Creditreform Bank Rating
Banco Santander S.A. (Group)

Creditreform Rating

Rating Object	Rating Information
Banco Santander S.A. (Group) Creditreform ID: 6226	Long Term Issuer Rating / Outlook: **A- / positive** Short Term: **L2** Type: Update / Unsolicited
Rating Date: **19 June 2023** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.2" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.1" CRA "Environmental, Social and Governance Score for Banks v.1.0" CRA "Rating Criteria and Definitions v.1.3" Rating History: www.creditreform-rating.de	Rating of Bank Capital and Unsecured Debt Instruments: Preferred Senior Unsecured: **A-** Non-Preferred Senior Unsecured: **BBB+** Tier 2: **BB+** Additional Tier 1: **BB**

Rating Action

Creditreform Rating affirms Banco Santander's (Group) Long-Term Issuer Rating at A- (Outlook: positive)

Creditreform Rating (CRA) affirms Banco Santander's (Group) Long-Term Issuer Rating at A-. The rating outlook is positive.

CRA affirms Banco Santander's Preferred Senior Unsecured Debt at A-, Non-Preferred Senior Unsecured Debt at BBB+, Tier 2 Capital at BB+ and AT1 Capital at BB.

CRA affirms the Long-Term Issuer Rating of the Group's subsidiary Banco Santander Totta at A- which reflects Banco Santander's (Group) Long-Term Issuer Rating, in line with our methodology.

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

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Key Rating Drivers

- Globally diversified banking franchise with strong market positions in Spain and several emerging markets
- Very good sub-score on earnings primarily explained by a very high net financial margin (NIM) and best-in-class cost efficiency levels
- Moderate levels of capital compared with peers, but still sufficient CET1 buffer
- Diversified funding mix including a large customer deposit base complemented by a comfortable liquidity position mitigates refinancing risk
- Due to high domestic exposures, the rating remains capped at the level of the Spanish sovereign

Quantitative:	Good
Earnings	Very Good
Assets	Good
Capital	Sufficient
Liquidity	Good
Qualitative:	Good

Executive Summary

The Long-Term Issuer Rating of Banco Santander S.A. (Group) is affirmed at A-. The outlook is positive. CRA affirms the rating of preferred senior unsecured debt at A-, the rating of non-preferred senior unsecured debt at BBB+, the rating of Tier 2 capital at BB+ and the rating of AT1 at BB.

In the financial year 2022, Banco Santander's net result, as well as its profitability ratios have improved slightly mainly driven by vividly growing net interest income that translated into a net income growth of 11.5%. Given its retail heavy business mix, we expect the higher rate environment to provide an earnings tailwind also in 2023 and beyond. Overall, the bank's earnings profile, that benefits from very high net financial margins and best-in-class cost efficiency metrics, remains a key rating strength.

Furthermore, the bank's rating is supported by a good sub-score on asset risk. Thanks to the scale of its operations, Santander's banking book is highly diversified across geographies, industries and product groups. Despite cost of risk is elevated, explained by Santander's emerging market exposure, we consider the bank's NPL ratio of 3.6% in 2022 to be satisfactory and its provisioning for non performing exposures of 83.3% to be sound.

While commensurate with an internal target between 11% and 12%, Santander operates with a lower CET1 ratio than most G-SIB and domestic banking peers. Still, at 12.2% end of 2022, Santander had a management buffer of of 319 bp. above its regulatory minimum requirements and the group's strong capital market access also acts as a risk mitigant. Against this backdrop, we regard the bank's capital ratios to be sufficiently high.

Liquidity is good, Santander's liquidity coverage ratio came in at 161.2% (averaged over 12 months) in 2022, indicating ample liquidity buffers.

The rating of Banco Santander S.A. is prepared on the basis of group (Banco Santander S.A.) consolidated accounts.

The bank's rating remains negatively influenced by the high exposure to Spain and the rating of the Kingdom of Spain (A-/stable), CRA Sovereign Rating as of 15 July 2022). This confines the Long-Term Issuer Rating of Banco Santander S.A. and its subisidiaries to A-.

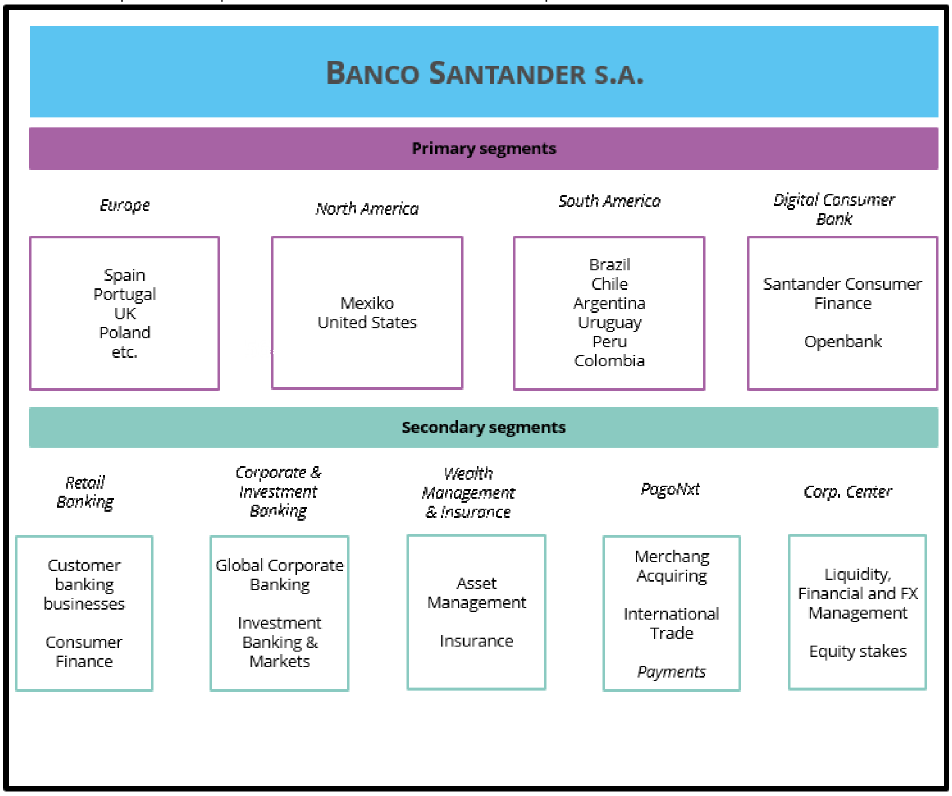
Company Overview

With assets of EUR 1,734bn as of year-end 2022, Banco Santander S.A. (hereafter: Santander or the bank) is the largest universal bank in Spain and the country's only globally systemic important bank (G-SIB). Santander's business model is centered around commercial banking activities (lending and deposit business with private customers as well as small and medium-sized corporate customers).

Santander reports segment results split by geopgraphic area (primary level of segmentation) and business type (secondary level of segmentation). The primary level of segmentation comprises four operating areas as well as the Corporate Centre. The operating areas are Europe (comprises all business activities carried out in the region, except that included in Digital Consumer Bank), North America, South America and Digital Consumer Bank (incl. Santander Consumer Finance, which incorporates the entire consumer finance business in Europe, Openbank and Open Digital Services).

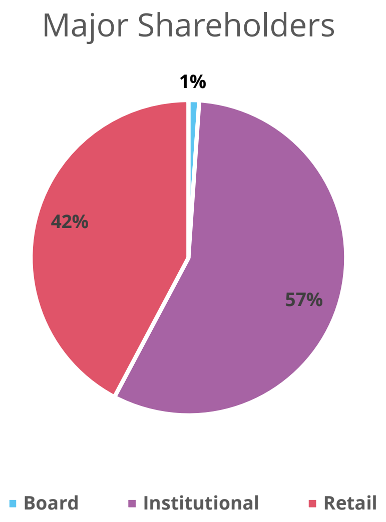
At the secondary level of segmentation, Santander is structured into four divisions: Retail Banking, Corporate & Investment Banking, Wealth Management & Insurance (WM&I) and PagoNxt, a provider of digital payment solutions.

Chart 1: Group Structure| Source: Banco Santander Annual Report 2022



In February 2023, Santander outlined the bank's strategy as well as new group targets for the period 2023-25. By adding 40mn new customers (2022: 160mn), the bank aims to generate average revenue growth of 7-8% per year, and a RoTE between 15-17% (2022: 13.4%). The cost income ratio should drop from 45.8% (2022) to 42% by the end of 2025. Management also envisaged higher shareholder remuneration, lifting the payout ratio from 40 to 50%. Santander mainly aims to reach these goals by leveraging its scale and global network, simplification and automation and the deployment of common plattforms e.g. for auto loans.

Chart 2: Major shareholders of Banco Santander S.A. | Source: Banco Santander Annual Report 2022



Business Development

Profitability

In fiscal 2022, Santander benefitted from accelerating revenue growth in all of its business verticals. Operating income grew by 12.4% yoy, with net interest income being the main growth driver. Net interest income, the banks most important income source (≈70% of operating income in 2022), benefitted from higher loan volumes and interest rate hikes. Together, these developments more than compensated for lower income recognized from the banks TLTRO III participation amounting to EUR 489mn (2021: EUR 868mn). Also, favorable FX movements helped to drive net interest income higher by 15.7% yoy. Net of exchange rate effects, Banco Santander still reported healthy growth in net interest income of about 7%.

Fee and commission income surged by +12.3%, surpassing pre-pandemic levels for the first time. In particular, vividly growing fees generated by asset management activities, account management and credit card fees contributed to this result. Moreover, net trading income, which is of minor importance for Santander (2022: 3% of operating income) posted modest gains after having slumped in 2021.

Turning to operating expenses, 2022 saw an increase of 11.6% yoy. Santander's ongoing transformation process towards a more digital operating model, was mirrored by Tech & Communications expenses, which increased by EUR 369mn (+11.3% yoy). Moreover, operating expenses were boosted by soaring inflation in South America, driving up salaries in Brazil and Argentina. Apart from that, we note that Santander's management remains comitted to disciplined cost management, as indicated by real term cost reductions in its major European markets.

Meanwhile, significantly higher loan loss provisions, weighed on the banks performance. Reflecting a worsening macroecomic outlook mainly for Spain, the UK and the US, a single name impairment in the bank's CIB division and a payment holiday for Polish CHF mortgages impairment costs edged up sharply and came in at EUR 10.8bn in 2022 (2021: EUR 7.4bn).

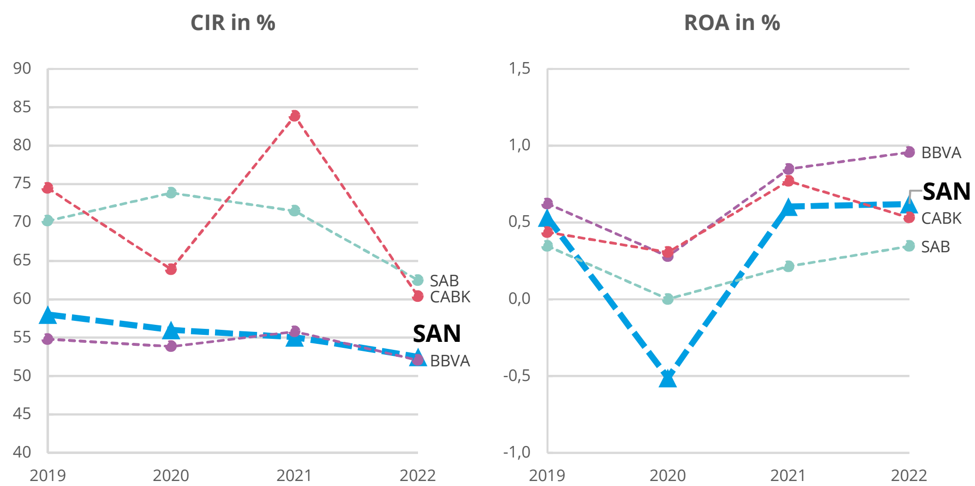
With operating income outpacing expenses and higher loan loss provisions, Santanders pre-tax profit posted a moderate increase of 4.8% yoy in 2022. Due to a lower tax burden as compared with the previous year, net income increased more dynamically reaching EUR 10.7bn (+11.5% yoy).

Within our rating framework, Santander displays a very good sub-score on earnings, which is primarily explained by the banks high net financial margin (NIM) and its best in class cost efficiency levels. The lenders NIM, which clocked in at an impressive 2.5% in 2022, is mainly mirroring the its notable emerging market footprint. Santander has also a sound track record in terms of keeping operating costs in check, as it managed to bring down its cost income-ratio (CIR) from 58% in 2019 to 52.5% in 2022. Improvements in the CIR were driven by growing operating income, but also by nominal cost reductions of EUR 1.7bn.

Despite the fact that Santander's key profitability metrics showed moderate year on year improvements, the bank's intrinsic profitability remains at a satisfying level. Santander's ROA and RoRWA stood at 0.6% and 1.8% respectively in 2022. However, we note that recent interest rate hikes have not yet been fully reflected in the bank's 2022 financials. In 2023 and beyond, Santander's sizeable Spanish and North American operations should start to make a more meaningful contribution to NIM expansion. Among the Spanish banks we rate, Santander has the balance sheet with the highest proportion of short-term assets. Thus, Santander should be a main beneficiary from higher asset yields. Against this backdrop, management guides for double-digit revenue growth and a RoTE >15% in 2023.

Looking ahead, dynamic revenue growth should also help Santander to maintain its current CIR. Continuing with nominal spending cuts like in the past, however, is likely to prove challenging in the coming years, given elevated inflation rates and and sustained investment needs arising from the bank's ongoing transformation.

Chart 3: CIR & RoA of Santander in comparison to the peer Group | Source: eValueRate / CRA



Asset Situation and Asset Quality

As of year-end 2022, loans and advances to customers were by far Santander's most significant balance sheet position. Compared with similar sized peers such as Deutsche Bank, BNP Paribas or BBVA, Santander's loan book is tilted more towards households (55% of loans and advances), mirroring its extensive retail footprint in several European and American markets. Groupwide gross loans exceeded EUR 1tr last year, with mainly Spanish/British mortgages (34%) and auto loans (15%) accounting for the bulk of the total loan balance. Complementing its retail loan book, Santander also holds a moderately sized portfolio of credit card receivables. Meanwhile, corporates and SME loans make up around a quarter of total loans outstanding.

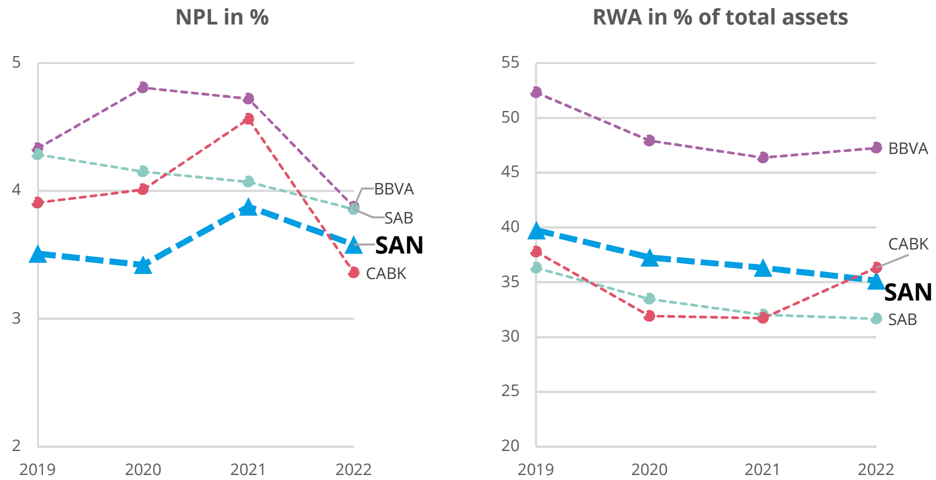
Last year, groupwide gross loans expanded by 5% in constant Euros and all of the bank's primary reporting segments made positive growth contributions. Apart from South America (+10%), where Santander experienced robust customer growth, loans in the North American division (+9%) also saw robust growth, partly explained by the integration of of Amherst Pierpont Securities. Santander closed the acquisition of the US broker-dealer in April 2022, consolidating its loan balances in 2022 for the first time. Meanwhile, credit demand in Europe was more muted (+3%) partly due to shrinking mortgages volumes in Poland and restrained credit demand from Spanish SME's.

Santander entered into more reverse repurchase agreements last year and also expanded its securities and trading assets (+13%) to EUR 193.7bn as part of its asset liability management. In light of rising funding costs, the bank deployed some excess liquidity and ramped up its bond purchases in order to support financial margins. Apart from Spanish and US-bonds, Santander also has notable holdings of unrated or lower rated (below BBB) issuers. Combined, the banks Italian, Brazilian, Mexican and Portuguese debt securities account for 20% of its fixed income portfolio or 98% of CET1 capital.

Alongside the loan and bond portfolios, Santander's derivative balances also experienced positive growth. Among others, Santander hedges foreign investments within the group's consolidation perimeter via derivatives to prevent a potentially adverse impact on its regulatory capital ratios from currency devaluation.

Although cost of risk / total assets (2022: 61bp.) is elevated party explained by Santander's emerging market exposure, presence in these market typically comes with higher returns on capital and also provides diversification benefits. Last year, Santander's NPL ratio fell from 3.9% (2021) to 3.6% – a level we regard as satisfatory. This decline, however, should not obscure heterogenous trends in asset quality across Santander's main markets. As regards developments in 2022, improving credit quality in Europe (Spain, UK and Portugal) more than offset higher NPL-ratios in Santander's American operations - namely in the US, Brazil and Chile. To be sure, we consider the bank's reserves / NPL ratio of 83.3% to be sound, indicating adequate levels of provisioning. Also benefetting the lender's asset risk profile, Santander exhibits a relatively low and downward trending RWA density. As of 2022, Santander's RWA ratio of 35.1% was the second lowest among Spanish peers.

Chart 4: NPL and RWA ratios of Santander in comparison to the peer Group | Source: eValueRate / CRA



Looking ahead into 2023, we expect a moderate deteriation in asset quality, as high inflation and weak growth prospects will likely put a strain on the private sectors ability to service its financial obligations in many markets.

Refinancing, Capital Quality and Liquidity

Deposits from customers represent the major source of refinancing at Santander. As of 2022, customer deposits made up about 60% of financial liabilities. What is more, Santander has a substantial deposit market share between 10-20% in most of the local markets the bank operates. Its strong and diversified deposit franchise including a substantial share of time deposits provides the Group with a stable source of low cost funds. Customer deposits (excl. repos) grew by 9.1% yoy in 2022, driven by particularly high deposit inflows in Spain and the US. That being said, recent trends in deposit growth have been mixed by product. While time deposits skyrocketed by 48% yoy, due to higher interest rates, demand deposits fell by 1%.

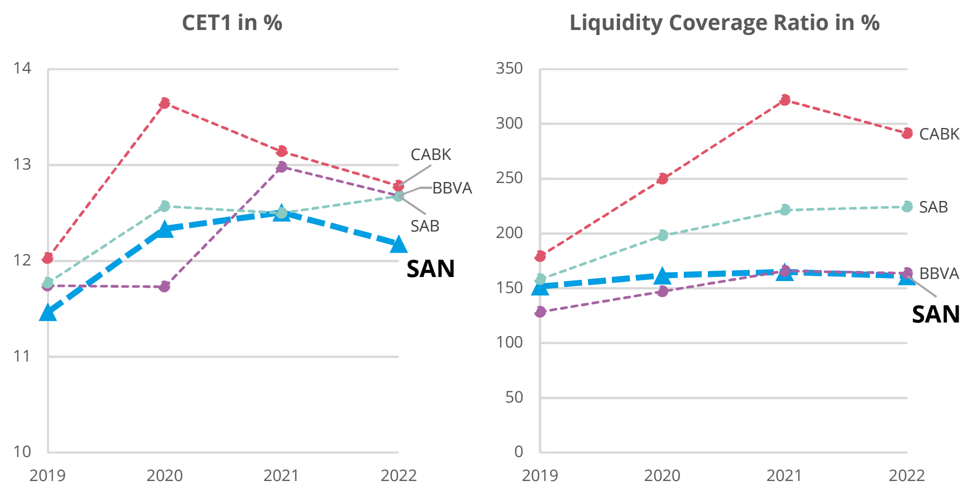
Deposit inflows were partly used to repay a large part of long-term financing with central banks, explaining the year on year slump in bank deposits. Over the year, TLTRO III repayments totalled EUR 55.4 bn, bringing the outstanding amount under the program down to EUR 33.5bn.

The aforementioned central bank loans were also replaced by higher volumes of wholesale funding. Santander has strong access to capital markets, underpinned by its ability to raise capital regularly in different currencies and debt instruments. Santander's total debt outstanding primarily consists of senior unsecured debt (EUR 127.5bn) and senior secured debt (EUR 84bn) with a balanced maturity profile. About 41% of Santander's bonds and debentures outstanding are denominated in Euro and 36% in USD - other currencies worth mentioning include GBP (8%) and BRL (9%).

Down from 12.5% in the previous year, Santander's CET1-ratio (phased-in) fell to 12.2% in 2022. Organic capital generation was strong but higher shareholder remunerations, regulatory effects and negative market impacts on 'Held to Collect and Sell'-portfolios detracted from the lender's capital ratios. With regard to the latter, Santander has not applied article 468 of the CRR on the temporary treatment of unrealised gains and losses measured at fair value through OCI. In Q1-23, the CET1 ratio improved slightly to 12.3%.

While Santander operates with a lower CET1 ratio than most G-SIB and domestic banking peers, the ratio is commensurate with the internal CET1 target between 11% and 12%. Also, the bank had a sufficient management buffer of 319 Bp. above regulatory minimum requirements. On a consolidated basis, Santander must comply with a 9.1% CET1 ratio, including a 1% G-SIB surcharge and a pillar 2 requirement of 0.89%.

Chart 5: CET1 and Liquidity Coverage ratios of Santander in comparison to the peer Group | Source: eValueRate / CRA /P3



Our rating assessment also incorporates the group's favorable liquidity situation. CRA understands that under the umbrella of the existing group structure, Santander grants individual subsidiaries far-reaching operational and financial autonomy. Legally, autonomy is expressed in such a way that Santander has adopted a multiple point of entry approach with several Resolution Groups, there are also no binding committments that entail financial support by the parent bank. Santander operates a decentralized liquidity and funding model. This means, that except for Santander Consumer Finance, all of the groups subsidiaries must be able to cover their liquidity requirements independently without recourse to parent funding. Slightly down from 2021 levels (165.0%), Santander's LCR (average over 12 months) came in at 161.2% in 2022, still indicating ample liquidity buffers. On the subsidiary level, Santander's individual entities posted LCR's between 125% and 241% at year-end.

Due to Banco Santander's bank capital and debt structure, as well as its status as a G-SIB, the Group's Preferred Senior Unsecured Debt instruments are not notched down in comparison to the Long-Term Issuer Rating. Due to the seniority structure, Banco Santander's Non-Preferred Senior Unsecured debt is rated BBB+. Banco Santander's Tier 2 Capital is rated BB+ based on the Banco Santander's capital structure and seniority in accordance with our rating methodology. Additional Tier 1 Capital is rated BB, reflecting the capital structure and seniority as well as due to a high bail-in risk in the event of resolution.

Environmental, Social and Governance (ESG) Score Card

Creditreform Bank Rating
Environmental, Social and Governance (ESG) Bank Score
Banco Santander SA (Av. de Cantabria s/n, 28660 Santander)

Creditreform Rating

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's strong and sustainable performance track record in addition to the widespread ESG policies.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting was upnotched due to higher share of green finance raised compared to total assets, Corporate Behaviour is rated positive due the bank's business activities, which are widely in line with the ideas and beliefs of the society .

ESG Bank Score

3,8 / 5

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 2022	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	( )
Environmental	1.2 Exposure to Environ-mental Factors	The sub-factor "Exposure to Environmental Factors" has a low relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	2	(+)
Environmental	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 positive in terms of the CRA ESG criteria.	2	(+)
Social	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	(+)
Governance	3.2 Corporate Behaviour	The sub-factor "Corporate Behaviour" has a moderate relevance for the credit rating, and is rated positive in terms of the CRA ESG criteria.	3	(+)
Governance	3.3 Corporate Transparency	The sub-factor "Corporate Transparency" has no significant relevance for the credit rating, and is rated very 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 "Consodering the Impact of ESG Factors".

Outlook

The outlook of the Long-Term Issuer Rating of Banco Santander is positive. In the medium term, CRA expects rising interest rates to be a tailwind to Santander's profitability in view of its substantial lending activities. Asset quality is likely to detoriate somewhat in light of stretched household finances due to still high inflation. Furthermore, we expect the bank maintain a CET1 ratio close to current levels, commensurate with managements internal capital target of 11-12%. Still, due to its high domestic exposures, the rating should remain capped at the level of the Spanish sovereign in the foreseeable future.

Scenario Analysis

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.

In a scenario analysis, the bank is able to reach a Long-Term Issuer Rating of A+ in the "Best-Case-Scenario" and a Long-Term Issuer Rating of A- in the "Worst-Case-Scenario". The ratings of Bank Capital and Senior Unsecured Debt would respond similarly based on our rating methodology. These ratings are especially sensitive to changes in total equity and to the bank capital and debt structure in general.

We might upgrade Banco Santander's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt, if Santander strenghtens its capital ratios and CET1 buffers, resulting in a closer alignment of these metrics with comparable credit institutions. Individually or collectively, further improvements in key profitability metrics and asset quality could also lead to an upgrade.

By contrast, a downgrade of Banco Santander's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt in case of a persistent erosion of the bank's intrinsic earnings power. In the same vein, a downgrade could be triggered by lower capital ratios and/or a substantial deterioration in asset quality.

Appendix

Bank ratings Banco Santander S.A. (GROUP)

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.

Long-Term Issuer / Outlook / Short-Term **A- / L2 / positive**

Bank Capital and Debt Instruments Ratings Banco Santander S.A. (Group)

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:	**A-**
Non-Preferred Senior Unsecured:	**BBB+**
Tier 2 (T2):	**BB+**
Additional Tier 1 (AT1):	**BB**

Rating History

Please consult our website www.creditreform-rating.de for additional information regarding the dates of publication.

Figure 1: Rating History

Bank Issuer Rating	Rating Date	Result
Initialrating	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
Rating Update	17.12.2021	A- / stable / L2
Rating Update	13.04.2022	A- / positive / L2
Rating Update	19.06.2023	A- / positive / L2
Bank Capital and Debt Instruments	**Rating Date**	**Result**
PSU / NPS / 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
PSU / NPS / T2 / AT1	17.12.2021	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	13.04.2022	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	19.06.2023	A- / BBB+ / BB+ / BB
Subsidiaries of the Bank	**Rating Date**	**Result**
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
Rating Update	17.12.2021	A- / stable / L2
Rating Update	13.04.2022	A- / positive / L2
LT / Outlook / Short-Term	19.06.2023	A- / positive / 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
PSU / NPS / T2 / AT1	17.12.2021	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	13.04.2022	A- / BBB+ / BB+ / BB
PSU / NPS / T2 / AT1	19.06.2023	A- / BBB+ / BB+ / BB

Tables Banco Santander S.A. (Group)

Figure 2: Income statement[1] | Source: eValueRate / CRA

Income Statement (EUR m)	2022	%	2021	2020	2019
Income					
Net Interest Income	38.619	+15,7	33.370	31.994	35.283
Net Fee & Commission Income	11.790	+12,3	10.502	10.015	11.779
Net Insurance Income	158	-25,1	211	210	120
Net Trading & Fair Value Income	1.653	+5,8	1.563	2.187	1.531
Equity Accounted Results	702	+62,5	432	-96	324
Dividends from Equity Instruments	488	-4,9	513	391	533
Other Income	1.571	-33,0	2.344	2.069	3.147
Operating Income	**54.981**	**+12,4**	**48.935**	**46.770**	**52.717**
Expense					
Depreciation and Amortisation	3.224	+7,9	2.987	3.126	4.624
Personnel Expense	12.547	+11,9	11.216	10.783	12.141
Tech & Communications Expense	3.641	+11,3	3.272	3.264	3.356
Marketing and Promotion Expense	559	+9,6	510	523	685
Other Provisions	1.881	-33,2	2.814	2.378	3.490
Other Expense	7.023	+14,4	6.139	6.127	6.294
Operating Expense	**28.875**	**+7,2**	**26.938**	**26.201**	**30.590**
Operating Profit & Impairment					
Operating Profit	**26.106**	**+18,7**	**21.997**	**20.569**	**22.127**
Cost of Risk / Impairment	10.863	+46,7	7.407	12.374	9.352
Net Income					
Non-Recurring Income	101	+3,1	98	44	0
Non-Recurring Expense	94	-33,3	141	10.315	232
Pre-tax Profit	**15.250**	**+4,8**	**14.547**	**-2.076**	**12.543**
Income Tax Expense	4.486	-8,3	4.894	5.632	4.427
Discontinued Operations	-	-	-	-	-
Net Profit	**10.764**	**+11,5**	**9.653**	**-7.708**	**8.116**
Attributable to minority interest (non-controlling interest)	1.159	-24,2	1.529	1.063	1.601
Attributable to owners of the parent	9.605	+18,2	8.124	-8.771	6.515

Figure 3: Key earnings figures| Source: eValueRate / CRA and Pillar III

Income Ratios (%)	2022	%	2021	2020	2019
Cost Income Ratio (CIR)	52,52	-2,53	55,05	56,02	58,03
Cost Income Ratio ex. Trading (CIRex)	54,15	-2,72	56,86	58,77	59,76
Return on Assets (ROA)	0,62	+0,02	0,60	-0,51	0,53
Return on Equity (ROE)	11,03	+1,08	9,95	-8,44	7,33
Return on Assets before Taxes (ROAbT)	0,88	-0,03	0,91	-0,14	0,82
Return on Equity before Taxes (ROEbT)	15,63	+0,64	14,99	-2,27	11,33
Return on Risk-Weighted Assets (RORWA)	1,77	+0,10	1,67	-1,37	1,34
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,50	-0,01	2,51	-0,37	2,07
Net Financial Margin (NFM)	2,47	+0,14	2,33	2,42	2,62
Pre-Impairment Operating Profit / Assets	1,50	+0,13	1,38	0,69	1,45

Change in %-Points

[1] Data by our data provider eValueRate, which is standardized for analytical reasons. Thus, the used data and the resulting figures do not have necessary to match the presentation of the bank, which refers to this and all subsequent tables and figures.

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

Assets (EUR m)	2022	%	2021	2020	2019
Cash and Balances with Central Banks	238.253	+6,4	223.964	165.596	118.600
Net Loans to Banks	36.372	+7,4	33.865	29.115	31.412
Net Loans to Customers	996.504	+6,1	939.418	880.497	896.515
Total Securities	209.434	+12,9	185.425	192.186	203.246
Total Derivative Assets	71.322	+19,9	59.463	77.442	72.315
Other Financial Assets	78.611	+35,3	58.107	66.787	84.297
Financial Assets	**1.630.496**	**+8,7**	**1.500.242**	**1.411.623**	**1.406.385**
Equity Accounted Investments	7.615	+1,2	7.525	7.622	8.772
Other Investments	1.029	+5,1	979	963	973
Insurance Assets	412	-4,6	432	435	484
Non-current Assets & Discontinued Ops	3.453	-15,6	4.089	4.445	4.601
Tangible and Intangible Assets	51.689	+5,6	48.926	47.680	61.949
Tax Assets	29.987	+19,0	25.196	24.586	29.585
Total Other Assets	9.978	+18,1	8.446	10.896	9.946
Total Assets	**1.734.659**	**+8,7**	**1.595.835**	**1.508.250**	**1.522.695**

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

Asset Ratios (%)	2022	%	2021	2020	2019
Net Loans to Customers / Assets	57,45	-1,42	58,87	58,38	58,88
Risk-weighted Assets[1] / Assets	35,12	-1,15	36,28	37,30	0,00
NPL[2]/ Loans to Customers[3]	3,58	-0,30	3,88	3,42	3,51
NPL[2]/ Risk-weighted Assets[1]	6,04	-0,46	6,50	5,61	5,49
Potential Problem Loans[4]/ Loans to Customers[3]	6,62	-0,55	7,16	7,32	5,47
Reserves[5]/ NPL[2]	83,28	-0,11	83,38	87,06	85,89
Cost of Risk / Loans to Customers[3]	1,06	+0,29	0,76	1,34	0,99
Cost of Risk / Risk-weighted Assets[1]	1,78	+0,50	1,28	2,20	1,55
Cost of Risk / Total Assets	0,63	+0,16	0,46	0,82	0,61

Change in %-Points

1 RWA: Pillar 3, EU CR1
2 NPL: Gross; Non-Performing Loans of the categories Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
3 Loans to Customers: Gross; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
4 Potential Problem Loans: Stage 2; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1
5 Reserves: Impairment & Provisions and Collateral & Guarantees; Households, Non-Financial Corporations, Other Financial Corporations as per Pillar 3, EU CR1

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

Liabilities (EUR m)	2022	%	2021	2020	2019
Total Deposits from Banks	128.411	-27,9	178.038	157.306	138.155
Total Deposits from Customers	962.010	+9,1	881.987	814.836	785.454
Total Debt	280.339	+13,9	246.163	235.269	261.977
Derivative Liabilities	74.002	+24,8	59.277	71.624	69.333
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	156.717	+58,7	98.761	102.464	115.169
Total Financial Liabilities	**1.601.479**	**+9,4**	**1.464.226**	**1.381.499**	**1.370.088**
Insurance Liabilities	747	-3,0	770	910	739
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	9.468	+9,5	8.649	8.282	9.322
Provisions	8.149	-15,0	9.583	10.852	13.987
Total Other Liabilities	17.231	+10,8	15.554	15.385	17.900
Total Liabilities	**1.637.074**	**+9,2**	**1.498.782**	**1.416.928**	**1.412.036**
Total Equity	**97.585**	**+0,5**	**97.053**	**91.322**	**110.659**
Total Liabilities and Equity	**1.734.659**	**+8,7**	**1.595.835**	**1.508.250**	**1.522.695**

Figure 7: Development of capital and liquidity ratios | Source: eValueRate / CRA and Pillar III

Capital Ratios and Liquidity (%)	2022	%	2021	2020	2019
Total Equity / Total Assets	5,63	-0,46	6,08	6,05	7,27
Leverage Ratio[1]	4,74	-0,63	5,37	5,33	5,15
Common Equity Tier 1 Ratio (CET1)[2]	12,18	-0,33	12,51	12,34	11,47
Tier 1 Ratio (CET1 + AT1)[2]	13,63	-0,61	14,24	13,95	13,05
Total Capital Ratio (CET1 + AT1 + T2)[2]	15,99	-0,82	16,81	16,18	15,02
CET1 Minimum Capital Requirements[1]	9,07	+0,22	8,85	8,85	9,04
Net Stable Funding Ratio (NSFR)[1]	121,47	-4,55	126,02	120,48	n/a
Liquidity Coverage Ratio (LCR)[1]	161,23	-3,78	165,01	161,71	151,68

Change in %-Points

1 Pillar 3 EU KM1
2 Regulatory Capital Ratios: Pillar 3 EU KM1

Regulatory

Creditreform Rating AG was neither commissioned by the rating object nor by any other third party for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The following table clarifies the level of participation of the rated entity (rating object):

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	No
With Access to Internal Documents	No
With Access to Management	No

The rating is based on publicly available information and internal evaluation methods for the rated bank. The quantitative analysis is based mainly on the latest annual accounts, interim reports, other investor relations information of the bank, and calculated key figures by eValueRate / CRA.

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. The rating was carried out on the basis of the following methodologies and Rating Criteria and Definitions (v1.3):

- Bank ratings (v3.2)
- Rating of bank capital and unsecured debt instruments (v2.1)
- Environmental, Social and Governance Score for Banks (v1.0)

The complete presentation of the rating methodologies used by Creditreform Rating AG and the basic document Rating Criteria and Definitions are published on our homepage:

https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html

On 19 June 2023, 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.

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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1. Aggregated data base by eValueRate

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3. Investors relations information and other publications

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6. Internet research

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