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 / stable** Type: Update / Unsolicited	Short Term: **L2**
Rating Date: **20 June 2024** Monitoring until: withdrawal of the rating Rating Methodology: CRA "Bank Ratings v.3.3" CRA "Rating of Bank Capital and Unsecured Debt Instruments v.2.2" CRA "Environmental, Social and Governance Score for Banks v.1.1" 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 (PSU): **A** Non-Preferred Senior Unsecured (NPS): **A-** Tier 2 (T2): **BBB-** Additional Tier 1 (AT1): **BB+**	

Rating Action

Creditreform Rating upgrades Banco Santander's (Group) Long-Term Issuer Rating to A (Outlook: stable)

Creditreform Rating (CRA) upgrades Banco Santander's (Group) Long-Term Issuer Rating to A. The rating outlook is stable.

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

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

Key Rating Drivers

- Sovereign rating upgrade of the Kingdom of Spain to A/stable on 14 June 2024
- Geographically diversified banking operations with strong market position in Spain and several emerging markets
- Highly profitable operations primarily explained by high net financial margin (NIM) and best-in-class cost efficiency, that has steadily improved in recent years
- Good asset quality, although cost of risk and non performing loan ratio are structurally elevated compared to most European G-SIB Banks
- Satisfying capital ratios
- Diversified funding mix including a large and stable customer deposit base complemented by a comfortable liquidity position mitigates refinancing risk

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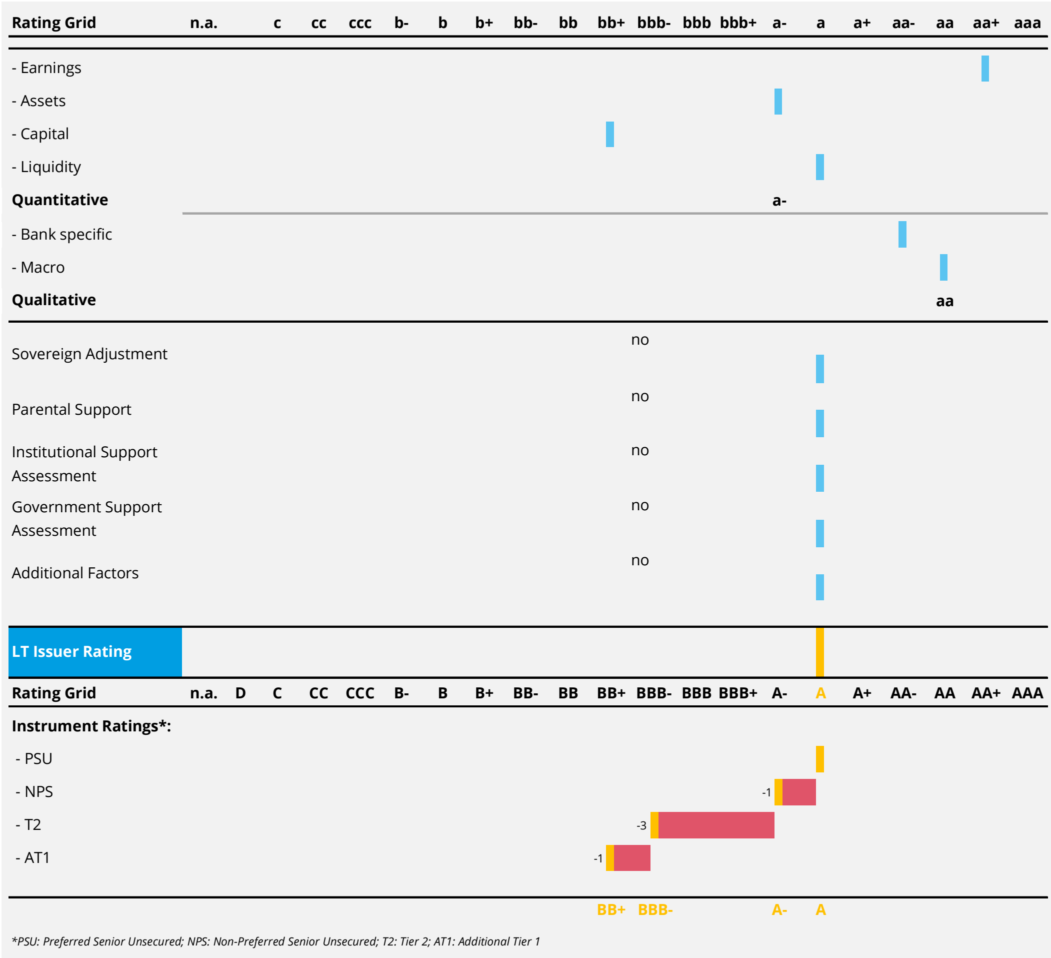
Executive Summary



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

The Long-Term Issuer Rating and all Debt and Bank Capital Ratings of Banco Santander are upgraded by one notch each.

The Long-Term Issuer Rating of Banco Santander S.A. has been raised to A, reflecting CRA's upgrade of Spain's sovereign Rating to A on 14 June 2024. Due to Santander's high exposure to Spain, the rating of the bank and its subsidiaries is capped at the level of Spain's sovereign rating. The rating upgrade is also supported by very strong and further improving profitability in 2023, good asset quality and liquidity, as well as satisfactory capitalisation.

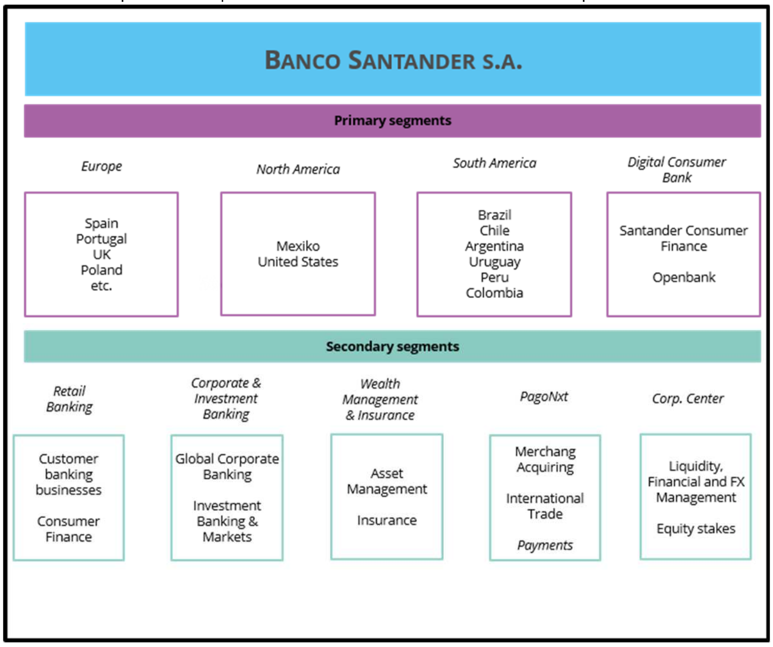
Company Overview

With assets of EUR 1.8tr as of year-end 2023, 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 S.A. Annual Report 2023



Santander remains comitted to the strategic and financial targets outlined in February 2023. By the end of 2025, the bank envisages to grow its customer base to 200mn and targets a RoTE between 15-17% and a drop in the cost income ratio (self-reported) to 42%. Management also envisaged higher shareholder remuneration, lifting the payout ratio from 40 to 50%. Santander mainly aims to reach these goals by the implemenation of the „ONE Santander" strategy, which is essentially centered around leveragig the bank's global network, simplification and automation and the deployment of common plattforms e.g. for auto loans. So far, Santander appears on track to achieve these targets. As of 2023, the bank's self reported RoTE and cost income ratio stood at 15.1% and 44.1%, respectively.

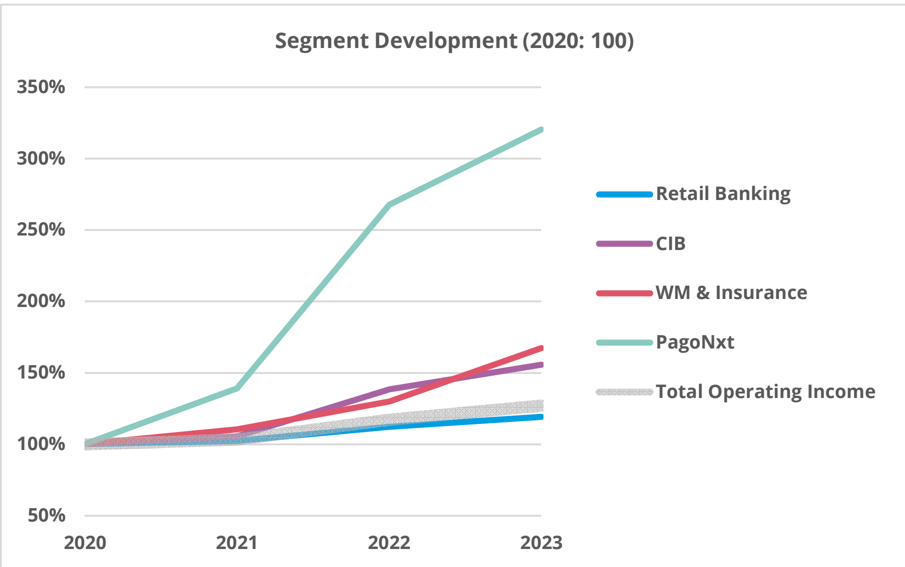
Business Development

Profitability

Creditreform Rating AG follows a structural approach in the presentation of the income statement and balance sheet as well as in the calculation of key ratios. The presentation may therefore differ from that of the bank. Creditreform Rating pursues the goal of making financial statements of different banks as well as within the scope of consolidation as comparable as possible. Certain key ratios are also taken or calculated from the Bank's Pillar III Report for reasons of comparability. Balance sheet and income statement figures are taken from the consolidated financial statements of the respective years. One-off or exceptional items are, where possible, relegated to the line items non-recurring revenue and expense.

Banco Santander's net income increased dynamically in 2023 thanks to robust revenue growth, cost containment and lower tax burden. Net interest income, the bank's most important income source (≈70% of operating income in 2023), grew by 12% yoy, in constant currency terms growth was even stronger (+15.8% yoy). In particular, net interest income benefitted from the positive interest sensitivity of Santander's European operations and to a lesser extent also from higher balances of interest earning assets. While loan balances were only slightly higher than in 2022, the bank significantly ramped up its bond portfolio, supporting the generation of interest income. Net fee income on the other hand grew only marginally (+2.3% yoy), partly reflecting FX headwinds, stagnating asset managment fees and customer attraction campaigns in Europe. Meanwhile, net trading income (+59.3% yoy), which is of minor importance for Santander (2023: 4% of operating income), posted strong gains thanks to customer activity in the corporate & investment banking unit. We also note that income increased across all operating segments in 2023, resulting in overall revenue growth of 10.2% yoy.

Chart 2: Segment Income Development of Banco Santander S.A. | Source: Annual Report 2023



With regard to operating expenses, 2023 saw an increase of 8% yoy. Rising costs were mainly fueled by inflation-induced growth in personnel expenses, which particulary lifted staff costs in

Santander's South American markets. Despite Santander's ongoing transformation towards a more digital operating model, tech & communications expenses stabilized at EUR 3.7bn (+0.7% yoy).

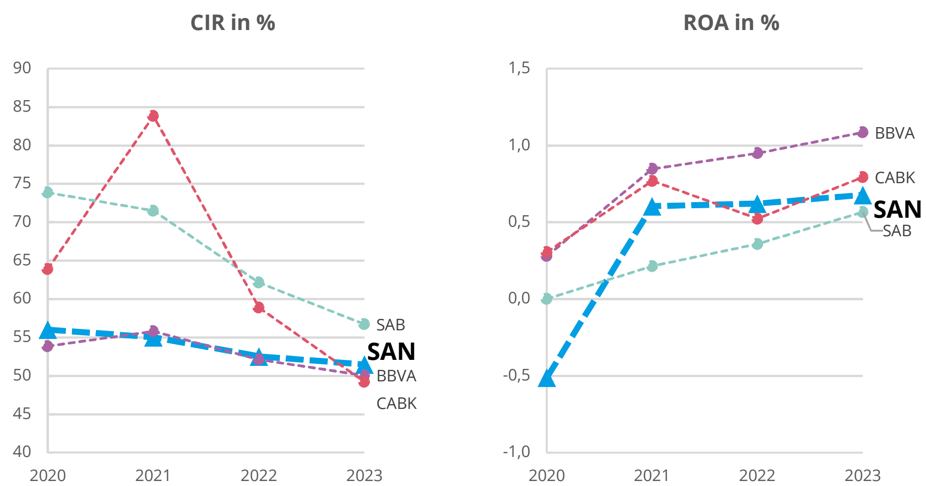
Meanwhile, growing loan loss provisions dampened the bank's profitability last year. Reflecting a normalization in the US from extraordinarily low levels, higher provisioning for Polish CHF mortgages and a larger Brazilian portfolio, impairment costs edged up to almost EUR 13.0bn in 2023 (2022: EUR 10.9bn).

As a result of the aforementioned development, Santander's pre-tax profit grew by 8% yoy, thanks to a lower tax burden than in the previous year, net income posted even stronger gains (+13.2% yoy), totalling at EUR 12.2bn in 2023. The bank's strong business momentum carried over into Q1-24, with attributable profit up 11% yoy on the back of dynamically growing revenues.

Santander's issuer rating continues to benefit from its strong earnings profile, which is primarily driven by the banks high net financial margin (NIM) and best in class cost efficiency levels. The lenders NIM, which further improved to an impressive 2.7% in 2023 (2022: 2.5%), is particularly explained the bank's notable emerging market footprint. Santander's RoA clocked in at 0.7% in 2023, also representing a year over year improvement (2022: 0.6%). What is more, Santander has a sound track record in terms of keeping operating costs in check. The bank has managed to steadily improve its cost efficiency in recent years, with the cost income-ratio (CIR) falling from 58% in 2019 to 51.5% in 2023. While improvements in the CIR were supported by favorable revenue dynamics over this timeframe, prudent cost management also played a role. This is underpinned by the trajectory of operating expenses, which according to our calculation, were close to 2019 levels last year.

In terms of efficiency, Santander closely tracks BBVA, which displays a similar business mix. Both banks steadily improved the efficiency of their operations in recent years. This also holds true for Banco de Sabadell and Caixabank, however, both banks operated with much higher cost income ratios up until recently.

Chart 3: CIR and RoA of Banco Santander S.A. in comparison to the peer group | Source: eValueRate / CRA



Asset Situation and Asset Quality

In 2023, loans and advances to customers, which are by far Santander's most significant balance sheet position, remained virtually stable. Solid lending activity in South America (+7%), was offset by weak credit demand many of Santander's developed markets due to rising interest rates. Across the bank's European markets, outstanding loan volumes decreased by 6%, with simultaneous declines reported in Spain, Portugal and the UK. In the US, loan growth was positive but muted (+1%).

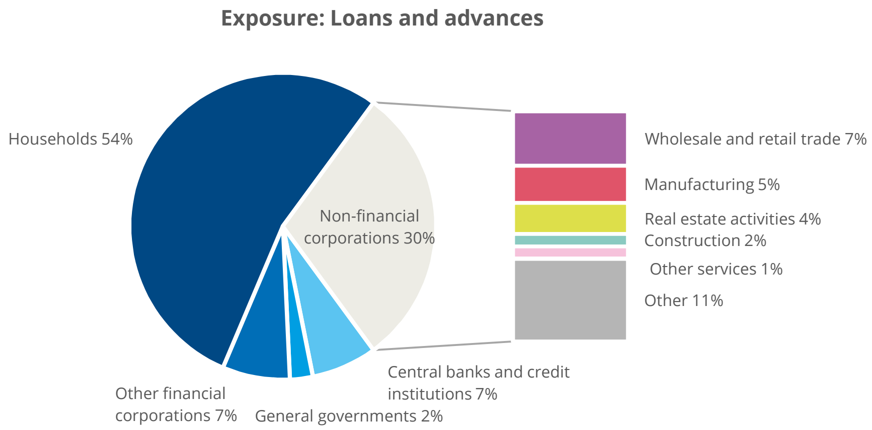
By contrast, Santander expanded its portfolio of securities and trading assets (+26.1% yoy) to EUR 264.1bn as part of its asset liability management. In light of rising funding costs, the bank continued to deploy excess liquidity and ramped up its bond purchases in order to support financial margins.

Compared with similar sized peers such as Deutsche Bank, BNP Paribas or BBVA, Santander's loan book is tilted more towards households (54% 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 (33%) and auto loans (16%) 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 (13% of total loans). Meanwhile, corporates and SME loans make up around a quarter of total loans outstanding. Overall, the bank's loan book is well diversified across geographies and industries and the bank's exposure to higher activities such as consumer credit and commercial real estate appears manageable.

Santander's bond portfolio comprises mainly of government bonds. 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 38% of its fixed income portfolio or 120% of CET1 capital.

Structural exchange risk associated with the bank's foreign investments is mitigated by the group's active hedging stratetgy. To prevent a potentially adverse impact on its regulatory capital ratios from currency devaluation, Santander hedges foreign investments within the group's consolidation perimeter via derivatives.

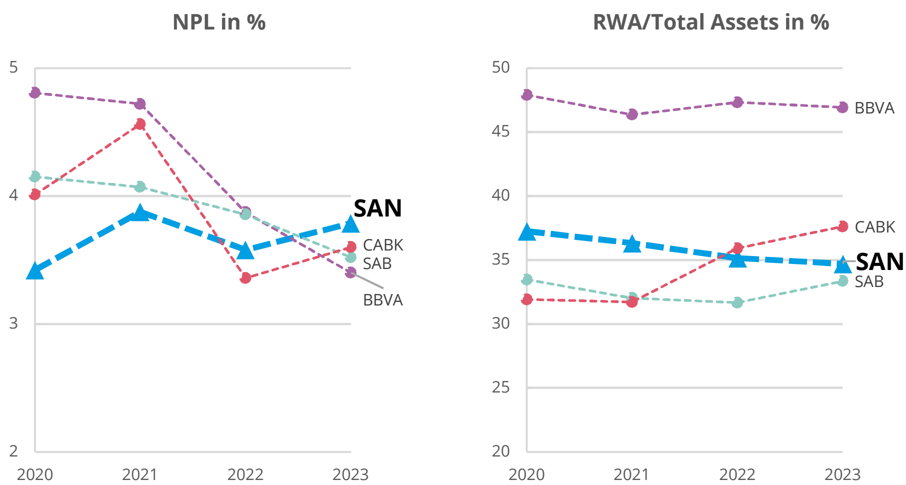
Chart 4: Credit Risk o.ä. (bspw. Exposure Loans and Advances und/oder Exp. Debt Securities) | Source: Pillar III/other



While Santander's emerging market exposure provides the bank with diversification benefits and bolsters its earnings profile via relatively high returns on capital, presence in these markets typically comes with higher asset risks. Cost of risk, which increased from 106bp. (2022) to 126bp. of customer loans in 2023 is elevated and structurally at a higher level than observed at other European G-SIB's. Santander's NPL ratio increased from 3.6% (2021) to 3.8% last year – a level we regard as satisfactory. The rise in the NPL ratio was driven slightly more defaults in the UK, as well as by rising deliquencies in Santander's US auto finance activities after pandemic related fiscal stimuli had been withdrawn. In general, Santander's asset quality in individual markets is highly heterogeneous. As disclosed in the bank's most recent pillar 3 report, NPL ratios ranged from a low 1.6% in the UK to 5.4% in Brazil in 2023. Against this background, we consider the bank's reserves / NPL ratio of 85.8% to be sound, indicating prudent provisioning policies. Against this backdrop, we note that asset quality remained sound in Q1-24 as indicated by a stable NPL ratio.

Asset quality trends have been uneven across Spanish banks in 2023. Banco de Sabadell and BBVA reported improvements in asset quality, at the same time the impaired loan ratio increased moderately at Caixabank and Banco Santander. Although NPL-ratios of Spanish banks have been closely aligned more recently, Santander's ratio was the highest in 2023, reflecting its strong presence in South American markets with above-average NPL ratios. In terms of risk appetite, Santander's RWA density was closely aligned with Banco de Sabadell and Caixabank in 2023. Meanwhile, BBVA whose business model is closest to that of Santander, was posting a substantially higher RWA-ratio.

Chart 5: NPL and RWA ratios of BANK in comparison to the peer group | Source: eValueRate / CRA



Refinancing, Capital Quality and Liquidity

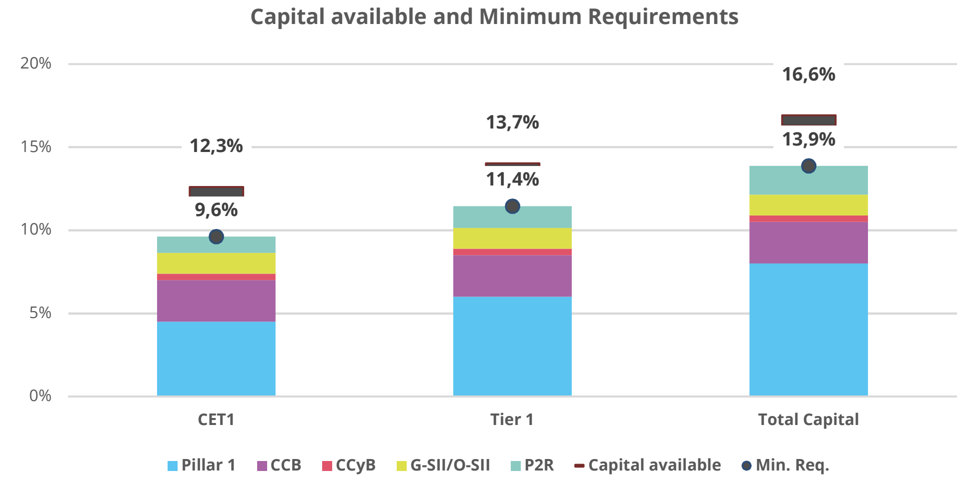
Customer deposits represent Banco Santander's major refinancing source. As of 2022, customer deposits made up about 60% of financial liabilities. What is more, Santander has a substantial deposit market share between 10-20% in most of the local markets the bank operates. Its strong and diversified deposit 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 2% yoy in 2023, driven by deposit inflows in Poland, Mexico and Brazil. That being said, recent trends in deposit growth have been mixed by product. While time deposits skyrocketed by 30% yoy, due to higher interest rates, demand deposits fell by 6.9%.

Bank deposits, were reduced by 19%yoy as Santander continued to repay its long-term financing with central banks. Over the year, TLTRO III repayments totalled EUR 22bn, bringing the outstanding amount under the program down to EUR 11.6bn.

As contractual conditions of TLTRO III got more unfavorable for banks, Santander replaced these facilities with a mix of customer deposits and wholsale funds. Generally, the bank has a has strong and proven access to capital markets, which is underpinned by regular issuance activities in various currencies and instrument classes. Santander's total debt outstanding primarily consists of senior debt (EUR 125.9bn) and covered bonds (EUR 49.6bn) with a balanced maturity profile. In 2023, Santander issued EUR 34.1 in new debt instruments and its funding plan envisages similar issuance activity (EUR 31-40bn) in 2024.

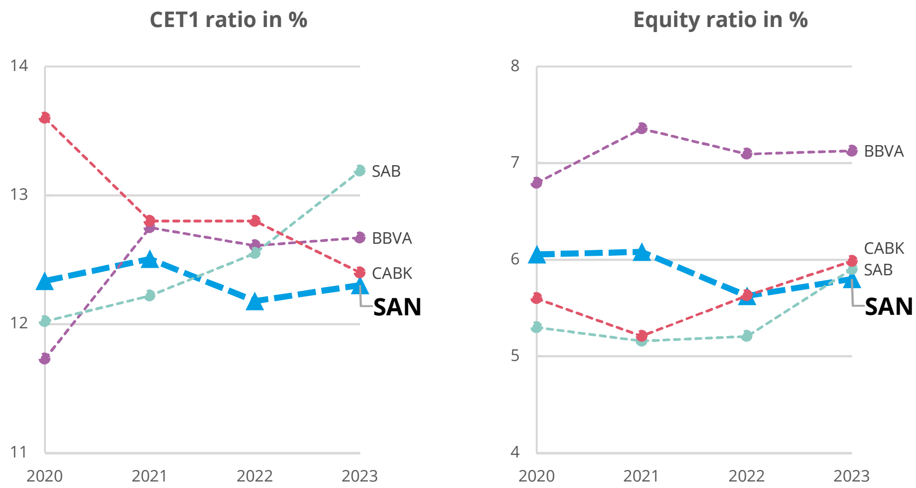
Santander's CET1-ratio (phased-in) slightly increased to 12.3% in 2023 (2022: 12.2%). Organic capital generation was strong (+119bp.) and more than compensated higher shareholder remunerations (-0.80bp.) and upfront deductions for prospective share buybacks (-0.26bp.). While Santander operates with a lower CET1 ratio than most G-SIB and domestic banking peers, the ratio is commensurate with the internal CET1 minimum target 12%. Also, the bank had a sufficient management buffer of 305bp. above regulatory minimum requirements at the end of 2023. On a consolidated basis, Santander had to comply with a 9.26% CET1 ratio, including a 1% G-SIB surcharge and a pillar 2 requirement of 0.89%. At the beginning of 2024, the bank's CET1 requirements were somewhat tightened. Due to methodologial changes, Santander's P2R was raised to 0.98%, Banco de Espana also set a new D-SIB requirement at 1.25% (previously 1.0%). Reflecting higher capital requirements and a stable CET1 ratio of 12.3% in Q1-24, Santander's capital buffer shrank to 267bp, a level we still consider adequate.

Chart 6: Regulatory Capital Ratios and Minimum Requirements as per Q1-24| Source: eValueRate / CRA / Pillar III



The CET1 ratios of major Spanish banks at year-end 2023 were in a relatively narrow corridor. In terms of capitalisation, Banco Santander positioned itself at the lower end of the Spanish peergroup. With regard to the equity ratio, Santander's capitalisation was broadly on par with Banco de Sabadell and Caixabank but significantly trailed BBVA.

Chart 7: Equity and CET1 ratios of Banco Santander S.A. in comparison to the peer group | Source: eValueRate / CRA / Pillar III



We also incorporated the group's favorable liquidity situation into our rating assessement. 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 Reso-lution Groups, there are also no binding committments that entail financial support by the pa-rent 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 2022 levels (161.2%), Santander's LCR (average over 12 months) came in at 159.8% in 2023, still indicating ample liquidity buffers. On the subsidiary level, Santander's individual entities posted LCR's between 138% and 357% at year-end. Available liquidity therefore not only significantly exceeds the regulatory minimum, but also the bank's internal risk appetite which stipulates a 110% LCR at both the subsidiary and consolidated level.

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 A-. Banco Santander's Tier 2 Capital is rated BBB- 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, seniority and 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 Grade
Banco Santander SA (Av. de Cantabria s/n, 28660 Santander)

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 widespread ESG policies.

• Corporate Behaviour and Green Financing / Promoting are identified as moderate rating driver. While Green Financing / Promoting is rated neutral due to the amount of green bonds outstanding, Coporate Behaviour is rated positive due to the bank's business activities, which are widely in line with the ideas and beliefs of society.

ESG Bank Grade

3,7 / 5

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

	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	( )
	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 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.	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	(+)
	2.2 Social Responsibility	The sub-factor "Social Responsibility" has no significant relevance for the credit rating.	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 positive 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.	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 Grade is based on the Methodology "Environmental, Social and Governance Grade 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 stable. CRA expects Santander to at least maintain its strong profitability metrics in view of the current interest rate environment and 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. 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: A-

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 if we see a sustained improvement in asset quality and/or a significant increase in the bank's capital ratios coupled with another rating upgrade of the Spain's sovereign rating. At the same time, profitability should not deteriorate materially.

By contrast, a downgrade of Banco Santander's Long-Term Issuer Rating and the ratings of Bank Capital and Senior Unsecured Debt could occur if we see a lasting and significant decline of Santander's profitability and/or its capital ratios. In the same vein, downward pressure on the rating could arise in case of a notable asset quality deterioration in one or several markets, Santander is active in. Irrespective of the reasons mentioned, a downgrade of Spain's sovereign rating would also trigger a rating downgrade, even if we currently consider the probability of this scenario occurring to be rather unlikely.

Appendix

Bank ratings Banco Santander S.A.

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 / stable**

Bank Capital and Debt Instruments Ratings Banco Santander S.A.

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 (PSU):	**A**
Non-Preferred Senior Unsecured (NPS):	**A-**
Tier 2 (T2):	**BBB-**
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

Long-Term 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
Rating Update	20.06.2024	A / stable / 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
PSU / NPS / T2 / AT1	20.06.2024	A / A- / BBB- / 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
Rating Update	19.06.2023	A- / positive / L2
Rating Update	20.06.2024	A / stable / 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
PSU / NPS / T2 / AT1	20.06.2024	A / A- / BBB- / BB+

Tables Banco Santander S.A.

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

Income Statement (EUR m)	2023	%	2022	2021	2020
Income					
Net Interest Income	43.261	+12,0	38.619	33.370	31.994
Net Fee & Commission Income	12.057	+2,3	11.790	10.502	10.015
Net Insurance Income	11	-93,0	158	211	210
Net Trading & Fair Value Income	2.633	+59,3	1.653	1.563	2.187
Equity Accounted Results	613	-12,7	702	432	-96
Dividends from Equity Instruments	571	+17,0	488	513	391
Other Income	1.442	-8,2	1.571	2.344	2.069
Operating Income	**60.588**	**+10,2**	**54.981**	**48.935**	**46.770**
Expense					
Depreciation and Amortisation	3.421	+6,1	3.224	2.987	3.126
Personnel Expense	13.726	+9,4	12.547	11.216	10.783
Tech & Communications Expense	3.694	+0,7	3.668	3.272	3.264
Marketing and Promotion Expense	559	+0,0	559	510	523
Other Provisions	2.678	+42,4	1.881	2.814	2.378
Other Expense	7.114	+1,7	6.996	6.139	6.127
Operating Expense	**31.192**	**+8,0**	**28.875**	**26.938**	**26.201**
Operating Profit & Impairment					
Operating Profit	**29.396**	**+12,6**	**26.106**	**21.997**	**20.569**
Cost of Risk / Impairment	12.917	+18,9	10.863	7.407	12.374
Net Income					
Non-Recurring Income	31	-69,3	101	98	44
Non-Recurring Expense	51	-45,7	94	141	10.315
Pre-tax Profit	**16.459**	**+7,9**	**15.250**	**14.547**	**-2.076**
Income Tax Expense	4.276	-4,7	4.486	4.894	5.632
Discontinued Operations	-	-	-	-	-
Net Profit	**12.183**	**+13,2**	**10.764**	**9.653**	**-7.708**
Attributable to minority interest (non-controlling interest)	1.107	-4,5	1.159	1.529	1.063
Attributable to owners of the parent	11.076	+15,3	9.605	8.124	-8.771

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

Income Ratios (%)	2023	%	2022	2021	2020
Cost Income Ratio (CIR)	51,48	-1,04	52,52	55,05	56,02
Cost Income Ratio ex. Trading (CIRex)	53,82	-0,32	54,15	56,86	58,77
Return on Assets (ROA)	0,68	+0,06	0,62	0,60	-0,51
Return on Equity (ROE)	11,69	+0,66	11,03	9,95	-8,44
Return on Assets before Taxes (ROAbT)	0,92	+0,04	0,88	0,91	-0,14
Return on Equity before Taxes (ROEbT)	15,79	+0,16	15,63	14,99	-2,27
Return on Risk-Weighted Assets (RORWA)	1,95	+0,19	1,77	1,67	-1,37
Return on Risk-Weighted Assets before Taxes (RORWAbT)	2,64	+0,14	2,50	2,51	-0,37
Net Financial Margin (NFM)	2,71	+0,24	2,47	2,33	2,42
Pre-Impairment Operating Profit / Assets	1,64	+0,13	1,50	1,38	1,36

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)	2023	%	2022	2021	2020
Cash and Balances with Central Banks	238.089	-0,1	238.253	223.964	165.596
Net Loans to Banks	36.904	+1,5	36.372	33.865	29.115
Net Loans to Customers	992.165	-0,4	996.504	939.418	880.497
Total Securities	264.089	+26,1	209.434	185.425	192.186
Total Derivative Assets	60.837	-14,7	71.322	59.463	77.442
Other Financial Assets	100.082	+27,3	78.611	58.107	66.787
Financial Assets	**1.692.166**	**+3,8**	**1.630.496**	**1.500.242**	**1.411.623**
Equity Accounted Investments	7.646	+0,4	7.615	7.525	7.622
Other Investments	956	-7,1	1.029	979	963
Insurance Assets	330	-19,9	412	432	435
Non-current Assets & Discontinued Ops	3.014	-12,7	3.453	4.089	4.445
Tangible and Intangible Assets	33.279	+3,6	32.134	48.926	47.680
Tax Assets	31.390	+4,7	29.987	25.196	24.586
Total Other Assets	28.281	-4,2	29.533	8.446	10.896
Total Assets	**1.797.062**	**+3,6**	**1.734.659**	**1.595.835**	**1.508.250**

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

Asset Ratios (%)	2023	%	2022	2021	2020
Net Loans to Customers / Assets	55,21	-2,24	57,45	58,87	58,38
Risk-weighted Assets[1] / Assets	34,71	-0,41	35,12	36,28	0,00
NPL[2]/ Loans to Customers[3]	3,79	+0,21	3,58	3,88	3,42
NPL[2]/ Risk-weighted Assets[1]	6,23	+0,19	6,04	6,50	5,61
Potential Problem Loans[4]/ Loans to Customers[3]	7,62	+1,00	6,62	7,16	7,32
Reserves[5]/ NPL[2]	85,83	+2,55	83,28	83,38	87,06
Cost of Risk / Loans to Customers[3]	1,26	+0,20	1,06	0,76	1,34
Cost of Risk / Risk-weighted Assets[1]	2,07	+0,29	1,78	1,28	2,20
Cost of Risk / Total Assets	0,72	+0,09	0,63	0,46	0,82

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)	2023	%	2022	2021	2020
Total Deposits from Banks	104.124	-18,9	128.411	178.038	157.306
Total Deposits from Customers	968.347	+2,3	946.331	881.987	814.836
Total Debt	308.579	+10,1	280.339	246.163	235.269
Derivative Liabilities	58.300	-21,2	74.002	59.277	71.624
Securities Sold, not yet Purchased	-	-	-	-	-
Other Financial Liabilities	197.301	+25,9	156.717	98.761	102.464
Total Financial Liabilities	**1.636.651**	**+3,2**	**1.585.800**	**1.464.226**	**1.381.499**
Insurance Liabilities	17.799	+8,4	16.426	770	910
Non-current Liabilities & Discontinued Ops	-	-	-	-	-
Tax Liabilities	9.932	+4,9	9.468	8.649	8.282
Provisions	8.441	+3,6	8.149	9.583	10.852
Total Other Liabilities	19.998	+16,1	17.231	15.554	15.385
Total Liabilities	**1.692.821**	**+3,4**	**1.637.074**	**1.498.782**	**1.416.928**
Total Equity	**104.241**	**+6,8**	**97.585**	**97.053**	**91.322**
Total Liabilities and Equity	**1.797.062**	**+3,6**	**1.734.659**	**1.595.835**	**1.508.250**

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

Capital Ratios and Liquidity (%)	2023	%	2022	2021	2020
Total Equity / Total Assets	5,80	+0,18	5,63	6,08	6,05
Leverage Ratio[1]	4,69	-0,05	4,74	5,37	5,33
Common Equity Tier 1 Ratio (CET1)[2]	12,30	+0,12	12,18	12,51	12,34
Tier 1 Ratio (CET1 + AT1)[2]	13,75	+0,12	13,63	14,24	13,95
Total Capital Ratio (CET1 + AT1 + T2)[2]	16,39	+0,41	15,99	16,81	16,18
CET1 Minimum Capital Requirements[1]	9,26	+0,19	9,07	8,85	8,85
Net Stable Funding Ratio (NSFR)[1]	123,23	+1,76	121,47	126,02	120,48
Liquidity Coverage Ratio (LCR)[1]	158,75	+158,75	0,00	0,00	0,00

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 (v3.3)
- Rating of bank capital and unsecured debt instruments (v2.2)
- Environmental, Social and Governance Score for Banks (v1.1)

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:

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On 20 June 2024, 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 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

2. Annual Report and interim reports

3. Investors relations information and other publications

4. Website of the rated bank

5. Public and internal market analyses

6. Internet research

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