section 6.3 B ii for details on annual metrics and assessment. • See section 6.3 B iv for details on long-term metrics. • See section 6.3 B iii for details on individual variable pay.
Pension scheme	Fixed	→ Annual contribution of 22% of base salary.	• No changes.
	Variable	→ Annual contribution of 22% of 30% of the average of variable remuneration in the last three years.	• See section 6.3 C for details on annual contributions and pension balance.
Other remuneration	Fixed	→ Includes life, accident and medical insurance, and other in-kind compensation. → Includes for the Executive Chair a fixed remuneration supplement in cash (not considered salary or pensionable) since supplementary death and disability benefits were eliminated.	• Regarding fixed remuneration supplement, no change for Ana Botín since 2018. • Héctor Grisi will not receive supplement in his fixed remuneration.
		→ Payment for non-compete commitment	No changes.
Shareholding policy	N/A	→ Executive directors also have the obligation to hold them for three years from their award date, unless the director already holds shares for an amount equivalent to 200% of their net annual salary (calculated on the basis of their gross annual salary). In such case, the regulatory obligation to hold shares is for one year from their grant date.	• Policy updated during 2020 to assure compliance with recommendation 62 to the Good Governance Code for Listed Companies of the CNMV. • Both Ana Botín and Héctor Grisi maintain an amount in shares higher than 200% of their fixed pay.

A. Gross annual salary

After five years with no review of gross annual salary, the board resolved that Ana Botín's gross annual salary would increase a 3% in respect of 2022. In turn, the board approved for Héctor Grisi (new CEO with effect from 1 January 2023), a gross annual salary of EUR 3 million, which means he will maintain a similar total fixed remuneration amount as his predecessor.

It also maintained the fixed pension contribution of 22% of gross annual salary it had agreed in 2022 for 2023.

Executive directors' gross annual salary and fixed annual contribution to pensions for 2023 and 2022 were as follows:

	2023			2022		
EUR thousand	Gross annual salary	Fixed annual pension contribution	Total[A]	Gross annual salary	Fixed annual pension contribution	Total[A]
Ana Botín	3,271	720	3,991	3,176	699	3,875
Héctor Grisi	3,000	660	3,660	—	—	—
José Antonio Álvarez	—	—	—	2,541	559	3,100
Total	**6,271**	**1,380**	**7,651**	**5,717**	**1,258**	**6,975**

A. Additionally, Ana Botín received in 2023 and 2022 EUR 525 thousand as a fixed remuneration supplement, as disclosed in section B) i) b) of 6.4, Director's remuneration for 2024. José Antonio Alvarez received in 2022 EUR 710 thousand for this concept. Héctor Grisi did not receive fixed remuneration supplement.

B. Variable remuneration

i) General policy for 2023

The board approved the executive directors' variable remuneration on the remuneration committee's recommendation, according to the policy approved at the general shareholders' meeting:

- Variable components[1] (including the variable part of the contributions to the benefit systems) of executive directors' total remuneration in 2023 should amount to less than 200% of fixed components, as established by resolution of the general shareholders' meeting on 31 March 2023.
- At the beginning of 2024, on the remuneration committee's recommendation, the board approved the final amount of the 2023 incentive, based on the set bonus pool in accordance with the directors' remuneration policy approved at the general shareholders' meeting on 31 March 2023, in consideration of:
  - Short-term quantitative metrics measured against annual objectives.
  - A relative performance multiplier versus market which would multiply by 0.7 to 1.3 the result of the quantitative metrics above.
  - A qualitative assessment that cannot adjust the result above by more than 25 percentage points upwards or downwards.
  - Any exceptional adjustment that must be supported by evidence.
  - The final figure is adjusted to executive directors' individual target variable remuneration according to the current model and (i) their individual objectives (which generally match the Group's and cover financial, risk management and solvency position, as well as fostering the global initiatives PagoNxt and Digital Consumer Bank (and the CIB, Wealth and Commercial businesses); and accelerating the transformation of the Bank into One Santander, with a special focus on IT, people and the responsible banking agenda); and (ii) how they achieve them in consideration of how they manage employees and follow the corporate values.

Individual benchmark variable remuneration → Quantitative metrics, a multiplier and qualitative assessment[A] → Individual performance → Final individual variable remuneration

A. Any exceptional adjustment supported by evidence

Quantitative metrics and qualitative assessment aspects are described below.

- Payment of the approved incentive is split equally into cash and instruments, the latter as follows:
  - EUR 500,000 and EUR 420,000 in PagoNxt, S.L. RSUs for Ana Botín and Héctor Grisi, respectively.
  - The rest, all in instruments of Banco Santander. The executive director must decide between receiving such amount all in shares, or receiving in equal parts shares and share options of Banco Santander. In 2023, both executive directors chose to receive them all in shares.
- 40% is paid in 2024, once the final amount has been set. The remaining 60% will be deferred in equal parts over five years (subject to long-term metrics) as follows:

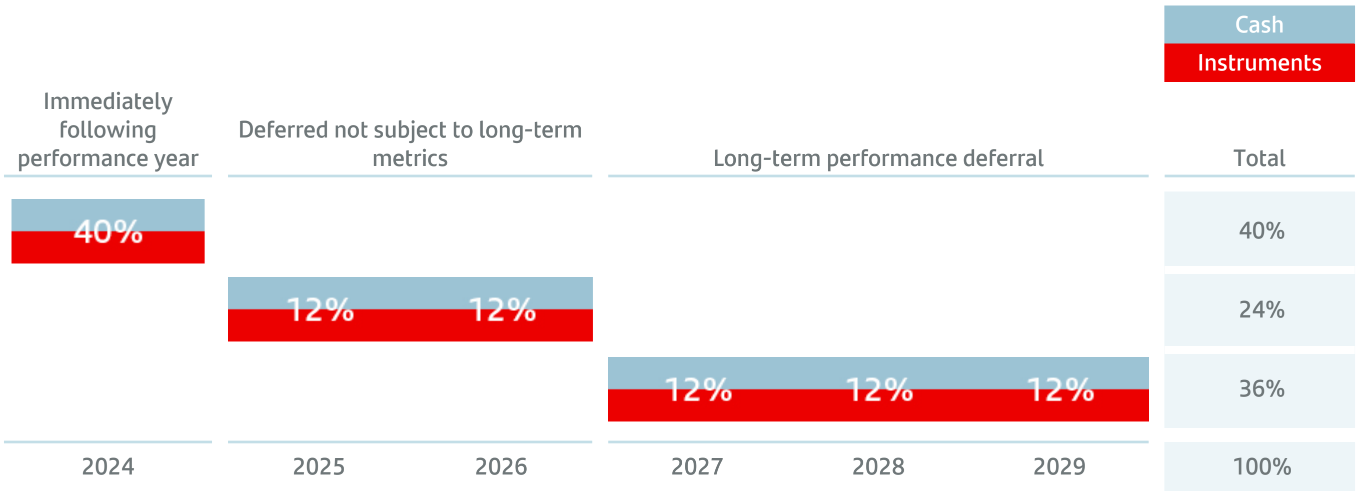
[1] As indicated in the first chart in section 6.3 pension contributions include both fix and variable components, the latter of which also form part of total variable remuneration.

- The deferred amount payable in 2025 and 2026 (24% of the total), will be paid if none of the malus clauses described below are triggered.
- The deferred amount payable in 2027, 2028 and 2029 (36% of the total), will be paid if the malus clauses are not triggered and the multi-year targets described below are reached. These targets can reduce these amounts and the number of deferred instruments, or increase them up to a maximum achievement ratio of 125%, so executives have the incentive to exceed their targets.

- When the deferred amount is paid in cash, the beneficiary may be paid the amount adjusted for inflation up to the date of payment.

The payment schedule of the incentive is illustrated below.

- All payments in shares are subject to a three year retention period, unless the director already holds shares for an amount equivalent to twice his/her annual fix remuneration, in which case the shares would be subject only to the regulatory one year retention period obligation.
- The hedging of the instruments received during the retention and deferral periods is expressly prohibited.



All deferred payments can be subject to malus, even if they are not subject to long-term objectives. Similarly, Santander can claw back paid incentives in the scenarios and for the period dictated in the Group's malus and clawback policy.

ii) Quantitative metrics and qualitative assessment for 2023

Executive directors' variable remuneration for 2023 has been based on the corporate centre executives' common bonus pool, which calculation comes from the quantitative metrics, a relative performance multiplier versus market and qualitative assessment approved by the board at the beginning of 2023 on the remuneration committee's recommendation. This also takes into account the input from the human resources committee, which for this purpose counts on the participation of the senior management in charge of the group's Risk, Compliance, Audit, Human Resources and Legal and Financial accounting and control functions, who among others provided input on risk, solvency, liquidity, results' quality and recurrence, and compliance and control. The results for the bonus pool (shown in the chart below) resulting from the process above and reviewed and approved by the board, upon recommendation from the remuneration committee, are shown in the chart below.

A. Quantitative metrics[A]

Category and (weight)	Targets	Achievement over target	Assessment
Transformation: (45%)	Total customers (growth) (10%)	Target: 8.83 million. Achievement: 11.05 million.	125.17%
	Active customers (growth) (10%)	Target: 5.43 million. Achievement: 5.43 million.	100.03%
	Revenue per active customer (10%)	Target: EUR 572. Achievement: EUR 597.	104.46%
	Operative cost per active customer (15%)	Target: EUR 251.10. Achievement: EUR 264.	94.82%
Capital (30%)	CET1 ratio	Target: 12.45%. Achievement: 12.54%	125.19%
Profitability (25%)	RoTE (Return on tangible equity)	Target: 15.72%. Achievement: 15.39%.	97.92%
TOTAL metrics			**109.22%**

A. For this purpose, these metrics may be adjusted upwards or downwards by the board, following a proposal from the remuneration committee, when inorganic transactions, material changes to the Group's composition or size or other extraordinary circumstances (such as extraordinary impacts of macroeconomic environment, impairments, restructuring procedures or regulatory changes) have occurred which affect the suitability of the metric and achievement scale established in each case and resulting in an impact not related to the performance of the executive directors and executives being evaluated.

B. MULTIPLIER (relative performance vs. market)	Net interest margin (NIM), cost to income, CoR, NPLs, net promoter score (NPS) and Net Margin after provisions as references.	Santander registered record results in 2023, which enabled us to climb to second in the ranking for net margin after provisions. Moreover, the Group outperformed its peers in terms of capitalization, with an increase of 45% in the measuring period, which is well above our major competitors' 21% average. Regarding subsidiaries, Spain (NIM and NPS) and Portugal (practically all metrics) were among the top performers, as well as Digital Consumer Bank (NIM and cost to income).	**1.02**

C. Qualitative assessment

Indicators	Level of achievement	Assessment
Risk (+/- 5%)	Strengthened the control environment and escalation, especially for non-financial risks (fraud, budgeting), market risk and structural risk (management of the US banking crisis). Significant progress with strategic and transformation initiatives, and further integration of advanced risk management techniques (automated decision-making, machine learning, and artificial intelligence).	+3.20%
Compliance (+/- 5%)	General enhancement of the control environment, most notably in relation to regulatory compliance. Progress with the implementation of strategic and transformation initiatives (vulnerable customer strategy and branch conduct rating, among others).	+2.60%
***Network Collaboration* (+/- 10%)**	In 2023, our strategic focus involved the commitment by the global businesses, regions and subsidiaries and cross-cutting functions to work together. Thanks to our unique combination of a global scale with local leadership and a network that creates value for the Group, we nurtured relationships between subsidiaries and regions by sharing expertise and ways of working. In 2023 we monitored performance indicators that showed an increase in cooperation between the global businesses, subsidiaries and support functions, who worked together to create synergy and share best practice in pursuit of our goal to become ONE Santander.	+2.73%
ESG targets (+/- 5%)	(i) We made headway with our target on the percentage of women in senior executive positions — up from 29.3% in 2022 to 31.4% in 2023; (ii) we financially included 1.8 million people through our access and finance programmes; (iii) we raised or facilitated over EUR 22,000 million in green finance and reached EUR 67,700 million in socially-responsible assets under management; (iv) we set new targets for our auto manufacturing and auto lending portfolios, as well as decarbonization plans for key retail portfolios; and (v) we continued to enhance the quality control of our sustainability disclosures.	+3.40%
TOTAL qualitative assessment		**+11.93%**

D. Exceptional adjustment approved by board of directors upon recommendation of remuneration committee	Following the same rationale applied to the discretionary decreases of 14.5% of the bonus pools of 2019 and 2021 due to worse total shareholder returns, and taking into account the record attributable profit obtained (11,076 million euros, +15% compared to 2022) and the very high shareholders return (+40.5%, beating the average of our peer group by 5%), the board of directors, upon the recommendation of the remuneration committee, agreed to set the same bonus pool (138.91%) as in 2022, thus making an exceptional upward adjustment of +15.57%	**+15.57%**
Final bonus pool 2023		**138.91%**

To the total result obtained in the year by the quantitative metrics (109.22%), the result of the multiplier is applied (1.02) and the ones relative to the qualitative evaluation (+11.93%) and the adjustment (+15.57%) are added:

(A X B) + C +D = Final bonus pool result in 2023

The following section details the individual variable remuneration approved by the board.

iii) Determination of the individual variable remuneration for executive directors set in 2023

The board approved executive directors' variable remuneration on the remuneration committee's recommendation based on the policy mentioned in the paragraphs above and the result of the quantitative metrics and qualitative assessment described above.
The board also verified that none of the following circumstances have occurred:

- The Group's ONP[2] for 2023 was not more than 50% less than for 2022. Otherwise, variable remuneration would not have been greater than 50% of the benchmark incentive.

[2] For this purpose, ONP is attributed ordinary net profit, adjusted upwards or downwards for transactions the board believes have an impact not connected to the performance of evaluated directors, for which extraordinary profit, corporate transactions, impairments, or accounting or legal adjustments that may occur during the year are evaluated. The exclusion in the calculation for these purposes of goodwill impairments is aligned with the supervisors' criteria on their recommendations on dividend distributions.

- The Group's ONP was not negative. Otherwise, the incentive would have been zero.

The board voted to maintain the same benchmark incentive for Ana Botín in 2023 as in 2022 and established a variable remuneration target for Hector Grisi of EUR 4,200 thousand (aligned with that of his predecessor José Antonio Álvarez).

Variable contributions to pensions were not modified in 2023, so the amounts are the 22% of the 30% of the last three assigned bonus' average. This means complying with Circular 2/2016 of the Bank of Spain, standard 41, on pension benefits, by which a part of not less than 15% must be based on variable components.

Breakdown of immediately payable and deferred remuneration

In 2023, Santander's strong performance and excellent execution of our strategy enabled us to deliver record attributable profit of EUR 11,076 million (+15,3% compared to 2022 results) and a capital ratio of 12.3% (achieving our public target). We also achieved a very high total shareholder return of +40.5% (5% above the average of our official group of nine peers[3] in relative terms). Because of the double digit growth in net profit coupled with the highest TSR in the last 14 years, the board approved to maintain the same bonus pool as in 2022, at 138.91%, for which an extraordinary adjustment of +15.57% was made, in the same manner as the 2021 and 2019 pools were both reduced by extraordinary adjustments (due to worse shareholders return), with a combined impact of -30%.

As a result, and considering the exceptional contribution made by the Chairman and the CEO to the achievement of these exceptional results, on the basis of the pool detailed above, and taking into consideration the fulfillment of their individual objectives, the board of directors, upon recommendation of the remuneration committee, approved the variable remuneration disclosed below, which means an increase of 5% of the Executive Chair's total compensation vs 2022, and a reduction of 9% in the case of Héctor Grisi (compared to his predecessor).

Furthermore, the ratio of executive directors' total remuneration to underlying attributable profit fell from 0.23% in 2022 to 0.19% in 2023, as shown in section 6.3.I.

The immediately payable variable remuneration in deferred amounts not contingent on long-term metrics and variable remuneration deferred and contingent on long-term objectives approved by the board of directors, following a proposal by the remuneration committee resulting from the aforementioned process are:

Immediately payable and deferred (not linked to long-term objectives) variable remuneration

	2023				2022				
EUR thousand	In cash	In shares[A]	In RSUs[A]	Total	In cash	In shares[B]	In share options[B]	In RSUs[B]	Total
Ana Botín	2,848	2,648	200	5,696	2,702	1,229	1,229	243	5,403
Héctor Grisi	1,952	1,784	168	3,904	—	—	—	—	—
José Antonio Álvarez	—	—	—	—	1,823	830	830	164	3,647
Total	**4,800**	**4,432**	**368**	**9,600**	**4,525**	**2,059**	**2,059**	**407**	**9,050**

A. The amounts in the foregoing table correspond to a total of 1,168 thousand shares of Banco Santander and 6 thousand RSUs of PagoNxt, S.L.
B. The amounts in the foregoing table correspond to a total of 667 thousand shares in Banco Santander, 1,795 thousand share options and 8 thousand RSUs in 2022 for Ana Botín and José Antonio Álvarez .

The following chart states deferred variable remuneration at fair value, which will only be received in 2027, 2028 and 2029 if the long-term multi-year targets are met (see section 6.3 B iv)) and beneficiaries continue to be employed at Grupo Santander, in accordance with the terms approved in the general shareholders' meeting, and no circumstances triggering malus clauses occur[4]:

Deferred variable remuneration linked to long-term objectives (fair value)

	2023				2022				
EUR thousand	In cash	In shares[A]	In RSUs[A]	Total	In cash	In shares[B]	In share options[B]	In RSUs[B]	Total
Ana Botín	1,121	911	210	2,243	1,064	404	404	255	2,128
Héctor Grisi	769	592	176	1,537	—	—	—	—	—
José Antonio Álvarez	—	—	—	—	718	273	273	172	1,436
Total	**1,890**	**1,504**	**386**	**3,780**	**1,782**	**677**	**677**	**428**	**3,564**

A. The number of shares in the table total 396 thousand shares of Banco Santander and 6 thousand RSUs of PagoNxt S.L.
B.219 thousand shares, 590 thousand share options and 9 thousand RSUs of PagoNxt S.L in 2022.

3 Peer group: BBVA, BNP Paribas, Citi, Crédit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.
4 Corresponds to the fair value of the maximum amount to be received over a total of 3 years, subject to continued service -with certain exceptions-, non- applicability of malus clauses and compliance with set goals. Fair value was estimated at the plan award date on account of several scenarios for the variables in the plan during the measurement periods.

Fair value has been determined on the grant date based on the valuation of an independent expert, Willis Towers Watson. Based on the design of the plan for 2023 and success levels of similar plans at peer entities, the fair value was considered to be 70% of total value linked to long-term objectives assigned.

The maximum amount of shares to be delivered under the plan is within the maximum amount of the award to be delivered in shares (EUR 11.5 million) approved by 2023 general shareholders' meeting for executive directors. This number of shares has been calculated with the weighted average daily volume of weighted average listing prices of Banco Santander shares in the 50 trading sessions prior to the Friday (not inclusive) before 30 January 2024 (the date on which the board approved the 2023 bonus for executive directors), which was EUR 3.793 per share. According to an independent experts' valuation, the price per PagoNxt, S.L. RSU equals EUR 60.34.

iv) Multi-year targets linked to the payment of deferred amounts in 2027, 2028 and 2029

The multi-year targets linked to the payment of the deferred amounts payable in 2027, 2028 and 2029 are:

	Metrics	Weight		Target and compliance scales (metrics ratios)
A	Banco Santander's consolidated Return on tangible equity (RoTE) target in 2025	40%		If RoTE in 2025 is ≥ 17%, then metric ratio is 1.5 If RoTE in 2025 is ≥ 14% but <17%, then metric ratio is 0 – 1.5[B] If RoTe in 2025 is < 14%, then metric is 0
B	Relative Total Shareholder Return (TSR)[A] in 2023-2025 within a peer group	40%		If ranking Santander above or equal percentile 100, then metric ratio is 1.5 If ranking Santander between percentiles 75 and 100 (not inclusive), then metric ratio is 1 – 1.5[C] If ranking Santander between percentiles 40 and 75 (not inclusive), then metric ratio is 0.5 – 1[C] If ranking Santander below percentile 40, then metric ratio is 0
C	Four ESG (environmental, social and governance) metrics with same weighting *(1/4 x Coefficient 1 + 1/4 x Coefficient 2 + 1/4 x Coefficient 3 +1/4 x Coefficient 4)* *On which:* *Coefficient 3: (0.7 x Subcoefficient 3.a) + (0.3 x Subcoefficient 3.b)*	20%	1)	If % women in senior executive positions in 2025 is ≥ 36%, then metric ratio is 1.25 If % women in senior executive positions in 2025 is ≥ 35% but <36%, then metric ratio is 1 – 1.25[D] If % women in senior executive positions in 2025 is ≥ 29.3% but <35%, then metric ratio is 0 – 1[D] If % women in senior executive positions in 2025 is < 29.3%, then metric ratio is 0
			2)	If number of banking proposals or tailored finance[E] between 2023 and 2025 (in million) is ≥ 6, then metric ratio is 1.25 If number of banking proposals or tailored finance[E] between 2023 and 2025 (in million) is ≥ 5 but <6, then metric ratio is 1 – 1.25[D] If number of banking proposals or tailored finance[E] between 2023 and 2025 (in million) is ≥ 3 but <5, then metric ratio is 0 – 1[D] If number of banking proposals or tailored finance[E] between 2023 and 2025 (in million) is < 3, then metric ratio is 0
			3) a.	If green finance raised and facilitated[F] target between 2019 and 2025 (in euro billions) is ≥ 240, then metric ratio is 1.25 If green finance raised and facilitated[F] target between 2019 and 2025 (in euro billions) is ≥ 220 but < 240, then metric ratio is 1 –1.25[D] If green finance raised and facilitated[F] target between 2019 and 2025 (in euro billions) is ≥ 160 but < 220, then metric ratio is 0 –1[D] If green finance raised and facilitated[F] target between 2019 and 2025 (in euro billions) is < 160, then metric ratio is 0
			3) b.	If socially responsible investments[G] (in euro billions) in 2025 is ≥ 102, then metric ratio is 1.25 If socially responsible investments[G] (in euro billions) in 2025 is ≥ 100 but < 102, then metric ratio is 1 –1.25[D] If socially responsible investments[G] (in euro billions) in 2025 is ≥ 53 but < 100, then metric ratio is 0 – 1[D] If socially responsible investments[G] (in euro billions) in 2025 is < 53, then metric ratio is 0
			4)	If credit risk exposure with customers affected by the thermal coal[H] (in euro billions) in 2025 is ≤ 3.8, then metric ratio is 1.25 If credit risk exposure with customers affected by the thermal coal[H] (in euro billions) in 2025 is < 5.8 but > 3.8, then metric ratio is 1 –1.25[D] If credit risk exposure with customers affected by the thermal coal[H] (in euro billions) in 2025 is = 5.8, then metric ratio is 1 If credit risk exposure with customers affected by the thermal coal[H] (in euro billions) in 2025 is > 5.8, then metric ratio is 0

A. TSR refers to the difference (%) between the final and initial values of capital invested in ordinary shares of Banco Santander. The final value is calculated based on the dividends or other similar concepts (such as the Santander Scrip Dividend programme) shareholders receive for this investment during the corresponding period -as if they had invested in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders- and the weighted average share price at that date. To calculate TSR, the weighted average daily volumes of the weighted average listing prices for the fifteen trading sessions prior to 1 January 2023 (exclusive) is considered (to calculate the initial value) and the fifteen trading sessions prior to 1 January 2026 (exclusive) (to calculate the final value). The peer group consists of BBVA, BNP Paribas, Citi, Crédit Agricole, HSBC, ING, Itaú, Scotia Bank and Unicredit.
B. Straight-line increase in the RoTE ratio based on the percentage of specific RoTE in 2025 within this bracket of the scale.
C. Proportional increase in the TSR ratio based on the number of positions moved up in the ranking.
D. Increase of the coefficient is proportional to its position on this line of the scale.
E. Banking proposals for unbanked and underbanked regarding access to basic financial services (i.e.: cash-in/cash-out services in remote locations) or tailored finance (i.e.: for micro-entrepreneurs to set up or grow a business or customers in financial distress).
F. Grupo Santander's contribution to green business: SCIB, Retail & Commercial banking and Digital Consumer Bank. It is measured with cumulative data since 2019.
G.Funds registered under article 8 and 9 (SFDR) in the EU, including third-party funds and SAM's Latin American funds that meet equivalent criteria.
H. Credit risk exposure with customers affected by the thermal coal 2030 phase-out target: power generation customers with more than 10% of revenues coming from thermal coal and thermal coal-mining customers.

To determine the annual amount of the deferred portion linked to objectives corresponding to each board member in 2027, 2028 and 2029, the following formula shall be applied to each of these payments ('final annuity') without prejudice to any adjustment deriving from the malus clauses:

Final annuity = Amt. x (2/5 x A + 2/5 x B + 1/5 x C)

where:

- 'Amt.' is one third of the variable remuneration amount deferred conditional on performance (i.e. Amt. will be 12% of the total variable pay set in early 2024).
- 'A' is the RoTE coefficient according to the scale in the table above, based on RoTE at year-end 2025.
- 'B' is the TSR ratio calculated as the scale in the table above, according to the relative performance of Banco Santander's TSR within its peer group in 2023- 2025.
- 'C' is the coefficient resulting from the sum of weighted coefficients for each of the four Responsible Banking targets for 2025 described above.
- In any event, if the result of (2/5 x A + 2/5 x B +1/5 x C) is greater than 1.25, the multiplier will be 1.25.

v) Malus and clawback

Deferred amounts (whether or not contingent on multi-year targets) will be earned if the beneficiary continues to work with the Group[5], and none of the circumstances triggering malus clauses arise before each payment, according to the section on malus and clawback clauses in the remuneration policy.

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

Variable remuneration for 2023 can be clawed back until the beginning of 2030.

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

Category	Factors
Risk	Significant failures in risk management by Banco Santander, or by a business or risk control unit.
Capital	An increase in capital requirements at the Banco Santander or one of its business units not planned at the time that exposure was generated.
Regulation and internal codes	Regulatory penalties or legal convictions for events that might be attributable to the unit or staff responsible for them. In addition, failure to comply with Banco Santander's internal codes of conduct.
Conduct	Improper conduct, whether individual or collective. Negative effects deriving from the marketing of unsuitable products and the liability of persons or bodies making such decisions will be considered especially significant.

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

The application of malus or clawback clauses for executive directors shall be determined by the board of directors, at the proposal of the remuneration committee, and cannot be proposed once the retention period for the final payment in shares under the plan has elapsed in early 2030. Therefore, the board determines the specific deferred incentive amount to be paid as well as any amount that could be subject to clawback, upon on the remuneration committee's recommendation and depending on the level of compliance with the conditions for applying malus clauses.

[5] When the beneficiary's relationship with Banco Santander or another Group entity terminates because of retirement, early retirement or pre-retirement; a dismissal ruled by the courts to be wrongful; unilateral withdrawal for good cause by an employee (which includes the situations set forth in article 10.3 of Royal Decree 1382/1985, of 1 August, governing the special relationship of senior management, for the persons subject to these rules); permanent disability or death; mandatory redundancy; or because an employer other than Banco Santander ceases to belong to Grupo Santander, the right to receive shares and deferred amounts in cash and any amounts of the deferred amounts in cash adjusted for inflation will remain under the same conditions in force as if none of such circumstances had occurred. In the case of death, the right will pass to the beneficiary's heirs.
In cases of justified temporary leave due to temporary disability, suspension of contract due to maternity or paternity leave, or leave to care for children or a relative, there will be no change in the beneficiary's rights. If the beneficiary goes to another Group company (even through international assignment and/or expatriation), these rights will likewise not change. If the relationship terminates by mutual agreement or because the beneficiary obtains a leave not mentioned above, the terms of the termination or temporary leave agreement will apply.
None of those circumstances attach the right to receive the deferred amount in advance. If beneficiaries or their heirs maintain the right to receive deferred pay in shares and cash and any deferred amounts in cash adjusted for inflation, it will be delivered within the periods and under the terms dictated by the rules for the plans.
None of the above circumstances shall give the right to receive the deferred amount in advance. If the beneficiary or the successors thereof maintain the right to receive the deferred remuneration in shares and cash and, where applicable, the amounts arising from the adjustment for inflation of the deferred amounts in cash, it shall be delivered within the periods and under the terms provided in the rules for the plans.

C. Main features of the benefit plans

Executive directors participate in the defined contribution pension scheme created in 2012, which covers contingencies due to retirement, disability and death.

According to the 2012 system, contracts for Ana Botín and other senior managers with defined benefit pension obligations were transformed into a defined contribution system. The new system gives executive directors the right to receive benefits upon retirement, even if they are not active at Banco Santander at the time, based on contributions to the system. It also replaced their previous right to receive a pension supplement in the event of retirement.

The initial amount Ana Botín in the new defined contribution pension scheme corresponded to the market value of the assets for which the provisions for due obligations were recognized when the previous pension commitments had been transferred to the new pension scheme.

Every year since 2013, Banco Santander has been contributing to the pension scheme for executive directors and other members of the executive team in proportion to their pensionable bases until their departure from the Group, retirement, death or disability. In general terms, the pensionable base for executive directors is the sum of fixed remuneration plus 30% of the average of their last three variable remuneration amounts. Contributions will be 22% of pensionable bases in all cases. For Héctor Grisi, CEO from 1 January 2023, since he has not been in the position for three years, the calculation of the variable portion was done using his gross variable remuneration in that financial year.

Pursuant to remuneration regulations, contributions calculated on the basis of variable remuneration are subject to the discretionary pension benefits scheme. Therefore, under the policy, malus and clawback clauses can be enforced on them in place at any given time and during the same period in which variable remuneration is deferred. Furthermore, these contributions must be invested in shares in Banco Santander for five years from the date of the executive director's retirement, or from the date on which executive directors leave the group. Once that period has elapsed, the amount invested in shares will be paid to them or their beneficiaries if some contingency covered by the pension scheme was happened or will be added to the remainder of their cumulative balance until their retirement age when the total amount will be paid.

The benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. The economic rights of the directors previously mentioned belong to them even if they are not active at Banco Santander at the time of their retirement, death or disability. Their contracts do not stipulate any severance payment outside the extent of the law for termination of contract.

The provisions recognised in 2023 for retirement pensions amounted to EUR 2,110 thousand (EUR 1,892 thousand in 2022), as broken down below.

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

The amounts corresponding to each director as of 31 December 2023 and 2022 in the pension scheme are:

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

D. Other remuneration

Grupo Santander also takes out insurance policies for life, health and other contingencies for its executive directors. This other remuneration component includes the fixed supplement approved for Ana Botín to replace the supplementary benefits from the pension scheme eliminated in 2018, in addition to the cost for insuring death or disability until they retire. Executive directors are also covered under the Group's civil liability insurance policy.

Note 5 to the Group's consolidated financial statements describes other benefits received by executive directors in detail.

E. Shareholdings

In 2016, on the remuneration committee's recommendation, the board of directors approved a shareholding policy to better align executive directors with shareholders' long-term interests.

According to this policy, in addition to the executive directors' commitment to maintaining a significant holding of shares in the Group for as long as they have their role, executive directors have five years to demonstrate that their personal assets include shares in Banco Santander that amount (net of taxes) to twice their gross annual salary on that date. The following table show the ratio, with a share price of EUR 3.793:

	2023		
	Gross annual salary (thousand)	**Number of shares (thousand)**	***X***
Ana Botín	3,271	32,625	37.8
Héctor Grisi	3,000	1,694	2.1

Likewise, in addition to the regulatory obligation for executive directors not to sell the shares they receive as remuneration for a year from their award, which is included in the shareholding policy, and will apply to all cases, this policy has also been updated in 2020 to include the obligation for executive directors not to sell the shares they receive as remuneration for a period of three years from their award date, unless the executive director already holds Banco Santander shares for an amount equivalent to twice his/her fix annual remuneration.

F. Remuneration of board members as representatives of Banco Santander

The executive committee has resolved that the remuneration received by executive directors who represent Banco Santander on boards of companies where it owns equity and were appointed after 18 March 2002 will accrue to the Group. No executive director received remuneration for this type of representation in 2023.

The following table includes the remuneration received by non-executive directors on a personal basis in other Group entities:

Director	Position	Remuneration
Homaira Akbari	Member of the board of Santander Consumer USA Holdings, Inc.	USD 120 thousand (EUR 111 thousand)
	Member of the Board of PagoNxt, S.L.	EUR 200 thousand
Henrique de Castro	Member of the Board of PagoNxt, S.L.	EUR 200 thousand
José Antonio Álvarez	Member of the Board of PagoNxt, S.L.	EUR 200 thousand
	Member of the Board of Banco Santander (Brasil) S.A.	BRL 755 thousand (EUR 141 thousand)
Pamela Walkden	Member of the Santander UK, plc and Santander UK Group Holdings Limited	GBP 132 thousand (EUR 152 thousand)

Likewise, Luis Isasi was paid EUR 1,000 thousand for his role as non-Executive Chair of Santander España and for Santander España board and committees meetings (amount included in the chart below as "other remuneration" as it is paid by Banco Santander).

And finally, José Antonio Álvarez received a fixed remuneration of EUR 1,750 thousand as strategic adviser of Grupo Santander, as well as the life and health insurance contributions and the supplement for having waived the death and disability policy disclosed in the table in section G below.

G. Individual remuneration of directors for all items in 2023

Below is a breakdown of each director's short-term salary (payable immediately) and deferred remuneration not based on long-term performance for 2023 and 2022. Statistical information on remuneration required by the CNMV (9.5) and Note 5 to the Group's consolidated financial statements contains disclosures on shares delivered in 2023 under the deferred remuneration schemes of previous years where conditions for their delivery were met in the related years.

	EUR thousand									
	2023									2022
	Bylaw-stipulated emoluments		Salary and bonus of executive directors							
Directors	**Board and board committees annual allotment**	**Board and committee attendance fees**	**Fixed Salary**	**Immediate payment bonus (50% in instruments)**	**Deferred payment bonus (50% in instruments)**	**Total**	**Pension Contribution**	**Other remuneration[F]**	**Total**	**Total**
Ana Botín	366	45	3,271	3,560	2,136	8,967	1,144	1,022	11,544	11,001
Héctor Grisi[A]	296	44	3,000	2,440	1,464	6,904	966	47	8,257	—
José Antonio Álvarez	326	45	—	—	—	—	—	3,182	3,553	9,086
Bruce Carnegie-Brown	495	81	—	—	—	—	—	—	576	700
Homaira Akbari	187	78	—	—	—	—	—	—	265	244
Javier Botín[B]	98	39	—	—	—	—	—	—	137	129
Sol Daurella	172	77	—	—	—	—	—	—	249	230
Henrique de Castro	197	87	—	—	—	—	—	—	284	261
Gina Díez	143	68	—	—	—	—	—	—	211	172
Luis Isasi	339	78	—	—	—	—	—	1,000	1,417	1,412
Ramiro Mato	422	96	—	—	—	—	—	—	518	500
Belén Romana	470	102	—	—	—	—	—	—	572	549
Pamela Walkden	254	87	—	—	—	—	—	—	341	323
Germán de la Fuente	184	87	—	—	—	—	—	—	271	137
Glenn Hutchins	289	83	—	—	—	—	—	—	372	10
Álvaro Cardoso[C]	—	—	—	—	—	—	—	—	—	39
R. Martín Chavez[D]	—	—	—	—	—	—	—	—	—	147
Sergio Rial[E]	—	—	—	—	—	—	—	—	—	131
Total 2023	**4,238**	**1,097**	**6,271**	**6,000**	**3,600**	**15,871**	**2,110**	**5,251**	**28,567**	**—**
Total 2022	**3,762**	**931**	**5,717**	**5,656**	**3,394**	**14,767**	**1,892**	**3,719**	**—**	**25,071**

A.Member of board of directors since 1 January 2023.
B. All amounts received were reimbursed to Fundación Botín.
C. Stepped down as director on 1 April 2022.
D. Stepped down as director on 1 July 2022.
E. Stepped down as director on 1 January 2023.
F. Other remuneration includes for Luis Isasi EUR 1,000 thousand for his role as non-executive Chair of Santander España and for Santander España board and committees meetings. For José Antonio Álvarez, this amount includes remuneration as strategic advisor of Grupo Santander, life and health insurance contributions (EUR 722 thousand) and the supplement for having waived the death and disability policy (EUR 710 thousand).

The following table provides each executive director's salary contingent on multi-year targets. It is only paid if they remain active in the group, malus clauses do not apply and set multi-year targets are achieved (as depending on their achievement, the amounts will be increased (limited to 125%), reduced, or even be zero, if the related minimum thresholds are not achieved):

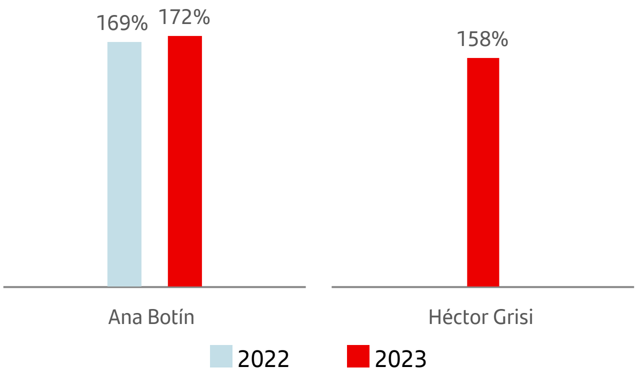
	EUR thousand[A]	
	2023	2022
Ana Botín	2,243	2,128
Héctor Grisi	1,537	—
José Antonio Álvarez	—	1,436
Total	**3,780**	**3,564**

A. Fair value of the maximum amount receivable over a total of 3 years (2027, 2028 and 2029), which was estimated when the plan was granted, based on several scenarios relating to variables in the plan during the measurement periods.

H. Ratio of variable to fixed pay components in 2023

At the 2023 AGM, shareholders approved a maximum ratio of 200% of variable to fixed components in executive directors' pay.

The table below shows the ratio of variable components to fixed components for each executive director's total pay in 2023. This ratio increased slightly from 2022 by 3 pp for Ana Botín.



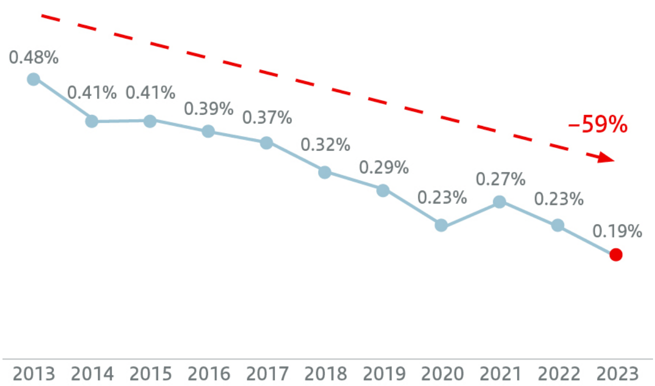
For these purposes:

- Variable components include all items of this nature, such as any contributions to the pension scheme calculated on directors' variable pay.
- Fixed components consist of the other items each director receives for executive duties, including contributions to pension schemes calculated on the basis of fixed remuneration and other benefits, as well as all Bylaw-stipulated emoluments that the director is entitled to receive in his or her capacity as such.

I. Comparative analysis of directors' remuneration, company performance and average remuneration of employees

This chart summarizes directors' compensation (short-term remuneration, deferred variable remuneration and/or deferred variable remuneration linked to multi-year targets included, excluding pension contributions) for executive duties in relation to underlying attributable profit. The weight of executive directors' remuneration relative to underlying attributable profit continues to decline since 2013.

Ratio of executive directors' total remuneration to underlying attributable profit



The following chart shows the comparative analysis between the directors' remuneration, the company performance (underlying profit attributable to the Group, audited profit before taxes and ordinary ROTE) and the average remuneration of Santander employees (other than directors and in a full time equivalent basis) in the last 5 years:

Directors' remuneration[1] (EUR thousand)	2023	% var. 23/22	2022	% var. 22/21	2021	% var. 21/20	2020	% var. 20/19	2019
• Executive Directors									
Ana Botín	11,544	5%	11,001	(4)%	11,435	68%	6,818	(32)%	9,954
Héctor Grisi[A]	8,257	—							
• Non-Executive Directors[2]									
José Antonio Álvarez	3,553	(61%)	9,086	(1%)	9,160	52%	6,018	(27%)	8,270
Bruce Carnegie-Brown	576	(18%)	700	—	700	18%	595	(15%)	700
Javier Botín[B]	137	6%	129	—	129	6%	122	(11%)	137
Sol Daurella	249	8%	230	(4%)	239	12%	214	(11%)	240
Belén Romana	572	4%	549	3%	533	28%	417	(21%)	525
Homaira Akbari	265	9%	244	(2%)	248	23%	202	(11%)	226
Ramiro Mato	518	4%	500	—	499	16%	430	(14%)	500
Henrique de Castro	284	9%	261	(2%)	267	23%	217	152%	86
Pamela Walkden	341	6%	323	7%	303	42%	214	529%	34
Luis Isasi	1,417[E]	—	1,412[E]	—	1,406[E]	49%	943	—	—
Gina Díez Barroso	211	23%	172	32%	130	—	4	—	—
Germán de la Fuente[C]	271	—	137	—	—	—	—	—	—
Glenn Hutchins[D]	372	—	10	—	—	—	—	—	—
Company's performance									
Underlying profit attributable to the Group (EUR mn)	11,076	15%	9,605	11%	8,654	70%	5,081	(38%)	8,252
Consolidated results of the Group[3] (EUR mn)	16,459	8%	15,250	5%	14,547	—	(2,076)	—	12,543
Ordinary RoTE	15.06%	13%	13.37%	5%	12.73%	71%	7.44%	(37%)	11.79%
Employees' average remuneration[4] (EUR thousand)	**58**	**3%**	**56**	**1%**	**56**	**18%**	**47**	**(12%)**	**54**
Employees' average remuneration in Spain[5] (EUR thousand)	**73**	**6%**	**68**	**10%**	**62**	**(2%)**	**63**	**—**	**n.a.**

1. Deferred variable remuneration linked to long-term objectives not included.
2. Non-executive directors' remuneration fluctuations are caused by joining or leaving the board of directors and the difference in the amount of meetings they assist during the year. Hence there is no correlation between their remuneration and the company performance.
3.Group operating profit/(loss) before tax.
4. Employee average remuneration includes all concepts, including other remuneration. Full-time equivalent data. Normally the increases or decreases in remuneration are greater for the executive directors, depending on the results of the entity, because the percentage of variable remuneration over fixed remuneration in an average employee is lower than that of the executive directors. Variable remuneration data accrued in the current year, both for employees and executive directors. Evolutive data also impacted by exchange rate performance in the group's geographies. Full time equivalent data considered.
5.Total employees in Spain geography. Fixed remuneration + effective bonus received in the year. Not included all concepts. Not impacted by exchange rates.
A. Member of board of directors since 1 January 2023.
B. All amounts received were reimbursed to Fundación Botín.
C. Director since 1 April 2022.
D. Director since 20 December 2022.
E. Includes EUR 1,000 thousand for his role as non-executive Chair of Santander España and for Santander España board and committees meetings.

J. Summary of link between risk, performance and remuneration

Banco Santander's remuneration policy and its application in 2023 have promoted sound and effective risk management, at the same time as supported the fulfilment of long-term business objectives.

The key elements of the remuneration policy for executive directors making alignment between risk, performance and reward in 2023 were as follows:

Key words	Aspect aligning risk, performance and remuneration
Metrics balance	The balance of quantitative metrics and qualitative assessments, including customer, risk, capital and profitability in relation to risk, used to determine the executive directors' variable remuneration.
Financial thresholds	The adjustment to variable remuneration if certain financial thresholds are not reached, which may limit the variable remuneration to 50% of the previous year's amount or lead to it not being awarded at all.
Long-term objectives	The long-term objectives linked to the last three portions of the deferred variable remuneration. These objectives are directly associated with return to shareholders relative to a peer group, return on tangible equity (RoTE) and the five public targets linked to our Responsible banking agenda.
Individual performance	The discretion of the board to consider the performance of each executive director in the award of their individual variable remuneration.
Variable remuneration cap	200% of fixed remuneration.
Control functions involvement	The work undertaken by the human resources committee aided by senior managers leading Control functions in relation to the analysis of quantitative metrics information and undertaking qualitative analysis.
Malus and clawback	Malus can be applied to unvested deferred pay and clawback can be applied to vested or paid compensation under the conditions dictated by the Group's remuneration policy.
Payment in shares	At least 50% of variable pay is in instruments and subject to retention or prohibition from exercise of at least one year from their delivery.

6.4 Directors' remuneration policy for 2024, 2025 and 2026

Remuneration policy principles and remuneration system

A. Directors' remuneration in their capacity as such

Director's remuneration is regulated by article 58 of Banco Santander's Bylaws and article 33 of the Rules and regulations of the board of directors. For 2024, 2025 and 2026, no changes to the principles and composition of directors' remuneration for supervisory and collective decision-making duties are planned with respect of those in 2023. They are described in sections 6.1 and 6.2.

B. Executive directors' remuneration

Executive directors are entitled to be paid the remuneration (e.g., salaries, incentives, bonuses, severance payments for early termination from such duties, and amounts to be paid by Banco Santander for insurance premiums or contributions to savings schemes) deemed appropriate for performing executive functions following a proposal from the remunerations committee and by resolution of the board of directors, subject to the limits set by law.

While there are no planned changes to the principles on executive directors' remuneration for executive duties in 2024, 2025 and 2026 (sections 6.1 and 6.3), changes to the corporate bonus scheme are being proposed as detailed below.

With the aim of simplifying the system, the number of steps for setting the yearly variable remuneration is reduced by converting the relative performance multiplier against the market into one of the elements of the qualitative assessment, instead of being an intermediate step between the result of quantitative metrics and the qualitative assessment.

However, to ensure that the multiplier is sufficiently relevant, its weight will be +/-10%, higher than the rest of the elements in the qualitative assessment (which will have a weight of +/-5%), after reducing the Network Collaboration item from +/-10% to +/-5% and merging compliance and risk into one.

Second, variable remuneration in 2024 for executive directors will be paid 50% in cash and 50% in instruments. The part to be received in instruments split as follows:

- EUR 500,000 and EUR 420,000 in PagoNxt, S.L. RSUs for Ana Botín and Héctor Grisi, respectively.
- The rest, all in shares of Banco Santander.

For the rest of the identified staff, variable remuneration will be paid 50% in cash and 50% in shares of Banco Santander.

Third, it is proposed to maintain the long-term performance metrics, prioritising in this way shareholder returns and the Group's profitability in the long-term, as well as sustainability of the balance sheet and its activities and how they are carried out. Therefore these metrics will be:

- Relative performance of Banco Santander's total shareholder return (TSR) compared to our peer group. Its weight will be 40% of the total.
- Return on tangible equity (RoTE), as an indication of long-term value creation. Its weight will be 40% of the total.
- Four ESG (environmental, social and governance) metrics linked to the progress we make on our targets to implement the Group's Responsible banking agenda. Their weight will be 20% of the total.

The maximum achievement ratio will remain at 125% so executives have the incentive to exceed their targets; however, the maximum achievement ratio for effectively paid remuneration will not exceed the thresholds approved at the AGM.

Additionally, with the aim of providing a strong alignment with PagoNxt's success, the Executive Chair and the Chief Executive Officer will continue to receive restricted stock units (RSUs) of PagoNxt, S.L.

The RSUs substitute part of their Santander variable pay instruments without increasing their total pay and will not represent more than 10% of their variable pay.

Specifically, as regards 2024, Ana Botín would receive the equivalent of EUR 500 thousand in RSUs, and Héctor Grisi would receive the equivalent of EUR 420 thousand in RSUs, in accordance with PagoNxt, S.L.'s long term incentive plan. Each RSU would grant the right to a share in PagoNxt, S.L. or the holding entity of its group (or its equivalent in cash) at the moment when, according to such plan, a liquidity event, a repurchase or a liquidation of such instruments takes place.

This plan is subject to the same principles of risk alignment, variable remuneration caps, deferrals and malus and clawback as the incentive which applies to executive directors described herein, but with payment being done in PagoNxt instruments.

Also, Banco Santander conducts an annual comparative review of executive directors' and top management remuneration. In 2024, the peers that comprise the review are BBVA, BNP Paribas, Citi, Crédit Agricole, HSBC, ING, Itaú, Scotiabank and Unicredit, based on their market capitalization, global scale, brand recognition, geographical diversification, business model and regulatory framework. The incorporation of US and Brazilian banks is justified by the strong presence of Banco Santander in those countries, where Santander is listed (in the New York Stock Exchange and Brazilian Stock Exchange of São Paulo).

Our findings show that Banco Santander does not award its executive directors any remunerative components outside of common market practice.

Principle of equal pay for equal work and equal employment conditions for Santander executives and employees

Santander applies the equal pay principle included in the Corporate remuneration policy of Grupo Santander for executive directors and employees alike, which forbids any type of differential treatment that is not exclusively based on an assessment of performance results and corporate behaviours, and promotes equal pay for men and women.

Furthermore, our remuneration framework rewards Santander employees for their contribution based on such common principles as:

- Meritocracy: Non-discrimination based on sex, age, culture, religion or ethnicity.
- Consistency: Remuneration consistent with the level of responsibility, leadership and performance within the Group, to promote retention of key professionals and attract the best talent.
- Sustainability: A remuneration framework that is sustainable in terms of associated costs, cost control, and related objectives (as described in the policy) that ensure variable remuneration is commensurate with the Group's performance, disincentivize short termism and promote long-term sustainability. The remuneration scheme for the 1,152 identified staff also includes deferrals of up to 60% of variable remuneration, payment 50% in Santander instruments (subject to one-year retention) and malus and clawback clauses.

  Also, performance objectives for annual variable remuneration have included since 2020 ESG components aligned with our Responsible banking goals. From 2022, with the purpose of increasing focus on the Group's responsible banking agenda and highlight sustainability as a core long-term strategy, ESG metrics are included (described in the next section) for the last deferred variable remuneration payments.
- Social responsibility: Employees' pay cannot be lower than the legal minimum wage or the living wage in the country where they work. Additionally, in order to give our social responsibility prominence in remuneration, the Group's responsible banking objectives for employee remuneration include the people financially included metric.
- Performance-based pay: Variable remuneration is subject to the achievement of (i) annual objectives (set out in section 6.4.B.ii.B), which reflect customer and profitability strategy, promote proper risk management and cost-effective capital allocation, and discourage short-term management focus; and (ii) long-term objectives (see section 6.4.B.ii.B), which support a sustainable balance sheet, shareholder return, the Group's profitability and sustainability of the Group's activities and the way they are carried out.

Directors' remuneration for 2024

A. Directors' remuneration in their capacity as such

In 2024, directors, in their capacity as such, will receive remuneration for supervisory and collective decision-making duties for a total of up to EUR 6 million as authorised by the shareholders at the April 2023 AGM (which will again be put to a vote at the 2024 AGM). It consists of:

- annual allocation, and
- attendance fees.

The board of directors, upon recommendation of the remuneration committee, approved to maintain the same amounts for annual allotments as those initially established for 2023 disclosed in section 6.2.B and C above, except for the responsible banking, sustainability and culture committee

(RBSCC), which will be updated to EUR 28 thousand, thus equalizing its remuneration to other committees of mandatory existence, considering the importance and complexity of the matters addressed in it, such as the supervision of non-financial information, which the RBSCC carries out in coordination with the audit committee.

Also, since the attendance fees have not been reviewed since 2016, the board of directors, upon recommendation of the remuneration committee, approved an increase of 4% in respect of 2023. This increase is applied to compensate for the higher time commitment (as indicated at the beginning of section 6.2 above) of board members, compared to those of other comparable banking groups.

Both updates would mean an effective total rise in total director Bylaw-stipulated emoluments and attendance fees received of less than 2%.

The specific amounts and the form of payment are determined by the board of directors in the manner described in section 6.2 above, based on the objective circumstances of each director.

Additionally, as indicated in the description of the director remuneration system, Banco Santander will pay its directors' the corresponding civil liability insurance premium in 2024. The related policy is common to all executives and was taken out under usual market condition, proportionate to Banco Santander's situation.

B. Executive directors' remuneration for the performance of executive duties

i) Fixed remuneration components

A) Gross annual salary

On the remuneration committee's recommendation, and due to the excellent business results and total shareholder return in 2023, in order to ensure a competitive remuneration compared to other peer groups, the board resolved to increase 5% the annual salary for Ana Botín and Héctor Grisi in 2024. The average remuneration of the Group's staff in Spain has increased by 6% from 2022 to 2023 (+5% on a like for like basis).

Likewise, their gross annual salary amounts may increase owing to adjustments made to the fixed remuneration mix based on the criteria approved by the remuneration committee, provided this does not entail any cost increase for Banco Santander.

B) Other fixed remuneration components

- Benefit systems: defined contribution schemes as set out in section 'Benefit schemes'[6].
- Supplement to fixed salary: Ana Botín will receive EUR 525,000 as a supplement to her fixed pay in 2023. This was approved in 2018 when the supplementary death and disability pension schemes were eliminated. Héctor Grisi will not receive any supplement of this kind.
- Social welfare benefits: executive directors will also receive social welfare benefits such as life insurance premiums, travel grants, medical insurance and the allocation of remuneration to employee loans, in accordance with Banco Santander's general policy for senior management, and in the same terms as the rest of employees.
- Likewise, the Bank makes available to directors the human and material means required or considered appropriate for carrying out their duties (including any travel required for the exercise of their role). Any eventual private use of these means by the executive directors is duly paid by them under the similar terms and conditions that would be applied to third independent party under the supervision of the audit committee. This information can also be found under the 'Benefit plans' section.

ii) Variable remuneration components

The board approved the policy on executive directors' variable remuneration for 2024 on the remuneration committee's recommendation, based on the remuneration policy principles described under section 6.3.

Executive directors' variable remuneration consists of a single incentive scheme, linked to the achievement of short-and long-term objectives. It is structured as follows:

- The final amount of variable remuneration will be set at the start of the following year (2025) based on the benchmark amount and subject to compliance with the annual objectives described under section B) below.
- 40% of the incentive will be paid immediately once the final amount has been set, and 60% will be deferred in equal parts paid out over five years and subject to long-term metrics:
  - The amount deferred over the first two years (24% of the total) will be paid in 2026 and 2027 on the condition that no malus clauses described under section 6.3 B v) are triggered.
  - The amount deferred over the next three years (36% of the total) will be paid in 2028, 2029 and 2030, on the condition that no malus clauses are triggered and long-term targets – described in section D) Deferred incentive subject to long-term performance objectives– are met.

The Group can clawback incentives already paid in the cases and during the term set out in its malus and clawback policy, described under section 6.3 B v).

Exceptionally, when a new executive director joins Banco Santander, his/her variable pay may include a sign-on bonus and/or buyouts.

Variable components in executive directors' total remuneration for 2024 cannot exceed the limit of 200% of fixed components submitted for approval to the 2024 AGM. However, under EU regulations on remuneration, certain variable components can be excluded.

The proportion of fixed and variable remuneration elements of Banco Santander executive directors is due to the European regulation set out in the CRD V directive. In this sense, the setting of higher fixed amounts than other executive directors of non-EU banks within our peer group is due precisely to the non-requirement of this limit 2:1 of variable/fixed components for non-EU banks.

6 As indicated in the next section, executive directors contribution to the benefit systems includes both fixed and variable components

A. Variable remuneration benchmark

Variable remuneration for executive directors in 2024 will be set based on a standard benchmark contingent upon the full achievement of their set individual targets, which for 2024 among others include, both for the Executive Chair and the CEO, pushing capital contribution and sustainability targets.

The board of directors may revise the variable pay benchmark on the remuneration committee's recommendation and following market and internal contribution criteria. Specifically for 2024, the board of directors, upon recommendation of the remuneration committee, has resolved to increase in 5% their target bonuses. The average remuneration of the Group's staff in Spain has increased by 6% from 2022 to 2023 (+5% on a like for like basis).

B. Setting of final variable remuneration based on yearly results

Based on that standard benchmark, 2024 variable remuneration for executive directors will be based on this updated corporate bonus scheme proposal:

- Three categories of quantitative metrics (business transformation, profitability and capital) to increase alignment with shareholder value creation and capital generation.
- A qualitative assessment with four components, which includes the regulatory requirements and the needs and concerns of our stakeholders: risk, compliance, network collaboration and ESG matters and, as a new feature this year, a relative performance assessment against the market in the main financial metrics, which comes from the multiplier applied in 2023 as an intermediate step between the quantitative metrics and the qualitative assessment but which is now integrated into the qualitative assessment to simplify the process. This relative performance assessment will have a greater weight than the other elements of the qualitative assessment, to highlight the importance of beating the market. The assessment cannot raise or lower the above result by more than 25%.
- An exceptional adjustment that must be duly supported and may involve changes owing to control and/or risk deficiencies, negative assessments from supervisors or unexpected material events.

Capital generation will continue to be an important part of key employees' remuneration (including executive directors) in order to ensure an efficient use of capital, alongside RoTE, which we are keeping in the scorecard to incentivize sustainable, long-term growth. Customers continue to be part of the quantitative metrics, with special focus on active customers. A specific metric on costs (instead of operative cost per active customer) is also included to highlight the relevance of appropriate management of costs to succeed in transformation.

Accordingly, the proposed quantitative metrics and weightings are:

Category	Quantitative metrics[A]
Transformation: Weight: 45%	Total and active customers (growth) *(Weight: 20%)*
	Costs *(Weight: 15%)*
	Revenue per active customer *(Weight: 10%)*
Capital Weight: 30%	CET1 ratio
Profitability Weight: 25%	RoTE (Return on tangible equity)

A. For this purpose, these metrics may be adjusted upwards or downwards by the board, following a proposal from the remuneration committee, when inorganic transactions, material changes to the Group's composition or size or other extraordinary circumstances (such as impairments, extraordinary impacts of macroeconomic environment, regulatory changes or restructuring procedures) have occurred which affect the suitability of the metric and achievement scale established in each case and resulting in an impact not related to the performance of the executive directors and executives being evaluated.

And finally, to the result obtained above, we add or subtract the qualitative assessment according to this table:

Qualitative assessment	Weight
Performance vs. Market	'+/-10%
Compliance and Risk	+/-5%
Network collaboration	'+/-5%
ESG targets	+/-5%

Lastly, as additional conditions for determining the incentive, the following circumstances must be confirmed to set variable pay:

- If the Group's ONP for 2024 were 50% less than in 2023, variable pay would in no case exceed 50% of the benchmark incentive for 2024.
- If the Group's ONP were negative, the incentive would be zero.

When setting individual bonuses, the board will also consider restrictions to the dividend policy imposed by supervisors.

C) Forms of payment of the incentive

Variable remuneration of executive directors will be paid 50% in instruments, split as:

- the amount of PagoNxt RSUs set for each year (which cannot exceed 10% of their variable pay); and
- the rest, all in shares of Banco Santander.

One portion will be paid in 2025 and the other will be deferred for five years and contingent on long-term metrics:

a) 40% of variable remuneration is paid in 2025 net of tax, with 50% in cash and 50% in instruments.

b) 60% paid, if applicable, in five equal parts in 2026, 2027, 2028, 2029 and 2030 (net of tax), with 50% in cash, 50% in instruments, under the conditions stipulated in section E).

The final three payments will also be subject to long-term objectives described in section D) below.

Shares shall be subject to a three-years retention period, unless the executive directors already hold shares for an amount equivalent to 200% of their fix annual remuneration -in which case the regulatory one year retention period will apply.

Additionally, 2023 AGM approved to increase the number of trading sessions used to determine the share price used for executive directors and identified staff bonus from 15 to 50, to soften the impact on the share price of events (positive or negative) that may occur within a short period. Under the Remuneration policy for 2023 and beyond, the maximum number of shares will be calculated based on the daily volume-weighted average of the weighted average Santander share price in the 50 trading sessions before the last Friday (not included) before the board meeting at which executive directors' bonus is agreed.

D) Deferred variable pay subject to long-term objectives

As indicated above, the amounts deferred in 2028, 2029 and 2030 will be paid on the condition that the group achieves its long-term targets for 2024-2026, in addition to the terms described in section E).

As advanced in section B) on the principles of the remuneration policy, the long-term targets are:

a. **Banco Santander's consolidated Return on tangible equity** (RoTE) target in 2026. The RoTE ratio for this target is obtained as follows:

RoTE in 2026 (%)	'RoTE Ratio'
≥ 18%	1.5
≥ 15% but <18%	0 – 1.5[A]
< 15%	0

A. Straight-line increase in the RoTE ratio based on the percentage of specific RoTE in 2026 within this bracket of the scale.

To verify compliance with this objective, the board, following a proposal from the remuneration committee, may adjust it to remove the effects of any regulatory change to its calculation rules or any extraordinary circumstances (such as impairments, corporate transactions, share buybacks or restructuring procedures) that have occurred which affect the suitability of the metric and achievement scale established in each case and resulting in an impact not related to the performance of the executive directors and executives being evaluated.

b. **Relative performance of Banco Santander's total shareholder return (TSR)** in 2024-2026 in respect of the weighted TSR of a peer group comprising 9 credit institutions, with the appropriate TSR ratio based on the group's TSR among its peers.

Ranking of Santander TSR	'TSR Ratio'
The100th percentile	1.5
Between the 75th and 100th percentiles (not inclusive)	1 – 1.5[A]
Between the 40th and 75th percentiles (not inclusive)	0.5 - 1[A]
Less than the 40th percentile	0

A. Increase in the TSR ratio proportional to the number of positions moved up in the ranking.

TSR[7] measures the return on shareholders' investment. It is the sum of the change in share price plus dividends and other similar items shareholders can receive during the period.

The peer group comprises BBVA, BNP Paribas, Citi, Credit Agricole, HSBC, ING, Itaú, Scotiabank and Unicredit.

c. **ESG (environmental, social and governance) metrics.**

Achievement will depend on the progress made on the Group's Responsible Banking actions lines and associated targets (described below)[8]:

1. Women in senior executive positions by 2026:

Women in senior executive positions[B] (%)	Coefficient
≥ 37%	1.25
≥ 36% but < 37%	1 – 1.25[A]
≥ 34% but < 36%	0 – 1[A]
< 34%	0

A. Increase of the coefficient is proportional to its position on this line of the scale.
B. Senior leadership positions make up 1% of the total workforce.

2. Financial inclusion between 2024 and 2026:

Financial inclusion[B] (millions of people)	Coefficient
≥ 6.3	1.25
≥ 5.3 but < 6.3	1 – 1.25[A]
≥ 3.5 but < 5.3	0 – 1[A]
< 3.5	0

A. Increase of the coefficient is proportional to its position on this line of the scale.
B. Number of people unbanked, underbanked, in financial distress or with difficulty to access credit to whom we provide tailored access and finance solutions, aiming to meet local financial inclusion needs in a recurrent, comprehensive, affordable and effective way.

[7] TSR refers to the difference (%) between the final and initial values of capital invested in ordinary shares of Banco Santander. The final value is calculated based on the dividends or other similar concepts (such as the Santander Scrip Dividend programme) shareholders receive for this investment during the corresponding period -as if they had invested in more shares of the same type at the first date on which the dividend or similar concept was payable to shareholders- and the weighted average share price at that date. To calculate TSR, the weighted average daily volumes of the weighted average listing prices for the fifteen trading sessions prior to 1 January 2024 (exclusive) is considered (to calculate the initial value) and the fifteen trading sessions prior to 1 January 2027 (exclusive) (to calculate the final value).

[8] There are thresholds that go beyond current public targets, which should not be considered a revision of them, but a way to further motivate our management team, in order to progress beyond targets on ESG main strategic lines.

3. Socially responsible investment in 2026 as a percentage of total assets under management.

Socially responsible investment[B] (%)	Coefficient
≥ 21%	1.25
≥ 18% but < 21%	1 – 1.25[A]
≥ 15% but < 18%	0 – 1[A]
< 15%	0

A. Increase of the coefficient is proportional to its position on this line of the scale.
B. Assets under management that meet the criteria of Santander's Sustainable Finance and Investment Classification System (SFICS).

4. Supporting transition. This goal includes how we support our customers' transition, and the fulfilment of a transition plan:

Business raised and facilitated[B] between 2024 and 2026 (EUR bn)	Coefficient
≥ 180	1.25
≥ 150 but < 180	1 – 1,25[A]
≥ 110 but < 150	1
< 110	0

A. Increase of the coefficient is proportional to its position on this line of the scale.
B. Grupo Santander's contribution to our customers' transition (2024-2026): CIB green finance raised and facilitated (public target), Retail & Commercial banking green finance and sustainable linked-loans, and Digital Consumer Bank green finance..

To achieve beyond 100% of this goal, it is necessary to deliver on a comprehensive and credible transition plan (it will work as an underpin). This plan will include improving climate data, progressing on actions to decarbonize portfolios, enhancing sustainable product offering to address market needs, further embedding climate and environmental risk, and active engaging to support policy action and market developments.

Each ESG goal has a different weighting:

1. Women in senior executive positions: 20%
2. Financial inclusion: 20%
3. Socially responsible Investment: 10%
4. Supporting transition: 50%

$$C = (20\% \text{ Goal } 1 + 20\% \text{ Goal } 2 + 10\% \text{ Goal } 3 + 50\% \text{ Goal } 4)$$

Finally, the following formula will be used to set the annual amount of performance-based deferred variable remuneration in 2028, 2029 and 2030 ('final annuity'), without prejudice to any adjustment deriving from the application of the malus policy (see section 6.3 B v):

$$\text{Final annuity} = \text{Amt.} \times (2/5 \times A + 2/5 \times B + 1/5 \times C)$$

where:

- 'Amt.' is one third of variable remuneration deferred conditional on performance (i.e. Amt. will be 12% of the total incentive set in early 2025).
- 'A' is the RoTE coefficient according to the scale in the table above, based on RoTE at year-end 2026.
- 'B' is the TSR ratio calculated as the scale in the table above, according to the relative performance of Banco Santander's TSR within its peer group in 2024-2026.
- 'C' is the coefficient resulting from the sum of weighted coefficients for each of the four Responsible banking targets for 2026 (see section (c) above).
- In any event, if the result of (2/5 x A + 2/5 x B +1/5 x C) is greater than 1.25, the multiplier will be 1.25.

The estimated maximum amount to be delivered in instruments to executive directors is EUR 11.5 million.

E) Other terms of the incentive

Payment of the deferred amounts (including those linked to long-term targets) will occur only if they remain in the Group and none of the circumstances triggering malus clauses arise (as per the malus and clawback section in the Group's remuneration policy) under terms similar to those indicated for 2023 (detailed in section 6.3 B v)), policy expanded in 2023 to adapt it to the new regulation of US Securities Exchange Commission. Furthermore, the group can claw back paid incentives under the scenarios, period and terms and conditions set out in the remuneration policy.

Hedging the value of Santander shares received during the retention and deferral periods is expressly prohibited.

The effect of inflation on the deferred amounts in cash may be offset.

Selling shares is also prohibited for at least one year since the delivery.

The remuneration committee may propose to the board adjustments in variable remuneration under exceptional circumstances owing to internal or external factors, such as requirements, orders or recommendations issued by regulatory or supervisory bodies. Such adjustments will be described in detail in the report on the remuneration committee and the annual report on directors' remuneration put to a non-binding vote at the annual general meeting.

iii. Shareholdings

As described in section 6.3.E, in addition to the regulatory obligation not to sell shares they receive as remuneration for a year since from their award date, in order to comply with recommendation 62 of the Spanish Corporate Governance Code, the policy on shareholdings includes the obligation for executive directors not to sell the shares they receive as variable remuneration for a period of three years from their award date, unless the executive director already holds Banco Santander shares for an amount equivalent to twice his/her annual salary.

Directors' remuneration for 2025 and 2026

A. Directors' remuneration in their capacity as such

For 2025 and 2026, no changes to directors' remuneration are planned in respect of what is foreseen herein for 2024. However, shareholders at the 2025 or 2026 annual general meeting may approve an amount higher than the six million euros currently in force, or the board may approve an alternative allocation of that amount to directors in accordance with the criteria in article 58.2 of Banco Santander's Bylaws (i.e. duties and responsibilities; positions held on the board; membership and attendance at committee meetings; and other objective circumstances).

B. Directors' remuneration for the performance of executive duties

Executive directors' remuneration will conform to principles similar to those applied in 2024, with the following changes.

i) Fixed components of remuneration

A) Gross annual salary

Executive directors' annual gross fixed pay may be adjusted each year based on the criteria approved by the remuneration committee at any given time. For 2025 and 2026, the maximum increase of gross annual salary will be 5% in respect of the previous year for each executive director. Likewise, the gross annual salary may be increased above that threshold as a result of adjustments to the mix of fixed components, provided that such modification does not entail an increase in costs for the Group.

The 5% increase mentioned above may also be higher for one or several directors provided that, when applying the rules or requirements or supervisory recommendations, and if so proposed by the remuneration committee, it is appropriate to adjust their remuneration mix and, in particular, their variable remuneration, in view of the functions they perform. This should not increase executive directors' total remuneration.

Otherwise, it must be disclosed in the report on the remuneration committee and the annual report on director's remuneration put to a non-binding vote at annual general meeting.

B) Other fixed remuneration components

No changes planned in respect of the terms for 2024.

ii) Variable remuneration components

The policy on executive directors' variable remuneration for 2025 and 2026 will be based on the same principles as in 2024, following the same single-incentive scheme described above, and subject to the same rules of operation and limitations.

A) Setting variable remuneration

Executive directors' variable remuneration for 2025 and 2026 will be set based on the corporate bonus pool and a benchmark approved for each year which takes into account:

- a set of short-term quantitative metrics measured against annual objectives and aligned with the Group's strategic plan. These metrics will also cover, at least, shareholder return targets, capital and customers. They can be measured at Group level and, where applicable, at division level, for a specific business division headed by an executive director. The results of each metric can be contrasted with the budget for the financial year, as well as with growth from the previous year.
- a qualitative assessment that cannot raise or lower the result of the quantitative metrics by more than 25%. It will be conducted for the same categories as the quantitative metrics, including relative performance against market, risk management, compliance, network collaboration and ESG targets.
- an exceptional adjustment that must be duly substantiated and may involve changes owing to control and/or risk shortfalls, negative assessments from supervisors or unexpected material events.

The quantitative metrics, the qualitative assessment and potential extraordinary adjustments will ensure main objectives are considered from the perspective of the various stakeholders and that the importance of risk and capital management is factored in.

Once the corporate bonus pool is fixed according to the criteria above, the board of directors, further to a proposal from the remunerations committee, decides on the individual bonus, taking into consideration the level of achievement of their individual objectives, which in general terms coincide with the bonus pool metrics, their compliance with corporate values and risk culture.

Lastly, the following circumstances must be confirmed to set variable remuneration:

- If ONP does not reach a certain compliance threshold, the incentive cannot exceed 50% of the year's incentive benchmark.
- If the group's ONP were negative, the incentive would be zero.
- When setting individual variable pay, the board will also consider restrictions to the dividend policy imposed by supervisors.

B) Forms of payment of the incentive

The variable remuneration of executive directors for 2025 and 2026, will be paid as follows:

- 50% in cash;
- and 50% in instruments, split as follows:
  - the amount of PagoNxt, S.L. RSUs set for each year (as described below); and
  - the rest, all shares of Banco Santander, S.A.

It is also envisaged that for 2025 and 2026 Ana Botín would receive the equivalent of EUR 500 thousand in RSUs, and Héctor Grisi would receive the equivalent of EUR 420 thousand in RSUs, in accordance with PagoNxt, S.L.'s long term incentive plan. Each RSU would grant the right to a share in PagoNxt, S.L. or the holding entity of its group (or its equivalent in cash) at the moment when, according to such plan, a liquidity event, a repurchase or a liquidation of such instruments takes place.

The RSUs will substitute part of their Santander variable pay instruments without increasing their total pay and will not represent more than 10% of their variable pay in any event.

C) Deferred variable remuneration subject to long-term objectives

The last three annual payments of each deferred variable remuneration amount will be made in accordance with the terms described under section E) above and if the Group fulfils long-term objectives for at least three years. This may confirm, reduce or increase payment amounts and the number of deferred instruments.

Long-term metrics will, at least, cover value creation and shareholder returns as well as capital and sustainability over a minimum period of three years. They will be aligned with the Group's strategic plan and main priorities towards its stakeholders. They can be measured for the entire Group or by country or business, when appropriate, and subsequently compared to a group of peers.

The portion paid in shares cannot be sold until one year has elapsed since delivery.

D) Other terms of the incentive

No changes to the continuity, malus and clawback clauses of the remuneration policy for 2024 described in section 6.4.B.E are expected. Furthermore, no changes are planned in respect of the clauses on hedging instruments or the deferred amounts in cash adjusted for inflation.

iii) Shareholdings

The policy on shareholdings approved in 2016, with the amendment introduced in 2020 relating to not selling the shares they receive as variable remuneration for a period of three years detailed in section 6.3.E above will apply in 2025 and 2026, unless the remuneration committee proposes it be amended to the board in light of exceptional circumstances (regulations, orders or recommendations from regulators or supervisors). Such amendments would be described in detail in the report on the remuneration committee and the annual report on director's remuneration put to a non-binding vote at the annual general meeting.

iv) Principle of equal pay

The same principle of equal pay that applies for executive directors and any other Santander employee described in respect of 2024 apply for 2025 and 2026.

Terms and conditions of executive directors' contracts

Executive directors' terms of service are governed by board-approved contracts they sign with Banco Santander. The basic terms and conditions, besides those relating to the remuneration mentioned above, are the ones described herebelow.

A. Exclusivity and non-competition

Executive directors may not contract with other companies or entities to perform services, unless expressly authorised by the board of directors. In all cases, they are bound by a duty of non-competition in relation to companies and activities similar in nature to Banco Santander and its consolidated group.

In addition, executive director contracts impose prohibitions on competing and attracting customers, employees and suppliers, which can be enforced for two years after their termination in their executive duties for reasons other than a breach by Banco Santander. In regard to Ana Botín and Héctor Grisi, the compensation to be paid by Banco Santander for this duty of non-competition is twice the amount of the fixed remuneration.

B. Code of Conduct

Executive directors are obliged to adhere strictly to the group's General Code and the Code of Conduct in Securities Markets, especially in terms of confidentiality, professional ethics and conflicts of interest.

C. Termination

The length of executive directors' contract is indefinite. Contracts do not provide for any severance payment upon termination apart from what the law provides.

If Ana Botín's contract is terminated by Banco Santander, she must remain available to the group for four months in order to ensure proper transition. During this period, she would continue to receive her gross annual salary.

D. Benefit plans

Executive directors participate in the defined contribution pension scheme created in 2012. It covers retirement, disability and death. Banco Santander makes annual contributions to executive directors' benefit plans schemes. Annual contributions are calculated in proportion to executive directors' pensionable bases, and the Group will continue to make them until the executive directors' leave the Group or until their retirement within the Group, their death or disability. The pensionable base of executive directors' annual contributions is their fixed remuneration plus 30% of the average of their last three variable remuneration amounts. For Héctor Grisi, the average for the first three years will be calculated according to these criteria:

- For 2023, his gross variable remuneration agreed in that exercise.
- For 2024, the average of his gross variable remuneration agreed for 2023 and 2024 exercises.
- For 2025, the average of his gross variable remuneration agreed for 2023, 2024 and 2025 exercises.

Contributions will be 22% of pensionable bases.

The pension amount that corresponds to contributions linked to variable remuneration will be invested in Santander shares for five years from the earlier of the date of retirement or cessation. It will be paid in cash after the five years have elapsed or on the retirement date (if later). Moreover, the malus and clawback clauses for variable remuneration contributions will apply for the same period as the related bonus or incentive.

This benefit plan is outsourced to Santander Seguros y Reaseguros, Compañía Aseguradora, S.A. Executive directors' economic rights under the scheme belong to them even if they are not active in the group at the time of their retirement, death or disability. Their contracts do not provide for any severance pay upon termination apart from what the law provides and in the case of pre-retirement, the aforementioned annual allotment.

E. Insurance and other remuneration and benefits in kind

Ana Botín will receive the supplement to their fixed remuneration approved when the supplementary life and health benefits were eliminated in 2018. It will be paid in 2024, 2025 and 2026 in the same amount and continue to be paid until they reach retirement age (even if they are still active).

The Group has life and health insurance policies taken out for directors. Insurance premiums for 2024 include standard life insurance and the life insurance cover with the supplement to their fixed remuneration mentioned above. In 2025 and 2026, premiums could vary if directors' fixed pay or actuarial circumstances change.

Furthermore, executive directors are covered by Banco Santander's civil liability insurance policy and may receive other benefits in kind (such as employee loans) pursuant to the group's general policy and subject to the corresponding tax treatment.

Likewise, the Bank makes available to directors the human and material means required or considered appropriate for carrying out their duties (including any travel required for the exercise of their role). Any eventual private use of these means by the executive directors is duly paid by them under the similar terms and conditions that would be applied to third independent party under the supervision of the audit committee

F. Confidentiality and return of documents

Directors are bound to a strict duty of confidentiality during their relationship and subsequent to termination. Executive directors are required to return any documents and items relating to their activities and in their possession to Banco Santander.

Agreements with non-executive members of the board

José Antonio Álvarez has a contract (effective from 1 January 2023) to assist in the handover to the new CEO and to attend executive risk committee meetings and engaging supervisors, international bodies, sector organizations and others in institutional matters as necessary, for which he receives a fixed remuneration of EUR 1,750 thousand. This is an annual contract which has been renewed for the year 2024.

Luis Isasi has a contract since 4 April 2020 to act as non-Executive Chair of the board of Santander España (for which he receives EUR 925 thousand a year) and to serve as a member of the board of Santander España (for which he receives EUR 75 thousand a year). His contract is permanent and does not entitle him to any compensation if terminated.

Appointment of new executive directors

The components of remuneration and basic structure of the agreements described in this remunerations policy will apply to any new director that is given executive functions at Banco Santander, notwithstanding the possibility of amending specific terms of agreements so that, overall, they contain conditions similar to those previously described.

Directors' total remuneration for executive duties cannot exceed the highest remuneration received by the group's current executive directors under the remuneration policy approved by shareholders. The same rules apply if a director assumes new duties or becomes an executive director.

If a director takes up executive functions in a specific division or local unit, the board of directors, on the remuneration committee's recommendation, can adapt the metrics for setting and paying incentives to take that division or local unit into account in addition to the Group.

Remuneration paid to directors in that capacity will be included within the maximum amount set by shareholders to be distributed by the board of directors in the terms described above.

A new director coming from an entity outside Grupo Santander could be paid a buyout to offset any variable remuneration foregone for having accepted a contract with the group; and/or a sign-on bonus for leaving to join Banco Santander.

This compensation could be paid fully or partly in shares, depending on the delivery limits approved at the annual general shareholders' meeting. Authorization is expected to be sought at the next general shareholders' meeting in order to deliver a maximum number of shares to any new executive directors or employees to whom buyout regulations apply.

Furthermore, sign-on bonuses can only be paid once to new executive directors, in cash or in shares, and in each case they will not exceed the sum of the maximum variable remuneration awarded for all executive directors.

Mr Grisi's appointment as CEO (with effect from 1 January 2023) did not entail a buyout or sign-on bonus since he was already part of Grupo Santander.

Temporary exceptions to the remuneration policy

According to section 6 of Article 529 *novedecies* of the Spanish Companies Act, specific exceptions may apply to components in the remuneration policy, based on particular business needs or macroeconomic context in the Group's geographies, provided that they are required to serve the long-term interests and sustainability of the entity; ensure its viability; and require to be adopted urgently.

Such exceptions include:

- Complex macroeconomic scenarios where the ordinary course of the business is severely impacted.
- The appointment of a new Executive Chair or chief executive officer, or the need to retain an executive director to avoid a vacancy at the head of the Group (*vacatio regis*) during especially complex times for the business.
- The need to adapt to regulatory change.

To apply, exceptions must be supported by:

- a reasoned remuneration committee proposal; and
- board of directors analysis and approval.

Any applied exception will be explained in the *Annual report on directors' remuneration*.

6.5 Preparatory work and decision-making for the remuneration policy; remuneration committee involvement

Section 4.7 'Remuneration committee activities for 2023', (the report on the remuneration committee) states:

- Pursuant to Banco Santander's Bylaws and the Rules and regulations of the board of directors, the duties relating to the remuneration of directors performed by the remuneration committee.
- How the remuneration committee is composed on the date the report is approved.
- The number of meetings it had in 2023, including joint sessions with the risk, compliance and regulation supervision committee.

- The date of the meeting in which the report was approved.

The 2022 annual report on directors' remuneration was approved by the board of directors and put to a binding vote at the 2023 AGM, with 89.22% of the votes in favour. The tally of the votes was:

	Number	% of total[A]
Votes	11,087,900,806	99.74%

	Number	%
Votes for[B]	9,886,665,679	89.22%
Votes against[B]	1,194,192,063	10.78%
Blank[C]	7,043,064	0.06%
Abstentions[C]	29,058,164	0.26%

A. Percentage on total valid votes and abstentions.
B. Percentage of votes for and against.
C. Percentage of share capital present and attending by proxy at the ordinary shareholders' meeting.

Decision process for the development, review and application of the policy

Pursuant to Article 529 *novodecies* of the Spanish Companies Act, the remuneration committee issues the report on the proposed remuneration policy for 2024, 2025 and 2026 herein. The board of directors then submits it to the 2024 AGM as a separate item on the agenda and an integral part of this text. See section 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.

Banco Santander's Compensation function prepares the remuneration policy with the suggestions, requests and comments received during the year from the human resources committee, remuneration committee and the board of directors. A first draft of the policy is submitted to the remuneration committee for review every January. The review considers the suggestions, requests and comments the Chair and lead independent director receive through shareholder and stakeholder engagement during the year on our corporate governance and our remuneration structures. Regulators' recommendations and legal requirements that may have come to light since the last time the director remuneration policy was submitted for approval by the annual general meeting are also considered.

The committee also makes sure the policy is consistent with the Group's culture and our Simple, Personal and Fair values. The Compensation function then prepares the final draft for the remuneration committee to submit to the board of directors for approval in February.

Based on the analysis carried out in the context of the 2023 annual remuneration report elaboration and its continued supervision of the remuneration policy, the remuneration committee believes the director remuneration policy for 2024, 2025 and 2026 which is included in section 6.4 above is consistent with the principles of Banco Santander's remuneration policy and its remuneration scheme set out in the Bylaws.

The policy aims, among other aspects, (i) to maintain a simple executive remuneration scheme, with three categories of quantitative metrics (business transformation, profitability and capital) to further align with value creation and capital generation; (ii) outperform peers in value creation aspects; and, (iii) regarding metrics linked to multiyear objectives, to prioritize long-term profitability for shareholders and Santander and a sustainable balance sheet (total shareholder return, RoTE and ESG-related metrics related to our responsible banking targets) in order to follow best market practice and meet our stakeholders' needs.

In 2023, no deviations from, or temporary exceptions to, the application of the remuneration policy occurred.

6.6 Remuneration of non-director members of senior management

2023 variable remuneration was approved by the board of directors on 30 January 2024 in view of the recommendation from the 29 January 2024 remuneration committee. It was set according to Banco Santander's general remuneration policy as well as specific details pertaining to senior management.

In general, senior management variable remuneration packages were calculated with the quantitative metrics and qualitative assessment used for executive directors (see section 6.3 B ii).

Some contracts of members of senior management were amended in 2018 in the same manner described under 6.3.D in respect of Ana Botín, with a pension scheme of 22% of their pensionable bases, the elimination of supplementary benefits, an increase of the insured sum of life insurance and a supplement to fixed remuneration in cash which is included under "Other remuneration".

The following table shows the amounts of short term remuneration (immediately payable) and deferred remuneration (not linked to multi year targets) for senior management as of 31 December 2023 and 2022, excluding those of executive directors. This amount has been reduced by 38% compared to that reported in 2014 (EUR 80,792 thousand):

EUR thousand

		Short-term and deferred salary remuneration					
Year	Number of people	Fixed	Immediately receivable variable remuneration (50% in instruments)[A]	Deferred variable remuneration (50% in instruments)[B]	Pension contributions	Other remuneration[C]	Total
2023	14	17,109	14,711	6,439	4,775	7,135	50,169
2022	14	18,178	15,466	6,797	5,339	6,956	52,736

A. The amount immediately payable in 2023 was 1,568 thousand Santander shares and 1,386 thousand Santander share options (2,504 thousand Santander shares in 2022).
B. The deferred amount for 2023 will be 700 thousand Santander shares and 555 thousand Santander share options (1,010 thousand Santander shares in 2022).
C. Includes life insurance premiums, health insurance and relocation packages, other remuneration items and RSUs of PagoNxt S.L., as members of board of directors of this entity .

The share price for 2023 variable remuneration is EUR 3.793. With this price set, the share options are worth EUR 1.016.

This table breaks down remuneration linked to multi-year targets for senior management (excluding executive directors) at 31 December 2023 and 2022, which they will only receive if they meet the terms of continued service; non-applicability of malus clauses; and long-term goals are met during deferral periods.

	Thousands of euros	
Year	**Number of people**	**Deferred variable remuneration subject to long-term metrics[A] (50% in instruments)[B]**
2023	14	6,761
2022	14	7,137

A. In 2023, this corresponds to the fair value of maximum annual payments for 2027, 2028 and 2029 in the eighth cycle of the plan for deferred variable remuneration linked to multi-year targets. In 2022, this corresponds to the estimated fair value of maximum annual payments for 2026, 2027 and 2028 in the seventh cycle of the plan for deferred variable pay linked to multi-year targets. Fair value in the plan was determined on the authorization date based on the valuation report of independent expert Willis Towers Watson. Based on the plan for 2023 and success levels of similar plans at peer entities, the fair value was considered to be 70% of the value linked to long-term metrics.
B. The number of shares in Santander as deferred variable pay subject to long-term metrics shown in the table above was 735 thousand shares in 2023 and 582 Santander share options (1,156 thousand shares in Santander in 2022).

The long-term goals are the same as those for executive directors. They are described in section 6.3 B iv).

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

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

See note 46 to the 2023 Group's consolidated financial statements for further information on the Digital Transformation Incentive.

In 2023, the ratio of variable to fixed pay components was 120% of the total for senior managers, well within the maximum limit of 200% set by shareholders.

See note 5 of the Group's 2023 consolidated financial statements for further details.

6.7 Prudentially significant disclosures document

On the remuneration committee's recommendation, the board approves the key remuneration elements of managers or employees who, while not belonging to senior management, take on risks, carry out control functions (i.e. internal audit, risk management and compliance) or who receive global remuneration that places them in the same remuneration bracket as senior management and employees who take on risk. These are typically those whose professional activities may have an important impact on the Group's risk profile (all of these, together with the senior management and Banco Santander's board of directors form the so called 'Identified Staff' or 'Material Risk Takers')

Every year, the remuneration committee reviews and, where applicable, updates identified staff in order to include individuals within the organization who qualify as such. The Remuneration Policies chapter in the 2023 Pillar III disclosures report[9] of Banco Santander, S.A. explains the criteria and regulations followed to identify such staff.

At the end of 2023, 1,152 Group executives (including executive directors and non-director senior managers) were considered identified staff (1,029 in 2022), which accounts for 0.54% of the total final workforce (0.50% in 2022).

Identified staff have the same remuneration standards as executive directors (see sections 6.1 and 6.3), except for:

- Category-based deferral percentages and terms.
- The possibility in 2023 of certain less senior manager categories of only having deferred variable pay subject to malus and clawback clauses (and not to long-term targets).
- The portion of variable remuneration paid or deferred as shares for Group executives in Brazil, Chile and Poland that can be delivered in shares or similar instruments of their own listed entities (as in previous years).

In 2024, the board will maintain its flexibility to determine full or partial payment in shares or similar instruments of Banco Santander and its subsidiaries in the proportion it deems appropriate (according to the maximum number of Santander shares allocated at the general meeting and to any regulatory restrictions in each jurisdiction).

The aggregate amount of variable remuneration for identified staff in 2023, the amounts deferred in cash and instruments, and the ratio of the variable to fixed remuneration components are explained in the remuneration policies chapter of Banco Santander's Pillar III disclosures report for 2023.

[9] The 2023 Pillar III disclosures report can be found on our corporate website.

7. Group structure and internal governance

Grupo Santander is structured into legally independent subsidiaries whose parent company is Banco Santander, S.A. Its registered office is in Santander (Cantabria, Spain), while its corporate centre is located in Boadilla del Monte (Madrid, Spain). It has a Group-Subsidiary Governance Model (GSGM) and good governance practices in place for its core subsidiaries. Any references to subsidiaries in this section are to the Group's most prominent entities.

The key features of the GSGM are:

- The subsidiaries' governing bodies must ensure their rigorous and prudent management and economic solvency while pursuing the interests of their shareholders and other stakeholders.
- The subsidiaries are managed locally by teams that possess extensive knowledge on, and experience with, their customers and markets, while benefiting from the synergies and advantages of belonging to the Group.
- The subsidiaries are subject to local authority regulation and supervision, although the ECB supervises the Group overall.
- Customer funds are secured by the deposit guarantee schemes in the subsidiaries' countries and are subject to local laws.

The subsidiaries finance their own capital and liquidity. The Group's capital and liquidity are coordinated by corporate committees. Intra-group risk transactions are limited, transparent and carried out under market conditions. Grupo Santander retains a controlling interest in subsidiaries listed in certain countries.

Each subsidiary runs independently and has its own recovery plan, limiting the contagion of risk between them and reducing systemic risk.

The GSGM also applies to the Group´s global businesses, namely: Corporate & Investment Banking (CIB), Retail & Commercial Banking (Retail), Wealth Management & Insurance (Wealth), Digital Consumer Bank (Consumer) and Payments (Payments). CEOs/Country Heads remain ultimately responsible for the budget, execution of the customer and commercial strategy, and financial delivery.

7.1 Corporate Centre

The GSGM is supported by a corporate centre, which brings control and support units together with such functions as strategy, risk, compliance, audit, finance, accounting, technology and operations, human resources, legal services, internal governance, communications and marketing. It adds value to the Group by:

- enhancing governance under robust corporate frameworks, models, policies and procedures to implement strategies and ensure effective Group oversight;
- making the Group's units more efficient through cost management synergies, economies of scale and a common brand;
- sharing best practices in global connectivity, commercial initiatives and digitalization; and
- ensuring the 'know your structure' governance principle is effectively applied with a procedure for appointing key positions and assessing suitability that applies to the entire Group.

7.2 Internal governance

The GSGM outlines a set of principles that regulate three types of relationships between the Group and its subsidiaries:

- The subsidiaries' governing bodies are subject to the Group's rules and procedures for structuring, forming and running boards of directors and audit, nomination, remuneration and risk committees, according to international standards. The guidelines regarding subsidiary board composition are aligned with best international practices and ensure appropriate Group presence on the subsidiary boards with at least two Group nominated directors on each board. The subsidiaries are also subject to local regulations and supervisory standards.
- The relationship between regional and country heads and the Group CEO.
- The relationship between local and global heads of key positions, following a three lines of defence model: chief officers for risk (CRO), compliance (CCO), audit (CAE), finance (CFO) and accounting (CAO), as well as other key support and business functions (Technology and Operations, HR, General Counsel and Legal Services, Marketing, Communications, Strategy, as well as the five global businesses: CIB, Retail, Wealth, Consumer and Payments).

The Group has three regional heads who report to the Group CEO and are responsible for consolidating and streamlining the management and coordination of its core subsidiaries in the three geographic areas where it operates: Europe, South America and North America. They must undertake their key responsibilities in compliance with European Union and country-specific laws and regulations, and ensure that the country heads' role and accountability (including regulatory responsibilities) are not undermined.

Grupo Santander has corporate frameworks for matters considered to have a material impact on its risk profile, such as risk, capital, liquidity, compliance, financial crime, technology, auditing, accounting, finance, strategy, human resources, outsourcing, cybersecurity, special situations management communications and brand and responsible banking. These frameworks, which are mandatory, also specify:

- how the Group should supervise and exert control over subsidiaries; and

- the Group's involvement in subsidiaries' decision-making (and vice versa).

The Banco Santander board approves the GSGM and corporate frameworks for the subsidiary governing bodies to formally adhere to them. They consider subsidiaries' local requirements and are revised every year as required by the Group board to adapt to new legislation and international best practices.

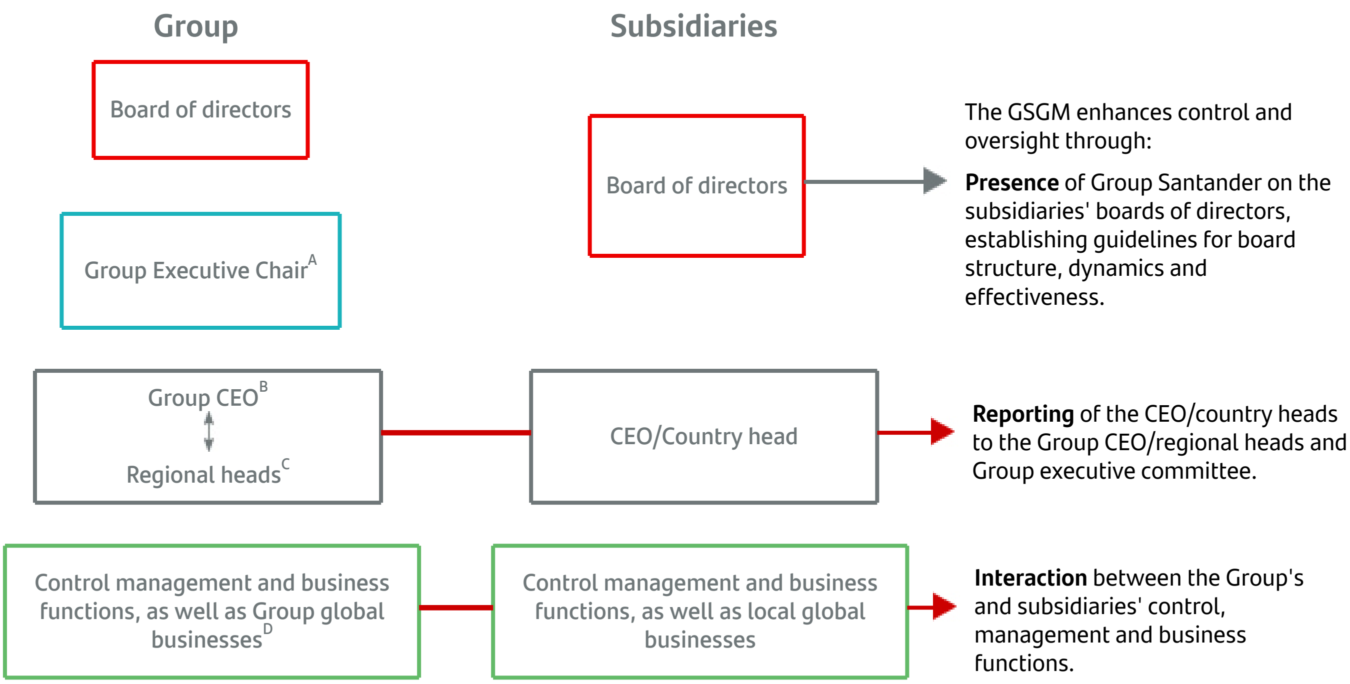
The functions draw on corporate frameworks to prepare internal regulatory documents that are given to subsidiaries as a reference for implementing those frameworks effectively, cohesively and in compliance with applicable local laws and supervisory requirements. This approach ensures consistency throughout the Group. Every year, the functions conduct an assessment to ensure that the Group's internal regulations are embedded locally and carry out an annual certification process to ensure the internal regulation under their scope is fit for purpose. The internal governance office presents the findings to the board of directors.

The Group's internal governance office and subsidiary general counsels are responsible for embedding the GSGM and corporate frameworks. Every year, the Group assesses their performance in reports sent to governing bodies.

Since 2019, a policy on the governance of non-GSGM subsidiaries has enhanced the governance and control system that has been applied to those companies.

Global businesses each have specific governance arrangements which ensures a robust Group-wide oversight of such businesses as set out in the GSGM. Each global business is responsible for defining the common business and operating model, setting the global ambition and identifying and managing the global tech platforms and product factories.

The following charts show the three levels of the GSGM, as well as the main actions to ensure an effective relationship and solid internal governance system for the Group.



A. First executive.
B. Second executive, who reports directly to the board of directors.
C. Europe, North America and South America, reporting to the Group CEO.
D. Audit, Risk, Compliance, Finance, Financial Accounting & Control, IT & Operations, Human Resources, General Secretariat, Marketing, Communications, Strategy as well as the five global businesses (CIB, Retail, Wealth, Consumer and Payments).

Best practices and talent sharing across the whole Group and between subsidiaries is **key to our success.**

Multiple point of entry structure that has proved to be a **key resilience instrument** and is a result of our diversification strategy.

Continuous collaboration and daily interaction between local and corporate teams.

A common set of corporate frameworks and policies across the Group adapted to local market conditions.

Synergies and economies of scale across the Group.

Planning and implementation of new Group-wide and local initiatives to keep developing our management and control model.

8. Internal control over financial reporting (ICFR)

This section describes the key features of Grupo Santander's ICFR.

8.1 Control environment

Governance and control bodies

These bodies are responsible for implementing and overseeing our ICFR:

- **Board of directors.** It approves the financial reports Banco Santander must disclose as a listed company. The board also oversees and guarantees the integrity of the Group's internal information, control, accounting and reporting systems.
- **Audit committee.** It assists the board in overseeing the Internal Control System (ICS) and in preparing and presenting financial information.

  The audit committee also works with the external auditor to address matters that have been considered in audits to have a significant impact on our ICFR. It also makes sure the external auditor issues a report on the Group's ICFR.

  See section 4.5 'Audit committee activities in 2023'.
- **Risk control committee.** It assists the audit committee in reviewing and overseeing the annual ICS assessment.
- **Corporate accounting and financial management information committee**. It is responsible for governing and supervising accounting, financial management and control matters.
- **Internal control steering meeting.** It is chaired by the CRO and CAO and its role is to continuously monitors the Group's control environment, as well as the ICS strategy and performance.

Lead functions

The structure of the Group enables us to manage risk effectively and ensure that internal control functions (risk, compliance and internal audit) are independent of business functions and can perform their duties efficiently. The key functions that prepare financial information are:

- **Costs.** It draws up and documents the corporate model for managing structures and templates, which is used as a reference across the Group.
- **Business and support functions**. They are the first line of defence and responsible for identifying and documenting the risks, tasks and controls that make up our ICFR, based on their operations.
- **Risk and Compliance & Conduct**. They are the second line of defence. They make sure that we implement ICFR in accordance with the SOx Act.

  In particular, the corporate Non-financial risk control area is responsible for:

  - setting and circulating the methodology for documenting, assessing and certifying the ICS, which covers ICFR and other legal and regulatory requirements;
  - keeping documents up to date to adapt them to organizational and regulatory changes and, along with the Financial Accounting and Control division and representatives of the divisions and Group companies involved, to present the ICS assessment findings to the audit committee; and
  - similar functions in each country unit and global business also report to the corporate Non-financial risk control area.
- **Internal Audit**. It is the third line of defence in overseeing and reporting on our ICFR. It recommends corrective action and areas of improvement for the first and second lines to consider and implement.

  Internal Audit is an independent function that guarantees the quality and effectiveness of internal control, risk management (current or emerging) and governance processes and systems, thus contributing to the protection of the organization's value, solvency and reputation as well as the board of directors and senior managers.
- **Financial Accounting and Control:** Regarding the production of financial information, the local controllers are responsible for:

  - embedding the Group's corporate accounting policies into its management and adapting them to local needs;
  - ensuring that appropriate organizational structures are in place to carry out assigned tasks, as well as a suitable hierarchical-functional structure;
  - using Group tools and methodologies to oversee the set up and monitoring of the internal control systems that ensure that the financial information we report remains reliable; and
  - implementing the corporate accounting and management information systems and adapting them to the specific needs of each unit.

  In order to preserve their independence, each local controller reports hierarchically to the head of the entity or country in which they exercise their responsibilities (CEO) and functionally to the head of the Group's Financial Accounting and Control division.

Moreover, the CAO presents the financial information to the audit committee at least quarterly, giving explanations of the main criteria used to make estimates, assessments and significant judgements.

General Code of Conduct, Canal Abierto and training

General Code of Conduct (GCC)

The Group's GCC sets out board approved guidelines on employees' conduct. Moreover, it dictates guidelines in relation to accounting standards and financial reporting.

All of the Group's employees, including directors, sign up to the GCC when they join Santander, though some are also bound to the Code of Conduct in Securities Markets and other codes of conduct specific to their area or business.

All Santander employees have access to e-learning courses on the GCC. The Compliance and Conduct function also answers employees' queries on ethics and rules in the GCC.

If anyone violates the code, the Human Resources function adopts disciplinary measures and recommends corrective action (including work sanctions), irrespective of any related civil or criminal sanctions.

For more details, see section 7.1 'Conduct standards' in the 'Responsible Banking' chapter.

Canal Abierto

Banco Santander's ethical channel is called Canal Abierto, where anyone linked to Grupo Santander can confidentially and, if desired, anonymously, report crimes, internal rule violations, financial and accounting misdemeanours (according to the SOx Act), and regulatory infringements. It can also be used to report breaches of our GCC and corporate behaviours.

The board of directors is responsible for implementing Canal Abierto, while the audit committee and the risk supervision, regulation and compliance committee jointly supervise the channel depending on the subject of the complaint. The SOx act gives authority to the audit committee to supervise whistleblowing channels in matters that fall under its remit (financial and accounting, including those related to auditing), while the supervision of reports of breaches of regulatory requirements, corporate behaviours and the internal governance system falls on the risk, regulation and compliance committee.

For more details on the number and type of complaints filed on Canal Abierto, see section 7.2 'Ethical channels' in the 'Responsible Banking' chapter.

Training

Group employees who help prepare or analyse financial information take part in training programmes and regular refresher courses specifically designed to teach them the concepts and skills they require to discharge their duties properly.

The functions that prepare our ICFR promote, design and oversee these programmes and courses, with support from the Human Resources function.

Training takes the form of both e-learning and on-site sessions that the Human Resources function monitors and oversees to guarantee that employees duly complete them and understand their contents.

Training programmes and refresher courses on financial reporting in 2023 focused on: (i) risk analysis and management; (ii) accounting and financial statement analysis; (iii) the business, banking and the financial environment; (iv) financial management, costs and budgeting; (v) mathematical skills; and (vi) calculations and statistics.

31,900 employees from several units and markets where Grupo Santander operates undertook the mentioned training programmes. Over 434,000 training hours were spent at the corporate centre in Spain and remotely via e-learning. Moreover, each subsidiary has its own training plan, based on Banco Santander's.

8.2 Risk assessment in financial reporting

Grupo Santander has a specific process to identify the companies that must be included in its scope of consolidation, which the Financial Accounting and Control division and the General Secretariat division oversee.

This process enables us to identify the entities that Grupo Santander controls through voting rights that grant direct or indirect ownership of their capital and through mutual funds, securitization funds, structured entities and other means. We analyse whether the Group has control over an entity, whether it has rights to the variable returns of the entity or is exposed to them, and whether it can influence the amount of such variable returns. If the Group is considered to have control, the entity is included in the scope of consolidation under the global integration method.

Otherwise, we analyse whether there is significant influence or joint control. If so, the entity is also included in the scope of consolidation and is measured using the equity method.

Entities with the greatest impact on the preparation of the Group's financial information, must use a common ICS methodology to make sure that relevant controls are included and all significant risks to financial reporting are covered.

The Group's ICS complies with the strictest international standards, particularly the guidelines of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) under its last published framework in 2013, which covers control targets for effective and efficient operations, reliable financial reporting and regulatory compliance.

Risk identification considers all the Group's activities, not just the risks directly related to the preparation of the Group's financial information.

Identifying potential risks that must be covered by the ICS is based on top management's knowledge and understanding of the business and its operations in relative to the importance and qualitative criteria associated with the type, complexity or structure of the business.

Banco Santander ensures that controls are in place to cover risks of errors and fraud in financial reporting, such as (i) the existence of assets, liabilities and transactions at the relevant date; (ii) timely and correct recording and proper valuation of assets, liabilities and transactions; and (iii) the correct application of accounting principles and rules, as well as appropriate breakdowns.

The main features of the Group's ICS are:

- It is a corporate model that involves the entire organizational structure under a direct set of individual responsibilities.
- Management of the documents is decentralized to the various units, while coordination and monitoring falls to the Non-financial risk control area, which sets general criteria and guidelines to standardize procedure documents, control assessments, criteria for classifying potential deficiencies and regulatory adaptations.
- It is a global model primarily aimed at documenting activities to produce consolidated financial information and other procedures carried out by each Group entity's support areas that, without having a direct impact on the accounts, could lead to possible losses or contingencies in the event of incidents, errors, breaches of regulations or fraud.
- It is a dynamic model that is under constant development in order to reflect the reality of the Group's business, risks and controls to mitigate them.
- It produces comprehensive documents on the processes within its scope and includes detailed descriptions of operations, assessment criteria and reviews.

All ICS documents for the Group's companies can be found on a corporate app that enables us to check risk assessment procedures and the effectiveness of controls.

8.3 Control activities

Revision and approval of financial information

The audit committee and the board of directors oversee the preparation, submission and integrity of the financial information required of Banco Santander and the Group. They also review compliance with regulatory requirements, the scope of consolidation and the correct application of accounting standards, ensuring that financial information remains permanently updated on our corporate website.

The audit committee is responsible for reporting to the board on the financial information that the Group must publish, ensuring that it is prepared in accordance with the same principles and practices as the financial statements and is as equally reliable so the board can adopt the corresponding resolutions.

The most significant aspects we consider when closing accounts and reviewing relevant judgements, estimates, measurements and projections are:

- Impairment losses on certain assets.
- The assumptions used in the actuarial calculation of post-employment benefit liabilities and other obligations.
- The useful life of tangible and intangible fixed assets.
- The valuation of consolidation goodwill.
- The calculation of provisions and contingent liabilities.
- The fair value of certain unquoted assets and liabilities.
- The recoverability of tax assets.
- The fair value of acquired identifiable assets and the liabilities assumed in business combinations.

Moreover, the Non-financial risk control area put in place continuous monitoring mechanisms to verify that the ICS is functioning correctly and to pinpoint and manage potential changes in the Group's control environment. In particular, the Non-financial risk control area prepares detailed information on the Group's control environment and the progress of the main mitigation plans in place every quarter, which it makes available to the internal control forums.

The Non-financial risk control area presents the conclusions annually of its assessments to the audit committee alongside the Financial Accounting and Control division and, where applicable, the representatives of the divisions and companies in question, prior to submission to the risk supervision, regulation and compliance committee. Moreover, once it completes its assessment, the Non-financial risk control area provides the audit committee with at least one update on the ICS's status.

As additional information, the audit committee receives a report that includes the main conclusions from the units' ICS assessments and the main deficiencies identified, indicating whether they have been appropriately resolved or what plans are in place for their satisfactory resolution, as well as supporting evidence for the CEO, CFO and CAO to verify the ICS's effectiveness.

Internal control policies and procedures for financial IT systems

The Technology and Operations division draws up the Group's corporate policies on IT systems that are used directly or indirectly to prepare financial statements. These systems follow special internal controls to prepare and publish financial information correctly.

The internal control policies on the following aspects are of particular importance:

- Updated and divulged internal policies and procedures for system security and access to applications and computer systems according to the duties assigned to a role, to make sure access to information is appropriate and to protect the confidentiality, availability and integrity of financial information from cyber attacks.
- The methodology we use when creating, modifying and maintaining apps follows a cycle of definition, development and testing that ensures we process financial information correctly. We have special development and security controls that include coding, data access, testing, vulnerability management, and other mechanisms. For more details on cybersecurity, see section 5 'Research, development and innovation (R+D+I)' in the Economic and Financial Review chapter.
- Once applications are developed according to regularly defined requirements (detailed documentation of processes to be implemented), they are run through comprehensive tests by a specialist development laboratory.

- Before they are rolled out, a complete software testing cycle is run in a pre-production computerized environment that simulates real situations. Testing includes technical and functional tests, performance tests, user-acceptance tests and pilot and prototype tests, which are defined by the entities before the apps become available to end users.

- The Group's business continuity plans for key functions in disasters or other events that could suspend or disrupt operations, as well as highly automated back-up systems that support critical systems and require little manual intervention owing to redundant systems, high availability systems and redundant communication lines.

Internal control policies and procedures for outsourced activities and valuation services from independent experts

The Group has an action framework and specific policies and procedures to cover outsourcing risks properly.

The Group must adhere to this framework, which meets the EBA's requirements for outsourcing and risk management with third parties.

It consists of:

- tasks to initiate, record, process, settle, report and account for transactions and asset valuations;

- IT support in terms of software development, infrastructure maintenance, incident management, security and processing; and

- other material support services that are not directly related to financial reporting, such as vendor management, property management, HR management and others.

Key control procedures include:

- documenting relations between Group companies with comprehensive service agreements.

- documenting and validating by the Group's service providers of processes and controls for the services that the Group´s vendors perform; and

- external suppliers undergoing an approval process to ensure that the relevant risks associated with the services they provide remain within acceptable levels, in accordance with the Group's risk appetite.

Grupo Santander reviews estimates internally according to its control model guidelines. It will hire the services of a third party to help with specific matters upon confirming their expertise and independence and approving their methods and rationale of assumptions though relevant procedures.

Moreover, specific controls make sure information for external suppliers of services that could affect the financial statements is accurately and comprehensively detailed in service level agreements.

8.4 Information and communication

Group accounting policies

Accounting policies should be understood as a complement to local financial and accounting rules. Their overarching aims are (i) for statements and financial information to be made available to management bodies, supervisors and the market provide accurate and reliable information for decision-making in relation to the Group; and (ii) for all Group entities (due to their accounting ties to Banco Santander) to meet their legal requirements in a timely manner.

The Accounting regulation area of the Financial Accounting and Control division is responsible for:

- setting the general framework for the treatment of the transactions that constitute Banco Santander's activity, in accordance with their economic nature and the regulations governing the financial system.

- drawing up and keeping up to date the Group's accounting policies and resolving any queries or conflicts arising from their interpretation; and

- enhancing and standardizing the Group's accounting practices.

The corporate accounting and financial reporting and management framework sets out the principles and guidelines to prepare accounting, financial and management information that must apply to all Grupo Santander entities as a key element of their good governance.

The Group's structure makes it necessary for these principles and standard guidelines to be common for their application across our footprint, and for each of the Group entities to have effective consolidation methods and employ homogeneous accounting policies. The framework's principles are adequately reflected in the Group's accounting policies.

Accounting policies are revised at least once a year and on the back of key regulatory amendments. Moreover, every month, the Accounting Policies area publishes an internal bulletin on new accounting regulation and their most significant interpretations.

The Group entities, through their operations or accounting heads, maintain open communication with the Accounting regulation area and the rest of the Financial Accounting and Control division, as well as other divisions when appropriate.

Mechanisms for the preparation of financial information

The production, revision and approval of financial information and a description of our ICFR are documented in a corporate tool that integrates the control model into risk management, including a description of activities, risks, tasks and controls associated with all operations that may have a significant effect on the financial statements. These documents cover recurrent banking operations and one-off transactions and aspects related to judgements and estimates to correctly record, analyse, present and breakdown financial information.

Regarding financial statement consolidation, to minimize operational risk and maximize the quality of information, the Group developed IT tools to channel the flow of information between the units and the Financial Accounting and Control division and carries out consolidation based on the information provided.

This process is automated end to end, with controls that enable us to detect incidents during consolidation. Moreover, the Financial Accounting and Control division exercises further supervisory and analytical control, which is set out in formal documents and carried out and reviewed under set time frames.

8.5 Monitoring of system functioning

2023 ICFR monitoring activities and results

The board of directors approved an internal audit framework that details the function and how it should conduct its work.

The Internal Audit function reports to the audit committee and periodically, at least twice a year, to the board of directors. As an independent unit, it also has direct access to the board when required.

Internal Audit assesses:

- the efficiency and effectiveness of the ICFR;
- compliance with applicable regulations and supervisory requirements;
- the reliability and integrity of financial and operational information; and
- asset integrity.

Its scope of action includes:

- all entities over which the Group exercises effective control;
- separated assets (for example, mutual funds) managed by the entities mentioned in the previous section; and
- any entity (or separated assets) not included in the above points with which the Group has entered into an agreement to provide internal audit functions.

This subjective scope includes, our activities, businesses and processes (performed internally or through outsourcing), the organization and, where applicable, branch networks. Internal Audit may also conduct audits for other investees that are not included in the preceding points when the Group has reserved this right as a shareholder, as well as on outsourced activities in accordance with the established agreements.

The audit committee supervises the Group's Internal Audit function. See section 4.5 'Audit committee activities in 2023'.

As at 2023 year-end, Internal Audit had 1,227 employees, all exclusively dedicated to this service. Of these, 274 were based at the Corporate Centre and 953 in the local units located in the Group´s core markets, all with exclusive dedication.

Every year, Internal Audit prepares an audit plan based on a risk self-assessment and is solely responsible for executing the plan. Reviews may lead to recommendations, which are prioritized in accordance with their relative importance and are continuously monitored until full implementation.

At its meeting on 17 February 2023, the audit committee reviewed the 2023 audit plan, which was reported to, and approved by, the board at its meeting on 23 February 2023.

The internal audit report on the ICFR review aimed to:

- verify compliance with the provisions contained in sections 302, 404, 406, 407 and 806 of the SOx Act;
- check corporate governance with regard to information relating to the internal control system for financial reporting, including risk culture;
- review the functions performed by the internal control departments and by other departments, areas and divisions that work to ensure compliance with the SOx Act;
- make sure the supporting documentation relating to the SOx Act is up to date;
- confirm the effectiveness of a sample of controls based on an internal audit risk assessment methodology;
- assess the accuracy of the unit's certifications, especially their consistency with respect to the observations and recommendations made by Internal Audit, the external auditors of the annual accounts and supervisors; and
- ratify the implementation of recommendations made in the audit plan.

In 2023, the audit committee and the board of directors were informed of the Internal Audit function's work in accordance with its annual plan, as well as and of other related matters. See section 4.5 'Audit committee activities in 2023'.

Detection and management of deficiencies

The audit committee oversees to supervise the financial reporting process and the internal control systems. It is responsible for discussing any significant weaknesses detected in the audit with the external auditor.

The audit committee also assesses the results of the work of the Internal audit unit and may take the necessary measures to correct any deficiencies identified in the financial information, that may impact on the reliability and accuracy of the financial statements. It may ask other areas of the Group involved in the process for vital information and clarification. The committee also assesses the potential impact of any errors detected in the financial information.

In 2023, the audit committee was informed of the ICS assessment and certification for the 2022 financial year. See section 4.5 'Audit committee activities in 2023'.

8.6 External auditor report

The external auditor issued an independent reasonable assurance report on the design and effectiveness of our ICFR .

The report is included on the following pages.

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

Independent reasonable assurance report on the design and effectiveness of Internal Control over Financial Reporting (ICFR)

To the Board of Directors of Banco Santander, S.A.:

We have carried out a reasonable assurance engagement of the design and effectiveness of the Internal Control over Financial Reporting (hereinafter, ICFR) and the description that is included in the attached Report that forms part of the corresponding section of the Annual Corporate Governance Report of Banco Santander, S.A., (hereinafter, Banco Santander or the Parent Company) and its subsidiaries (hereinafter, the Group or Grupo Santander) as at December 31, 2023. This system is based on the criteria and policies defined by the Banco Santander S.A., in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "*Internal Control-Integrated Framework*" report, in its most recent framework published in 2013.

An Internal Control over Financial Reporting is a process designed to provide reasonable assurance over the reliability of financial information in accordance with the applicable financial reporting framework and includes those policies and procedures that: (i) enable the records reflecting the transactions performed to be kept accurately and with a reasonable level of detail; (ii) provide reasonable assurance as to the proper recognition of transactions to make it possible to prepare the financial information in accordance with the accounting principles and standards applicable to it and (iii) provide reasonable assurance in relation to the prevention or timely detection of unauthorized acquisitions, use or sales assets that could have material effect on the financial information.

Inherent limitations

In this regard, it should be borne in mind that, given the inherent limitations of any system of Internal Control over Financial Reporting, regardless of the quality of the design and operation of the system, it can only allow reasonable, but not absolute security, in relation to the objectives it pursues, which may lead to errors, irregularities or fraud that may not be detected. On the other hand, the projection to future periods of the evaluation of internal control is subject to risks such as such internal control being inadequate as a result of future changes in the applicable conditions, or that in the future the level of compliance of the established policies or procedures may be reduced.

Director's responsibility

The Parent Company's Directors are responsible for taking the necessary measures to reasonably guarantee the implementation, maintenance and supervision of an adequate Internal Control over Financial Reporting, as well as the evaluation of its effectiveness, the development of improvements of ICFR and the preparation and establishment of the content of the attached information relating to the ICFR.

Our Responsibility

Our responsibility is to issue a reasonable assurance report on the design and effectiveness of the Internal Control over Financial Reporting of the Banco Santander, based on the work we have performed and on the evidence we have obtained. We have performed our reasonable assurance engagement in accordance with "International Standard on Assurance Engagements 3000 (ISAE 3000)" (Revised), "Assurance Engagements other than Auditing or Reviews of Historical Financial Reporting", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

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Banco Santander, S.A. and its subsidiaries

A reasonable assurance report includes the understanding of the Internal Control over Financial Reporting, assessing the risk of material weaknesses in the internal control, that the controls are not properly designed or they do not operate effectively, the execution of tests and evaluations on the design and effective implementation of this ICFR, based on our professional judgment, and the performance of such other procedures as may be deemed necessary.

We believe that the evidence we have obtained provides a sufficient and adequate basis for our opinion.

Our Independence and quality management

We have complied with the independence requirements and other ethical requirements of the Accounting Professionals Code of Ethics (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality, and professional behavior.

Our firm applies the International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a quality management system that includes policies or procedures related to compliance with ethical requirements, professional standards and requirements. applicable laws and regulations.

Opinion

In our opinion, Banco Santander maintained as at December 31, 2023, in all material respects, a system of Internal Control relating to Financial Reporting included in the consolidated financial statements of the Banco Santander, S.A. as at December 31, 2023 effective, which is based on the criteria and the policies defined by the Parent Company's management in accordance with the guidelines established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its "*Internal Control - Integrated Framework*" report, in its most recent framework published in 2013.

In addition, the description of the ICFR Report that is attached and included in the corresponding section of the Annual Corporate Governance Report of Banco Santander as at December 31, 2023, has been prepared, in all material respects, in accordance with the requirements established by article 540 of the Consolidated Text of the Capital Companies Act and with the Circular 5/2013 of June 12 of the CNMV, and subsequent amendments, the most recent being Circular 3/2021, of September 28, of the CNMV for the purposes of describing the ICFR in the Annual Reports of Corporate Governance.

This work does not constitute an audit of accounts nor is it subject to the regulations governing the activity of the audit in force in Spain, so we do not express any audit opinion in the terms provided in the aforementioned regulations. However, we have audited under separate engagement, in accordance with the regulations governing the audit activity in force in Spain, the consolidated financial statements of Grupo Santander prepared by the Parent Company's Directors in accordance with the International Financial Reporting Standards adopted by the European Union and other provisions of the financial reporting standards applicable to the Group, and our report dated February 19, 2024 expresses a favorable opinion on those consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Julián González Gómez

February 19, 2024

9. Other corporate governance information

Since 12 June 2018, CNMV allows the annual corporate governance and directors' remuneration reports Spanish listed companies must submit to be drafted in a free format, which is what we selected for our corporate governance and directors' remuneration reports since 2018.

The CNMV requires any issuer opting for a free format to provide certain information in a format it dictates so that it can be aggregated for statistical purposes. This information is included (i) for corporate governance matters, under section 9.2 'Statistical information on corporate governance required by the CNMV', which also covers the section 'Degree of compliance with corporate governance recommendations', and (ii) for remuneration matters, under section 9.5 'Statistical information on remuneration required by the CNMV'.

Some shareholders or other stakeholders may be used to the formats of the corporate governance and directors' remuneration reports set the by the CNMV. Therefore, each section under this format in sections 9.1 'Reconciliation with the CNMV's corporate governance report model' and 9.4 'Reconciliation to the CNMV's remuneration report model' include a cross reference indicating where this information may be found in the 2022 annual corporate governance report (drafted in a free format) and elsewhere in this annual report.

We have normally completed the 'comply or explain' section for all recommendations in the Spanish Corporate Governance Code to clearly show the ones we complied with, and explain the ones we partially complied or failed to comply with. In section 9.3 'References on compliance with recommendations of Spanish Corporate Governance Code', we have included a chart with cross-references showing where information supporting each response can be found in this corporate governance chapter and elsewhere in this annual report.

9.1 Reconciliation with the CNMV's corporate governance report model

Section in the CNMV model	Included in statistical report	Comments
A. OWNERSHIP STRUCTURE		
A.1	Yes	See sections 2.1 'Share capital', 3.2 'Shareholder rights' and 9.2 'Statistical information on corporate governance required by the CNMV'.
A.2	Yes	See section 2.3 'Significant shareholders' and 9.2 'Statistical information on corporate governance required by the CNMV'.
A.3	Yes	See 'Tenure and equity ownership' in section 4.2 and section 9.2 'Statistical information on corporate governance required by the CNMV'.
A.4	No	See section 2.3 'Significant shareholders' where we explain there are no significant shareholders on their own account so this section does not apply.
A.5	No	See section 2.3 'Significant shareholders' where we explain there are no significant shareholders on their own account so this section does not apply.
A.6	No	See section 2.3 'Significant shareholders' where we explain there are no significant shareholders on their own account so this section does not apply.
A.7	Yes	See sections 2.4 'Shareholders' agreements' and 9.2 'Statistical information on corporate governance required by the CNMV'.
A.8	Yes	Not applicable. See section 9.2 'Statistical information on corporate governance required by the CNMV'.
A.9	Yes	See section 2.5 'Treasury shares' and 9.2 'Statistical information on corporate governance required by the CNMV'.
A.10	No	See sections 2.2 'Authority to increase capital' and 2.5 'Treasury shares'.
A.11	Yes	See section 9.2 'Statistical information on corporate governance as required by the CNMV'.
A.12	No	See section 'Voting rights and unrestricted share transfers' in section 3.2.
A.13	No	See section 3.2 'Shareholder rights'.
A.14	Yes	See sections 2.6 'Stock market information' and 9.2 'Statistical information on corporate governance as required by the CNMV'.

Section in the CNMV model	Included in statistical report	Comments
B. GENERAL SHAREHOLDERS' MEETING		
B.1	No	See 'Quorum and majorities for passing resolutions at general meeting' in section 3.2.
B.2	No	See 'Quorum and majorities for passing resolutions at general meeting' in section 3.2.
B.3	No	See 'Rules for amending our Bylaws' in section 3.2.
B.4	Yes	See 'Quorum and attendance' in section 3.4, in relation to financial year 2023, and section 9.2 'Statistical information on corporate governance required by the CNMV', in relation to the financial 2021, 2022 and 2023 year.
B.5	Yes	See 'Approved resolutions and voting results' in section 3.4.
B.6	Yes	See 'Participation at general meetings' in section 3.2 and section 9.2 'Statistical information on corporate governance required by the CNMV'.
B.7	No	See 'Quorum and majorities for passing resolutions at general meeting' in section 3.2.
B.8	No	See 'Corporate website' in section 3.1.
C. MANAGEMENT STRUCTURE		
C.1 Board of directors		
C.1.1	Yes	See 'Size' in section 4.2.
C.1.2	Yes	See sections 1.1 'Board skills and diversity', 4.1 'Our directors, 'Tenure and equity ownership' in section 4.2, and section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.3	Yes	See sections 2.4 'Shareholders' agreements', 4.1 'Our directors', 'Composition by director type' in section 4.2, 'Duties and activities in 2023' in section 4.6 and section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.4	Yes	See 'Diversity' and 'Board skills and diversity matrix' in section 4.2, in relation to financial year 2023, and section 9.2 'Statistical information on corporate governance required by the CNMV', in relation to the remaining financial years.
C.1.5	No	See 'Diversity' in section 4.2 and 'Duties and activities in 2023' in section 4.6.
C.1.6	No	See 'Diversity' in section 4.2 and 'Duties and activities in 2023' in section 4.6 and, regarding top executive positions, see 4 'Acting responsibility towards employees' in 'Responsible banking' chapter.
C.1.7	No	See 'Duties and activities in 2023' in section 4.6.
C.1.8	No	Not applicable, since there are no proprietary directors. See 'Composition by type of director' in section 4.2.
C.1.9	No	See 'Functions' in section 4.4.
C.1.10	No	See section 4.1 'Our directors'.
C.1.11	Yes	See sections 4.1 'Our directors' and 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.12	Yes	See 'Board and committee preparation and attendance' in section 4.3.
C.1.13	Yes	See sections 6. 'Remuneration' and 9.2 'Statistical information on corporate governance required by the CNMV'. Additionally, see Note 5) in the 'Notes to the consolidated financial statements'.
C.1.14	Yes	See sections 5. 'Senior management team' and 9.2 'Statistical information on corporate governance required by the CNMV'. Additionally, see note 5) in the 'Notes to the consolidated financial statements'.
C.1.15	Yes	See 'Board regulation' in section 4.3.
C.1.16	No	See 'Election, appointment, re-election and succession of directors' in section 4.2.
C.1.17	No	See 'Board effectiveness review and actions to continuously improve' in section 1.2 and 'Board effectiveness review in 2023' in section 4.3.
C.1.18	No	See 'External consultant independence' in section 4.3.
C.1.19	No	See 'Election, appointment, re-election and succession of directors' in section 4.2.
C.1.20	No	See 'Board operation' in section 4.3.
C.1.21	Yes	Not applicable since there are no specific requirements, other than those applying to directors generally, to be appointed chair. See section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.22	No	See 'Diversity' in section 4.2.
C.1.23	Yes	See 'Election, appointment, re-election and succession of directors' in section 4.2 and section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.24	No	See 'Board operation' in section 4.3.
C.1.25	Yes	See 'Lead Independent Director' and 'Board and committee preparation and attendance' in section 4.3, 'Duties and activities in 2023' in sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10 and section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.26	Yes	See 'Board and committee preparation and attendance' in section 4.3, section 4.6 'Nomination committee activities in 2023' and section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.27	Yes	See section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.28	No	See 'Duties and activities in 2023' in section 4.5.

Section in the CNMV model	Included in statistical report	Comments
C.1.29	Yes	See section 4.1 'Our directors', 'Secretary of the board' in section 4.3 and section 9.2 'Statistical information on corporate governance as required by the CNMV'.
C.1.30	No	See section 3.1 'Shareholder communication and engagement'and 'External auditor independence' in section 4.5.
C.1.31	Yes	See 'Re-election of the external auditor' in section 4.5.
C.1.32	Yes	In accordance with the CNMV's instructions, see 'External auditor independence' in section 4.5 and sub-section C.1.32 of section 9.2 'Statistical information on corporate governance required by the CNMV'. Per the CNMV's instructions on preparing annual reports on corporate governance, sub-section C.1.32 provides the fee ratios of non-audit services to total audit services, with these differences in the ratio set out in Regulation (EU) No 537/2014 that is included in section 4.5 'Audit committee activities in 2023': (a) the ratios in sub-section C.1.32 have two perimeters to the one established by Regulation (EU) No 537/2014: fees for the approved services to be performed by PricewaterhouseCoopers Auditores, S.L. (PwC) for Banco Santander and fees for the approved services to be performed by PwC and other firms in its network for all other Grupo Santander entities, in and outside Spain; and (b) the ratios' denominator is the fees amount for audit services in 2022 and not the average fee value from the past three consecutive years that Regulation (EU) No 537/2014 dictates.
C.1.33	Yes	See section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.34	Yes	See section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.1.35	Yes	See 'Board operation' and 'Committee operation' in section 4.3.
C.1.36	No	See 'Election, appointment, re-election and succession of directors' in section 4.2.
C.1.37	No	Not applicable. See 'Duties and activities in 2023' in section 4.6.
C.1.38	No	Not applicable.
C.1.39	Yes	See sections 6.4 'Directors' remuneration policy for 2024, 2025 and 2026', 6.7 'Prudentially significant disclosures document' and 9.2 'Statistical information on corporate governance required by the CNMV'.
C.2 Board committees		
C.2.1	Yes	See 'Structure of board committees' and 'Committee operation' in section 4.3, sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.9, 4.10 and 9.2 'Statistical information on corporate governance required by the CNMV'.
C.2.2	Yes	See section 9.2 'Statistical information on corporate governance required by the CNMV'.
C.2.3	No	See 'Board regulation' and 'Structure of board committees', 'Committee operation' in section 4.3 and 'Duties and activities in 2023' in sections 4.4, 4.5, 4.6, 4.7, 4.8, 4.9 and 4.10.
D. RELATED PARTY AND INTRAGROUP TRANSACTIONS		
D.1	No	See 'Related-party transactions' in section 4.12.
D.2	Yes	Not applicable. See 'Related-party transactions' in section 4.12.
D.3	Yes	Not applicable. See 'Related-party transactions' in section 4.12.
D.4	Yes	See section 9.2 'Statistical information on corporate governance required by the CNMV'.
D.5	Yes	Not applicable. See 'Related-party transactions' in section 4.12.
D.6	No	See 'Other conflicts of interest' in section 4.12.
D.7	Yes	Not applicable. See section 2.3 'Significant shareholders' and 'Other conflicts of interest' in section 4.12.
E. CONTROL AND RISK MANAGEMENT SYSTEMS		
E.1	No	See chapter 'Risk, compliance & conduct management', in particular section 2.'Risk management and control model' and sections 1.2 'Impacts, risks and opportunities', 2.3 'Risk management' and 7.1.4 'Principles of action in tax matters' in the 'Responsible banking' chapter.
E.2	No	See note 54 to the consolidated financial statements, section 2.3 'Risk and compliance governance' in the 'Risk, compliance & conduct management' chapter. See also sections 1.2 'Impacts, risks and opportunities', 2.2 'Governance' and 7.1.4 'Principles of action in tax matters' in the 'Responsible banking' chapter.
E.3	No	See sections 2.2 'Key risk types', 3. 'Credit risk', 4. 'Market, structural and liquidity risk', 5. 'Capital risk', 6. 'Operational risk', 7. 'Compliance and conduct risk', 8. 'Model risk', 9. 'Strategic risk' and 10. 'ESG risk factors' in the 'Risk, compliance & conduct management' chapter. See also the 'Responsible banking' chapter and, for our capital needs, see section 3.5 'Capital management and adequacy. Solvency ratios' of the 'Economic and financial review' chapter.
E.4	No	See section 2.4. 'Management processes and tools' in the 'Risk, compliance & compliance management' chapter and sections 1.2 'Impacts, risks and opportunities', 2.3 'Risk management' and 7.1.4 'Principles of action in tax matters' in the 'Responsible banking' chapter.
E.5	No	See 3. 'Credit risk', 4. 'Market, structural and liquidity risk', 5. 'Capital risk', 6. 'Operational risk', 7 'Compliance and conduct risk', 8 .'Model risk', 9. 'Strategic risk' and in 10.'ESG risk factors' the 'Risk, compliance & conduct management' chapter. Additionally, see note 25e) in the 'Notes to the consolidated financial statements'.
E.6	No	See sections 2.'Risk management and control model', 3. 'Credit risk', 4. 'Market, structural and liquidity risk', 5. 'Capital risk', 6. 'Operational risk', 7. 'Compliance and conduct risk', 8. 'Model risk', 9. 'Strategic risk' and 10.'ESG risk factors' in the 'Risk, compliance & conduct management' chapter. See also sections 2.2 'Governance' and 2.3 'Risk management' in the in the 'Responsible banking' chapter.

Section in the CNMV model	Included in statistical report	Comments
F. ICFRS		
F.1	No	See section 8.1 'Control environment'.
F.2	No	See section 8.2 'Risk assessment in financial reporting'.
F.3	No	See section 8.3 'Control activities'.
F.4	No	See section 8.4 'Information and communication'.
F.5	No	See section 8.5 'Monitoring of system functioning'.
F.6	No	Not applicable.
F7	No	See section 8.6 'External auditor report'.
G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS		
G	Yes	See 'Degree of compliance with the corporate governance recommendations' in section 9.2 and section 9.3 'References on compliance with recommendations of Spanish Corporate Governance Code'.
H. OTHER INFORMATION OF INTEREST		
H	No	See 'Board regulation' in section 4.3. Banco Santander also complies with the Polish Code of Best Practices, except in areas where regulation is different in Spain and Poland. In addition, see sections 7. 'Business conduct' and 9.2 'Main internal regulations and governance', in particular, 9.1 'Stakeholder engagement', in the Responsible banking chapter.

9.2 Statistical information on corporate governance required by the CNMV

Unless otherwise indicated all data as of 31 December 2023.

A. OWNERSHIP STRUCTURE

A.1 Complete the following table on share capital and the attributed voting rights, including those corresponding to shares with a loyalty vote as of the closing date of the year, where appropriate:

Indicate whether company Bylaws contain the provision of double loyalty voting:

Yes ☐ No ☑

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
30/06/2023	8,092,073,029.50	16,184,146,059	16,184,146,059

Indicate whether different types of shares exist with different associated rights:

Yes ☐ No ☑

A.2 List the direct and indirect holders of significant ownership interests at year-end, including directors with a significant shareholding:

	% of voting rights attributed to shares		% of voting rights through financial instruments		
Name or corporate name of shareholder	Direct	Indirect	Direct	Indirect	Total % of voting rights
BlackRock Inc.	0	5.08	0	0.346	5.43
Dodge & Cox	0	3.04	0	0	3.04

Details of the indirect shares:

Name or corporate name of the indirect shareholder	Name or corporate name of the direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	Total % of voting rights
BlackRock Inc.	Subsidiaries of BlackRock Inc.	5.08	0.346	5.43
Dodge & Cox	Funds and portfolios managed by Dodge & Cox	3.04	0	3.04

A.3 Give details of the participation at the close of the fiscal year of the members of the board of directors who are holders of voting rights attributed to shares of the company or through financial instruments, whatever the percentage, excluding the directors who have been identified in Section A.2 above:

Name or corporate name of director	% of voting rights attributed to shares (including loyalty votes)		% of voting rights through financial instruments		Total % of voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Ana Botín-Sanz de Sautuola y O'Shea	0.01	0.19	0.00	0.00	0.20	0.00	0.00
Héctor Grisi Checa	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Glenn Hutchins	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Antonio Álvarez Álvarez	0.02	0.00	0.00	0.00	0.02	0.00	0.00
Homaira Akbari	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Javier Botín-Sanz de Sautuola y O'Shea	0.03	0.16	0.00	0.00	0.19	0.00	0.00
Bruce Carnegie-Brown	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sol Daurella Comadrán	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Germán de la Fuente	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Henrique de Castro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gina Díez Barroso	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Luis Isasi Fernández de Bobadilla	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ramiro Mato García Ansorena	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sergio Rial	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Romana García	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pamela Walkden	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% total voting rights held by the board of directors					**0.43**		
% total voting rights represented on the board of directors					**0.77**		

Details of the indirect holding:

Name or corporate name of director	Name or corporate name of direct owner	% of voting rights attributed to shares	% of voting rights through financial instruments	Total % of voting rights	From the total % of voting rights attributed to the shares, indicate, where appropriate, the % of the additional votes attributed corresponding to the shares with a loyalty vote
–	–	–	–	–	–

A.7 Indicate whether the company has been notified of any shareholders' agreements that may affect it, in accordance with the provisions of Articles 530 and 531 of the Spanish Companies Act (LSC). If so, provide a brief description and list the shareholders bound by the agreement, as applicable:

Yes ☑ No ☐

Parties to the shareholders' agreement	% of share capital affected	Brief description of agreement	Expiry date, if applicable
Javier Botín-Sanz de Sautuola y O'Shea (directly and indirectly through Agropecuaria El Castaño, S.L.U.) Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Carmen Botín-Sanz de Sautuola y O'Shea Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.67	Transfer restrictions and syndication of voting rights as described under section 2.4 'Shareholders' agreements' of the 'Corporate governance' chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description as applicable:

Yes ☑ No ☐

Participants in the concerted action	% of share capital affected	Brief description of concerted action	Expiry date, if applicable
Javier Botín-Sanz de Sautuola y O'Shea (directly and indirectly through Agropecuaria El Castaño, S.L.U.) Emilio Botín-Sanz de Sautuola y O'Shea, Puente San Miguel, S.L.U. Ana Botín-Sanz de Sautuola y O'Shea, CRONJE, S.L.U. Nueva Azil, S.L. Carmen Botín-Sanz de Sautuola y O'Shea Paloma Botín-Sanz de Sautuola y O'Shea Bright Sky 2012, S.L.	0.67	Transfer restrictions and syndication of voting rights as described under section 2.4 'Shareholders' agreements' of the 'Corporate governance' chapter in the annual report. The communications to CNMV relating to this shareholders' agreement can be found in material facts with entry numbers 64179, 171949, 177432, 194069, 211556, 218392, 223703, 226968 and 285567 filed in CNMV on 17 February 2006, 3 August 2012, 19 November 2012, 17 October, 2013, 3 October 2014, 6 February 2015, 29 May 2015, 29 July 2015 and 31 December 2019, respectively.	01/01/2056

A.8 Indicate whether any individual or entity currently exercises control or could exercise control over the company in accordance with article 5 of the Spanish Securities Market Act. If so, identify them:

Yes ☐ No ☑

A.9 Complete the following tables on the company's treasury shares:

At year end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
286,842,316	10,973,357	1.84%

(*) Through:

Name or corporate name of the direct shareholder	Number of shares held directly
Pereda Gestión, S.A.	9,000,000
Banco Santander Río, S.A.	629,222
Banco Santander México, S.A.	1,344,135
Total:	**10,973,357**

A.11 Estimated free float:

	%
Estimated free float	**88.49**

A.14 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes ☑ No ☐

B. GENERAL SHAREHOLDERS' MEETING

B.4 Indicate the attendance figures for the general shareholders' meetings held during the financial year to which this report relates and in the two preceding financial years:

	Attendance data				
			% remote voting		
Date of General Meeting	% attending in person	% by proxy	Electronic means	Other	Total
26/03/2021	0.06	65.02	2.04	0.55	67.67
Of which free float:	0.01	64.03	2.04	0.55	66.63

	Attendance data				
			% remote voting		
Date of General Meeting	% attending in person	% by proxy	Electronic means	Other	Total
01/04/2022	0.71	65.41	2.08	0.57	68.77
Of which free float:	0.09	64.98	2.08	0.57	67.72

	Attendance data				
			% remote voting		
Date of General Meeting	% attending in person	% by proxy	Electronic means	Other	Total
31/03/2023	0.72	64.20	2.22	0.42	67.56
Of which free float:	0.06	63.73	2.22	0.42	66.43

B.5 Indicate whether in the general shareholders' meetings held during the financial year to which this report relates there has been any matter submitted to them which has not been approved by the shareholders:

Yes ☐ No ☑

B.6 Indicate whether the Bylaws require a minimum holding of shares to attend to or to vote remotely in the general shareholders' meeting:

Yes ☐ No ☑

C. MANAGEMENT STRUCTURE

C.1 Board of directors

C.1.1 Maximum and minimum number of directors provided for in the Bylaws:

Maximum number of directors	**17**
Minimum number of directors	**12**
Number of directors set by the General Meeting	**15**

C.1.2 Complete the following table with the directors' details:

Name or corporate name of director	Representative	Category of director	Position in the board	Date of first appointment	Date of last appointment	Election procedure
Ana Botín-Sanz de Sautuola y O'Shea	N/A	Executive	Chair	04/02/1989	31/03/2023	Vote in general shareholders' meeting
Héctor Grisi Checa	N/A	Executive	Chief Executive Officer	20/12/2022	31/03/2023	Vote in general shareholders' meeting
Glenn Hutchins	N/A	Independent	Lead Independent Director	20/12/2022	31/03/2023	Vote in general shareholders' meeting
José Antonio Álvarez Álvarez	N/A	Other external	Director	25/11/2014	01/04/2022	Vote in general shareholders' meeting
Homaira Akbari	N/A	Independent	Director	27/09/2016	31/03/2023	Vote in general shareholders' meeting
Javier Botín-Sanz de Sautuola y O'Shea	N/A	Other external	Director	25/07/2004	26/03/2021	Vote in general shareholders' meeting
Bruce Carnegie-Brown	N/A	Independent	Director	25/11/2014	26/03/2021	Vote in general shareholders' meeting
Sol Daurella Comadrán	N/A	Independent	Director	25/11/2014	31/03/2023	Vote in general shareholders' meeting
Henrique de Castro	N/A	Independent	Director	12/04/2019	01/04/2022	Vote in general shareholders' meeting
Germán de la Fuente	N/A	Independent	Director	01/04/2022	01/04/2022	Vote in general shareholders' meeting
Gina Díez Barroso	N/A	Independent	Director	22/12/2020	31/03/2023	Vote in general shareholders' meeting
Luis Isasi Fernández de Bobadilla	N/A	Other external	Director	03/04/2020	01/04/2022	Vote in general shareholders' meeting
Ramiro Mato García-Ansorena	N/A	Independent	Director	28/11/2017	26/03/2021	Vote in general shareholders' meeting
Belén Romana García	N/A	Independent	Director	22/12/2015	01/04/2022	Vote in general shareholders' meeting
Pamela Walkden	N/A	Independent	Director	29/10/2019	31/03/2023	Vote in general shareholders' meeting
Total number of directors				15		

Indicate any directors who have left during the financial year to which this report relates, regardless of the reason (whether for resignation or by agreement of the general meeting or any other):

Name or corporate name of director	Category of director at the time he/her left	Date of last appointment	Date of leave	Board committees he or she was a member of	Indicate whether he or she has left before the expiry of his or her term
Sergio Rial	Other external	03/04/2020	01/01/2023	–	YES

C.1.3 Complete the following tables for the directors in each relevant category:

Executive directors

Name or corporate name of director	Position held in the company	Profile
Ana Botín-Sanz de Sautuola y O'Shea	Executive Chair	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Héctor Grisi Checa	CEO	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.

Total number of executive directors	2
% of the Board	13.33

Proprietary non-executive directors

Name or corporate name of director	Name or corporate name of significant shareholder represented or having proposed his or her appointment	Profile
N/A	N/A	N/A

Total number of proprietary non-executive directors	0
% of the Board	0

Independent directors

Name or corporate name of director	Profile
Glenn Hutchins	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Homaira Akbari	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Bruce Carnegie-Brown	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Sol Daurella Comadrán	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Henrique de Castro	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Germán de la Fuente	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Gina Díez Barroso	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Ramiro Mato García-Ansorena	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Belén Romana Garcia	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.
Pamela Walkden	See section 4.1 'Our directors' in the 'Corporate governance' chapter in the annual report.

Total number of independent directors	10
% of the Board	66.67

Identify any independent director who receives from the company or its group any amount or perk other than his or her director remuneration, as a director, or who maintain or have maintained during the financial year covered in this report a business relationship with the company or any group company, whether in his or her own name or as a principal shareholder, director or senior manager of an entity which maintains or has maintained such a relationship.

In such a case, a reasoned statement from the Board on why the relevant director(s) is able to carry on their duties as independent director(s) will be included.

Name or corporate name of director	Description of the rela tionship	Reasoned statement
Sol Daurella	Business/Financing	When conducting the annual verification of the independence of directors classified as independent, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers. The committee concluded that the business relationships maintained and the funding Grupo Santander granted to companies in which Sol Daurella was a principal shareholder or director in 2023 were not significant because, among other reasons: (i) did not generate economic dependence on the companies involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) were aligned with Grupo Santander's share in the corresponding market, and (iii) did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.
Henrique de Castro	Business	When conducting the annual verification of the independence of directors classified as independent, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers. The committee concluded that the business relationships maintained between Grupo Santander and the company in which Henrique de Castro was a director in 2023 were not significant because, among other reasons they did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE and Nasdaq.
Gina Díez Barroso	Business/Financing	When conducting the annual verification of the independence of directors classified as independent, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers. The committee concluded that the business relationships maintained and the funding granted by Grupo Santander to the companies in which Gina Díez Barroso was a principal shareholder and director in 2023 were not significant because, among other reasons: (i) did not generate a situation of economic dependence on the company involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) were aligned with Grupo Santander's share in the corresponding market, and (iii) did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.
Glenn Hutchins	Financing	When conducting the annual verification of the independence of directors classified as independent, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers. The committee concluded that the funding Grupo Santander granted to the company in which Glenn Hutchins was a director in 2023 was not significant because, among other reasons: (i) did not generate economic dependence on the companies involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) was aligned with Grupo Santander's share in the corresponding market, and (iii) did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.
Belén Romana	Business/Financing	When conducting the annual verification of the independence of directors classified as independent, the nomination committee analysed the business relationships between Grupo Santander and the companies in which they are or have previously been principal shareholders, directors or senior managers. The committee concluded that the business relationships maintained and the funding Grupo Santander granted to the companies in which Belén Romana was a director in 2023 were not significant because, among other reasons: (i) did not generate economic dependence on the companies involved in view of the substitutability of this funding by other sources, whether banks or others, (ii) were aligned with Grupo Santander's share in the corresponding market, and (iii) did not reach certain comparable materiality thresholds used in other jurisdictions, e.g. NYSE, Nasdaq and the Canadian Bank Act.

Other external directors

Identify all other external directors and explain why these cannot be considered proprietary or independent directors and detail their relationships with the company, its executives or shareholders:

Name or corporate name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
José Antonio Álvarez Álvarez	Given that Mr Álvarez was the former CEO of Banco Santander until 31 December 2022, pursuant to sub-section 4.a) of article 529 *duodecies* of the Spanish Companies Act.	Banco Santander, S.A.	See section 4.1 'Our directors' in the Corporate governance chapter in the annual report.
Javier Botín-Sanz de Sautuola y O'Shea	Given that Mr Botín has been director for over 12 years, pursuant to sub-section 4. i) of article 529 *duodecies* of the Spanish Companies Act.	Banco Santander, S.A.	See section 4.1 'Our directors' in the Corporate governance chapter in the annual report.
Luis Isasi Fernández de Bobadilla	Under prudent criteria given his remuneration as non-executive Chair of Santander España's body as supervisor, unit without its own corporate identity separate to Banco Santander, pursuant to sub-sections 2 to 4 of article 529 *duodecies* of the Spanish Companies Act.	Banco Santander, S.A.	See section 4.1 'Our directors' in the Corporate governance chapter in the annual report.
Total number of other external directors			3
% of the Board			20.00

List any changes in the category of a director which have occurred during the period covered in this report.

Name or corporate name of director	Date of change	Previous category	Current category
José Antonio Álvarez Álvarez	01/01/2023	Executive	Other external

C.1.4 Complete the following table on the number of female directors at the end of each the past four years and their category:

Number of female directors					% of total directors of each category			
	FY 2023	FY 2022	FY 2021	FY 2020	FY 2023	FY 2022	FY 2021	FY 2020
Executive	1	1	1	1	50.00	50.00	50.00	33.33
Proprietary	—	—	—	—	0.00	0.00	0.00	0.00
Independent	5	5	5	5	50.00	50.00	50.00	50.00
Other external	—	—	—	—	0.00	0.00	0.00	0.00
Total:	**6**	**6**	**6**	**6**	**40.00**	**40.00**	**40.00**	**40.00**

C.1.11 List the positions of director, administrator or representative thereof, held by directors or representatives of directors who are members of the company's board of directors in other entities, whether or not they are listed companies:

Identity of the director or representative	Company name of the listed or non-listed entity	Position	Remunerated YES/NO
Ana Botín-Sanz de Sautuola y O'Shea	The Coca-Cola Company	Director	YES
Héctor Grisi Checa	Cogrimex, S.A. de C.V.	Chair	NO
Bruce Carnegie-Brown	Lloyd's of London	Chair	YES
	Cuvva Limited	Chair	YES
Javier Botín-Sanz de Sautuola y O'Shea	JB Capital Markets, S. V., S.A.U.	Chair	YES
	Inversiones Zulú, S.L.	Chair-chief executive officer	NO
	Agropecuaria El Castaño, S.L.E	Joint administrator	NO
	Inversiones Peña Cabarga, S.L.	Joint and several administrator	NO
Homaira Akbari	Landstar System, Inc.	Director	YES
	AKnowledge Partners, LLC	Chief executive officer	YES
Sol Daurella Comadrán	Coca-Cola Europacific Partners PLC	Chair	YES
	Cobega, S.A.	Representative of director	NO
	Equatorial Coca Cola Bottling Company, S.L.	Director	YES
	Cobega Invest S.L.	Joint administrator	NO
	Olive Partners, S.A.	Representative of director	NO
	Indau, S.A.R.L.	Joint and several administrator	YES
Henrique de Castro	Fiserv Inc.	Director	YES
	Stakecorp Capital, s.a.r.l.	Director	NO
Gina Díez Barroso Azcárraga	Grupo Diarq, S.A. de C.V.	Chair	NO
	Dalia Women, S.A.P.I. de C.V.	Director	NO
	Centro de Diseño y Comunicación, S.C.	Chair	NO
	Bolsa Mexicana de Valores, S.A.B. de C.V.	Director	YES
	AT&T Inc.	Director	YES
Glenn Hogan Hutchins	North Island, LL	Chair	NO
	North Island Ventures, LLC	Chair	NO
Luis Isasi Fernández de Bobadilla	Compañía de Distribución Integral Logista Holdings, S.A.	Vice Chair	YES
	Balcón del Parque, S.L.	Sole administrator	NO
	Santa Clara de C. Activos, S.L.	Director	NO
Ramiro Mato García-Ansorena	Ansorena, S.A.	Chair	NO
Belén Romana García	Werfen, S.A.	Director	YES
	Six Group AG	Director	YES
	SIX Digital Exchange AG	Chair	YES
	SDX Trading AG	Chair	YES
	Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A.	Director	YES

Indicate, where appropriate, the other remunerated activities of the directors or directors' representatives, whatever their nature, other than those indicated in the previous table.

Identity of the director or representative	Other paid activities
Bruce Carnegie-Brown	Member of investment committee of Gresham House PLC
Glenn Hogan Hutchins	Member of the international advisory board Government of Singapore Investment Corporation
	Member of the executive committee of Boston Celtics
Luis Isasi Fernández de Bobadilla	Senior Advisor of Morgan Stanley
Ramiro Mato García-Ansorena	External advisor of ACON Southern Europe Advisory, S.L.
Belén Romana García	Senior advisor of Artá Capital, S.G.E.I.C., S.A
	Academic director of the IE Leadership & Foresight Hub Programme
Pamela Walkden	Member of the advisory board of JD Haspel Limited

C.1.12 Indicate and, if applicable explain, if the company has established rules on the maximum number of directorships its directors may hold and, if so, where they are regulated:

Yes ☑ No ☐

The maximum number of directorships is established, as provided for in article 30 of the Rules and regulations of the board, in article 26 of Spanish Law 10/2014 on the ordering, supervision and solvency of credit institutions. This rule is further developed by articles 29 and subsequent of Royal Decree 84/2015 and by Rules 30 and subsequent of Bank of Spain Circular 2/2016.

C.1.13 Identify the following items of the total remuneration of the board of directors:

Board remuneration accrued in the fiscal year (EUR thousand)	28,567
Funds accumulated by current directors for long-term savings systems with consolidated economic rights (EUR thousand)	69,338
Funds accumulated by current directors for long-term savings systems with unconsolidated economic rights (EUR thousand)	0
Pension rights accumulated by former directors (EUR thousand)	46,200

C.1.14 Identify the members of the company's senior management who are non executive directors and indicate total remuneration they have accrued during the financial year:

Name or corporate name	Position (s)	
Mahesh Aditya	Group Chief Risk Officer	
Daniel Barriuso	Global Head of Retail & Commercial Banking and Group Chief Transformation Officer	
Alexandra Brandão	Group Head of Human Resources	
Juan Manuel Cendoya Méndez de Vigo	Group Head of Communications, Corporate Marketing and Research	
José Francisco Doncel Razola	Group Chief Accounting Officer	
José Antonio García Cantera	Group Chief Financial Officer	
Juan Guitard Marín	Group Chief Audit Executive	
José Maria Linares Perou	Global Head of Corporate & Investment Banking	
Mónica Lopez-Monís Gallego	Group Head of Supervisory and Regulatory Relations	
Dirk Marzluf	Group Chief Operating & Technology Officer	
Víctor Matarranz Sanz de Madrid	Global Head of Wealth Management & Insurance	
José Luis de Mora Gil-Gallardo	Group Head of Digital Consumer Bank and Group Head of Corporate Development and Financial Planning	
Jaime Pérez Renovales	Group General Counsel	
Marjolein van Hellemondt-Gerdingh	Group Chief Compliance Officer	
Number of women in senior management		3
Percentage of total senior management		21.43
Total remuneration accrued by the senior management (EUR thousand)		50,369

C.1.15 Indicate whether any changes have been made to the board's regulations during the financial year:

Yes ☑ No ☐

C.1.21 Indicate whether there are any specific requirements, other than those applying to directors generally, to be appointed Chair:

Yes ☐ No ☑

C.1.23 Indicate whether the Bylaws or the board's regulations set a limited term of office (or other requirements which are stricter than those provided for in the law) for independent directors different than the one provided for in the law.

Yes ☐ No ☑

C.1.25 Indicate the number of board meetings held during the financial year and how many times the board has met without the Chair's attendance. Attendance also includes proxies appointed with specific instructions:

Number of board meetings	15
Number of board meetings held without the Chair's attendance	0

Indicate the number of meetings held by the Lead Independent Director with the rest of directors without the attendance or representation of any executive director.

Number of meetings	5

Indicate the number of meetings of the various board committees held during the financial year.

Number of meetings of the audit committee	15
Number of meetings of the responsible banking, sustainability and culture committee	6
Number of meetings of the innovation and technology committee	4
Number of meetings of the nomination committee	13
Number of meetings of the remuneration committee	12
Number of meetings of the risk supervision, regulation and compliance committee	17
Number of meetings of the executive committee	23

C.1.26 Indicate the number of board meetings held during the financial year and data about the attendance of the directors:

Number of meetings with at least 80% of directors being present	15
% of votes cast by members present over total votes in the financial year	100
Number of board meetings with all directors being present (or represented having given specific instructions)	15
% of votes cast by members present at the meeting or represented with specific instructions over total votes in the financial year	100

C.1.27 Indicate whether the company´s consolidated and individual financial statements are certified before they are submitted to the board for their formulation.

Yes ☑ No ☐

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements prior to their formulation by the board:

Name	Position
José Francisco Doncel Razola	Group Chief Accounting Officer

C.1.29 Is the secretary of the board also a director?

Yes ☐ No ☑

If the secretary of the board is not a director fill in the following table:

Name or corporate name of the secretary	Representative
Jaime Pérez Renovales	N/A

C.1.31 Indicate whether the company has changed its external audit firm during the financial year. If so, identify the incoming audit firm and the outgoing audit firm:

Yes ☐ No ☑

C.1.32 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and express this amount as a percentage they represent of all fees invoiced to the company and/or its group.

Yes ☑ No ☐

	Company	Group companies	Total
Amount of non-audit work (EUR thousand)	9,372	10,192	19,564
Amount of non-audit work as a % of amount of audit work	35.08	13.12	18.74

C.1.33 Indicate whether the audit report on the previous year's financial statements contains a qualified opinion or reservations. Indicate the reasons given by the Chair of the audit committee to the shareholders in the general shareholders meeting to explain the content and scope of those qualified opinion or reservations.

Yes ☐ No ☑

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Individual financial statements	Consolidated financial statements
Number of consecutive years	8	8

	Company	Group
Number of years audited by current audit firm/Number of years the company's or its Group financial statements have been audited (%)	19.05	19.51

C.1.35 Indicate and if applicable explain whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies:

Yes ☑ No ☐

Procedures
Our Rules and regulations of the board foresees that members of the board and committees are provided with the relevant documentation for each meeting sufficiently in advance of the meeting date.

C.1.39 Identify, individually in the case of directors, and in the aggregate in all other cases, and provide detailed information on, agreements between the company and its directors, executives and employees that provide indemnification, guarantee or golden parachute clause in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of transaction.

Number of beneficiaries	22
Type of beneficiary	**Description of the agreement:**
Employees	The Bank has no commitments to provide severance pay to directors. A number of employees have a right to compensation equivalent to one to two years of their basic salary in the event of their contracts being terminated by the Bank in the first two years of their contract in the event of dismissal on grounds other than their own will, retirement, disability or serious dereliction of duties. In addition, for the purposes of legal compensation, in the event of redundancy a number of employees are entitled to recognition of length of service including services provided prior to being contracted by the Bank; this would entitle them to higher compensation than they would be due based on their actual length of service with the Bank itself.

Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group beyond the procedures provided for in applicable law. If applicable, specify the process applied, the situations in which they apply, and the bodies responsible for approving or communicating those agreements:

	Board of directors	General Shareholders' Meeting
Body authorising clauses	√	

	YES	NO
Is the general shareholders' meeting informed of such clauses?	√	

C.2 Board committees

C.2.1 Give details of all the board committees, their members and the proportion of executive, independent and other external directors.

Executive committee

Name	Position	Type
Ana Botín-Sanz de Sautuola y O'Shea	Chair	Executive director
Héctor Grisi Checa	Member	Executive director
José Antonio Álvarez Álvarez	Member	Other external director
Luis Isasi Fernández de Bobadilla	Member	Other external director
Ramiro Mato García-Ansorena	Member	Independent director
Belén Romana García	Member	Independent director

% of executive directors	33.33
% of proprietary directors	0.00
% of independent directors	33.33
% of other external directors	33.33

Audit committee

Name	Position	Type
Pamela Walkden	Chair	Independent director
Homaira Akbari	Member	Independent director
Henrique de Castro	Member	Independent director
Germán de la Fuente	Member	Independent director
Ramiro Mato García-Ansorena	Member	Independent director
Belén Romana García	Member	Independent director

% of executive directors	0
% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Identify those directors in the audit committee who have been appointed on the basis of their knowledge and experience in accounting, audit or both and indicate the date of appointment of the committee chair.

Name of directors with accounting or audit experience	Pamela Walkden Belén Romana García Homaira Akbari Germán de la Fuente Henrique de Castro Ramiro Mato García-Ansorena
Date of appointment of the committee chair for that position	26 April 2020

Nomination committee

Name	Position	Type
Bruce Carnegie-Brown	Chair	Independent director
Sol Daurella Comadrán	Member	Independent director
Gina Díez Barroso	Member	Independent director
Glenn Hutchins	Member	Independent director

% of executive directors	0
% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Remuneration committee

Name	Position	Type
Glenn Hogan Hutchins	Chair	Independent director
Bruce Carnegie-Brown	Member	Independent director
Sol Daurella Comadrán	Member	Independent director
Henrique de Castro	Member	Independent director
Luis Isasi Fernández de Bobadilla	Member	Other external director

% of executive directors	0
% of proprietary directors	0
% of independent directors	80.00
% of other external directors	20.00

Risk supervision, regulation and compliance committee

Name	Position	Type
Belén Romana García	Chair	Independent director
Germán de la Fuente	Member	Independent director
Luis Isasi Fernández de Bobadilla	Member	Other external director
Ramiro Mato García-Ansorena	Member	Independent director
Pamela Walkden	Member	Independent director

% of executive directors	0
% of proprietary directors	0
% of independent directors	80.00
% of other external directors	20.00

Responsible banking, sustainability and culture committee

Name	Position	Type
Ramiro Mato García-Ansorena	Chair	Independent director
Homaira Akbari	Member	Independent director
Sol Daurella Comadrán	Member	Independent director
Gina Díez Barroso	Member	Independent director
Belén Romana García	Member	Independent director

% of executive directors	0
% of proprietary directors	0
% of independent directors	100
% of other external directors	0

Innovation and technology committee

Name	Position	Type
Ana Botín-Sanz de Sautuola y O'Shea	Chair	Executive director
Homaira Akbari	Member	Independent director
José Antonio Álvarez Álvarez	Member	Other external director
Henrique de Castro	Member	Independent director
Héctor Grisi Checa	Member	Executive director
Glenn Hogan Hutchins	Member	Independent director
Belén Romana García	Member	Independent director

% of executive directors	28.57
% of proprietary directors	0.00
% of independent directors	57.14
% of other external directors	14.29

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	FY 2023		FY 2022		FY 2021		FY 2020	
	Number	%	Number	%	Number	%	Number	%
Audit committee	3	50.00	3	50.00	3	60.00	3	60.00
Responsible banking, sustainability and culture committee	4	80.00	3	75.00	3	60.00	3	60.00
Innovation and technology committee	3	42.86	3	42.86	3	42.86	3	42.85
Nomination committee	2	50.00	2	50.00	2	50.00	1	33.33
Remuneration committee	1	20.00	1	20.00	1	20.00	1	20.00
Risk supervision, regulation and compliance committee	2	40.00	2	50.00	2	40.00	1	20.00
Executive committee	2	33.33	2	33.33	2	33.33	2	33.33

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.2 Give individual details of operations that are significant due to their amount or of importance due to their subject matter carried out between the company or its subsidiaries and shareholders holding 10% or more of the voting rights or who are represented on the board of directors of the company, indicating which has been the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Not applicable.

D.3 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with the administrators or managers of the company, including those operations carried out with entities that the administrator or manager controls or controls jointly, indicating the competent body for its approval and if any affected shareholder or director has abstained. In the event that the board of directors has responsibility, indicate if the proposed resolution has been approved by the board without a vote against the majority of the independents:

Not applicable.

D.4 Report individually on intra-group transactions that are significant due to their amount or relevant due to their subject matter that have been undertaken by the company with its parent company or with other entities belonging to the parent's group, including subsidiaries of the listed company, except where no other related party of the listed company has interests in these subsidiaries or that they are fully owned, directly or indirectly, by the listed company.

In any case, report any intragroup transactions carried out with entities in countries or territories considered to be tax havens.

Corporate name of the group company	Brief description of the transaction and any other information necessary for its evaluation	Amount (EUR thousand)
The information included in this chart shows the transactions and the results obtained by the Bank in Spain and its foreign branches as of 31 December 2023 with Group entities resident in countries or territories that were considered non-cooperative jurisdictions pursuant to Spanish legislation, at such date (Law 11/2021 on measures to prevent and fight against tax fraud). These results, and the balances indicated below, were eliminated in the consolidation process. See note 3 to the 2023 consolidated financial statements for more information on offshore entities.		
Banco Santander (Brasil) S.A. (Cayman Islands Branch)	The amount shown on the right corresponds to negative results (including results due to exchange differences) relating to contracting of derivatives. The referred derivatives had a net negative market value of EUR 697 million and covered the following transactions: - 142 Non Delivery Forwards. - 175 Swaps. - 55 Cross Currency Swaps. - 24 Options. - 26 Forex.	416,850
	The amount shown on the right corresponds to negative results relating to demand deposits (liability). These deposits had a nominal value of EUR 2,311 million as of 31 December 2023.	61,906
	The amount shown on the right corresponds to positive results relating to demand deposits (asset). These deposits had a nominal value of EUR 19 million as of 31 December 2023.	22
	The amount shown on the right corresponds to positive results relating to fixed income securities-subordinated instruments (asset). This relates to the investment in November 2018 in two subordinated instruments (Tier I Subordinated Perpetual Notes and Tier II Subordinated Notes with maturity 2028, but with a full and early redemption option exercised in November 2023). Tier I Notes had an amortised cost of EUR 1,146 million as of 31 December 2023.	148,680
	The amount shown on the right corresponds to negative results relating to interests and commissions concerning correspondent accounts (liability). This relates to correspondent accounts with a credit balance of EUR 22 million as of 31 December 2023.	412
	The amount shown on the right corresponds to positive results relating to commissions received.	139

D.5 Give individual details of the operations that are significant due to their amount or relevant due to their subject matter carried out by the company or its subsidiaries with other related parties pursuant to the international accounting standards adopted by the EU, which have not been reported in previous sections.

Not applicable.

G. DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the company's compliance with the recommendations of the good governance code for listed companies.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies ☑ Explain ☐

2. When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

a) The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

b) The mechanisms established to resolve any conflicts of interest that may arise.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☑

3. During the AGM the chair of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

a) Changes taking place since the previous annual general meeting.

b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.

Complies ☑ Partially complies ☐ Explain ☐

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.

Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies ☑ Partially complies ☐ Explain ☐

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

And that whenever the board of directors approves an issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable mercantile law.

Complies ☑ Partially complies ☐ Explain ☐

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the AGM, even if their distribution is not obligatory:

a) Report on auditor independence.

b) Reviews of the operation of the audit committee and the nomination and remuneration committees.

c) Audit committee report on third-party transactions.

Complies ☑ Partially complies ☐ Explain ☐

7. The company should broadcast its general meetings live on the corporate website.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

Complies ☑ Explain ☐

8. The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chair of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Complies ☑ Partially complies ☐ Explain ☐

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies ☑ Partially complies ☐ Explain ☐

10. When a shareholder so entitled exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.

b) Disclose the standard attendance card or proxy appointment or remote voting form, duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.

c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.

d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☑

12. The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies ☑ Partially complies ☐ Explain ☐

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies ☑ Explain ☐

14. The board of directors should approve a policy aimed at promoting an appro-priate composition of the board that:

a) is concrete and verifiable;

b) ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the board; and

c) favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be pub-lished when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The nomination committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Complies ☑ Partially complies ☐ Explain ☐

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies ☑ Partially complies ☐ Explain ☐

16. The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.

This criterion can be relaxed:

a) In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.

b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies ☑ Explain ☐

17. Independent directors should be at least half of all board members.

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies ☑ Explain ☐

18. Companies should disclose the following director particulars on their websites and keep them regularly updated:

a) Background and professional experience.

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Dates of their first appointment as a board member and subsequent re-elections.

e) Shares held in the company, and any options on the same.

Complies ☑ Partially complies ☐ Explain ☐

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ Partially complies ☐ Explain ☐ Not applicable ☑

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the number of the latter should be reduced accordingly.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies ☑ Explain ☐

22. Companies should establish rules obliging directors to disclose any circum-stance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations men-tioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, de-cide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Complies ☑ Partially complies ☐ Explain ☐

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

25. The nomination committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The board rules and regulations should lay down the maximum number of company boards on which directors can serve.

Complies ☑ Partially complies ☐ Explain ☐

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Complies ☑ Partially complies ☐ Explain ☐

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Complies ☑ Partially complies ☐ Explain ☐

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minutes book if the person expressing them so requests.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.

Complies ☑ Partially complies ☐ Explain ☐

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Complies ☑ Explain ☐ Not applicable ☐

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or obtain the information they consider appropriate.

For reasons of urgency, the chair may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies ☑ Partially complies ☐ Explain ☐

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Complies ☑ Partially complies ☐ Explain ☐

33. The chair, as the person responsible for the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, of the company's chief executive officer;

exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies ☑ Partially complies ☐ Explain ☐

34. When a lead independent director has been appointed, the bylaws or the Rules and regulations of the board of directors should grant him or her the following powers over and above those conferred by law: to chair the board of directors in the absence of the chair or vice chair; to give voice to the concerns of non-executive directors; to maintain contact with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and to coordinate the chair's succession plan.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies ☑ Explain ☐

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's operation.

b) The performance and membership of its committees.

c) The diversity of board membership and competencies.

d) The performance of the chair of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chair of board committees.

The evaluation of board committees should start from the reports they send to the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the nomination committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies ☑ Partially complies ☐ Explain ☐

37. When there is an executive committee, there should be at least two non-executive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

38. The board should be kept fully informed of the matters discussed and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

39. All members of the audit committee, particularly its chair, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

Complies ☑ Partially complies ☐ Explain ☐

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chair or the chair of the audit committee.

Complies ☑ Partially complies ☐ Explain ☐

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the con-trol and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct ap-plication of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the prior-ities and annual work programme of the internal audit unit, ensur-ing that it focuses primarily on the main risks the company is ex-posed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, sharehold-ers, suppliers, contractors or subcontractors, to report irregulari-ties of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor, does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor through the CNMV, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provisions of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Complies ☑ Partially complies ☐ Explain ☐

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another manager.

Complies ☑ Partially complies ☐ Explain ☐

44. The audit committee should be informed of any structural changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

45. Risk control and management policy should identify or establish at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of con-tingent liabilities and other off-balance-sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regula-tions provide or the company deems it appropriate.

c) The level of risk that the company considers acceptable.

d) The measures in place to mitigate the impact of identified risk events should they occur.

e) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies ☑ Partially complies ☐ Explain ☐

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other specialised board committee. This internal department or unit should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies ☑ Partially complies ☐ Explain ☐

47. Members of the nomination and remuneration committee-or of the nomination committee and remuneration committee, if separately constituted - should be chosen procuring they have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies ☑ Partially complies ☐ Explain ☐

48. Large cap companies should have formed separate nomination and remuneration committees.

Complies ☑ Explain ☐ Not applicable ☐

49. The nomination committee should consult with the company's chair and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

Complies ☑ Partially complies ☐ Explain ☐

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) Propose to the board the standard conditions for senior officer contracts.

b) Monitor compliance with the remuneration policy set by the company.

c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.

d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.

e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies ☑ Partially complies ☐ Explain ☐

51. The remuneration committee should consult with the company's chair and chief executive, especially on matters relating to executive directors and senior officers.

Complies ☑ Partially complies ☐ Explain ☐

52. The rules regarding composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.

b) They should be chaired by independent directors.

c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.

d) They may engage external advice, when they feel it necessary for the discharge of their functions.

e) Meeting proceedings should be minuted and a copy made available to all board members.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies ☑ Partially complies ☐ Explain ☐

54. The minimum functions referred to in the previous recommendation are as follows:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.

b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.

e) Monitor and evaluate the company's interaction with its stakeholder groups.

Complies ☑ Partially complies ☐ Explain ☐

55. Environmental and social sustainability policies should identify and include at least:

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.

d) Channels for stakeholder communication, participation and dialogue.

e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.

Complies ☑ Partially complies ☐ Explain ☐

56. Director remuneration should be sufficient to attract and retain directors with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies ☑ Explain ☐

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement accounts or any other retirement plan should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Complies ☑ Partially complies ☐ Explain ☐

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.

b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.

c) Be focused on achieving a balance between the achievement of short, medium and long-term targets, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one off, occasional or extraordinary events.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Complies ☑ Partially complies ☐ Explain ☐ Not applicable ☐

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes ☐ No ☑

I declare that the information included in this statistical annex are the same and are consistent with the descriptions and information included in the annual corporate governance report published by the company.

9.3 References on compliance with recommendations of Spanish Corporate Governance Code

Recommendation	Comply / Explain	Information
1	Comply	See section 3.2 'Shareholder rights'.
2	Not applicable	See 'Other conflicts of interest' in section 4.12 and section 2.3 'Significant shareholders'.
3	Comply	See section 3.1 'Shareholder communication and engagement'.
4	Comply	See section 3.1 'Shareholder communication and engagement'.
5	Comply	See section 2.2 'Authority to increase capital'.
6	Comply	See sections 4.5 'Audit committee activities in 2023', 4.6 'Nomination committee activities in 2023', 4.7 'Remuneration committee activities in 2023', 4.8 'Risk supervision, regulation and compliance committee activities in 2023', 4.9 'Responsible banking, sustainability and culture committee activities in 2023', 4.10 'Innovation and technology committee activities in 2023' and 4.12 'Related-party transactions and conflicts of interest'.
7	Comply	See 'Engagement with shareholders in 2023' in section 3.1, 'Participation at general meetings' in section 3.2 and section 3.5 'Our next AGM in 2024'.
8	Comply	See 'Board regulation' in section 4.3 and section 4.5 'Audit committee activities in 2023'.
9	Comply	See 'Participation at general meetings' in section 3.2.
10	Comply	See 'Supplement to the notice and proposals resolutions' in section 3.2.
11	Not applicable	See section 3.5 'Our next AGM in 2024'.
12	Comply	See section 4.3 'Board functioning and effectiveness'.
13	Comply	See 'Size' in section 4.2.
14	Comply	See 'Diversity' and 'Election, appointment, re-election and succession of directors' in section 4.2, 'Board regulation' in section 4.3, 'Duties and activities in 2023' in section 4.6, section 5. 'Senior management team' and 'Responsible banking' chapter.
15	Comply	See section 4.2 'Board composition'.
16	Comply	See 'Composition by type of director' in section 4.2.
17	Comply	See 'Composition by type of director' and 'Election, appointment, re-election and succession of directors' in section 4.2.
18	Comply	See 'Corporate website' in section 3.1, section 4.1 'Our directors' and 'Tenure and equity ownership' in section 4.2.
19	Not applicable	See 'Composition by type of director' in section 4.2.
20	Comply	See 'Election, appointment, re-election and succession of directors' in section 4.2.
21	Comply	See 'Election, appointment, re-election and succession of directors' in section 4.2.
22	Comply	See 'Election, appointment, re-election and succession of directors' in section 4.2, 'Board regulation' in section 4.3 and 'Duties and activities in 2023' in section 4.6.
23	Comply	See 'Election, appointment, re-election and succession of directors' in section 4.2.
24	Comply	See 'Election, appointment, re-election and succession of directors' in section 4.2, 'Board's regulation' in section 4.3 and 'Duties and activities in 2023' in section 4.6.
25	Comply	See 'Board and committee preparation and attendance' in section 4.3 and 'Duties and activities in 2023' in section 4.6.
26	Comply	See 'Board operation' and 'Board and committee preparation and attendance' in section 4.3.
27	Comply	See 'Board operation', 'Committee operation' and 'Board and committee preparation and attendance' in section 4.3.
28	Comply	See 'Board operation' in section 4.3.
29	Comply	See 'Board operation' and 'Committee operation' in section 4.3.
30	Comply	See 'Director training and induction programmes' in section 4.3.
31	Comply	See 'Board operation' in section 4.3.
32	Comply	See section 3.1 'Shareholder communication and engagement' and 'Duties and activities in 2023' in section 4.6.
33	Comply	See section 4.3 'Board functioning and effectiveness'.
34	Comply	See 'Lead Independent Director' in section 4.3.
35	Comply	See 'Secretary of the board' in section 4.3.
36	Comply	See 'Board effectiveness review in 2023' in section 4.3.
37	Comply	See 'Board regulation' in section 4.3 and 'Composition' in section 4.4.
38	Comply	See 'Committee operation' in section 4.3 and section 4.4 'Executive committee activities in 2023'.
39	Comply	See 'Board regulation' in section 4.3 and 'Composition' in section 4.5.
40	Comply	See 'Duties and activities in 2023' in section 4.5 and section 8.5 'Monitoring of system functioning'.
41	Comply	See 'Board regulation' in section 4.3 and 'Duties and activities in 2023' in section 4.5.
42	Comply	See 'Board regulation' in section 4.3 and 'Duties and activities in 2023' in section 4.5.

Recommendation	Comply / Explain	Information
43	Comply	See 'Committee operation' in section 4.3.
44	Comply	See 'Duties and activities in 2023' in section 4.5.
45	Comply	See 'Board regulation' in section 4.3, 'Duties and activities in 2023' in section 4.5, 'Duties and activities in 2023' in section 4.8 and the 'Risk management and compliance' chapter.
46	Comply	See 'Duties and activities in 2023' in section 4.5,'Duties and activities in 2023' in section 4.8 and the 'Risk, compliance & conduct management'' chapter.
47	Comply	See 'Composition' in section 4.6 and 'Composition' in section 4.7.
48	Comply	See 'Structure of board committees' in section 4.3.
49	Comply	See 'Duties and activities in 2023' in section 4.6.
50	Comply	See 'Duties and activities in 2023' in section 4.7.
51	Comply	See 'Duties and activities in 2023' in section 4.7.
52	Comply	See 'Board regulation' and 'Committee operation' in section 4.3 and sections 4.8 'Risk supervision, regulation and compliance committee activities in 2023' and 4.9 'Responsible banking, sustainability and culture committee activities in 2023'.
53	Comply	See 'Board regulation' in section 4.3, 'Duties and activities in 2023' in section 4.6, 'Duties and activities in 2023' in section 4.8 and 'Duties and activities in 2023' in section 4.9.
54	Comply	See 'Board's regulation' in section 4.3, 'Duties and activities in 2023' in section 4.6, 'Duties and activities in 2023' in section 4.8 and 'Duties and activities in 2023' in section 4.9.
55	Comply	See 'Duties and activities in 2023' in section 4.9 and 'Responsible banking' chapter.
56	Comply	See sections 6.2 'Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2023', 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
57	Comply	See sections 6.2 'Remuneration of directors for supervisory and collective decision-making duties: policy applied in 2023', 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
58	Comply	See section 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
59	Comply	See section 6.3 'Remuneration of directors for executive duties'.
60	Comply	See section 6.3 'Remuneration of directors for executive duties'.
61	Comply	See section 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
62	Comply	See 'Duties and activities in 2023' in section 4.7, section 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
63	Comply	See section 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.
64	Comply	See sections 6.1 'Principles of the remuneration policy' and 6.3 'Remuneration of directors for executive duties' and 6.4 'Directors' remuneration policy for 2024, 2025 and 2026'.

9.4 Reconciliation to the CNMV's remuneration report model

Section in the CNMV model	Included in statistical report	Further information elsewhere and comments
A. Remuneration policy for the present fiscal year		
A.1	No	• See section 6.4: A.1.1, A.1.2, A.1.3, A.1.4, A.1.5, A.1.6, A.1.7, A.1.8, A.1.9, A.1.10, A.1.11 (note 5), A.1.12. • See also sections 4.7 and 6.5 for A.1.1 y A.1.6. • See 'Summary of link between risk, performance and reward' in section 6.3.
A.2	No	See section 6.4.
A.3	No	See section 6.4. See Introduction.
A.4	No	See section 6.5.
B. Overall summary of application of the remuneration policy over the last fiscal year		
B.1	No	For B.1.1, see sections 6.1, 6.2. and 6.3. For B.1.2 y B.1.3 (not applicable) see section 6.5.
B.2	No	See 'Summary of link between risk, performance and reward' in section 6.3.
B.3	No	See sections 6.1, 6.2 and 6.3.
B.4	No	See section 6.5.
B.5	No	See section 6.2 and 6.3.
B.6	No	See 'Gross annual salary' in section 6.3.
B.7	No	See 'Variable remuneration' in section 6.1, 6.2 and 6.3.
B.8	No	Not applicable.
B.9	No	See 'Main features of the benefit plans' in section 6.3.
B.10	No	See 'Other remuneration' in section 6.3.
B.11	No	See 'Terms and conditions of executive directors´ contracts' in section 6.4.
B.12	No	See section 6.3: "Remuneration of board members as representatives of Banco Santander"
B.13	No	See note 5 to the consolidated financial statements.
B.14	No	See 'Insurance and other remuneration and benefits in kind' in section 6.4.
B.15	No	See 'Remuneration of board members as representatives of the Bank' in section 6.3.
B.16	No	No remuneration for this component.
C. Breakdown of the individual remuneration of directors		
C	Yes	See section 9.5.
C.1 a) i)	Yes	See section 9.5.
C.1 a) ii)	Yes	See section 9.5.
C.1 a) iii)	Yes	See section 9.5.
C.1 a) iii)	Yes	See section 9.5.
C.1 b) i)	Yes	See section 9.5.
C.1 b) ii)	No	No remuneration for this component.
C.1 b) iii)	No	No remuneration for this component.
C.1 b) iv)	No	No remuneration for this component.
C.1 c)	Yes	See section 9.5.
C.2	Yes	See section 9.5.
D. Other information of interest		
D	No	See section 4.7

9.5 Statistical information on remuneration required by the CNMV

B. OVERALL SUMMARY OF HOW REMUNERATION POLICY WAS APPLIED DURING THE YEAR ENDED

B.4 Report on the result of the consultative vote at the general shareholders' meeting on remuneration in the previous year, indicating the number of votes in favour, votes against, abstentions and blank ballots:

	Number	% of total
Votes cast	11,116,958,970	100.00 %

	Number	% of votes cast
Votes in favour	9,886,665,679	88.93 %
Votes against	1,194,192,063	10.74 %
Blank	7,043,064	0.06 %
Abstentions	29,058,164	0.26 %

C. ITEMISED INDIVIDUAL REMUNERATION ACCRUED BY EACH DIRECTOR

Directors	Type	Period of accrual in year 2023
Ana Botín-Sanz de Sautuola y O'Shea	Executive Chair	From 01/01/2023 to 31/12/2023
Héctor Grisi Checa	CEO	From 01/01/2023 to 31/12/2023
José Antonio Álvarez Álvarez	Vice-Chair	From 01/01/2023 to 31/12/2023
Bruce Carnegie-Brown	Independent	From 01/01/2023 to 31/12/2023
Homaira Akbari	Independent	From 01/01/2023 to 31/12/2023
Javier Botín-Sanz de Sautuola y O'Shea	Other external	From 01/01/2023 to 31/12/2023
Sol Daurella Comadrán	Independent	From 01/01/2023 to 31/12/2023
Henrique de Castro	Independent	From 01/01/2023 to 31/12/2023
Gina Díez Barroso	Independent	From 01/01/2023 to 31/12/2023
Luis Isasi Fernández de Bobadilla	Other External	From 01/01/2023 to 31/12/2023
Ramiro Mato García-Ansorena	Independent	From 01/01/2023 to 31/12/2023
Belén Romana García	Independent	From 01/01/2023 to 31/12/2023
Pamela Walkden	Independent	From 01/01/2023 to 31/12/2023
Germán de la Fuente	Independent	From 01/01/2023 to 31/12/2023
Glenn Hutchins	Lead independent director	From 01/01/2023 to 31/12/2023

Comments *(Not included in the electronic submission to the CNMV)*
Glenn Hutchins was appointed as Vice Chair and Lead Independent Director with effect from 1 October 2023 replacing Bruce Carnegie-Brown in the role.

C.1 Complete the following tables on individual remuneration of each director (including the remuneration for exercising executive functions) accrued during the year.

a) Remuneration from the reporting company:

i) Remuneration in cash (thousand euros)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration[1]	Severance pay	Other grounds	Total year 2023	Total year 2022
Ana Botín-Sanz de Sautuola y O'Shea	98	45	268	3,271	2,838	361	—	525	7,406	7,227
Héctor Grisi Checa	98	44	198	3,000	1,220	—	—	—	4,560	—
José Antonio Álvarez Álvarez	128	45	198	—	714	231	—	2,460	3,776	5,700
Bruce Carnegie-Brown	203	81	292	—	—	—	—	—	576	700
Homaira Akbari	98	78	89	—	—	—	—	—	265	244
Javier Botín-Sanz de Sautuola y O'Shea	98	39	—	—	—	—	—	—	137	129
Sol Daurella Comadrán	98	77	74	—	—	—	—	—	249	230
Henrique de Castro	98	87	99	—	—	—	—	—	284	261
Gina Díez Barroso	98	68	45	—	—	—	—	—	211	172
Luis Isasi Fernández de Bobadilla	98	78	241	—	—	—	—	1,000	1,417	1,412
Ramiro Mato García-Ansorena	98	96	324	—	—	—	—	—	518	500
Belén Romana García	98	102	372	—	—	—	—	—	572	549
Pamela Walkden	98	87	156	—	—	—	—	—	341	323
Germán de la Fuente	98	87	86	—	—	—	—	—	271	137
Glenn Hutchins	193	83	96	—	—	—	—	—	372	10

Comments *(Not included in the electronic submission to the CNMV)*

The remuneration of Luis Isasi includes EUR 1,000 thousand for his role as non-executive Chair of Santander España and for Santander España board and committees meetings.
The variable remuneration only includes amounts related to the position of executive director of Banco Santander S.A.

ii) Table of changes in share-based remuneration schemes and gross profit from consolidated shares or financial instruments

		Financial instruments at start of year 2023		Financial instruments granted during 2023 year		Financial instruments consolidated during 2023				Instruments matured but not exercised	Financial instruments at end of year 2023	
Name	**Name of Plan**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares / handed over**	**Price of the consolidated shares**	**Gross profit from shares handed over or consolidated financial instruments (EUR thousand)**	**No. of instruments**	**No. of instruments**	**No. of equivalent shares**
Ana Botín Sanz de Sautuola y O'Shea	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	103,303	103,303	—	—	34,400	34,400	3.793	130	68,903	—	—
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	212,927	212,927	—	—	35,452	35,452	3.793	134	71,011	106,464	106,464
	5th cycle of deferred variable remuneration plan linked to multi-year targets (2020)	111,821	111,821	—	—	31,049	31,049	3.793	118	6,225	74,547	74,547
	6th cycle of deferred variable remuneration plan linked to multi-year targets (2021)	710,698	710,698	—	—	177,675	177,675	3.793	674	—	533,023	533,023
	7th cycle of deferred variable remuneration plan linked to multi-year targets (2022) in shares	311,669	311,669	—	—	62,334	62,334	3.793	236	—	249,335	249,335
	7th cycle (Bis) of deferred variable remuneration plan linked to multi-year targets (2022) in shares options.	839,174	311,669	—	—	167,835	62,334	3.793	118	—	671,339	249,335
	8th cycle of deferred variable remuneration plan linked to multi-year targets (2023) in shares	—	—	1,041,392	1,041,392	469,286	469,286	3.793	1,780	—	572,107	572,107

		Financial instruments at start of year 2023		Financial instruments granted during 2023 year		Financial instruments consolidated during 2023				Instruments matured but not exercised	Financial instruments at end of year 2023	
Name	**Name of Plan**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares**	**No. of instruments**	**No. of equivalent shares / handed over**	**Price of the consolidated shares**	**Gross profit from shares handed over or consolidated financial instruments (EUR thousand)**	**No. of instruments**	**No. of instruments**	**No. of equivalent shares**
Héctor Grisi Checa	8th cycle of deferred variable remuneration plan linked to multi-year targets (2023) in shares	—	—	693,383	693,383	321,645	321,645	3.793	1,220	—	371,737	371,737

Name	Name of Plan	Financial instruments at start of year 2023		Financial instruments granted during 2023 year		Financial instruments consolidated during 2023				Instruments matured but not exercised	Financial instruments at end of year 2023	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares / handed over	Price of the consolidated shares	Gross profit from shares handed over or consolidated financial instruments (EUR thousand)	No. of instruments	No. of instruments	No. of equivalent shares
José Antonio Álvarez Álvarez	3rd cycle of deferred variable remuneration plan linked to multi-year targets (2018)	69,033	69,033	—	—	22,988	22,988	3.793	87	46,045	—	—
	4th cycle of deferred variable remuneration plan linked to multi-year targets (2019)	142,299	142,299	—	—	23,693	23,693	3.793	90	47,457	71,149	71,149
	5th cycle of deferred variable remuneration plan linked to multi-year targets (2020)	60,737	60,737	—	—	16,865	16,865	3.793	64	3,381	40,491	40,491
	6th cycle of deferred variable remuneration plan linked to multi-year targets (2021)	479,644	479,644	—	—	119,911	119,911	3.793	455	—	359,733	359,733
	7th cycle of deferred variable remuneration plan linked to multi-year targets (2022) in shares	210,395	210,395	—	—	42,079	42,079	3.793	160	—	168,316	168,316
	7th cycle (Bis) of deferred variable remuneration plan linked to multi-year targets (2022) in shares options.	566,492	210,395	—	—	113,298	42,079	3.793	80	—	453,194	168,316

Comments *(Not included in the electronic submission to the CNMV)*

- The variable remuneration only includes the amounts related to the position of executive director of Banco Santander S.A. The figures are impacted by the adaptation for 2023 and successive financial years of the information on "short-term variable remuneration" and "long-term variable remuneration" to the consolidation criteria of CNMV, the latter understood as the fulfillment at the end of the accrual period of the different objectives or conditions to which the variable remuneration was linked, including the verification of whether or not the application of malus clauses is appropriate (instead of including amounts accrued to the executive director under short- and long-term results that are put to the vote of the annual general meeting each year). In 2023 there was no application of malus clauses.

- The **variable remuneration consolidated** as of the date of this report corresponds to the following plans:

1) Short-term variable remuneration:

a. 40% immediate payment of variable remuneration of the eight cycle of the deferred multi-year objectives variable remuneration plan (2023).
b. First fifth deferred (12%) of variable remuneration of the seventh cycle of the deferred multi-year objectives variable remuneration plan (2022).
c. Second fifth deferred (12%) of variable remuneration of the sixth cycle of the deferred multi-year objectives variable remuneration plan (2021).

2) Long-term variable remuneration:

a. Third deferred (first fifth subject to multi-year metrics) of variable remuneration of the fifth cycle of the deferred multi-year objectives variable remuneration plan (2020).
b. Fourth deferred (second fifth subject to multiyear metrics) of variable remuneration of the fourth cycle of the deferred multi-year objectives variable remuneration plan (2019).
c. Fifth deferred (third fifth subject to multiyear metrics) of variable remuneration of the third cycle of the deferred multi-year objectives variable remuneration plan (2018).

For the purpose of calculating the hypothetical current cash value of *Gross profit from shares handed over or consolidated financial instruments*, the same share price used for VR 2023 has been taken, calculated with the weighted average daily volume of weighted average listing prices of Santander shares in the 50 trading sessions prior to the Friday (not inclusive) before 30 January 2024 (the date on which the board approved the 2023 bonus for executive directors), which was EUR 3.793 per share.

In the case of the 2022 VR share options, the gross profit of the consolidated instruments has been calculated as the difference between the EUR 3.793 and the exercise price of the option in that remuneration plan (EUR 3.088).

- And below are the **levels of achievement of the multi-year metrics** of the long-term variable remuneration plans:

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

a. CET1 metric at 100% of achievement for 2022 year-end period (target 12.00%). Weight of 33.3%.
b. Underlying BPA growth at 150% of achievement (target growth of 10%). Weight of 33.3%.
c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

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

a. CET1 metric at 100% of achievement for 2021 year-end period (target 12.00%). Weight of 33.3%.
b. Underlying BPA growth at 0% of achievement (target growth of 15%). Weight of 33.3%.
c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

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

a. CET1 metric at 100% of achievement for 2020 year-end period (target 11.30%). Weight of 33.3%.
b. Underlying BPA growth at 0% of achievement (target growth of 25%). Weight of 33.3%.
c. TSR metric at 0% of achievement (minimum target of 33% not reached). Weight of 33.3%.

iii) Long-term saving systems (thousand EUR)

Name	Remuneration from consolidation of rights to savings system
Ana Botín-Sanz de Sautuola y O'Shea	1,144
Héctor Grisi Checa	966

	Contribution over the year from the company (EUR thousand)				Amount of accumulated funds (EUR thousand)			
	Savings systems with consolidated economic rights		Savings systems with unconsolidated economic rights		2023		2022	
Name	2023	2022	2023	2022	Systems with consolidated economic rights	Systems with unconsolidated economic rights	Systems with consolidated economic rights	Systems with unconsolidated economic rights
Ana Botín-Sanz de Sautuola y O'Shea	1,144	1,081	—	—	49,257	—	46,725	—
Héctor Grisi Checa	966	—			585	—	—	—
José Antonio Álvarez	—	811	—	—	19,495	—	18,958	—

iv) Details of other items (thousands of EUR)

Name	Item	Amount remunerated
Ana Botín-Sanz de Sautuola y O'Shea	Life insurance and complement	470
	Other remuneration	28

Name	Item	Amount remunerated
Héctor Grisi Checa	Life insurance and complement	1
	Other remuneration	46

Name	Item	Amount remunerated
José Antonio Álvarez Álvarez	Life insurance and complement	716
	Other remuneration	6

b) Remuneration of the company directors for seats on the boards of other group companies:

i) Remuneration in cash (thousands of EUR)

Name	Fixed remuneration	Per diem allowances	Remuneration for membership of Board's committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Severance pay	Other grounds	Total year 2023	Total year 2022
Homaira Akbari	311	—	—	—	—	—	—	—	311	361
Henrique de Castro	200	—	—	—	—	—	—	—	200	200
Pamela Walkden	152	—	—	—	—	—	—	—	152	147
José Antonio Álvarez Álvarez	200	—	141	—	—	—	—	—	341	—

Comments *(Not included in the electronic submission to the CNMV)*
The variable remuneration only includes the amounts accrued since the appointment of executive director of Banco Santander S.A.

ii) Table of changes in share/based remunerations schemes and gross profit from consolidated shares of financial instruments

Not applicable

iii) Long term saving systems (thousand EUR)

Not applicable

iv) Detail of other items (thousands of EUR)

Not applicable

c) Summary of remuneration (thousands of EUR)

The summary should include the amounts corresponding to all the items of remuneration included in this report that have been accrued by the director, in thousand euros.

	Remuneration accrued in the company					Remuneration accrued in group companies					
Name	**Total cash remuneration**	**Gross profit on consolidated shares or financial instruments**	**Contributions to the long-term savings plan**	**Remuneration for other items**	**Total 2023**	**Total cash remuneration**	**Gross profit on consolidated shares or financial instruments**	**Contributions to the long-term savings plan**	**Remuneration for other items**	**Total 2023**	**Total 2023 Company + group companies**
Ana Botín-Sanz de Sautuola y O'Shea	7,406	3,190	1,144	498	12,239	—	—	—	—	—	**12,239**
Héctor Grisi Checa	4,560	1,220	966	47	6,793	—	—	—	—	—	**6,793**
José Antonio Álvarez Álvarez	3,776	936	—	722	5,434	341	—	—	—	341	**5,775**
Bruce Carnegie-Brown	576	—	—	—	576	—	—	—	—	—	**576**
Homaira Akbari	265	—	—	—	265	311	—	—	—	311	**576**
Javier Botín-Sanz de Sautuola y O'Shea	137	—	—	—	137	—	—	—	—	—	**137**
Sol Daurella Comadrán	249	—	—	—	249	—	—	—	—	—	**249**
Henrique de Castro	284	—	—	—	284	200	—	—	—	200	**484**
Gina Díez Barroso	211	—	—	—	211	—	—	—	—	—	**211**
Luis Isasi Fernández de Bobadilla	1,417	—	—	—	1,417	—	—	—	—	—	**1,417**
Ramiro Mato García-Ansorena	518	—	—	—	518	—	—	—	—	—	**518**
Belén Romana García	572	—	—	—	572	—	—	—	—	—	**572**
Pamela Walkden	341	—	—	—	341	152	—	—	—	152	**493**
Germán de la Fuente	271	—	—	—	271	—	—	—	—	—	**271**
Glenn Hutchins	372	—	—	—	372	—	—	—	—	—	**372**
Total	**20,955**	**5,346**	**2,110**	**1,267**	**29,679**	**1,004**	**—**	**—**	**—**	**1,004**	**30,683**

Comments *(Not included in the electronic submission to the CNMV)*

The remuneration of Luis Isasi includes EUR 1,000 thousand for his role as non-executive Chair of Santander España and for Santander España board and committees meetings.

C.2 Indicate the evolution in the last five years of the amount and percentage variation of the remuneration accrued by each of the directors of the listed company who have held this position during the year, the consolidated results the company and the average remuneration on an equivalent basis with regard to full-time employees of the company and its subsidiaries that are not directors of the listed company.

Directors' remuneration (EUR thousand)	2023	% var. 23/22	2022	% var. 22/21	2021	% var. 21/20	2020	% var. 20/19	2019
• Executive Directors									
Ana Botín-Sanz de Sautuola y O'Shea	12,239	4%	11,735	(5)%	12,288	52%	8,090	(19)%	9,954
Héctor Grisi Checa	6,793	—	—	—	—	—	—	—	—
• External Directors[1]									
José Antonio Álvarez Álvarez	5,775	(40)%	9,575	(2)%	9,728	41%	6,877	(17)%	8,270
Bruce Carnegie-Brown	576	(18)%	700	—	700	18%	595	(15)%	700
Javier Botín-Sanz de Sautuola y O'Shea	137	6%	129	—%	129	6%	122	(11)%	137
Sol Daurella Comadrán	249	8%	230	(4)%	239	12%	214	(11)%	240
Belén Romana García	572	4%	549	3%	533	28%	417	(21)%	525
Homaira Akbari	576	(5)%	605	31%	461	19%	386	71%	226
Ramiro Mato García Ansorena	518	4%	500	—	499	16%	430	(14)%	500
Henrique de Castro	484	5%	461	45%	319	36%	234	172%	86
Pamela Walkden	493	5%	470	38%	339	59%	214	529%	34
Luis Isasi Fernández de Bobadilla[2]	1,417	—	1,412	—	1,406	49%	943	—	—
Gina Díez Barroso	211	23%	172	32%	130	622%	18	—	—
Germán de la Fuente	271	—	137	—	—	—	—	—	—
Glenn Hutchins	372	—	10	—	—	—	—	—	—
Company's performance									
Underlying profit attributable to the Group (EUR mn)	11,076	15%	9,605	11%	8,654	70%	5,081	(38)%	8,252
Consolidated results of the Group3 (EUR mn)	16,459	8%	15,250	5%	14,547	—	(2,076)	—	12,543
Ordinary RoTE	15.06%	13%	13.37%	5%	12.73%	71%	7.44%	(37)%	11.79%
Employees' average remuneration[4] (EUR thousand)	**58**	**3%**	**56**	**1%**	**56**	**18%**	**47**	**(12%)**	**54**
Employees' average remuneration in Spain[5] (EUR thousand)	**73**	**6%**	**68**	**10%**	**62**	**(2%)**	**63**	**—**	**n.a.**

1.Non-executive directors' remuneration fluctuations are caused by joining or leaving the Board of Directors and the difference in the amount of meetings they assist during the year. Hence there is no correlation between their remuneration and the company performance.
2.The remuneration of Luis Isasi includes EUR 1,000 thousand for his role as non-executive Chair of Santander España and for Santander España board and committees meetings.
3. Group operating profit/(loss) before tax.
4. Employee average remuneration includes all concepts. Full-time equivalent data. Variable remuneration data accrued in the current year.
5. Total employees in Spain geography. Fixed remuneration + effective bonus received in the year. Not included rest of concepts. Not impacted by exchange rates.

Comments (Not included in the electronic submission to the CNMV)

- The variable remuneration only includes the amounts related to the position of executive director of Banco Santander S.A. The figures are impacted by the adaptation for 2023 and successive financial years of the information on "short-term variable remuneration" and "long-term variable remuneration" to the consolidation criteria of CNMV, the latter understood as the fulfillment at the end of the accrual period of the different objectives or conditions to which the variable remuneration was linked, including the verification of whether or not the application of malus clauses is appropriate (instead of including amounts accrued to the executive director under short- and long-term results that are put to the vote of the annual general meeting each year). In 2023 there was no application of malus clauses.

- **Total remuneration of executive directors is impacted by the excellent evolution of Santander share price.** In 2023, the revaluation of the share price used to set the 2023 variable remuneration (EUR 3.793) was +23%, so the *Gross profit from shares handed over or consolidated financial instruments* (Price x Volume) increased due to such revaluation. If it had remained stable in EUR 3.088 (share price of VR 2022), the increase in the total remuneration of the Executive Chair would have been only +1% compared to the figure released in 2022 report (EUR 11,735 thousand).

- And regarding the **average remuneration of employees (EUR 58 thousand)**, to highlight the following ideas:

  a. Normally the increases or decreases in remuneration are greater for the executive directors, depending on the results of the entity, because the percentage of variable remuneration over fixed remuneration is lower in the average employee than in the executive directors.
  b. Our local presence and global scale, based on three regions and ten core markets, and our vast branch network (c.8,500), have a direct impact on this figure: more than a half of our employees are based in Mexico and South America (mainly in Brazil). The salaries of these employees are adapted to the local cost of living. Therefore, the comparison with the remuneration of executive directors (which remuneration was set for living in a mature country) is also distorted by the difference between both costs of living. Developing countries have a lower cost of living than the country where both directors carried out their functions (Spain).
  c. The different annual exchange rates have also an impact on this calculation where all local wages and salaries are translated into euros at the average year-end exchange rate.
  d. Finally, the average remuneration figure of Banco Santander is impacted by the different departures (retirements and early retirements) and annual new hires, with the average cost of the former (a more senior profile) being higher than the latter (a more junior profile).

This annual report on remuneration has been approved by the board of directors of the company, at its meeting on 19 February 2024.

State if any directors have voted against or abstained from approving this report.

Yes ☐ No ☑

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Economic and financial review

2023 Highlights

We delivered record profit...

→ **Record results** with 5mn new customers YoY contributing to double-digit revenue growth

→ First year of **ONE Transformation** driving profitable growth and structural efficiency improvement

→ **Strong balance sheet**, with solid credit quality metrics and a higher capital ratio

→ Delivering double-digit **value creation** and higher **shareholder remuneration**

FY'23 Attributable Profit	FY'23 Revenue
€11.1bn +15%	€58bn +11%
Cost-to-income	**RoTE**
44.1% −173bps	15.1% +169bps
CoR	**FL CET1**
1.18% +0.19pp	12.3% +0.2pp
TNAVps + DPS	**EPS**
+15% Cash DPS +c.50%	+21.5%

Note: based on underlying P&L. YoY changes in euros. In constant euros: attributable profit +18% and revenue +13%.

TNAVps + dividend per share (DPS) includes the €5.95 cent cash dividend paid in May 2023 and the €8.10 cent cash dividend paid in November 2023. Implementation of 2023 shareholder remuneration policy is subject to future corporate and regulatory decisions and approvals.
For more details, see section 3.3 'Dividends and shareholder remuneration' in the 'Corporate Governance' chapter.

... and achieved all our 2023 financial targets

	2023 targets	2023 achievement	
Revenue[A]	Double-digit growth	+13%	✓
Efficiency ratio	44-45%	44.1%	✓
CoR	<1.2%	1.18%	✓
FL CET1	>12%	12.3%	✓
RoTE	>15%	15.1%	✓

A. YoY change in constant euros.

1. Economy, regulation and competition

Economy

In 2023, Santander operated in an environment dominated by geopolitical tensions and higher interest rates as central banks looked to contain inflation, which gradually eased during the year. The world's major economies withstood monetary policy tightening well, although there was a gradual slowdown in activity. Labour markets were also resilient, with unemployment rates at or close to full employment in two thirds of Santander's footprint.

Our core regions' economies performed as follows:

- **Eurozone** (GDP: +0.5% estimated in 2023). The positive start to the year, supported by the normalization of global supply chains and reduced uncertainty around energy supply, lost momentum in the second half of the year as interest rates rose, industry struggled to adjust to higher energy costs and households remained cautious about consumption. Inflation eased (2.9% in December) after the ECB raised its interest rates by 450 basis points in this monetary cycle (the deposit facility rate rose from -0.5% to 4%).
- **Spain** (GDP: +2.5% estimated in 2023). GDP growth was driven by private consumption (fall in inflation improved households' purchasing power) and external sector, with tourism at record levels. Investment was lower than expected, especially in investment in equipment. The labour market remained solid, with a record number of people in employment. Inflation closed the year at 3.1% (3.6% on average) with a decline in all components and a greater-than-expected moderation in core inflation (3.8% in December vs 7.6% in February).
- **United Kingdom** (GDP: +0.5% estimated in 2023). Economic growth remained practically flat. The labour market remained tight, putting pressure on inflation. However, inflation eased during the year and stood at 4% in December, far from the 11.1% peak in October 2022. The Bank of England paused rate increases at 5.25%, unchanged since August.
- **Portugal** (GDP: +2.3% in 2023). Growth decelerated throughout the year as demand in the rest of the European Union continued to cool. Despite this, the labour market remained at full employment (6.1% in Q3'23) and inflation moderated rapidly (1.4% in December). Moody's upgraded the sovereign's rating to A3, supported by economic and fiscal reforms, private sector deleveraging and the continued strengthening of the banking sector.
- **Poland** (GDP: +0.2% in 2023). The economy barely grew in 2023 (+5.3% in 2022) due to weak private consumption. However, investment increased strongly and external sector contributed positively to the economy. The strong labour market was reflected in full employment and a marked increase in real household income. In addition, inflation fell significantly to 6.2% in December (18.4% in February). In response, the central bank paused its monetary easing, leaving the official interest rate at 5.75%.
- **United States** (GDP: +2.5% estimated in 2023). The economy grew more than expected, particularly in private consumption. Labour market tensions eased slightly but the market remains very solid. Inflation fell significantly (3.4% in December down from 6.5% in December 2022) and the Fed suggested there would be no more rate rises (the federal funds target range was 5.25%-5.50% at year end).
- **Mexico** (GDP: +3.5% estimated in 2023). Economic growth was surprisingly robust, driven by construction, linked to both nearshoring and infrastructure projects and the resilience of services. Inflation fell significantly to 4.7% (7.8% in the previous year). The central bank has left official interest rates unchanged at 11.25% since the first quarter of the year and suggested a possible first cut in early 2024.
- **Brazil** (GDP: +2.8% estimated in 2023). The economy grew well, driven by agricultural, mining and services, but showed signs of a slowdown in the second half of the year. Inflation continued to fall (4.6% in December, 5.8% average in the year), allowing the central bank to begin to cut official interest rates in August, from 13.75% in December 2022 to 11.75% at year end.
- **Chile** (GDP: -0.2% estimated in 2023). In the first half of the year, the economy completed the adjustment process initiated at the end of 2022. The second half of the year showed signs of recovery, supported by household consumption and exports. Inflation fell back sharply (3.9% vs. 12.8% in 2022), which enabled the central bank to begin to reduce interest rates in July, with a total reduction of 200 bps, ending the year at 8.25%.
- **Argentina** (GDP: -1.5% estimated in 2023). The economy contracted due to the severe droughts, which reduced agricultural production and soybean exports (which have a large weight in GDP). Inflation accelerated, fuelled by the depreciation of the Argentine peso. On 10 December, a new government took office and presented an International Monetary Fund (IMF) backed stabilization plan focused on correcting macro imbalances.

The exchange rates of our main currencies against the euro in 2023 and 2022 were:

Exchange rates: 1 euro/currency parity

	Average		Period-end	
	2023	2022	2023	2022
US dollar	1.081	1.051	1.105	1.068
Pound sterling	0.870	0.853	0.868	0.887
Brazilian real	5.397	5.421	5.365	5.650
Mexican peso	19.158	21.131	18.691	20.805
Chilean peso	906.417	916.688	965.192	909.200
Argentine peso	282.765	134.786	893.635	189.116
Polish zloty	4.538	4.683	4.343	4.684

Inflation performance, the extent of the economic slowdown and the central banks' reaction were the main issues for financial markets in 2023.

In mature markets, stickier inflation and expectations of a higher-for-longer interest rate environment impacted sovereign bond markets. In the US, this was reinforced by activity data showing that the economy remained resilient, and put significant upward pressure on long-term bond yields. The 10-year treasury reached 5% for the first time in several years. In the euro area, where moderation of the cycle became evident earlier, government bond yields rebounded, but to a lesser extent.

Towards the end of the year, disinflation gained momentum, which, together with the US economy starting to lose traction, fuelled expectations of interest rate cuts by the Fed and ECB beginning in the first half of 2024. Consequently, long-term sovereign bond yields declined.

In the foreign exchange market, the Fed's stronger tone and weaker economic data in the euro area weighed on the euro during most of the year.

2023 was a good year in equities, although with some ups and downs, first with volatility in the banking sector in the US and later with the tightening of long-term yields. The view that monetary tightening has peaked increased appetite towards the end of the year.

Latin American markets performed well as a result of early action by their central banks. They were the first countries to initiate interest rate hikes and consequently were the first to either start the cycle of interest rate cuts (as was the case in Chile and Brazil during the second half of the 2023) or suggest they would start cutting interest rates (e.g. Mexico) as inflation falls back. This benefited fixed income. In general, Latin American currencies remained strong, supported by healthier external positions (low current account deficits and solid international reserve buffers), and were able to quickly overcome the occasional waves of volatility that arose during the year.

Since the covid-19 pandemic and the war in Ukraine, the banking sector has had to cope with the collapse of three American regional banks and one Swiss bank in the first quarter of the year. Although caused by management failures in all four cases, the market's perception of the stability of bank deposits and the convertible debt market was affected. Monitoring of banks' unrealized losses increased due to the sudden rise in interest rates and potential liquidity problems in the non-bank sector, especially associated with the commercial real estate market.

Even so, the banking system once again proved resilient to financial turmoil and ended the year with generalized improvements in valuations, especially in Europe. Global banks benefited from monetary policy tightening, although the impact differed depending on institutions' business models. Moreover, the strength of labour markets and savings accumulated during the covid-19 pandemic helped the private sector cope with the higher cost of debt while maintaining portfolio quality.

As a result, the banking sector continued to strengthen its balance sheets, improving its solvency in an environment of slower growth in business volumes due to lower credit demand. As shown through the different stress tests published by supervisors, banks are generally prepared to face a much more severe economic scenario than the one expected in 2024.

2024 is expected to be marked by a lower contribution from interest rates to net interest income, the potential deterioration of the credit portfolio due to the economic slowdown and the gradual withdrawal of excess liquidity. However, we do not expect abrupt changes in any of these three variables.

The medium-term challenges that banks face remain unchanged. Digital transformation accelerated during the covid-19 pandemic, forcing entities to offer customers a better digital experience in the wake of a surge of new competitors. Climate transition also requires a significant effort as institutions must develop new portfolio classification models and risk scenarios to assess the potential balance sheet impacts and understand exposure to transitional and physical risks to companies and households relating to climate change in the coming years.

Regulatory and competitive environment

In 2023, regulatory discussions were focused on four main areas: capital requirements and resolution framework, sustainability, digitalization (with a special focus on payments) and retail.

Main regulatory actions in these four areas were:

1. **Prudential and resolution:** Most of the discussions continued to focus on the legislative proposal to implement the Basel III prudential framework in Europe (CRR3-CRD6). This reform aims to reduce the variability of risk-weighted assets and enhance comparability across institutions. It introduces other issues such as the prudential treatment of exposures to crypto-assets and provisions relating to environmental, social and governance (ESG) risks. Regarding the latter, the European Banking Authority (EBA) is carrying out an analysis of potential prudential treatment of ESG risks. The Basel Committee published a first report on lessons learned from the Silicon Valley Bank and Credit Suisse crisis, highlighting the need to strengthen the supervisory framework, and announced that it will continue to analyse the need to reform the current framework on liquidity, interest rate risk and AT1 instruments. The European Commission published its proposal for the revision of the crisis management framework (resolution and recovery directive - BRRD, and

deposit guarantee scheme directive - DGSD), while other countries, such as Chile and Brazil, continue to develop proposals.

2. **Sustainability:** The European Commission made progress on the green taxonomy, particularly in defining the four pending environmental objectives: i) protection of water and marine resources, ii) transition to a circular economy, iii) pollution control and protection of ecosystems, and iv) biodiversity. It presented new proposals, such as the proposal on regulations for ESG ratings activity and the directive on the energy efficiency of buildings, and progressed on other initiatives. For example, the corporate sustainability due diligence and the development of requirements for the transparency of sustainability information, such as those entrusted to the European Financial Reporting Advisory Group (EFRAG). Internationally, the work of the International Sustainability Standards Board (ISSB) was endorsed by the Financial Stability Board (FSB) and the International Organisation of Securities Commissions (IOSCO) as international standards. The Basel Committee published its proposal to complement the Pillar 3 requirements with environmental risk management information.

3. **Digitalization:** There were important proposals relating to payments in 2023. The proposal for instant payments was approved and a proposal to revise the payments directive (PSD3) was also presented. A new proposal for regulation of the various players in the payments world (Payment Services Regulation: PSR) was presented. Europe made progress on the Digital Euro as the ECB announced the end of the research phase in October and the start of the preparation phase. Moreover, in June, the European Commission published a proposal to regulate the essential elements of the Digital Euro and to give legitimacy to the ECB's design. The ECB is responsible for determining whether the Digital Euro should be issued but we do not expect a decision before 2026. Discussions continue in several other jurisdictions on the possible issuance of Central Bank Digital Currencies (CBCDs).

   In the data world, the Open Finance proposal, known as Financial Information Data Access (FiDA), was published in Europe. The proposal increases the level of data disaggregation which banks are subject to, extending requirements to other financial institutions (e.g. payment institutions, scoring agencies, etc.), which will have to share information relating to loans, deposits, investment funds, pensions, among others. This proposal backs the general trend of building a data economy, putting customers at the centre, as we have seen in proposals in other jurisdictions (US, Chile, UK).

   4. **Retail banking:** In 2023, the directive revising the rules for granting consumer credit was approved in Europe. The directive introduces concepts such as buy now, pay later and requires authorization and registration for all lenders. It also allows countries the possibility to set limits on interest rates. As expected, the European Commission presented its Retail Investment Strategy (RIS), which stands out for the changes relating to incentives paid to sell products and the introduction of the concept of value for money. The latter is similar to what exists in other countries such as the UK with the aim of demonstrating that the investment provides value to the investor over time.

   Finally, the impact of the war in Ukraine continues in the background, justifying measures in some countries regarding mortgage payments for vulnerable groups and for the population with financial difficulties in meeting their obligations in general. Additionally, measures such as the definition of specific taxes on banks continue to be adopted in some countries.

For more details, see note 1.e to the consolidated financial statements.

Santander and public policy

Santander has always defended the need for robust, high-quality regulation that supports bank strength and solvency, establishes strong consumer protection and market stability standards, and favours transparency regarding risk and resilience for investors and supervisors. A framework that supports the much needed economic growth, while protecting financial stability. A framework that also allows for innovation, making use of the opportunities offered by new technology and the use of data to better serve our customers while being more efficient.

We are committed to constructive and transparent engagement with regulators on the objectives, design and implementation of banking sector rules and frameworks that affect our business and therefore the interests of our customers. Our participation in the regulatory policy debate is geared towards transparently and honestly providing regulators and legislators our banking sector knowledge and data, mainly through official consultations, supporting the competitiveness of the financial sector and of the economies in which we operate to help our customers prosper.

Santander and public policy

1

Capital and bank resilience

Although we believe that reforms in the last decade have made financial institutions more robust in terms of capital, helping banks grow in stress situations such as the covid-19 pandemic or the war in Ukraine, we continue to advocate for:

- The correction of the current regulatory bias that favours risk aversion over growth and competitiveness.
- The need for a stable and predictable framework to facilitate institutions' management and investors' understanding of this agenda.
- The building of a genuine single financial services market in Europe, which we believe is key to competitiveness.
- Banking regulation that takes into account the realities of banks with a global footprint, does not penalize expansion to other countries and includes the recognition of the Multiple Point of Entry (MPE) resolution framework.
- A common deposit insurance scheme for EU banks that breaks the bank/sovereign loop. Furthermore, the alignment of the different rules and the revitalization of the securitization market are essential for the construction of a Capital Markets Union.

2

Sustainability and sustainable finance

We believe that decarbonization is a top social and environmental challenge in which banks have an important role to play and we are fully committed to the objectives. We continue to advocate for:

- In this new political cycle in Europe, a carefully carried out impact assessment of related legislation adopted to date to assess whether it is contributing to the ultimate goal of a stable and fair transition.
- Avoiding regulation and supervision that restrict banks from supporting their customers' transition. It is not only important to finance companies that are already green, but it is also important to help those in carbon-intensive sectors to transition.
- International coordination as sustainability knows no borders.
- Regulation that supports governments with their responsibility to define transition paths for different economic sectors, along with implementation tools and policies, with banks as a major player in supporting individuals and companies in their transitions.

3

The digital landscape

The banking sector is undergoing significant changes during its digital transformation with the aim of leveraging technology and innovation opportunities and improving customer choice and experience. We continue to advocate for:

- Simple, future-proof regulation and supervision that allows the banking sector to innovate and take advantage of the potential benefits of technology and digitalization on an equal basis with other companies.
- A true data economy that puts the consumer at the centre of decision making, with an appropriate framework of incentives and accountability in the use of data. In addition, data sharing across sectors (financial and non-financial) that would make a real difference in providing better services and products for consumers and customers.
- A framework that allows banks to continue to offer the solutions that customers demand, including innovative and novel capabilities. The debate around the issuance of digital currencies by central banks should consider the role that the financial system plays in financing the economy.
- Customer protection rules that facilitate access to different products with conditions that favour a smooth and user-friendly experience, without being detrimental to customer protection.

2. Group selected data

BALANCE SHEET (EUR million)	2023	2022	% 2023 vs. 2022	2021
Total assets	**1,797,062**	1,734,659	3.6	1,595,835
Loans and advances to customers	**1,036,349**	1,036,004	0.0	972,682
Customer deposits	**1,047,169**	1,009,722	3.7	900,554
Total funds [A]	**1,306,942**	1,239,981	5.4	1,135,866
Total equity	**104,241**	97,585	6.8	97,053

INCOME STATEMENT (EUR million)	2023	2022	% 2023 vs. 2022[B]	2021
Net interest income	**43,261**	38,619	12.0	33,370
Total income	**57,423**	52,117	10.2	46,404
Net operating income	**31,998**	28,214	13.4	24,989
Profit before tax	**16,459**	15,250	7.9	14,547
Profit attributable to the parent	**11,076**	9,605	15.3	8,124

EPS, PROFITABILITY AND EFFICIENCY (%)[C]	2023	2022	% 2023 vs. 2022	2021
EPS (euro)	**0.654**	0.539	21.5	0.438
RoE	**11.91**	10.67		9.66
RoTE	**15.06**	13.37		11.96
RoA	**0.69**	0.63		0.62
RoRWA	**1.96**	1.77		1.69
Efficiency ratio [D]	**44.1**	45.8		46.2

UNDERLYING INCOME STATEMENT [D] (EUR million)	2023	2022	% 2023 vs. 2022[E]	2021
Net interest income	**43,261**	38,619	12.0	33,370
Total income	**57,647**	52,154	10.5	46,404
Net operating income	**32,222**	28,251	14.1	24,989
Profit before tax	**16,698**	15,250	9.5	15,260
Attributable profit to the parent	**11,076**	9,605	15.3	8,654

UNDERLYING EPS AND PROFITABILITY [D] (%)	2023	2022	% 2023 vs. 2022	2021
Underlying EPS (euro)	**0.654**	0.539	21.5	0.468
Underlying RoE	**11.91**	10.67		10.29
Underlying RoTE	**15.06**	13.37		12.73
Underlying RoA	**0.69**	0.63		0.65
Underlying RoRWA	**1.96**	1.77		1.78

SOLVENCY (%)	2023	2022	2021
Fully-loaded CET1 capital ratio	**12.3**	12.0	12.1
Fully-loaded total capital ratio	**16.3**	15.8	16.4

CREDIT QUALITY (%) [C]	2023	2022	2021
Cost of risk	**1.18**	0.99	0.77
NPL ratio	**3.14**	3.08	3.16
Total coverage ratio	**66**	68	71

THE SHARE AND MARKET CAPITALIZATION	2023	2022	% 2023 vs. 2022	2021
Number of shareholders	**3,662,377**	3,915,388	(6.5)	3,936,922
Shares (millions)	**16,184**	16,794	(3.6)	17,341
Share price (euro)	**3.780**	2.803	34.9	2.941
Market capitalization (EUR million)	**61,168**	47,066	30.0	50,990
Tangible book value per share (euro)	**4.76**	4.26		4.12
Price / Tangible book value per share (X)	**0.79**	0.66		0.71

CUSTOMERS (thousands)	2023	2022	% 2023 vs. 2022	2021
Total customers	**164,542**	159,844	2.9	152,943
Active customers [F]	**99,503**	99,190	0.3	96,887
Loyal customers [G]	**29,286**	27,456	6.7	25,548
Digital customers [H]	**54,161**	51,471	5.2	47,489
Digital sales / Total sales (%)	**56.3**	55.1		54.4

OPERATING DATA	2023	2022	% 2023 vs. 2022	2021
Number of employees	**212,764**	206,462	3.1	199,177
Number of branches	**8,518**	9,019	(5.6)	9,229

A. Includes customer deposits, mutual funds, pension funds and managed portfolios.

B. In constant euros: Net interest income: +15.8%; Total income: +12.8%; Net operating income: +15.4%; Profit before tax: +9.7%; Attributable profit: +17.7%.

C. For more information, see section 8. 'Alternative Performance Measures' of this chapter.

D. In addition to IFRS measures, we present non-IFRS measures including some which we refer to as underlying measures. These non-IFRS measures exclude items outside the ordinary course of business and reclassify certain items under some headings of the underlying income statement as described at the end of section 3.2 'Results' and in section 8. 'Alternative Performance Measures' of this chapter. In our view, this provides a better year-on-year comparison.

E. In constant euros: Net interest income: +15.8%; Total income: +13.1%; Net operating income: +16.1%; Profit before tax: +11.3%; Attributable profit: +17.7%.

F. Those customers who comply with the minimum balance, income and/or transactionality requirements as defined according to the business area.

G. Active customers who receive most of their financial services from the Group according to the commercial segment to which they belong. Various engaged customer levels have been defined taking profitability into account.

H. Every physical or legal person, that, being part of a commercial bank, has logged in its personal area of internet banking or mobile phone or both in the last 30 days.

3. Group financial performance

Santander follows IFRS to report its results (see note 1.b to the consolidated financial statements), which generally inform reporting of our financial situation in this consolidated directors' report. However, we also use non-IFRS measures and Alternative Performance Measures (APMs) to assess our performance (see section 8. 'Alternative Performance Measures' of this chapter). Thus, the main adjustments to our IFRS results consist of:

- underlying results measures: we present what we call underlying results measures which exclude items outside the ordinary course of business and reclassify certain items under some headings of the underlying income statement as described at the end of section 3.2 'Results' in this chapter and in note 52.c of the consolidated financial statements. In our view, this provides a better year-on-year comparison.

  In section 4 'Financial information by segment', we present results by business area only in underlying terms in accordance with IFRS 8. We reconcile them in aggregate terms with our IFRS consolidated results in note 52.c to the consolidated financial statements; and

- local currency measures: we use certain non-IFRS financial indicators in local currency to assess our ongoing operating performance. They include the results from our subsidiary banks outside the eurozone excluding the exchange rate impact (i.e. in constant euros). Because changes in exchange rates have a non-operating impact on results, we believe assessing performance in local currency provides management and investors an additional and meaningful assessment of performance. Section 8. 'Alternative Performance Measures' of this chapter explains how we exclude the exchange rate impact from financial measures in local currency.

We have rounded certain figures in this consolidated directors' report to present them more clearly. Thus, the amounts given in the totals columns and rows of tables in certain instances may not match the sum of that column or row.

3.1 Overview of Santander

Santander is one of the largest banks in the eurozone. At 2023 year-end, we had EUR 1,797,062 million in assets and EUR 1,306,942 million in total customer funds. Santander was the second largest bank by market capitalization in the eurozone (EUR 61,168 million as of 29 December 2023).

The Santander Way

Our Purpose is to help people and businesses prosper. Our Aim is to be the best open financial services platform, by acting responsibly and earning the lasting loyalty of our stakeholders by being Simple, Personal and Fair in all we do.

Over the years, we have demonstrated the strength and resilience of our unique strategy and business model, despite the challenges that have arisen.

We engage in all types of typical banking activities, operations and services. We do not merely meet our legal and regulatory obligations but we also aim to exceed the expectations of our stakeholders: employees, customers, communities and shareholders. In detail:

- We had 212,764 **employees** at 2023 year end. We continue to work towards being an employer of choice in all of our markets. Our strategic priorities centre around ensuring our employees are the heart of all we do through our Santander Way culture and by fostering diversity, equity & inclusion (DE&I) as well as wellbeing. We are attracting the best talent and promoting learning to ensure we have the right people in place.

  In 2023, we continued to listen to employees through our "Your Voice" listening tool and our employee Net Promoter Scores (eNPS) increased to 62, in the top 10% of the Finance Sector and top 5% of all sectors (+22 and +26 above respective benchmarks) backed by several improvements in employee experience. We also implemented a potential assessment model that has helped us learn more about the skills, capabilities and career aspirations of our employees.

  We took great strides in our DE&I efforts as we continued to address the importance of gender equality and pay gaps. Our DE&I strategy includes addressing the pay gap, with the aim of reducing it to near 0% (already close to 0%). The number of women in senior executive positions has increased, progressing towards our 2025 target, which we increased at the beginning of 2023 up to 35% (from 30%), reaching 31.4% at the end of the year. This represents a 7.7pp increase over last three years.

- **Customer** focus is an essential part our strategy. Through our multichannel offering, we provide our 165 million customers the best products and services to meet their financial needs and make us their global, trusted and responsive partner. Our investments in customer growth are centred around three fundamentals that customers look for: competitive prices, a frictionless digital experience, so we can be our customers' trusted financial partner.

  We continued to improve our distribution model through constant innovation. We are building a digital bank with branches to make our customers' lives easier, giving them the power to decide how they want to interact with us.

  Each year, we have further enhanced our customer experience and satisfaction, reflected in our customer growth rates and Net Promoter Score (NPS) improvement where we are one of the top three banks in seven markets (including topping the ranking in Chile and Argentina).

  At year end, we had 8,518 branches across a wide footprint, including WorkCafés, Smart Red branches and other specialized centres for businesses, private banking, universities and other customer segments. These physical spaces also incorporate new digital facilities and some have collaborative spaces.

  Customer interactions continued to shift to digital and remote services. The number of digital customers and digital activity continued to increase. We now have more than 54 million digital customers (+5% year-on-year) and digital sales accounted for 56% of total sales (55% in 2022).

  At Santander, we appreciate the value of the human connection our branch network provides and are mindful of our most vulnerable customers' needs, responding with offers to deliver growth through customer loyalty and customer experience.

  We are committed to creating products and services catered to our customers' needs. Some examples of our commitment to financial inclusion are our initiatives in rural Spain: through our branches, ATMs and network of financial agents in communities with under 10,000 inhabitants and Correos Cash, we provide access to basic financial services to customers in these rural areas that might otherwise have been left unattended.

  Santander is joining efforts with the Asociación Española de Banca (AEB) members to ensure and promote financial inclusion in remote areas and vulnerable population. In 2023, we helped customers in financial difficulties in Spain through different initiatives such as waiving fees to vulnerable customers or specific programmes to refinance debt to customers affected by the higher cost of living.

  As another example, we have a cross-functional team that has been working on enhancing services for our elderly customers including measures such as extending the hours of counter/ teller services and creating senior ambassadors to make sure senior citizens receive the best possible service. Additionally, we promote financial education with specific content for seniors through Finanzas para Mortales (our financial education programme). Our commitment in Spain to financial education through this programme directly impacted to senior citizens, people with disabilities, people in vulnerable situations and school children, among others.

- We support our **communities** by embedding ESG factors in all our businesses, ensuring we do things the right way.

  We have a competitive advantage to help our customers on their green transitions. In 2023:

  - In Corporate & Investment Banking, we raised and facilitated EUR 20.2 billion in green finance, reaching EUR 114.6 billion since 2019. Santander remains among the top banks in number of deals and deal value globally in renewable energy financing, with over 85 deals and EUR 6.7 billion globally.
  - To help fulfil our ambition of being net zero by 2050, we set two new decarbonization targets for 2030 for corporate auto manufacturing and auto lending portfolio in Europe. We now have seven targets in five of our high-emitting sectors.
  - In Retail and Commercial Banking, we strengthened our green proposition with new solutions for all customers, such as financing of solar panel installations and green mortgages.
  - In Digital Consumer Bank, we financed more than 200,000 new electric vehicles (EVs), with volumes over EUR 6.5 billion, representing a >10% market share in Europe EV sales.
  - In Wealth Management & Insurance, we held EUR 67.7 billion of the EUR 100 billion we have pledged to hold in Socially Responsible Investment (SRI) assets under management by 2025.

  In terms of financial inclusion, we revised our target of financial inclusion to reach 5 million people by 2025. In addition, we committed to invest EUR 400 million between 2023-2026 to foster education, employability and entrepreneurship.

  As a result of all these initiatives, we were:

  - named the World's Best Bank for Financial Inclusion (for the third year in a row), the World's Best Bank for SMEs and World's Best Bank for Emerging Markets by *Euromoney* (in the Euromoney Awards for Excellence); and
  - the highest ranking bank on *Fortune's* list of 50 companies that are changing the world, owing to Santander Universities support for education, entrepreneurship and employability over the past 27 years.

- For our **shareholders**, we delivered solid financial results in 2023. We achieved an all-time high attributable profit of EUR 11,076 million boosted by revenue and efficiency improvement, with profitability growing strongly.

  These results allowed us to build up capital with double-digit value creation, while increasing our payout ratio to 50%. As a result, the total shareholder remuneration paid against 2023 results is estimated to be 44% higher than that paid against of the 2022 results. The cash dividend per share is estimated to increase by approximately 50%.

Once again, we delivered on the targets we set at the beginning of 2023: double-digit revenue growth in constant euros (+13% achieved), efficiency ratio of 44-45% (44.1% full-year 2023), cost of risk below 1.2% (1.18%), fully-loaded CET1 ratio over 12% (12.3%) and RoTE over 15% (15.1%).

Looking ahead

In 2023, we entered into a new phase of profitability and sustainable and higher shareholder value creation. This new phase is underpinned by three tenets:

- **Think Value:** delivering double-digit value creation, on average through-the- cycle.
- **Think Customer:** building a digital bank with branches with well targeted products and services to grow our customer base.
- **Think Global:** best customer experience leveraging global and in-market scale, network and technological capabilities to accelerate profitable growth.

Over the last 9 years, we have made structural changes in the business and operating model, building global businesses and global platforms.

We launched ONE Transformation, which involves implementing a common operating model and technology for our retail and commercial business across all our footprint. This will support improved customer service, efficiency and profitability.

We recently completed our last step towards ONE Santander through the creation of **five global businesses with the following strategic priorities for 2024**:

- **Retail & Commercial Banking:** a new global business integrating our retail and commercial banking activity. Our priorities for 2024 are to: implement a common operating model; spread transformation efforts across Retail & Commercial Banking's footprint; and further strengthen profitability.
- **Digital Consumer Bank:** a single model across our markets for our consumer and auto finance business and for Openbank. Our priorities for 2024 are to: expand our leadership in consumer lending across our footprint; converge towards a global operating model, a more digital one; and continue to build flex-term solutions (leasing, subscription) off common platforms.
- **Corporate & Investment Banking:** our global platform to support corporates and institutions. Our priorities for 2024 are to deliver profitable growth by: deepening client relationships, with a particular focus on the US; sophisticate our centres of expertise and further digitalize our business; and actively managing capital.
- **Wealth Management & Insurance:** common service models for our private banking, asset management and insurance businesses. Our priorities for 2024 are to: improve our customer experience and expand our presence into new countries and businesses; create operational leverage through our global operations and factories and continue to build our global platforms.
- **Payments**: single infrastructures for our payment solutions: PagoNxt and Cards. PagoNxt continues to scale up our global platform of innovative payments and integrated value-added solutions. Also, we aim to expand our global payment platform to all our regions and the open market, and our Cards business while improving customer experience.

Our regions' strategic priorities are:

- **Europe**: remain focused on customer experience and service quality, and on making the structural changes needed to develop a common operating model for Europe.
- **North America:** leverage the strength of our global businesses to accelerate the transformation of our businesses in the US and Mexico.
- **South America:** increase the value we bring to the Group and on working to become the most profitable bank in each of the countries where we operate in the region.
- **DCB Europe**: continue to reinforce our auto leadership through strategic alliances, leasing and subscription. In non-auto, keep upscaling our buy now, pay later business. Transformation for future growth deploying a simpler organizational structure to deliver through best-in-class digital platforms, launching new channels and products.

To conclude, we believe Grupo Santander is well positioned to continue driving additional profitable growth in 2024, supported by our consistent track record and the implementation of ONE Santander.

Note: the implementation of the shareholder remuneration policy is subject to future corporate and regulatory decisions and approvals.
For definitions of ESG-related metrics, see section in 9.8 Alternative performance measures (APMs).

3.2 Results

Executive summary

Attributable profit

Record profit, reaching all targets for the year

EUR 11,076 mn

+15% in euros

+18% in constant euros

Performance (2023 vs. 2022)

Double-digit revenue growth, increasing more than operating expenses, and controlled cost of risk

Total income	Costs	Provisions	
+11%	+6%	+19%	in euros
+13%	+10%	+19%	in constant euros

Efficiency

The Group's efficiency ratio improved driven by Europe

Group	Europe
44.1%	42.1%
-1.7 pp	-5.2 pp

Profitability

Profitability continued to improve

RoTE	RoRWA
15.1%	1.96%
+1.7 pp	+0.19 pp

Changes 2023 vs. 2022

Condensed income statement

EUR million

			Change			
	2023	2022	Absolute	%	% excl. FX	2021
Net interest income	43,261	38,619	4,642	12.0	15.8	33,370
Net fee income (commission income minus commission expense)	12,057	11,790	267	2.3	5.0	10,502
Gains or losses on financial assets and liabilities and exchange differences (net)	2,633	1,653	980	59.3	77.1	1,563
Dividend income	571	488	83	17.0	17.4	513
Income from companies accounted for using the equity method	613	702	(89)	(12.7)	(13.3)	432
Other operating income/expenses	(1,712)	(1,135)	(577)	50.8	177.9	24
Total income	**57,423**	**52,117**	**5,306**	**10.2**	**12.8**	**46,404**
Operating expenses	(25,425)	(23,903)	(1,522)	6.4	9.6	(21,415)
Administrative expenses	(22,241)	(20,918)	(1,323)	6.3	9.4	(18,659)
Staff costs	*(13,726)*	*(12,547)*	*(1,179)*	*9.4*	*12.2*	*(11,216)*
Other general administrative expenses	*(8,515)*	*(8,371)*	*(144)*	*1.7*	*5.2*	*(7,443)*
Depreciation and amortization	(3,184)	(2,985)	(199)	6.7	11.2	(2,756)
Provisions or reversal of provisions	(2,678)	(1,881)	(797)	42.4	55.2	(2,814)
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)	(12,956)	(10,863)	(2,093)	19.3	19.6	(7,407)
Impairment of other assets (net)	(237)	(239)	2	(0.8)	33.1	(231)
Gains or losses on non-financial assets and investments (net)	313	12	301	—	—	53
Negative goodwill recognized in results	39	—	39	—	—	—
Gains or losses on non-current assets held for sale not classified as discontinued operations	(20)	7	(27)	—	—	(43)
Profit or loss before tax from continuing operations	**16,459**	**15,250**	**1,209**	**7.9**	**9.7**	**14,547**
Tax expense or income from continuing operations	(4,276)	(4,486)	210	(4.7)	(3.3)	(4,894)
Profit from the period from continuing operations	**12,183**	**10,764**	**1,419**	**13.2**	**15.1**	**9,653**
Profit or loss after tax from discontinued operations	—	—	—	—	—	—
Profit for the period	**12,183**	**10,764**	**1,419**	**13.2**	**15.1**	**9,653**
Profit attributable to non-controlling interests	(1,107)	(1,159)	52	(4.5)	(5.5)	(1,529)
Profit attributable to the parent	**11,076**	**9,605**	**1,471**	**15.3**	**17.7**	**8,124**

Main income statement items

Total income

Total income amounted to EUR 57,423 million, a double-digit increase year-on-year. In constant euros, total income increased 13% year-on-year. Net interest income and net fee income accounted for 96% of total income. By line:

Net interest income

Net interest income amounted to EUR 43,261 million, 12% higher than 2022.

The tables below show the average balances of each year –calculated as the monthly average over the period, which we believe should not differ materially from using daily balances–, and the generated interest.

The tables also include average balances and interest rates in 2023 and 2022, based on the domicile of the entities at which the relevant assets or liabilities are recorded. Domestic balances relate to our entities domiciled in Spain. International balances relate to entities domiciled outside of Spain (reflecting our foreign activity), and are divided into mature markets (the US and Europe, except Spain and Poland) and developing markets (South America, Mexico and Poland).

Average balance sheet - assets and interest income

EUR million

	2023			2022		
Assets	**Average balance**	**Interest**	**Average rate**	**Average balance**	**Interest**	**Average rate**
Cash balances at central banks and other deposits on demand and loans and advances to central banks and credit institutions [A]	**310,887**	**16,467**	**5.30%**	**304,935**	**7,139**	**2.34%**
Domestic	117,332	4,694	4.00%	111,697	1,166	1.04%
International - Mature markets	124,570	5,611	4.50%	139,105	1,971	1.42%
International - Developing markets	68,985	6,162	8.93%	54,133	4,002	7.39%
of which:						
Reverse repurchase agreements	*55,570*	*4,745*	*8.54%*	*39,572*	*1,862*	*4.71%*
Domestic	*24,292*	*1,336*	*5.50%*	*19,072*	*146*	*0.77%*
International - Mature markets	*4,845*	*278*	*5.74%*	*4,713*	*55*	*1.17%*
International - Developing markets	*26,433*	*3,131*	*11.85%*	*15,787*	*1,661*	*10.52%*
Loans and advances to customers	**1,036,547**	**70,619**	**6.81%**	**1,031,226**	**54,110**	**5.25%**
Domestic	265,322	10,581	3.99%	272,826	5,929	2.17%
International - Mature markets	546,641	28,771	5.26%	552,674	19,821	3.59%
International - Developing markets	224,584	31,267	13.92%	205,726	28,360	13.79%
of which:						
Reverse repurchase agreements	*46,382*	*3,603*	*7.77%*	*43,505*	*1,026*	*2.36%*
Domestic	*8,725*	*261*	*2.99%*	*9,509*	*42*	*0.44%*
International - Mature markets	*36,546*	*3,210*	*8.78%*	*33,068*	*919*	*2.78%*
International - Developing markets	*1,111*	*132*	*11.88%*	*928*	*65*	*7.00%*
Debt securities	**224,304**	**14,501**	**6.46%**	**183,013**	**10,416**	**5.69%**
Domestic	71,507	2,503	3.50%	45,932	809	1.76%
International - Mature markets	51,327	1,444	2.81%	43,877	803	1.83%
International - Developing markets	101,470	10,554	10.40%	93,204	8,804	9.45%
Hedging income		**3,561**			**(236)**	
Domestic		(45)			16	
International - Mature markets		2,955			480	
International - Developing markets		651			(732)	
Other interest		**104**			**1**	
Domestic		(47)			(121)	
International - Mature markets		63			40	
International - Developing markets		88			82	
Total interest-earning assets	**1,571,738**	**105,252**	**6.70%**	**1,519,174**	**71,430**	**4.70%**
Domestic	454,161	17,686	3.89%	430,455	7,799	1.81%
International - Mature markets	722,538	38,844	5.38%	735,656	23,115	3.14%
International - Developing markets	395,039	48,722	12.33%	353,063	40,516	11.48%
Other assets	**201,365**			**201,099**		
Assets from discontinued operations	**—**			**—**		
Average total assets	**1,773,103**	**105,252**		**1,720,273**	**71,430**	

A. In 2022, interest includes income from liabilities reported in 'Deposits from central banks and credit institutions' related to funding from the European Central Bank.

The average balance of interest-earning assets in 2023 was 3% higher than in 2022. The activity of our entities in the domestic market grew by 6%, in the international mature markets it decreased 2% and international developing markets were up 12%.

The average balance of interest-bearing liabilities in 2023 was 3% higher year-on-year, with growth in domestic (+2%) and international developing (+13%) markets, and a reduction in international mature markets (-1%).

Higher interest rates in our markets led to a general increase in asset yields and liability costs.

The average return on interest-earning assets increased 200 bps from 4.70% in 2022 to 6.70% in 2023, with general rises across our markets (domestic +208 bps, international developing +224 bps, international mature +85 bps). Moreover, returns across all balance sheet items increased.

The average cost of interest-bearing liabilities rose 189 bps to 4.14%, with increases in all markets. Domestic liabilities increased 154 bps while international mature markets and international developing markets increased 229 bps and 110 bps, respectively. All balance sheet lines increased.

We calculated the change in interest income/(expense) shown in the tables below by:

- Applying the interest rate of the previous period to the difference between the average balances from the current and previous periods to obtain the change in volumes.
- Applying the difference between the rates from the current and previous periods to the average balance from the previous year to obtain the change in interest rate.

Both interest income and expense increased in 2023, mainly due to higher interest rates and, to a lesser extent, greater volumes.

Net interest income increased 12%, as shown in the graph shown below. In constant euros, growth was 16%, mainly due to greater volumes in some countries, higher interest rates and margin management. By region and in constant euros:

- Net interest income in **Europe** grew 27%, due to the strong positive sensitivity to interest rate rises in our balance sheet in euros. By country: +46% in Spain, +5% in the UK, +96% in Portugal and +25% in Poland.
- In **North America** it increased 3%, driven mainly by Mexico (+12%) while it decreased 4% in the US.
- Net interest income in **South America** rose 12%, despite the impact from negative sensitivity to interest rate rises during most of the year in Chile (-23%) and Brazil (+2%).
- In **Digital Consumer Bank (DCB)**, net interest income increased 6%, supported by actively repricing loans and customer deposit growth.
- **Corporate Centre** recorded lower losses due to higher liquidity buffer remuneration as a result of higher interest rates.

Average balance sheet - liabilities and interest expense

EUR million

	2023			2022		
Liabilities and stockholders' equity	**Average balance**	**Interest**	**Average rate**	**Average balance**	**Interest**	**Average rate**
Deposits from central banks and credit institutions [A]	**175,164**	**9,350**	**5.34%**	**214,879**	**3,636**	**1.69%**
Domestic	62,366	2,723	4.37%	92,373	560	0.61%
International - Mature markets	63,456	2,989	4.71%	78,230	972	1.24%
International - Developing markets	49,342	3,638	7.37%	44,276	2,104	4.75%
of which:						
Repurchase agreements	*55,619*	*3,737*	*6.72%*	*34,298*	*1,349*	*3.93%*
Domestic	*34,123*	*1,686*	*4.94%*	*17,321*	*186*	*1.07%*
International - Mature markets	*6,542*	*388*	*5.93%*	*2,743*	*50*	*1.82%*
International - Developing markets	*14,954*	*1,663*	*11.12%*	*14,234*	*1,113*	*7.82%*
Customer deposits	**1,011,471**	**33,238**	**3.29%**	**963,359**	**16,994**	**1.76%**
Domestic	302,379	3,269	1.08%	286,233	698	0.24%
International - Mature markets	468,602	12,386	2.64%	460,386	3,279	0.71%
International - Developing markets	240,490	17,583	7.31%	216,740	13,017	6.01%
of which:						
Repurchase agreements	*73,193*	*7,084*	*9.68%*	*57,646*	*3,199*	*5.55%*
Domestic	*4,602*	*263*	*5.71%*	*2,327*	*24*	*1.03%*
International - Mature markets	*46,992*	*4,125*	*8.78%*	*37,380*	*1,099*	*2.94%*
International - Developing markets	*21,599*	*2,696*	*12.48%*	*17,939*	*2,076*	*11.57%*
Marketable debt securities [B]	**288,345**	**12,751**	**4.42%**	**255,721**	**8,464**	**3.31%**
Domestic	134,045	4,184	3.12%	111,682	2,262	2.03%
International - Mature markets	108,912	4,219	3.87%	107,374	2,262	2.11%
International - Developing markets	45,388	4,348	9.58%	36,665	3,940	10.75%
of which:						
Commercial paper	*29,195*	*1,329*	*4.55%*	*17,907*	*375*	*2.09%*
Domestic	*21,509*	*888*	*4.13%*	*12,377*	*222*	*1.79%*
International - Mature markets	*5,641*	*243*	*4.31%*	*4,280*	*60*	*1.40%*
International - Developing markets	*2,045*	*198*	*9.68%*	*1,250*	*93*	*7.44%*
Other interest-bearing liabilities [C]	**23,139**	**638**	**2.76%**	**23,861**	**216**	**0.91%**
Domestic	16,109	469	2.91%	16,616	93	0.56%
International - Mature markets	4,830	1	0.02%	5,416	1	0.02%
International - Developing markets	2,200	168	7.64%	1,829	122	6.67%
Hedging expenses		**4,436**			**2,055**	
Domestic		1,045			218	
International - Mature markets		1,756			207	
International - Developing markets		1,635			1,630	
Other interest		**1,578**			**1,446**	
Domestic		567			435	
International - Mature markets		304			186	
International - Developing markets		707			825	
Total interest-bearing liabilities	**1,498,119**	**61,991**	**4.14%**	**1,457,820**	**32,811**	**2.25%**
Domestic	**514,899**	**12,257**	**2.38%**	**506,904**	**4,266**	**0.84%**
International - Mature markets	**645,800**	**21,655**	**3.35%**	**651,406**	**6,907**	**1.06%**
International - Developing markets	**337,420**	**28,079**	**8.32%**	**299,510**	**21,638**	**7.22%**
Other liabilities	**173,299**			**163,832**		
Non-controlling interests	**8,650**			**8,635**		
Shareholders´ equity	**93,035**			**89,986**		
Liabilities from discontinued operations	**—**			**—**		
Average total liabilities and equity	**1,773,103**	**61,991**		**1,720,273**	**32,811**	

A. In 2022, Interest includes expenses from assets reported in "Cash and deposits on demand and loans and advances to central banks and credit institutions" related to liquidity placed at the European Central Bank.
B. Does not include contingently convertible preference shares and perpetual subordinated notes because they do not accrue interest. We include them under 'Other liabilities'.
C. Includes 'Liabilities under insurance or reinsurance contracts', reflecting the retrospective application of the new accounting standard IFRS 17 from 1 January 2023 which meant the reclassification of a portfolio of products for approximately EUR 16 billion registered as of 31 December 2022 in 'Customer deposits' to 'Liabilities under insurance or reinsurance contracts' (see note 1.b to our consolidated financial statements). The 2022 average balance information has been updated for comparative purposes but not the Interest information, following the approach adopted by the Group in the financial statements.

Volume and profitability analysis

EUR million

	2023 vs. 2022		
	Increase (decrease) due to changes in		
Interest income	**Volume**	**Rate**	**Net change**
Cash and deposits on demand and loans and advances to central banks and credit institutions	**1,064**	**8,264**	**9,328**
Domestic	62	3,466	3,528
International - Mature markets	(226)	3,866	3,640
International - Developing markets	1,228	932	2,160
of which:			
Reverse repurchase agreements	*1,291*	*1,592*	*2,883*
Domestic	*50*	*1,140*	*1,190*
International - Mature markets	*2*	*221*	*223*
International - Developing markets	*1,239*	*231*	*1,470*
Loans and advances to customers	**2,237**	**14,272**	**16,509**
Domestic	(167)	4,819	4,652
International - Mature markets	(219)	9,169	8,950
International - Developing markets	2,623	284	2,907
of which:			
Reverse repurchase agreements	*117*	*2,460*	*2,577*
Domestic	*(4)*	*223*	*219*
International - Mature markets	*106*	*2,185*	*2,291*
International - Developing markets	*15*	*52*	*67*
Debt securities	**1,583**	**2,502**	**4,085**
Domestic	611	1,083	1,694
International - Mature markets	154	487	641
International - Developing markets	818	932	1,750
Hedging income	**3,797**	**—**	**3,797**
Domestic	(61)	—	(61)
International - Mature markets	2,475	—	2,475
International - Developing markets	1,383	—	1,383
Other interest	**103**	**—**	**103**
Domestic	74	—	74
International - Mature markets	23	—	23
International - Developing markets	6	—	6
Total interest-earning assets	**8,784**	**25,038**	**33,822**
Domestic	**519**	**9,368**	**9,887**
International - Mature markets	**2,207**	**13,522**	**15,729**
International - Developing markets	**6,058**	**2,148**	**8,206**

Volume and cost analysis

EUR million

	2023 vs. 2022		
	Increase (decrease) due to changes in		
Interest expense	**Volume**	**Rate**	**Net change**
Deposits from central banks and credit institutions	**(190)**	**5,904**	**5,714**
Domestic	(238)	2,401	2,163
International - Mature markets	(216)	2,233	2,017
International - Developing markets	264	1,270	1,534
of which:			
Repurchase agreements	*506*	*1,882*	*2,388*
Domestic	*318*	*1,182*	*1,500*
International - Mature markets	*129*	*209*	*338*
International - Developing markets	*59*	*491*	*550*
Customer deposits	**1,632**	**14,612**	**16,244**
Domestic	42	2,529	2,571
International - Mature markets	60	9,047	9,107
International - Developing markets	1,530	3,036	4,566
of which:			
Repurchase agreements	*837*	*3,048*	*3,885*
Domestic	*42*	*197*	*239*
International - Mature markets	*347*	*2,679*	*3,026*
International - Developing markets	*448*	*172*	*620*
Marketable debt securities	**1,420**	**2,867**	**4,287**
Domestic	519	1,403	1,922
International - Mature markets	33	1,924	1,957
International - Developing markets	868	(460)	408
of which:			
Commercial paper	*336*	*618*	*954*
Domestic	*241*	*425*	*666*
International - Mature markets	*24*	*159*	*183*
International - Developing markets	*71*	*34*	*105*
Other interest-bearing liabilities	**24**	**398**	**422**
Domestic	(3)	379	376
International - Mature markets	0	0	0
International - Developing markets	27	19	46
Hedging expenses	**2,381**	**—**	**2,381**
Domestic	827	—	827
International - Mature markets	1,549	—	1,549
International - Developing markets	5	—	5
Other interest	**132**	**—**	**132**
Domestic	132	—	132
International - Mature markets	118	—	118
International - Developing markets	(118)	—	(118)
Total interest-bearing liabilities	**5,399**	**23,781**	**29,180**
Domestic	**1,279**	**6,712**	**7,991**
International - Mature markets	**1,544**	**13,204**	**14,748**
International - Developing markets	**2,576**	**3,865**	**6,441**

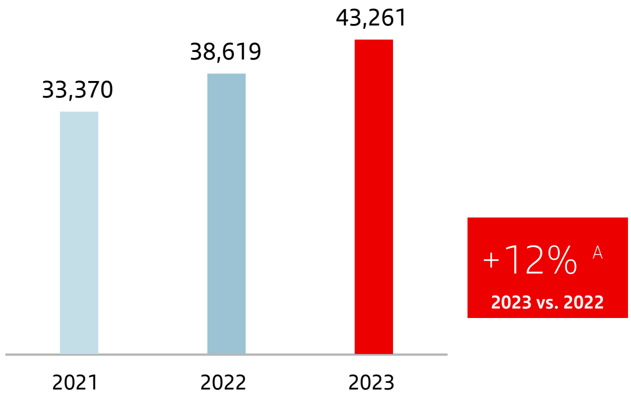
Net interest income. Volume, profitability and cost analysis summary

EUR million

	2023 vs. 2022		
	Increase (decrease) due to changes in		
	Volume	Rate	Net change
Interest income	**8,784**	**25,038**	**33,822**
Domestic	519	9,368	9,887
International - Mature markets	2,207	13,522	15,729
International - Developing markets	6,058	2,148	8,206
Interest expense	**5,399**	**23,781**	**29,180**
Domestic	1,279	6,712	7,991
International - Mature markets	1,544	13,204	14,748
International - Developing markets	2,576	3,865	6,441
Net interest income	**3,385**	**1,257**	**4,642**
Domestic	**(760)**	**2,656**	**1,896**
International - Mature markets	**663**	**318**	**981**
International - Developing markets	**3,482**	**(1,717)**	**1,765**

Net interest income

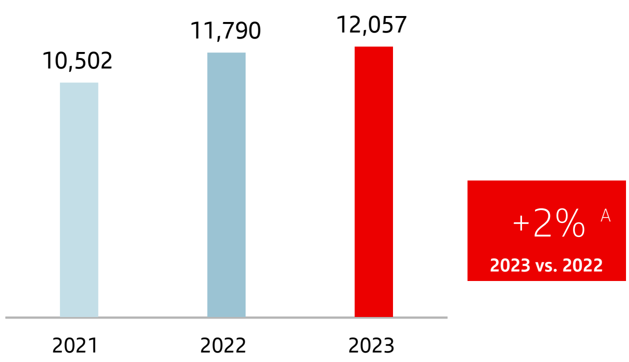
EUR million



A. In constant euros: +16%.

Net fee income

EUR million



A. In constant euros: +5%.

Net fee income

EUR million

			Change			
	2023	2022	Absolute	%	% excl. FX	2021
Asset management business, funds and insurance	3,967	4,032	(65)	(1.6)	6.4	3,649
Credit and debit cards	2,386	2,139	247	11.6	19.2	1,782
Securities and custody services	1,086	986	100	10.1	17.4	1,035
Account management and availability fees	2,005	2,032	(27)	(1.3)	22.3	1,850
Cheques and payment orders	826	797	29	3.6	45.6	642
Foreign exchange	797	788	9	1.1	2.9	522
Charges for past-due/unpaid balances and guarantees	297	277	20	7.3	12.8	266
Bill discounting	208	227	(19)	(8.3)	1.7	199
Other	484	512	(28)	(5.4)	(26.6)	557
Net fee income	**12,057**	**11,790**	**267**	**2.3**	**5.0**	**10,502**

Net fee income

Net fee income increased 2% compared to 2022, reaching EUR 12,057 million. In constant euros, it was 5% higher.

By region, net fee income rose 7% in North America and 14% in South America. It decreased 2% in Europe due to lower credit volumes and customer attraction campaigns.

Our scale and global businesses generated greater activity for our country units and the Group, which was reflected in net fee income growth, particularly in Santander Corporate & Investment Banking (SCIB) and PagoNxt.

In SCIB, net fee income increased double digits, with widespread growth across its core businesses.

Net fee income growth was also strong in PagoNxt with double-digit growth year-on-year in total payments volumes.

Gains or losses on financial assets and liabilities and exchange differences (net)

Gains on financial transactions and liabilities and exchange differences (net) stood at EUR 2,633 million (EUR 1,653 million in 2022), driven mainly by customer activity in SCIB and lower losses in the Corporate Centre (driven by higher negative results from the foreign exchange (FX) hedge in 2022).

Gains and losses on financial assets and liabilities stem from mark-to-market valuations of the trading portfolio and derivative instruments , which include spot market foreign exchange transactions, sales of investment securities and liquidation of our hedging and other derivative positions.

For more details, see note 43 to the consolidated financial statements.

Exchange rate differences primarily show gains and losses from foreign exchange and the differences that arise from converting monetary items in foreign currencies to the functional currency, and from selling non-monetary assets denominated in foreign currency at the time of their disposal. Given Santander manages currency exposures with derivative instruments, the changes in this line should be analysed together with Gains/(losses) on financial assets and liabilities.

For more details, see note 44 to the consolidated financial statements.

Dividend income

Dividend income was EUR 571 million (EUR 488 million in 2022).

Income from companies accounted for by the equity method

The income from companies accounted for by the equity method reached EUR 613 million compared to EUR 702 million in 2022.

Other operating income/expenses

Other operating income recorded a loss of EUR 1,712 million (compared to a EUR 1,135 million loss in 2022), owing to the hyperinflation adjustment in Argentina and lower leasing income in the US. This line was also affected by the EUR 224 million charge related to the temporary levy on revenue in Spain and DCB recorded in the first quarter of 2023.

For more details, see note 45 to the consolidated financial statement.

In summary, total income increased in all regions, DCB and global businesses. The Corporate Centre also increased, due to the higher liquidity buffer remuneration and the lower negative impact from the FX hedge.

Operating expenses

EUR million

	2023	2022	Change Absolute	Change %	Change % excl. FX	2021
Staff costs	13,726	12,547	1,179	9.4	12.2	11,216
Other administrative expenses	*8,515*	*8,371*	*144*	*1.7*	*5.2*	*7,443*
Information technology	*2,471*	*2,473*	*(2)*	*(0.1)*	*7.3*	*2,182*
Communications	*414*	*410*	*4*	*1.0*	*17.5*	*401*
Advertising	*603*	*559*	*44*	*7.9*	*16.9*	*510*
Buildings and premises	*721*	*708*	*13*	*1.8*	*7.8*	*699*
Printed and office material	*97*	*96*	*1*	*1.0*	*9.9*	*90*
Taxes (other than tax on profits)	*570*	*559*	*11*	*2.0*	*35.4*	*558*
Other expenses	*3,639*	*3,566*	*73*	*2.0*	*11.6*	*3,003*
Administrative expenses	**22,241**	**20,918**	**1,323**	**6.3**	**9.4**	**18,659**
Depreciation and amortization	3,184	2,985	199	6.7	11.2	2,756
Operating expenses	**25,425**	**23,903**	**1,522**	**6.4**	**9.6**	**21,415**

Operating expenses

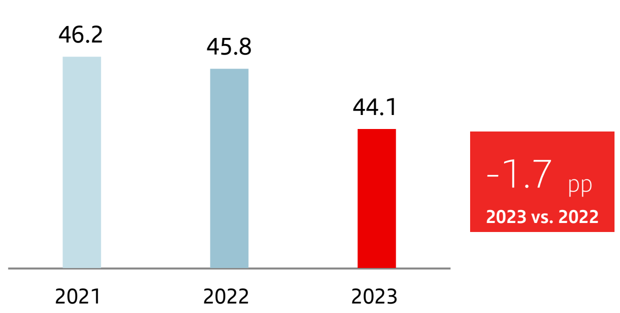
Operating expenses amounted to EUR 25,425 million, 6% higher than 2022 (+10% in constant euros), due to higher inflation. In real terms (excluding the impact of average inflation), operating expenses increased 0.4%.

Our cost management continued to focus on improving our efficiency and, as a result, we remained among the most efficient global banks in the world. The efficiency ratio stood at 44.1% in 2023, 1.7 pp better than 2022.

Our business transformation plan, ONE Transformation, continued to progress across our footprint, reflected in greater operating productivity and better business dynamics.

Efficiency ratio (cost to income)

%



In constant euros, operating expenses by region and market performed as follows:

- In **Europe**, operating expenses were up 6%. In real terms, they rose 1%, due to increases in Spain, Poland and Portugal, which were partially offset by the decrease in the UK (-3%). The region's efficiency ratio stood at 42.1%, improving 5.2 pp year-on-year.
- In **North America**, operating expenses increased 8%. In real terms, they were up 3%, due to investments in digitalization, technology and other transformation initiatives underway. The efficiency ratio stood at 49.1%.
- In **South America**, operating expenses rose 17%. In real terms, they were down 3%, despite the salary increases directly linked to inflation. The efficiency ratio stood at 38.5%.
- **DCB's** operating expenses increased 8%, +3% in real terms, due to strategic and transformation investments in leasing and BNPL platforms and business growth. The efficiency ratio stood at 47.6%.

Provisions or reversal of provisions

Provisions (net of provisions reversals) amounted to EUR 2,678 million (EUR 1,881 million in 2022) mainly driven by Spain and Brazil.

For more details, see note 25 to the consolidated financial statements.

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (net) was EUR 12,956 million (EUR 10,863 million in 2022).

This comparison was mainly affected by the provisions resulting from the charges in Poland for Swiss franc mortgages, the increase in the US and Mexico (due to normalization) and higher provisions recorded in Brazil, in line with credit portfolio growth.

For more details, see section 3 'Credit risk' in the 'Risk management and compliance' chapter.

Impairment of other assets (net)

The impairment on other assets (net) was EUR 237 million, compared to an impairment of EUR 239 million in 2022.

Gains or losses on non-financial assets and investments (net)

Net gains on non-financial assets and investments were EUR 313 million in 2023 (gain of EUR 12 million in 2022).

For more details, see note 48 to the consolidated financial statements.

Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss (net)

EUR million

	2023	2022	2021
Financial assets at fair value through other comprehensive income	44	7	19
Financial assets at amortized cost	12,912	10,856	7,388
Impairment or reversal of impairment of financial assets not measured at fair value through profit or loss and net gains and losses from changes	**12,956**	**10,863**	**7,407**

Impairment on other assets (net)

EUR million

	2023	2022	2021
Impairment of investments in subsidiaries, joint ventures and associates, net	—	—	—
Impairment on non-financial assets, net	**237**	**239**	**231**
Tangible assets	*136*	*140*	*150*
Intangible assets	*73*	*75*	*71*
Others	*28*	*24*	*10*
Impairment on other assets (net)	**237**	**239**	**231**

Negative goodwill recognized in results

Negative goodwill of EUR 39 million was recorded in 2023. No negative goodwill was recorded in 2022.

Gains or losses on non-current assets held for sale not classified as discontinued operations

This item, which mainly includes impairment of foreclosed assets recorded and the sale of properties acquired upon foreclosure, recorded a EUR 20 million loss in 2023 (EUR 7 million gain in 2022).

For more details, see note 49 to the consolidated financial statements.

Profit or loss before tax from continuing operations

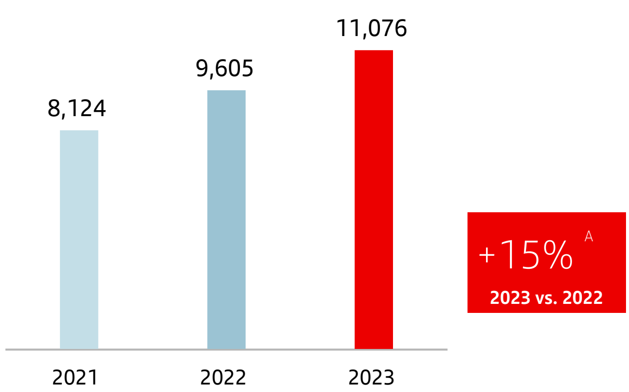
Profit before tax was EUR 16,459 million in 2023, +8% year-on-year and +10% in constant euros. Good top line performance (double-digit growth in total income minus costs) was partially offset by higher loan-loss provisions and impairments and the temporary levy on revenue earned in Spain.

Tax expense or income from continuing operations

Total income tax was EUR 4,276 million (EUR 4,486 million in 2022).

Profit attributable to the parent

EUR million



A. In constant euros: +18%.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests amounted to EUR 1,107 million, down 4% year-on-year (-6% in constant euros), due to lower profit in Brazil and DCB as well as the Group's increased shareholding in Banco Santander México in 2023.

For more details, see note 28 to the consolidated financial statements.

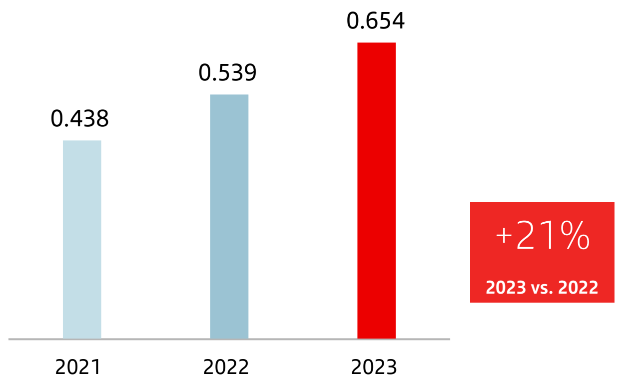
Profit attributable to the parent

Profit attributable to the parent amounted to EUR 11,076 million in 2023, compared to EUR 9,605 million in 2022. These results do not fully reflect profit performance due to the temporary levy on revenue earned in Spain in 2023.

RoTE stood at 15.1% (13.4% in 2022), RoRWA at 1.96% (1.77% in 2022) and earnings per share stood at EUR 0.65 (EUR 0.54 in 2022).

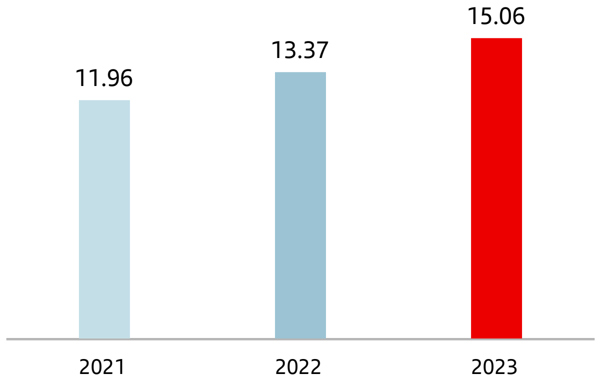
Earnings per share

EUR



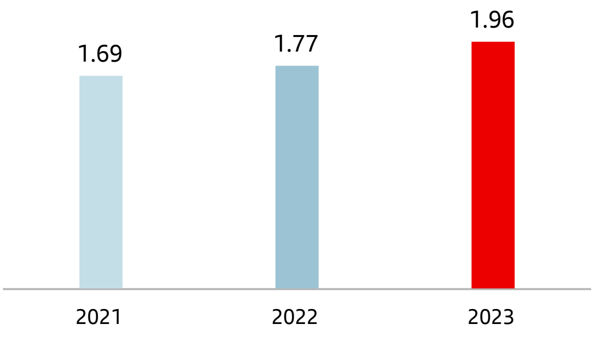
RoTE

%



RoRWA

%



Below is the condensed income statement adjusted for items beyond the ordinary course of business and reclassification of certain items under some headings of the underlying income statement, as described in note 52.c of the consolidated financial statements, where our segments' aggregate underlying consolidated results are reconciled to the statutory consolidated results.

Condensed underlying income statement

EUR million

			Change			
	2023	2022	Absolute	%	% excl. FX	2021
Net interest income	43,261	38,619	4,642	12.0	15.8	33,370
Net fee income	12,057	11,790	267	2.3	5.0	10,501
Gains (losses) on financial transactions and exchange differences	2,633	1,653	980	59.3	77.1	1,564
Other operating income	(304)	92	(396)	—	—	968
Total income	**57,647**	**52,154**	**5,493**	**10.5**	**13.1**	**46,404**
Administrative expenses and amortizations	(25,425)	(23,903)	(1,522)	6.4	9.6	(21,415)
Net operating income	**32,222**	**28,251**	**3,971**	**14.1**	**16.1**	**24,988**
Net loan-loss provisions	(12,458)	(10,509)	(1,949)	18.5	19.1	(7,436)
Other gains (losses) and provisions	(3,066)	(2,492)	(574)	23.0	33.5	(2,292)
Profit before tax	**16,698**	**15,250**	**1,448**	**9.5**	**11.3**	**15,260**
Tax on profit	(4,489)	(4,486)	(3)	0.1	1.5	(5,076)
Profit from continuing operations	**12,209**	**10,764**	**1,445**	**13.4**	**15.4**	**10,184**
Net profit from discontinued operations	—	—	—	—	—	—
Consolidated profit	**12,209**	**10,764**	**1,445**	**13.4**	**15.4**	**10,184**
Non-controlling interests	(1,133)	(1,159)	26	(2.2)	(3.4)	(1,530)
Net capital gains and provisions	—	—	—	—	—	(530)
Profit attributable to the parent	**11,076**	**9,605**	**1,471**	**15.3**	**17.7**	**8,124**
Underlying profit attributable to the parent [A]	**11,076**	**9,605**	**1,471**	**15.3**	**17.7**	**8,654**

A. Excluding net capital gains and provisions.

Underlying profit attributable to the parent

Profit attributable to the parent and underlying profit were the same in 2023 (EUR 11,076 million), as profit was not affected by results that fell outside the ordinary course of our business, but there was a reclassification of certain items under some headings of the underlying income statement to better understand the business trends. These items are:

- The temporary levy on revenue in Spain in the first quarter of 2023, totalling EUR 224 million, which was moved from total income to other gains (losses) and provisions.
- Provisions to strengthen the balance sheet in Brazil in the first quarter of 2023, totalling EUR 235 million, net of tax and minority interests.

In 2022, profit attributable to the parent and underlying profit were also the same (EUR 9,605 million), as profit was not affected by results that fell outside the ordinary course of our business, but there was also a reclassification of certain items under some headings of the underlying income statement.

As a result, both attributable profit and underlying profit increased 15% in euros and 18% in constant euros compared to 2022.

For more details, see note 52.c to the consolidated financial statements.

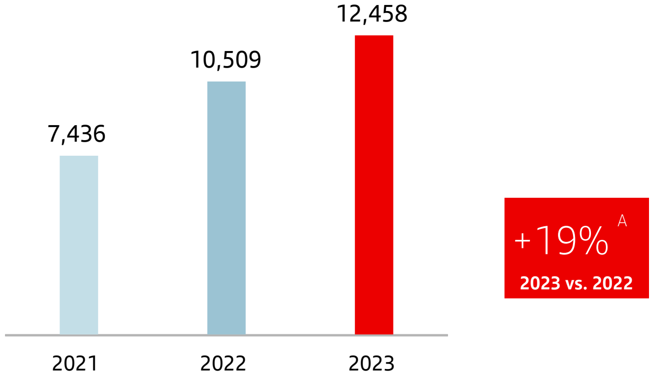
This growth was mainly boosted by solid revenue performance, which increased 11% in euros and 13% in constant euros compared to 2022, and the better efficiency improvement, which improved to 44.1%.

Santander's net operating income[1] was EUR 32,222 million, 14% higher year-on-year. In constant euros, it rose 16% as follows:

1. As described in note 52.c of the consolidated financial statements, net operating income is used for the Group's internal operating and management reporting purposes but is not a line item in the statutory consolidated income statement.

Net loan-loss provisions

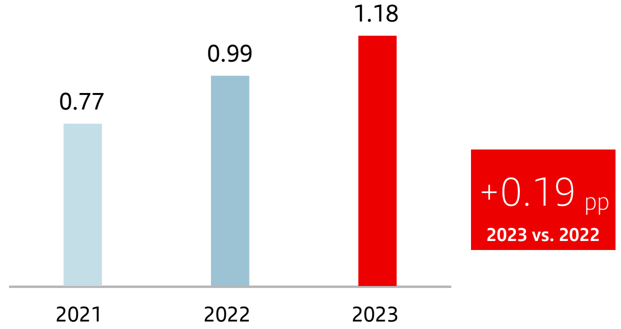
EUR million



A. In constant euros: +19%.

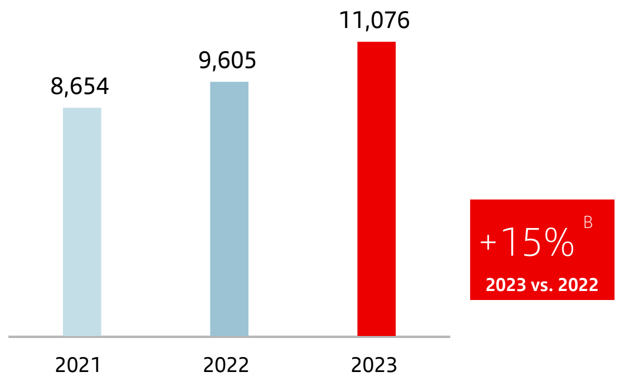
Cost of risk

%



Underlying profit attributable to the parent[A]

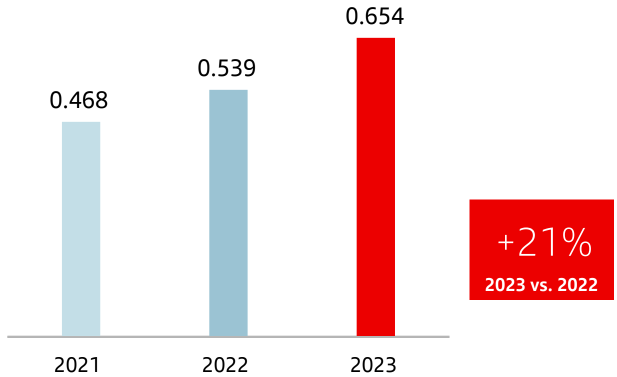
EUR million



A. Excluding net capital gains and provisions.
B. In constant euros: +18%.

Underlying earnings per share[A]

EUR



A. Excluding net capital gains and provisions.

- In **Europe**, net operating income increased 31% with strong improvements in all markets, boosted by 19% growth in total income (mainly net interest income in a context of higher interest rates) and administrative expenses and amortizations increasing in line with inflation, resulting in efficiency gains.
- In **North America**, net operating income rose 2%. In Mexico, it was up 18%, supported by strong total income growth, which more than offset higher transformation costs. In the US, it decreased 10%, affected by higher funding costs and investments in building up our CIB and Wealth Management businesses.
- In **South America**, net operating income increased 3%, driven by total income.
- In **DCB**, net operating income increased 4%, driven by higher net interest income, leasing income and gains on financial transactions. Administrative expenses and amortizations rose due to strategic transformation investments and business growth, as already mentioned.
- In the **Corporate Centre**, net operating income improved EUR 1,029 million, driven by the improvement of net interest income (higher liquidity buffer remuneration) and gains on financial transactions higher (FX hedge costs in 2022).

Net loan-loss provisions rose 19% (+19% also in constant euros) mainly due to normalization in the US and Mexico, Swiss franc mortgage provisions in Poland and portfolio growth in Brazil. This growth was reflected in an increase in the cost of risk to 1.18%, delivering on Group's target for the year.

3.3 Balance sheet

Balance sheet

EUR million

Assets	2023	2022	Change Absolute	Change %	2021
Cash, cash balances at central banks and other deposits on demand	220,342	223,073	(2,731)	(1.2)	210,689
Financial assets held for trading	176,921	156,118	20,803	13.3	116,953
Non-trading financial assets mandatorily at fair value through profit or loss	5,910	5,713	197	3.4	5,536
Financial assets designated at fair value through profit or loss	9,773	8,989	784	8.7	15,957
Financial assets at fair value through other comprehensive income	83,308	85,239	(1,931)	(2.3)	108,038
Financial assets at amortized cost	1,191,403	1,147,044	44,359	3.9	1,037,898
Hedging derivatives	5,297	8,069	(2,772)	(34.4)	4,761
Changes in the fair value of hedged items in portfolio hedges of interest risk	(788)	(3,749)	2,961	(79.0)	410
Investments	7,646	7,615	31	0.4	7,525
Assets under insurance or reinsurance contracts	237	308	(71)	(23.1)	283
Tangible assets	33,882	34,073	(191)	(0.6)	33,321
Intangible assets	19,871	18,645	1,226	6.6	16,584
Tax assets	31,390	29,987	1,403	4.7	25,196
Other assets	8,856	10,082	(1,226)	(12.2)	8,595
Non-current assets held for sale	3,014	3,453	(439)	(12.7)	4,089
Total assets	**1,797,062**	**1,734,659**	**62,403**	**3.6**	**1,595,835**
Liabilities and equity					
Financial liabilities held for trading	122,270	115,185	7,085	6.2	79,469
Financial liabilities designated at fair value through profit or loss	40,367	40,268	99	0.2	14,943
Financial liabilities at amortized cost	1,468,703	1,423,858	44,845	3.1	1,349,169
Hedging derivatives	7,656	9,228	(1,572)	(17.0)	5,463
Changes in the fair value of hedged items in portfolio hedges of interest rate risk	55	(117)	172	—	248
Liabilities under insurance or reinsurance contracts	17,799	16,426	1,373	8.4	18,560
Provisions	8,441	8,149	292	3.6	9,583
Tax liabilities	9,932	9,468	464	4.9	8,649
Other liabilities	17,598	14,609	2,989	20.5	12,698
Liabilities associated with non-current assets held for sale	—	—	—	—	—
Total liabilities	**1,692,821**	**1,637,074**	**55,747**	**3.4**	**1,498,782**
Shareholders' equity	130,443	124,732	5,711	4.6	119,649
Other comprehensive income	(35,020)	(35,628)	608	(1.7)	(32,719)
Non-controlling interest	8,818	8,481	337	4.0	10,123
Total equity	**104,241**	**97,585**	**6,656**	**6.8**	**97,053**
Total liabilities and equity	**1,797,062**	**1,734,659**	**62,403**	**3.6**	**1,595,835**

Executive summary [A]

Loans and advances to customers (minus reverse repos)			Customer funds (deposits minus repos + mutual funds)		
Credit performance reflects the impact of macroeconomic environment and rising interest rates on customer behaviour			Customer funds continued to grow year-on-year		
EUR 1,015 billion	-1%		EUR 1,177 billion	+4%	
By segment:			By product:		
Year-on-year decline in corporates, while loans to individuals remained stable			Increase in time deposits and mutual funds on the back of demand deposits		
Individuals	SMEs and corporates	CIB	Demand	Time	Mutual funds
0%	-1%	-6%	-7%	+30%	+13%

A. 2023 vs. 2022 changes in constant euros.

Loans and advances to customers

Loans and advances to customers totalled EUR 1,036,349 million in December 2023, remaining stable year-on-year.

For the purpose of analysing traditional commercial banking loans, the Group uses gross loans and advances to customers minus reverse repurchase agreements which amounted to EUR 1,014,953 million, which also remained stable year-on-year. To facilitate the analysis of Santander's management, as usual the comments below do not consider the exchange rate impact.

Gross loans and advances to customers, excluding reverse repurchase agreements and in constant euros, declined 1%, as follows:

- In **Europe,** volumes decreased 6%, with falls in almost all markets impacted by higher interest rates. Volumes fell 8% in Spain, 6% in Portugal and 6% in UK. On the other hand, volumes in Poland increased 5%, mainly due to double-digit growth in CIB.
- In **North America**, growth was 3%. In the US, lending grew 1% propelled by CIB and Multifamily, while lending in Mexico was up 6% with widespread rises across segments (except CIB).
- Growth in **South America** was 7%. In Argentina, lending increased 217% driven by SMEs, corporates and individuals. In Brazil, it climbed 6% owing to positive performance in SMEs and individuals. In Chile, loans increased 4% backed by individuals, CIB and consumer finance. In Uruguay, they rose 12% mainly driven by consumer and corporates.
- At **DCB,** volumes increased 8%, with generalized growth across countries (except the UK). Openbank's loans grew 16%.

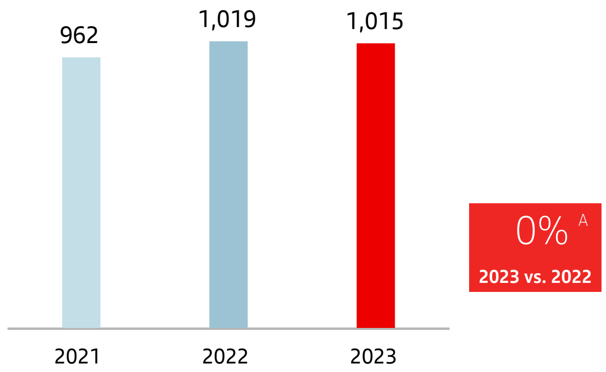
Loans and advances to customers

EUR million

	2023	2022	Change Absolute	Change %	2021
Commercial bills	55,628	56,688	(1,060)	(1.9)	49,603
Secured loans	554,375	565,609	(11,234)	(2.0)	542,404
Other term loans	295,485	290,031	5,454	1.9	269,526
Finance leases	38,723	39,833	(1,110)	(2.8)	38,503
Receivable on demand	12,277	11,435	842	7.4	10,304
Credit cards receivable	24,371	22,704	1,667	7.3	20,397
Impaired assets	34,094	32,888	1,206	3.7	31,645
Gross loans and advances to customers (minus repurchase agreements)	**1,014,953**	**1,019,188**	**(4,235)**	**(0.4)**	**962,382**
Repurchase agreements	44,184	39,500	4,684	11.9	33,264
Gross loans and advances to customers	**1,059,137**	**1,058,688**	**449**	**0.0**	**995,646**
Loan-loss allowances	22,788	22,684	104	0.5	22,964
Net loans and advances to customers	**1,036,349**	**1,036,004**	**345**	**0.0**	**972,682**

Gross loans and advances to customers (minus reverse repos)

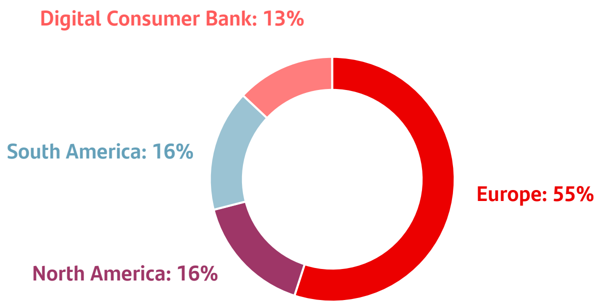
EUR billion



A. In constant euros: -1%.

Gross loans and advances to customers (minus reverse repos)

% of operating areas. December 2023



As of December 2023, gross loans and advances to customers minus reverse repurchase agreements maintained a balanced structure: individuals (63%), SMEs and corporates (24%) and CIB (13%).

At the end of 2023, 62% of loans and advances to customers maturing in more than a year had a fixed interest rate, while the other 38% had a floating interest rate:

- In Spain, 50% of loans and advances to customers were fixed rate and 50% were floating rate.
- Outside Spain, 66% of loans and advances to customers were fixed rate and 34% were floating rate.

For more details on the distribution of loans and advances to customers by business line, see note 10.b to the consolidated financial statements.

Tangible assets amounted to EUR 33,882 million in December 2023, down EUR 191 million compared to December 2022.

Intangible assets stood at EUR 19,871 million, of which EUR 14,017 million corresponds to goodwill (which increased EUR 276 million) and EUR 5,854 million to other intangible assets, mostly IT developments (up EUR 950 million).

Loans and advances to customers with maturities exceeding one year at 2023 year end

EUR million

	Domestic		International		TOTAL	
	Amount	Weight as % of the total	Amount	Weight as % of the total	Amount	Weight as % of the total
Fixed	78,163	50%	376,339	66%	454,502	62%
Floating	77,650	50%	197,240	34%	274,890	38%
TOTAL	**155,813**	**100 %**	**573,579**	**100 %**	**729,392**	**100 %**

Total customer funds

EUR million

	2023	2022	Change Absolute	Change %	2021
Demand deposits	661,262	710,232	(48,970)	(6.9)	717,728
Time deposits	307,085	236,099	70,986	30.1	146,469
Mutual funds [A]	208,528	184,054	24,474	13.3	188,096
Customer funds	**1,176,875**	**1,130,385**	**46,490**	**4.1**	**1,052,293**
Pension funds [A]	14,831	14,021	810	5.8	16,078
Managed portfolios [A]	36,414	32,184	4,230	13.1	31,138
Repurchase agreements	78,822	63,391	15,431	24.3	36,357
Total funds	**1,306,942**	**1,239,981**	**66,961**	**5.4**	**1,135,866**

A. Including managed and marketed funds.

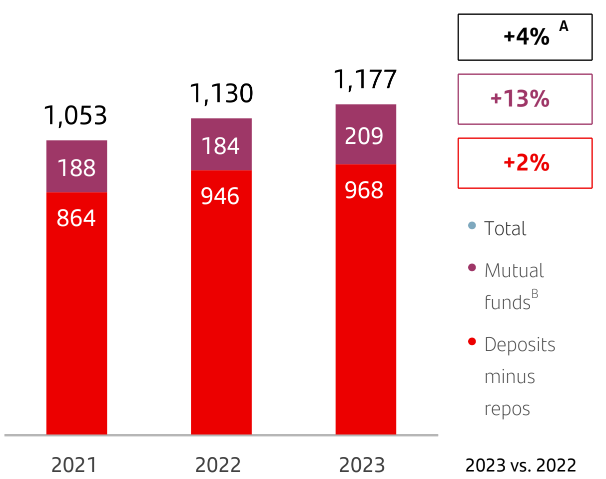
Customer deposits grew 4% year-on-year to EUR 1,047,169 million at 31 of December 2023.

Santander uses customer funds (customer deposits, minus repurchase agreements, plus mutual funds) to analyse traditional retail banking funds, which stood at EUR 1,176,875 million and grew 4% year-on-year. To facilitate the analysis of Santander's management, as usual the comments below do not consider the exchange rate impact. Compared to December 2022, **customer funds** in constant euros rose 4%, as follows:

- By product, customer deposits minus repurchase agreements rose 2%, as higher interest rates resulted in a notable increase in time deposits (+30%), which grew significantly in all markets, to the detriment of demand deposits, which fell 7%. Mutual funds increased (+13%) in all markets (except the US).

Customer funds (minus repos)

EUR billion



A. In constant euros: +4%.
B. Including managed and marketed funds.

- Customer funds increased 17% in South America with growth in all markets (Argentina: +235%; Brazil: +14%; and Chile: +12%), increased 3% in North America (the US: -1% and Mexico: +10%), and fell 1% in Europe due to the decreases in Portugal (-4%), Spain (-2%), and the UK (-1%), offset by the increase in Poland (+8%).

- Positive performance in DCB, as customer funds increased 19%.

- By secondary segment, there was a solid performance across businesses, particularly Retail Banking and Wealth Management and Insurance.

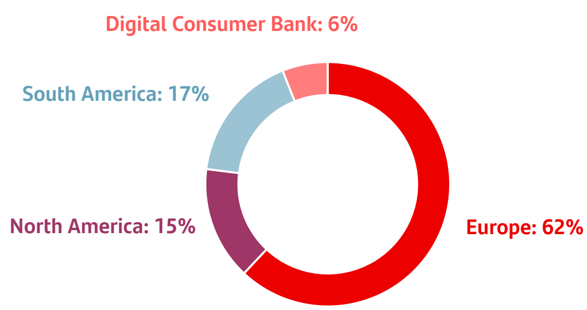
The weight of demand deposits was 56% of total customer funds, while time deposits accounted for 26% and mutual funds 18%.

In addition to capturing customer deposits, the Group, for strategic reasons, has a selective policy on issuing securities in international fixed income markets and strives to adapt the frequency and volume of its market operations to the structural liquidity needs of each unit, as well as to the receptiveness of each market.

For more details on debt issuances and maturities, see section 3.4 'Liquidity and funding management' in this chapter.

Customer funds (minus repos)

% of operating areas. December 2023

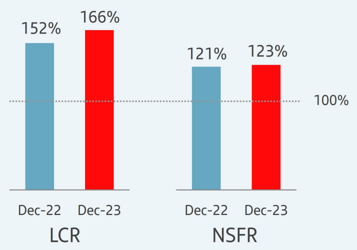


3.4 Liquidity and funding management

Executive Summary

Regulatory ratios

The LCR and NSFR ratios amply exceed regulatory requirements (both 100%)



Debt issuances in 2023

We issued more than EUR 62 bn in debt in 2023, diversified by product, currency, country and maturity

EUR 44.5 bn	Medium- and long-term debt
EUR 19.9 bn	Securitizations

Comfortable and stable funding structure

High contribution from customer deposits

99%	LTD ratio

Liquidity management

Our structural liquidity management aims to optimize maturities and costs, and to avoid undesired liquidity risks in funding Santander's operations.

It follows these principles:

- Decentralized liquidity model.
- Medium-and long-term (M/LT) funding needs must be covered by medium- and long-term instruments.
- High contribution from customer deposits due to the retail nature of the balance sheet.
- Wholesale funding sources diversified by instrument, investor, market, currency and maturity.
- Limited use of short-term funding.
- Sufficient liquidity reserves (including standing facilities/ discount windows at central banks) to be used in adverse situations.
- Group and subsidiary-level compliance with regulatory liquidity requirements.

To apply these principles effectively across the Group, we developed a unique, three-pronged management framework:

- **Organization and governance.** Strict organization and governance that involve subsidiaries' senior managers in decision-making and our global strategy. Decisions about structural risks, including liquidity and funding risk, falls on the local asset and liability committees (ALCOs), which coordinate with the global ALCO. The global ALCO is empowered by Banco Santander, S.A.'s board of directors under the corporate Asset and Liability Management (ALM) framework.

  This enhanced governance model is part of our risk appetite framework, which meets regulatory and market standards for strong risk management and control systems.

- **Balance sheet and liquidity risk.** In-depth balance sheet analysis and liquidity risk measurement that support decisions and controls to ensure liquidity levels cover short- and long-term needs with stable funding sources, and optimize funding costs.

  Each subsidiary has a conservative risk appetite framework (based on their commercial strategy) which sets out the liquidity risk management framework. Subsidiaries must work within the framework limits to achieve their strategic objectives.

- **Liquidity management adapted to the needs of each business.** We prepare a liquidity plan every year to achieve:
  - a solid balance sheet structure, with a diversified footprint in wholesale markets;
  - stable liquidity buffers and limited asset encumbrance; and
  - compliance with regulatory and other metrics included in each entity's risk appetite statement.

We monitor all the plan's components throughout the year.

Santander continues to carry out the Internal Liquidity Adequacy Assessment Process (ILAAP) as part of its other risk management and strategic processes to measure liquidity in ordinary and stressed scenarios. The quantitative and qualitative items we consider are also inputs for the Supervisory Review and Evaluation Process (SREP).

Once a year, we must submit a board-approved ILAAP assessment to supervisors that demonstrates our funding and liquidity structures will remain solid in all scenarios and our internal processes will ensure sufficient liquidity (based on analyses that each subsidiary conducts according to local liquidity management models).

Our governance structure is robust and suited to identify, manage, monitor and control liquidity risks. It rests on common frameworks, conservative principles, clearly defined roles and responsibilities, a consistent committee structure, effective local lines of defence and well-coordinated corporate supervision.

We produce frequent, detailed liquidity monitoring reports for management, control and reporting purposes. We also regularly send the most relevant information to senior managers, the pertinent ALCOs the executive committee and the board of directors.

Over the last few years, Santander and each subsidiary have developed a comprehensive special situations management framework that centralizes our governance for such scenarios. It contains contingency funding plans that form part of our governance model, including feasible, pre-assessed actions that follow a defined timeline, are categorized and prioritized, and provide for sufficient liquidity and execution time to mitigate stress scenarios. For more details, see the '3.6 Special situations and resolution' section

Funding strategy and liquidity in 2023

Funding strategy and structure

Our funding strategy is focused on extending our management model to all subsidiaries.

It is based on a model of autonomous subsidiaries that are responsible for covering their own liquidity needs. This enables our solid retail banking model to maintain sound liquidity positions in the Group and our core country units, even amid market stress.

We have had to adapt funding strategies to business trends, market conditions and new regulations. In 2023, we improved specific aspects, without significant changes in liquidity management or funding policies and practices. We believe this will enable us to start 2024 from a strong position and with no growth restrictions.

Our subsidiaries continue to apply the same funding and liquidity management strategies to:

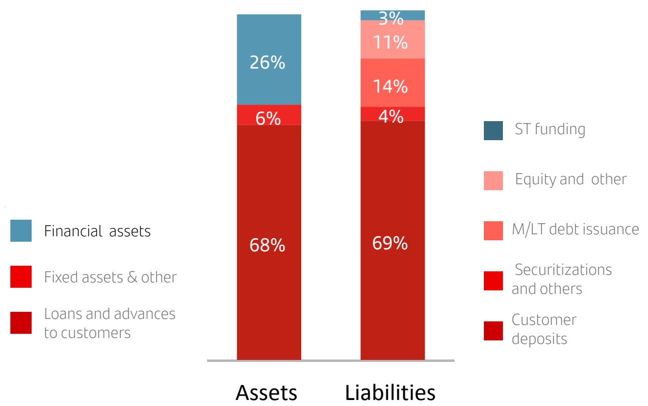
- maintain sufficient and stable medium- and long-term wholesale funding levels;
- ensure the right volume of assets that can be discounted in central banks as part of the liquidity buffer; and
- generate liquidity from the retail business.

We believe these developments provide Santander with a very strong funding structure with the following characteristics:

- Customer deposits are our main funding source. They are highly stable because they mainly arise from retail customer activity. At the end of December 2023, they represented just over two thirds of net liabilities (i.e. of the liquidity balance sheet) and more than 100% of loans and advances to customers. Their weight (as a percentage of loans and advances to customers) increased year-on-year. For more details, see the section Liquidity in 2023.

Group's liquidity balance sheet

%. December 2023



Note: Liquidity balance sheet for management purposes is the consolidated balance sheet, net of trading derivatives and interbank balances. For more information on the consolidated balance sheet, see the 'Consolidated financial statements' chapter.

- M/LT funding (including M/LT issuances and securitizations) accounted for nearly 18% of net liabilities at the end of 2023 (similar to 2022).

The outstanding balance of M/LT debt issued (to third parties) at the end of 2023 was EUR 206,190 million. Our maturity profile is comfortable and well balanced by instruments and markets with a weighted average maturity of 4.1 years (slightly below average maturity of 4.3 years at the end of 2022).

These tables show our funding by instrument over the past three years and by maturity profile:

Group. Stock of medium- and long-term debt issuances [A]

EUR million

	2023	2022	2021
Preferred	9,892	8,693	10,238
Subordinated	20,708	17,573	16,953
Senior debt	125,951	116,350	104,553
Covered bonds	49,639	44,073	41,908
Total	**206,190**	**186,689**	**173,652**

A. Placed in markets. Does not include securitizations, agribusiness notes and real estate credit notes.

Group. Distribution by contractual maturity. December 2023

EUR million

	0-1 month	1-3 months	3-6 months	6-9 months	9-12 months	12-24 months	2-5 years	more than 5 years	Total
Preferred	—	—	—	—	—	—	—	9,892	**9,892**
Subordinated	—	—	—	—	—	3,370	5,678	11,660	**20,708**
Senior debt	524	2,193	12,327	2,529	2,842	25,471	53,375	26,691	**125,951**
Covered bonds	100	1,105	2,310	540	3,654	4,613	24,810	12,506	**49,639**
Total	**624**	**3,298**	**14,637**	**3,068**	**6,496**	**33,454**	**83,863**	**60,750**	**206,190**

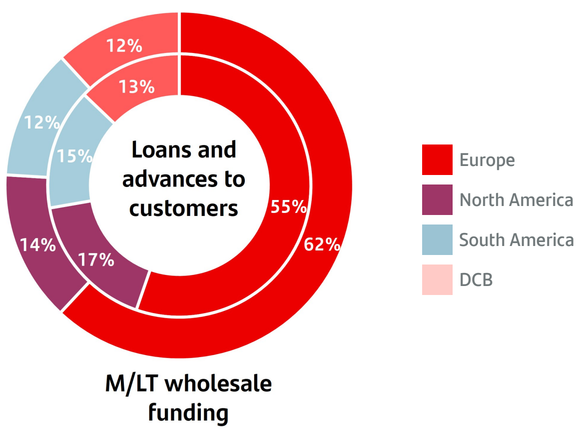
Note: There are no additional guarantees for any of the debt issued by the Group's subsidiaries.

In addition to M/LT wholesale debt issuances, we have securitizations placed in the market as well as collateralized and other specialist funding totalling EUR 59,450 million (including EUR 14,400 million in debt instruments placed with private banking clients in Brazil). The average maturity was around 1.7 years.

This chart shows the similarity of the geographic breakdown of our loans and advances to customers and M/LT wholesale funding across our footprint. This distribution is very similar to 2022.

Loans and advances to customers and M/LT wholesale funding

%. December 2023



Wholesale funding from short-term issuance programmes is a residual part of Santander's funding structure, which is related to treasury activities and is comfortably covered by liquid assets.

The outstanding short-term wholesale funding balance at the end of 2023 was EUR 47,281 million, of which 52% was in European Commercial Paper, US Commercial Paper and domestic programmes issued by Banco Santander, S.A.; 10% in certificates of deposit and commercial paper programmes in the UK; 28% in Santander Consumer Finance (SCF) commercial paper programmes; and 10% in issuance programmes in other subsidiaries.

Liquidity in 2023

The key liquidity takeaways from 2023 were:

- basic liquidity ratios remained at comfortable levels;
- regulatory liquidity ratios were well above minimum requirements; and
- our asset encumbrance from funding operations was moderate.

In order to tackle high inflation and return it to more normalized levels, central banks continued to withdraw stimulus measures and raise rate in 2023. However, at the end of 2023, the central banks in Poland, Brazil and Chile began to cut official interest rates.

Santander continued to repay ECB TLTRO-III funding while strengthening balance sheets through a combination of customer deposit growth, an increase in short-term instruments and greater activity in medium- and long-term issuances, with the objective of maintaining regulatory liquidity ratios and internal metrics at prudent levels after repayment.

In the weeks following the regional banks crisis in the US and the Credit Suisse intervention, the Group strengthened its supervision and coordination and monitored the liquidity situation and presented it to senior executives daily, under the special situations framework. During this time, liquidity remained solid in all the Group's units, including the UK and the US (followed more closely), and there were no significant impacts from the crisis.

During 2023, our liquidity position remained solid and commercial activity was not a significant drain on liquidity.

i. Basic liquidity ratios at comfortable levels

At the end of 2023, Santander recorded:

- A credit to net assets ratio (i.e. total assets minus trading derivatives and inter-bank balances) of 68%, slightly lower than previous years. Such a high level compared to our competitors in Europe speaks to the retail nature of our balance sheet.

- A net loan-to-deposit ratio (LTD) of 99%, a very comfortable level (well below 120%) and lower than 2022 year-end. As a result of the tightening of financial conditions due to inflation-fighting monetary policies, credit fell in constant euros across most of our European footprint (except in Poland and DCB) as households and companies repaid debt early. Credit in the US remained relatively stable while there was growth in Mexico and South America. Deposits showed similar trends.

- A customer deposit plus M/LT funding to net loans and advances ratio of 127%, slightly above the 121% in 2022.

- Limited recourse to short-term wholesale funding (around 3% of total funding), in line with previous years.

- An average structural surplus balance, defined as the excess of structural funding sources (deposits, M/LT funding and capital) against structural liquidity needs from fixed assets and loans, of EUR 308,315 million in the year.

  The consolidated structural surplus stood at EUR 346,174 million at year-end. Fixed-income assets (EUR 217,334 million), equities (EUR 17,076 million) and net interbank and central bank deposits (EUR 159,045 million) were partly offset by short-term wholesale funding (-EUR 47,281 million). This totalled around 23% of our net liabilities (slightly up from the end of 2022).

This table shows Santander's basic liquidity monitoring metrics in recent years:

Group's liquidity monitoring metrics

%

	2023	2022	2021
Loans [A] / Net assets	68%	72%	75%
Loan [A] -to-deposit ratio (LTD)	99%	103%	108%
Customer deposits and medium-and long-term funding / Loans [A]	127%	121%	115%
Short-term wholesale funding / Net liabilities	3%	3%	2%
Structural liquidity surplus (% of net liabilities)	23%	19%	16%

A. Net loans and advances to customers.

The table below shows the principal liquidity ratios of our main subsidiaries at the end of 2023:

Main subsidiaries' liquidity metrics

%. December 2023

	LTD ratio (loans [A] / deposits)	Deposits + M/LT funding / Loans [A]
Spain	74%	147%
United Kingdom	105%	110%
Portugal	101%	112%
Poland	76%	137%
United States	104%	122%
Mexico	89%	121%
Brazil	88%	138%
Chile	144%	92%
Argentina	58%	172%
Digital Consumer Bank	191%	76%
Group	**99%**	**127%**

A. Net loans and advances to customers.

In 2023, the key drivers of Santander's and its subsidiaries' liquidity (in constant euros, i.e. excluding exchange rate impact) were:

- Minimal impact from the retail funding gap on liquidity.

- Issuance activity remained high and, overall, was in line with our funding plan for the year. We issued less in South America than originally planned as deposits grew more than credit while we were more active in capital markets in Europe and DCB.

In 2023, Santander issued EUR 64,419 million in M/LT funding (at year-average exchange rates).

By instrument, issuances of M/LT fixed income debt (i.e. covered bonds, senior debt, subordinated debt and capital hybrid instruments) increased by around 12% to EUR 44,478 million in the year. Greater activity in hybrid instruments somewhat offset lower senior debt issuances (mainly TLAC eligible) compared to 2022. The volume of covered bond issuances in 2023 was similar to the previous year. Securitizations and structured finance totalled EUR 19,942 million in 2023, a 13% increase year-on-year.

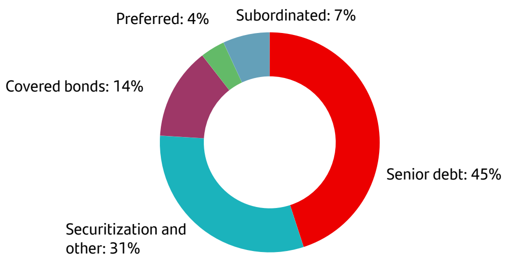
Spain issued by far the most M/LT fixed income debt (excluding securitizations), followed by DCB and the UK. Spain and DCB Bank registered the highest absolute increases in the year. The main year-on-year decrease occurred in the UK.

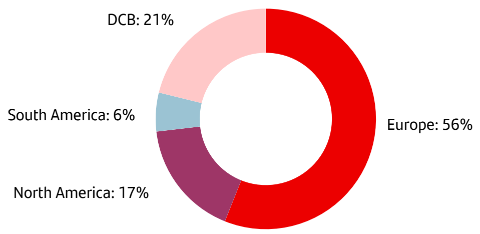
SC USA and SCF were the main issuers of securitizations.

The charts below show issuances in the year by instrument and region:

Distribution by instrument and region

%. December 2023





The issuance of eligible hybrid instruments, such as AT1 or subordinated debt, depends on risk-weighted asset growth. We had to issue these instruments in 2023, contributing to a lower overall weight of senior debt in the year. In 2023, senior debt accounted for 45% of total issuances compared to 53% in 2022. The weight of bonds and securitizations remained similar to 2022.

In 2023, at average exchange rates, the Group issued EUR 13,987 million in TLAC eligible instruments, including EUR 7,217 million in senior non-preferred debt from Banco Santander, S.A. and Poland and senior preferred from the holdings in the UK and the US; EUR 4,458 million in subordinated debt issued from Banco Santander, S.A. and Brazil; and EUR 2,313 million of AT1 eligible hybrid instruments were issued from Banco Santander, S.A.

We retained comfortable access to all our markets having issued and securitized debt in 15 currencies, involving 25 major issuers from 14 countries and an average maturity of 4.8 years (slightly above the 4.1 years in 2022).

ii. Compliance with regulatory liquidity ratios

Within the liquidity management model, Santander manages implementation, monitoring and compliance with the liquidity requirements established under international financial regulations.

Liquidity Coverage Ratio (LCR)

As the regulatory LCR requirement has been at the maximum level of 100% since 2018, we set a risk appetite of 110% at the consolidated and subsidiary level.

Our strong short-term liquidity base and our core subsidiaries' autonomous management helped us maintain compliance levels well above 100% (both at the Group and subsidiary level) throughout the year. Our LCR in December 2023 was 166%, well above the regulatory requirement.

This table shows that all our subsidiaries substantially exceeded the required minimum in 2023 and the comparison versus 2022. Santander UK's figures only include activities that the Financial Services and Markets Act 2000 leaves within the Ring-Fenced Bank.

Liquidity Coverage Ratio (LCR)

%

	December 2023	December 2022
Parent bank	159%	147%
United Kingdom	159%	157%
Portugal	150%	132%
Poland	221%	178%
United States	138%	125%
Mexico	171%	197%
Brazil	154%	127%
Chile	207%	189%
Argentina	226%	235%
Santander Consumer Finance	357%	241%
Group	**166%**	**152%**

NSFR (Net Stable Funding Ratio)

Regulation (EU) 2019/876 of the European Parliament dictated that entities must have a net stable funding ratio greater than 100% from June 2021.

The NSFR is a structural measure that gives banks an incentive to ensure long-term stability and proper management of maturity mismatches by funding long-term assets with long-term liabilities. It is the quotient of available stable funding (ASF) and required stable funding (RSF).

ASF comprises sources of funding (i.e. capital and other liabilities) considered stable over one year. As RSF primarily refers to any asset deemed illiquid over one year, it needs to be matched with stable sources of funding.

The risk appetite limit for the NSFR is set at 103% at the consolidated and subsidiary level.

The high weight of customer deposits (which are more stable); permanent liquidity needs deriving from commercial activity funded by medium- and long-term instruments; and limited recourse to short-term funding help maintain our balanced liquidity structure as reflected in our consolidated and subsidiary NSFRs which all exceeded 100% in December 2023.

The following table provides details by entity as well as a comparison with 2022. Santander UK's figures only include activities that the Financial Services and Markets Act 2000 leaves within the Ring-Fenced Bank. All figures were calculated using European regulations.

Net Stable Funding Ratio

%

	December 2023	December 2022
Parent bank	117%	116%
United Kingdom	138%	137%
Portugal	117%	116%
Poland	157%	146%
United States	117%	109%
Mexico	129%	120%
Brazil	113%	112%
Chile	115%	117%
Argentina	202%	195%
Santander Consumer Finance	111%	109%
Group	**123%**	**121%**

iii. Asset Encumbrance

Santander's use of assets as collateral in structural balance sheet funding sources is moderate.

Per the 2014 European Banking Authority (EBA) guidelines on disclosure of encumbered and unencumbered assets, the concept of asset encumbrance includes on-balance-sheet assets pledged as collateral in operations to obtain liquidity, off-balance-sheet assets received and reused for a similar purpose, and other assets with liabilities for reasons other than funding.

The tables below show the asset encumbrance data we must submit to the EBA as of December 2023.

On-balance-sheet encumbered assets amounted to EUR 306.3 billion, of which 61% were loans and advances (e.g. mortgages and corporate loans). Off-balance-sheet encumbrance stood at EUR 138.8 billion and mainly related to debt securities received as collateral in reverse repurchase agreements and reused ('rehypothecated').

In total, encumbered assets amounted to EUR 445.2 billion, giving rise to associated liabilities of EUR 330.6 billion.

At the end of 2023, total asset encumbrance in funding operations was 22.4% of the Group's extended balance sheet under EBA criteria (total assets plus guarantees received: EUR 1,987.1 billion), similar to 2022.

Group. Disclosure on asset encumbrance as at December 2023

EUR billion

	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Assets	**306.3**	**—**	**1,490.7**	**—**
Loans and advances	186.4	—	1,172.2	—
Equity instruments	9.4	9.4	11.5	11.5
Debt instruments	86.8	87.6	156.4	156.1
Other assets	23.7	—	150.6	—

Group. Collateral received as at December 2023

EUR billion

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Collateral received	**138.8**	**51.3**
Loans and advances	1.1	—
Equity instruments	5.5	8.7
Debt instruments	132.2	42.5
Other collateral received	—	0.1
Own debt securities issued other than own covered bonds or ABSs	—	**1.9**

Group. Encumbered assets/collateral received and associated liabilities as at December 2023

EUR billion

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Total sources of encumbrance (carrying amount)	**330.6**	**445.2**

Rating agencies

Rating agencies influence Santander's access to wholesale funding markets and the cost of its issuances.

The agencies listed below regularly review our ratings. Debt ratings depend on several internal factors (business model, strategy, capital, income generation capacity, liquidity, ESG related factors, etc.) but also on external factors related to economic conditions, the industry and sovereign risk across our footprint.

The agencies' methodologies limit ratings in some cases to the sovereign's rating of the country where the bank is headquartered. However, as a testament of our financial strength and diversification, Moody's, DBRS and Standard & Poor's (S&P) still rate Banco Santander, S.A. above the Kingdom of Spain's (where it is headquartered) sovereign rating while Fitch rates them equally.

At the end of 2023, the ratings from the main agencies were:

Rating agencies

	Long term	Short term	Outlook
DBRS	A (High)	R-1 (Middle)	Stable
Fitch Ratings	A-(SeniorA)	F2 (Senior F1)	Stable
Moody's	A2	P-1	Stable
Standard & Poor's	A+	A-1	Stable
Scope	AA-	S-1+	Stable
JCR Japan	A+	—	Stable

In March 2022, S&P Global ratings confirmed the Kingdom of Spain's A rating and upgraded its outlook to stable. At the same time, it confirmed Banco Santander S.A.'s rating and upgraded its outlook to stable.

In 2023, all the rating agencies left their ratings and outlooks for Santander unchanged.

Going forward, improvements to Santander's ratings from S&P and Moody's will heavily depend on the Kingdom of Spain's rating.

Funding outlook for 2024

Santander has begun 2024 with a strong liquidity position, having already repaid more than 85% of ECB funding. The funding outlook for the year is positive, despite lingering uncertainties due to the macroeconomic and geopolitical landscape.

We expect lending to rise moderately in all our core markets, coupled with a solid performance in deposits leading to limited demand for liquidity from our retail business.

Maturities in the coming quarters are manageable, aided by limited recourse to short-term funding and an active medium- and long-term issuance dynamic. We will manage each country and optimize liquidity to maintain a solid balance sheet structure across our footprint.

Our funding plans consider costs and diversification by instrument, country and market as well as the construction of liability buffers with loss-absorbing capacity in resolution (whether capital eligible or not). We design them to ensure Santander and its subsidiaries satisfy regulatory requirements and those stemming from our risk appetite framework.

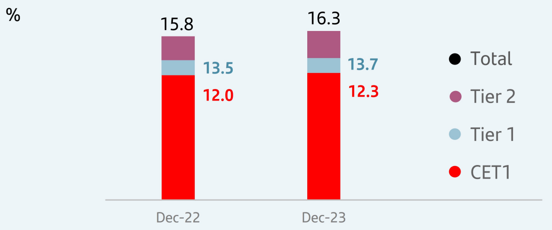
Santander has been very active at the beginning of 2024. Banco Santander, S.A. pre-funded EUR 9.2 billion in 2023. In January 2024, the main issuers in the Group (Banco Santander, S.A., Santander UK, Santander Consumer Finance and Santander Holdings USA) had already issued EUR 10.6 billion, which, together with the pre-funding amounts to EUR 19.8 billion, over half of their total funding plan for the year.

3.5 Capital management and adequacy. Solvency ratios

Executive summary

Fully-loaded capital ratio

The fully-loaded CET1 ratio remained above 12% in every quarter in 2023



Fully-loaded CET1

Strong organic generation driven by higher profit

Organic generation **+119 bps**

TNAV per share

The TNAV per share was **EUR 4.76, +15% year-on-year** including cash dividends paid in 2023

Capital management and adequacy at Santander aims to guarantee solvency and maximize profitability, while complying with regulatory requirements and internal capital targets.

Capital management is a key strategic tool for decision-making at both the subsidiary and corporate levels.

We have a common framework that covers capital management actions, criteria, policies, functions, metrics and processes. We have a team in charge of our capital analysis, adequacy and management that coordinates with subsidiaries on all matters related to capital and monitors and measures shareholder returns.

Our most notable capital management activities are:

- establishing capital adequacy and capital contribution targets that align with minimum regulatory requirements, internal policies and the budget, to guarantee robust capital levels consistent with our risk profile and efficient use of capital;
- drawing up a capital plan to meet our strategic plan objectives;
- monitoring the capital ratio in both regulatory and economic terms and the efficient capital allocation to units. Assessing capital adequacy to ensure the capital plan is consistent with our risk profile and risk appetite framework in baseline and stress scenarios;
- integrating capital metrics into businesses' management ensuring alignment with the Group's objectives. Continuously monitoring stock and new business profitability as well as new business pricing at the unit, segment and customer levels. Tracking portfolios and customers with profitability below the minimum target. Coordinating and promoting the bank's asset mobilization plan (e.g. securitizations, guarantees, sales);
- preparing internal capital reports, and reports for the supervisory authorities and the market (ICAAP, Pillar 3 reports and stress tests); and
- planning and managing other loss-absorbing instruments (MREL and TLAC).

Santander's capital function comprises three levels:

Regulatory capital

The first step in managing regulatory capital is to analyse the capital base, the capital adequacy ratios under the current regulatory criteria and the scenarios used in capital planning to make the capital structure as efficient as possible, both in terms of costs and compliance with regulatory requirements and out internal capital targets. Active capital management includes strategies for allocation and efficient use of capital, securitizations, asset sales and issuances of equity instruments (hybrid equity instruments and subordinated debt).

Economic capital

The economic capital model aims to ensure we adequately allocate our capital to cover every risk we are exposed to a result of our activity and risk appetite. It also aims to optimize economic value added at Group and business unit level.

Profitability and pricing

Creating value and maximizing profitability is one of Santander's main objectives. We carefully select the most appropriate markets and portfolios based on profitability while considering risk. Thus, profitability and pricing are integral to our key capital model processes.

The main measures we took in 2023 were:

Issuances of capital hybrid and other loss-absorbing instruments

In 2023, Banco Santander, S.A. issued EUR 5.7 billion in hybrid instruments including EUR 3.4 billion in Tier 2 subordinated debt and EUR 2.3 billion in contingently convertible preferred shares (CoCos). The CoCo issuances aim to replace a EUR 1.0 billion AT1 issuance that was amortized early in December 2023 and a EUR 1.1 billion AT1 issuance amortized early in February 2024.

Additionally, Banco Santander, S.A. issued EUR 3.2 billion in senior non-preferred debt.

Dividends and shareholder remuneration

With regard to the 2023 results, the board followed a policy of allocating 50% of the Group reported profit (excluding non-cash, non-capital ratios impact items) to shareholder remuneration, distributed as approximately 50% in cash dividends and 50% in share buybacks.

- **Interim remuneration**. On 26 September 2023, the board resolved to:
  - Pay an interim cash dividend against the 2023 results of EUR 8.10 cents per share entitled to the dividend (equivalent to approximately 25% of said Group's reported profit in H1'23); it was paid from 2 November 2023.
  - Execute the First 2023 Buyback Programme worth up to EUR 1,310 million (equivalent to approximately 25% of said Group reported profit in H1'23). See 'First 2023 Buyback Programme' in the 'Corporate Governance' chapter.
- **Final remuneration**. Under the 2023 shareholder remuneration policy, on 19 February 2024 the board of directors resolved to:
  - Submit a resolution at the 2024 AGM to approve a final cash dividend in the gross amount of EUR 9.50 cents per share entitled to dividends. If approved at the AGM, the dividend would be payable from 2 May 2024.
  - Implement the Second 2023 Buyback Programme worth EUR 1,459 million, for which the appropriate regulatory authorization has been obtained, the execution of which will begin from 20 February 2024. For more details, see 'Second 2023 Buyback Programme' in the 'Corporate Governance' chapter.

Once the above-mentioned actions are completed, total shareholder remuneration for 2023 will total EUR 5,538 million (approximately 50% of the Group reported profit -excluding non-cash, non-capital ratios impact items- in 2023), distributed as approximately 50% in cash dividends (EUR 2,769 million) and 50% in share buybacks (EUR 2,769 million). For more details, see section 3.3 'Dividends and shareholder remuneration' in the 'Corporate Governance' chapter.

Strengthening our active capital management culture

We continue to focus on disciplined capital allocation and shareholder remuneration and on achieving our 2024 fully-loaded CET1 target of remaining above 12%.

Continuous improvement of our capital ratios reflects our profitable growth strategy and a culture of active capital management at all levels.

The Capital and Profitability Management team is in charge of our capital analysis, adequacy and management, coordination with subsidiaries on all matters related to capital and monitoring and measuring returns.

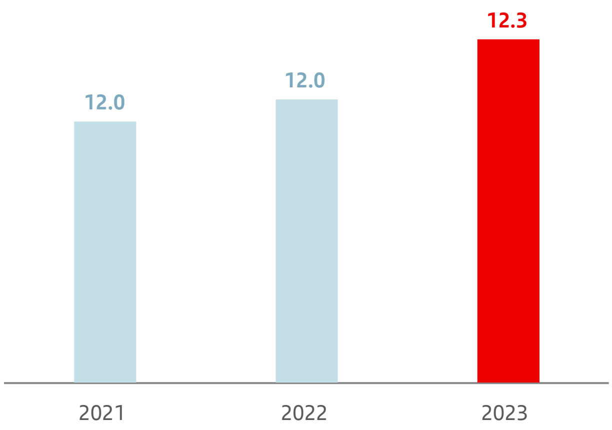
Every country and business unit has drawn up individual capital plans that focus on maximizing the return on equity.

Santander places high value on its long-term sustainability and the efficient use of capital in the incentives of the Group's main executives. We considered certain aspects relating to capital management and returns when setting senior managers' 2023 variable remuneration:

- Metrics include return on tangible equity (RoTE) and other relevant capital metrics (capital generation or CET1).
- Qualitative adjustments considered included efficient management of solvency metrics, operational risk management, risk appetite, sustainability and strength of results and effective cost management.

Fully-loaded CET1 ratio[A]

%



Regulatory phased-in CET1 ratio[B]

%

12.5	12.2	12.3

Main capital data and solvency ratios

EUR million

	Fully loaded		*Phased-in*[B]	
	2023	**2022**	**2023**	**2022**
Common equity (CET1)	76,448	73,390	76,741	74,202
Tier1 (T1)	85,450	82,221	85,742	83,033
Eligible capital	101,747	96,373	102,240	97,392
Risk-weighted assets	623,652	609,702	623,731	609,266
CET1 capital ratio	12.3%	12.0%	12.3%	12.2%
T1 capital ratio	13.7%	13.5%	13.7%	13.6%
Total capital ratio	16.3%	15.8%	16.4%	16.0%
Leverage ratio	4.68%	4.70%	4.69%	4.74%

A. The 2021 fully-loaded CET1 ratio includes a charge related to corporate transactions that were pending approval at year end (-0.16 pp).
B. The phased-in ratios include the transitory treatment of IFRS 9, calculated in accordance with article 473 bis of the Regulation on Capital Requirements (CRR) and subsequent amendments introduced by Regulation 2020/873 of the European Union. Additionally, the Tier 1 and total phased-in capital ratios include the transitory treatment according to chapter 2, title 1, part 10 of the aforementioned CRR.

Fully-loaded capital ratios in 2023

The fully-loaded CET1 ratio was 12.3% if we do not apply the transitory IFRS 9 provisions or the subsequent amendments introduced by Regulation 2020/873 of the European Union.

In the year, we organically generated 119 bps of capital, supported by profit growth. We recorded an impact of 44 bps related to cash dividend accrual and another 36 bps for the First 2023 Share Buyback Programme, representing a net generation of 39 bps in 2023.

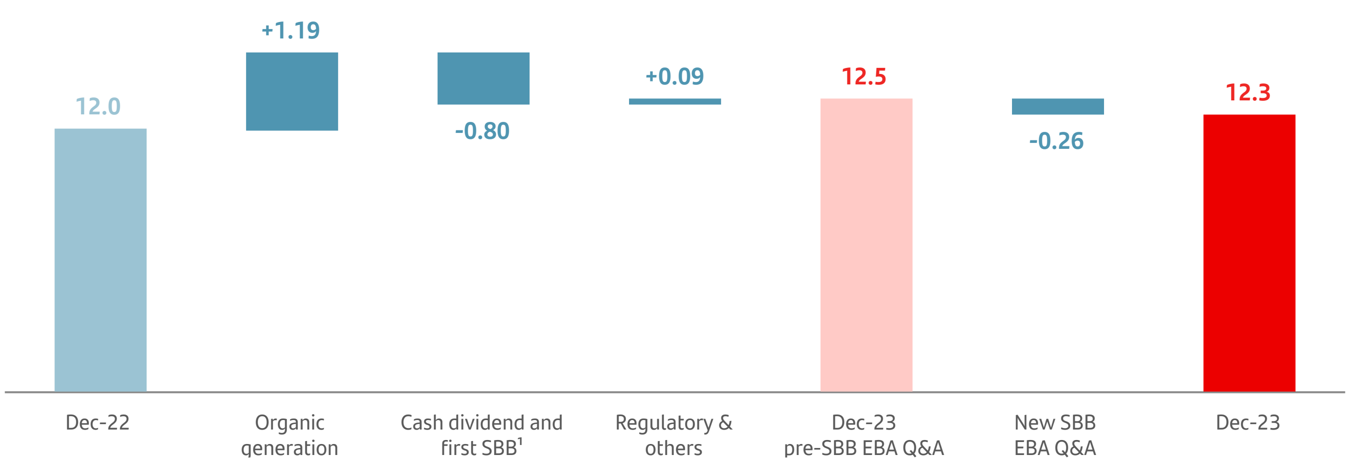
Additionally, there was a 9 bp positive impact, mainly relating to regulatory and FX movements.

However, this was partially offset by a -26 bp charge relating to the second 2023 share buyback programme in accordance with the EBA's Q&A 2023_6887 on the deduction of share buybacks included in distribution policies.

The fully-loaded leverage ratio stood at 4.68%.

Fully-loaded CET1 ratio in 2023

%



1. The implementation of the shareholder remuneration policy is subject to future corporate and regulatory decisions and approvals.

Regulatory capital ratios (phased-in)

The phased-in ratios are calculated by applying the CRR transitory schedules.

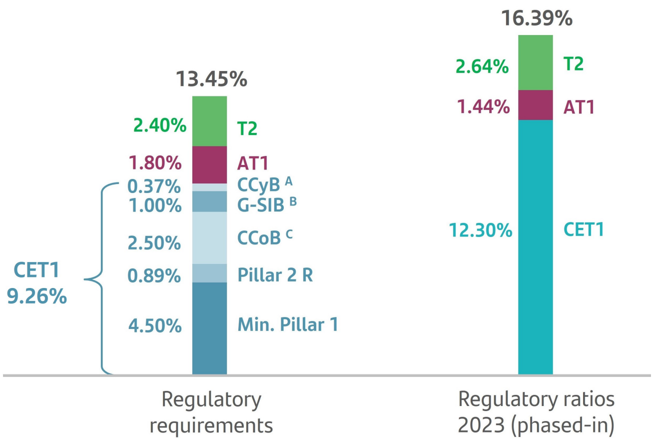
On a consolidated basis, the minimum levels required by the European Central Bank in 2023 were 9.26% for the CET1 ratio and 13.45% for the total capital ratio.

Our capital requirements increased in 2023, mainly due to the continued increase of countercyclical buffer requirements by the competent authorities in the countries in which we operate (+0.19 pp).

At year-end, the phased-in CET1 ratio was 12.30%, resulting in a CET1 management buffer of 305 bps. This shows our ability to generate capital organically, our solid position to be able to pay dividends and our strong capital management.

The total phased-in capital ratio was 16.39%. Taking into account the shortfall in AT1, Santander exceeded the 2023 minimum regulatory requirements (i.e. distance to the maximum distributable amount - MDA) by 269 bps.

The phased-in leverage ratio stood at 4.69%.



A. Countercyclical buffer.
B. Global systemically important banks (G-SIB) buffer.
C. Capital conservation buffer.

With effect from 1 January 2024, the ECB revised Banco Santander, S.A.'s P2R requirement, establishing a minimum of 1.74% on a consolidated basis. This is a 0.16 pp increase compared to the 2023 requirements (of which, 0.15 pp are due to a methodological change). 0.98 percentage points of the P2R requirement must be covered with CET1 and the rest between AT1 and tier 2.

Institutions must hold capital at the consolidated level for the higher of the G-SIB and D-SIB requirements. In 2023, they were both set at 1%, however Banco de España informed the Group that its D-SIB buffer would increase from 1.00% to 1.25% from 1 January 2024.

Regulatory capital (phased-in). Flow statement

EUR million

	2023
Capital Core Tier 1 (CET 1)	
Starting amount (31/12/2022)	**74,202**
Shares issued in the year and share premium	(2,205)
Treasury shares and own shares financed	(2,787)
Reserves	(1,209)
Attributable profit net of dividends	8,307
Other retained earnings	2,400
Minority interests	(518)
Decrease/(increase) in goodwill and other intangible assets	(38)
Other	(1,412)
Ending amount (31/12/2023)	**76,741**
Additional Capital Tier 1 (AT1)	
Starting amount (31/12/2022)	**8,831**
AT1 eligible instruments	117
AT1 excesses - subsidiaries	54
Residual value of intangible assets	—
Deductions	—
Ending amount (31/12/2023)	**9,002**
Capital Tier 2 (T2)	
Starting amount (31/12/2022)	**14,359**
T2 eligible instruments	2,331
Generic funds and surplus loan-loss provisions-IRB	76
T2 excesses - subsidiaries	(269)
Deductions	—
Ending amount (31/12/2023)	**16,497**
Deductions from total capital	—
Total capital ending amount (31/12/2023)	**102,240**

These tables show the total risk-weighted assets (comprising the denominator of capital requirements based on risk) as well as their distribution by geographic segment.

Risk-weighted assets (phased-in CRR, phased-in IFRS 9)

EUR million

	RWAs		Minimum capital requirements
	2023	2022	2023
Credit risk (excluding CCR) [A]	**515,238**	**507,775**	**41,219**
Of which: standardized approach (SA)	285,728	274,922	22,858
Of which: the foundation IRB (FIRB) approach	56,913	11,759	4,553
Of which: slotting approach [B]	14,123	14,509	1,130
Of which: equities under the simple risk-weighted approach	3,603	2,828	288
Of which: the advanced IRB (AIRB) approach	138,204	188,442	11,056
Counterparty credit risk (CCR)	**13,593**	**13,096**	**1,087**
Of which: standardized approach	10,150	9,493	812
Of which: internal model method (IMM)	—	—	—
Of which: exposures to a CCP	324	278	26
Of which: credit valuation adjustment (CVA)	680	1,097	54
Of which: other CCR	2,439	2,229	195
Settlement risk	**4**	**4**	**0**
Securitization exposure in the banking book (after the cap)	**11,419**	**9,898**	**914**
Of which: SEC-IRBA approach	4,275	4,471	342
Of which: SEC-ERBA approach	2,257	2,156	181
Of which: SEC-SA approach [B]	4,887	3,270	391
Of which: 1250% deduction [C]	—	—	—
Position, foreign exchange and commodities risks (Market risk)	**16,454**	**15,791**	**1,316**
Of which: standardized approach	9,166	7,521	733
Of which: internal model approach (IMA)	7,288	8,270	583
Large exposures	**—**	**—**	**—**
Operational risk	**67,022**	**62,702**	**5,362**
Of which: basic indicator approach	—	—	—
Of which: standardized approach	67,022	62,702	5,362
Of which: advanced measurement approach	—	—	—
Amounts below the thresholds for deduction	**28,732**	**25,868**	**2,299**
Total [B]	**623,731**	**609,266**	**49,898**

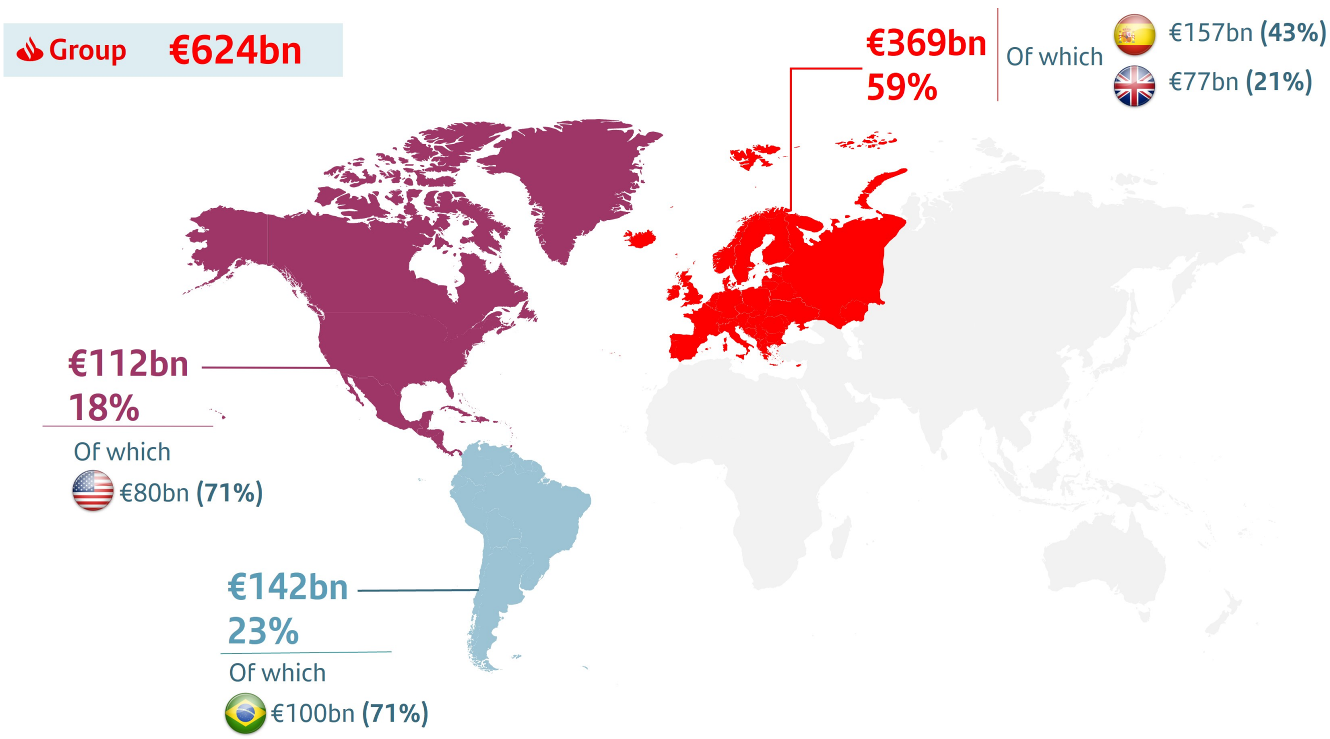
A. Includes equities under the PD/LGD approach.
B. For more detail see Pillar 3 report.
C. Information prepared following the recent update of the EBA (24.05.22,"ITS on institutions' Pillar 3 public disclosures"). Banco Santander S.A. deducts from capital those securitisations that meet the deduction requirements, and therefore does not apply a 1,250% weighting to these exposures. This row does not include the EUR 5,475 million that would result from applying this weighting to these exposures.

RWAs by geographical distribution (phased-in CRR, phased-in IFRS 9)

EUR billion

	TOTAL	EUROPE	o/w: Spain	o/w: United Kingdom	NORTH AMERICA	o/w: US	SOUTH AMERICA	o/w: Brazil
Credit risk (excluding CRR)	**540**	**323**	**132**	**69**	**94**	**67**	**123**	**89**
of which, standardised approach (SA)	290	122	36	19	74	56	94	65
of which, internal rating-based (IRB) approach	218	172	74	46	18	9	28	23
of which, equity and DTAs	19	19	19	—	—	—	—	—
of which, securitizations[A]	11	9	2	3	2	2	0	0
of which, rest	1	1	0	—	0	—	—	—
Market risk	**16**	**12**	**11**	**0**	**2**	**1**	**3**	**1**
Operational risk	**67**	**35**	**14**	**7**	**16**	**11**	**16**	**10**
Total	**624**	**369**	**157**	**77**	**112**	**80**	**142**	**100**

Note: Breakdown according to debtor's residency, except operational risk (management criteria). Counterparty RWAs are included in the IRB/STD approaches.
A. It does not include 1250% deductions.



This table presents the main changes to capital requirements by credit risk:

Credit risk capital movements [A]

EUR million

	RWAs	Capital requirements
Starting amount (31/12/2022)	**529,401**	**42,352**
Asset size	14,247	1,140
Asset quality	(2,091)	(167)
Model updates	(13)	(1)
Regulatory	—	—
Acquisitions and disposals	—	—
Foreign exchange movements	(2,297)	(184)
Other	—	—
Ending amount (31/12/2023)	**539,247**	**43,140**

A. Includes capital requirements from equity, securitizations and counterparty risk (excluding CVA and CCP).

Credit risk RWAs increased EUR 9,846 million in 2023. If we isolate the exchange rate effect (due to the depreciation of the Argentine peso, the US dollar and the Chilean peso partially offset by the appreciation of the Brazilian real and the Mexican peso), RWAs increased EUR 12,143 million. This is mainly due to asset size (EUR 14,247 million), driven by greater business volumes particularly in DCB and South America which were partially offset by securitizations during the year (EUR 15,371 million). Additionally, there was a decrease in RWAs related to credit quality performance (-EUR 2,091 million).

In short, from a qualitative point of view, Santander's solid capital ratios are consistent with its business model, balance sheet structure and risk profile.

Economic capital

Economic capital is the capital required to cover risks from our activity with a certain level of solvency. We measure it using an internal model. To calculate the required capital, we determine our solvency level based on our long-term rating target of 'A' (in line with the Kingdom of Spain); this represents a confidence level of 99.95% (above the regulatory level of 99.90%).

Our economic capital model measurements cover all significant risks incurred in our activity (concentration risk, structural interest rate risk (ALM), business risk, pensions risk, deferred tax assets (DTAs), goodwill and others that are beyond the scope of regulatory Pillar 1). It also considers diversification, which is key to determining and understanding our risk profile and solvency in view of our multinational operations and businesses.

Our total risk and related economic capital are less than the sum of the risk and capital of all individual units combined. Because our business spans several countries in a structure of separate legal entities with different customer and product segments and risk types, our earnings are less vulnerable to adverse situations for any given market, portfolio, customer type or risk. Despite increasing economic globalization, economic cycles and their impact differ by country. Groups with a global presence tend to have more stable results and are more resistant to market or portfolio crises, which translates into lower risk.

In contrast to regulatory criteria, we consider such intangible assets as DTAs and goodwill to retain value (even in a hypothetical resolution), owing to the geographic structure of our subsidiaries. Thus, we can value assets and estimate their unexpected loss and capital impact.

Economic capital is an essential internal management tool that helps us develop our strategy, assess solvency and manage portfolio and business risk. As such, it is a key part of the Supervisory Review and Evaluation Process (SREP).

Regarding Basel Pillar 2, we use our economic model for the internal capital adequacy assessment process (ICAAP). We plan business progression and capital needs under a baseline scenario and alternative stress scenarios to make sure we meet our solvency objectives, even in adverse scenarios.

Economic capital-derived metrics help us assess risk-return objectives, price operations based on risk, determine how economically viable projects are, and value country units and business lines to fulfil our overriding objective of maximizing shareholder value.

As a homogeneous risk measure, we can use economic capital to explain how we distribute risk throughout Santander, bringing together several activities and risk types under a single metric.

Given its relevance to internal management, Santander includes several economic capital-derived metrics from both a capital needs and a risk-return point of view, within a conservative risk appetite framework established at both Group and subsidiary level.

Required economic capital in December 2023 amounted to EUR 74,721 million. Compared to the available economic capital base of EUR 94,228 million, this implies a capital surplus of EUR 19,507 million.

Reconciliation of economic and regulatory capital

EUR million

	2023	2022
Net capital and issuance premiums	49,618	54,610
Reserves and retained profits	76,841	67,978
Valuation adjustments	(34,484)	(35,068)
Minority interests	6,908	7,426
Prudential filters	(669)	(708)
Other [A]	(3,986)	(2,522)
Base economic capital available	**94,228**	**91,716**
Deductions	(18,867)	(18,603)
Goodwill	*(14,161)*	*(14,484)*
Other intangible assets	*(3,059)*	*(2,698)*
DTAs	*(1,648)*	*(1,421)*
Other	*1,088*	*237*
Base regulatory (FL CET1) capital available	**76,448**	**73,350**
Base economic capital available	**94,228**	**91,716**
Economic capital required [B]	74,721	70,900
Capital surplus	19,507	20,816

A. Includes: deficit of provisions over economic expected loss, pension assets and other adjustments.

B. For a better comparison with regulatory capital, the differences in goodwill due to FX changes are included in the required economic capital. All figures according to EC 2022 methodology.

The main difference compared to regulatory CET1 is the treatment of goodwill, other intangible assets and DTAs; we consider them additional capital requirements rather than a deduction from available capital.

RoRAC and Economic Value Added

One of the Group's primary priorities is to manage capital by ensuring that we make a cost-effective allocation of capital in all our activities.

Our strategy includes investing capital in markets and portfolios with the highest returns on capital, ensuring strong and sustainable shareholder value creation. Metrics such as RoTE, RoRWA and RoRAC are part of approvals and monitoring policies. These metrics help us compare the return on operations, customers, portfolios and businesses on a like-for-like basis. We can identify what is obtaining a risk-adjusted return higher than its cost of capital and thus align risk and business management to maximize economic value added (EVA).

We regularly assess the level and progression of EVA across the Group, both from a regulatory and economic capital point of view. EVA is the profit generated above the cost of capital employed.

The minimum return on capital a transaction must obtain is determined by the cost of capital (i.e. the minimum compensation required by shareholders). We calculate it by adding the premium shareholders demand to invest in Santander to the risk-free return. The premium depends essentially on the degree of volatility in our share price with respect to market performance. Santander's cost of capital in 2023 was 11.2% (in line with 2022).

On top of reviewing the cost of capital every year, we also estimate a cost of capital for each business unit based on its features (under the philosophy that subsidiaries manage capital and liquidity autonomously) to determine whether each business is capable of creating value on a standalone basis.

This table shows economic value added and RoRAC of the Group's main geographical segments at the end of December 2023.

Economic Value Added[A] and RoRAC

EUR million

	2023		2022	
Main segments	**RoRAC**	**EVA**	**RoRAC**	**EVA**
Europe	24.1%	3,169	15.5%	1,082
North America	18.8%	886	23.4%	1,418
South America	19.0%	(45)	23.4%	966
Digital Consumer Bank	23.2%	788	26.5%	974
Total Group	**15.3%**	**3,285**	**14.0%**	**2,146**

Note: The 2022 economic capital requirements in this table have been recalculated based on the 2023 methodology to facilitate their comparison.

A. The economic value added is calculated with the cost of capital of each unit. The Group's total RoRAC includes the operating units and the Corporate Centre, reflecting the Group's economic capital and its return.

Additionally, we also internally use a Shareholder Value Added (SVA) view which adjusts components that affect shareholder value creation but are not reflected in results.

Identifying and managing businesses with low profitability is part of the Group's capital optimization process. We dynamically target and actively monitor customers, portfolios and markets with attractive returns on capital.

To ensure improved profitability and maximize capital productivity, we must focus on capital efficiency from origination. Pricing is an objective process based on the characteristics of the transaction, product, borrower, segment and market. Furthermore, it should ensure that the price exceeds a minimum threshold covering at least funding, operating, credit and capital costs, as well as an additional spread that takes into account demand sensitivity to prices and value generation. Therefore, pricing should aim to maximize profitability, with positive EVA for every transaction, customer and/or portfolio, and ensure compliance with minimum return on capital targets.

Santander has granular approvals tools for the CIB and corporate segments which it uses to calculate the return on both regulatory and economic capital (RoRWA and RoRAC) and determine appropriate pricing. For retail segments, tools are locally developed by the units, tailoring them to the individual characteristics of each market. We also employ a granular tool to track returns on capital on a like-for-like basis between units.

Our approvals tools enable us to identify and justify any new loans with a pricing below the minimum threshold and our monitoring tools enable us to identify operations with profitability below the cost of capital, thereby recurrently destroying value. To try to ensure that all customer relationships add value, we regularly monitor and actively manage low performing customers through specific action plans.

Both approvals and profitability monitoring have a robust approval and review governance which i) ensures the consideration of minimum pricing thresholds are properly integrated into capital processes, ii) establishes a timely scaling/ authorizing process and iii) that detailed follow-ups are carried out for operations approved below the minimum threshold.

Capital planning and stress tests

Capital stress test exercises are a key tool in banks' dynamic assessments of their risks and solvency. These forward-looking reviews are based on unlikely-but-plausible macroeconomic and idiosyncratic scenarios. They require robust planning models that can translate the effects defined in the projected scenarios to elements that affect solvency.

The ultimate aim of these exercises is to assess risks and solvency thoroughly to determine capital requirements if a bank fails to meet its regulatory and internal capital objectives.

Santander has an internal capital stress and planning process to respond to various regulatory exercises and is a key tool integrated within management and strategy. They aim to ensure sufficient current and future capital, even in unlikely-but-plausible economic scenarios. We estimate results in various business environments (including severe recessions as well as expected macroeconomic environments), based on our initial situation (financial statements, capital base, risk parameters and regulatory and economic ratios) to determine our solvency ratios, usually for a three-year period.

Planning offers a comprehensive view of our capital for the analysed period and in each of the defined scenarios based on regulatory capital and economic capital metrics.

This chart describes the structure in place:

1	**Macroeconomic scenario**	• **Central and recession** • **Idiosyncratic:** based on specific risks the entity faces • **Multi-year** horizon • **Reverse stress tests**
2	**Balance sheet and income statement forecasts**	• Projection of **volumes**. Business **strategy** • **Margins** and **funding costs** • **Fees** and operating **expenses** • **Market** shocks and **operational** losses • Credit losses and **provisions**. PIT LGD and PD models • IFRS 9 models and migration among stages
3	**Capital requirements forecasts**	• **Consistent** with projected **balance sheet** • **Regulatory and economic risk parameters** (PD, LGD and EAD)
4	**Solvency analysis**	• Available **capital base**. Profits and dividends • **Regulatory and legislative impacts** • **Capital and solvency ratios** • **Compliance** with capital **objectives** • **Regulatory and economic view**
5	**Action plan**	• In the event of failure to comply with internal objectives or regulatory requirements

This structure supports the ultimate objective of capital planning, by making it an important strategic component that:

- ensures current and future solvency, even in adverse economic scenarios;
- facilitates communication with the market and supervisors;
- ensures comprehensive capital management, analyses specific effects and integrates them into strategic planning;
- enables a more efficient use of capital; and
- helps formulate our capital management strategy.

Senior managers are fully involved in and closely oversee capital planning under a framework that ensures proper governance and is subject to the robust challenge, review and analysis.

In capital planning and stress analysis exercises, calculating the required provisions under stress scenarios is key, especially to cover losses on credit portfolios. It is particularly important for income statement forecasts under adverse scenarios.

To calculate loan-loss provisions of the credit portfolio, we use a methodology that ensures provisions cover loan losses projected by internal expected loss models, based on exposure at default (EAD), probability of default (PD) and loss given default (LGD parameters), at all times.

In 2018, we adapted this methodology to incorporate changes brought in by the new IFRS 9 regulations, with models to calculate balances by stages (S1, S2, S3) as well as the movements between them and the loan-loss provisions in accordance with the new standards.

Our capital planning and stress analysis culminate in an analysis of solvency under various scenarios over a set period to measure capital adequacy and ensure we meet all internal capital and regulatory requirements.

Should we fail to meet our capital objectives, we would draw up an action plan with the measures needed to attain the minimum capital desired. We analyse and quantify those measures as part of internal exercises even if we don't need to use them as we exceed the minimum capital thresholds.

Santander carries out its internal stress and capital planning transversally throughout the Group, at the consolidated and local level. Our subsidiaries use it as an internal management tool, particularly to respond to local regulatory requirements.

We have undergone nine external stress tests since the beginning of the economic crisis in 2008. Every test proved our strength and solvency in the most extreme and severe macroeconomic scenarios showing that, owing to our business model and geographic diversification, we would still be capable of generating a profit for shareholders while satisfying the most demanding regulatory requirements.

The ECB determines and sets Pillar 2 Guidance (P2G) according to the results of the adverse scenario in these supervisory stress tests, including the EU-level stress tests carried out by the EBA. When determining the P2G, the ECB considers the maximum impact expected on the CET1 ratio, which, for this purpose, is the difference between the lowest CET1 ratio in the adverse scenario over the projection horizon and the real CET1 ratio at the starting point.

We have also conducted internal stress tests every year since 2008 as part of our ICAAP (Basel Pillar 2). Every test has proven our capacity to confront the most difficult exercises globally and locally. We carry out these capital planning processes using tools shared throughout the Group.

Due to the special situation resulting from the covid-19 pandemic, capital planning capacities and stress tests enabled us to analyse various pandemic scenarios and ensure capital adequacy in each of them.

We incorporate an analysis of the potential impact of climate risks (transition risk and physical risk) into internal stress exercises in addition to expressly considering them in the macroeconomic scenarios definitions, in line with industry best practices and supervisory expectations.

In 2022, Santander participated in the ECB's first climate risk stress test comprising three parts: first, the supervisor assessed entities' internal capacities; second, the entities provided information on their main customers' emissions and revenue shares by activity sector to the supervisor; and third, the ECB made projections under various transition risk, heat wave risk and flood risk scenarios. The ECB published aggregate results for the industry as a whole.

2023 EBA stress test

In late July, the European Banking Authority (EBA) published the results of its 2023 EU-wide stress test, which involved the main banks from the EU.

This exercise assesses the resilience of these banks' main balance sheet and income statement items under two different macroeconomic scenarios (baseline and adverse).

Balance sheets at the end of 2022 were used as a starting point and the expected behaviour of business models was compared in order to gauge the expected losses and the ability of the balance sheet to withstand such losses without requiring external support.

As with previous exercises, there was no minimum capital threshold to meet. However, the results were taken into account when determining the SREP requirements.

The baseline scenario assumes the most likely economic performance according to the models used by the supervisor. On the other hand, the very unlikely adverse scenario assumes a severe deterioration in both macroeconomic and global financial market conditions.

This year, the scenarios used to project the evolution of the Group's main businesses were as follows:

Gross Domestic Product (GDP)

Change (%)

	Spain		UK		US		Mexico		Brazil		Chile	
	2023	2023-25	2023	2023-25	2023	2023-25	2023	2023-25	2023	2023-25	2023	2023-25
Baseline scenario	1.3	6.1	0.3	3.2	1.0	4.0	1.2	5.1	1.0	4.9	-1.0	3.3
Adverse scenario	-2.6	-5.4	-4.8	-8.5	-5.7	-4.5	-4.6	-6.8	-4.0	-5.5	-7.0	-7.9

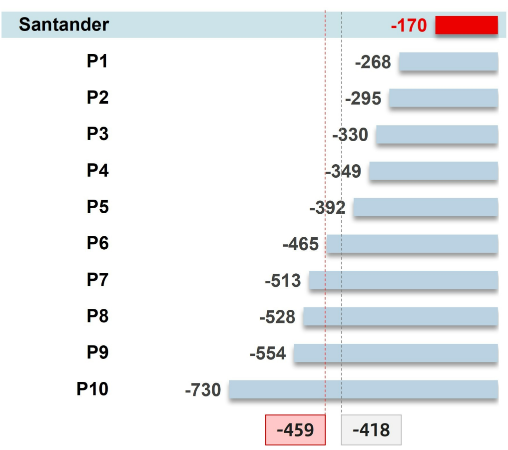
According to the results obtained in this stress test, under the adverse scenario Santander would destroy 170 bps of fully-loaded CET1 capital, the best result among peers who destroyed on average 418 bps. The average of European banking system was 459 bps.

This implies that, in absolute terms, the Group at the end of the stressed horizon, would have a fully-loaded CET1 ratio 30 bps better than the average of its European peers.

Even in the adverse scenario, the cumulative projections of the Group's income statement show a profit of EUR 6,582 million, well above our peers and the system, which, on average, resulted in losses of EUR 3,129 million and EUR 1,404 million, respectively.

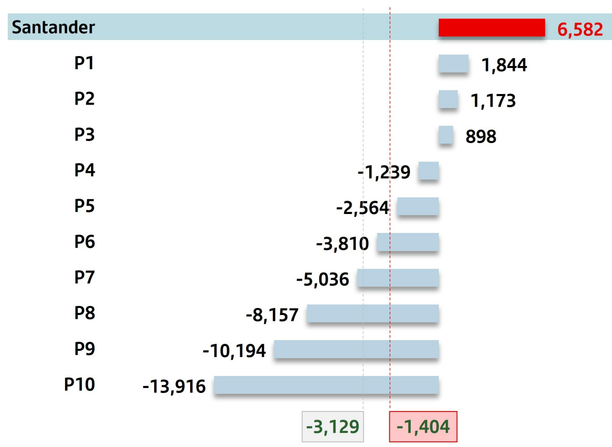
Fully-loaded CET1 ratio 2025 vs 2022

Adverse scenario. Basis points



Profit after tax (accumulated 3 years)

Adverse scenario. EUR million



Total Loss-Absorbing Capacity (TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL)

In November 2015, the FSB published the TLAC term sheet based on the previously published principles for crisis management frameworks. It aims to ensure global systemically important banks (G-SIBs) will have the capacity to absorb losses and recapitalize as required to maintain critical functions during and immediately after resolution proceedings without compromising public funds or financial stability.

From 1 January 2022, the TLAC term sheet requires each G-SIB to have an individually set minimum TLAC level that is the greater of 18% of risk-weighted assets and 6.75% of the Basel III Tier 1 leverage ratio exposure.

Some jurisdictions have already transposed the TLAC term sheet into law (as is the case in Europe, in the US and in Mexico as of 1 January 2023); however, other jurisdictions where we operate (e.g. Brazil) have yet to do so.

In Europe, the final texts of CRR 2 and BRRD 2, which amend the resolution framework, were published in June 2019. One of the main objectives of this revision was to implement the TLAC requirement in Europe.

The CRR 2, which came into force in June 2019, dictates the 18% minimum requirement for G-SIBs as set in the TLAC term sheet. It must be made up of subordinated liabilities (with the exception of a percentage of senior debt of maximum of 3.5%, with the resolution authority's authorization).

As of 31 December 2023, the TLAC of the resolution group headed by Banco Santander, S.A. stood at 26.7% of risk-weighted assets and 9.2% of the leverage ratio exposure.

The BRRD 2 was transposed into law in Spain in 2021.

G-SIBs also have a Pillar 2 requirement in addition to the minimum CRR requirement, owing to the MREL methodology in the BRRD 2.

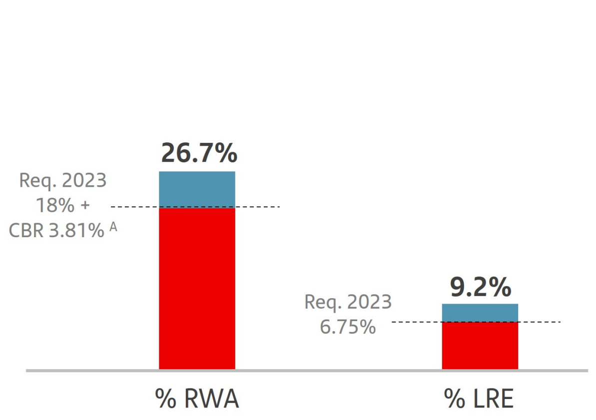
In May 2023, Banco de España formally communicated the (binding) MREL requirement for the Banco Santander, S.A. Resolution Group (sub-consolidated), which needed be met from 1 January 2024. It was set at the highest of 29.81% of the Resolution Group's RWAs[1] and 11.51% of the Resolution Group's leverage ratio exposure, based on 31 December 2021 data.

As of 31 December 2023, Banco Santander, S.A. met its MREL requirements, having issued eligible instruments during the year, specifically 38.0% of RWAs and 16.3% of the leverage ratio exposure.

Of the total MREL requirement, a minimum subordination level was fixed as the highest of 10.27% of RWAs and 6.13% of the leverage ratio exposure. However, the Resolution Group headed by Banco Santander, S.A.'s minimum subordination is determined by TLAC, not by MREL, as the TLAC subordination requirement is greater. In December 2023, the MREL subordinated figures of the Resolution Group headed by Banco Santander, S.A. were 32.2% and 13.8%, respectively.

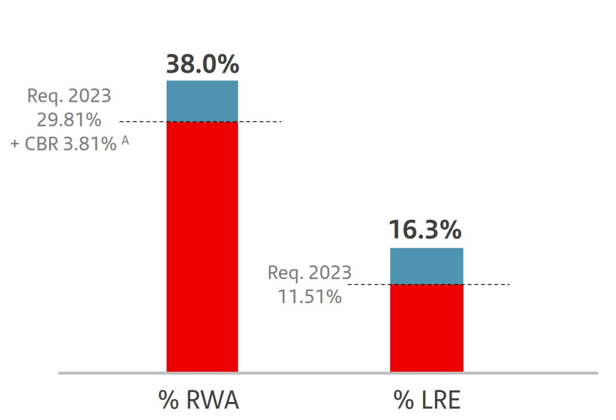
TLAC 2023

%



MREL 2023

%



A. CBR: Combined Buffer Requirement, comprising a capital conservation buffer (2.5%), a G-SII buffer (1%) and a countercyclical capital buffer (0.31%).

1. When the requirement is set in terms of RWAs, the CET1 used to cover the combined capital buffers cannot be used to comply with the MREL requirement at the same time.

3.6 Special situations and resolution

Corporate special situations and resolution framework, crisis management, recovery and resolution planning

This section summarizes the main developments in the year relating to preparing and strengthening mechanisms for a potential crisis, recovery plans and preparing and executing initiatives to improve resolvability plans.

Corporate framework for special situations and resolution

The framework enables our units to aggregate and clearly interpret the various mechanisms for monitoring, escalating and managing both financial and non-financial events as well as governance. It helps link the action plans (e.g. contingency plans, business continuity plans, recovery plan) to be executed in each phase.

We base crisis governance on a collective decision-making model that is organized into and operated under severity levels to facilitate flexibility and sequential decision-making. For instance, in the most severe stages of a hypothetical crisis, the 'Gold committee', composed of the Group's top executives supported by the 'Silver forum' and other specialist 'Bronze teams', would be the leading decision-making body.

The framework aims to encourage the sharing of best practices across the Group and continuous collaboration between subsidiaries and corporate teams (including coordination in the recovery and resolution planning phases) to continue to develop our management and control model in the most effective way.

Two of Santander's key processes are the recovery plan and the bail-in playbook, which describes the resolution tool's execution.

Crisis management

Apart from the management of more local incidents, several events were closely monitored in 2023: the regional banking crisis in the US, the Credit Suisse intervention, several geopolitical and macroeconomic episodes (such as the war in Ukraine, elections in Argentina, armed conflict in the Middle East, monetary policy in Poland, etc.), natural disasters (e.g. Hurricane Otis in Mexico, earthquakes in Morocco and Turkey, etc.) and various cyber-security related incidents (e.g. ICBC cyber-attack).

We believe these events are idiosyncratic, particularly in the case of the regional banking crisis in the US or the Credit Suisse intervention, and conclusions should not be extrapolated to the rest of the financial system. However, the banking industry and the competent authorities highlighted certain general lessons. These include: (i) the comprehensive, forward-looking and early warning view of possible threats, (ii) the importance of crisis communication, (iii) the need for implementing crisis management governance while ensuring proper supervision/ coordination mechanisms in international groups, and (iv) the need for maintaining proper crisis recovery strategies and measures, particularly with regards to liquidity.

Despite these conditions, Grupo Santander's crisis management model once again proved its robustness, highlighting two fundamental aspects for a group such as ours:

- Coordination with subsidiaries, as cooperation between the Group's different units proved to be a strength in times of crisis, through crisis governance bodies (e.g. global Silver Forum), the regular issuance of corporate guidelines and the Group's participation in the preparation and execution of simulation exercises.
- Early incident management, given the Bronze teams were able to provide a rapid and proactive response to very different critical events.

To further strengthen our crisis management model, we implemented several initiatives. In particular, we:

- introduced greater flexibility into the decision-making process (e.g. quorums of crisis management bodies);
- simplified escalation processes for both financial and non-financial events; and
- strengthened response operationalization to crisis events (e.g. development of playbooks); particularly in communication with customers and regulators.

Despite the challenges faced in 2023, we have shown that we have the right tools to appropriately respond to a wide range of potential crises. However, given the complexity of the current environment and the potential threats facing the banking industry, we remain committed to further strengthening our crisis management mechanisms and instruments.

Recovery plans

Context. Santander drew up its fourteenth corporate recovery plan in 2023. It sets out measures we have at our disposal to survive a very severe crisis without extraordinary public aid, in accordance with article 5.3 of the BRRD.

Its primary aim is to test the feasibility, effectiveness and credibility of the recovery measures as well as the suitability of the recovery indicators and their respective thresholds, above which decision-making will be escalated to cope with stress situations.

It sets out macroeconomic and financial crisis scenarios that could materialize in idiosyncratic, systemic and combined events that could lead the Group to trigger the plan.

The recovery plan should not be considered an instrument separate from our structural mechanisms to measure, manage and supervise risk. It includes the risk appetite framework (RAF), the risk appetite statement (RAS), the risk profile assessment (RPA), the business continuity management system (BCMS), the internal assessments of capital and liquidity (ICAAP and ILAAP) and other tools. It is also integrated into the Group's strategic plans.

Progress in 2023. In December 2022, the EBA published a consultation on its new "Guidelines on total resilience in recovery plans" draft. The most important changes include incorporating more severe scenarios that reach the near-default point and dynamically calculating resilience starting from the moment an indicator breach activates the plan. In May 2023, the ECB requested we apply these guidelines in the annual plan, even though the final version was not published until July and, therefore, not yet in force at the end of 2023 (as three months had not passed since its publication in all official EU languages). Volatility in the markets in the first quarter of 2023 (banking crisis in the US and the collapse of Credit Suisse) required special attention to liquidity resilience and the need for institutions to ensure that they have sufficient measures in place that can be implemented in a short period of time. The ECB also requested simulations to ensure the operational feasibility of various recovery options.

Like every year, the document fully covered all of the ECB's recommendations, including:

- new forward-looking indicators to meet the EBA's Guidelines on recovery plan indicators under Article 9 of Directive 2014/59/EU, published in November 2021;
- more extreme scenarios so that all scenarios reach a near-default point according to new guidelines;
- greater detail regarding execution of all measures;
- calculations of total recovery capabilities for LCR and NSFR indicators in liquidity scenarios and for capital indicators (CET1, Total Capital Ratio and Leverage Ratio); and
- new recovery measures.

The key takeaways from our review of the 2023 corporate plan were:

- no material interdependencies between main subsidiaries;
- ample recovery capacity in all scenarios through available measures. Our geographically diversified model is a great asset from a recovery standpoint;
- sufficient capacity in each subsidiary to emerge from a recovery situation on its own, which strengthens capital and liquidity within our autonomous subsidiaries model;
- sufficiently robust governance to manage financial and non-financial stresses that vary in nature and intensity; and
- amid a serious financial or solvency crisis, no subsidiary is important enough to trigger the corporate plan by causing the severest recovery indicator levels to be breached.

These factors prove our business model and geographic diversification strategy would remain firm in a recovery situation.

Regulation and governance. Santander's recovery plan complies with EU regulations and follows the non-binding recommendations of the Financial Stability Board (FSB) and other international bodies.

We submitted our latest plan to the Single Supervisory Mechanism in October 2023; the EBA has six months to make formal considerations.

Santander's recovery plan comprises the corporate plan (Banco Santander, S.A.) and local plans for the UK, Brazil, Mexico, the US, Germany, Argentina, Chile, Portugal, Norway and a recovery plan summary for Santander Bank Polska S.A. and Santander Consumer Bank S.A. -Poland- (as required). All subsidiaries (except Santander Chile) must draw up a local plan in compliance with local regulations and corporate requirements.

Though the board of Banco Santander, S.A. approves the corporate plan, relevant content and figures are submitted to and discussed by the Silver forum, Gold committee, risk control committee and the risk supervision, regulation and compliance committee beforehand. Local plans are approved by local bodies in coordination with the Group (as they are included in the corporate plan).

Resolution plans

The relevant authorities prepare the resolution plans and Santander cooperates with them, providing all information they request[1]. The members of the Crisis Management Group (CMG) upheld their decision on our Multiple Point of Entry (MPE) strategy to be used in a hypothetical resolution.

This strategy is consistent with our legal and business structure, which is organized into 11 resolution[2] groups that can be resolved independently without involving other parts of the organization, given the low level of interconnection.

Meetings with the Single Resolution Board (SRB) and its working priorities letters confirmed that there are no substantial impediments to Banco Santander, S.A.'s resolvability, achieving the target set for December 2023 by the SRB. This was communicated through a high-level meeting with the CEO in October, where a heat map was presented showing that we meet all resolvability dimensions. Despite this, the SRB highlighted the need to continue to work on resolvability and meet the targets set for the new resolution planning cycle starting in 2024, which focus on the operationalization of the resolution tool.

The resolution group headed by Banco Santander, S.A. underwent a deep-dive on the potential separability of one of its subsidiaries. The preliminary conclusion of this analysis was positive.

In 2023, we prepared the multi-annual work plan to continue to meet the resolution planning requirements. Banco Santander, S.A.'s board of directors approved it in January 2024, prior to its definitive submission to the SRB and in which the following actions, among others, were defined:

1. With the exception of the US, where individual entities draw up their own resolution plans.
2. In 2023, the SRB approved the integration of the Santander Totta (Portugal) resolution group into the resolution group headed by Banco Santander, S.A. creating a new resolution group called Banking Union, hence going from 12 resolution groups to 11.

1) Conduct initial tests to measure capability to provide high quality data for resolution valuations

In previous years, Banco Santander, S.A. conducted a self-assessment of the capabilities of its information systems to provide valuation data to the SRB. The SRB asked us to carry out a real-time test in 2024 and share with them the resulting data for each of the relevant subsidiaries of Banco Santander, S.A. within the resolution group known as Banking Union.

2) Conduct a liquidity exercise based on the joint SRB-ECB liquidity report developed in October 2023

In October 2023, we presented a new liquidity report jointly required by the SRB and the ECB. In 2024, we will conduct a liquidity exercise aiming to strengthen our liquidity reporting capabilities during and after resolution. We will also need to take into account the SRB's comments on the 2023 liquidity exercise.

3) Demonstrate the separability of relevant subsidiaries in the resolution group headed by Banco Santander, S.A.

We will continue the work on separability, an area that was established as a priority for Santander in the last resolution planning cycle, and improve Santander's ability to implement transfer tools in the event of resolution by developing an advanced separability analysis report.

This analysis will identify potential obstacles and mitigating factors to ensure the subsidiaries' operational and business continuity if separated from the Group.

4) Test the internal recapitalization resolution tool and the internal loss transfer and recapitalization mechanism, together with information system capabilities

Given the results of the internal recapitalization testing exercises in previous years, Banco Santander is expected to continue to test its internal recapitalization preparation through a test focused on its information systems' capabilities, internal and external execution and communication, as described in the Bail-in Playbook. Testing should also include the internal loss transfer and recapitalization mechanism (ILTRM) in place.

We expect the next version of the recapitalization manual, to be completed in 2024, will meet all the requirements specified by the SRB based on the lessons learned from the tests. The subsidiaries required by the SRB are also expected to continue to develop and complete the ILTRM manuals.

5) Continue the work on Management Information Systems

We expect to complete all reporting manuals by 2024, including those required for the timely provision of accurate information for internal recapitalization and valuation datasets. In the update, we will incorporate lessons learned from the tests and comments from the SRB.

6) Guarantee operational continuity in resolution situations.

As in 2022, in 2023 we identified the essential services that support core business lines, as well as their operational assets and critical personnel. We also redrafted any service contracts that did not contain the operational continuity clause. We will continue this work stream in 2024.

We continued to work on making contingency plans for market infrastructure services more operational and executive.

We addressed the development of retention and succession plans.

4. Financial information by segment

4.1 Description of segments during 2023

We base segment reporting on financial information presented to the chief operating decision maker, which excludes certain statutory results items that distort year-on-year comparisons and are not considered for management reporting. This financial information (underlying basis) is computed by adjusting reported results for the effects of certain gains and losses (capital gains, write-downs, impairment of goodwill, etc.). These gains and losses are items that management and investors ordinarily identify and consider separately to better understand the underlying trends in the business (see also note 52.c to the Santander financial statements).

Santander has aligned the information in this chapter with the underlying information used internally for management reporting and with that presented in the Group's other public documents.

Santander's executive committee has been selected to be its chief operating decision maker. The Group's operating segments reflect its organizational and managerial structures. The executive committee reviews internal reporting based on these segments to assess performance and allocate resources.

During 2023, the segments were split by geographic area in which profits were earned or by type of business. We prepared the information by aggregating the figures for Santander's various geographic areas and business units, relating it to both the accounting data of the business units integrated in each segment and that provided by management information systems. The same general principles as those used in the Group were applied.

In 2023, Santander maintained the criteria applied in 2022, with two exceptions:

- In the secondary segments: usual annual customer perimeter adjustment between Retail Banking and Santander Corporate & Investment Banking and between Retail Banking and Wealth Management & Insurance.
- In the Group's financial statements: as a result of the implementation from 1 January 2023 of the amendments to IFRS 17 (new general accounting standard for insurance contracts), the Group retrospectively performed a reclassification in the balance sheet to 'Liabilities under insurance or reinsurance contracts', related to the different treatment established by this new standard for the components of an insurance contract. This reclassification was made in the corresponding segments.

For comparison purposes, the 2022 data have been restated to include these changes.

In terms of the operating segment structure, the Group maintained the two levels of segmentation applied in 2022.

Primary segments

This primary level of segmentation, which was based on the Group's management structure in 2023, comprised five reportable segments: four operating areas plus the Corporate Centre. The operating areas in 2023 were:

Europe: comprised all business activity carried out in the region, except that included in Digital Consumer Bank. Detailed financial information is provided on Spain, the UK, Portugal and Poland.

North America: comprised all the business activities carried out in Mexico and the US, which includes the holding company (SHUSA) and the businesses of Santander Bank, Santander Consumer USA (SC USA), the specialized business unit Banco Santander International, the New York branch and Santander US Capital Markets (SanCap).

South America: included all the financial activities carried out by Grupo Santander through its banks and subsidiary banks in the region. Detailed information is provided on Brazil, Chile, Argentina, Uruguay, Peru and Colombia.

Digital Consumer Bank: included Santander Consumer Finance, which incorporates the entire consumer finance business in Europe, Openbank and Open Digital Services (ODS).

Secondary segments

At this secondary level in 2023, Grupo Santander was structured into Retail Banking, Santander Corporate & Investment Banking (SCIB), Wealth Management & Insurance (WM&I) and PagoNxt.

Retail Banking: this segment covered all customer banking businesses, including consumer finance, except those of corporate banking which were managed through Santander Corporate & Investment Banking and asset management, private banking and insurance, which are managed by Wealth Management & Insurance. The results of the hedging positions in each country were also included, conducted within the sphere of their respective assets and liabilities committees.

Santander Corporate & Investment Banking: this segment included global corporate banking, investment banking and markets worldwide including treasuries managed globally, as well as equity business.

Wealth Management & Insurance: included the asset management business (Santander Asset Management), the corporate unit of Private Banking and International Private Banking in Miami and Switzerland (Santander Private Banking) and the insurance business (Santander Insurance).

PagoNxt: this included digital payment solutions, providing global technology solutions for our banks and new customers in the open market. It was structured into four businesses: Merchant, International Trade, Payments and Consumer.

In addition to these operating units, both primary and secondary segments, the Group maintained the Corporate Centre, which included the centralized activities relating to equity stakes in financial companies, financial management of the structural exchange rate position, assumed within the sphere of the Group's assets and liabilities committee, as well as management of liquidity and shareholders' equity via issuances.

As the Group's holding entity, this area managed all capital and reserves and allocations of capital and liquidity with the other businesses. It did not incorporate the costs related to the Group's central services (charged to the areas), except for corporate and institutional expenses related to the Group's functioning.

The businesses included in each of the primary segments in this report and the accounting principles under which their results are presented here may differ from the businesses included and accounting principles applied in the financial information separately prepared and disclosed by our subsidiaries (some of which are publicly listed) which in name or geographical description may seem to correspond to the business areas covered in this report. Accordingly, the results of operations and trends shown for our business areas in this document may differ materially from those of such subsidiaries.

As described in section 3 'Group financial performance' above, the results of our business areas presented below are provided on the basis of underlying results only and generally including the impact of foreign exchange rate fluctuations. However, for a better understanding of the changes in the performance of our business segments, we also provide and discuss the year-on-year changes to our results excluding such exchange rate impacts.

The statements included in this section regarding Santander's competitiveness and that of its subsidiaries have been produced by the Group based on public information (corporate websites of competing entities and information published by national banking institutions).

4.2 Summary of the Group's main business areas' income statements

2023

Main items of the underlying income statement

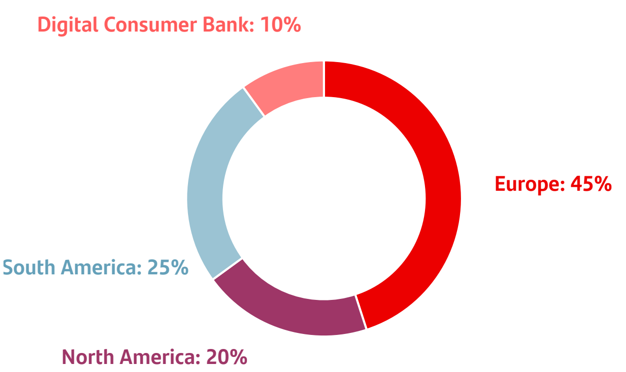
EUR million

Primary segments	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Profit attributable to the parent
Europe	**15,910**	**4,399**	**21,439**	**12,409**	**8,195**	**5,482**
Spain	6,641	2,699	10,132	5,905	3,399	2,371
United Kingdom	5,152	338	5,525	2,779	2,107	1,545
Portugal	1,465	464	1,982	1,440	1,314	896
Poland	2,543	589	3,182	2,320	1,392	674
Other	109	309	618	(35)	(17)	(3)
North America	**10,159**	**2,192**	**13,174**	**6,708**	**2,837**	**2,354**
US	5,742	766	7,209	3,531	863	932
Mexico	4,408	1,374	5,899	3,311	2,119	1,560
Other	8	52	66	(133)	(145)	(138)
South America	**13,040**	**4,684**	**17,971**	**11,050**	**4,608**	**3,038**
Brazil	9,116	3,462	13,104	8,574	2,911	1,921
Chile	1,383	572	2,285	1,265	951	582
Argentina	1,879	396	1,544	769	505	386
Other	662	254	1,038	441	241	150
Digital Consumer Bank	**4,193**	**796**	**5,502**	**2,884**	**2,019**	1,199
Corporate Centre	**(41)**	**(13)**	**(439)**	**(829)**	**(961)**	**(998)**
TOTAL GROUP	**43,261**	**12,057**	**57,647**	**32,222**	**16,698**	**11,076**

Secondary segments	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Profit attributable to the parent
Retail Banking	**37,985**	**7,661**	**45,254**	**25,858**	**10,872**	**7,436**
Corporate & Investment Banking	**3,485**	**2,190**	**8,296**	**4,905**	**4,570**	**3,078**
Wealth Management & Insurance	**1,739**	**1,265**	**3,396**	**2,240**	**2,235**	**1,637**
PagoNxt	**93**	**954**	**1,140**	**49**	**(17)**	**(77)**
Corporate Centre	**(41)**	**(13)**	**(439)**	**(829)**	**(961)**	**(998)**
TOTAL GROUP	**43,261**	**12,057**	**57,647**	**32,222**	**16,698**	**11,076**

Profit attributable to the parent distribution

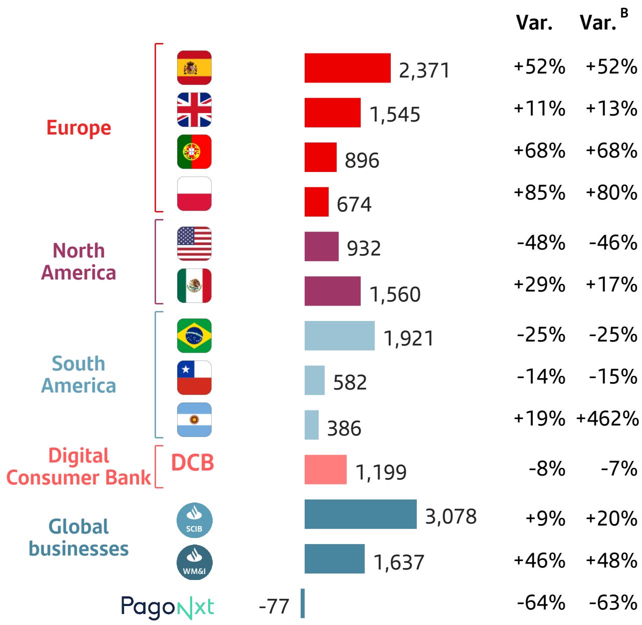
Distribution [A] by primary segment. 2023



A. As a % of operating areas. Excluding the Corporate Centre.

Profit attributable to the parent. 2023

EUR million. % change YoY



B. Changes in constant euros.

2022

Main items of the underlying income statement

EUR million

Primary segments	Net interest income	Net fee income	Total income	Net operating income	Profit before tax	Profit attributable to the parent
Europe	**12,565**	**4,493**	**18,030**	**9,507**	**5,482**	**3,810**
Spain	4,539	2,818	8,233	4,236	2,079	1,560
United Kingdom	4,992	390	5,418	2,733	1,900	1,395
Portugal	747	484	1,295	793	775	534
Poland	1,976	528	2,474	1,782	789	364
Other	312	273	609	(38)	(61)	(42)
North America	**9,705**	**1,958**	**12,316**	**6,445**	**3,790**	**2,878**
US	6,140	771	7,623	4,025	2,261	1,784
Mexico	3,565	1,140	4,623	2,547	1,665	1,213
Other	—	47	70	(126)	(137)	(119)
South America	**12,979**	**4,515**	**18,025**	**11,350**	**5,764**	**3,658**
Brazil	8,901	3,296	12,910	8,730	4,055	2,544
Chile	1,772	468	2,449	1,468	1,062	677
Argentina	1,778	542	1,833	846	443	324
Other	527	210	832	306	205	112
Digital Consumer Bank	**4,022**	**843**	**5,269**	**2,807**	**2,237**	**1,308**
Corporate Centre	**(652)**	**(19)**	**(1,487)**	**(1,858)**	**(2,022)**	**(2,049)**
TOTAL GROUP	**38,619**	**11,790**	**52,154**	**28,251**	**15,250**	**9,605**

Secondary segments						
Retail Banking	**34,855**	**7,654**	**42,674**	**24,123**	**11,785**	**7,933**
Corporate & Investment Banking	**3,548**	**1,981**	**7,378**	**4,476**	**4,097**	**2,817**
Wealth Management & Insurance	**847**	**1,293**	**2,635**	**1,581**	**1,531**	**1,119**
PagoNxt	**22**	**881**	**953**	**(71)**	**(141)**	**(215)**
Corporate Centre	**(652)**	**(19)**	**(1,487)**	**(1,858)**	**(2,022)**	**(2,049)**
TOTAL GROUP	**38,619**	**11,790**	**52,154**	**28,251**	**15,250**	**9,605**

4.3 Primary segments

EUROPE

Underlying attributable profit

EUR 5,482 mn

EXECUTIVE SUMMARY

Strategy	Business performance[1]	Results[1]
We remain focused on **customer experience and service quality**, and on making the structural changes needed to develop a **common operating model for Europe**	**Our customer base grew 2% year-on-year. Loans** decreased 6%, affected by higher interest rates. In **customer funds**, change of mix from demand to time deposits with double-digit growth in mutual funds	**Underlying attributable profit rose 45%** year-on-year underpinned by NII growth, significant efficiency gains (despite inflation) and controlled cost of risk

1. In constant euros.

Strategy

Our aim is to create a better bank in Europe, that our customers and employees will feel a close connection with and to deliver sustainable value to shareholders and society. We aim to:

- Improve our customer experience by making headway with our omnichannel strategy and adding value to our customer interactions, towards our vision of becoming a digital bank with branches.
- Grow our business, supported by the best Group assets and leveraging our unique position, as a result of our scale and geographical diversification.
- Increase efficiency by implementing a common operating model based on simplification, exploiting the Group's global scale through common platforms and services and becoming a more agile organization.
- Maximize business value and sustainable growth focused on capital-efficient opportunities and risk management.

We expect to improve performance, profitability and efficiency, while strengthening customer experience.

In 2023, we consolidated our transformation by providing more than 16 million customers with access to our common app (full migration in Poland and available in the UK), by making the shared services operating model more robust and, by increasing our ambition to work together with the launch of a new digital value proposition for sole traders. As a result of these actions, we achieved:

- sustainable business growth, increasing customer loyalty;
- efficient price and balance sheet management in a higher interest rate environment;
- strong cost discipline, which led to a better efficiency ratio, despite the inflationary environment;
- solid risk management which enabled us to keep the cost of risk under control; and
- greater shareholder value, with an RoTE of 14.5% (up from 9.3% in 2022).

Europe. Customers

		Europe	Spain	UK	Portugal	Poland
Total customers	Thousands	46,293	15,023	22,481	2,908	5,877
	YoY	+2%	+5%	0%	-1%	+3%
Active customers	Thousands	28,538	8,367	13,864	1,838	4,465
	YoY	+1%	+7%	-1%	+3%	+3%

Strategy by country in 2023:

Spain

In 2023, we maintained our customer-centric strategy: attracting more customers, increasing their loyalty and creating more profitable relationships that enable us to generate sustainable value for shareholders and society. In this regard:

- We increased our customer base (+700 thousand), both in individuals and businesses. We doubled the growth rate in loyal customers compared to 2022, leading the market in capturing transactionality with relevant market share gains in both payroll and PoS.
- We continued to improve our customer experience, shifting towards simple, end-to-end digital and omni-channel processes, with a data-driven commercial strategy, increasing hyper-personalization, so that we can improve services efficiently.
- We maintained our active and forward-looking risk management by reducing provisions in a complex macroeconomic environment, keeping the cost of risk stable.

As a result of our work during the year, we achieved record results with 64% growth year-on-year in profit before tax, driven by the growth in the customer base and good price and balance sheet management, making the most of higher interest rates. We were named Bank of the Year 2023 in Spain by *The Banker*, an award that recognizes our #ObsesionXElCliente strategy and the transformation process underway.

United Kingdom

We continued to help and support our customers face the pressures of the current economic environment, offering the right products and services as well as supporting them with their finances when they need it. Our strategy delivers strong liquidity, funding and capital with a prudent approach to risk. In 2023:

- we provided competitive products for savers, including an easy access savings account, and helped home owners struggling with higher interest rates;
- customer loans and deposits decreased in line with the market and we maintained pricing discipline; and
- our clear strategy and prudent approach to risk enabled us to continue to support our customers through current and future economic challenges.

Portugal

During 2023, we continued to execute our commercial and digital transformation strategy, focused on selective growth, service quality and profitability, which enabled us to grow in loyal and digital customers.

- Activity reflected a higher interest rate environment, with household and corporate deleveraging and lower loan demand.
- We continued to deliver great customer experience, both for individuals and businesses, remaining in the top 3 for NPS in both segments.
- Santander was named Best Bank in Portugal 2023 by *Euromoney* and *Global Finance*, and Best Retail Bank by *World Finance*, in recognition of our top customer service, innovation and dynamism in the market.

Poland

In 2023, we continued to work primarily on improving employee and customer experience. We also worked to increase the digital accessibility of our products and services, and improve our sales and aftersales processes:

- We met our NPS target by achieving a significantly higher score.
- We were the first bank in Poland to receive the prestigious Great Place to Work certification.
- We were among the top 3 banks in the Polish market in terms of NPS.
- We won the Golden Bank award and were third in the best multichannel service quality category. We were also awarded for our personal account, cash loans and payment card. Additionally, Santander was named Best Bank in Poland in the Awards for Excellence category, and Best Bank for SMEs in Poland by *Euromoney*.

Business performance

In 2023, we focused on continuing to grow our customer base, both total and active, as well as improving revenue per customer. We also continued to develop our digitalization and customer loyalty programmes to ensure sustainable future growth.

As a result of our active credit risk management and capital allocation, loans and advances to customers declined 4% year-on-year. Minus reverse repurchase agreements and in constant euros, they decreased 6% year-on-year, across all segments, particularly in mortgages due to prepayments as customers increasingly look to reduce indebtedness given the interest rate environment.

Customer deposits remained flat compared to 2022. Minus repurchase agreements and in constant euros, they fell 2%, with a notable change in product mix towards time deposits. Also, mutual funds increased 12%, driven by the improvement in business dynamics and market recovery.

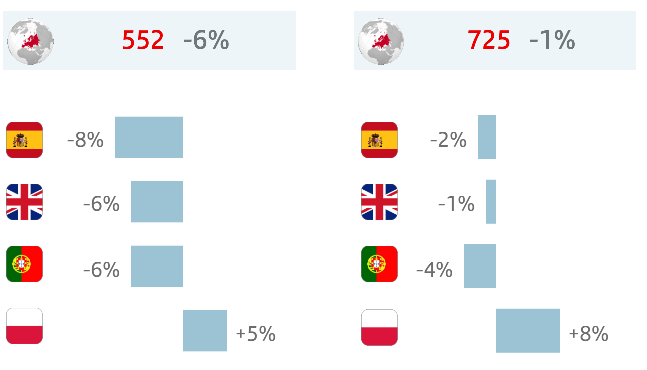
Results

Attributable profit was EUR 5,482 million (45% of the Group's total operating areas), up 44% year-on-year. In constant euros, profit rose 45%, as follows:

- Total income increased 19% mainly driven by net interest income, which increased 27% due to the good price and balance sheet management in a context of higher interest rates. Gains on financial transactions increased 26% driven by greater activity and growth in CIB.
- Net operating income rose 31%, driven by strict control in administrative expenses and amortizations, keeping growth below inflation even as we continued to invest in transformation to improve efficiency in the future,
- Net loan-loss provisions increased 5% mainly driven by Swiss franc mortgage charges in Poland, but were partially offset by the positive performance in Spain and the UK.
- Other gains (losses) and provisions remained flat, despite the temporary levy on revenue earned in Spain and other charges related to operational risk and portfolio sales.

Europe. 2023 business performance

EUR billion and YoY % change in constant euros



Gross loans and advances to customers minus reverse repos

Customer deposits minus repos + mutual funds

Europe. Underlying income statement

EUR million and % change

			/ 2022	
	2023	**2022**	**%**	**% excl. FX**
Revenue	21,439	18,030	+19	+19
Expenses	(9,030)	(8,523)	+6	+6
Net operating income	**12,409**	**9,507**	**+31**	**+31**
LLPs	(2,533)	(2,396)	+6	+5
PBT	8,195	5,482	+50	+50
Attributable profit	**5,482**	**3,810**	**+44**	**+45**

Detailed financial information in section 4.6 'Appendix'.

Spain

Underlying attributable profit
EUR 2,371 mn

Business performance

2023 was marked by a complex and highly uncertain environment that accelerated the deleveraging of the economy. In this context, our priority was to remain close to our customers, reflected in 28 consecutive months of net growth in active customers.

In Retail Banking, we continued to grow in short-term funding, while demand for long-term funding decreased in the year, impacted by the environment of rising interest rates and inflation. However, in the fourth quarter, new business rebounded, mainly in corporates and mortgages. We continued to gain market share in payrolls and PoS and in CIB, we consolidated our leadership in the main league tables.

Loans and advances to customers fell 7% year-on-year. In gross terms and excluding reverse repurchase agreements, they decreased 8%.

Customer deposits fell 2% year-on-year. Minus repurchase agreements, they decreased 4%, with a change of mix towards time deposits. In addition, we led the market in mutual funds, with 8% growth year-on-year.

Results

Attributable profit for the year totalled EUR 2,371 million (20% of the Group's total operating areas), 52% higher than in 2022. By line:

- Total income was up 23% propelled by net interest income, as a result of higher interest rates and customer base growth. Net fee income decreased in asset management due to a change of mix towards fixed income products and lower average volumes.
- Administrative expenses and amortizations increased 6%, affected by inflation. However, our efficiency ratio improved 7 pp to 41.7%.
- Net loan-loss provisions decreased 6% and the NPL ratio improved 21 bps to 3.06%.
- The other gains (losses) and provisions line recorded a loss of EUR 984 million, impacted by the temporary levy on revenue (EUR 202 million) and other losses associated with portfolio sales and operational risk.

Spain. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %
Revenue	10,132	8,233	+23
Expenses	(4,227)	(3,998)	+6
Net operating income	**5,905**	**4,236**	**+39**
LLPs	(1,522)	(1,618)	(6)
PBT	3,399	2,079	+64
Attributable profit	**2,371**	**1,560**	**+52**

Detailed financial information in section 4.6 'Appendix'.

United Kingdom

Underlying attributable profit
EUR 1,545 mn

Business performance

Our transformation programme continues to deliver efficiency improvements through the simplification and digitalization of key processes. We are promoting the use of digital channels with 77% of refinanced mortgage loans processed online and 92% of new current accounts opened through digital channels. The launch of our competitive Edge Up current account and broadening of our savings proposition demonstrated our continued commitment to providing value for individuals.

Loans and advances to customers were 2% lower year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros, they decreased 6% impacted by cost-of-living pressures and higher customer rates, which resulted in lower new business volumes as we carefully manage our net interest margin.

Customer deposits grew 1% year-on-year. Minus repurchase agreements and in constant euros, both customer deposits and total customer funds decreased 1%. We saw lower balances in current accounts offset by higher in savings accounts. Mutual funds remained flat.

Results

Attributable profit was EUR 1,545 million (13% of the Group's total operating areas), 11% up on 2022. In constant euros, profit grew 13%. By line:

- Total income was up 4%, driven by strong net interest income, in an environment of higher interest rates and despite greater funding costs.
- Administrative expenses and amortizations rose 4% impacted by inflation, though costs decreased in real terms. The efficiency ratio remained stable.
- Net loan-loss provisions decreased 20%. Cost of risk was 10 basis points, slightly better than in 2022.
- The negative impact from other gains (losses) and provisions decreased 16% year-on-year, as in 2022 we recorded the settlement agreed with the FCA regarding AML controls prior to 2017.

United Kingdom. Underlying income statement

EUR million and % change

			/ 2022	
	2023	2022	%	% excl. FX
Revenue	5,525	5,418	+2	+4
Expenses	(2,745)	(2,685)	+2	+4
Net operating income	**2,779**	**2,733**	**+2**	**+4**
LLPs	(247)	(316)	(22)	(20)
PBT	2,107	1,900	+11	+13
Attributable profit	**1,545**	**1,395**	**+11**	**+13**

Detailed financial information in section 4.6 'Appendix'.

Portugal

Underlying attributable profit
EUR 896 mn

Business performance

We executed our growth strategy supported by commercial and digital transformation processes, focused on improving service quality and profitability based on selective growth and greater customer loyalty.

Higher interest rates caused households and corporates to deleverage, which influenced both new business and the stock of mortgages, as a large number of prepayments were made at the beginning of the year. As a result, loans and advances to customers fell 6% year-on-year, both in net terms and in gross terms minus reverse repurchase agreements.

Customer deposits (with and without repurchase agreements) fell 6%, as customers took advantage of their liquidity to prepay their loans. Mutual funds continued to perform positively, up 17% year-on-year, supported by our growth strategy in higher value-added segments.

Results

Attributable profit reached EUR 896 million (7% of the Group's total operating areas), 68% higher than in 2022:

- Total income increased 53%, reflecting recovery in net interest income (+96%) supported by higher interest rates and good liability cost management. Net fee income fell slightly, impacted by lower volumes and regulatory changes affecting certain mortgage-related transactions.
- Administrative expenses and amortizations rose 8%, affected by inflation. However, the efficiency ratio improved 11 pp to 27.3%.
- Net loan-loss provisions rose from the low levels registered in 2022, bringing cost of risk to 20 bps. Credit quality remained solid as the NPL ratio fell 39 bps to 2.59%.
- The other gains (losses) and provisions line recorded losses of EUR 49 million associated with the tax contribution of the banking sector.

Portugal. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %
Revenue	1,982	1,295	+53
Expenses	(542)	(502)	+8
Net operating income	**1,440**	**793**	**+82**
LLPs	(77)	(17)	+354
PBT	1,314	775	+69
Attributable profit	**896**	**534**	**+68**

Detailed financial information in section 4.6 'Appendix'.

Poland

Underlying attributable profit
EUR 674 mn

Business performance

In 2023, we advanced significantly with our strategy. We improved service quality and regained our top 3 NPS position. We accelerated our digitalization programme, implementing our new mobile app, as we successfully migrated our customers to OneApp and simplified several processes and products.

Loans and advances to customers were 14% up in the year. In gross terms, minus reverse repurchase agreements and in constant euros they rose 5%. We saw growth in all our products, but mainly in the corporate segment, with double-digit growth in CIB. Lending to individuals increased in both mortgages and consumer.

Customer deposits increased 13%, +5% minus repurchase agreements and in constant euros, with strong growth in time deposits. Mutual funds increased by 48%, gaining market share, based on improved customer satisfaction.

Results

Attributable profit was EUR 674 million (6% of the Group's total operating areas). Year-on-year, profit rose 85%. In constant euros, it increased 80% as follows:

- Total revenue was 25% higher driven by net interest income on the back of higher average interest rates and strict control of the cost of funding. Net fee income also performed well.
- Administrative expenses and amortizations increased 21%, mainly driven by a tight labour market as well as some lagged effects from high inflation in 2022. The efficiency ratio improved to 27.1%.
- Net loan-loss provisions grew 48%, reflecting the increased coverage of the Swiss franc mortgage portfolio.
- Other gains (losses) and provisions were less negative, mainly due to the losses related to the mortgage payment holiday recorded in 2022.

Poland. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	% excl. FX
Revenue	3,182	2,474	+29	+25
Expenses	(862)	(692)	+25	+21
Net operating income	**2,320**	**1,782**	**+30**	**+26**
LLPs	(674)	(440)	+53	+48
PBT	1,392	789	+76	+71
Attributable profit	**674**	**364**	**+85**	**+80**

Detailed financial information in section 4.6 'Appendix'.

NORTH AMERICA

Underlying attributable profit

EUR 2,354 mn

EXECUTIVE SUMMARY

Strategy	Business performance[1]	Results
We are **leveraging the strength of our global businesses** to accelerate the transformation of our businesses in the US and Mexico	**Loans and advances to customers** increased 3% year-on-year driven by business growth in both Mexico and the US. **Customer funds** also rose 3%, boosted by time deposits	**Attributable profit amounted to EUR 2,354 million,** down 18% year-on-year (-20% in constant euros)

1. In constant euros.

Strategy

We continued to pursue business transformation across the US and Mexico leveraging our global and regional scale. We:

- Accelerated the transformation of our Retail Banking and Consumer businesses in both countries by simplifying our product portfolio, streamlining our operations to increase efficiency and adopting global technology platforms to deliver an excellent digital experience.
- Continued to develop our profitable CIB and Wealth Management businesses, with targeted investments to further complete our global businesses' capabilities and strengthen growth levers.
- Strengthened our regional operating model in Technology & Operations to consolidate know-how, digitalization, digital hubs, front-office and back-office automation to drive more effective and efficient operations.

In line with our strategy to allocate capital to the most profitable businesses, in 2023:

- The Group increased its shareholding in Banco Santander México to 99.9% and subsequently delisted it from the Mexican and New York Stock Exchanges.
- The Federal Deposit Insurance Corporation (FDIC) selected Santander US to partner it in a joint venture that will manage USD 9 billion of Signature Bank's Multifamily portfolio. We acquired a 20% equity stake and will service 100% of the assets.
- Santander US distributed dividends totalling USD 3 billion.

In line with our global responsible banking agenda and public commitments, we focused on expanding and implementing sustainable finance opportunities within our businesses in 2023.

In the US, we:

- Launched our Community Plan, a USD 13.6 billion, three-year commitment to invest in communities. This plan builds upon SBNA's successful Inclusive Communities Plan and includes commitments for community development lending and investments, small businesses, sustainable finance, philanthropy and supplier diversity.
- Executed a USD 250 million asset-based revolving credit facility on behalf of Wind Turbine & Energy Cables Corp.

In Mexico:

- We announced our initiative with Mastercard to replace all our debit cards and LikeU credit cards with sustainable models (made from recycled PVC and the first to be made accessible for the visually impaired).
- Tuiio, Santander México's financial inclusion initiative, signed several important agreements, including with the Secretary of Security from the State of Mexico, to provide basic financial education for inmates, and with the Ministry of Economy and Labour of Chiapas to provide access to financial services and education to women, native groups and artisans that generate social impact and wellbeing.
- We partnered with the International Finance Corporation (IFC) to promote sustainable construction practices. This enables us to offer customers free advice from the IFC's experts to obtain sustainable construction certifications for which we offer our Green Mortgage, the first-of-its-kind in Mexico providing financing at attractive pricing levels.

Strategy by country in 2023:

United States

Santander operates in the competitive US market focusing on our four core segments (Consumer, Commercial, CIB and Wealth Management). This reflects the prioritization of businesses that benefit from the Group's connectivity or competitive advantages that allow us to achieve the scale necessary to ensure attractive returns.

In 2023, the transformation of our business in the US was anchored on three key principles:

- **Simplification:** Rationalize businesses and products with limited scale and profitability and exit non-core portfolios. In 2023, we further streamlined processes and enhanced efficiency by combining the Commercial Real Estate and Corporate & Institutions businesses under one umbrella within Commercial banking. We reduced retail products on offer by 52% and our branch network by 14% vs 2022.
- **Transformation and Network contributions:** Leverage Group digital and data capabilities to advance our journey towards becoming a digital bank with branches in the US. A fully-digital consumer banking solution will modernize our business, drive scalability and lower the cost to serve of our stable retail US dollar funding base. We set in motion the necessary steps to launch our new digital nation-wide deposit platform in the third quarter of 2024.
- **Profitable growth:** Drive growth across target businesses while maintaining disciplined capital management. We progressed with our initiative to increase the percentage of our auto portfolio funded with retail deposits. We also expanded our partnership with Mitsubishi and signed new preferred auto lending relationships with INEOS and Lotus, among others, which support our strategy to forge deep, multi-geographic relationships with OEMs while catering to customers across the credit spectrum.

Key accomplishments in 2023 include:

- **Consumer:** Supported by SBNA's high percentage of FDIC insured deposits (c.66%), our retail deposit base remained stable through 2023 bank volatility.
- **Commercial:** SBNA remains a top 10 multifamily real estate bank lender in the US market and acquired a 20% stake in the aforementioned joint venture that will manage multifamily real estate assets retained by the FDIC following the failure of Signature Bank.
- **Corporate & Investment Banking**: We continued to build up our CIB business with the development of additional product and segment capabilities anchored around the creation of Santander Capital Markets (SanCap), through the merger of Amherst Pierpont Securities (APS) and Santander Investment Securities. The combined broker-dealer now offers our corporate and institutional clients significantly enhanced infrastructure, capabilities, products and services.
- **Wealth Management:** Assets under management and revenue continue to rise, supported by strong commercial activity and the higher rate environment.

Mexico

Santander México is a leading universal bank in the Mexican market with scaled operations across all of Santander's global businesses.

In 2023, we launched a transformation plan with the aim to become the best bank in terms of customer experience, double our revenue and triple profit in the coming years focused on:

- **Customer acquisition:** During the year we significantly improved our app to offer the best customer experience (active customers grew 6% year-on-year), by incorporating several new functionalities, including: sending and receiving money with a mobile number, blocking and requesting replacement cards and transferring funds to new bank accounts with no wait time.
- **Simplification and automation:** We began to implement our new branch model, opening the first multi-segment branch that enhances synergies among the different businesses and offers a comprehensive service to our customers. We also opened our fourth Work Café.
- **Continuous innovation:** Our culture of innovation can be seen across the business. For example, in cards, we created our 100% digital offerings (LikeU and Samsung cards), our differentiated value proposition continued to take shape

North America. Customers

		North America	United States	Mexico
Total customers	Thousands	25,027	4,510	20,517
	YoY	0%	0%	+1%
Active customers	Thousands	14,486	4,223	10,263
	YoY	+3%	+2%	+6%

through innovations in Cashback, exclusive pre-sales with high profile artists and our Unique Rewards loyalty programme for the high-income segment.

In auto, we reached new alliances with BYD, a leading global new energy vehicle company, to provide accessible financing for sustainable vehicles and GAC Motor. We increased our financing participation with our main partners (Mazda, Suzuki and Honda). We also increased personalized attention, sped up formalization times through digital specialists and launched plans with preferred conditions for groups such as universities, payroll or high income.

- **Enhanced digital offerings:** In consumer, we continued to increase customer loyalty, as well as promote early customer engagement through digital payroll loans and faster customer processes with pre-approved loan campaigns.

  In mortgages, all products, launches and offers are now digitally processed. We were the first bank to cut mortgage rates for certain segments. Also, we launched the first green mortgage in the country.

  In deposits, we launched Cuenta Digital Lite, a digital checking account that can be opened in five minutes.

Business performance

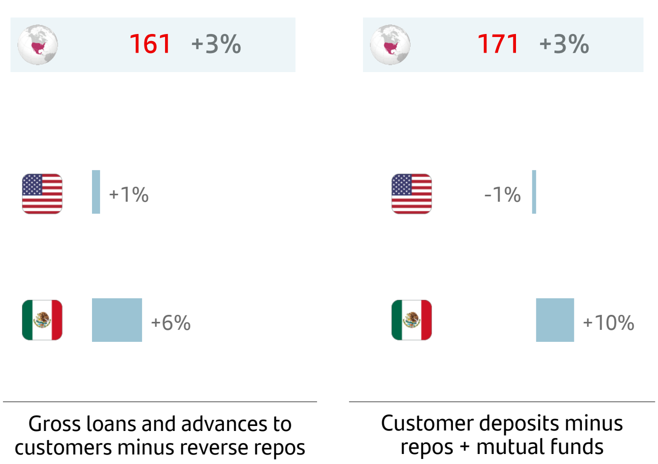
Loans and advances to customers rose 2% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros, they were 3% higher driven by mortgages, credit cards, auto and payroll loans in Mexico and by Corporate & Investment Banking and Multifamily in the US.

Customer deposits grew 4% compared to 2022. Minus repurchase agreements and in constant euros, they also rose 4% driven by flows into time deposits that were incentivized by competitive interest rates to attract new customers and volumes and foster customer loyalty.

Mutual funds were flat in constant euros, as growth in Mexico was offset by a decline in the US.

North America. 2023 Business performance

EUR billion and YoY % change in constant euros



Results

Attributable profit in 2023 was EUR 2,354 million (20% of the Group's total operating areas). Year-on-year, attributable profit decreased 18%. In constant euros, profit fell 20%, by line:

- Total income increased 5% year-on-year. Net interest income growth (+3%) was mainly driven by Mexico, supported by the higher interest rate environment and greater loan volumes. Net fee income rose 7% driven mainly by credit cards and insurance in Mexico and CIB in the US. Gains on financial transactions more than doubled, driven by excellent results in CIB in both countries.

- Other operating income declined due to leasing in the US where there was an increased proportion of repurchases at dealerships and growth in electric vehicle leases which obtain a fiscal benefit (recorded upfront in the tax line) that was partially passed through to customer rates.

- Administrative expenses and amortizations were 8% higher impacted by inflation and investments in technology, digitalization and transformation initiatives.

- Net loan-loss provisions rose 45% reflecting the normalization in retail portfolios in both countries, performing in line with expectations at the beginning of the year.

- We recorded a EUR 138 million loss in the other gains (losses) and provisions line, more negative than a year ago due to strategic restructuring costs in the US.

North America. Underlying income statement

EUR million and % change

			/ 2022	
	2023	**2022**	**%**	**% excl. FX**
Revenue	13,174	12,316	+7	+5
Expenses	(6,465)	(5,871)	+10	+8
Net operating income	**6,708**	**6,445**	**+4**	**+2**
LLPs	(3,733)	(2,538)	+47	+45
PBT	2,837	3,790	(25)	(27)
Attributable profit	**2,354**	**2,878**	**(18)**	**(20)**

Detailed financial information in section 4.6 'Appendix'.

United States

Underlying attributable profit
EUR 932 mn

Business performance

Loans and advances to customers were 3% lower than in December 2022. In gross terms, minus reverse repurchase agreements and in constant euros, they were 1% up year-on-year driven by CIB and Multifamily.

Customer deposits fell 2% year-on-year. Minus repurchase agreements and in constant euros, they grew 1%. Our retail deposit base at SBNA remained stable year-on-year and we saw inflows into corporate deposits. Mutual funds declined 12% as Wealth Management customers moved funds into higher yielding investment portfolios.

Results

Attributable profit in the year was EUR 932 million (8% of the Group's total operating areas), a 48% decline year-on-year. In constant euros, profit fell 46%:

- Total income decreased 3%. Higher funding costs drove down net interest income (partially mitigated by loan growth and disciplined pricing actions) and leasing income declined due to higher dealer repurchases and increased electric vehicle mix. Also, there was a one-time special assessment impacting all FDIC insured banks.

  On the other hand, both net fee income and gains on financial transactions performed well, supported by higher activity in CIB and the APS acquisition.

- Administrative expenses and amortizations were 5% higher as investments to build-up our CIB franchise and Wealth Management were partially offset by savings from transformation initiatives.

- Net loan-loss provisions continued to normalize in line with expectations. However, late-stage delinquency payments remain favourable and the cost of risk remained below 2%.

- Other gains (losses) and provisions recorded a EUR 74 million loss compared to a EUR 20 million loss in 2022.

- Tax on profit was positive in the year due to tax incentives relating to electric vehicle leasing.

United States. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	/ 2022 % excl. FX
Revenue	7,209	7,623	(5)	(3)
Expenses	(3,679)	(3,599)	+2	+5
Net operating income	**3,531**	**4,025**	**(12)**	**(10)**
LLPs	(2,593)	(1,744)	+49	+53
PBT	863	2,261	(62)	(61)
Attributable profit	**932**	**1,784**	**(48)**	**(46)**

Detailed financial information in section 4.6 'Appendix'.

Mexico

Underlying attributable profit
EUR 1,560 mn

Business performance

In individuals, we maintained a solid performance with double-digit growth year-on-year. We increased our market share in payroll loans (+61 bps) while we consolidated our third position in credit cards and auto (14% and 17% market shares, respectively).

Loans and advances to customers increased 17% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros, loans rose 6% driven by loans to individuals (mortgages +7%, credit cards +18% and consumer +14%). In corporates, loans increased 7% along with a 2% increase in SMEs. CIB loans fell 18%, in line with our profitability focus and risk appetite.

Customer deposits grew 21% year-on-year. Minus repurchase agreements and in constant euros, they rose 10% driven by time deposit growth (+24%) on the back of successful customer acquisition campaigns. Mutual funds increased 10% following a decline in the fourth quarter of 2022 as funds were channelled into time deposits.

Results

Attributable profit in 2023 was EUR 1,560 million (13% of the Group's total operating areas), 29% higher year-on-year. In constant euros, it increased 17%. By line:

- Total income rose 16%, boosted by net interest income (+12%), supported by the expansion of the retail business and interest rates, net fee income (+9%) and higher gains on financial transactions.

- Administrative expenses and amortizations increased 13%, reflecting investments in technology and digitalization related to our transformation plan and talent attraction and retention. However, the efficiency ratio improved by 104 bps to 43.9%.

- Net loan-loss provisions were up 31%, due to the normalization of provisions and solid growth in loans to individuals. Asset quality remains healthy and with manageable credit risk.

- Other gains (losses) and provisions recorded a EUR 57 million loss compared to a EUR 94 million loss in 2022.

Mexico. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	/ 2022 % excl. FX
Revenue	5,899	4,623	+28	+16
Expenses	(2,588)	(2,076)	+25	+13
Net operating income	**3,311**	**2,547**	**+30**	**+18**
LLPs	(1,135)	(788)	+44	+31
PBT	2,119	1,665	+27	+15
Attributable profit	**1,560**	**1,213**	**+29**	**+17**

Detailed financial information in section 4.6 'Appendix'.

SOUTH AMERICA

Underlying attributable profit

EUR 3,038 mn

EXECUTIVE SUMMARY

Strategy	Business performance[1]	Results[1]
We are focused on **increasing the value we bring to the Group** and on working to become **the most profitable bank** in each of the countries where we operate in the region	Year-on-year **growth** in both **loans** and **deposits**, as we aim to become **the leading bank in inclusive** and **sustainable businesses** through differential value propositions	**Attributable profit reached EUR 3,038 million,** 11% lower year-on-year as the **strong revenue performance** failed to offset **higher costs and provisions**

1. In constant euros.

Strategy

South America offers great growth potential, with opportunities to increase banking penetration and financial inclusion. To consolidate our leadership position in the region, we continue to focus on increasing the value we bring to the Group and on working to become the most profitable bank in each of the countries where we operate.

We continue to transform our business model, by building a digital bank with branches focused on improving customer experience, while also driving synergies across our global and regional businesses. Initiatives during the year include:

- In **consumer finance**, we strengthened our leadership position, reinforcing partnerships with OEMs and developing new agreements by leveraging existing ones globally. In Peru, for example, we signed nine agreements with manufacturers. In Uruguay, we launched the Mi Auto offer, which enabled us to nearly triple the number of vehicles financed. We continued to develop models in the region that speed up the approval of transactions, in addition to improving user experience. In Colombia, we adopted the Fast Track tool, which boosted originations and consolidated our position in new and used car loans, increasing our portfolio by 45% year-on-year.

- In **payments**, we aim to increase our market share through One Trade and Getnet, which continued to grow. In Argentina, we expanded our offering, focusing on e-commerce and host-to-host solutions for large merchants. We also increased our trade finance activity through new international solutions, such as the expansion of Ebury's services in Brazil. In addition, we are building a unique global platform which has been launched in Brazil.

- In **CIB and corporates**, we continued to work on the development and implementation of joint initiatives to deepen relationships with multinational clients. Our goal is to become the leading wholesale banking operator in most countries and products. To consolidate the offering in all regions, we are launching a regional Markets hub. For corporates, we are reinforcing the differential value offering through Multi-Latins and working with other countries in the Group to increase synergies in multinational companies.

- In **ESG**, our aim is to become the leading bank in South America in inclusive and sustainable businesses. In 2023, we developed business plans in relevant sectors such as Agro, Green Energy and Electromobility. We continued to support our microcredit business, through our Prospera and Surgir programmes, with 50% portfolio growth year-on-year. This business already provides service to more than 1.2 million customers throughout the region. In addition, to support the Group's goal of zero net emissions by 2050, we focused on supporting our customers in the transition to a low-carbon economy, providing them the advice and solutions needed, through initiatives such as WayCarbon.

Our efforts to improve customer service and satisfaction have resulted in a top 3 NPS position in three markets and substantial customer base growth in the region.

Main initiatives by country in 2023:

Brazil

During the year, we focused on:

- **Growing our strategic businesses** to broaden business diversification, improve our service quality and increase profitability. In WM&I, we continued our retail investment plan and we completed the full acquisition of Toro. In CIB, we remained leaders in trade finance. In SMEs, we are redesigning our service model. We also had a great performance in other products such as Cards, Auto, Agro and Payrolls.
- Continuing to foster a **technological culture** to drive growth and generate operational efficiencies. Our technology teams are integrated with the business and we have a digital system that allows data flows and processing to improve customer experience.
- Increasing **customer focus** to become our customers' main bank, which enabled us to improve customer satisfaction in our channels and increase loyalty. In Select, we surpassed our 1 million customer goal at the end of 2023, reaching 1.2 million (+51% year-on-year).

Chile

We remained focused on digitalization and improving customer satisfaction, which enabled us to maintain our top NPS position. During the year, we:

- **Launched** several innovative **initiatives**, such as: i) Más Lucas, a no-cost, interest-bearing demand account for the mass segment; ii) Work Café Expresso, a new branch format; and iii) a new service model for specialized businesses, with a particular focus on the agricultural, automotive and Multi-Latins.
- Continued to develop e-commerce and the domestic and international transfers business in **payments** and continued to offer integrated financing, cash management and treasury solutions to our **corporate** customers.

Argentina

In Argentina, we are the leading privately-owned bank in banking business, payments, transactional services and foreign trade. During the year, these initiatives stood out:

- **Santander Asset Management** acquired BNP Paribas's Asset Management business in Argentina, consolidating our leadership position in the market.
- We launched our **acquiring business**, with Getnet third in terms of market share in this segment.
- We acquired an unregulated **consumer finance** company with more than 30 points of sale in the Buenos Aires metropolitan area.

All this enabled us to maintain and widen our leadership in NPS for individuals and to obtain 9% year-on-year growth in total customers.

Uruguay

We consolidated our position as the country's leading privately-owned bank, with a business model that allows us to continue growing our customer base and expanding our loan portfolio.

- During the year, we carried out several initiatives, such as launching Getnet and creating Mi Auto, an innovative solution to finance vehicle purchases, which, in just one year, has become a leader in auto consumer financing.
- We continued to improve digitalization, offering more products online, reinforcing the SOY Santander offer for individuals and Getnet for corporates, to achieve greater customer loyalty.
- Additionally, we launched F1RST, a solution focused on innovation, security and the development of new digital assets.

South America. Customers

		South America	Brazil	Chile	Argentina	Other South America
Total customers	Thousands	73,028	62,804	4,052	4,771	1,400
	YoY	+5%	+4%	+13%	+9%	-5%
Active customers	Thousands	37,517	30,460	2,399	3,562	1,096
	YoY	-2%	-4%	+9%	+11%	-5%

Peru

Our strategy is focused on leadership in specialized services and supporting global companies and corporates. Our model for corporate clients is highly specialized in sectors such as mining, agriculture, fishing, institutions and Multi-Latins. Our global and regional experience has enabled us to develop new businesses such as joint initiatives between CIB and corporates, as well as launch new products.

- In Wholesale Banking, we have ranked among the top three investment banks for the last three years, specifically in mergers and acquisitions, Debt Capital Markets, syndicated loans and leveraged buyouts. We are also pioneers in Global Transaction Banking solutions.
- We remain leaders in vehicle financing through our digital NeoAuto platform and our large sales force, with a market share above 30%.
- We stand out as one of the main financial inclusion entities, through our microfinance business Surgir, supporting more than 100,000 entrepreneurs since 2021.

Colombia

We continue to offer sustainable and inclusive financial solutions and participate in the most important transactions for the country's development, with joint initiatives between CIB and Corporates, where we also continue to strengthen the Multi-Latins business.

- In consumer finance, we further strengthened our position in new and used vehicle loans, with a 47% year-on-year increase in our portfolio and an offer focused on Simple Finance for our customers. In addition, we continued to grow through our global alliances throughout the country.
- In our microcredit business, we increased our presence to 644 municipalities though Prospera, a fully-digital programme that processes payments in up to 24 hours. We also continue to promote the granting of loans to entrepreneurs, with a significant percentage granted to women, agricultural activities and charities.

Business performance

Loans and advances to customers climbed 6% year-on-year. Minus reverse repurchase agreements and in constant euros, gross loans were 7% higher, with increases in all countries, except Colombia.

Customer deposits rose 13% year-on-year. Minus repurchase agreements and in constant euros, they rose 15%, backed by time deposits (+18% year-on-year). Mutual funds were up 21% in constant euros.

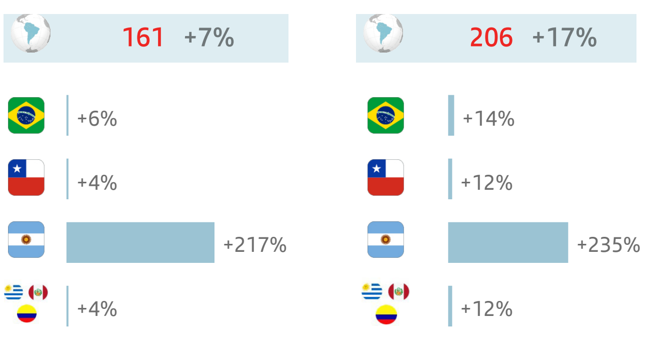
Results

Attributable profit was EUR 3,038 million (25% of the Group's total operating areas), 17% less than in 2022. In constant euros, profit declined 11% as follows:

- Total income rose 8% with double-digit growth in net interest income (+12%), net fee income (+14%) and gains on financial transactions (+14%). Other operating income was affected by the hyperinflation adjustment in Argentina.
- Administrative expenses and amortizations increased 17%, heavily impacted by inflation. In real terms, costs decreased 3% due to management efforts and cost discipline.
- Net loan-loss provisions rose by 9%, partially explained by lending growth. The cost of risk was practically unchanged at 3.36% (3.32% in December 2022).
- Greater loss in other gains (losses) and provisions, mainly due to Brazil.

South America. 2023 business performance

EUR billion and YoY % change in constant euros.



Gross loans and advances to customers minus reverse repos

Customer deposits minus repos + mutual funds

South America. Underlying income statement

EUR million and % change

			/ 2022	
	2023	2022	%	% excl. FX
Revenue	17,971	18,025	0	+8
Expenses	(6,920)	(6,675)	+4	+17
Net operating income	**11,050**	**11,350**	**(3)**	**+3**
LLPs	(5,401)	(5,041)	+7	+9
PBT	4,608	5,764	(20)	(15)
Attributable profit	**3,038**	**3,658**	**(17)**	**(11)**

Detailed financial information in section 4.6 'Appendix'.

Brazil

Underlying attributable profit
EUR 1,921 mn

Business performance

We are expanding our strategic businesses: in WM&I, we continued our retail investment plan and completed the full acquisition of Toro in 2023. In wholesale banking, we are leaders in trade finance, FX and commodities. We remained market leaders in auto lending to individuals and continued to strengthen our strategic alliances. We saw strong growth in our agro portfolio and growth picked back up in cards in the second half of the year.

Loans and advances to customers increased 12% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros, they rose 6%, underscored by SMEs, corporates and individuals.

Customer deposits increased 22% year-on-year. Minus repurchase agreements and in constant euros, they grew 13% driven by time deposits (+16%). As mutual funds increased 15%, customer funds rose 14% in constant euros.

Results

Attributable profit in 2023 was EUR 1,921 million (16% of the Group's total operating areas), 25% lower year-on-year. In constant euros, it also decreased 25%, as follows:

- Total income rose 1%, as the good performance in fee income (+5%) and the recovery of net interest income (+2%), which was affected by the negative sensitivity to higher interest rates in the first half of the year, offset lower gains on financial transactions.
- Administrative expenses and amortizations increased 8% (+3% in real terms), impacted by salary agreements, expenses related to higher business growth and technology investments. The efficiency ratio was 34.6%.
- Net loan-loss provisions rose 6%, in line with loan growth. Both 2022 and 2023 provisions were impacted by single names in CIB. The cost of risk stood at 4.77% (4.79% in 2022).
- The negative impact of other gains (losses) and provisions increased due to higher labour provisions in 2023.

Brazil. Underlying income statement

EUR million and % change

			/ 2022	
	2023	2022	%	% excl. FX
Revenue	13,104	12,910	+1	+1
Expenses	(4,529)	(4,180)	+8	+8
Net operating income	**8,574**	**8,730**	**(2)**	**(2)**
LLPs	(4,701)	(4,417)	+6	+6
PBT	2,911	4,055	(28)	(29)
Attributable profit	**1,921**	**2,544**	**(25)**	**(25)**

Detailed financial information in section 4.6 'Appendix'.

Chile

Underlying attributable profit
EUR 582 mn

Business performance

We remained focused on digitalization, improving customer service and developing Santander Life and Más Lucas. In payments, we continued to expand Getnet and launched a new way to make international transfers, including nine more European countries. In corporates, we launched a new commercial service model, focused especially on agricultural, auto and Multi-Latin businesses.

Loans and advances to customers decreased 2% year-on-year. Minus reverse repurchase agreements and in constant euros, gross loans and advances to customers rose 4% driven by individuals (+7%), consumer (+6%) and CIB (+6%), which more than offset the fall in corporates.

Customer deposits increased 2% year-on-year. Minus repurchase agreements and in constant euros they rose 8%, underpinned by time deposits (+23%). Demand deposits fell 5%, while mutual funds grew 25% in constant euros. Total customer funds increased 12% in constant euros.

Results

Attributable profit in 2023 was EUR 582 million (5% of the Group's total operating areas), down 14% year-on-year. In constant euros it fell 15%. By line:

- Total income decreased 8% driven by the drop in net interest income (-23%) linked to the negative sensitivity to higher interest rates. This decline was partially offset by the excellent performance of net fee income, which rose 21% mainly driven by transactional and insurance fees, and gains on financial transactions (+31%).
- Administrative expenses and amortizations rose 3% (well below inflation) and the efficiency ratio was 44.6%.
- Net loan-loss provisions decreased 9% and the cost of risk improved to 0.80% (-13 bps year-on-year). The NPL ratio stood at 5.01%.
- Other gains (losses) and provisions totalled EUR 51 million (loss of EUR 8 million in 2022).

Chile. Underlying income statement

EUR million and % change

			/ 2022	
	2023	2022	%	% excl. FX
Revenue	2,285	2,449	(7)	(8)
Expenses	(1,020)	(981)	+4	+3
Net operating income	**1,265**	**1,468**	**(14)**	**(15)**
LLPs	(365)	(399)	(8)	(9)
PBT	951	1,062	(10)	(11)
Attributable profit	**582**	**677**	**(14)**	**(15)**

Detailed financial information in section 4.6 'Appendix'.

Argentina

Underlying attributable profit
EUR 386 mn

Business performance

We continued to focus on improving customer experience, with a growth strategy to consolidate our leadership position in the transactional business and increase our customer base and our loan portfolio.

Loans and advances to customers decreased 33% year-on-year. Minus reverse repurchase agreements and in constant euros, gross loans and advances to customers were 217% higher driven by SMEs, corporates and individuals.

Customer deposits decreased 39% year-on-year. Minus repurchase agreements and in constant euros, deposits grew 190%, mainly driven by demand deposits, and mutual funds rose 355%. Customer funds rose 235% in constant euros.

Growth rates (of both volumes and results) in euros were heavily impacted by the devaluation of the Argentine peso. Additionally, growth in constant euros was strongly affected by the high inflation in the country.

Results

Attributable profit in 2023 was EUR 386 million (3% of the Group's total operating areas), 19% higher year-on-year. In constant euros, it rose 462%:

- Total income grew 298%, well above inflation, underpinned by the good performance in net interest income, net fee income and gains on financial transactions. All of these more than offset the greater negative effect from the hyperinflation adjustment in other operating income.
- Administrative expenses and amortizations increased below total income growth. The efficiency ratio stood at 50.2%, improving 3.7 pp year-on-year and net operating income rose 330%.
- Net loan-loss provisions rose from low levels in 2022 and cost of risk stood at 6.64%, 3.7 pp higher than in December 2022.
- Other gains (losses) and provisions increased their loss due to charges relating to downsizing.

Argentina. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	/ 2022 % excl. FX
Revenue	1,544	1,833	(16)	+298
Expenses	(775)	(987)	(21)	+271
Net operating income	**769**	**846**	**(9)**	**+330**
LLPs	(150)	(132)	+14	+437
PBT	505	443	+14	+438
Attributable profit	**386**	**324**	**+19**	**+462**

Detailed financial information in section 4.6 'Appendix'.

Uruguay

Underlying attributable profit
EUR 187 mn

Business performance

During the year, we consolidated our position as the country's leading privately-owned bank. We are top 2 in NPS and continued to expand our presence in the market. Additionally, we integrated our consumer finance companies into our bank to strength our position in the country.

As a result, we were recognized as the Best Bank in the Country by *Euromoney* and achieved the best position among banks in the Great Place to Work (GPTW) ranking.

Loans and advances to customers increased 10% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros, they rose 12%, with growth in all segments.

Customer deposits remained flat year-on-year. In constant euros and minus repurchase agreements, they rose 2% driven by time deposits (+85%). Growth in mutual funds (+2%) led to a 2% increase in customer funds in constant euros.

Results

Attributable profit in 2023 was EUR 187 million (2% of the Group's total operating areas), up 36% year-on-year. In constant euros, it increased 32% as follows:

- Total income increased 27% boosted by net interest income, net fee income and gains on financial transactions.
- Administrative expenses and amortizations rose 14% (impacted by inflation), but grew less than total income. The efficiency ratio stood at 38.5% (-4.4 pp year-on-year) and net operating income rose 37%.
- Net loan-loss provisions increased, following the low levels recorded in 2022. Cost of risk stood at 2.70% and the NPL ratio at 2.50%.

Uruguay. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	/ 2022 % excl. FX
Revenue	593	453	+31	+27
Expenses	(228)	(194)	+17	+14
Net operating income	**365**	**259**	**+41**	**+37**
LLPs	(114)	(56)	+104	+99
PBT	242	201	+20	+17
Attributable profit	**187**	**138**	**+36**	**+32**

Detailed financial information in section 4.6 'Appendix'.

Peru

Underlying attributable profit
EUR 84 mn

Business performance

Loans and advances to customers rose 2% year-on-year (+3% in gross terms, minus reverse repurchase agreements and in constant euros).

Customer deposits increased 35% (+36% minus repurchase agreements and in constant euros), mainly driven by demand deposits.

Results

Attributable profit of EUR 84 million in 2023 was 14% higher year-on-year. In constant euros, it also rose 14%. By line:

- Total income was up 20%, boosted by net interest income, net fee income and gains on financial transactions.
- Administrative expenses and amortizations were 23% higher, mainly driven by inflation and the launch of new businesses. The efficiency ratio stood at 36.6% and net operating income increased 19%.
- Net loan-loss provisions increased but cost of risk remained low, at 1.15%.

Colombia

Underlying attributable profit
EUR 28 mn

Business performance

Loans and advances to customers rose 13% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros they fell 5%.

Customer deposits were up 41%, +18% minus repurchase agreements and in constant euros, driven by the good performance in both demand and time deposits (+21% and +13%, respectively).

Results

Attributable profit of EUR 28 million in 2023 was 5% higher year-on-year. In constant euros, it increased 10% as follows:

- Total income grew 32% driven by the good performance in net fee income and gains on financial transactions.
- Administrative expenses and amortizations were 23% higher. The efficiency ratio stood at 52.5%, improving 3.8 pp, and net operating income was 43% higher.
- Net loan-loss provisions rose but cost of risk remained low at 1.07%.

Other South America. Underlying income statement

EUR million and % change

	Net operating income				Attributable profit			
			/ 2022				/ 2022	
	2023	2022	%	% excl. FX	2023	2022	%	% excl. FX
Peru	155	131	+18	+19	84	73	+14	+14
Colombia	67	49	+37	+43	28	27	+5	+10

DCB DIGITAL CONSUMER BANK

Underlying attributable profit

EUR 1,199 mn

EXECUTIVE SUMMARY

Strategy	Business performance[1]	Results[1]
Continue to reinforce our auto leadership through strategic alliances, leasing and subscription. In non-auto, keep upscaling our buy now, pay later business. **Transformation for future growth** deploying a simpler organizational structure to deliver through best-in-class digital platforms, launching new channels and products	Although the operating environment remains complex as inflation and high rates are denting consumer appetite, **new lending rose 3% year-on-year, +6% in auto, and deposits grew 19%**. In this environment we were focused on profitability, asset quality and providing the best customer service	**Underlying attributable profit** stood at EUR 1,199 million **(-7% year-on-year)**, despite **total income** growth (+6% year-on-year), affected by net loan-loss provisions

1. In constant euros.

Strategy

Digital Consumer Bank (DCB) is the leading consumer finance bank in Europe in scale and profitability as it leverages Santander Consumer Finance's (SCF) auto and non-auto consumer finance footprint in Europe and Openbank's technology stack.

SCF is Europe's consumer finance leader, present in 18 countries (16 in Europe plus China and Canada) and works through more than 130,000 associated points of sale. It provides its customers and partners with a value proposition to enhance their sales capabilities by financing products and developing advanced technologies to grant them a competitive edge. SCF aims to become the best-in-class auto financing and digital mobility service provider in Europe.

Openbank is Europe's largest 100% digital bank. It offers current accounts, cards, loans, mortgages, a state-of-the-art roboadvisor service and open platform brokerage. It is currently active in Spain, the Netherlands, Germany and Portugal, and we are working on expanding it across Europe and the Americas.

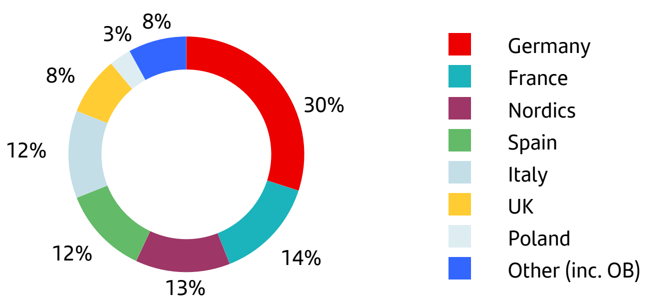
DCB's vision is to offer competitive financing solutions to expand our European leadership in profitability and scale in auto and consumer lending by leveraging the advantages of our proprietary platforms in mobility, consumer and checkout loans and buy now, pay later (BNPL).

In 2023, DCB focused on accelerating transformation to drive future growth. Management's main priorities were to:

- secure leadership positions in global digital consumer lending, both auto and non-auto (consumer);
- continue with the transformation of our operating model in Europe, to defend our best-in-class efficiency through: i) single IT platforms, ii) a simpler operational structure, and iii) automation and processes redesign;
- grow by progressing in transformational projects in Europe, with new OEM partnerships and leasing platform in auto and through the full transition to Zinia's tech stack in consumer; and
- reduce sensitivity to interest rate rises by increasing deposit acquisition (deposits are already our primary funding source) with focus on profitability. Also, promote an originate-to-distribute model to increase balance sheet mobilization and build a more capital-light business.

Loans and advances to customers by geographic area

December 2023



In 2023, we continued to expand our business reach in Europe, with new products, services and platforms and by signing new agreements with retail distributors and manufacturers. In the year, we strengthened our leadership in global digital consumer lending, focusing on growth and transformation in these areas:

1. **Auto**: progress with strategic initiatives to build a world-class digital offering in mobility. Aid OEMs' transformation journeys with online lending, leasing (both financial and operational), subscription offerings, and providing our partners with innovative finance and sale solutions on dealer websites and auto marketplaces. Our transformational initiatives are:

   a. In **leasing**, we continued developing our proprietary digital leasing platform for Europe with the ambition of disrupting the market. We see it as an entire "new" business to be run, building customer loyalty by our direct relationships, providing innovative features across the value chain (key control of the asset and user from first proposal to hand back), enabling us to create a consolidated mobility-related customer view and cross-border proposition.

   b. In **subscription**, where we are already a European leader, we continued to expand Wabi, our consumer subscription platform and Ulity, our new platform for vehicle subscription-based solutions for companies. Our auto subscription service offers flexible subscriptions across two models: i) Wabi, our direct-to-consumer own brand, is already live in Spain, Norway and Germany and will expand to other countries in the coming years, and ii) Ulity, a white label solution for OEMs and Service Car companies launched in June 2022. Through Ulity we have already entered into important agreements with pan-European ride-hailing services and OEMs.

   c. In **mobility**, we created one digital front that connects all of our partners to enhance their experience: OEMs, digital dealers and third party marketplaces. Moreover, we further expanded transformational OEM relationships with strong electric vehicle (EV) propositions and other sizeable ongoing negotiations.

   d. We are also developing our **own digital channel** with leading proprietary marketplaces and car advising value-added services.

   e. We continued our pursuit of future market share gains while also **addressing new segments** and accelerating growth in high potential markets.

   In 2023, we renewed our partnership with Stellantis in Europe, which will enable us to consolidate our position as their main financing partner while continue to work with the strongest OEMs in the world.

   We had an auto loan book of EUR 103.5 billion in December 2023.

2. **Consumer (Non-Auto)**: gain market share through specialization and the development of tech platforms that build our leadership in Europe, leveraging Zinia (BNPL), checkout lending, credit cards and direct loans. In BNPL, Zinia continues to achieve outstanding results serving our medium/large partners. By year end, the new stack had reached 1.15 million total requests while developing functionalities to serve our tech partners.

   The joint venture with TIMFin, the leading Italian telecommunications company, had more than 2.2 million contracts since launch as well as 5,884 active points of sale and more than 2,600 connected merchants as of end 2023.

   Our loan book was EUR 21.7 billion at the end of 2023.

3. **Digital Bank**:

- Expand loyalty among our 3.9 million Digital Bank customers within Openbank and SC Germany Retail while boosting digitalization and promoting digital banking activity.
- Increase profit by leveraging strategic operations (e.g. Stellantis), leasing and subscription launch (in auto) and BNPL development (non-auto);
- Drive tech transformation projects to seize on the fast-growing transition to online, support digital customer base expansion and provide our partners with digital tools to achieve a single digital connection in Europe while maintaining high profitability and one of the best efficiency ratios in the sector.

Moreover, we continue supporting the European mobility green transformation, financing more than 200,000 new electric vehicles in 2023 with a market share in the region's EV sales of more than 10%, and developing new initiatives in other fields such as electric chargers, solar panels, green heating systems and e-bikes.

We were also **recognized as a Top Employer or Great Place to Work (GPTW)** in four countries.

Business performance

After a difficult environment in 2022, 2023 was also a complex year due to rising interest rates that affected new business profitability, cost of risk and customers' credit appetite. Some of the headwinds were: i) the change of TLTRO contractual conditions, ii) rising interest rates that put pressure on consumer finance monoliners' margins, compressing them while loan books reprice, added to a time when the Auto and Consumer industries are transforming towards more sustainable businesses (from a mobility and consumption perspective), iii) provisioning for the Swiss franc mortgage portfolio in Poland, and iv) normalization from a very low cost of risk towards the average across the cycle.

In this context, we managed to increase our new lending 3% year-on-year in constant euros. After a 2022 where new market registrations in Europe fell 4% vs. 2021 and -29% vs. 2019, in 2023 grew 14% vs. 2022. Our new business volumes were up 16% in new cars but fell 5% in used cars year-on-year in constant euros, slightly below market transactions in our footprint as we prioritized profitability over volume. We are also actively repricing our new business to offset higher funding costs from higher interest rates in the year.

The stock of loans and advances to customers increased 8% year-on-year. In gross terms, minus reverse repurchase agreements and in constant euros they also rose 8% year-on-year to EUR 135 billion. We continue to proactively monitor our portfolios to prevent the impact of any deterioration in our activity.

Customer deposits increased 18%, +19% minus repurchase agreements and in constant euros to EUR 69 billion. Mutual funds increased 18% in constant euros. Our recourse to wholesale funding markets remained strong and diversified. We are actively repricing our new business to offset higher funding costs.

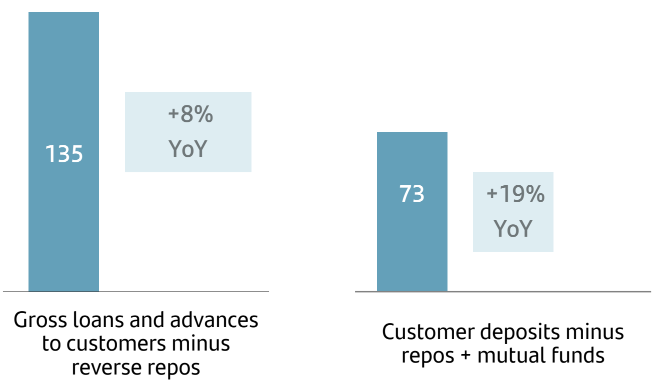
Results

Attributable profit in 2023 was EUR 1,199 million (10% of the Group's total operating areas), 8% down. In constant euros, profit fell 7% (-5% excluding the impact of the temporary levy in Spain):

- Total income was up 6%. To neutralize the negative sensitivity to interest rate rises, we are actively repricing loans, focusing on the most profitable segments and increasing customer deposits which are structurally our primary funding source. As a result, net interest income rose 6%.
- Net fee income declined 5%, impacted by the insurance regulation in Germany capping achievable fees. Gains on financial transactions considerably increased along with other operating income, supported by leasing income.
- Administrative expenses and amortizations increased 8%, mainly affected by strategic transformation investments, business growth and inflation. In real terms, costs grew 3%. Net operating income increased 4% and the efficiency ratio stood at 47.6%.
- Net loan-loss provisions increased 48% due to the normalization of provisions, but remained at comfortable levels coming from a low base in 2022. Cost of risk remains low, at 0.62% but is also normalizing, and the NPL ratio stood at 2.12%.
- Negative contribution in other gains (losses) and provisions due to the temporary levy on revenue in Spain and regulatory charges in Poland, among others.
- By country, the largest contribution to attributable profit came from the Nordic countries (EUR 241 million), Germany (EUR 235 million), the UK (EUR 177 million), France (EUR 145 million) and Spain (EUR 119 million).

Digital Consumer Bank. 2023 activity

EUR billion and % change in constant euros



Digital Consumer Bank. Underlying income statement

EUR million and % change

	2023	2022	/ 2022 %	/ 2022 % excl. FX
Revenue	5,502	5,269	+4	+6
Expenses	(2,618)	(2,462)	+6	+8
Net operating income	**2,884**	**2,807**	**+3**	**+4**
LLPs	(792)	(544)	+46	+48
PBT	2,019	2,237	(10)	(9)
Attributable profit	**1,199**	**1,308**	**(8)**	**(7)**

Detailed financial information in section 4.6 'Appendix'.

4.4 CORPORATE CENTRE

CORPORATE CENTRE

Underlying attributable profit

-EUR 998 mn

EXECUTIVE SUMMARY

2023 HIGHLIGHTS:

The Corporate Centre continued to **support the Group.**

The Corporate Centre's objective is **to define, develop and coordinate the Group's strategy and aid the operating units** by contributing value and carrying out the corporate oversight and control function. It also carries out functions related to **financial and capital management.**

Lower underlying attributable loss compared to 2022 due to higher liquidity buffer remuneration and lower negative impact from foreign currency (FX) hedging.

Strategy and functions

The Corporate Centre contributes value to the Group, through the following functions, among others:

- Implementing global control frameworks and supervision.
- Fostering the exchange of best practices in cost management, which enables us to be one of the most efficient banks.
- Collaborating in the definition and execution of the global strategy, competitive development operations and projects that ensure we meet the business plan.
- Contributing to the launch of projects that will be developed by our global businesses aimed at leveraging our worldwide presence to generate economies of scale.
- Ensuring open and constructive communication with shareholders, analysts, investors, bondholders, rating agencies and other market players.
- Adding value to countries and divisions by encouraging the exchange of best practices, driving and managing innovative global initiatives and defining corporate policies, all in the communication, marketing and sustainability fields.

It also coordinates the relationship with European regulators and supervisors and develops functions related to financial and capital management, as follows:

- **Financial Management functions**:
  - Structural management of liquidity risk associated with funding the Group's recurring activity and stakes of a financial nature. At the end of 2023, the liquidity buffer exceeded EUR 348 billion.

    This activity is carried out by the diversification of funding sources (issuances and other), maintaining an adequate profile in volumes, maturities and costs.

    The price of these transactions with other Group units is the market rate that includes all liquidity concepts (which the Group supports by immobilizing funds during the term of the transaction) and regulatory requirements (TLAC/MREL).
  - Interest rate risk is also actively managed in order to dampen the impact of interest rate changes on net interest income, conducted via high credit quality, very liquid and low capital consumption derivatives.
  - Strategic management of exposure to exchange rates in equity and dynamic management of the FX hedge countervalue related to the units' next twelve months results in euros. The net investments in equity currently hedged totalled EUR 12,396 million (mainly in the UK and Mexico) with different FX instruments (spot or forwards).
- **Management of capital and reserves**: team responsible for the Group's capital analysis, adequacy and management. Its functions include: coordination with subsidiaries, monitoring profitability to maximize shareholder returns, setting solvency targets and capital contributions, and monitoring the capital ratio (in both regulatory and economic terms), and efficient capital allocation to the units.

Results

The attributable loss of EUR 998 million was 51% lower than in 2022 (loss of EUR 2,049 million):

- Net interest income improved by EUR 612 million, due to higher liquidity buffer remuneration as a result of higher interest rates.
- Higher gains on financial transactions (EUR 422 million better), due to lower negative FX hedging impacts.
- Administrative expenses and amortizations increased 5% year-on-year, due to the general upturn in inflation in 2023. Excluding this impact, they increased 2%.
- Net loan-loss provisions recorded releases in both 2022 and 2023 (EUR 9 million and EUR 2 million, respectively).
- The net negative impact of other gains (losses) and provisions (which include provisions, intangible asset impairments, cost of the state guarantee on deferred tax assets, pensions, litigation, one-off provisions, etc.) decreased from a loss of EUR 173 million in 2022 to a EUR 134 million loss in 2023.

Global Headquarters in Boadilla del Monte.

Corporate Centre

EUR million

Underlying income statement	**2023**	**2022**	**%**
Net interest income	(41)	(652)	(93.8)
Net fee income	(13)	(19)	(30.8)
Gains (losses) on financial transactions [A]	(302)	(724)	(58.3)
Other operating income	(83)	(92)	(9.0)
Total income	**(439)**	**(1,487)**	**(70.5)**
Administrative expenses and amortizations	(391)	(372)	5.2
Net operating income	**(829)**	**(1,858)**	**(55.4)**
Net loan-loss provisions	2	9	(77.3)
Other gains (losses) and provisions	(134)	(173)	(22.7)
Profit before tax	**(961)**	**(2,022)**	**(52.5)**
Tax on profit	(36)	(27)	36.9
Profit from continuing operations	**(998)**	**(2,049)**	**(51.3)**
Net profit from discontinued operations	—	—	—
Consolidated profit	**(998)**	**(2,049)**	**(51.3)**
Non-controlling interests	—	—	—
Profit attributable to the parent	**(998)**	**(2,049)**	**(51.3)**
Balance sheet			
Loans and advances to customers	5,565	5,785	(3.8)
Cash, central banks and credit institutions	119,279	123,230	(3.2)
Debt instruments	7,726	8,588	(10.0)
Other financial assets	808	273	196.6
Other asset accounts	121,327	124,343	(2.4)
Total assets	**254,705**	**262,217**	**(2.9)**
Customer deposits	1,508	895	68.5
Central banks and credit institutions	47,747	71,226	(33.0)
Marketable debt securities	110,144	98,733	11.6
Other financial liabilities	326	308	6.1
Other liabilities accounts	7,084	7,489	(5.4)
Total liabilities	**166,809**	**178,650**	**(6.6)**
Total equity	**87,896**	**83,567**	**5.2**
Memorandum items:			
Gross loans and advances to customers [B]	5,640	5,779	(2.4)
Customer funds	1,508	895	68.5
Customer deposits [C]	1,508	895	68.5
Mutual funds	—	—	—
Operating means			
Number of employees	1,922	1,899	1.2

A. Includes exchange differences.

B. Minus reverse repurchase agreements.

C. Minus repurchase agreements.