SUPPLEMENT DATED 24 JUNE 2025 TO THE BASE PROSPECTUS DATED 23 DECEMBER 2024

BANCO SANTANDER, S.A.

(incorporated with limited liability in the Kingdom of Spain)

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

This first supplement (the "**Supplement**") is supplemental to, forms part of and must be read and construed in conjunction with the base prospectus dated 23 December 2024 (the "**Base Prospectus**"), prepared by Banco Santander, S.A. ("**Santander**", "**Banco Santander**", the "**Issuer**" or the "**Bank**") in connection with its programme (the "**Programme**") for the issuance of up to EUR 5,000,000,000 in aggregate principal amount of debt instruments (the "**Notes**"). Terms given a defined meaning in the Base Prospectus shall, unless the context otherwise requires, have the same meaning when used in this Supplement.

This Supplement constitutes a supplement to the Base Prospectus for the purposes of Article 23 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (as amended, the "**Prospectus Regulation**") and has been approved by the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the "**CNMV**"), as competent authority for the purpose of the Prospectus Regulation. The CNMV only approves this Supplement as meeting the standards of completeness, comprehensibility and consistency imposed under Spanish and European Union ("**EU**") law pursuant to the Prospectus Regulation.

This Supplement has been prepared for the purposes of (i) updating the "*Investment Considerations"* section to reflect the latest amendments on the rules and regulations applicable to Banco Santander and its Group; (ii) incorporating by reference the December 2024 Annual Report (as defined below) and amending other sections of the Base Prospectus to reflect this update; and (iii) updating the risk factors in respect of the Issuer and its Group in order to be consistent with Banco Santander's risk factors under its Programme for the issue of debt instruments approved by the Central Bank of Ireland as of 13 March 2025.

IMPORTANT NOTICES

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

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

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

AMENDMENTS OR ADDITIONS TO THE BASE PROSPECTUS

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

INVESTMENTS CONSIDERATIONS

The following text shall amend some of the sub-sections included under section entitled "Investment Considerations" on pages 58 to 70 of the Base Prospectus:

Additional information on the BRRD and SRM Regulation

The following text shall replace in its entirety the text in the sub-section entitled "Additional information on the BRRD and SRM Regulation / Capital requirements, liquidity, funding and structural reform" on pages 61 to 66 of the Base Prospectus:

The Issuer, as a Spanish financial institution, is subject to the CRR and the Capital Requirements Directive (Directive 2013/36/EU) ("**CRD IV**"). through which the EU began implementing the Basel III capital reforms from 1 January 2014. While the CRD IV required national transposition, the CRR was directly applicable in all the EU member states. This regulation is complemented by several binding technical standards and guidelines issued by the European Banking Authority ("**EBA**"), directly applicable in all EU member states, without the need for national implementation measures. The implementation of the CRD IV into Spanish law has taken place through Royal Decree Law 14/2013 and Law 10/2014, Royal Decree 84/2015, Bank of Spain Circular 2/2014 and Bank of Spain Circular 2/2016.

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

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

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

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

On 27 October 2021, the European Commission published legislative proposals to amend CRR and the CRD IV, as well as a separate legislative proposal to amend CRR and BRRD in the area of resolution. In particular, the main objectives of the European Commission's legislative proposals are to strengthen the risk-based capital framework, enhance the focus on environmental, social and governance ("**ESG**") risks in the prudential framework, further harmonise supervisory powers and tools and reduce institutions' administrative costs related to public disclosures and to improve access to institutions' prudential data. Moreover, these legislative proposals include the following: (i) a Directive of the European Parliament and of the Council amending CRD IV with respect to supervisory powers, sanctions, third-country branches, and environmental, social and governance risks, and amending BRRD; (ii) a Regulation of the European Parliament and of the Council and its annex amending CRR with respect to requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) a Regulation of the European Parliament and of the Council amending CRR and BRRD with respect to the prudential treatment of global systemically important institutions ("**G-SIIs**") with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the minimum requirement for own funds and eligible liabilities (the "**CRR III Banking Package**" or the so-called "daisy chains" proposal).

The European Parliament and the Council adopted on 19 October 2022 Regulation (EU) 2022/2036 amending CRR and BRRD. On 24 April 2024, the European Parliament voted to approve the amendments to the CRR and CRD IV proposed within the CRR III Banking Package. On 19 June 2024, Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending the CRR as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (the "**CRR III**") and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (the "**CRD VI**") were published in the Official Journal of the European Union. The CRR III is generally applicable from 1 January 2025 (with some exceptions). The CRD VI must be transposed into national law by member states by 10 January 2026, and the way it will be implemented may vary depending on the relevant Member State.

Further, the CMDI Proposal (as defined in Risk Factor "*Law 11/2015 enables a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any action under Law 11/2015 could materially affect the value of any Notes*" above) provides for the introduction of a general depositor preference in insolvency. If the CMDI Proposal is implemented in its current form, this would mean that the Senior Preferred Notes would rank junior to the claims of all depositors, including deposits of large corporates and other deposits that currently are not privileged claims. Any such general depositor preference would also impact upon any application of the Spanish Bail-in Power, as such application is to be carried out in the order of the hierarchy of claims in normal insolvency proceedings. Accordingly, this would mean that following any such amendment of the insolvency laws in Spain to establish a general depositor preference, any resultant write-down or conversion of the Senior Preferred Notes by the Relevant Resolution Authority would be carried out before any write-down or conversion of the claims of depositors, including those of large corporates, that currently would be written-down or converted alongside the Senior Preferred Notes. One of the objectives of this proposed amendment is to reduce the likelihood of deposits generally being affected in any such write-down or conversion upon the application of the Spanish Bail-in Power. However, this change may increase the risk for investors in Senior Preferred Notes bearing a greater proportion of losses in the event of insolvency and upon any application of the Spanish Bail-in Power, as a result of a smaller proportion of losses being absorbed by deposits. However, the CMDI Proposal is still subject to further discussion and, as a result, there is a high degree of uncertainty as regards potential adjustments and when it will finally be implemented.

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

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

As of the date of this Base Prospectus, the Bank is required to maintain a capital conservation buffer of additional CET1 capital of 2.5 per cent. of risk weighted assets, a G-SII buffer of additional CET1 capital of 1.25 per cent. of risk weighted assets, which has been effective since 1 January 2025, the systemic risk buffer requirement, estimated as of 31 December 2024, arising from the activation by the Bank of Spain of reciprocity with Italy (0.02 per cent.) and Portugal (0.02 per cent.), and a counter-cyclical capital buffer of additional CET1 capital of 0.3979 per cent. of risk weighted assets. On 1 October 2024 the Bank of Spain agreed to raise the counter-cyclical buffer applicable to credit exposures in Spain to 1 per cent., in line with the "positive neutral rate" approach, in two stages: (i) from the fourth quarter of 2024, it has been raised to 0.5 per cent. (applicable in the fourth quarter of 2025); and (ii) from the fourth quarter of 2025, it is expected to be raised by 0.5 per cent. to be set at 1 per cent. (applicable in the fourth quarter of 2026). On 18 December 2024, the Bank of Spain announced its intention to remain consistent with such strategy.

Moreover, Article 104 of the CRD IV, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of the SSM Regulation, also contemplate that in addition to the minimum Pillar 1 capital requirements and any applicable capital buffer, supervisory authorities may impose further Pillar 2 capital requirements to cover other risks, including those risks incurred by the individual institutions due to their activities not considered to be fully captured by the minimum capital requirements under the CRD IV and CRR, which should be set according to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution). This may result in the imposition of additional binding capital requirements on the Bank and/or the Group pursuant to this Pillar 2 framework. Any failure by the Group to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements or TLAC/MREL Requirements (as defined below) could result in administrative actions or sanctions (including restrictions on discretionary payments), which, in turn, may have a material adverse impact on its results of operations.

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

The ECB is required to carry out assessments under the CRD IV of the additional Pillar 2 capital requirements at least on an annual basis that may be imposed for each of the European banking institutions subject to SSM and accordingly requirements may change from year to year. Any additional capital requirement that may be imposed on the Group by the ECB pursuant to these assessments may require the Group to hold capital levels similar to, or higher than, those required under the full application of the CRD IV. There can be no assurance that the Group will be able to continue to maintain such capital ratios.

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

The EBA SREP Guidelines also contemplate that national supervisors should not set additional capital requirements in respect of risks which are already covered by capital buffer requirements and/or additional macroprudential requirements; and, accordingly, the above 'combined buffer requirement' is in addition to the Pillar 1 and Pillar 2 capital requirements. Therefore, capital buffers would be the first layer of capital to be eroded pursuant to the applicable stacking order, as set out in the 'Opinion of the EBA on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions' published on 16 December 2015. In this regard, under Article

141 of the CRD IV, Member States of the EU must require that an institution that fails to meet the 'combined buffer requirement', be prohibited from paying any 'Discretionary Payments' (which are defined broadly by the CRD IV as payments relating to CET1, variable remuneration and discretionary pension benefits and distributions relating to Additional Tier 1 Instruments (as defined in the Terms and Conditions of the Notes)), until it calculates its applicable restrictions and communicates them to the regulator. Thereafter, any such Discretionary Payments shall be subject to such restrictions. The restrictions shall be scaled according to the extent of the breach of the 'combined buffer requirement' and calculated as a percentage of the profits of the institution since the last distribution of profits or 'Discretionary Payment'. Such calculation shall result in a "**Maximum Distributable Amount**" in each relevant period. As an example, the scaling is such that in the bottom quartile of the 'combined buffer requirement', no 'discretionary distributions' will be permitted to be paid. Articles 43 to 49 of Law 10/2014 and Chapter II of Title II of Royal Decree 84/2015 implement the above provisions in Spain. In particular, Article 48 of Law 10/2014 and Articles 73 and 74 of Royal Decree 84/2014 deal with restrictions on distributions. Furthermore, pursuant to article 16bis of Law 11/2015 and Article 48ter of Law 10/2014, the calculation of the Maximum Distributable Amount, as well as consequences of, and pending, such calculation could also take place as a result of the breach of MREL and a breach of the leverage ratio buffer requirement.

CRD V further clarifies that Pillar 2 requirements should be positioned in the relevant stacking order of own funds requirements above the Pillar 1 capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as applicable.

The Issuer announced on 11 December 2024 that it had received from the ECB its decision regarding the prudential minimum capital requirements effective as of 1 January 2025, following the results of SREP. The ECB's decision maintains an unchanged Pillar 2 requirement of 1.74 per cent. at a consolidated level of which at least 0.98 per cent. must be covered with CET1. Accordingly, the minimum CET1 and capital requirements as of 1 January 2025 are 9.67 per cent. and 13.93 per cent. on a consolidated basis, respectively. As of 31 December 2024, on a consolidated basis, the Group's total capital ratio was 17.39 per cent. while its CET1 ratio was 12.78 per cent. If the Group did not apply the transitory IFRS 9 provisions, nor the subsequent amendments introduced by Regulation 2020/873 of the EU, the fully-loaded CET1 ratio would have been 12.76 per cent.

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

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

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

MREL Requirements

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

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

The Bank announced on 24 June 2024 that it had received a formal notification from the Bank of Spain with its binding minimum MREL requirement, both total and subordinated, for the Resolution Group at a sub-consolidated level, as determined by the SRB. The total MREL requirement that is in effect from 1 January 2025 is 32.39% (and 33.59% as from 24 June 2025) of the resolution group's total risk weighted assets. The subordination requirement that is in effect from 1 January 2025 was set at 11.30% (and will be maintained as of 24 June 2025). Future requirements are subject to ongoing review by the resolution authority.

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

Liquidity Requirements

In addition to the above, the Group shall also comply with the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**") requirements provided in the CRR. As of 31 December 2024, the Group's LCR was 153 per cent., above the 100 per cent. minimum requirement. In relation to the NSFR, the institutions shall maintain from 28 June 2021 an NSFR (calculated in accordance with Title IV of the CRR) of at least 100 per cent. As of 31 December 2024, the Group's NSFR was 126 per cent. above the minimum 100 per cent. requirement.

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

The following text shall replace in its entirety the text in the sub-section entitled "Additional information on the BRRD and SRM Regulation / EU fiscal and banking union" on pages 66 to 67 of the Base Prospectus:

The project of achieving a European banking union was launched in the summer of 2012. Its main goal is to resume progress towards the European single market for financial services by restoring confidence in the European banking sector and ensuring the proper functioning of monetary policy in the eurozone.

The banking union is expected to be achieved through new harmonised banking rules (the single rulebook) and a new institutional framework with stronger systems for both banking supervision and resolution that will be managed at the European level. Its two main pillars are the SSM and the Single Resolution Mechanism ("**SRM**").

The SSM (comprised by both the ECB and the national competent authorities) is designed to assist in making the banking sector more transparent, unified and safer. In accordance with the SSM Regulation, the ECB fully assumed its new supervisory responsibilities within the SSM, in particular direct supervision of the largest European banks (including the Group), on 4 November 2014.

The SSM represented a significant change in the approach to bank supervision at a European and global level, and resulted in the direct supervision by the ECB of the largest financial institutions, including the Group, and indirect supervision of around 3,500 financial institutions and is now one of the largest in the world in terms of assets under supervision. In the coming years, the SSM is expected to continue working on the establishment of a new supervisory culture importing best practices from the 19 national competent authorities that are part of the SSM and promoting a level playing field across participating EU member states. Several steps have already been taken in this regard such as the publication of the Supervisory Guidelines; the approval of the Regulation (EU) No 468/2014 of the ECB of 16 April 2014, establishing the framework for cooperation within the SSM between the ECB and national competent authorities and with national designated authorities (the "**SSM Framework Regulation**"); the approval of a Regulation (Regulation (EU) 2016/445 of the European Central Bank of 14 March 2016 on the exercise of options and discretions available in Union law), as well as a set of guidelines on the application of the CRR's national options and discretions, etc. In addition, the SSM is an extra cost for the financial institutions that have to fund it through the payment of supervisory fees.

The other main pillar of the EU banking union is the SRM, the main purpose of which is to ensure a prompt and coherent resolution of failing banks in the EU at minimum cost for the taxpayers and the real economy. The SRM Regulation establishes uniform rules and procedure for the resolution of credit institutions and certain investment firms in the framework of the SRM and establishes a Single Resolution Fund ("**SRF**"). Under the intergovernmental agreement ("**IGA**") signed by 26 EU member states on 21 May 2014, contributions by banks raised at national level were transferred to the SRF. The new SRB, which is the central decision-making body of the SRM, started operating on 1 January 2015, and assumed its full resolution powers on 1 January 2016. The SRB is responsible for managing the SRF and its mission is to ensure that credit institutions and other entities under its oversight which face serious difficulties are resolved effectively with minimal costs to taxpayers and the real economy. From that date onwards, the SRF is also in place and is funded by contributions from EU banks in accordance with the methodology approved by the Council of the EU.

The funding obligations of the SRF entered into force on 1 January 2016, and after eight years from that date, the available financial means of the SRF were set to be, in principle, of at least 1% of the amount of covered deposits of all participating banks. The SRB communicated on 15 February 2024 that no regular annual contributions were to be collected in 2024 from the institutions falling in scope of the SRF, as the target level of at least 1.00% of covered deposits held in the EU Member States participating in the SRM had been met (in line with BRRD (as defined below)).

In order to complete the banking union, a single deposit guarantee scheme is still needed, which may require a change to the existing European treaties. This is the subject of continued negotiation by European leaders to ensure further progress is made in European fiscal, economic and political integration.

Regulations adopted towards achieving a banking and/or fiscal union in the EU and decisions adopted by the ECB in its capacity as the main supervisory authority of the Group may have a material impact on its business, financial condition and results of operations.

Moreover, regulations adopted on structural measures to improve the resilience of EU credit institutions may have a material impact on the business, financial condition, results of operations and prospects of the Group. These regulations, if adopted, may also cause the Group to invest significant management attention and resources to make any necessary changes.

The following text shall replace in its entirety the text in the sub-section entitled "Temporary Banking Tax in Spain" which its title is replaced by "Tax on Interest Margin and Commissions of certain financial entities" on page 69 of the Base Prospectus:

Temporary Banking Tax in Spain

On 21 December 2024, Spain enacted Law 7/2024 creating a new Tax on Interest Margin and Commissions of certain financial entities, applicable for three fiscal years beginning 1 January 2024 and which targets the positive margin of interest and commissions obtained in Spain by credit institutions, financial credit establishments, and Spanish branches of foreign credit institutions. The tax features a progressive rate structure ranging from 1 per cent. to 7 per cent., (the latter applying to taxable bases exceeding €5 billion), with a notable reduction of €100m in the tax base for calculating the taxable amount. The tax liability can be reduced by 25 per cent. of the Corporate Income Tax liability for the same fiscal year, with specific proportional rules applying for CIT consolidated groups. Furthermore, a deduction applies when return on assets (ROA) falls below 0.7 per cent., demonstrating the legislator's intention to avoid excessive taxation.

The following text shall replace in its entirety the text in the sub-section entitled "Artificial Intelligence ("AI")" on pages 69 and 70 of the Base Prospectus:

Artificial Intelligence ("AI")

The Group utilises and is continuing to explore further uses of AI in connection with its business, products and services. Particularly, the Group is using AI for transaction monitoring and sanctions screening, improving customer experience and automating processes to reduce operational risk, among others. However, regulation of AI is rapidly evolving worldwide as legislators and regulators are increasingly focused on these powerful emerging technologies. The technologies underlying AI and its uses are subject to a variety of laws and regulations, including intellectual property, privacy, data protection, cybersecurity, consumer protection, competition, and equal opportunity laws, and are expected to be subject to increased regulation and new laws or new applications of existing laws and regulations. AI is the subject of ongoing review by various US governmental and regulatory agencies, and various US states and other foreign jurisdictions are applying, or are considering applying, their platform moderation, cybersecurity, and data protection laws and regulations to AI or are considering legal and regulatory frameworks for AI.

For example, in Europe, the EU's Artificial Intelligence Act (the "**AI Act**") entered into force on 1 August 2024. The

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

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

DOCUMENTS INCORPORATED BY REFERENCE

The information set out below shall supplement the section of the Base Prospectus entitled "Documents Incorporated by Reference" on pages 72 to 75 of the Base Prospectus:

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

1. The annual report of the Issuer prepared for the year ended 31 December 2024 (the "**2024 Annual Report**"), which contains the English language translation of the audited annual consolidated financial statements of the Issuer prepared under IFRS-EU for the year ended 31 December 2024 (the "**2024 Financial Statements**"), together with the English language translation of the Auditor's report, on pages 562 to 823.

   The 2024 Annual Report was originally prepared in Spanish and all possible care has been taken to ensure that the English language translation is an accurate translation of the Spanish original version. In case of any inconsistency between the English translation and the Spanish original version of the 2024 Annual Report and in all matters relating to the interpretation of information, views or opinions, the Spanish original version shall prevail.

   https://www.santander.com/content/dam/santander-com/en/documentos/informe-financiero-anual/2024/ifa-2024-consolidated-annual-financial-report-en.pdf

In relation to the 2024 Annual Report, any information not specified in the cross-reference tables set out below but which is included in the documents from which the information incorporated by reference has been derived, is for information purposes only and is not incorporated by reference because it is not relevant for the investor.

Issuer Annual Financial Information and Annual Report

The tables below set out the relevant page references in the 2024 Annual Report and the 2024 Financial Statements where the following information incorporated by reference in this Base Prospectus can be found:

Information incorporated by reference in this Base Prospectus	**2024 Annual Report page reference[(1)]**

1.	Independent Auditor's report on consolidated financial statements for the year ended 31 December 2024	562-571
2.	Audited consolidated balance sheets at 31 December 2024 and the comparative consolidated financial information of the Issuer at 31 December 2023 and 31 December 2022	572-576
3.	Audited consolidated income statements for the year ended 31 December 2024 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2023 and 31 December 2022	577-578
4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2024 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2023 and 31 December 2022	579
5.	Audited consolidated statements of changes in total equity for the year ended 31 December 2024 and the comparative for the years ended 31 December 2023 and 31 December 2022	580-585
6.	Audited consolidated statements of cash flow for the year ended 31 December 2024 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2023 and 31 December 2022	586-587
7.	Notes to the consolidated financial statements for the year ended 31 December 2024	588-823
8.	2. Ownership structure	CG 241-246 (2)
9.	4. Board of directors	CG 255-304 (2)
10.	7. Group structure and internal governance	CG 336-338 (2)
11.	4. Financial information by segments	EFR 437-477 (3)
12.	8. Alternative Performance Measures (APMs)	EFR 492-501 (3)
13.	Glossary	GL 554-559 (4)
14.	General Information	GI 868-869 (5)

Notes:

(1) Not all the pages of the 2024 Annual Report are paginated continuously. See Notes below for detailed indications on where the relevant sections incorporated by reference in this Base Prospectus are located.

(2) "CG" corresponds to the section entitled "Corporate Governance" of the 2024 Annual Report located immediately after the section entitled "Responsible banking" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(3) "EFR" corresponds to the sub-section entitled "Economic Financial Review" of the 2024 Annual Report located immediately after the section entitled "Corporate governance" (see note (2) above) and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(4) "GL" corresponds to the sub-section entitled "Glossary" of the 2024 Annual Report located immediately after the section entitled "Strategic risk" and page references are to the page numbers appearing in the bottom left or right corner, as applicable, of each page in such section.

(5) "GI" corresponds to the section entitled "General Information" of the 2024 Annual Report located immediately after the Glossary and the page reference is to the page number appearing in the bottom left of such section.

Information incorporated by reference in this Base Prospectus		**2024 Financial Statements page reference**
1.	Independent Auditor's report on consolidated financial statements for the year ended 31 December 2024	560-571
2.	Audited consolidated balance sheets at 31 December 2024 and the comparative consolidated financial information of the Issuer at 31 December 2023 and 31 December 2022	572-576
3.	Audited consolidated income statements for the year ended 31 December 2024 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2023 and 31 December 2022	577-578

4.	Audited consolidated statements of recognised income and expense for the year ended 31 December 2024 and the comparative consolidated financial information of the Issuer for the years ended 31 December 2023 and 31 December 2022	579
5.	Audited consolidated statements of changes in total equity for the year ended 31 December 2024 and the comparative for the years ended 31 December 2023 and 31 December 2022	580-585
6.	Audited consolidated statements of cash flow for the year ended 31 December 2024 and the comparative consolidated cash flow statement of the Issuer for the years ended 31 December 2023 and 31 December 2022	586-587
7.	Notes to the consolidated financial statements for the year ended 31 December 2024	588-823

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

RISK FACTORS

The following text shall replace in its entirety sub-sections entitled "Macro-Economic Risks relating to the Issuer and the Group" and "Risks Relating to the Group's Business" in the section of the Base Prospectus entitled "Risk Factors" on pages 36 to 57 of the Base Prospectus:

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

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

A slowdown or recession of one or more of the economies in which the Group operates could lead major financial institutions, including some of the world's largest global commercial banks, investment banks, mortgage lenders, mortgage guarantors and insurance companies to experience significant difficulties, including runs on deposits, the need for government aid or assistance or the need to reduce or cease providing funding to borrowers (including to other financial institutions). Volatile conditions in the global financial markets could also have a material adverse effect on the Group, including on the ability of the Group to access capital and liquidity on financial terms acceptable to the Group, if at all. If capital markets financing ceases to become available, or becomes excessively expensive, the Group may be forced to raise the rates it pays on deposits to attract more customers and become unable to maintain certain liability maturities. Any such increase in capital markets funding availability or costs or in deposit rates could have a material adverse effect on its interest margins and liquidity.

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

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

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

In addition, the Group is exposed to sovereign debt in these regions. The Group’s net exposure to sovereign debt at 31 December 2024 amounted to €198,627 million (10.81 per cent. of the Group’s total assets at that date) of which the main exposures in the eurozone relate to Spain and Portugal with net exposure of €56,293 million and €7,652 million, respectively. In North America, the main exposures relate to Mexico and the United States (€21,642 million and €24,926 million, respectively) and in South America to Brazil (€26,641 million). Recessionary conditions in the economies of Europe, North America or some of the South American countries in which the Group operates, would likely have a significant adverse impact on its loan portfolio and sovereign debt holdings and, as a result, on its financial condition, cash flows and results of operations.

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

For the year ending 31 December 2024, 48 per cent. of the underlying profit attributable to the Bank areas (i.e., without considering the -€1,154 million underlying loss accounted for in the Corporate Centre resulting from centralised management of the areas) came from Europe (of which 27 per cent. was from Spain and 10 per cent. from the UK), 28 per cent. from South America (18 per cent. from Brazil), 20 per cent. from North America (8 per cent. from the United States and 12 per cent. from Mexico) and 5 per cent. from the Digital Consumer Bank Europe segment. As of 31 December 2024, the Group's total assets (i.e., without considering €240,948 million total assets accounted for in the Corporate Centre and without intra-group eliminations) stood at 55 per cent. in Europe (29 per cent. in Spain and 18 per cent. in the UK), 18 per cent. in South America (12 per cent. in Brazil), 17 per cent. in North America (12 per cent. in the United States and 5 per cent. in Mexico) and 10 per cent. in the Digital Consumer Bank Europe segment.

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

- After a period of persistent high inflation throughout the world, particularly in Europe and the United States, during 2023 and 2024 inflation slowly converged towards central banks' objectives allowing interest rates cuts during the second half of 2024. A return to periods of high inflation could result in higher operating costs, a decrease in the purchasing power of families with the consequent increase in delinquencies in the Group's credit portfolios, and lower economic growth derived from the tightening of monetary and fiscal policies aimed at containing inflation, among other risks, any of which could have a material adverse effect on the Group's operations, financial condition and prospects.

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

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

- In particular, the risk of returning in Europe to a fragile and volatile environment, heightened political tensions or recession could be aggravated if, among others, (i) the German economy falls into recession due to reduced competitiveness of its industrial sector, (ii) the policies implemented to provide emergency assistance and support to Ukraine, to alleviate the consequences of the war in the EU countries and to contain inflation do not succeed, (iii) the reforms aimed at improving the labour market, productivity and competitiveness fail, (iv) the banking union and other measures of European integration do not take hold, or (v) anti- European groups become more widespread.

- The new presidential administration in the United States has increased and is expected to continue increasing trade tariffs that could significantly reshape international trade relations and supply chains, potentially resulting in lower growth globally. Growing protectionism and trade tensions, such as the tensions between the United States and China in recent years, could intensify, which could have a negative impact on the economies of the countries where the Group operates, and impact its operating results, financial condition and prospects.

- The shift of the global economy's centre of gravity from the Atlantic to the Pacific and, more particularly, China's increasing relevance as a key trading partner and source of financing for Latin American economies, could negatively impact United States and European banks, particularly those like the Group with limited presence in Asia, reducing the Group's global market share and customer base and affecting the Group's business, operating results, financial condition and prospects.

- Uncertain economic outlook for China could negatively affect the world economy and impact the Group's operating results, financial condition and prospects.

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

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

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

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

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

On 7 October 2023, Hamas launched an attack on Israel targeting Israeli civilians. In response, Israel declared war against Hamas, attacking Hamas targets in Gaza and the region. In 2024, in response to attacks from Lebanon and Iran, Israel attacked Lebanon targeting Hezbollah infrastructure and leaders and carried out airstrikes against Iranian military sites. The war, a further escalation of the conflict and any resulting conflicts in the region could exacerbate the ongoing humanitarian crisis and could lead to higher oil and gas prices, the imposition of sanctions, travel and import/export restrictions, further disruptions in supply chains, inflationary pressures and market volatility, among other potential consequences.

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

The outbreak of highly contagious diseases or other public health emergencies, could materially and adversely impact the business at the Group, its financial condition, liquidity and results of operations

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

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

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

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

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

The trade deal, however, did not include agreements on certain areas, such as financial services and data adequacy.

The Financial Services and Markets Act 2023 ("**FSMA 2023**") established a framework for HM Treasury to revoke EU-derived financial services legislation and for it to be replaced by Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) rules. This process of revoking and replacing retained EU law may result in material changes to the UK regulatory regime and the impact of these regulatory developments and changes on Santander UK plc ("**Santander UK**") is difficult to predict.

In 2021, the EU Commission adopted an adequacy decision for the UK, allowing for the continued flow of personal data between the EU and the UK without additional safeguards or permissions. However, this decision came with an expiry date of 27 June 2025, if not renewed. If the EU Commission's adequacy decision for the UK is not renewed, this could impact personal data flows from entities in the EU to Santander UK in the UK. In the event this occurs, it may result in additional costs to Santander UK in order to facilitate those data flows, to the extent those data flows are impacted, with the UK being subject to EU transfer rules as a non-adequate jurisdiction. For more information on cross-border transfers of personal data.

The continuing impact of Brexit on the wider UK economy could have a material adverse effect on Santander UK's customers and, consequently, on operations, financial condition and prospects of the Group.

The Group considered these circumstances in its assessment of the recoverability of the cash-generating unit that supports Santander UK's goodwill, which was impaired in 2019 and 2020. There has been no impairment of Santander UK's goodwill since then.

Risks Relating to the Group's Business

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

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

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

The Group is from time to time subject to regulatory investigations and civil and tax claims, and party to certain legal proceedings incidental to the normal course of its business, including, among others, in connection with conflicts of interest, lending and derivatives activities, relationships with its employees and other commercial, privacy, data protection, cybersecurity, tax or climate related matters. In view of the inherent difficulty of predicting the outcome of legal matters, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties, are in the early stages of investigation or discovery, or have common elements but require assessment of circumstances on a case-by-case basis, the Group cannot state with certainty what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be, such as, for instance, in relation to the recent judgments rendered by the Spanish Supreme Court concerning revolving credit cards.

The amount of the Group's reserves in respect of these matters, which considers the likelihood of future cash outflows associated with each of such claims, is substantially less than the total amount of the claims asserted against it, and, in light of the uncertainties involved in such claims and proceedings, there is no assurance that the ultimate resolution of these matters will not significantly exceed the reserves currently accrued by the Group. As a result, the outcome of a particular matter may be material to its operating results for a particular period. As of 31 December 2024, the Group had provisions for taxes, other legal contingencies and other provisions for €5,051 million.

For example, in Poland the Group is exposed to significant litigation in connection with CHF indexed and CHF denominated loans in which it is facing claims that those loans or clauses included in them are abusive. After the 15 June 2023 judgement rendered on this matter by the Court of Justice of the European Union ("**CJEU**"), on 25 April 2024, the Polish Supreme Court issued a resolution regarding the CHF indexed and CHF denominated loans, in which it considered contract invalidation to be the primary consequence of finding abusive contractual clauses. At the same time, nine judges of the Polish Supreme Court declined to participate in the resolution raising questions of a constitutional nature and six judges submitted dissenting opinions mainly on issues related to the maintenance of the agreement after the elimination of abusive clauses.

Santander Bank Polska S.A. and Santander Consumer Bank, S.A. estimate legal risk using a model which considers different possible outcomes and regularly monitor court rulings on foreign currency loans to verify changes in case law practice, including the impact of the aforementioned Polish Supreme Court resolution on this case law. The Bank is reaching settlements with customers who have taken legal action as well as with those who have not yet decided to file a lawsuit. The settlement scenario is reflected in the model used to calculate provisions for legal risks.

As of 31 December 2024, Santander Bank Polska S.A. and Santander Consumer Bank S.A. maintained a portfolio of mortgages denominated in or indexed to CHF for an approximate gross amount of z5,173.7 million or €1,210.1 million and the total value of the adjustments to gross carrying amount in accordance with IFRS9 as well as the provisions recorded under IAS37, amount to z6.592.0 million or €1,541.9 million. The provisions and adjustments recorded are deemed sufficient to cover the risks associated with the legal claims against the Group. However, in the event that the Group is required to make higher payments than estimated, either with respect to existing or new claims, there could be a significant adverse effect on its results and financial situation.

As another example, following the Financial Conduct Authority's ("**FCA**") motor market review in 2019 which resulted in a change in rules in January 2021, Santander Consumer (UK) plc ("**SCUK**") has received a number of county court claims and complaints in respect of its historical use of discretionary commission arrangements ("**DCAs**") prior to the 2021 rule changes. In January 2024, the FCA commenced a review of the use of DCAs between lenders and credit brokers (the "**FCA Review**") and paused the handling of these complaints originally until September 2024. The FCA announced in July 2024 that it expected to share the outcome of its review by May 2025 and that the pause in respect of handling of these complaints was extended to 4 December 2025. A claim has also been issued against SCUK, Santander UK and others in the Competition Appeal Tribunal ("**CAT**"), alleging that SCUK's historical DCAs in respect of used car financing operated in breach of the Competition Act 1998. This is currently paused until the end of July 2025 connected to the outcome of the FCA Review.

In a judicial proceeding brought against other financial entities, on 25 October 2024, the Court of Appeal of the UK issued a judgment establishing certain criteria which, after the corresponding assessment by SCUK, has led it to recognise a provision of £293 million (€353.3 million) as of 31 December 2024, although the referred judgment has been appealed before the UK Supreme Court. This includes estimates for operational and legal costs (including litigation costs) reached after considering various scenarios which consider the differences and similarities between the cases in the referred judgment and SCUK's situation, as well as the outcome of the aforementioned Supreme Court appeal, the scope, nature and timeframe of any redress scheme, applicable time periods, claims, rates and compensatory interest rates.

The outcome of the FCA Review may be informed (i) by the judgment of the Court of Appeal handed down on 25 October 2024, as well as the anticipated judgment of the UK Supreme Court on appeal; and (ii) by the outcome of a judicial review of a final decision by the Financial Ombudsman Service ("**FOS**") against another lender that was heard in October 2024. Judgment in this case was handed down in December 2024 and permission for leave to appeal to the Court of Appeal has been granted.

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

As a financial institution, the Group is subject to extensive regulation, which materially affects its businesses.

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

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

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

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

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

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

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

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

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

The Bank announced on 11 December 2024 that it had received from the ECB its decision regarding the prudential minimum capital requirements effective as of 1 January 2025, following the results of SREP. The ECB's decision maintains an unchanged Pillar 2 requirement (P2R) of 1.74 per cent. at a consolidated level of which at least 0.98 per cent. must be covered with CET1. Accordingly, the minimum CET1 and capital requirements as of 1 January 2025 are 9.67 per cent. and 13.93 per cent. on a consolidated basis, respectively. As of 31 December 2024, on a consolidated basis, the Group's total capital ratio was 17.39 per cent. while its CET1 ratio was 12.78 per cent. If the Group did not apply the transitory IFRS 9 provisions, nor the subsequent amendments introduced by Regulation 2020/873 of the EU, the fully-loaded CET1 ratio would have been 12.76 per cent.

In addition, the Bank shall comply with the TLAC/MREL Requirements (as defined in the section "*Investment Considerations*". The Bank announced on 24 June 2024 that it received a formal notification from the Bank of Spain with its binding minimum MREL requirement, both total and subordinated, for the resolution group of Banco Santander (the "**Resolution Group**") at a sub-consolidated level, as determined by the Single Resolution Board ("**SRB**"). The total MREL requirement that is in effect from 1 January 2025 is 32.39 per cent. (and 33.59 per cent. as from 24 June 2025) of the resolution group's total risk weighted assets. The subordination requirement that is in effect from 1 January 2025 was set at 11.30 per cent. (and will be maintained as of 24 June 2025). Future requirements are subject to ongoing review by the resolution authority.

See "*Investment Considerations*" section for additional information.

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

Any failure by the Bank and/or the Group to maintain its Pillar 1 minimum regulatory capital ratios and any Pillar 2 additional capital requirements could result in administrative actions or sanctions (including restrictions on

Discretionary Payments, as defined in section "*Investment Considerations*"), which, in turn, may have a material adverse impact on the Group's results of operations.

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

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

Anti-Money Laundering and economic sanctions

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

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

Data Privacy and cybersecurity

The Group receives, maintains, transmits, stores and otherwise processes proprietary, sensitive and confidential data, including public and non-public personal information of its customers, employees, counterparties and other third parties, including, but not limited to, personally identifiable information and personal financial information. The collection, sharing, use, retention, disclosure, protection, transfer and other processing of this information is governed by stringent federal, state, local and foreign laws, rules, regulations and standards. The legal and regulatory framework for privacy, data protection and cybersecurity is in considerable flux and evolving rapidly. As privacy, data protection and cybersecurity risks for banking organisations and the broader financial system have significantly increased in recent years, privacy, data protection and cybersecurity issues have become the subject of increasing legislative and regulatory focus. Internationally, virtually every jurisdiction in which the Group operates has established its own privacy, data protection and cybersecurity legal framework with which the Group must comply. For example, on 25 May 2018, Regulation (EU) 2016/279 of the European Parliament and of the Council of 27 April 2016, on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "**General Data Protection Regulation**" or "**GDPR**") became directly applicable in all member states of the EU. To align the Spanish legal regime with the GDPR, Spain enacted the Organic Law 3/2018, of 5 December, on Data Protection and the safeguarding of digital rights which repealed the Spanish Organic Law 15/1999, of 13 December, on data protection. Additionally, following the UK's withdrawal from the EU, the Group is also subject to the UK General Data Protection Regulation ("**UK GDPR**") (i.e., the GDPR as implemented into UK law). Although a number of basic existing principles have remained the same, the GDPR and UK GDPR introduced extensive new obligations on both data controllers and processors, as well as rights for data subjects. The GDPR and UK GDPR, together with national legislation, regulations and guidelines of the EU member states governing the processing of personal data, impose strict obligations and restrictions on the ability to collect, use, retain, protect, disclose, transfer and otherwise process personal data. In particular, the GDPR and UK GDPR include obligations and restrictions concerning the security and confidentiality of personal data, such as obtaining consent from the individuals to whom the personal data relates for certain processing activities, using safeguards on transfers of personal data out of the European Economic Area ("**EEA**") and the UK, respectively, and making notifications with respect to certain security breaches, among others. The GDPR and UK GDPR also impose significant fines and penalties for non-compliance of up to the higher of 4% of annual worldwide turnover or €20 million (or GBP 17.5 million under the UK GDPR), whichever is greater. While the UK GDPR currently imposes substantially the same obligations as the GDPR, the UK GDPR will not automatically incorporate changes to the GDPR going forward (which would need to be specifically incorporated by the UK government). Moreover, the UK government has publicly announced plans to reform the UK GDPR in ways that, if formalised, are likely to deviate from the GDPR, all of which creates a risk of divergent parallel regimes and related uncertainty, along with the potential for increased compliance costs and risks for affected businesses.

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

Recent legal developments in the EEA, including recent rulings from the CJEU and from various EU Member State data protection authorities, have created complexity and uncertainty regarding transfers of personal data from the EEA to the United States and other so-called third countries outside the EEA. While the Group has taken steps to mitigate its impact, such as implementing the European Commission’s standard contractual clauses ("SCCs") the efficacy and longevity of these mechanisms remains uncertain. Although the UK currently has an adequacy decision from the European Commission, such that SCCs are not required for the transfer of personal data from the EEA to the UK, that decision will sunset in June 2025 unless extended and it may be revoked in the future by the European Commission if the UK data protection regime is reformed in ways that deviate substantially from the GDPR. Adding further complexity for international data transfers, in March 2022, the UK adopted its own International Data Transfer Agreement for transfers of personal data out of the UK to so-called third countries, as well as an international data transfer addendum that can be used with the SCCs for the same purpose. Moreover, on 10 July 2023, the European Commission adopted an adequacy decision concluding that the US ensures an adequate level of protection for personal data transferred from the EEA to the US under the EU-U.S. Data Privacy Framework (followed on 12 October 2023, with the adoption of an adequacy decision in the UK for the UK-US Data Bridge). However, the adequacy decision does not foreclose, and is likely to face, future legal challenges and the ongoing legal uncertainty may increase the Group’s costs and its ability to efficiently process personal data from the EEA or the UK. In addition to the ongoing legal uncertainty with respect to data transfers from the EEA or the UK, additional costs may need to be incurred in order to implement necessary safeguards to comply with the GDPR and the UK GDPR and potential new rules and restrictions on the flow of data across borders could increase the cost and complexity of conducting business in some markets. If the Group’s policies and practices or those of its vendors are, or are perceived to be, insufficient, or if the Group’s users have concerns regarding the transfer of data from the EEA or the UK to the US, the Group could be subject to enforcement actions or investigations by individual EU or UK data protection authorities or lawsuits by private parties.

Additionally, the EU adopted Regulation (EU) 2022/2554, or the Digital Operational Resilience Act ("**DORA**"), in November 2022, which will be effective from 17 January 2025. DORA, which will apply as lex specialist for the financial sector regarding cybersecurity, aims to achieve a common level of digital operational resilience as well as consolidate and upgrade existing Information Communication Technologies ("**ICT**") risk requirements that had been addressed separately in different regulations and directives, such as Directive (EU) 2022/2555 (otherwise known as the NIS 2 Directive). DORA establishes a set of uniform requirements for network and information systems security structured in five pillars: (i) ICT risk management and governance, (ii) ICT-related incident management, classification and reporting, (iii) digital operational resilience testing, (iv) management of third-party ICT risk, and (v) information and intelligence sharing.

Privacy, data protection and cybersecurity laws, rules, regulations and standards continue to evolve and may result in ever-increasing public scrutiny and escalating levels of enforcement and sanctions. The Group may become subject to new legislation or regulations concerning privacy, data protection or cybersecurity, which could require to incur significant additional costs and expenses in an effort to comply. While the Group have taken steps designed to mitigate the impact of risks and uncertainties in connection with applicable privacy, data protection and cybersecurity laws, rules, regulations and standards by implementing supplementary measures designed in accordance therewith, the efficacy and longevity of any steps the Group may take to mitigate their impact remain uncertain due to the fast-moving legal and regulatory environment. The Group could also be adversely affected if such new laws, rules or regulations or standards are adopted or if existing legislation or regulations are modified or interpreted such that the Group is required to alter its systems, processes or privacy policies. If privacy, data protection or cybersecurity laws, rules, regulations or standards are implemented, interpreted or applied in a manner inconsistent with the Group’s current practices or policies, or if it fails to comply (or is perceived to have failed to comply) with applicable laws, rules, regulations or standards relating to privacy, data protection and cybersecurity, the Group may be subject to substantial fines, civil or criminal penalties, costly litigation (including class actions), claims, proceedings, judgments, awards, penalties, sanctions, regulatory enforcement actions, government investigations or inquiries, or other adverse impacts, or be ordered to change its business practices, policies or systems in a manner that adversely impacts the Group's operating results, any of which could have a material adverse effect on its operating results, financial condition and prospect.

Credit Risks

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

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

The loan loss reserves of the Group are based on its current assessment of and expectations concerning various factors affecting the quality of its loan portfolio. These factors include, among other things, the financial condition of the borrowers of the Group, repayment abilities and repayment intentions, the realisable value of any collateral, the prospects for support from any guarantor, government macroeconomic policies, interest rates and the legal and regulatory environment. Because many of these factors are beyond the Group's control and there is no infallible method for predicting loan and credit losses, the Group cannot assure that its current or future loan loss reserves will be sufficient to cover actual losses. If the Group's assessment of and expectations concerning the above mentioned factors differ from actual developments, if the quality of its total loan portfolio deteriorates, for any reason, or if the future actual losses exceed the estimates of expected losses of the Group, it may be required to increase its loan loss reserves, which may adversely affect the Group. Additionally, in calculating the Group's loan loss reserves, the Group employs qualitative and quantitative criteria and statistical models which may not be reliable in all circumstances and which are dependent upon data that may not be complete. For further details regarding the risk management policies of the Group, see "*Any failure or disruption of the Group's operational processes or systems, or cyberattacks, data breaches, data losses and other security incidents with respect to the Group or its third-party vendors' systems could adversely affect the Group's business or reputation, and create significant legal, regulatory or financial exposure*".

On 31 December 2024, net loans and advances to customers of the Group amounted to €1,054,069 million (compared to €1,036,349 million as of 31 December 2023).

The loan portfolio of the Group is mainly located in Europe (in particular, Spain and the UK), North America (in particular, the United States) and South America (in particular, Brazil). At 31 December 2024, Europe accounted for 55 per cent. of the Group's total loan portfolio (Spain accounted for 24 per cent. of its total loan portfolio and the UK, where the loan portfolio consists primarily of residential mortgages, accounted for 24 per cent.), North America accounted for 17 per cent. (of which the United States represents 13 per cent. of its total loan portfolio), South America accounted for 14 per cent. (of which Brazil represents 8 per cent. of its total loan portfolio) and the Digital Consumer Bank Europe segment accounted for 13 per cent.

Mortgage loans are one of the Group's principal assets, comprising 42 per cent. of its net loans and advances as of 31 December 2024, mainly located in Spain and the UK. 81 per cent. of such mortgage loans are residential. If Spain or the UK experience situations of economic stagnation, persistent housing oversupply, decreased housing demand, rising unemployment levels, increasing interest rates, subdued earnings growth, greater pressure on disposable income, a decline in the availability of mortgage finance or continued global markets volatility, for instance, home prices could decline, while mortgage delinquencies, forbearances and the Group's NPL ratio could increase, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

At 31 December 2024, the NPL ratio of residential mortgage loans for the Group in Spain and the UK was 1.32 per cent. and 1.07 per cent., respectively.[1]

At 31 December 2024 the total Group NPL ratio stood at 3.05 per cent. as compared to 3.14 at 31 December 2023.[2] Coverage as of 31 December 2024 was 65 per cent. as compared to 66 per cent. a year earlier.[3]

Impairment on financial assets not measured at fair value through profit or loss (net) of the Group in 2024 was €12,644 million (mainly related to loans and advances to customers), a 2.4 per cent. decrease as compared to €12,956 million in 2023.

At 31 December 2024, the gross amount of the Group's refinancing and restructuring operations was €27,144 million (3 per cent. of total gross loans and credits), of which €8,254 million have real estate collateral. At the same date, the net amount of non-current assets held for sale amounted €4,002 million, of which €2,621 million were foreclosed assets.

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

The value of the collateral securing the loan portfolio of the Group may fluctuate or decline due to factors beyond its control, including as a result of macroeconomic factors, specifically those affecting Europe, North America and South America or the continuance or escalation of the wars in Ukraine and the Middle East. The value of the collateral securing its loan portfolio may be adversely affected by force majeure events, such as natural disasters (including as a result of climate change), particularly in locations where a significant portion of its loan portfolio is composed of real estate loans.

The Group may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for impairment losses of its loans secured by such collateral.

If any of the above were to occur, the Group may need to make additional provisions to cover actual impairment losses of its loans, which may materially and adversely affect its results of operations and financial condition.

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

At 31 December 2024, 42 per cent. of the Group's loans and advances to customers have property collateral while 24 per cent. have other types of collateral (securities, pledges and others), and therefore are susceptible to being affected by an individual or generalised decrease in the value of such collateral.

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[1] The NPL ratio (which constitutes an alternative performance measure) is an important variable regarding financial institutions' activity since it gives an indication of the level of risk the entities are exposed to. It calculates risks that are, in accounting terms, declared to be credit impaired as a percentage of the total outstanding amount of customer credit and contingent liabilities. More information on the NPL ratio can be found on pages 496 and 497 of the 2024 Annual Report.

[2] The NPL ratio (which constitutes an alternative performance measure) is an important variable regarding financial institutions' activity since it gives an indication of the level of risk the entities are exposed to. It calculates risks that are, in accounting terms, declared to be credit impaired as a percentage of the total outstanding amount of customer credit and contingent liabilities. More information on the NPL ratio can be found on pages 496 and 497 of the 2024 Annual Report.

[3] The NPL coverage ratio (which constitutes an alternative performance measure) is a fundamental metric in the financial sector. It reflects the level of provisions as a percentage of the credit impaired assets. Therefore it is a good indicator of the entity's solvency against customer defaults both present and future. More information on the coverage ratios can be found on pages 496, 497 and 498 of the 2022 Annual Report.

Operational and technology risks

Any failure or disruption of the Group's operational processes or systems, or cyberattacks, data breaches, data losses and other security incidents with respect to the Group or its third-party vendors' systems could adversely affect the Group's business or reputation, and create significant legal, regulatory or financial exposure

Like other financial institutions, in conducting the Group's banking operations, the Group receives, manages, holds, transmits and otherwise processes certain proprietary and sensitive or confidential information, including personal information of customers and employees as well as a large number of assets. Accordingly, the business of the Group relies on its ability to process a large number of transactions efficiently and accurately, and on its ability to rely on its digital technologies, computer and email services, software and networks, as well as on the secure storage, transmission and otherwise processing of proprietary confidential, sensitive and personal data and other information using the computer systems and networks of the Group or those of its third party vendors. The Group's operations must also comply with complex and evolving laws and regulations in the countries in which the Group operates. The proper and secure functioning of its financial controls, accounting and other data collection and processing systems is critical to its business and to its ability to compete effectively. Cyberattacks, data breaches, data losses and other security incidents, including fraudulent withdrawal of money, can result from, among other things, inadequate personnel, inadequate or failed internal control processes and systems, or external events or actors that interrupt normal business operations and may include disruptions, failures, service outages, unauthorised access or misuse, software bugs, server malfunctions, software and hardware failure, defective software or hardware updates, malware and ransomware, social engineering and phishing attacks, denial-of-service attacks, misconduct, fraud, and other events that could have a serious impact on the Group. The Group also faces the risk that the design of its or its third-party vendors' cybersecurity controls and procedures prove to be inadequate or are circumvented such that its data or client records are incomplete, not recoverable or not securely stored. Moreover, it is not always possible to deter or prevent employee errors or misconduct, and the precautions the Group takes to detect and prevent this activity may not always be effective. Any material disruption or slowdown of the systems of the Group could cause information, including data related to customer requests, to be lost or to be delivered to its clients with delays or errors, which could reduce demand for its services and products, produce customer claims and materially and adversely affect the Group.

The Group prioritises early identification, monitoring and mitigation of risks (including those resulting from its interactions with third parties) in its goal to provide a resilient and secure operational environment. In this regard, although (i) the Group has policies, procedures and controls in place designed to safeguard proprietary sensitive and confidential information, including personal information, (ii) the Group takes protective technical measures and monitor and develop the Group's systems and networks to protect the Group's technology infrastructure, data and information from misappropriation or corruption, and (iii) the Group works with its clients, vendors, service providers, counterparties and other third parties to develop secure data and information processing, collection, authentication, management, usage, storage and transmission capabilities and to ensure the eventual destruction of proprietary, sensitive and confidential information, including personal information, the Group, its third-party vendors or other third parties with which the Group does business have been and may continue to be subject to cyberattacks and other cybersecurity incidents. For example, on 14 May 2024, the Group announced that it had become aware of an unauthorised access to a Santander database that included certain customer and employee information hosted by a third-party provider (the "**2024 Unauthorised Access**"). For more information on the legal and regulatory risks arising from the data privacy and cybersecurity laws and regulations the Group is subject to, which, among other things, impose certain obligations with respect to cyberattacks, data breaches, data losses, and other cybersecurity incidents, see risk factor "*The Group is subject to extensive regulation and regulatory and governmental oversight which could adversely affect its business, operations and financial condition*".

(i) The implementation of the Group's cybersecurity policies, procedures, controls and technical measures is designed to reduce the risk of such cyberattacks, data breaches, data losses and other security incidents but does not guarantee full protection or a risk-free environment. This is especially applicable in the current global environment, with the wars in Ukraine and the Middle East resulting in an increased risk of cyberattacks, data breaches, data losses and other security incidents and other disruptions in response to, or retaliation for, the sanctions and costs imposed on Russia and certain other countries directly or indirectly involved in the wars. Additionally, the shift to remote work policies for a significant portion of the Group's workforce, as they access the Group's secure systems and networks remotely and its customers' increased reliance on digital banking products and other digital services, including mobile payment products, has also increased the risk of cyberattacks, data breaches, data losses and other security incidents (see "*The outbreak of highly contagious diseases or other public health emergencies, could materially and adversely impact the business at the Group, its financial condition, liquidity* and results **of operations**

While the Group generally performs cybersecurity due diligence on its key vendors, because it does not control its vendors and its ability to monitor their cybersecurity is limited, the Group cannot ensure the cybersecurity measures they take will be sufficient to protect any information it shares with them. Due to applicable laws and regulations or contractual obligations, the Group may be held responsible for cyberattacks, data breaches, data losses and other similar security incidents attributed to its vendors as they relate to the information the Group share with them.

In addition, the Group may also be impacted by cyberattacks against national critical infrastructures of the countries where it operates, such as telecommunications networks. The Group's information technology systems are dependent on such critical infrastructure and any cyberattack against such critical infrastructure could negatively affect its ability to service its customers. As the Group does not operate such critical infrastructure, it has limited ability to protect its information technology systems from the adverse effects of a cyberattack.

The Group has seen in recent years the information technology systems and networks of companies and organisations being increasingly targeted, and the techniques used to obtain unauthorised, improper or illegal access to such information technology systems and networks have become increasingly complex and sophisticated, including through the use of AI. Furthermore, such techniques change frequently and are often not recognised or detected until after they have been launched and can originate from a wide variety of sources, including not only organised crime, hackers, activists, terrorists, nation-states, nation-state supported actors and others, any of which may see their effectiveness enhanced by the use of AI. As attempted attacks continue to evolve in scope and sophistication, the Group may incur significant costs in order to modify or enhance its protective measures against such attacks, or to investigate or remediate any vulnerability or resulting breach, or in communicating cyberattacks, data breaches, data losses or other security incidents to its customers, affected individuals or regulators, as applicable.

If the Group cannot maintain effective and secure proprietary, confidential, sensitive and personal data, or if the Group or its third-party vendors fall victim to successful cyberattacks, penetrations, compromises, breaches or circumventions of the Group's information technology systems or networks, such as the 2024 Unauthorised Access, or experience other, data breaches, data losses or other security incidents in the future, the Group may incur substantial costs and suffer other negative consequences, such as disruption to its operations, misappropriation of personal, proprietary, confidential or sensitive information, remediation costs (including liabilities for stolen assets or information, repairs of system damage, among others), increased cybersecurity protection costs, lost revenues arising from the unauthorised use of personal, proprietary, confidential or sensitive information or the failure to retain or attract its customers following an operational or security incident, litigation and legal risks (including claims from customers, employees or other third parties, regulatory action, reporting obligations, investigation, fines and penalties), increased insurance premiums, reputational damage affecting its customers' and the investors' confidence, as well as damages to the Group's competitiveness, stock price and long-term shareholder value. In addition, the Group's remediation efforts may not be successful, and it may not have adequate insurance to cover these losses. While the Group maintains insurance coverage, it cannot assure that such coverage will be adequate or otherwise protect the Group from liabilities or damages with respect to claims alleging compromises of proprietary, confidential, sensitive or personal data or otherwise relating to data privacy, data protection and cybersecurity matters. In addition, the Group cannot be sure that its existing insurance coverage will continue to be available on acceptable terms or at all, or that its insurers will not deny coverage to any future claim. Moreover, even when a failure of or interruption in the Group's or its third-party vendors' systems or facilities is resolved in a timely manner or an attempted cyberattack, data breach, data loss or other security incident is successfully avoided or thwarted, substantial resources and management attention are expended in doing so, and to successfully avoid or resolve any such incidents, the Group may be required to take actions that could adversely affect customer satisfaction or retention, as well as harm its reputation.

Any of the cyberattacks, data breaches, data losses and other security incidents described above could have a material adverse effect on the Group's business, financial condition and results of operations.

Liquidity and Funding Risks

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

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

The cost of the Group to obtain funding is directly related to prevailing interest rates and to its credit spreads. Increases in interest rates and/or in the Group credit spreads could significantly increase the cost of its funding. For example, throughout 2022 and 2023 the ECB, the Bank of England, the Federal Reserve and other central banks increased interest rates to contain inflation and it was not until mid-2024 that they started to decrease rates. Credit spreads variations are market-driven and may be influenced by market perceptions of creditworthiness of the Group. Changes to interest rates and in the credit spreads of the Group may occur frequently and could be unpredictable and highly volatile.

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

Difficulties or liquidity issues faced by certain financial entities could cause withdrawals of deposits from these entities and volatility in international markets. The spread or potential spread of these or other issues to the broader financial sector could have a material adverse effect on the Group's operating results, financial condition and prospects.

Central banks took extraordinary measures to increase liquidity in the financial markets as a response to the financial crisis and the covid-19 pandemic. In Europe, the ECB’s pandemic emergency purchase programme ("**PEPP**") finalised at the end of March 2022, although maturing principal payments haven been repurchased until December 2024. The progressive removal of these facilities could have an adverse effect on the ability of the Group to access liquidity and on the Group’s funding costs.

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

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

Finally, the implementation of internationally accepted liquidity ratios might require changes in business practices that affect the profitability of the Group. The liquidity coverage ratio ("**LCR**") is a liquidity standard that measures if banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. At 31 December 2024, the LCR ratio including liquidity transfer restrictions of the Group was 153 per cet., above the 100 per cent. minimum requirement. The net stable funding ratio ("**NSFR**") provides a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their activities. At the end of 2024, the NSFR ratio of the Group stood at 126 per cent. for the Group and over 100 per cent. for all of the Group’s main subsidiaries.

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

Credit ratings affect the cost and other terms upon which the Group is able to obtain funding. Rating agencies regularly evaluate the Group, and their ratings of its debt are based on internal methodologies dependant on a number of factors, including its financial strength and conditions affecting the financial services industry. In addition, due to the methodology of the main rating agencies, the credit rating of the Group is affected by the rating of Spanish sovereign debt. The Group credit rating is in most cases above Spain’s sovereign debt rating; however, if Spain’s rating is downgraded the credit rating of the Group would also likely be downgraded.

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

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

Rating agency	Long term	Short term	Last report date	Outlook
Banco Santander, S.A.				
Fitch Ratings (1)	A- (Senior A)	F2 (Senior F1)	February 2025	Stable
Moody's (2)	A2	P-1	October 2024	Positive
Standard & Poor's (3)	A+	A-1	September 2024	Stable
DBRS (4)	A (High)	R-1 (Medium)	September 2023	Stable
Santander UK plc				
Fitch Ratings (1)	A+	F1	May 2024	Stable
Moody's (2)	A1	P-1	February 2024	Stable
Standard & Poor's (3)	A	A-1	October 2024	Stable
Banco Santander (Brasil), S.A.				
Moody's (2)	Baa3	-	October 2024	Positive
Standard & Poor's (3)	BB	B	September 2024	Stable

(1) Fitch Ratings Ireland Limited (Fitch Ratings).
(2) Moody's Investor Service Spain, S.A. (Moody's).
(3) S&P Global Ratings Europe Limited (Standard & Poor's).
(4) DBRS Ratings Limited (DBRS).

The Group conducts substantially all of its material derivative activities through Banco Santander and Santander UK. The Group estimates that as of 31 December 2024, if all the rating agencies were to downgrade Banco Santander's long-term senior debt ratings by one notch the Group would be required to post up to €227 million in additional collateral pursuant to derivative and other financial contracts. A hypothetical two-notch downgrade would result in a further requirement to post up to €237 million in additional collateral. The Group estimates that as of 31 December 2024, if all the rating agencies were to downgrade Santander UK's long-term credit ratings by one notch, and thereby trigger a short-term credit rating downgrade, this could result in contractual outflows from Santander UK's total liquid assets of £2.4 billion (equivalent to €2.9 billion) of cash and additional collateral that Santander UK would be required to post under the terms of secured funding and derivatives contracts. A hypothetical two-notch downgrade would result in a further outflow of £0.7 billion (equivalent to €0.8 billion) of cash and collateral under secured funding and derivatives contracts.

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

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

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

Market Risks

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

The Group's financial results are constantly exposed to market risk. In 2022, 2023 and 2024, inflationary pressures, increases in the prices of energy, oil, gas and other commodities and the continuance or escalation of the wars in Ukraine and the Middle East caused and could continue to cause high market volatility, which could materially and adversely affect the Group and its trading and banking book.

Economic activities exposed to market risk include (i) transactions where risk is assumed as a consequence of potential changes in interest rates, inflation rates, exchange rates, stock prices, credit spreads, commodity prices, volatility and other market factors, (ii) the liquidity risk from the Group's and markets, and (iii) the balance sheet liquidity risk. Therefore, they include trading risks and structural risks.

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

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

A low interest rate environment, such as that experienced in the eurozone, in the UK and in the United States in the period 2013-2022, could result in rates on many of the interest-bearing deposit products of the Group being priced at or near zero or negative, limiting its ability to further reduce rates and could negatively impact its margins and the Group's results of operations.

Throughout 2022 and 2023, central banks, including the ECB, the Bank of England and the Federal Reserve, increased interest rates to contain inflation. During 2023 and 2024 inflation slowly converged towards central banks objectives allowing rate cuts during the second half of 2024.

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

Exchange rate risk is the possibility of loss because the currency of a long or open position will depreciate against the base currency. It can affect debt in subsidiaries whose local currency is not the euro, as well as loans denominated in a foreign currency.

Equity risk is the possibility of loss from open positions in securities if their market price or expected future dividends fall. It affects shares, stock market indices, convertible bonds and derivatives with shares as the underlying asset (put, call, equity swaps, etc.).

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

Other market risks include inflation rate risk, credit spread risk, commodity price risk and volatility risk.

Additionally, other more complex coverage market risks are considered, such as correlation risk, market liquidity risk, prepayment or cancellation risk and subscription risk. In addition, balance sheet liquidity risk (unlike market liquidity risk) is the possibility of loss caused by forced disposal of assets or cash flow imbalance if the bank meets its payment obligations late or at excessive cost. It can cause losses by forced asset sales or impacts on margins due to the mismatch between expected cash inflows and outflows.

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

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

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

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

Main risks metrics

1. Trading market risk management

The standard methodology that the Group applies for risk management is Value at Risk (VaR), which measures the maximum expected loss within a certain confidence level and time frame. The trading portfolio VaR corresponds to the Santander Corporate & Investment Banking (SCIB) segment and closed December 2024 at €18.7 million, being interest rates the most significant risk factor. The VaR is measured with a confidence level of 99 per cent. and a temporary horizon of one day.

2. Structural interest rate risk

Net interest income (NII) sensitivity

At 31 December 2024, the risk on net interest income over a one year period, measured as the sensitivity to parallel changes in the worst-case scenario of ±100 basis points, (i) was positive in Europe (i.e., a decrease in interest rates would potentially produce a decrease in net interest income) and concentrated mainly in the euro, at €877 million, the British pound at €211 million, the Polish zloty, at €61 million; and the US dollar, at €54 million, (ii) was positive in North America (i.e. a decrease in interest rates would potentially produce a decrease in net interest income) and the risk was mainly located in the United States (€125 million), and (iii) was negative in South America (i.e., a decrease in interest rates would potentially produce in increase in net interest income) and was mainly found in Chile (€4 million) and Brazil (€124 million).

Economic value of equity (EVE) sensitivity

At 31 December 2024, the risk on economic value of equity over a one year period, measured as the sensitivity to parallel changes in interest rates of the worst-case scenario of ±100 basis points, (i) in Europe, the main balances were negative in the UK and positive in Spain in the same scenario, concentrated mainly in the euro, at €753 million, the British pound at €662 million, the US dollar, at €132 million and the Polish zloty, at €244 million, mostly with risk of rate increase, (ii) was negative in North America with the most significant risk recorded in the US (€639 million), and (iii) in South America was negative with the most significant risk recorded in Chile (€323 million) and in Brazil (€411 million).

3. Structural foreign currency rate risk

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

At 31 December 2024, the Group's permanent exposures (with potential impact on shareholders' equity) were, from largest to smallest, in US dollars, British pounds sterling, Brazilian reais, Mexican pesos, Polish złoty and Chilean pesos and Polish złoty.

The sensitivity of the consolidated income statement and consolidated equity to percentage changes of ± 1% in the foreign exchange rate positions arising from investments in the Group's companies with currencies other than the euro (with its hedges) and in their results (with its hedges), in which the Group maintains significant balances is shown in note 2.a.v to the Group's consolidated financial statements included in Part 1 of the annual report on Form 20-F.

4. Structural equity risk

Structural equity positions are exposed to market risk. The Group calculates its VaR with a set of market prices and proxies. At the end of the year 2024, VaR at a 99 per cent. confidence level over a one-day horizon was €127 million (€171 million and €195 million in 2023 and 2022, respectively).

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

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

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

At 31 December 2024, the notional value of the trading derivatives in the books of the Group amounted to €9,978,141 million (with a fair value of €64,100 million of debit balance and €57,753 million of credit balance).

At 31 December 2024, the nominal value of the hedging derivatives in the books of the Group within its financial risk management strategy and with the aim of reducing asymmetries in the accounting treatment of its operations amounted to €511,727 million (with fair value of €5,672 million in assets and €4,752 million in liabilities).

Risks related to the industry of the Group

Goodwill impairments may be required in relation to acquired businesses

The Group has made business acquisitions in recent years and may make further acquisitions in the future. It is possible that the goodwill which has been attributed, or may be attributed, to these businesses may have to be written-down if Group's valuation assumptions are required to be reassessed as a result of any deterioration in their underlying profitability, asset quality and other relevant matters. Impairment testing in respect of goodwill is performed annually, or more frequently if there are impairment indicators present, and comprises a comparison of the carrying amount of the cash-generating unit with its recoverable amount. Goodwill impairment does not, however, affect the regulatory capital of the Group. No impairment was recognised in 2022, while in 2023 and 2024 the Group recognised €20 million and €4 million, respectively. There can be no assurances that the Group will not have to write down the value attributed to goodwill in the future, which would adversely affect the Group's results and net asset.

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

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

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

At 31 December 2024, the provision for pensions and other obligations of the Group amounted to €2,646 million.

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

Some of the operations of the Group are conducted through its financial services subsidiaries. As a result, its ability to pay dividends, to the extent the Group decides to do so, depends in part on the ability of its subsidiaries to generate earnings and to pay dividends to the Group. Payment of dividends, distributions and advances by the subsidiaries of the Group will be contingent upon their earnings and business considerations and is or may be limited by legal, regulatory and contractual restrictions. For instance, the repatriation of dividends from its Argentine subsidiaries have been subject to certain restrictions. Additionally, the right of the Group to receive any assets of any of its subsidiaries as an equity holder of such subsidiaries upon their liquidation or reorganisation will be effectively subordinated to the claims of its subsidiaries' creditors, including trade creditors. The Group also has to comply with increased capital requirements, which could result in the imposition of restrictions or prohibitions on "discretionary payments" including the payment of dividends and other distributions to the Group by its subsidiaries.

In 2020, given the uncertainty about the economic impact of the covid-19 pandemic, the ECB, the Prudential Regulation Authority of the UK and the Federal Reserve of the United States, imposed limitations on the distribution of dividends which were in force until the third quarter of 2021. Since then, supervisors assess the capital and dividend distribution plans for each entity as part of their regular supervisory process and make individualised recommendations.

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

At 31 December 2024, dividend income for Banco Santander, S.A. represented 4 per cent. of its total income.

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

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

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

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

New competitors may enter the market or existing competitors may adjust their services with unique product or service offerings or approaches to providing banking services. If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends, including technological changes, its business may be adversely affected. In addition, the failure of the Group to effectively anticipate or adapt to emerging technologies or changes in customer behaviour, including among younger customers, could delay or prevent its access to new digital-based markets, which would in turn have an adverse effect on its competitive position and business. Furthermore, the widespread adoption of new technologies, including distributed ledger, AI and/or biometrics, to provide services such as digital currencies, cryptocurrencies and payments, could require substantial expenditures to modify or adapt the existing products and services of the Group as it continues to grow its internet and mobile banking capabilities and could entail new direct risks (including financial and non-financial risks) and indirect risks related to loss of business opportunities. Its customers may choose to conduct business or offer products in areas that may be considered speculative or risky. Further growth of such new technologies and mobile banking platforms could negatively impact the value of the investments of the Group in bank premises, equipment and personnel for its branch network. The persistence or acceleration of this shift in demand towards internet and mobile banking may necessitate further changes to its retail distribution strategy, which may include closing, restructuring and/or selling certain branches of the Group (as the Group has been doing in recent years). These actions could lead to losses on these assets and may lead to increased expenditures to renovate, reconfigure or close a number of its remaining branches or to otherwise reform its retail distribution channel. Furthermore, if the Group fails to implement such changes to its distribution strategy swiftly and effectively could have an adverse effect its competitive position.

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

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

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

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

The Group allocates management and planning resources to develop strategic plans, priorities, policies and targets, including for organic growth, and to identify potential acquisitions, divestitures and areas for restructuring its businesses. The execution of these initiatives is subject not only to external factors but also to its decisions, including those that alter or redefine its business practices, operational frameworks, strategic objectives, corporate priorities, internal policies, and procedural guidelines. The Group cannot provide assurance that it will, in all cases, be able to deliver its strategic plans, priorities, policies and targets.

Furthermore, in order to grow and remain competitive, the Group will need to adapt to changes to meet the demands and expectations of regulators, its clients, shareholders and other stakeholders, including in relation to matters of public policy, regardless of whether there is a legal requirement to do so. The Group cannot guarantee that it will be able to implement changes to any of its strategic plans, priorities, policies and targets, in a timely and appropriate manner, or that it will be able to accurately predict trends, initiatives and business practices of financial institutions. It is also possible that regulators, its clients, shareholders and other stakeholders might not be satisfied or even disagree with its strategic plans, priorities, policies and targets, or the speed of their adoption, implementation, evolution and consequences.

From time to time, the Group evaluates acquisition and partnership opportunities that it believes offer additional value to its shareholders and are consistent with its business strategy. However, the Group may not be able to identify suitable acquisition or partnership candidates, and its ability to benefit from any such acquisitions and partnerships will depend in part on its successful integration of those businesses. Any such integration entails significant risks such as unforeseen difficulties in integrating operations and systems, unexpected liabilities or contingencies relating to the acquired businesses, including legal claims and delivery and execution risks. The Group can give no assurances that its expectations with regards to integration and synergies will materialise. In addition, any acquisition or venture could result in inconsistencies in standards, controls, procedures and policies. Moreover, the success of any acquisition or venture will, at least in part, be subject to a number of political, economic and other factors that are beyond the control of the Group. Any of these factors, individually or collectively, could have a material adverse effect on the Group.

The challenges that may arise from its decisions include:

- managing efficiently the operations and employees of expanding businesses;
- maintaining or growing its existing customer base;
- assessing the value, strengths and weaknesses of investment or acquisition candidates, including local regulation that can reduce or eliminate expected synergies;
- financing strategic investments or acquisitions;
- aligning its current information technology systems adequately with those of an enlarged group;
- applying its risk management policy effectively to an enlarged group;
- managing a growing number of entities without over-committing management or losing key personnel; and
- meeting the expectations of regulators and its clients, shareholders and other stakeholders.

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

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

Any failure to manage growth effectively, an inability to successfully adapt to changing conditions or to execute successfully any of its strategic actions, or any changes in its business practices, operational framework, strategic objectives, corporate priorities, internal policies and procedural guidelines could have a material adverse effect on its operating results, financial condition and prospects.

BANCO SANTANDER, S.A.

The following text shall replace in its entirety the text in the sub-section entitled "Banco Santander, S.A. / Description of the Issuer" on page 300 of the Base Prospectus:

The description of the Issuer is set out in certain sections of the 2024 Annual Report. These sections have been incorporated by reference into this Base Prospectus (see "*Documents Incorporated by Reference*", which provides a table reconciling the content of this section with the corresponding page number(s) of the 2024 Annual Report containing such information).

GENERAL INFORMATION

The following text shall replace paragraphs 6 and 7 in the section entitled "General Information" on page 318 of the Base Prospectus:

6. Since 31 December 2024 there has been no material adverse change in the prospects of the Issuer.

7. Since 31 December 2024 there has been no significant change in the financial position or financial performance of the Issuer.