

**Long-Term Issuer Rating:** A-  
Outlook: negative

Short-Term Rating: L2

Preferred Sen. Unsec. Debt: A-  
Non-Preferred Sen. Unsec. Debt: BBB+  
Tier 2 Capital: BB+  
AT1 Capital: BB

**26 November 2020**

### Rating Action:

**Creditreform Rating downgrades Banco Santander's (Group) long-term issuer rating by one notch to 'A-' (Outlook: negative) and adjusted the credit rating of Banco Santander Totta accordingly. The ratings of the subsidiary Banco Popular Espanol was set to "not rated".**

Creditreform Rating (CRA) has downgraded Banco Santander's long-term issuer rating to 'A-' from 'A' and affirmed the short-term rating at 'L2'. The rating outlook was revised from watch negative to negative.

At the same time, we downgrade Banco Santander's 'senior preferred unsecured' debt instruments to 'A-' from 'A' and the non-preferred senior unsecured to 'BBB+' from 'A-'. In addition, Tier 2 capital was downgraded to 'BB+' from 'BBB-' and AT1 capital to 'BB' from 'BB+'. Concurrently we downgrade the issuer rating of the Group's subsidiary Banco Santander Totta S.A., which reflects Banco Santander (Group) issuer rating, in line with our methodology. By contrast, the Long-Term Issuer Rating, the Short-Term Issuer Rating as well as the Ratings of Bank Capital and Debt Instruments of Banco Popular Espanol S.A. has been withdrawn and set to "not rated" – "n.r."

Please find a complete list of rating actions regarding the bank and its affected subsidiaries at the end of this rating update.

### Key Rating Driver

CRA has revised the rating of Banco Santander S.A. and its bank capital and debt instruments as a result of its periodic monitoring process for the following reasons:

- Very high impairments on assets in 2020
- Many geographical regions of the loan portfolio are significantly affected by the Covid19 pandemic
- Capital ratios remain below average
- Interest income will not reach pre-crisis levels for a while

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### Rating Considerations and Rationale

Banco Santander's credit rating downgrade was primarily driven by its lower profitability and the higher impairments on its loan portfolio and on goodwill. We therefore consider that Banco Santander's annual results will not reach the pre-crisis level for a while.

#### Profitability

The Bank has steadily increased its interest income in recent years. Banco Santander benefited in particular from its strong South American business, which allowed higher interest margins

than in Europe. The reduced personnel costs in South America also enabled the Bank to work more efficiently and to achieve a higher ROA and ROE than its European peers.

In 2020 the corona crisis has stopped this growth. Both, interest income and fee and commission income will be lower in 2020 than in 2019. Admittedly the Bank is able to improve its cost structure, but not to the same extent. The high risk provisioning (€9.6 billion) and the goodwill impairments (UK: €6.1 billion, US: €2.33 billion and Poland: €1.19 billion) will lead to a negative year-end result in 2020. In 2021, we do not yet expect the Bank to achieve the same earnings as of the pre-corona crisis. Earnings will likely suffer by the crisis in the upcoming years as well.

### **Asset Situation and Asset Quality**

Banco Santander's asset quality improved slightly in 2019 compared to the previous year. NPLs and RWAs were reduced slightly in relation to total assets. However, this development requires a higher write-down ratio compared to the peer group banks. Loan loss provisions grew in line with the loan portfolio and were adequate in 2019.

However, the Corona crisis led to a deviation from the development in recent years. The coverage ratio increased considerably and was at 76% in Q3/2020 (Q3/2019: 67%). At the same time, the cost of risk increased by more than 25%. Despite the slight reduction of the Bank's NPL ratio compared to the previous year, Banco Santander reports increasing movements of loans from stage 1 to stage 2 classification, which indicates increasing risk. In particular, the loan portfolio in South America and Southern Europe will continue to be strongly affected by the corona crisis in 2021.

### **Refinancing and Capital Quality**

Although regulatory capital ratios increased slightly in 2019, they remained slightly below average. However, the long-term target of a CET1 ratio of 12% was achieved in 2020. With the higher regulatory capital ratios, Banco Santander is approaching the peer group average. Furthermore, the regulatory capital ratios have sufficient buffer to the SREP minimum capital requirements, mainly due to the Covid adjustments. This higher capital buffer enables Banco Santander a further growth.

The balance sheet equity remains above average. However, due to the expected negative annual result in 2020, the edge on to the peer group will be reduced. Accordingly, the proposed capital increase is essential to ensure adequate capital adequacy.

### **Liquidity**

Banco Santander's liquidity situation is adequate even during the Corona crisis.

## Environmental, Social and Governance (ESG) Score Card

Banco Santander has one significant and two moderate ESG rating drivers

- Corporate Governance is identified as a highly significant rating driver. The relevance for the credit rating results from the impact of the Corporate Governance factor on all other ESG factors and the overall well-being of the bank. This sub-factor is rated positive due to Banco Santander strong and sustainable earning figures, the widespread ESG policies and its ambitious ESG targets.

- Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to relatively low amount of green bonds, Coporate Behaviour is rated neutral due the misconduct in recent years due to the banks issues in relation with money laundering.

### ESG Score

3,1 / 5

ESG Score Guidance	
> 4,25	Outstanding
>3,5 - 4,25	Above-average
>2,5 - 3,5	Average
>1,75 - 2,5	Substandard
<= 1,75	Poor

Factor	Sub-Factor	Consideration	Relevance Scale 2020	Eval.
Environmental	1.1 Green Financing / Promoting	The sub-factor "Green Financing/Promoting" has a moderate relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	3	( )
	1.2 Exposure to Environmental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	1.3 Resource Efficiency	The sub-factor "Resource Efficiency" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

Social	2.1 Human Capital	The sub-factor "Human Capital" has low relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	2	( )
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating, and is rated neutral in terms of the CRA ESG criteria.	1	( )

Governance	3.1 Corporate Governance	The sub-factor "Corporate Governance" is highly relevant for the credit rating, and is rated positive in terms of the CRA ESG criteria.	4	(+)
	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated negative in terms of the CRA ESG criteria.	3	(-)
	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	1	(+)

ESG Relevance Scale	
5	Highest Relevance
4	High Relevance
3	Moderate Relevance
2	Low Relevance
1	No significant Relevance

ESG Evaluation Guidance	
(+ +)	Strong positive
(+)	Positive
( )	Neutral
(-)	Negative
(- -)	Strong negativ

The ESG Score is based on the Methodology "Environmental, Social and Governance Score of Banken (Version 1.0)" of Creditreform Rating AG, which is available on our homepage <https://creditreform-rating.de/en/about-us/regulatory-requirements.html>. In addition, we refer to CRA's position paper "Considering the Impact of ESG Factors".

## Outlook

The outlook of the Long-Term Issuer Rating and its bank capital and debt instruments of Banco Santander was revised to 'negative' from 'watch negative'. In the medium term, CRA expects a deterioration in profitability and asset quality, with the recent worldwide lockdowns aggravating the situation. The bank already reported a negative net income in the first nine quarters of 2020, and CRA expects a negative result for the whole of 2020.

In addition, we assume a downturn of economic environment in Banco Santander's markets of operations.

## Scenario Analysis

In a scenario analysis, the bank is able to reach an "A+" rating in the "best case" scenario and an "BBB-" rating in the "worst case" scenario. The ratings of bank capital and senior unsecured debt would behave similarly based on our rating mechanism. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We could upgrade Banco Santander's long-term issuer credit rating and its bank capital and debt instruments if we see Banco Santander manages to return to pre-crisis levels. In addition, a continuous improvement of the regulatory equity ratios, the reduction of its non-performing exposures as well as a sustainable and adequate profitability might lead to an upgrade.

By contrast, a downgrade of Banco Santander's long-term issuer credit rating and its bank capital and debt instruments is likely if we see that Banco Santander is not able to reach its profitability level of the pre-crisis periods in the next years. In addition, an increase of write-offs and of the non-performing exposure might lead to a downgrade of the Banco Santander's long-term issuer rating and its bank capital and debt instruments as well.

Best-case scenario: A+

Worst-case scenario: BBB-

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

### CRA's rating actions at a glance

Banco Santander Totta S.A.:

- Long-Term Issuer Rating downgraded to 'A-' from 'A', negative outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured preferred senior unsecured debt downgraded to 'A-' from 'A'
- Non-preferred senior unsecured debt downgraded to 'BBB+' from 'A'
- Tier 2 capital downgraded to 'BB+' from 'BBB-'
- AT1 capital downgraded to 'BB' from 'BB+'

Banco Santander Totta S.A.:

- Long-Term Issuer Rating downgraded to 'A-' from 'A', negative outlook
- Short-term rating affirmed at 'L2'
- Senior unsecured preferred senior unsecured debt downgraded to 'A-' from 'A'
- Non-preferred senior unsecured debt downgraded to 'BBB+' from 'A'
- Tier 2 capital downgraded to 'BB+' from 'BBB-'
- AT1 capital downgraded to 'BB' from 'BB+'

Banco Popular Espanol S.A.:

- Long-Term Issuer Rating set to 'n.r.' from 'A', negative outlook
- Short-term rating set to 'n.r.'
- Senior unsecured preferred senior unsecured debt set to 'n.r.' from 'A'
- Non-preferred senior unsecured debt set to 'n.r.' from 'A'
- Tier 2 capital set to 'n.r.' from 'BBB-'
- AT1 capital set to 'n.r.' from 'BB+'

## Ratings Detail

### Bank ratings

The bank ratings are dependent on a host of quantitative and qualitative factors. An improvement in either sub-category may result in a higher rating score.

LT Issuer / Outlook / Short-Term **A- / negative / L2**

### Bank Capital and Debt Instruments Ratings

The ratings for bank capital and debt instruments are inter alia dependent on subordination and relative size of the instrument class, based on the long-term issuer rating of the bank.

Preferred senior unsecured debt (PSU): **A-**  
 Non-preferred senior unsecured debt (NPS): **BBB+**  
 Tier 2 (T2): **BB+**  
 Additional Tier 1 (AT1): **BB**

### Rating History

Please consult our website [www.creditreform-rating.de](http://www.creditreform-rating.de) for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
LT / Outlook / Short-Term (Initial)	15.08.2018	A / stable / L2
Rating Update	22.11.2019	A / stable / L2
Monitoring	24.03.2020	A / NEW / L2
Rating Update	26.11.2020	A- / negative / L2
Bank Capital and Debt Instruments	Rating Date	Result
Senior Unsecured / T2 / AT1 (Initial)	15.08.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.11.2019	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	24.03.2020	A / A- / BBB- / BB+ (NEW)
PSU / NPS / T2 / AT1	26.11.2020	A- / BBB+ / BB+ / BB
Subsidiaries of the Bank	Rating Date	Result
<b>Banco Popular Español S.A.</b>		
LT / Outlook / Short-Term (Initial)	25.09.2018	A / stable / L2
Rating Update	22.11.2019	A / stable / L2
Monitoring	24.03.2020	A / NEW / L2
Rating Update	26.11.2020	n.r.
<b>Bank Capital and Debt Instruments of Banco Popular Español S.A.</b>		
Senior Unsecured / T2 / AT1 (Initial)	25.09.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.11.2019	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	24.03.2020	A / A- / BBB- / BB+ (NEW)
PSU / NPS / T2 / AT1	26.11.2020	n.r. / n.r. / n.r. / n.r.

Banco Santander Totta S.A.		
LT / Outlook / Short-Term (Initial)	25.09.2018	A / stable / L2
Rating Update	22.11.2019	A / stable / L2
Monitoring	24.03.2020	A / NEW / L2
Rating Update	26.11.2020	A- / negative / L2
Bank Capital and Debt Instruments of Banco Santander Totta S.A.		
Senior Unsecured / T2 / AT1 (Initial)	25.09.2018	A / BBB- / BB+
PSU / NPS / T2 / AT1	22.11.2019	A / A- / BBB- / BB+
PSU / NPS / T2 / AT1	24.03.2020	A / A- / BBB- / BB+ (NEW)
PSU / NPS / T2 / AT1	26.11.2020	A- / BBB+ / BB+ / BB

## Appendix

Figure 2: Group income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
<b>Income (€m)</b>					
Net Interest Income	31.089	34.296	34.341	+2,7	35.283
Net Fee & Commission Income	10.325	11.597	11.485	+2,6	11.779
Net Insurance Income	63	249	51	> +100	120
Net Trading Income	2.101	1.664	1.797	-14,8	1.531
Equity Accounted Results	444	704	737	-56,0	324
Dividends from Equity Instruments	413	384	370	+44,1	533
Other Income	1.774	1.427	1.671	+84,8	3.088
<b>Operating Income</b>	<b>46.209</b>	<b>50.321</b>	<b>50.452</b>	<b>+4,4</b>	<b>52.658</b>
<b>Expenses (€m)</b>					
Depreciation and Amortisation	2.504	3.866	2.615	+76,8	4.624
Personnel Expense	11.004	12.047	11.865	+2,3	12.141
Tech & Communications Expense	2.362	2.545	2.077	+29,0	2.679
Marketing and Promotion Expense	691	757	646	+6,0	685
Other Provisions	2.508	3.058	2.223	+57,0	3.490
Other Expense	6.657	7.017	7.766	-11,0	6.912
<b>Operating Expense</b>	<b>25.726</b>	<b>29.290</b>	<b>27.192</b>	<b>+12,3</b>	<b>30.531</b>
<b>Operating Profit &amp; Impairment (€m)</b>					
<b>Pre-impairment Operating Profit</b>	<b>20.483</b>	<b>21.031</b>	<b>23.260</b>	<b>-4,9</b>	<b>22.127</b>
Asset Writedowns	9.626	9.259	8.936	+4,7	9.352
<b>Net Income (€m)</b>					
Non-Recurring Income	52	522	0	-	0
Non-Recurring Expense	141	203	123	+88,6	232
<b>Pre-tax Profit</b>	<b>10.768</b>	<b>12.091</b>	<b>14.201</b>	<b>-11,7</b>	<b>12.543</b>
Income Tax Expense	3.282	3.884	4.886	-9,4	4.427
Discontinued Operations	-	-	-	-	-
<b>Net Profit (€m)</b>	<b>7.486</b>	<b>8.207</b>	<b>9.315</b>	<b>-12,9</b>	<b>8.116</b>
Attributable to minority interest (non-controlling interest)	1.282	1.588	1.505	+6,4	1.601
Attributable to owners of the parent	6.204	6.619	7.810	-16,6	6.515

Figure 3: Group key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	55,67	58,21	53,90	+4,08	57,98
Cost Income Ratio ex. Trading (CIRex)	58,33	60,20	55,89	+3,83	59,72
Return on Assets (ROA)	0,56	0,57	0,64	-0,11	0,53
Return on Equity (ROE)	7,29	7,68	8,68	-1,34	7,33
Return on Assets before Taxes (ROAbT)	0,80	0,84	0,97	-0,15	0,82
Return on Equity before Taxes (ROEbT)	10,49	11,32	13,23	-1,89	11,33
Return on Risk-Weighted Assets (RORWA)	1,27	1,36	1,57	-0,23	1,34
Return on Risk-Weighted Assets before Taxes (RORWAbT)	1,83	2,00	2,40	-0,33	2,07
Net Interest Margin (NIM)	2,68	2,70	2,67	-0,06	2,62
Pre-impairment Operating Profit / Assets	1,53	1,46	1,59	-0,14	1,45
Cost of Funds (COF)	2,00	1,67	1,52	+0,05	1,56
Change in %Points					



Figure 4: Development of assets | Source: eValueRate / CRA

Assets (€m)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	104.427	137.273	129.264	-8,2	118.600
Net Loans to Banks	27.847	29.387	25.032	+25,5	31.412
Net Loans to Customers	773.861	830.051	850.611	+5,4	896.515
Total Securities	211.842	226.427	205.993	-1,3	203.246
Total Derivative Assets	83.901	67.067	65.634	+10,2	72.315
Other Financial Assets	37.476	40.629	75.083	+12,3	84.297
<b>Financial Assets</b>	<b>1.239.354</b>	<b>1.330.834</b>	<b>1.351.617</b>	<b>+4,1</b>	<b>1.406.385</b>
Equity Accounted Investments	4.836	6.184	7.588	+15,6	8.772
Other Investments	2.516	2.324	1.563	-37,7	973
Insurance Assets	331	341	534	-9,4	484
Non-current Assets & Discontinued Ops	5.772	15.280	5.426	-15,2	4.601
Tangible and Intangible Assets	50.191	49.333	53.154	+16,5	61.949
Tax Assets	27.678	30.243	30.251	-2,2	29.585
Total Other Assets	8.447	9.766	9.138	+8,8	9.946
<b>Total Assets</b>	<b>1.339.125</b>	<b>1.444.305</b>	<b>1.459.271</b>	<b>+4,3</b>	<b>1.522.695</b>

Figure 5: Development of asset quality | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	57,79	57,47	58,29	+0,59	58,88
Risk-weighted Assets/ Assets	43,92	41,89	40,59	-0,84	39,75
NPLs*/ Net Loans to Customers	2,77	2,96	3,73	-0,41	3,32
NPLs*/ Risk-weighted Assets	3,64	4,06	5,65	-0,39	5,26
Potential Problem Loans**/ Net Loans to Customers	1,44	1,41	6,13	-0,50	5,63
Reserves/ NPLs*	113,82	97,54	69,65	+0,21	69,86
Reserves/ Net Loans	3,15	2,88	2,74	-0,26	2,48
Net Write-offs/ Net Loans	1,24	1,12	1,05	-0,01	1,04
Net Write-offs/ Risk-weighted Assets	1,64	1,53	1,51	+0,04	1,55
Net Write-offs/ Total Assets	0,72	0,64	0,61	+0,00	0,61
Level 3 Assets/ Total Assets	0,41	0,53	0,58	+0,21	0,80
Change in %Points					

\* NPLs are represented from 2017 onwards by Stage 3 Loans.

\*\* Potential Problem Loans are Stage 2 Loans where available.

Figure 6: Development of refinancing and capital adequacy | Source: eValueRate / CRA

Liabilities (€m)	2016	2017	2018	%	2019
Total Deposits from Banks	111.832	139.515	142.499	-3,0	138.155
Total Deposits from Customers	648.350	724.721	747.736	+5,0	785.454
Total Debt	248.771	239.476	246.619	+6,2	261.977
Derivative Liabilities	82.973	66.266	62.007	+11,8	69.333
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	109.949	131.705	117.836	+2,1	120.277
<b>Total Financial Liabilities</b>	<b>1.201.875</b>	<b>1.301.683</b>	<b>1.316.697</b>	<b>+4,4</b>	<b>1.375.196</b>
Insurance Liabilities	652	1.117	765	-3,4	739
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	8.373	7.592	8.135	+14,6	9.322
Provisions	14.459	14.489	13.225	+5,8	13.987
Total Other Liabilities	11.067	12.591	13.088	-2,3	12.792
<b>Total Liabilities</b>	<b>1.236.426</b>	<b>1.337.472</b>	<b>1.351.910</b>	<b>+4,4</b>	<b>1.412.036</b>
<b>Total Equity</b>	<b>102.699</b>	<b>106.833</b>	<b>107.361</b>	<b>+3,1</b>	<b>110.659</b>
<b>Total Liabilities and Equity</b>	<b>1.339.125</b>	<b>1.444.305</b>	<b>1.459.271</b>	<b>+4,3</b>	<b>1.522.695</b>

Figure 7: Development of capital ratios | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	7,67	7,40	7,36	-0,09	7,27
Leverage Ratio	5,00	5,28	5,22	-0,07	5,15
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	10,55	10,84	11,30	+0,35	11,65
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	11,53	12,11	12,80	+0,25	13,05
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	13,87	14,48	14,77	+0,25	15,02
SREP Capital Requirements	7,75	8,65	9,70	-0,01	9,69
MREL / TLAC Ratio	-	-	-	-	-
Change in %Points					

Figure 8: Development of liquidity | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	119,36	114,53	113,76	+0,38	114,14
Interbank Ratio	24,90	21,06	17,57	+5,17	22,74
Liquidity Coverage Ratio	146,00	133,00	158,00	-11,00	147,00
Customer Deposits / Total Funding (excl. Derivates)	56,21	57,01	57,97	+0,53	58,50
Net Stable Funding Ratio (NSFR)	-	-	114,00	-2,00	112,00
Change in %Points					

Figure 9: Banco Santander Totta income statement | Source: eValueRate / CRA

Income Statement	2016	2017	2018	%	2019
<b>Income (€000)</b>					
Net Interest Income	734.187	699.380	866.728	-1,4	854.471
Net Fee & Commission Income	303.304	326.302	376.196	+2,3	384.861
Net Insurance Income	-	-	-	-	-
Net Trading Income	74.124	70.101	-17.750	< -100	71.129
Equity Accounted Results	13.226	6.277	7.188	-64,6	2.546
Dividends from Equity Instruments	4.198	2.911	1.601	+11,7	1.789
Other Income	160.063	96.854	49.646	-55,6	22.026
<b>Operating Income</b>	<b>1.289.102</b>	<b>1.201.825</b>	<b>1.283.609</b>	<b>+4,1</b>	<b>1.336.822</b>
<b>Expenses (€000)</b>					
Depreciation and Amortisation	47.655	4.056	72.153	-22,5	55.888
Personnel Expense	284.691	308.675	352.873	-3,0	342.253
Tech & Communications Expense	57.978	39.676	59.505	+15,5	68.710
Marketing and Promotion Expense	11.020	11.499	13.434	+0,5	13.496
Other Provisions	32.127	32.317	251.025	-99,6	996
Other Expense	248.284	187.608	214.250	-10,0	192.924
<b>Operating Expense</b>	<b>681.755</b>	<b>583.831</b>	<b>963.240</b>	<b>-30,0</b>	<b>674.267</b>
<b>Operating Profit &amp; Impairment (€000)</b>					
<b>Pre-impairment Operating Profit</b>	<b>607.347</b>	<b>617.994</b>	<b>320.369</b>	<b>&gt; +100</b>	<b>662.555</b>
Asset Writedowns	79.262	38.928	3.008	< -100	-6.963
<b>Net Income (€000)</b>					
Non-Recurring Income	-	-	21.107	+36,0	28.706
Non-Recurring Expense	-	-	-	-	-
<b>Pre-tax Profit</b>	<b>528.085</b>	<b>579.066</b>	<b>338.468</b>	<b>&gt; +100</b>	<b>698.224</b>
Income Tax Expense	148.053	157.909	-131.265	< -100	208.762
Discontinued Operations	-	-	-	-	-
<b>Net Profit (€000)</b>	<b>380.032</b>	<b>421.157</b>	<b>469.733</b>	<b>+4,2</b>	<b>489.462</b>
Attributable to minority interest (non-controlling interest)	-	-	-218	< -100	11
Attributable to owners of the parent	380.032	421.157	469.951	+4,1	489.451

Figure 10: Banco Santander Totta key earnings figures | Source: eValueRate / CRA

Income Ratios (%)	2016	2017	2018	%	2019
Cost Income Ratio (CIR)	52,89	48,58	75,04	-24,60	50,44
Cost Income Ratio ex. Trading (CIRex)	56,11	51,59	74,02	-20,75	53,27
Return on Assets (ROA)	0,88	0,83	0,92	+0,02	0,94
Return on Equity (ROE)	11,64	11,50	13,22	+0,24	13,47
Return on Assets before Taxes (ROAbT)	1,23	1,14	0,66	+0,67	1,33
Return on Equity before Taxes (ROEbT)	16,17	15,81	9,53	+9,68	19,21
Return on Risk-Weighted Assets (RORWA)	2,11	1,93	2,35	+0,27	2,62
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,94	2,65	1,69	+2,04	3,74
Net Interest Margin (NIM)	1,97	1,59	1,71	+0,11	1,83
Pre-Impairment Operating Profit / Assets	1,41	1,22	0,62	+0,64	1,27
Cost of Funds (COF)	1,04	0,79	0,78	-0,03	0,75
Change in %Points					

Figure 11: Development of assets of Banco Santander Totta | Source: eValueRate / CRA

Assets (€000)	2016	2017	2018	%	2019
Cash and Balances with Central Banks	877.917	1.039.554	1.655.730	+90,5	3.153.555
Net Loans to Banks	1.222.816	1.484.522	1.520.034	-29,8	1.066.595
Net Loans to Customers	31.452.336	39.633.212	39.629.271	-0,7	39.340.180
Total Securities	5.670.085	4.650.005	5.427.709	+10,7	6.007.347
Total Derivative Assets	1.788.459	1.526.532	1.286.041	-11,2	1.142.173
Other Financial Assets	-	-	-	-	-
<b>Financial Assets</b>	<b>41.011.613</b>	<b>48.333.825</b>	<b>49.518.785</b>	<b>+2,4</b>	<b>50.709.850</b>
Equity Accounted Investments	54.599	76.602	61.481	-3,6	59.240
Other Investments	378.374	353.957	297.625	-15,2	252.513
Insurance Assets	-	-	-	-	-
Non-current Assets & Discontinued Ops	90.426	87.269	30.022	+46,7	44.043
Tangible and Intangible Assets	340.919	387.604	375.211	+8,6	407.327
Tax Assets	379.712	467.406	661.395	-11,7	583.982
Total Other Assets	721.780	935.371	336.443	-26,2	248.371
<b>Total Assets</b>	<b>42.977.423</b>	<b>50.642.034</b>	<b>51.280.962</b>	<b>+2,0</b>	<b>52.305.326</b>

Figure 12: Development of asset quality of Banco Santander Totta | Source: eValueRate / CRA

Asset Ratios (%)	2016	2017	2018	%	2019
Net Loans/ Assets	73,18	78,26	77,28	-2,07	75,21
Risk-weighted Assets/ Assets	41,82	43,16	38,96	-3,25	35,72
NPLs*/ Net Loans to Customers	3,86	3,00	5,14	-1,01	4,12
NPLs*/ Risk-weighted Assets	6,76	5,43	10,19	-1,50	8,68
Potential Problem Loans**/ Net Loans to Customers	0,25	0,11	4,95	+0,19	5,14
Reserves/ NPLs*	136,89	146,55	54,47	+2,33	56,80
Reserves/ Net Loans	5,29	4,39	2,80	-0,46	2,34
Net Write-offs/ Net Loans	0,25	0,10	0,01	-0,03	-0,02
Net Write-offs/ Risk-weighted Assets	0,44	0,18	0,02	-0,05	-0,04
Net Write-offs/ Total Assets	0,18	0,08	0,01	-0,02	-0,01
Level 3 Assets/ Total Assets	-	-	0,82	-0,09	0,74
Change in %Points					

\* NPLs are represented from 2017 onwards by Stage 3 Loans.  
 \*\* Potential Problem Loans are Stage 2 Loans where available.

Figure 13: Development of refinancing and capital adequacy of Banco Santander Totta | Source: eValueRate / CRA

Liabilities (€000)	2016	2017	2018	%	2019
Total Deposits from Banks	4.474.073	7.431.624	4.632.542	-1,2	4.578.852
Total Deposits from Customers	28.508.184	32.131.918	33.940.102	+5,7	35.873.272
Total Debt	3.937.435	4.581.237	4.681.504	-19,0	3.793.561
Derivative Liabilities	1.853.714	1.578.585	1.333.031	+13,2	1.508.534
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	-	-	2.133.548	-12,2	1.872.689
<b>Total Financial Liabilities</b>	<b>38.773.406</b>	<b>45.723.364</b>	<b>46.720.727</b>	<b>+1,9</b>	<b>47.626.908</b>
Insurance Liabilities	-	-	-	-	-
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	86.817	232.481	244.822	+54,1	377.262
Provisions	220.850	167.550	286.446	-22,1	223.029
Total Other Liabilities	630.694	857.093	476.668	-7,0	443.311
<b>Total Liabilities</b>	<b>39.711.767</b>	<b>46.980.488</b>	<b>47.728.663</b>	<b>+2,0</b>	<b>48.670.510</b>
<b>Total Equity</b>	<b>3.265.656</b>	<b>3.661.546</b>	<b>3.552.299</b>	<b>+2,3</b>	<b>3.634.816</b>
<b>Total Liabilities and Equity</b>	<b>42.977.423</b>	<b>50.642.034</b>	<b>51.280.962</b>	<b>+2,0</b>	<b>52.305.326</b>

Figure 14: Development of capital ratios of Banco Santander Totta | Source: eValueRate / CRA

Capital Ratios (%)	2016	2017	2018	%	2019
Total Equity/ Total Assets	7,60	7,23	6,93	+0,02	6,95
Leverage Ratio	-	-	4,60	+0,10	4,70
Fully Loaded: Common Equity Tier 1 Ratio (CET1)	16,90	11,30	13,60	+1,50	15,10
Fully Loaded: Tier 1 Ratio (CET1 + AT1)	-	-	13,60	+1,50	15,10
Fully Loaded: Total Capital Ratio (CET1 + AT1 + T2)	-	-	13,70	+3,60	17,30
SREP Capital Requirements	-	-	-	-	-
MREL / TLAC Ratio	-	-	-	-	-
Change in %Points					

Figure 15: Development of liquidity of Banco Santander Totta | Source: eValueRate / CRA

Liquidity (%)	2016	2017	2018	%	2019
Net Loans/ Deposits (LTD)	110,33	123,35	116,76	-7,10	109,66
Interbank Ratio	27,33	19,98	32,81	-9,52	23,29
Liquidity Coverage Ratio	146,00	123,10	152,00	-18,00	134,00
Customer Deposits / Total Funding (excl. Derivates)	75,30	70,77	73,15	+2,91	76,06
Net Stable Funding Ratio (NSFR)	-	-	-	-	-
Change in %Points					

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The information and documents processed met the requirements of the rating system of Creditreform Rating AG as published on the website [www.creditreform-rating.de](http://www.creditreform-rating.de). The rating was carried out on the basis of the rating methodology for [bank ratings as \(Version 2.0\)](#), the methodology for the [rating of bank capital and unsecured debt instruments \(Version 2.0\)](#) as well as the rating methodology for [Environmental, Social and Governance Score for Banks \(Version 1.0\)](#) in conjunction with Creditreform's basic document [Rating Criteria and Definitions \(Version 1.3\)](#).

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On 26 November 2020, the rating was presented by the analysts to the rating committee and adopted in a resolution.

The rating result was communicated to Banco Santander S.A. and its subsidiaries, and the preliminary rating report was made available to the bank. There was no change in the rating score.

The rating is valid until withdrawal and is subject to monitoring from the rating date (see cover page). The rating will be comprehensively reviewed at least once every year. Within this period, the rating can be updated.

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