

## CREDIT OPINION

1 April 2024

Update

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### RATINGS

#### Banco Santander, S.A. (Spain)

Domicile	Santander, Spain
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A2
Type	Senior Unsecured - Fgn Curr
Outlook	Positive
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Positive

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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## Banco Santander S.A. (Spain)

Update following rating affirmation

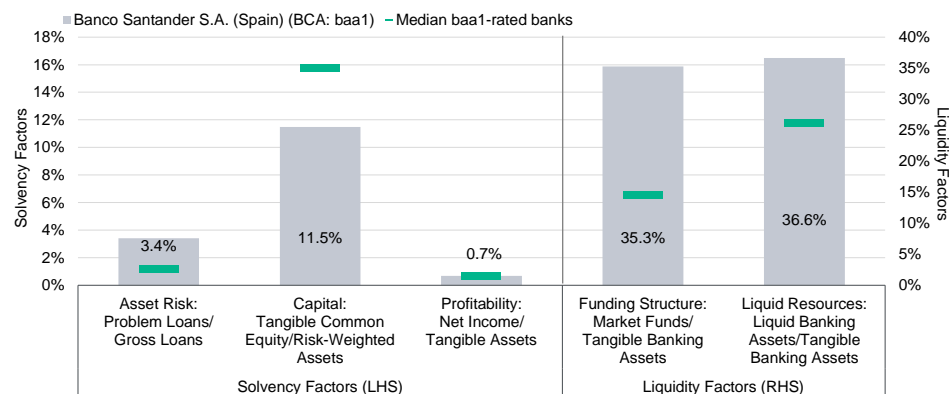
### Summary

On 19 March 2024, we affirmed [Banco Santander S.A. \(Spain\)](#)'s (Santander) senior debt and deposit ratings and changed the outlook to positive. Santander's A2/Prime-1 ratings reflect the bank's Baseline Credit Assessment (BCA) of baa1; very low loss given failure for junior depositors and senior unsecured creditors based on our Advanced Loss Given Failure (LGF) analysis, resulting in a three-notch uplift; and the [Government of Spain](#)'s rating of Baa1 (positive), which caps Santander's deposit and senior unsecured ratings at A2, two notches above the sovereign rating. Santander's Counterparty Risk (CR) Assessment is A3(cr)/Prime-2(cr).

Santander's BCA reflects the benefits stemming from its leading market positions in several core markets with distinct credit cycles, which underpin sustained revenue generation and low earnings volatility. The BCA also incorporates the bank's modest asset quality because of the group's exposure to inherently riskier, but more profitable, emerging markets, and our expectation of improved profitability. The BCA also reflects the bank's stronger, but overall relatively modest, capital levels and a low leverage ratio. Santander has a well-established de-centralised funding structure with all subsidiaries being self-sufficient; it has diversified funding channels and ample liquidity buffer, mitigating the risks inherent to its large stock of confidence-sensitive wholesale funding. Santander's baa1 BCA is currently not capped by the Baa1 sovereign rating hence would not move up in case the sovereign rating were to be upgraded, other things equal.

Exhibit 1

### Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

## Credit strengths

- » Very strong geographical diversification and focus on commercial banking, which drives consistent revenue generation and low earnings volatility
- » Above-average pre-provision profitability through the cycle compared with its European peers
- » Stress capital resilience
- » Good liquidity and large market access, with an independent model for its subsidiaries, which limits contagion risk

## Credit challenges

- » Strained bottom-line profitability
- » Modest asset-quality metrics, which we expect to moderately deteriorate on the back of high cost of living and economic slowdown across all geographies
- » Modest capital, with a low leverage ratio
- » Sensitivity to market sentiment because of its large stock of wholesale funding

## Outlook

The positive outlook on the long-term deposit and senior unsecured debt ratings is driven by the positive outlook on Spain's sovereign rating, and it also incorporates our assumption that the bank's liability structure will remain broadly unchanged.

## Factors that could lead to an upgrade

- » Upward pressure on Santander's deposit and debt ratings is primarily dependent on an upgrade of Spain's sovereign rating because the bank's current A2 long-term deposit and senior unsecured debt ratings already exceed the sovereign rating by two notches and are constrained at that level under the Banks methodology. An upgrade of the sovereign rating by one notch would lift the current constraint on the bank's ratings, leading to an upgrade of the debt and deposit ratings to A1.
- » An upgrade of the BCA is dependent on sustainable improvement in profitability beyond our expectations, an improvement in asset risk or sustained higher capital levels. An upgrade would also be contingent on the stability of the economic and banking environments in which the bank operates. Santander's baa1 BCA is currently not capped by the Baa1 sovereign rating hence would not move up in case the sovereign rating were to be upgraded, other things equal.

## Factors that could lead to a downgrade

- » Santander's BCA could be downgraded if there is a significant deterioration in the operating conditions in the bank's main markets or if the bank were to exhibit lower capital levels, as measured by tangible common equity (TCE), reliance on market funding increases and/or asset risk deteriorates beyond our expectations.
- » A downgrade of Spain's sovereign rating could also lead to a downgrade of Santander's BCA and its deposit and senior unsecured ratings.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moodys.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Banco Santander S.A. (Spain) (Consolidated Financials) [1]

	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	12-19 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (EUR Million)	1,797,062.0	1,734,659.0	1,595,835.0	1,508,250.0	1,522,695.0	4.2 <sup>4</sup>
Total Assets (USD Million)	1,985,133.6	1,851,310.0	1,808,250.1	1,845,428.2	1,709,222.4	3.8 <sup>4</sup>
Tangible Common Equity (EUR Million)	77,800.5	71,876.8	65,793.9	56,801.4	61,983.2	5.8 <sup>4</sup>
Tangible Common Equity (USD Million)	85,942.7	76,710.3	74,551.5	69,499.7	69,576.0	5.4 <sup>4</sup>
Problem Loans / Gross Loans (%)	3.4	3.3	3.3	3.5	3.7	3.4 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	11.5	10.9	10.6	9.2	9.4	10.3 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	33.6	34.5	35.2	37.7	38.6	35.9 <sup>5</sup>
Net Interest Margin (%)	2.6	2.4	2.2	2.2	2.5	2.4 <sup>5</sup>
PPI / Average RWA (%)	4.7	4.2	3.9	3.6	3.8	4.1 <sup>6</sup>
Net Income / Tangible Assets (%)	0.7	0.6	0.6	0.4	0.6	0.6 <sup>5</sup>
Cost / Income Ratio (%)	44.8	48.1	48.2	49.1	48.9	47.8 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	35.3	35.0	34.2	35.6	36.7	35.4 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	36.6	33.4	32.2	30.6	29.1	32.4 <sup>5</sup>
Gross Loans / Due to Customers (%)	107.9	110.2	110.2	111.4	117.6	111.5 <sup>5</sup>

[<sup>-</sup>] Further to the publication of our revised methodology in July 2021, only ratios from annual 2020 onwards included in this report reflect the change in analytical treatment of the "high-trigger" Additional Tier 1 instruments. [1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

With total assets of around €1.8 trillion as of the end of December 2023, Banco Santander S.A. (Spain) (Santander) is Spain's largest banking group and ranks among the 15 largest banking groups in Europe. The group has strong geographical diversification with around 50% of the group's profit<sup>1</sup> generated in Europe (including Digital Consumer Bank at 10%), 8% in the US and 40% in Latin America (Brazil 16% and Mexico 13%) as of December 2023.

## Detailed credit considerations

### Strong geographical diversification in low correlated markets underpins well-diversified earnings streams and low earnings volatility

The group has leading market positions in several major markets, which results in a widely diversified balance sheet and sustained revenue generation. The benefits of Santander's strong geographical diversification in low correlated markets are reflected in a one-notch positive qualitative adjustment for Business Diversification.

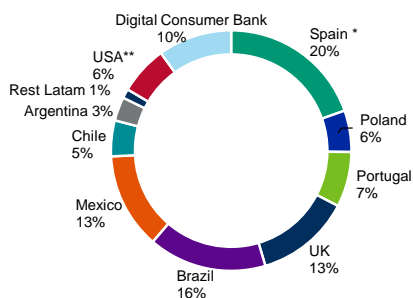
As of the end of December 2023, close to 80% of the group's gross customer loans were in mature markets with the UK and Spain accounting for the largest share, 23% each. However, developed markets had a smaller contribution to profit at around 55% as of the same date.

Commercial banking accounts for around 83% of the group's attributable profit, providing high recurrence and stability. The remaining share is generated by the corporate and investment banking division. Santander's operating income is 96% made up of net interest and fee income and limited contribution (4%) from more volatile activities.

Exhibit 3

**Strong geographical diversification by profit ...**

Profit contribution by key franchise as of the end of December 2023

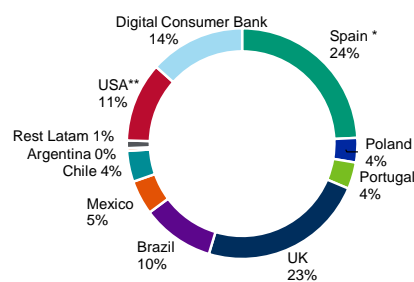


Excluding corporate centre and nonrecurrent adjustments. \* Includes rest of Continental Europe. \*\* Includes rest of North America.  
Source: Company

Exhibit 4

**... and by loan book**

Loan breakdown by key franchise as of the end of December 2023



Excluding corporate centre and nonrecurrent adjustments. \* Includes rest of Continental Europe. \*\* Includes rest of North America.  
Source: Company

**While PPI profitability stands above average, bottom line is modest but we expect it will improve**

The assigned baa2 Profitability score reflects our expectation for improvement in this factor (measured as net income/tangible assets) to a ratio in the 0.75-1% range over the outlook period from 0.7% as of year-end 2023. The improvement will be primarily driven by the combination of higher revenues, gains in operating performance and contained asset-quality deterioration.

With pre-provision income (PPI)/risk-weighted assets (RWA) of more than 4.5%, Santander ranks among the most profitable universal banking groups. High risk-adjusted profitability levels are primarily underpinned by the group's presence in more profitable emerging markets where Santander generates around 44% of its profit and where around 24% of its loans are booked. Despite its presence in inherently more volatile markets, Santander also stands out in its peer group for delivering low-volatility returns because of its commercial banking focus with limited market activity and a long-standing presence in different regions with distinct credit cycles.

After reporting record net attributable profits of €11.1 billion at end of 2023, Santander expects 2024 to be a stronger year despite the fact that the positive impact of interest rate hikes will start fading away primarily in Europe. More specifically, Santander expects mid-single digit revenue growth - in constant euros -- for the group in 2024 supported by (i) net interest income (NII) growth in those geographies and businesses that will benefit from the start of the easing cycle, namely the consumer finance franchise both in Europe and in the US, Brasil and Chile that overall account for 30% of the group's loan book at end of 2023; and (ii) increase in fees and commission income mainly coming from the payments, corporate and investment banking (CIB) franchises where growth is expected to be at double-digit. In addition, the bank expects flat costs -- with the aim to achieve a cost to income ratio below 43% -- and also flat cost of risk returning to its through-the-cycle level of 1.2%. At 43%<sup>2</sup> as of the end of December 2023, Santander's cost to income ratio already compares favorably with that of its domestic and international peers.

The achievement of Santander's financial goals is closely link to the successful implementation of its transformation plan, the so-called "One Santander", which aims to leverage the bank's scale and group strengths and accelerate the simplification and automation of products and processes across the board. To reflect the new operating model, and from the first quarter of 2024, Santander will report under five global businesses: i) retail & commercial banking; ii) digital consumer bank; iii) payments; iv) corporate and investment banking (CIB); and v) wealth management & insurance. Global platforms are currently responsible for around 30% of the group's revenue and the goal is to reach 40% in 2025, with a higher contribution (50%) in the fee commission line. Santander aims to be the most profitable retail/ commercial and consumer bank in every market where they operate. Revenues from these two divisions – that contributed to 70% of groups' revenues at end of 2023 – are expected to grow by mid-single digit in 2024 being the Americas the key driver.

In 2023, cost of risk (CoR) stood at 1.18% (vs. 0.99% in 2022 and 0.77% in 2021), which was in line with the group's target for the year and broadly in line with 2024 expectations. This increase was mainly driven by more normalised provisioning levels in the US (following

extraordinarily low credit costs because of pandemic-related stimulus), greater coverage of the Swiss franc mortgage portfolio in Poland and increased provisioning in Brazil, primarily in the individuals portfolio.

Overall, the group aims a 15%-17% return on tangible equity in 2025, which compares with the 15.1% reported in 2023 (or 15.3% without annualizing the temporary levy in Spain, which amounted to €224 million).

### Asset quality to deteriorate moderately

We have assigned an Asset Risk score of baa1 to Santander to reflect its recent performance and our expectation that problem loans will increase, albeit moderately, over the outlook period. Asset quality will be affected by increased interest rates and high cost of living that will both erode household finances and companies' margins. The expected deterioration has to be taken into account in conjunction with the large stock of loan loss reserves built up in 2020 and Santander's high recurring profitability. As of the end of December 2023, the coverage ratio — measured as loan loss reserves/nonperforming loans (NPLs) — was 67% and loan loss provisions accounted for 41% of the group's PPI.

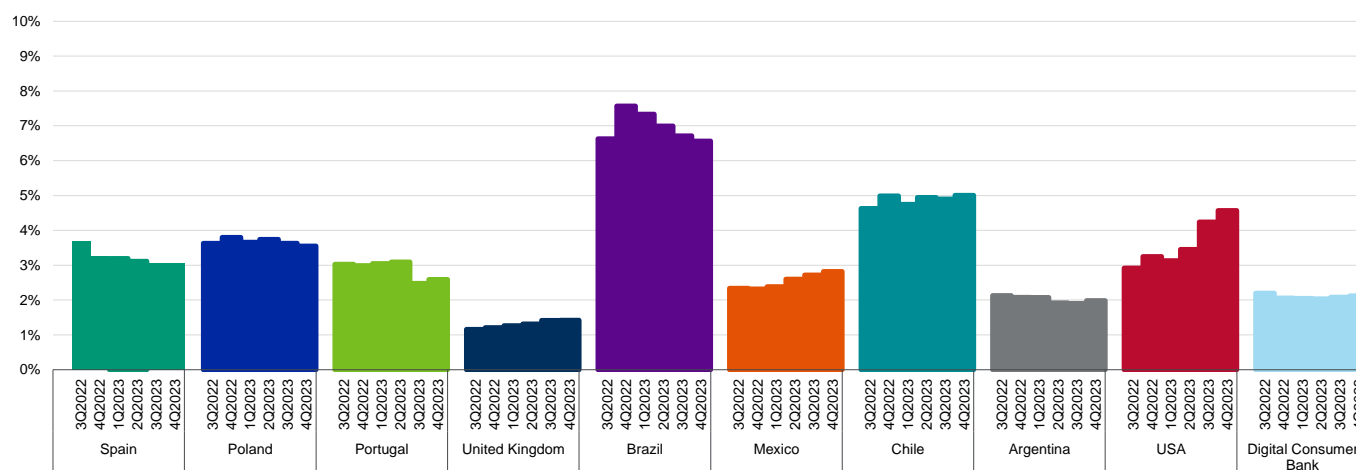
Santander's asset-quality metrics are weaker than those of its international peers, reflecting the still-high level of NPLs in its domestic portfolio and its exposure to developing countries. This structural risk is mitigated by the higher spreads in these countries versus mature markets.

According to our calculations, the group's NPL ratio was 3.4% as of the end of December 2023, broadly unchanged from that as of year-end 2022 and 2021. The nonperforming asset (NPA) ratio (defined as NPLs plus foreclosed real estate assets) was 4.0% as of the end of June 2023 (latest publicly available data), in line with the one recorded as of year-end 2022 and well below its peak of 9.5% in June 2017 following the acquisition of Banco Popular.

The performance of the bank's asset-risk metrics in 2023 has been mixed across geographies compared with a year earlier. Asset-quality metrics in Brazil have improved the most, with a reduction of 100 bps in its NPL ratio to 6.56%, followed by a reduction of 40 bps in Portugal to 2.59% and 25 bps in Poland to 3.55%. On the contrary, the US showed the largest deterioration in its NPL ratio of around 130 bps to 4.57%, followed by Mexico (+50 bps), returning to more normalized levels, and the UK (+21 bps) to 2.82% and 1.42%, respectively. We expect asset quality to moderately deteriorate for the group as a whole. We continue to expect a positive performance in Brazil as the bank will continue pursue a more selective lending approach focusing on lower-risk secured products and customers with higher risk profile in response to a very challenging operating environment when rates rapidly increased from 2% to 13.75%.

Exhibit 5

### Mixed performance across key franchises NPLs/total loans (in percentage terms)



Source: Company

Borrower concentration has been gradually improving because of the stronger capital metrics as well as more conservative limits. Moreover there are no major sector concentrations. Exposure to CRE is 6% of total group's drawn and committed exposures and it is concentrated in the US, the UK (part of which is in social housing) and Spain.

Santander's exposure to market risk is more limited than peers<sup>3</sup> with low complexity products and customer-driven activity. The bank has no intention to incur much higher market risks despite its ambition to grow its corporate and investment banking franchise.

### Modest capital which is unlikely to improve

Our baa3 Capital score reflects our expectation that following a period of sustained improvement, Santander's Moody's-defined TCE ratio will stay around 11% over the outlook period. Although we expect internal capital generation to remain strong as we expect profits to increase combined with limited growth of RWA, Santander is not willing to operate with capital levels well above its internal target. The assigned score also incorporates a negative adjustment to reflect Santander's low TCE leverage ratio — around 4.4% as of year-end 2023.

At 12.3% as of the end of December 2023, Santander's regulatory capital meets its internal target of being higher than 12% at all times. It remains below the weighted average for European banks (15.8% fully loaded as reported by the European Banking Authority [EBA] as of the end of September 2023, latest available data) and also below that of its international peers. In terms of capital buffers, however, Santander's relative positioning improves within its peer group. Santander has to meet a relatively low Supervisory Review and Evaluation Process (SREP) requirement — which is set at 9.6 % effective from January 2024<sup>4</sup> — resulting in a 270-bps capital buffer above the minimum requirements. At 1.74% (at least 0.98% made up of CET1), Santander's P2R<sup>5</sup> is one of the lowest among its peers. In addition, Santander's business model has a high resilience to stress scenarios as shown repeatedly in EBA stress tests.

Our more conservative capital assessment compared with regulators' capital ratios is primarily explained by the fact that under EU regulations convertible deferred tax assets are not deducted from the capital base while [we give benefit, as a capital component, to only a share of them](#) (58% as of year-end 2023). In addition, we apply [a more conservative risk weighting of 50% that we apply to the sovereign exposures compared with the regulators' risk weighting of 0%](#). We also exclude minority interests from our TCE calculation, which have represented more than 1% of the group's RWA over the last few years.

Santander has a long-standing policy of fully hedging its foreign-exchange risk arising from its permanent investments abroad to protect its regulatory solvency ratios. The group hedges these positions with foreign-exchange rate derivatives, resulting in a coverage close to 100% in 2023. Santander also hedges foreign-exchange risk arising from the expected results of its subsidiaries. This hedging is more tactical.

### Large reliance on wholesale funding is mitigated by an independent liquidity model for subsidiaries that limits contagion risk

Given the limitations on intragroup funding from both regulatory and internal policy perspectives, we analyse Santander's liquidity and funding primarily on an individual basis (i.e. Santander S.A. plus funding vehicles with debt guaranteed by the parent). At baa3, our Market Funds score reflects our expectation that this ratio will stand above 30% over the next 12-18 months<sup>6</sup> repayment. The assigned score also benefits from a one-notch positive adjustment to reflect its well-diversified funding by instrument, investor type, markets and currencies, which mitigates the inherent risks associated with its relatively large stock of confidence-sensitive wholesale funding.

Santander has a long-standing policy of requiring that its subsidiaries are self-sufficient in terms of liquidity and do not rely on the parent bank for funding. This policy is credit positive, particularly in times of stress, because it reduces the risk of contagion across borders. Santander's subsidiary Santander Consumer Finance S.A. (SCF, A2 positive/A2 positive, baa2<sup>7</sup>) is the only exception to the general rule but one of SCF's strategic goals is to reduce its reliance on group funding by increasing this subsidiary's deposit base. Also, SCF will start to get funds directly from Open bank and not through Santander as before. Each subsidiary has its own recovery plan.

The group is around 69% funded by deposits (as a percentage of net liabilities<sup>8</sup>), primarily retail, of which more than 80% are insured with no major concentrations. As of the end of December 2023, outstanding medium- and long-term debt accounted for around 13% of net liabilities. The outstanding debt has a conservative maturity profile. Recourse to short-term funding is limited (3% of net liabilities) and the bulk relates to the group's commercial paper programmes and certificates of deposits in the UK.

In May 2023, Bank of Spain communicated the binding minimum requirement for own funds and eligible liabilities (MREL) for Santander's resolution group<sup>2</sup>. The requirement was set at 29.8% of the resolution group's RWA (33.7% including the applicable combined capital buffer of 3.9% as of December 2023) and 11.5% of the resolution group's leverage ratio to be met by 1 January 2024. As of the end of December 2023, Santander met both MREL requirements with reported ratios of 37.8% and 16.4%, respectively. As a global systemically important bank, Santander is also required to build up a stock of bail-in-able debt to comply with Total Loss Absorbency Capacity (TLAC) requirements. As of the end of December 2023, the TLAC of the resolution group was 26.5% of RWA and 9.2% of the leverage ratio exposure. In addition, all subsidiaries subject to TLAC also have loss-absorption instruments well above requirements.

At baa1, Santander's assigned Liquid Asset score reflects its good liquidity buffer of high-quality assets (mostly in the form of cash) to be able to cope with stressed scenarios. The assigned score is notched down to reflect the level of encumbered assets.

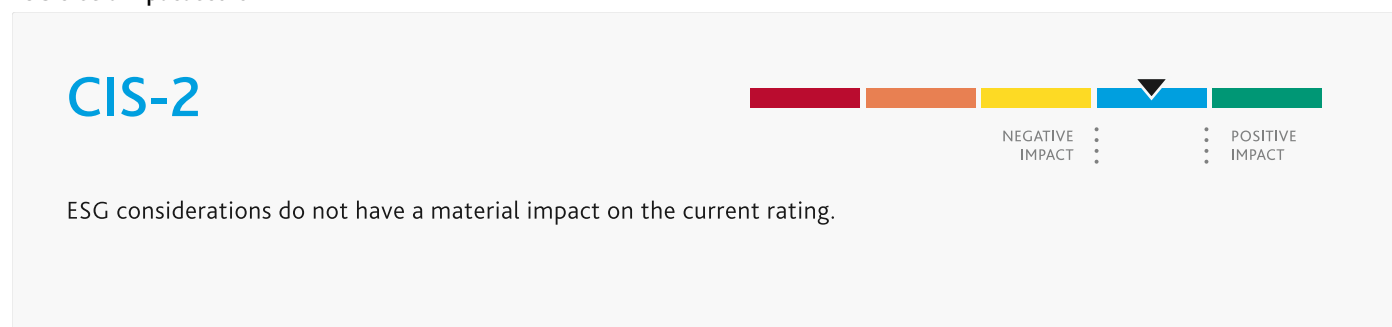
Santander's liquidity coverage ratio at the group level was 166% as of the end of December 2023. In the same period, the parent bank had a liquidity coverage ratio of 159%, with all its subsidiaries above the 100% minimum requirement. Santander also complies with the net stable funding ratio at the group level and so do most of its subsidiaries. As of September 2023 (last data available), the ratio was at 122% for the group and 116% for the parent.

## ESG considerations

### Banco Santander, S.A. (Spain)'s ESG credit impact score is CIS-2

Exhibit 6

#### ESG credit impact score



Source: Moody's Ratings

Santander's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating.

Exhibit 7

#### ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Santander faces moderate environmental risks primarily because of its portfolio exposure to carbon transition risk. In line with its peers, Santander is exposed to mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Santander is actively developing its comprehensive risk management and climate risk reporting frameworks, and transitioning its lending portfolios to achieve carbon neutrality targets.

## Social

Santander faces is exposed to high industrywide social risks related to regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by Santander's developed policies and procedures. Santander's high cyber and personal data risks are mitigated by the group's sound IT framework.

## Governance

Santander is exposed to low/not material governance risks, and its risk management framework and corporate governance are in line with industry best practices. Like other global systemically important banks, Santander has a relatively complex legal structure, which reflects its business diversification and international footprint, and entails governance and risk management challenges. The group's subsidiary model with limited intra-group funding, whereby subsidiaries have to be independent from a liquidity and capital standpoint, mitigates these risks.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Support and structural considerations

### Loss Given Failure (LGF) analysis

Santander is subject to the EU's Bank Recovery and Resolution Directive (BRRD), which is an operational resolution regime. We assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% run-off in junior wholesale deposits and a 5% run-off in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt. We apply a standard assumption for European banks that 26% of deposits are junior. These metrics are in line with our standard assumptions. The balance sheet at failure used in our LGF exercise is Santander's individual balance sheet plus the balance sheets of the rest of the entities included in its resolution perimeter.

For Santander's deposits and senior unsecured debt, our LGF analysis takes into consideration the likely impact on loss given failure from the combination of its own volume and subordination. Our LGF analysis indicates a very low loss given failure for long-term depositors and senior unsecured creditors, resulting in a three-notch uplift. However, the bank's long-term deposit and senior unsecured debt ratings are capped at A2 by Spain's Baa1 sovereign rating.

The LGF analysis also indicates a moderate loss severity for junior senior creditors in the event of the bank's failure, leading to a rating of Baa1 for these securities, in line with the bank's Adjusted BCA of baa1. Santander's junior senior debt ratings do not include any additional uplift from government support, reflecting our view that there is a low probability of government support for these instruments because of their explicit loss-absorbing nature.

For junior securities, our initial LGF analysis confirms a high level of loss given failure because of the small volume of debt, and limited protection from more subordinated instruments and residual equity. We also incorporate additional downward notching for junior subordinated debt and preference share instruments to reflect the coupon suspension risk ahead of a potential failure. Although our revised notching guidance table indicates Santander's subordinated debt ratings at the level of the bank's Adjusted BCA, a sustained level of subordination at the current level would be necessary to warrant an upgrade of the current ratings.

Please refer to the loss given failure and government support table at the bottom of the scorecard.

### Government support

The implementation of the BRRD has prompted us to reconsider the potential for government support to benefit certain creditors. We now take into account the fact that there is a moderate likelihood of government support for Santander's debt and rated wholesale deposits in the event of its failure. This probability reflects the bank's share in its domestic market and its global systemically important status, which may lead the government to intervene to shield it from disruptive losses. However, this assumption of moderate probability of systemic support does not translate into any additional notching as Santander's BCA is at the same level as the sovereign rating. For junior senior or junior securities, the probability of government support is low and, therefore, these ratings do not include any related uplift.



### Counterparty Risk Ratings (CRRs)

Santander's CRRs are A2/Prime-1 and are positioned two notches above the Adjusted BCA of baa1, reflecting the very low loss given failure from the high volume of instruments that are subordinated to CRR liabilities, which is the maximum achievable CRR in Spain. According to our methodology, a bank's CRR will typically not exceed the sovereign rating by more than two notches.

### Counterparty Risk (CR) Assessment

Santander's CR Assessment is A3(cr)/Prime-2(cr). The CR Assessment, before the sovereign rating cap, is positioned three notches above the Adjusted BCA of baa1, based on the buffer against default provided to the senior obligations represented by the CR Assessment by subordinated instruments. The main difference from our Advanced LGF approach used to determine instrument ratings is that the CR Assessment captures the probability of default on certain senior obligations, rather than expected loss, thereby focusing purely on subordination and taking no account of the volume of the instrument class.

The CR Assessment is capped at A3. The CR Assessment will not typically exceed the sovereign rating by more than one notch, or two notches, where the Adjusted BCA is already above the sovereign rating, which is not the case for Santander.

### Methodology and scorecard

#### About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

## Rating methodology and scorecard factors

Exhibit 8

## Banco Santander, S.A. (Spain)

## Macro Factors

Weighted Macro Profile Strong 100%

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.4%	baa1	↓	baa1	Expected trend	
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - fully loaded)	11.5%	baa2	↔	baa3	Nominal leverage	
Profitability						
Net Income / Tangible Assets	0.7%	baa3	↑	baa2	Expected trend	
Combined Solvency Score		baa2		baa2		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	35.3%	ba3	↔	baa3	Market funding quality	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	36.6%	a2	↔	baa1	Intragroup restrictions	Asset encumbrance
Combined Liquidity Score		baa3		baa2		
Financial Profile						
Qualitative Adjustments				Adjustment		
Business Diversification				1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				1		
Sovereign or Affiliate constraint				Baa1		
BCA Scorecard-indicated Outcome - Range				a3 - baa2		
Assigned BCA				baa1		
Affiliate Support notching				0		
Adjusted BCA				baa1		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	2	0	a2
Counterparty Risk Assessment	-	-	-	-	-	-	-	1	0	a3 (cr)
Deposits	-	-	-	-	-	-	-	2	0	a2
Senior unsecured bank debt	-	-	-	-	-	-	-	2	0	a2
Junior senior unsecured bank debt	-	-	-	-	-	-	-	0	0	baa1
Dated subordinated bank debt	-	-	-	-	-	-	-	-1	0	baa2
Non-cumulative bank preference shares	-	-	-	-	-	-	-	-1	-2	ba1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	2	0	a2	0	A2	A2
Counterparty Risk Assessment	1	0	a3 (cr)	0	A3(cr)	
Deposits	2	0	a2	0	A2	A2
Senior unsecured bank debt	2	0	a2	0	A2	A2
Junior senior unsecured bank debt	0	0	baa1	0	Baa1	Baa1
Dated subordinated bank debt	-1	0	baa2	0	Baa2	Baa2
Non-cumulative bank preference shares	-1	-2	ba1	0	Ba1 (hyb)	Ba1 (hyb)

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 9

Category	Moody's Rating
<b>BANCO SANTANDER, S.A. (SPAIN)</b>	
Outlook	Positive
Counterparty Risk Rating	A2/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	A2
Senior Unsecured	A2
Junior Senior Unsecured -Fgn Curr	(P)Baa1
Junior Senior Unsecured -Dom Curr	Baa1
Junior Senior Unsecured MTN	(P)Baa1
Subordinate	Baa2
Pref. Stock Non-cumulative	Ba1 (hyb)
Commercial Paper	P-1
<b>BANCO SANTANDER ARGENTINA S.A.</b>	
Outlook	Stable
Counterparty Risk Rating -Fgn Curr	Caa3/NP
Counterparty Risk Rating -Dom Curr	Caa1/NP
Bank Deposits -Fgn Curr	Caa3/NP
Bank Deposits -Dom Curr	Caa1/NP
Baseline Credit Assessment	ca
Adjusted Baseline Credit Assessment	caa3
Counterparty Risk Assessment	Caa1(cr)/NP(cr)
<b>BANCO SANTANDER, S.A. (URUGUAY)</b>	
Outlook	Stable
Bank Deposits	Baa2/P-2
Baseline Credit Assessment	baa3

Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	Baa1(cr)/P-2(cr)
<b>SANTANDER FINANCIAL SERVICES PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
ST Issuer Rating	P-1
<b>SANTANDER INT'L DEBT, S.A. UNIPERSONAL</b>	
Outlook	Positive
Senior Unsecured -Dom Curr	A2
<b>SANTANDER US DEBT, S.A. UNIPERSONAL</b>	
Outlook	Positive
Senior Unsecured	A2
<b>TOTTA (IRELAND) P.L.C.</b>	
Bkd Commercial Paper -Dom Curr	P-2
<b>SANTANDER UK PLC</b>	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	A1/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
Senior Unsecured	A1
Subordinate -Dom Curr	Baa2
Jr Subordinate	Baa3 (hyb)
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper	P-1
Other Short Term	(P)P-1
<b>SANTANDER UK GROUP HOLDINGS PLC</b>	
Outlook	Stable
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Issuer Rating -Dom Curr	Baa1
Senior Unsecured	Baa1
Subordinate	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Other Short Term	(P)P-2
<b>BANCO SANTANDER, S.A., LONDON BRANCH</b>	
Counterparty Risk Rating	A2/P-1
Deposit Note/CD Program	--/P-1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
<b>BANCO SANTANDER, S.A., NEW YORK BRANCH</b>	
Counterparty Risk Rating	A2/P-1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Commercial Paper	P-1
<b>BANCO SANTANDER TOTTA S.A.</b>	
Outlook	Stable
Counterparty Risk Rating -Dom Curr	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Senior Unsecured MTN -Dom Curr	(P)Baa1
Commercial Paper -Dom Curr	P-2
Other Short Term -Dom Curr	(P)P-2

<b>SANTANDER CONSUMER FINANCE S.A.</b>	
Outlook	Positive
Counterparty Risk Rating	A2/P-1
Bank Deposits -Dom Curr	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured	A2
Junior Senior Unsecured -Dom Curr	Baa1
Subordinate -Dom Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper -Dom Curr	P-1
<b>SANTANDER INTERNATIONAL PRODUCTS PLC</b>	
Outlook	Positive
Bkd Senior Unsecured -Dom Curr	A2
Bkd Commercial Paper -Dom Curr	P-1
Bkd Other Short Term -Dom Curr	(P)P-1
<b>BANCO SANTANDER (BRASIL) S.A.</b>	
Outlook	Stable
Counterparty Risk Rating	Baa3/P-3
Bank Deposits	Ba1/NP
Baseline Credit Assessment	ba2
Adjusted Baseline Credit Assessment	ba1
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured MTN	(P)Ba1
Other Short Term	(P)NP
<b>BANQUE STELLANTIS FRANCE</b>	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A3
Senior Unsecured -Dom Curr	A3
Commercial Paper -Dom Curr	P-2
<b>BANCO SANTANDER (BRASIL) S.A. - CAYMAN BR</b>	
Counterparty Risk Rating	Baa3/P-3
Counterparty Risk Assessment	Baa3(cr)/P-3(cr)
Senior Unsecured MTN	(P)Ba1
Other Short Term	(P)NP
<b>BANCO SANTANDER CHILE</b>	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa1
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Senior Unsecured	A2
<b>SANTANDER CENTRAL HISPANO ISSUANCES LTD.</b>	
Bkd Subordinate MTN	(P)Baa2
<b>SANTANDER CENTRAL HISPANO INTERNATIONAL LTD</b>	
Bkd Sr Unsec MTN	(P)A2
Bkd Commercial Paper	P-1
Bkd Other Short Term	(P)P-1
<b>EMISORA SANTANDER ESPANA S.A.U</b>	
Outlook	Positive
Bkd Sr Unsec MTN	(P)A2
<b>SANTANDER BANK POLSKA S.A.</b>	
Outlook	Stable

Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Senior Unsecured MTN	(P)A3
<b>SANTANDER GLOBAL ISSUANCES B.V.</b>	
Bkd Sr Unsec MTN	(P)A2
<b>BANCO SANTANDER MÉXICO, S.A.</b>	
Outlook	Stable
Counterparty Risk Rating	A3/P-2
Bank Deposits	A3/P-2
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured	A3
Subordinate	Baa2 (hyb)
Jr Subordinate	Ba1 (hyb)
<b>SANTANDER HOLDINGS USA, INC.</b>	
Outlook	Stable
Senior Unsecured	Baa2
<b>SANTANDER CONSUMER BANK AS</b>	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa3
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A2
Senior Unsecured	A2
Junior Senior Unsecured MTN	(P)Baa1
Subordinate	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)
ST Issuer Rating	P-1
<b>SANTANDER ISSUANCES S.A. UNIPERSONAL</b>	
Subordinate	Baa2
<b>SANTANDER BANK, N.A.</b>	
Outlook	Stable
Counterparty Risk Rating	Baa1/P-2
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Issuer Rating	Baa1
<b>SANTANDER CONSUMER BANK AG</b>	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2
Senior Unsecured -Dom Curr	A2
<b>SANTANDER FINANCE PREFERRED, S.A. UNIPERSONAL</b>	
Pref. Stock Non-cumulative -Dom Curr	Ba2 (hyb)
<b>SOVEREIGN REAL ESTATE INVESTMENT TRUST</b>	
Pref. Stock Non-cumulative	Ba1 (hyb)
<b>BANESTO HOLDINGS, LTD.</b>	
BACKED Pref. Stock Non-cumulative	Ba2 (hyb)

Source: Moody's Ratings

## Endnotes

- [1](#) Net attributable profit to the parent excluding the corporate centre and nonrecurrent adjustments.
- [2](#) Santander's criteria
- [3](#) 5.8% as of December 2023 versus 8.8% for the peer group as of June 2023 when measured as risk weighted assets associated to counterparty credit risk (CRR), credit valuation adjustment (CVA), and market risk
- [4](#) 7.85% on an unconsolidated basis versus 15.98% reported as of the end of September 2022.
- [5](#) Pillar 2 Requirement per ECB criteria.
- [6](#) Targeted longer-term refinancing operations
- [7](#) The ratings shown in this report are the bank's deposit rating, senior unsecured debt rating and BCA.
- [8](#) Net of trading derivatives and interbank balances.
- [9](#) the resolution Group is composed of Banco Santander and its relevant subsidiaries belonging to the same resolution group, mainly the entities of the sub-groups headed by Santander Consumer Finance, S.A., Open Bank, S.A. and Santander Totta SGPS, S.A.

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