

**Rated entity:**

Mortgage Covered Bonds Banco Santander Totta, S.A.

**Rating:**

AAA

**Rating outlook / watch:**

Outlook stable

**Rating summary:**

Due to an issuer rating upgrade from A- (positive outlook) to A (stable outlook), CRA has updated the rating [Banco Santander Totta, S.A.](#) 's mortgage covered bond program from AA+ (positive outlook) to AAA (stable outlook). The first uplift, based on legal, regulatory, liquidity, and refinancing risks, resulted in a rating of AAA (previously AA+). Updated credit metrics as of July 10, 2024, based on Q1-2024 portfolio data, show an increase in overcollateralization to 19.4% from 16.0% in Q4-2023 and 16.6% in Q3-2023. Despite an improvement in the cover pool and cash flow analysis to BBB+ (from BBB-), this had no further positive impact on the overall rating.

Risk Factor	Result
Issuer rating	A (as of June 20, 2024)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 <sup>st</sup> uplift	AAA
Cover pool & cash flow analysis	BBB+
+ 2 <sup>nd</sup> rating uplift	+/-0 Notch
= Rating covered bond program	<b>AAA</b>

**Primary key rating driver:**

- + Covered Bonds are subject to strict Portuguese legal framework for covered bonds
- + Covered Bondholders have full recourse to the issuer
- + Covered Bond are backed by the appropriate cover asset class
- + Earnings of the issuer benefits from high net financial margins and best-in-class cost efficiency metrics
- Significant maturity mismatches between covered bonds and cover assets

**Rating sensitivities:**

Best-case scenario: In this scenario, we stressed (ceteris paribus) the default rate and recoveries of the portfolio assets by an amount of + 0 % and 0% respectively, resulting in a cover pool rating of BBB+.

Worst-case scenario: In this scenario, we stressed (ceteris paribus) the default rate and recoveries of the portfolio assets by an amount of + 50 % and - 50% respectively, resulting in a cover pool rating of BB+.

**ESG-criteria:**

CRA generally takes ESG-relevant factors (environmental, social and governance) into account when assessing Covered Bond ratings. Overall, ESG factors have a significant impact on the current rating of this Covered Bond program. CRA identifies governance factors, in particular, to have a highly significant impact on Covered Bond ratings. Since Covered Bonds are subject to strict legal requirements, regulatory risk plays an important role in assessing the credit rating.

The Spanish legal framework defines clear rules to mitigate risks in particular regarding insolvency remoteness, investor's special claim vis-à-vis other creditors, among other provisions. However, the Spanish legal framework does not stipulate a special cover pool monitor independent from the Issuer. Additionally, risk management and internal controls as well as macroeconomic factors such as hedging strategies, interest rates and yield curve are considered to have a highly significant impact on the assessment of the credit rating. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document ("The Impact of ESG Factors on Credit Ratings"), which is available on the homepage under the following link:

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

**Rating Date / disclosure to rated entity / maximum validity:**

July 10, 2024 / July 10, 2024 / January 1, 2050

Between the disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

**Initial rating date / rating:**

February 18, 2019 / AAA - Outlook stable

**Lead-analyst – position / Person approving (PAC):**

Stephan Giebler (Lead) – Senior Analyst

Christian Konieczny (PAC) – Senior Analyst

**Name & address of legal entity:**

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

**Status of solicitation:**

The rating is an unsolicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: No

With Access to Internal Documents: No

With Access to Management: No

**Rating methodology / Version / Date of application / Link:**

[Rating Criteria and Definitions, Version 1.3, January 2018](#)

[Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018](#)

[Rating Methodology Covered Bonds, Version 1.2, July 2023](#)

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at "Creditreform Rating AG, Rating Criteria and Definitions".

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

**Endorsement:**

Creditreform Rating did not endorse the rating according Article 4 (3), CRA-Regulation.

**Regulatory requirements:**

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

**Conflict of Interests**

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final ratings reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rated entity or for third parties associated with the rated entity:

In the case of the provision of ancillary services to the rated entity or a related third party, CRA will disclose all ancillary services in the credit rating report of the issuer.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website:

<https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities>.

**Rules on the Presentation of Credit Ratings and Rating Outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity. To prepare this credit rating, CRA has used following substantially material sources:

1. Transaction structure and participants
2. Transaction documents
3. Issuing documents
4. Other rating relevant documentation

There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRA website. Furthermore, CRA considers the quality and extent of information available on the rated entity as satisfactory. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.