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Risk & Capital Analysis

Banco Santander SA

Reporting Period: H1 2026 (30 June 2026)

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RISK VIEW
Risk Analytics for Financial Institutions

Produced by the Risk Analytics team
Dynamic Strategies

Contents

Executive Summary

Overall Assessment: Stable

Key Findings

- Santander's phased-in CET1 ratio of 14.0% at 30 June 2026 (ranked 4 of 7; peer median 14.0%) sits 401bps above its MDA trigger, the widest buffer in the group. The ratio already absorbs -55bps from TSB, but Webster (closed August 2026, c.-150bps) takes it back to the 12.8-13% year-end target.(1)(7)
- Profitability is a clear strength. Reported RoTE of 17.4% (2 of 7) includes the EUR 1.9bn Poland gain; underlying RoTE is 15.6%. The cost-to-income ratio of 42.8% is the best of the 7 banks, which funds a cost of risk of 115bps, against a peer median of 41bps.(1)
- Asset quality is stable but carries a consumer and emerging-market tilt. The NPL ratio of 2.93% uses Santander's own definition, not the EBA ratio, and was flat year on year. Credit-impaired balances rose 15% to EUR 37.6bn, Stage 2 exposure grew 13% and the Openbank consumer unit runs an NPL ratio of 5.61%.(1)
- Liquidity is adequate rather than abundant. The 12-month average LCR of 147% (March 2026) compares with a peer median of 140%, NSFR was 122% at 31 March 2026 and the net loan-to-deposit ratio of 101% is the highest of the group, reflecting self-funded subsidiaries.(7)
- In the EBA 2025 stress test, Santander's fully loaded CET1 fell 173bps, from 12.2% to a 10.5% trough, against a 370bps EU aggregate. This is the smallest depletion in the peer dataset, although peers were tested under different exercises.(3)
- The group's perimeter changed materially in 2026: Poland was sold (+95bps CET1) and TSB and Webster were bought. The business mix shifts towards the UK and US, and integration execution becomes the main non-credit risk for 2026-27.(1)

Key Metrics Dashboard

Metric	Value	Status	Comment
CET1 Ratio (14.0%)	14.0%	GREEN	Rank 4 of 7; median 14.0%; phased-in
MDA Headroom (401bps)	401bps	GREEN	Rank 1 of 7; peer median 271bps
Leverage Ratio (4.81%)	4.81%	AMBER	131bps over 3.5% requirement; rank 4 of 7
MREL (40.9%)	40.9%	GREEN	Mar-26; requirement 31.17% of RWA from Apr-26
LCR (147%)	147%	GREEN	12m average, Mar-26; peer median 140%
NSFR (122%)	122%	AMBER	Mar-26; lowest of the last five quarters
NPL Ratio (2.93%)	2.93%	AMBER	Bank definition (not EBA); rank 7 of 7
Stage 3 Coverage (41.7%)	41.7%	AMBER	Rank 2 of 7; headline total coverage 64%
Cost of Risk (115bps)	115bps	RED	Rank 7 of 7; consumer, Argentina, Mexico
RoTE (17.4%)	17.4%	GREEN	Underlying 15.6%; rank 2 of 7
Cost-to-Income (42.8%)	42.8%	GREEN	Rank 1 of 7; peer median 55.0%
Webster CET1 impact	c.-150bps	AMBER	Closed 20 Aug 2026; year-end CET1 target 12.8-13%

Improving: capital and risk metrics trending positively. Stable: metrics broadly unchanged. Deteriorating: material weakening in key risk di

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.

(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.

(3) EBA, 2025 EU-wide Stress Test Results, 1 August 2025 (Tables A1 and A2).

Macroeconomic Context

Spain remains one of the faster-growing large euro area economies. Banco de Espana projects real GDP growth of 2.3% in 2026 and 1.7% in 2027, after 2.8% in 2025, with unemployment easing from 10.5% to 9.8%.(4) The June 2026 projections, however, raised 2026 HICP inflation to 3.6% because of the energy price shock from the conflict in the Middle East, and they assume a 3-month Euribor of 2.4% in 2026 and 2.8% in 2027, both above the March exercise.

Monetary policy has turned. The ECB raised its three key rates by 25bps on 11 June 2026, taking the deposit facility rate to 2.25%, and held them on 23 July 2026.(5) Banco de Espana noted that markets were pricing roughly 42bps of further cumulative hikes by the end of 2026. For a retail-funded group with positive net interest income sensitivity to higher rates, this supports euro NII, but it also raises the cost of time deposits and puts pressure on the economic value of fixed-rate books.

Santander's earnings are spread well beyond Spain, so the group's credit cycle is the sum of several distinct macro regimes. Management's H1 2026 review shows Q1 2026 real GDP growth of 0.9% year on year in the UK (Bank Rate held at 3.75%), 2.7% in the US (Fed funds 3.50-3.75%), 1.8% in Brazil (Selic cut to 14.25%) and 0.2% in Mexico (policy rate 6.50%).(1) Brazil's high real rates sustain margins but keep consumer credit costs elevated, while US inflation of 3.5% has pushed the Federal Reserve back towards a tightening bias.

Macro Projections: Spain

Indicator	2025	2026E	2027E	2026 rev. vs Mar	Source
Real GDP growth	2.8%	2.3%	1.7%	0.0pp	BdE (4)
Unemployment rate	10.5%	10.0%	9.8%	+0.1pp	BdE (4)
HICP inflation	2.7%	3.6%	2.6%	+0.6pp	BdE (4)
3M Euribor (level)	2.2%	2.4%	2.8%	+0.1pp	BdE (4)
10Y Spanish bond yield	3.2%	3.5%	3.7%	+0.1pp	BdE (4)
Gov. debt / GDP	100.7%	98.9%	97.9%	-0.3pp	BdE (4)

Medium-Term Outlook for Santander's Business Model

- Higher euro rates are a mixed blessing. At December 2025 Santander disclosed a NII gain of EUR 668mn under the supervisory parallel-up shock but an economic value of equity loss of EUR 7,049mn, up from EUR 4,765mn a year earlier.(2) With the ECB now tightening, NII should benefit in the euro businesses, while fair value and EVE sensitivity need active hedging.
- Spain's growth premium over the euro area (2.3% versus a Eurosystem projection of 0.8% for 2026) supports mortgage and SME volumes and the low cost of risk in Spanish retail. The risk is a slower real-income recovery as inflation returns to 3.6%.
- The UK franchise has been rebuilt around TSB, consolidated from May 2026 with around EUR 53bn of assets, mostly residential mortgages. Integration costs, UK motor finance redress (EUR 245mn gross provisions in H1 2026) and mortgage margin competition will set the pace of return improvement.(1)
- The US becomes a second anchor. Webster closed on 20 August 2026 (1), adding a commercial and deposit-rich franchise to a US book dominated by auto consumer credit. The deal consumes about 150bps of CET1, so returns in the US must rise to justify the capital deployed.
- Latin America remains the high-return, high-cost-of-risk engine. Brazil's Selic of 14.25% and Argentina's volatile credit cycle keep provisioning structurally above European peers, which is visible in the group's cost of risk of 115bps.(1)
- Capital distribution now competes with M&A. Management targets a year-end CET1 ratio of 12.8-13%, the top of its 12-13% operating range, while also running share buybacks of about EUR 9bn delivered or approved against a EUR 10bn 2025-26 commitment. The Spanish countercyclical buffer rises again from 1 October 2026.(2)

(4) Banco de Espana, Macroeconomic projections for the Spanish economy, June 2026 (cut-off 27 May 2026).
(5) ECB monetary policy decisions of 11 June 2026 and 23 July 2026.
(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(2) Banco Santander Pillar 3 reports (Q1 2026; FY2025, 25 Feb 2026) and SREP 2026 requirements notice (30 Oct 2025).

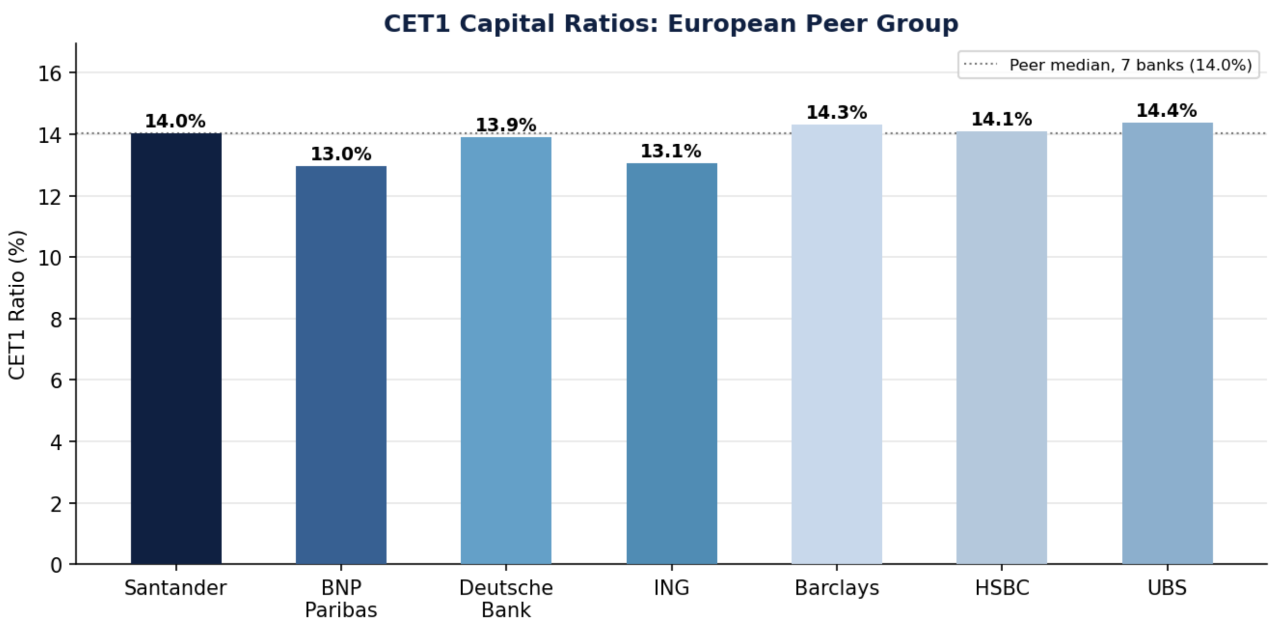
1. Capital Position

Santander ended June 2026 with a phased-in CET1 ratio of 14.02%, a Tier 1 ratio of 15.7% and a total capital ratio of 18.77%.(1) CET1 capital was EUR 86.4bn against RWAs of EUR 616.8bn.(1) The CET1 ratio ranks 4 of 7 in the seven-bank peer group and is in line with the median of 14.02%. That is a middling position in a tightly bunched group, but Santander's lower requirement gives it the widest distance to MDA.(7)

The second-quarter CET1 walk shows solid organic generation masked by M&A. The ratio fell from 14.4% to 14.0%: attributable profit added 61bps, distribution accruals consumed 33bps, net RWA growth 1bp, model updates added 4bps, the TSB acquisition cost 55bps and DTA-related deductions 11bps. In Q1 the Poland disposal had added 95bps before the EUR 3.2bn extraordinary buyback.(1)

RWA density of 31.6% is the highest in the peer group. This reflects a retail and emerging-market balance sheet, with standardised exposures making up 60% of credit RWA at March 2026, rather than conservative modelling. The CRR3 output floor is not binding: the KM1 floored and unfloored CET1 ratios were identical at March 2026.(2) The leverage ratio of 4.81% ranks 4 of 7 among peers and only 131bps above the 3.50% overall requirement, which is the tighter of Santander's two capital constraints in practice.

CET1 Ratios: European Peer Group



Capital Requirements, MDA and Capital Structure

The ECB's 2025 SREP left Santander's Pillar 2 requirement unchanged at 1.74%, of which at least 0.98% must be met with CET1; 9bps of it is an add-on for NPL calendar provisioning.(2) Management puts the group's CET1 requirement at 9.83%: Pillar 1 4.50%, P2R 0.98%, capital conservation buffer 2.50%, O-SII buffer 1.25%, countercyclical buffer 0.55% and systemic risk buffer 0.06%. The resulting MDA distance of 401bps is net of a 17bps AT1 shortfall that has to be covered with CET1, which puts the effective MDA trigger at 10.01%.(1) The Spanish CCyB rises by a further 0.50% on Spanish exposures from 1 October 2026, adding to the requirement.

Two acquisitions define the capital outlook. TSB (GBP 2.9bn, closed 30 April 2026) cost 55bps. Webster (USD 12.2bn) closed on 20 August 2026 and management estimates its impact at c.-150bps.(1) Mechanically deducting 150bps from June would give about 12.5%; management expects H2 organic generation to lift year-end CET1 to 12.8-13%, which would sit below the current peer median of 14.0%. Loss-absorbing capacity is ample: MREL was 40.9% and TLAC 28.32% of resolution-group RWA at March 2026, against a new MREL requirement of 31.17% from 14 April 2026.(2)

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.
(2) Banco Santander Pillar 3 reports (Q1 2026; FY2025, 25 Feb 2026) and SREP 2026 requirements notice (30 Oct 2025).

Capital Ratios Comparison

The MREL/TLAC row mixes bases: BNP Paribas is TLAC; Santander, Deutsche Bank, ING and Barclays are MREL; HSBC is TLAC summed across resolution groups; UBS is Swiss TLAC.

Metric	Santander	BNP Par.	Deutsche	ING	Barclays	HSBC	UBS	Median
CET1 ratio	14.0%	13.0%	13.9%	13.1%	14.3%	14.1%	14.4%	14.0%
Tier 1 ratio	15.7%	15.5%	17.2%	15.7%	18.0%	16.7%	19.1%	16.7%
Total capital	18.8%	17.7%	19.0%	18.7%	20.3%	19.7%	19.1%	19.0%
Leverage ratio	4.8%	4.4%	4.5%	4.2%	4.9%	4.9%	5.8%	4.8%
MDA headroom	401bps	254bps	271bps	197bps	210bps	300bps	355bps	271bps
MREL/TLAC	40.9%	27.1%	36.4%	32.5%	36.7%	33.0%	38.4%	36.4%

RWA Composition (Q1 2026 Pillar 3 basis, 31 March 2026)

Risk type	EUR bn (Mar-26)	Share of RWA	Peer median share
Credit risk (excl. CCR)	449.5	74.9%	67.1%
CCR and CVA	16.8	2.8%	6.0%
Market risk	22.2	3.7%	5.1%
Operational risk	94.6	15.8%	14.1%
Securitisation and settlement	17.4	2.9%	n/a
Total RWA (Mar-26)	600.5	100.0%	
Total RWA (Jun-26, results)	616.8		

2. Liquidity Position

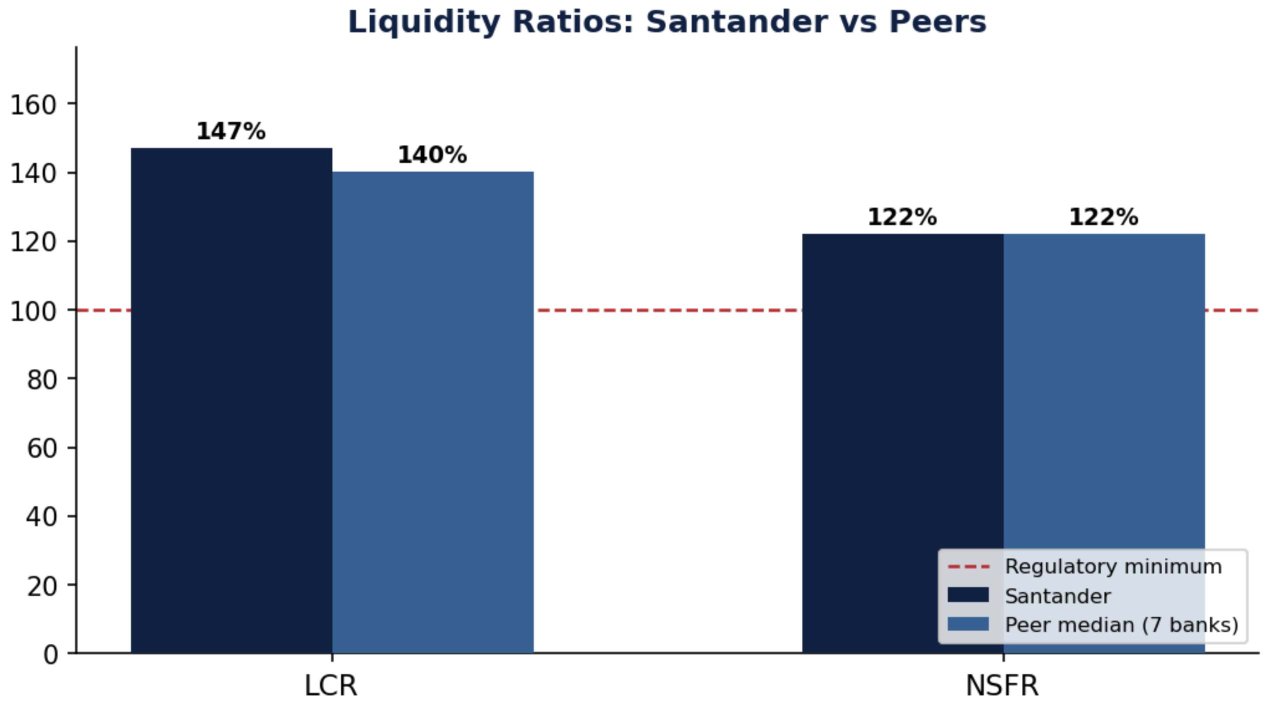
Santander reports three different LCR figures, and the choice matters for peer comparison. The consolidated LCR, calculated under the ECB methodology that ignores subsidiary surpluses above 100%, was 146% at end-June 2026. The internal 'Group LCR' headlined in the results was 155%. The Pillar 3 KM1 figure, a 12-month average of month-ends, was 147% at March 2026.(1)(2) This report uses the Pillar 3 12-month average, the dataset's standard basis, which is 6.9pp above the peer median of 140% and ranks 3 of 7 in the group. LCR bases: 12-month average for BNP Paribas, Deutsche Bank, Santander, ING, Barclays and HSBC; quarterly average for UBS.

The structural picture is less comfortable than the headline. NSFR was 122% at 31 March 2026, ranking 4 of 7 among peers and the lowest of the five quarters disclosed in KM1 (126% at December 2025). June 2026 NSFR has not yet been published. The net loan-to-deposit ratio of 101% is the highest of the group, against a peer median of 81%, although loan-to-deposit definitions vary by bank.(7) This is the cost of Santander's decentralised model, in which each subsidiary funds its own loan book locally and liquidity is not freely transferable across jurisdictions.

Buffer quality is high: about 95% of the LCR numerator is Level 1, mainly sovereign debt of the countries where the group operates.(2) H1 2026 wholesale activity was measured. Issuance comprised EUR 14.0bn of senior debt, EUR 6.8bn of covered bonds and EUR 9.8bn of TLAC-eligible instruments, against EUR 25.8bn of maturities.(1)

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(2) Banco Santander Pillar 3 reports (Q1 2026; FY2025, 25 Feb 2026) and SREP 2026 requirements notice (30 Oct 2025).
(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.

Liquidity Ratios vs Peer Median



Liquidity Metrics

Metric	Santander	Peer median	Santander basis
LCR (12-month average)	147%	140%	Pillar 3 LIQ1/KM1, 31 Mar 2026
LCR (consolidated spot)	146%	n/a	ECB methodology, 30 Jun 2026
Group LCR (internal)	155%	n/a	Internal methodology, 30 Jun 2026
NSFR	122%	122%	KM1, 31 Mar 2026
HQLA, EUR bn	297	300	KM1 12-month average, 31 Mar 2026
Loan-to-deposit	101%	81%	Net, 30 Jun 2026 (bank definition)

3. Asset Quality

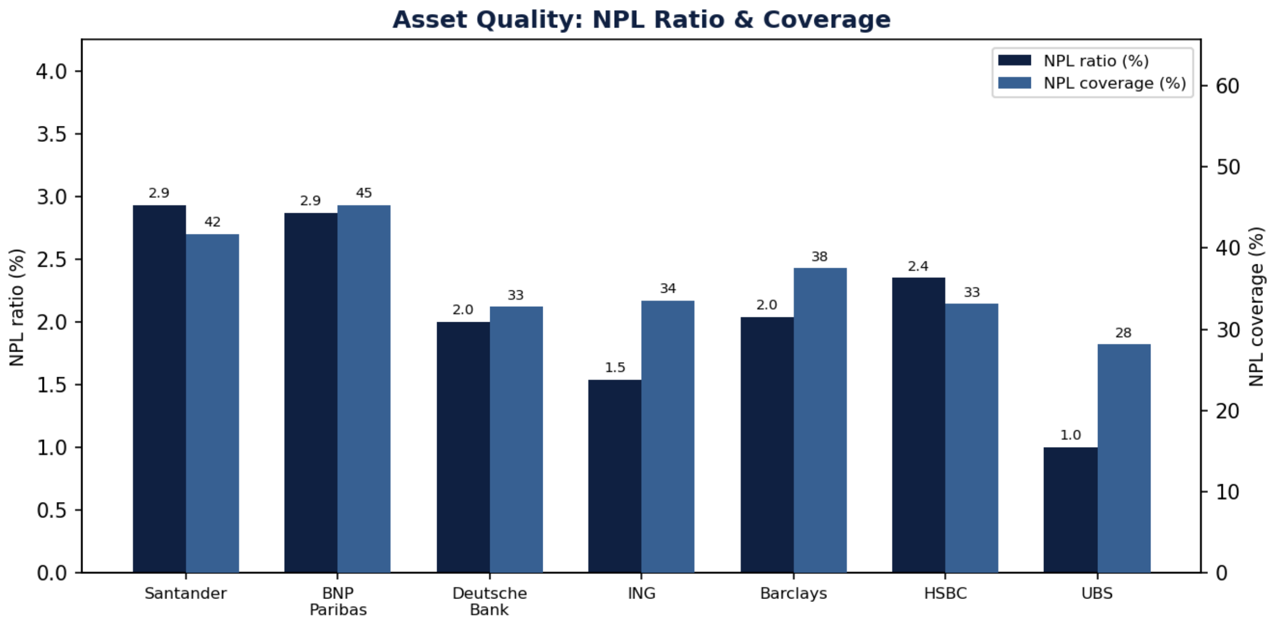
Santander's NPL ratio was 2.93% at June 2026, 7bps better quarter on quarter and 3bps worse than a year earlier.(1) This is Santander's own measure, not the EBA NPL ratio. The numerator is credit-impaired loans, guarantees, undrawn balances and debt securities of non-financial companies (EUR 37.6bn); the denominator is 'total risk' of EUR 1,281bn, which includes off-balance-sheet guarantees. EU peers report the EBA ratio and UK and Swiss peers report Stage 3 or credit-impaired ratios, so the ranking (7 of 7) should be read as indicative rather than like-for-like.(7)

The stable ratio hides an underlying build. Credit-impaired balances rose 15.1% year on year, and the ratio only held because total risk grew with TSB and CIB lending. Stage 2 exposure rose from EUR 82bn to EUR 93bn (7.6% of exposure subject to impairment) while Stage 2 coverage fell from 5.7% to 5.4%. Stage 3 coverage, the peer-comparable measure, was 41.7% (42.1% a year earlier; ranked 2 of 7 among peers). Total allowances of EUR 24.2bn cover 64% of credit-impaired balances.(1)

Cost of risk is the defining asset-quality metric for Santander. At 115bps it ranks 7 of 7 in the peer group, against a median of 41bps. It reflects a business mix in which consumer finance (Openbank, cost of risk 2.09%) and Latin America carry structurally higher losses. H1 2026 provisions rose 7% year on year in constant euros, mainly in Argentina.(1)

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.

NPL Ratio & Coverage: Peer Comparison



Credit Quality Trajectory

Metric	Jun-25	Mar-26	Jun-26	Direction
NPL ratio (bank definition)	2.90%	3.00%	2.93%	Flat YoY
Total coverage (headline)	67%	66%	64%	Lower
Cost of risk (12m)	1.13%	1.14%	1.15%	Slightly higher
Stage 2 exposure, EUR bn	82	89	93	Rising
Stage 2 coverage	5.7%	5.7%	5.4%	Lower
Stage 3 coverage (peer basis)	42.1%	41.9%	41.7%	Lower

Credit Quality by Global Business (30 June 2026)

Business	NPL ratio	Cost of risk	Total coverage	Share of credit risk
Retail & Commercial	3.05%	1.19%	66%	55%
Openbank (consumer)	5.61%	2.09%	70%	17%
Corporate & Inv. Banking	1.02%	0.29%	37%	25%
Wealth	1.17%	0.03%	50%	n/a
Total Group	2.93%	1.15%	64%	100%

4. Market Risk & Trading

Market risk is small relative to the balance sheet. Average daily VaR (99%, one-day) for the CIB trading portfolios was EUR 18.0mn in Q2 2026, within a range of EUR 12.6-28.5mn. Interest rate risk dominated, with average interest rate VaR of EUR 15.7mn, and VaR eased as Middle East tensions moderated.(1) Market risk RWA of EUR 22.2bn was 3.7% of total RWA at March 2026, against a peer median share of 5.1%. The Q1 2026 OV1 shows no RWA under the FRTB alternative standardised or internal model rows, so market risk capital is still calculated under the pre-FRTB framework.(2)

Interest rate risk in the banking book is the more material exposure. Under the supervisory shocks disclosed in IRRBB1 at December 2025, a parallel rate rise would reduce the economic value of equity by EUR 7,049mn, up from EUR 4,765mn in the prior period and equivalent to 7.5% of December 2025 Tier 1 capital. The same shock would add EUR 668mn to NII, while a parallel fall would cut NII by EUR 1,942mn.(2) The H1 2026 report confirms that NII remains positively and EVE negatively exposed to rate rises.(1) With the ECB tightening again, the NII upside is being realised, but the larger EVE sensitivity points to fixed-rate asset growth, notably TSB's mortgage book from May 2026, that needs hedging. Structural FX risk is managed to keep CET1 hedge coverage of the main currencies close to 100%.

IRRBB1: Supervisory Shock Sensitivities (Group, EUR mn, 31 Dec 2025)

Shock scenario	EVE (current)	EVE (prior)	NII (current)	NII (prior)
Parallel up	-7,049	-4,765	+668	+637
Parallel down	+3,231	+717	-1,942	-2,255
Steepener	-910	+135	n/a	n/a
Flattener	-1,734	-2,296	n/a	n/a
Short rates up	-3,577	-3,539	n/a	n/a
Short rates down	+1,671	+1,043	n/a	n/a

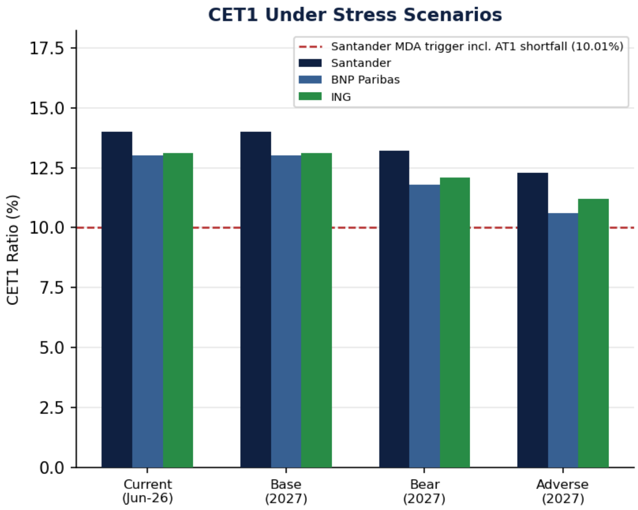
5. Stress Test Results

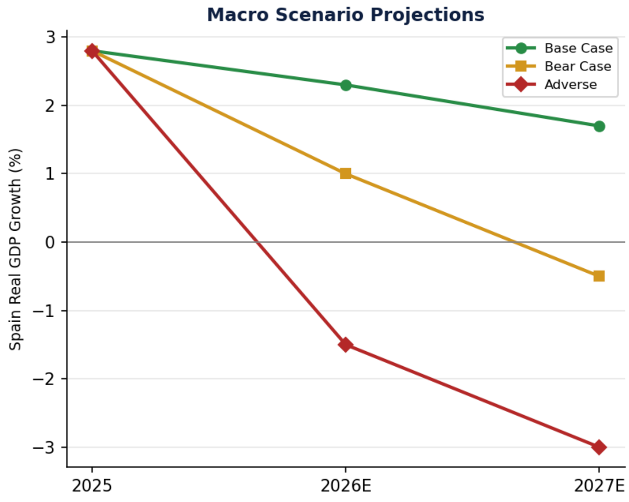
Santander took part in the EBA 2025 EU-wide stress test, which projects balance sheets from end-2024 over 2025-2027. Under the adverse scenario its fully loaded CET1 ratio fell from a CRR3-restated 12.2% (12.8% actual) to a trough of 10.5%, a depletion of 173bps. On a transitional basis the depletion was 187bps. Both compare favourably with the 370bps EU aggregate.(3) The EU peers in this report recorded fully loaded depletions of BNP Paribas 235bps, Deutsche Bank 272bps, ING 187bps. UK and Swiss peers were tested by different authorities and are shown only for context.(7)

The resilience comes from the same source as the high cost of risk. Santander's pre-provision profitability is large enough to absorb stressed credit losses across a diversified footprint, and the static-balance-sheet EBA method gives full credit to that earnings stream. The stress test predates TSB and Webster, and neither is captured. Applying the 173bps depletion to management's 12.8-13% year-end target gives 11.1-11.3%, still above the 10.01% effective MDA trigger, though the Spanish CCyB step-up in October 2026 narrows that gap slightly.

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(2) Banco Santander Pillar 3 reports (Q1 2026; FY2025, 25 Feb 2026) and SREP 2026 requirements notice (30 Oct 2025).
(3) EBA, 2025 EU-wide Stress Test Results, 1 August 2025 (Tables A1 and A2).
(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.

Scenario Analysis: CET1 and Macro Paths





Scenario Assumptions

Variable	Base Case	Bear Case	Adverse
Spain real GDP 2026	+2.3%	+1.0%	-1.5%
Spain real GDP 2027	+1.7%	-0.5%	-3.0%
Spain unemployment 2027	9.8%	11.5%	14.0%
3M Euribor 2027 (level)	2.8%	2.0%	1.5%
CET1 rule vs Jun-26	Held	-50% EBA depl.	-100% EBA depl.
Santander CET1 (2027)	14.0%	13.2%	12.3%

Scenario Narrative

- Base Case: anchored to Banco de Espana's June 2026 projections (4), with Spanish GDP growth of 2.3% in 2026 and 1.7% in 2027 and unemployment falling to 9.8%. Under the shared RiskView rule, CET1 holds at 14.0% as organic generation offsets distributions. In practice Webster's c.150bps deduction lowers the starting point, and management's guidance puts year-end 2026 at 12.8-13%.
- Bear Case (RiskView illustrative): the energy shock persists, the ECB tightens further and Spanish growth slows to 1.0% in 2026 before contracting in 2027. Consumer credit deteriorates in Openbank and Brazil, and UK mortgage arrears rise from a low base. Deducting half of the EBA depletion gives CET1 of 13.2%, 319bps above the effective MDA trigger before the Webster deduction.
- Adverse Scenario (RiskView illustrative, calibrated to EBA 2025 severity): a synchronised recession across Spain, the UK and Latin America, with Spanish GDP down 3.0% in 2027 and unemployment at 14%. Deducting the full 173bps depletion gives 12.3%, or roughly 11.1-11.3% from a post-Webster starting point. That is still above the requirement, but the buffer would force buybacks to be scaled back.

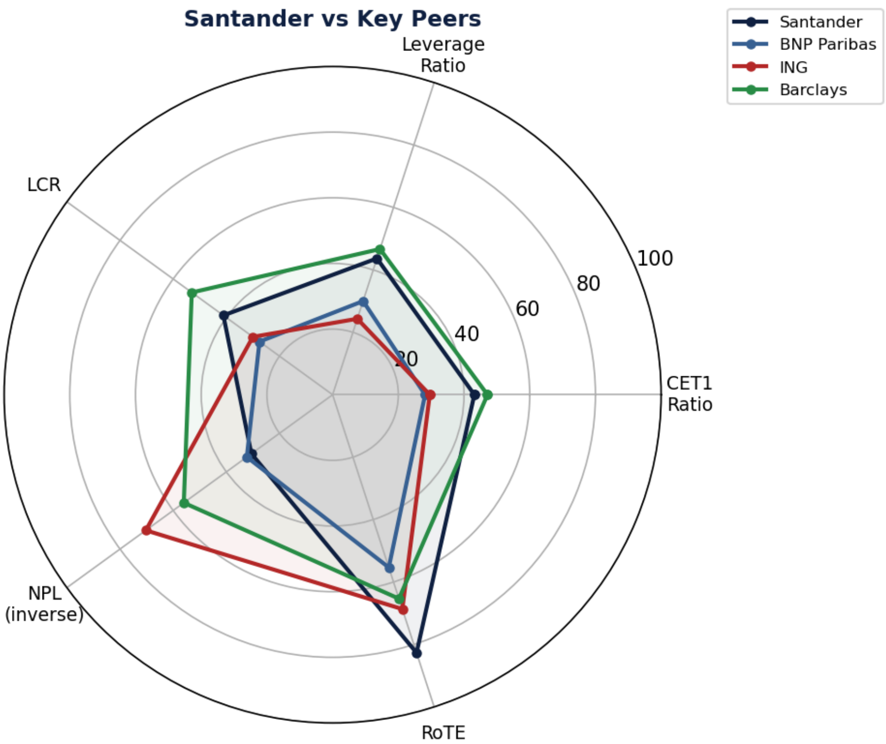
(4) Banco de Espana, Macroeconomic projections for the Spanish economy, June 2026 (cut-off 27 May 2026).

6. Peer Comparison

Peers are BNP Paribas, Deutsche Bank, ING, Barclays, HSBC and UBS. Santander's EUR 1,954bn balance sheet is mid-sized in this group, but its business model is the most retail and emerging-market oriented. That shows in the highest RWA density in the group (31.6%) and in H1 2026 NII of EUR 22.7bn, the largest in the dataset.(7)

The comparison confirms a clear profile: the best of the 7 banks on cost efficiency, the widest of the 7 banks on MDA headroom and the highest of the 7 banks on cost of risk. Capital ratios sit close to the median (amounts in EUR at 30 June 2026 ECB rates). LCR bases: 12-month average for BNP Paribas, Deutsche Bank, Santander, ING, Barclays and HSBC; quarterly average for UBS.

Metric	Santander	BNP Par.	Deutsche	ING	Barclays	HSBC	UBS	Median
CET1 ratio	14.0%	13.0%	13.9%	13.1%	14.3%	14.1%	14.4%	14.0%
Leverage ratio	4.8%	4.4%	4.5%	4.2%	4.9%	4.9%	5.8%	4.8%
LCR	147.0%	134.8%	140.1%	137.0%	157.7%	134.0%	177.3%	140.1%
NSFR	122.0%	108.6%	118.0%	127.7%	135.8%	140.0%	115.0%	122.0%
NPL ratio	2.9%	2.9%	2.0%	1.5%	2.0%	2.4%	1.0%	2.0%
NPL coverage	41.7%	45.3%	32.8%	33.5%	37.5%	33.1%	28.1%	33.5%
RoTE	17.4%	13.3%	11.9%	15.3%	14.8%	18.2%	13.9%	14.8%
Cost/income	42.8%	59.3%	60.9%	52.1%	55.0%	46.2%	72.7%	55.0%
Total assets, EURbn	1,954	3,084	1,521	1,161	2,008	3,018	1,498	1,954
H1 net income, EURbn	9	8	4	4	5	13	5	5



Commentary

- Against BNP Paribas, the other euro area universal bank with a large retail franchise, Santander runs a higher CET1 ratio (14.0% vs 13.0%), a stronger RoTE (17.4% vs 13.3%) and a much lower cost-to-income ratio (42.8% vs 59.3%), but a cost of risk roughly

(7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.

3 times higher (115bps vs 39bps).(7)

- ING is the closest peer by G-SIB bucket and retail orientation. Its CET1 ratio is 13.1%, leverage 4.2% and RoTE 15.3%, against Santander's 14.0%, 4.8% and 17.4%.
- Barclays is Santander's main UK competitor now that TSB is consolidated. Barclays reports CET1 of 14.3% and leverage of 4.9%. Its leverage ratio is measured on the UK basis, which excludes central bank claims, so it overstates the gap to Santander's 4.8% on the EU basis.
- HSBC leads on RoTE (18.2%) and UBS on LCR (177%). Santander's advantage lies in the combination of returns and efficiency rather than in balance-sheet liquidity.
- Santander's reported NPL ratio (2.93%) ranks 7 of 7 in the group, but it uses a wider denominator than the EBA ratio and a different numerator from UK and Swiss Stage 3 measures. Cost of risk, 115bps against a median of 41bps, is the cleaner signal of higher loss content.

7. Year-over-Year Changes

Year on year, CET1 rose 104bps to 14.02%, despite the TSB deduction, helped by the Poland gain and retained earnings. Leverage slipped 10bps to 4.81% as the balance sheet grew 7.6% with TSB. The NPL ratio was broadly flat, while the 12-month average LCR eased from 152% to 147% (March 2026).(1)

Profitability comparisons require care. From Q1 2026 Santander changed its reporting structure and restated 2025. The H1 2025 cost-to-income ratio, originally reported at 41.5%, is now shown at 45.7%, and FY2025 moves from 41.2% to 45.3%.(8) The table uses the restated comparatives throughout. On that basis efficiency improved by 2.9pp and RoTE by 1.4pp, although reported H1 2026 RoTE includes the Poland capital gain.

Metric	H1 2025	FY 2025	H1 2026	vs H1 2025
CET1 ratio	13.0%	13.5%	14.0%	Improved
Leverage ratio	4.9%	4.9%	4.8%	Weaker
LCR	152.0%	147.0%	147.0%	Weaker
NPL ratio	2.9%	2.9%	2.9%	Weaker
RoTE	16.0%	16.3%	17.4%	Improved
Cost/income	45.7%	45.3%	42.8%	Improved

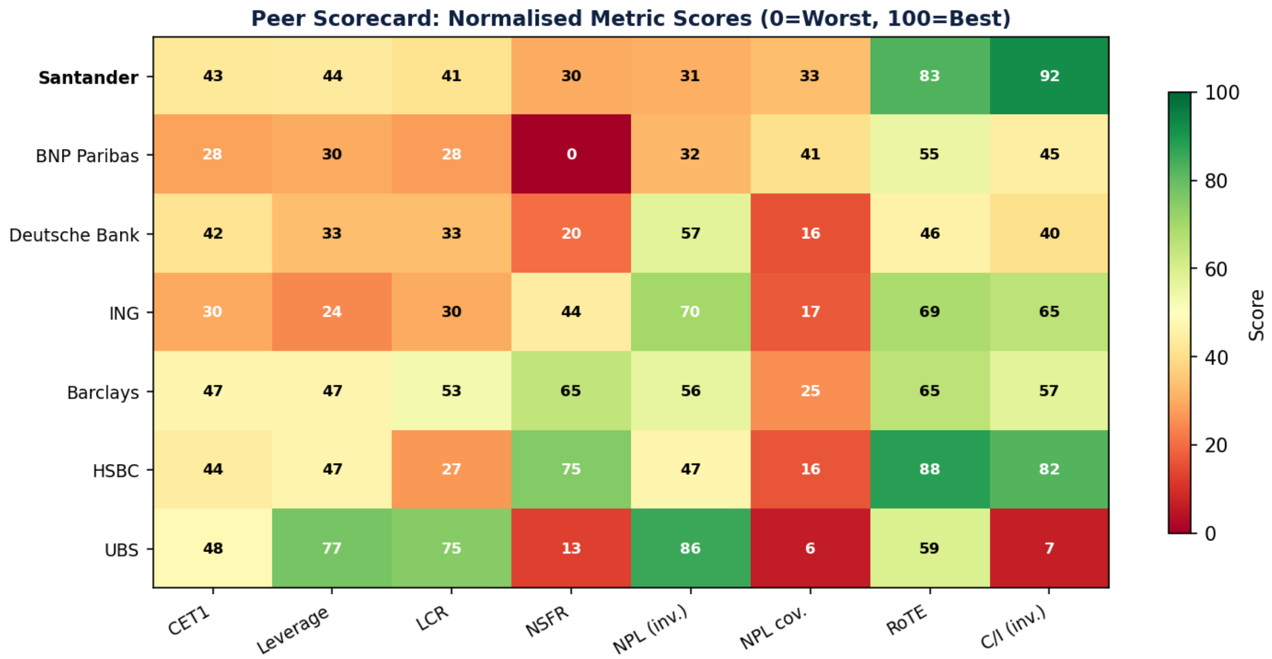
- CET1 and leverage are phased-in figures from the Q2 2025 and FY2025 Pillar 3 KM1 templates and the H1 2026 results. LCR is the Pillar 3 KM1 12-month average in all three periods; the H1 2026 column is at 31 March 2026, the latest Pillar 3.
- The CET1 improvement is flattered by timing: H1 2026 includes the +95bps Poland gain and only one of the two acquisitions. Webster's c.-150bps falls in Q3 2026.
- Underlying RoTE of 15.6% (restated H1 2025: 14.9%) is the better measure of recurring improvement; underlying attributable profit rose 14.9% to EUR 7.33bn.(1)
- Cost of risk edged up from 1.13% to 1.15% and Stage 2 exposure rose 13%. Credit metrics have not improved alongside earnings.

(1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
(8) Banco Santander, Q2 2025 Financial Report and FY2025 results press release (as originally reported).

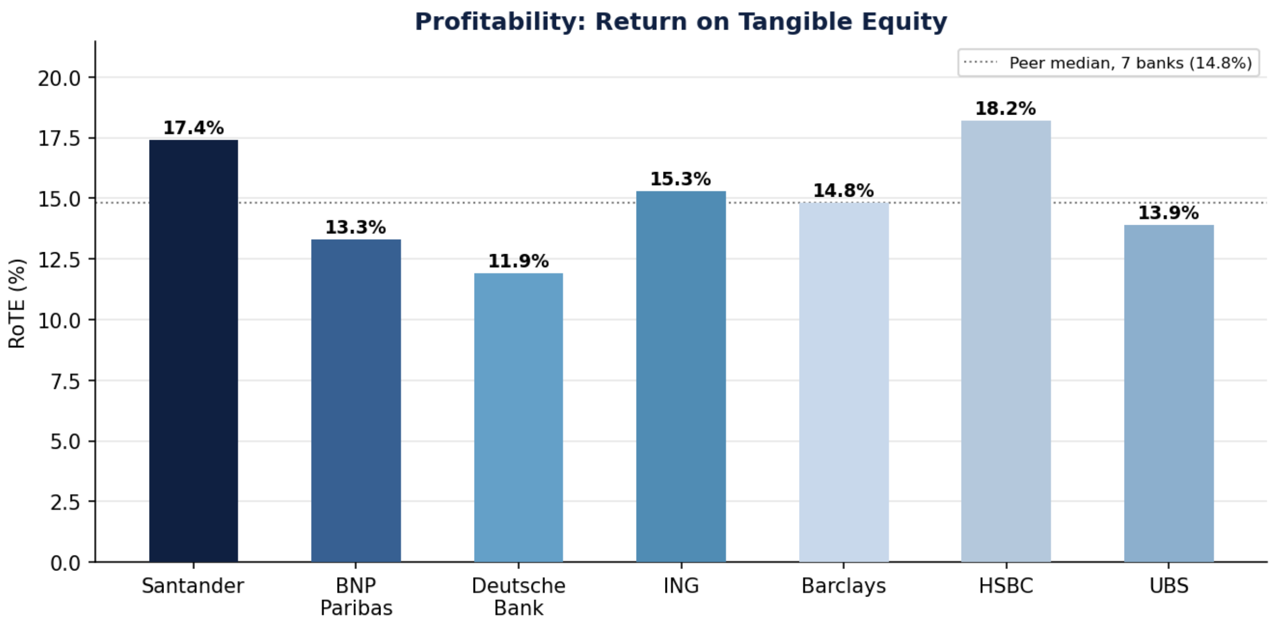
8. Potential Improvements

Santander combines peer-leading efficiency and returns with a credit cost base that is structurally higher than its European peers. The improvements below focus on protecting the capital buffer through a period of heavy M&A, lowering the loss content of the consumer and Latin American books, and closing disclosure gaps that hinder like-for-like comparison.

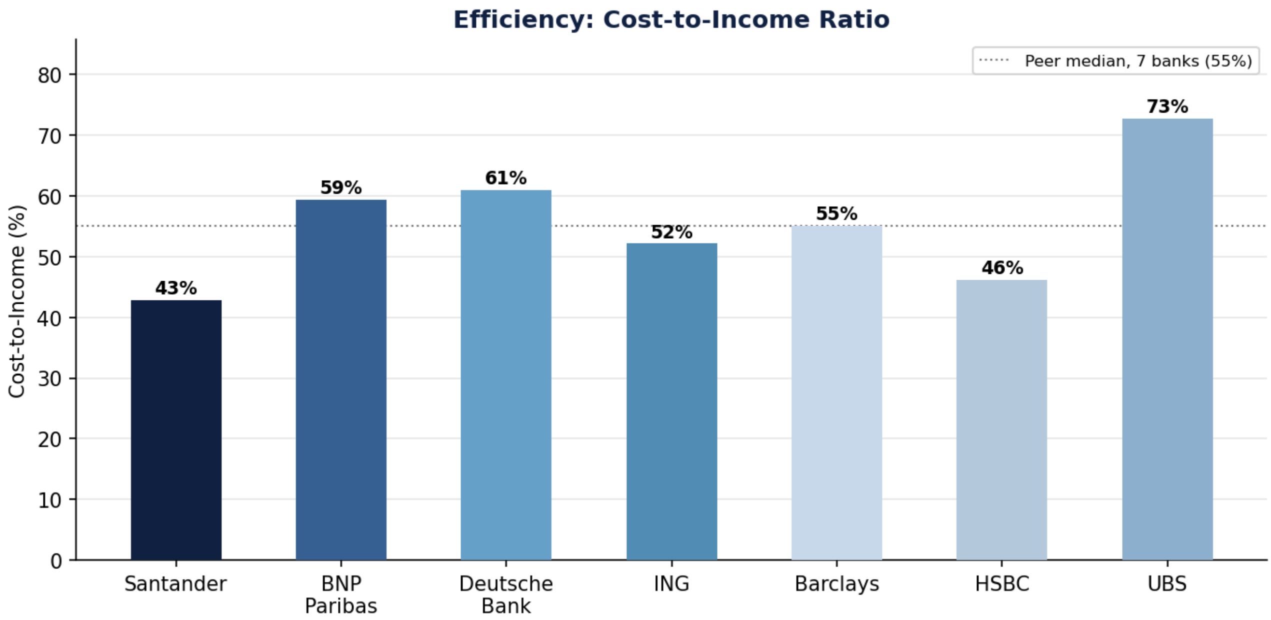
Scorecard: Santander vs Peers



Profitability: Return on Tangible Equity



Efficiency: Cost-to-Income Ratio



Banco Santander: Areas for Improvement

- Reduce the loss content of consumer and emerging-market lending. A cost of risk of 115bps, against a peer median of 41bps, and an Openbank NPL ratio of 5.61% leave earnings sensitive to a consumer downturn. Tighter origination in Openbank Europe and Argentina and further risk transfer would lower through-the-cycle volatility.
- Arrest Stage 2 migration. Stage 2 exposure has grown faster than the loan book while Stage 2 coverage fell from 5.7% to 5.4%. Rebuilding coverage ahead of any downturn would limit procyclical provisioning.
- Improve disclosure comparability. The H1 2026 Pillar 3 was not available ten weeks after the results. Management could also publish the EBA NPL ratio and a fully loaded CET1 ratio each quarter and reconcile the Group and consolidated LCRs in the results report.
- Fill the AT1 bucket. The 17bps AT1 shortfall is covered with CET1, which reduces MDA distance. Issuing AT1 to the full 1.83% requirement would release CET1 for Webster integration or distributions.
- Manage leverage through the acquisitions. At 4.81% the leverage ratio is only 131bps above requirement and ranks 4 of 7 among peers. Webster adds balance sheet without RWA relief, so leverage, not CET1, may become the binding constraint on growth.
- Hedge the growing EVE exposure. The parallel-up EVE loss rose by about EUR 2.3bn in a year, and TSB added fixed-rate mortgages from May 2026. Longer-dated receiver hedges or matched funding would cut exposure to further ECB tightening.
- Restore structural funding headroom. NSFR fell to 122% at March 2026, and a 101% net loan-to-deposit ratio leaves limited room as TSB and Webster are integrated. Growing stable retail deposits in the US and UK subsidiaries should come before loan growth.
- Execute two integrations in parallel without service disruption. TSB and Webster together add more than EUR 100bn of balance sheet across two jurisdictions, and S&P highlights management's EUR 800mn pre-tax synergy target for Webster by 2028.(6) Operational and conduct risk during migration is the main non-financial threat to the return targets.

Appendix

Data Sources

- (1) Banco Santander H1 2026 results (financial report, presentation), 22 Jul 2026; Webster completion release, 20 Aug 2026.
- (2) Banco Santander Pillar 3 reports (Q1 2026; FY2025, 25 Feb 2026) and SREP 2026 requirements notice (30 Oct 2025).

(6) Fitch (8 July 2026), Moody's (28 April 2026) and S&P (4 February 2026) research on Banco Santander.

- (3) EBA, 2025 EU-wide Stress Test Results, 1 August 2025 (Tables A1 and A2).
- (4) Banco de Espana, Macroeconomic projections for the Spanish economy, June 2026 (cut-off 27 May 2026).
- (5) ECB monetary policy decisions of 11 June 2026 and 23 July 2026.
- (6) Fitch (8 July 2026), Moody's (28 April 2026) and S&P (4 February 2026) research on Banco Santander.
- (7) RiskView H1 2026 European peer dataset: seven banks' H1 2026 disclosures, cited per bank.
- (8) Banco Santander, Q2 2025 Financial Report and FY2025 results press release (as originally reported).

Methodology Notes

Data basis. Santander figures are taken from the H1 2026 results (quarterly financial report and earnings presentation, 22 July 2026). The H1 2026 Pillar 3 report had not been published at the report date. The RWA breakdown by risk type, the 12-month average LCR, NSFR, HQLA, MREL/TLAC and the output floor therefore come from the Q1 2026 Pillar 3 (31 March 2026), and the IRRBB sensitivities from the 2025 Pillar 3 (31 December 2025). Peer figures come from each bank's own H1 2026 disclosures in RiskView's cited peer dataset and are identical across every report in the series. Trend comparatives use the restated figures from the H1 2026 report; originally reported values are noted where they differ.

Definitional caveats. (a) NPL ratios are not like-for-like. EU banks generally report the EBA NPL ratio (gross non-performing loans and advances over gross loans and advances), Santander reports a wider credit-impaired ratio over 'total risk' including guarantees, and UK and Swiss banks report Stage 3 or credit-impaired ratios. NPL coverage is compared on a credit-impaired basis: Stage 3 allowances over Stage 3 exposure for Santander, Barclays, HSBC and UBS, and accumulated impairment over non-performing exposures (EBA basis) for the EU peers. Santander's headline 64% ratio divides total allowances, including Stage 1 and 2, by credit-impaired balances and is not used for comparison. (b) LCR bases: 12-month average for BNP Paribas, Deutsche Bank, Santander, ING, Barclays and HSBC; quarterly average for UBS. (c) CET1 ratios are as reported. Santander's are phased-in under the CRR transitional arrangements, and phased-in and fully loaded bases differ across peers. (d) UK leverage ratios exclude central bank claims and are not directly comparable with EU and Swiss leverage ratios. (e) Loan-to-deposit, RoTE and cost-to-income ratios follow each bank's own definitions. (f) The MREL/TLAC row mixes bases: BNP Paribas is TLAC; Santander, Deutsche Bank, ING and Barclays are MREL; HSBC is TLAC summed across resolution groups; UBS is Swiss TLAC.

FX. ECB euro foreign exchange reference rates, 30 June 2026 (EUR 1 = USD 1.1394 = GBP 0.86178).

Scoring. Scorecard and radar scores are linear 0-100 scores on fixed ranges shared by every RiskView H1 2026 European report, capped at 0 and 100: CET1 11-18 (higher is better); Leverage 3.5-6.5 (higher is better); LCR 110-200 (higher is better); NSFR 110-150 (higher is better); NPL (inv.) 0.5-4 (lower is better); NPL cov. 25-75 (higher is better); RoTE 5-20 (higher is better); C/I (inv.) 40-75 (lower is better).

Scenarios. Illustrative CET1 paths (RiskView estimates, not bank or supervisory projections) use one rule for every bank so peer bars match across reports: Base holds CET1 at its 30 June 2026 level (organic capital generation offsets distributions); Bear deducts half, and Adverse the full, CET1 depletion from the bank's latest published regulatory stress test (EBA 2025 for EU banks, Bank of England 2025 for UK banks, Federal Reserve 2026 for UBS's US intermediate holding company). Stress tests differ in scope, horizon and methodology, so the paths indicate relative resilience rather than forecasts. Base-case macro variables for Spain are anchored to Banco de Espana's June 2026 projections; bear and adverse macro paths are RiskView illustrative assumptions.

Glossary

CET1	Common Equity Tier 1 capital as a percentage of risk-weighted assets
MDA	Maximum Distributable Amount; distance of CET1 above the level that restricts distributions
P2R	Pillar 2 Requirement set by the ECB through SREP (1.74% for Santander, 0.98% in CET1)
LCR / NSFR	Liquidity Coverage Ratio (30-day stress) / Net Stable Funding Ratio (1-year funding)
NPL ratio (SAN)	Credit-impaired loans, guarantees and NFC debt securities / total risk (bank APM)
RoTE	Return on tangible equity; underlying excludes non-recurring items
Openbank	Santander's consumer finance and digital banking global business

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