Pablo Manzano, CFA
+34 91903 6502
pmanzano@dbrs.com

Elisabeth Rudman
+44 20 7855 6655
erudman@dbrs.com

Rating Report

Banco Santander S.A.

Ratings

Issuer	Obligation	Rating	Rating Action	Trend
Banco Santander SA	Long-Term Issuer Rating	A (high)	Confirmed Nov' 19	Stable
Banco Santander SA	Short-Term Issuer Rating	R-1 (middle)	Confirmed Nov' 19	Stable
Banco Santander SA	Intrinsic Assessment: A (high)			-

See back of report for complete rating list.

Rating Drivers

Factors with Positive Rating Implications

- Positive rating pressure would likely require improvements in the bank's underlying and statutory profitability and further improvement in the Group's asset quality, particularly in Spain.

Factors with Negative Rating Implications

- While less likely, negative ratings pressure could arise if there is any indication of an increased risk profile, particularly within Santander's consumer finance, wholesale banking or South America businesses, without the appropriate increase in capitalisation.
- A downgrade of Spain's sovereign rating would also have negative rating implications.

Rating Considerations

Franchise Strength: Santander's geographically diverse global retail banking franchise is a key strength underpinning its rating. Santander continues to demonstrate momentum in its core markets through organic growth and strategic acquisitions.	**Very Strong / Strong**
Earnings Power: Santander has developed a very powerful international retail banking franchise which contributes to resilient earnings. Underlying profitability continue to improve, but statutory net income affected by significant negatives one-offs.	**Strong**
Risk Profile: The Group maintains a predominantly low risk profile given its mix of businesses. The ratings consider risks associated with Santander's consumer finance activities and its exposure to emerging market economies. The Group still posted a high NPL ratio in some regions, mainly in Spain.	**Strong / Good**
Funding and Liquidity: Santander benefits from a large deposit base that funds its lending activities, together with a broad range of wholesale funding. Significant issuances of TLAC eligible debt during recent years.	**Strong**
Capitalisation: Capital is satisfactory, though at the low end of the global peer group. Strong ability to generate capital organically and sound access to capital markets in each of its core geographies.	**Strong**

Financial Information

Banco Santander, SA EUR Millions	2019M9	2019H1	2018Y	2017Y	2016Y
Total Assets	1,517,885	1,512,099	1,459,270	1,444,305	1,339,125
Equity Attributable to Parent	97,947	98,630	96,473	94,489	90,939
Income Before Provisions and Taxes (IBPT)	17,069	10,926	23,587	22,502	20,722
Net Attributable Income	3,732	3,231	7,810	6,619	6,204
IBPT over Avg RWAs (%)	3.76	3.63	3.96	3.68	3.56
Cost / Income ratio (%)	53.73	55.28	51.46	53.66	53.26
Return on Avg Equity (ROAE) (%)	5.07	6.58	8.23	7.16	7.00
Gross NPLs over Gross Loans (%)	3.51	3.55	3.78	4.16	4.00
CET1 Ratio (Fully-Loaded) (%)	11.30	11.30	11.30	10.84	10.55

Source: DBRS Morningstar Analysis; Copyright © 2019, S&P Global Market Intelligence*;

Issuer Description

Banco Santander SA is one of the largest European banks in terms of asset size. As a global bank, it has a strong presence in Europe and the Americas. The bank is engaged in broadly diversified activities in retail and corporate banking, consumer finance and asset management.

Rating Rationale

Santander's ratings reflect the strength of its globally diversified banking franchise, which contributes to resilient earnings and a sustained ability to generate capital. The ratings also take into account the Group's strong market shares in its core geographies, which are well-balanced between developed and emerging economies. Santander benefits from its significant scale and technology, resulting in good efficiency levels. The ratings also incorporate Santander's satisfactory capital levels, although DBRS Morningstar notes that capital ratios remain at the lower end of its global peer group. Santander's IA is positioned one-notch above DBRS Morningstar's rating of the Kingdom of Spain, reflecting the Group's strong franchise with a high degree of international diversification and ability to generate solid and consistent earnings.

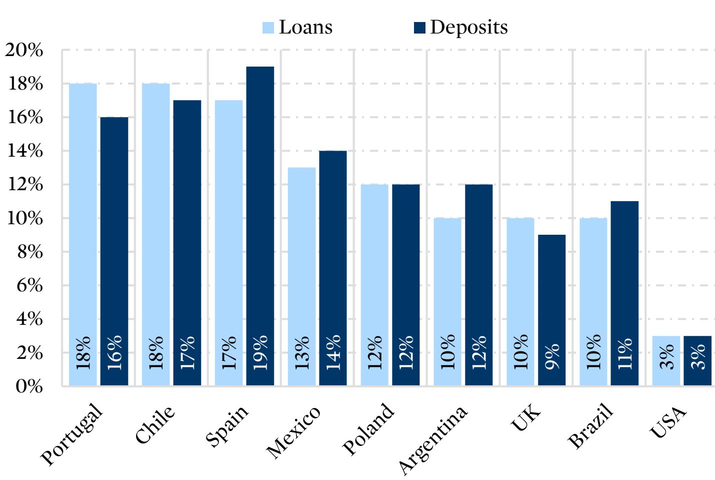
Franchise Strength

Grid Grade: Very Strong/Strong

Santander follows a strategy of universal, transactional banking in several jurisdictions with a focus on consumers and small- and medium-sized businesses (SMEs), contributing to the resiliency of its earnings. Santander's geographically diverse global retail banking franchise is a key strength underpinning its rating. Santander is well positioned in its core markets, with an aim to have a minimum market share of 10% (Exhibit 1). Core markets include Brazil, Spain, the United Kingdom (U.K.), Mexico, Poland, Portugal, Chile and Argentina. In the United States (USA), the Group is focused on its regional presence in the northeast, as well as consumer finance. Reflecting the geographically international franchise, profitability is well diversified. Santander presented a new strategic plan on April 2019 which aims to boost profitability mainly by increasing the weight of its banking business in Latin America, investing in IT to increase efficiency and creating a new Payment related business.

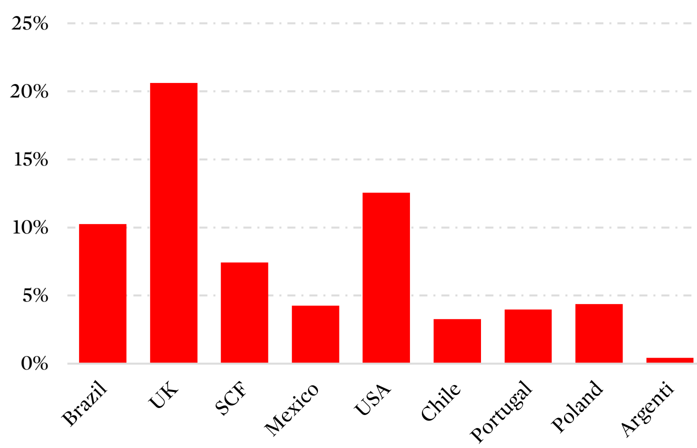
With around 144 million customers worldwide and around EUR 1.5 trillion of assets at end-September 2019, Santander is the largest Spanish banking group. Retail banking is the largest contributor to attributable profit given the breadth of Santander's franchise. The Group generally has a high level of competency in operating systems and technology skills. These have been critical for Santander's franchise by facilitating the integration of acquisitions. Recent material acquisitions include Banco Popular SA in Spain and Portugal in 2017 and the retail business and private banking of Deutsche Bank in Poland in 2018. Another recent corporate transaction includes the acquisition of shares of Santander Mexico from minority interests in September 2019. Santander Mexico´s shareholders who accepted the offer obtained newly issued shares of Banco Santander SA. As a result, Santander´s stake in Santander Mexico is as of end-September 2019 around 92%, up from 75%. In addition, in April 2019, Santander communicated it will establish a Joint-Venture with Crédit Agricole S.A. to create a global depositary and custody company. This transaction was completed in Q4 2019 and will result in an estimated capital gain of around EUR 700 million.

Exhibit 1: Market Shares (as of end-September 2019)



Source: DBRS Morningstar & Company reports.

Exhibit 2: Equity Stake – Book Value over Total Equity



Source: DBRS Morningstar & Company reports. Data as of end-2018.

Santander follows an approach in which its subsidiaries are largely autonomous in managing their own funding and liquidity, including raising wholesale funding from their own local markets. Reflecting the autonomous management of liquidity, Santander follows a multiple point of entry (MPE) approach for resolution purposes. As a result, each main subsidiary is a Resolution Group with individual requirements (excluding SCF which is part of Santander SA). Nevertheless, we still assess Santander SA on a consolidated basis as the equity stake in each individual subsidiary is very sizable (Exhibit 2) and we expect parental support would be available should any subsidiary need further capital. Notably, during Q3 2019 the group reviewed Santander UK's goodwill and approved an accounting impairment of EUR 1.5 billion following Brexit uncertainties and regulatory impacts from the Banking Reform Act. The impairment had no impact on capital ratios as the goodwill was already deducted from regulatory capital figures.

Earnings Power

Grid Grade: Strong

DBRS Morningstar considers Santander's earnings as strong. The Bank´s profitability is supported by its geographical diversification. Notably, the Bank is recording higher NII and loan growth driven by its business in North America and South America, whereas its business in Europe is pressured by the low interest environment and weaker economic conditions. In Europe, the Bank is now focused on increasing its profitability by improving efficiency. As a result, underlying profitability indicators continue to improve, although these remain below pre-crisis levels. However, the Bank faced several negative one-offs during 2019 partly related to cost cutting exercises, which resulted in a 35% YoY reduction in its statutory net attributable profit in 9M 2019.

There are some differences between the Bank´s key measures of profitability (underlying return on tangible equity or RoTE) and DBRS Morningstar's key ratio when assessing Santander´s earnings power (return on average equity or RoAE). In 9M 2019 the Bank reported an underlying RoTE of 11.9% compared to a RoAE of 5.1% (as calculated by DBRS Morningstar). However, excluding one-off impacts the RoAE stood at 8.4% in 9M 2019. We believe that Santander is still implementing its key structural measures to improve its statutory net attributable income, including the implementation of cost cutting exercises in Europe and investing in digitalization globally. Consequently, we consider underlying and statutory profitability trends need to be better aligned in order to see an improvement in Santander´s Earnings Power assessment. During 9M 2019, the Bank recorded EUR 2.5 billion of negative one-offs. These were related mainly to the goodwill impairment of its subsidiary in the UK (EUR 1.5 billion), restructuring costs in Europe (EUR 724 million) and PPI remediation costs in UK (EUR 183 million).

As of 9M 2019, Brazil was the main contributor to profitability with around 30% of total profits (excluding Corporate Centre) followed by Spain and SCF (Exhibit 4). Santander´s subsidiaries' profitability is better correlated with the size of the customer base than the asset size (Exhibit 3 and 4). Notably, Santander´s subsidiary in Brazil is also the largest in terms of number of clients and employees. Excluding the one-off costs, business dynamics for 9M 2019 were positive, with all core markets except the UK posting higher net attributable income. Developing markets posted higher NII, benefiting from double digit loan growth, whereas loan growth in developed markets was moderate. We highlight three different categories in relation to profitability trends: i) Countries with strong and stable growth; US, Brazil, Portugal and Mexico, ii) other markets with modest annual growth; Poland, Santander Consumer Finance, Spain and Chile, and iii) regions with negative annual growth, like the UK. Santander´s UK business has been affected by strong competitive pressure and higher loan loss provisions, although the cost of risk remains low.

Santander announced in their H1 2019 presentation of results a new organisational restructuring which establishes 3 operational regions (Europe, North America and South America). In 9M 2019, underlying profit was 20% up YoY in North America, 18% up YoY in South America and 4% down YoY in Europe.

Exhibit 3: Total Assets by business area*

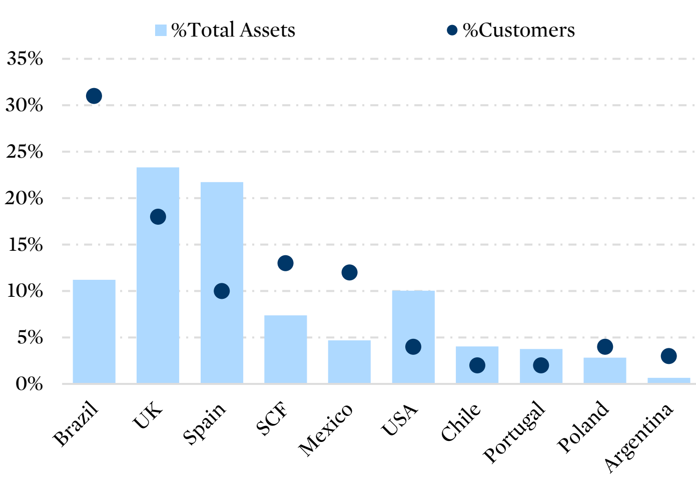
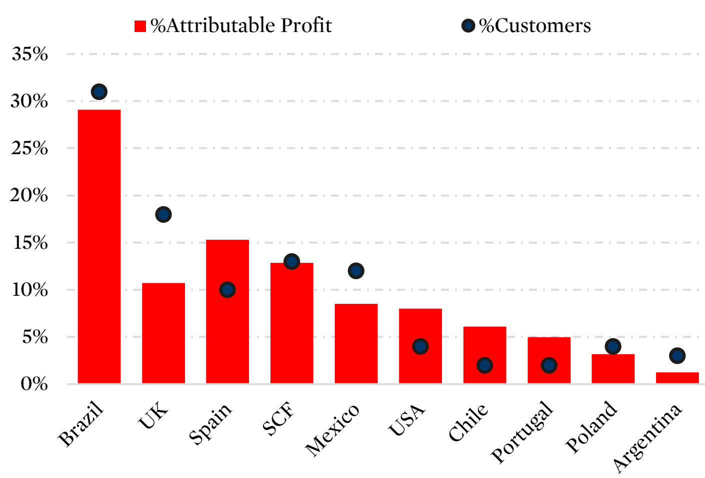


Exhibit 4: Profit by business area*



*Source: Company data, DBRS Morningstar. Note: Excludes Corporate Centre. SCF=Santander Consumer Finance. Data as of end-September 2019. *Underlying attributable profit.*

Risk Profile

Grid Grade: Strong/Good

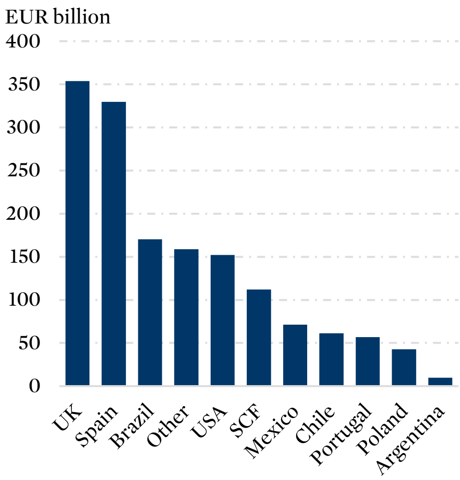
DBRS Morningstar views the Group as having a sound management team with a conservative risk culture that permeates the organization, contributing to a generally low risk profile and very strong operational capabilities with a successful history of managing operational risks. The Group's risk profile benefits from its focus on retail and commercial banking. Santander has a track record of successfully integrating sizeable acquisitions, with systems integration typically being an important priority for Santander when acquiring an entity, contributing to highly effective front and back end systems when completed. Santander's non-performing assets (NPAs) totalled around EUR 40.1 billion and the NPA ratio (as calculated by DBRS Morningstar) at end-September 2019 stood at 4.2%, down from around 4.5% at end-September 2018.

Credit Risk

Santander's credit risk profile is highly diversified with no specific risk concentration by geography or industry. As of end-September 2019, Santander had EUR 900 billion of gross loans to customers (excluding of repos) up 4.4% YoY. Santander loan book is diversified across regions, mainly in UK (26%), Spain (22%), other European countries (18.5%), U.S. (10.5%) and Brazil (8.5%) (Exhibit 5). The Group's loan portfolio is primarily to individuals (63%), of which 36% were residential mortgages at end-September 2019. The portfolio is split across loans to Corporates (14%), SMEs (11%) and Corporate & Investment Banking (12%). We consider Santander's risk profile to be solid, reflected in the low proportion of Stage 2 and 3 exposures coupled with adequate coverage ratios for each category (Exhibit 6 and 7).

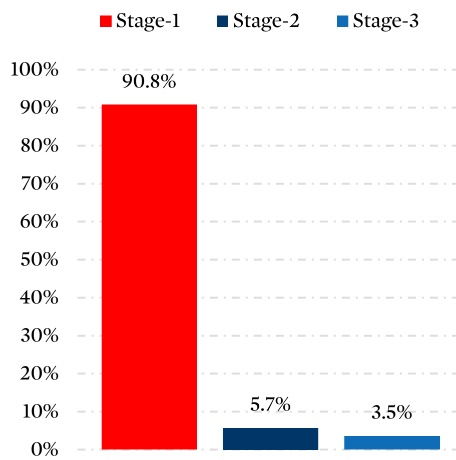
Santander´s asset quality is improving in most jurisdiction (Exhibit 8). The Group is reporting a consistently lower non-performing loan (NPL) ratio since the end of 2014, now down to 3.7% at end-September 2019 (as calculated by DBRS Morningstar and including contingent NPLs). Nevertheless, the Group still posted a high NPL ratio in some regions, mainly in Spain which was negatively affected by the acquisition of Banco Popular in H1 2019. Moreover, including foreclosed assets (FAS) the NPA ratio of the Spanish business is close to 10% (as calculated by DBRS Morningstar). In the UK, despite the increased political uncertainty related to Brexit, Santander's asset quality continues to be very strong with an NPL ratio of 1.1% at end-September 2019, flat from one year ago.

Exhibit 5: Total Gross Loans (excl. Repos)



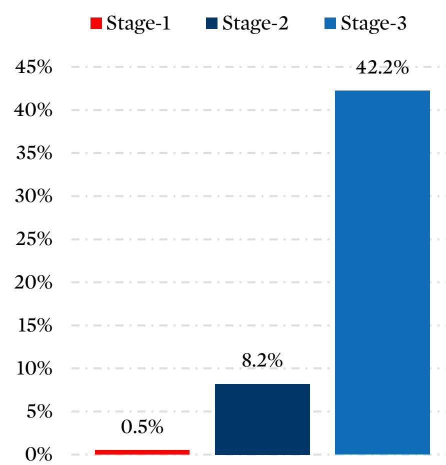
Source: DBRS Morningstar & Company reports. Data as of end-September 2019.

Exhibit 6: Loans Breakdown



Source: DBRS Morningstar & Company reports Data as of end-September 2019

Exhibit 7: Coverage Ratios



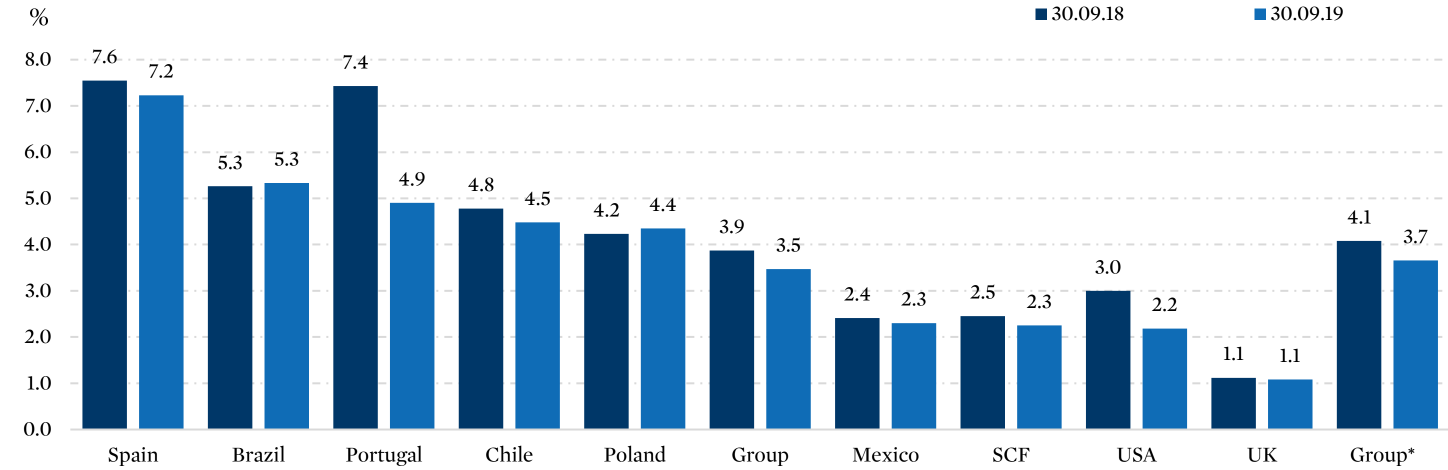
Source: DBRS Morningstar & Company reports Data as of end-September 2019.

Sovereign, Market and Interest Rate Risk

Santander has a sizable fixed income portfolio, totalling around EUR 190 billion or around 13% of total assets at end-June 2019. Regarding its ALCO portfolio, at end-September 2019 the bank reported a portfolio amounting to EUR 85 billion of which 20% were exposures related to Spain (compared to 32% at end-September 2018), 22% to Brazil, 20% to UK or 14% to U.S. We note that the value of sovereign debt in peripheral European and emerging market countries can be relatively volatile. With a sizable CET1 of EUR 69 billion at Q3 2019, we view Santander as having the capacity to absorb market risk losses related to this exposure.

Market risk for the Group is primarily interest rate risk with very modest trading risk, given Santander's limited involvement in capital market activities. This risk is monitored through the Treasury area. One measure of this risk is Value-at-Risk (VaR), which the Group reports based on a 99% confidence level, 1-day time period. Santander reported average VaR of EUR 9.7 million in 2018, down from 21.5 in 2017, demonstrating the Group's consistent approach to conservatively managing market risk.

Exhibit 8: NPL ratios



Source: DBRS Morningstar & Company reports. Spain includes the Santander´s real estate business in Spain.

Funding and Liquidity

Grid Grade: Strong

Santander's funding and liquidity is strong and benefits from a large deposit base that funds its lending activities, together with a broad range of wholesale funding. Within Santander, the subsidiaries are largely autonomous in managing their own funding and liquidity, including raising wholesale funding from their own local markets. This approach diversifies the Group's wholesale funding sources and leverages the strength of its subsidiaries in their local markets. Thus, while the Group as a whole utilises considerable amounts of wholesale funding, a significant proportion is raised through the subsidiaries.

The Group has a large customer base, which is the Bank's main source of funding, representing around 62% of total funding at end-June 2019. Santander´s wholesale funding (including capital instruments), which represents around 20% of total funding as of end-June 2019, is well diversified by instruments and maturities. Longer term instruments mostly include covered bonds (EUR 48.50 billion), securitisations (EUR 55 billion), senior debt (EUR 68.8 billion) and Senior non-preferred (EUR 36.3 billion). In our view, Santander's debt maturity profile is manageable. Santander main operating markets (Spain, UK, Brazil, US and SCF) face maturities of approximately EUR 30 billion in 2020 and EUR 21 billion in 2021. As a comparison, the Group issued EUR 24 billion of debt in 2019 up to end-September 2019.

We see Santander as well positioned to meet its Total Loss-Absorbing Capacity (TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements. Santander's resolution strategy is that of a multiple point of entry (MPE) approach, meaning the TLAC and MREL requirement is established at each resolution entity. From 1 January 2019, and using the Group's requirements as a proxy for the aggregate TLAC requirement, Santander has a requirement of 16% plus applicable capital buffers, totalling a requirement of 19.5%. As of end-September 2019, Santander had issued EUR 36.3 billion of Senior Non-Preferred debt representing around 6% of the Bank´s RWAs.

Exhibit 9: MPE resolution strategy (EUR billion Dec-18)

Banking Union		European Union		3rd Countries			
Spain + SCF	709	UK	324	Brazil	163	USA	118
Portugal	52	Poland	48	Mexico	61	Chile	49
				Argentina	12		

Resolution Group
Size of Resolution Groups (Total Assets)

Source: DBRS Morningstar & Company reports

In November 2019, Santander announced its MREL requirement for Banco Santander S.A at a subconsolidated level of 28.60% over RWAs. The requirement was based on the balance sheet exposures at end-2017 of the resolution entity and should be met by 1 January 2020. As of September 2019, Santander was already in compliance with its MREL requirement. In addition, Santander´s subordinated MREL requirement was set at 19.53% over RWAs. In addition, the resolution authority also established that Santander´s subordination requirement can be covered by non-subordinated liabilities in an amount equivalent to 2.5% of RWAs, after considering the absence of material adverse impact on resolvability. According to our estimation, as of end-September 2019, the Bank had subordinated liabilities (capital instruments plus senior non-preferred securities) representing around 20.5% of RWAs.

The Group's loan-to-deposit ratio stands at 118% (as calculated by DBRS Morningstar) as of Q3 2019, flat compared with Q3 2018. Santander maintains high levels of liquidity, with a reported Liquidity Coverage Ratio (LCR) of 155% at the Group-level as of August 2019. The Group also has a sizable amount of liquidity within its subsidiaries, evidenced by robust LCRs in key subsidiaries such as the U.K. (150%), Brazil (141%) and Spain (162%). The Group also reported a strong Net Stable Funding Ratio (NSFR) of 113% as of Q2 2019 as well as NSFRs above 100% in key subsidiaries.

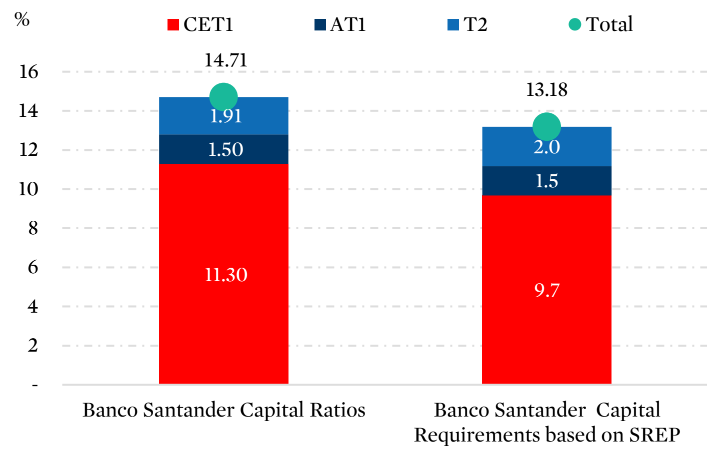
Capitalisation

Grid Grade: Strong

DBRS Morningstar considers Santander's capital levels as satisfactory, particularly given its exposure to generally lower-risk banking activities. The Group reported a fully-loaded CET1 capital ratio of 11.3% at end-September 2019, improving around 20bps since end-September 2018. However, the fully loaded CET1 capital ratio at end-September 2019 was 11.07%, including the full impact from IFRS-9 accounting standards. While Santander's fully-loaded CET1 capital ratio remains at the low end of the global peer group, we view these levels as satisfactory given its ability to generate capital through retained earnings and its highly diversified franchise.

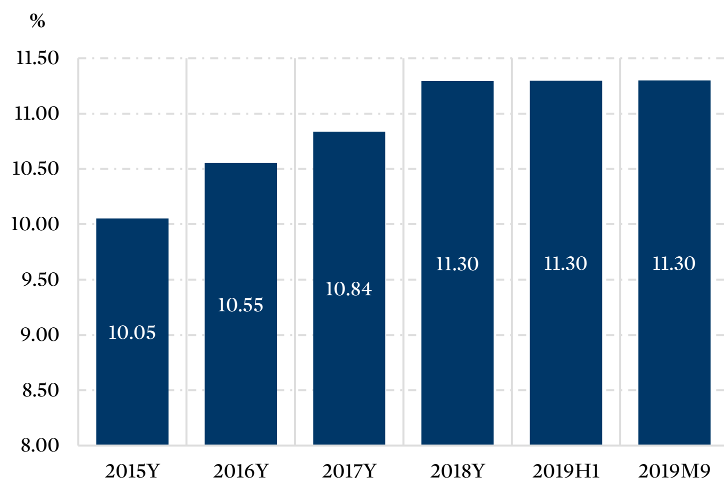
Santander is required by the European authorities to meet a minimum Overall Capital Requirement (OCR) for CET1 (phased-in) ratio of 9.68% according to the Supervisory Review and Evaluation Process (SREP), which includes the minimum Pillar 1 requirement (4.50%), the Pillar 2 requirement (1.5%) and the capital buffers (3.68%). The minimum OCR for total capital according to the SREP, which includes the AT1 and Tier 2 buckets, was set at 13.18%. The Group has an adequate cushion over the minimum capital requirements of around 153 bps but remains at the low end of the global peer group. The Group has an internal target of a CET1 ratio above 11% and a total capital ratio above 14.5% at all times.

Exhibit 10: Capital Requirements and ratios (phased-in)



Source: DBRS Morningstar & Company reports. Data as of end-September 2019.

Exhibit 11: Banco Santander SA`s CET1 ratio (fully-loaded)



Source: DBRS Morningstar & Company reports

EUR Millions	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA
	2019H1	2018Y	2017Y	2016Y	2015Y
Balance Sheet	30/06/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Cash and Deposits with Central Banks	104,104	113,663	110,995	76,454	77,751
Lending to/Deposits with Credit Institutions	107,433	83,406	77,431	76,686	82,531
Financial Securities	207,029	205,994	226,426	211,842	203,835
Financial Derivatives Instruments	67,871	65,633	67,066	83,901	85,830
Net Lending to Customers	908,234	882,920	848,914	790,470	790,848
- Gross Lending to Customers	*930,957*	*906,226*	*872,848*	*814,863*	*817,365*
- Loan Loss Reserves	*22,723*	*23,306*	*23,934*	*24,393*	*26,517*
Investment in Associates or Subsidiaries	7,789	7,589	6,184	4,836	3,250
Total Intangible Assets	28,795	28,560	28,683	29,420	29,430
Fixed Assets	33,755	26,156	22,975	23,286	25,320
Insurance Assets	311	324	341	331	331
Other Assets (including DTAs)	46,778	45,025	55,290	41,897	41,135
Assets	**1,512,099**	**1,459,270**	**1,444,305**	**1,339,125**	**1,340,262**
Deposits from Banks	179,950	187,908	190,314	149,398	175,373
Deposits from Central Banks	80,615	87,339	80,556	54,574	57,536
Deposits from Credit Institutions	99,335	100,570	109,758	94,823	117,837
Deposits from Customers	779,510	747,736	724,721	648,351	645,762
Issued Debt Securities	233,371	222,799	196,456	208,967	205,007
Issued Subordinated Debt	21,419	23,820	21,510	19,902	21,153
Financial Derivatives Instruments	65,904	62,008	66,266	82,973	85,525
Insurance Liabilities	731	765	1,117	652	627
Other Liabilities	121,229	106,873	137,088	126,182	108,060
Equity Attributable to Parent	98,630	96,473	94,489	90,939	88,042
Minority Interests	11,356	10,888	12,344	11,761	10,713
Liabilities & Equity	**1,512,099**	**1,459,270**	**1,444,305**	**1,339,125**	**1,340,262**

EUR Millions	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA
	2019H1	2018Y	2017Y	2016Y	2015Y
Income Statement	30/06/2019	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Interest Income	28,669	54,325	56,041	55,156	57,198
Interest Expenses	11,034	19,984	21,746	24,067	24,386
Net Interest Income	**17,636**	**34,341**	**34,296**	**31,089**	**32,812**
Net Fees and Commissions	5,863	11,485	11,597	10,180	10,033
Results from Financial Operations	511	1,797	1,664	2,101	2,386
Equity Method Results	306	737	704	444	375
Net Income from Insurance Operations	40	51	57	63	99
Other Operating Income	73	178	235	455	351
Total Operating Income	**24,429**	**48,589**	**48,553**	**44,332**	**46,055**
Staff Costs	6,080	11,865	12,047	11,004	11,107
Other Operating Costs	5,946	10,712	11,411	10,241	11,300
Depreciation/Amortisation	1,477	2,425	2,593	2,364	2,419
Total Operating Expenses	**13,503**	**25,002**	**26,052**	**23,609**	**24,826**
Income Before Provisions and Taxes (IBPT)	**10,926**	**23,587**	**22,502**	**20,722**	**21,229**
Loan Loss Provisions	4,362	8,985	9,241	9,557	10,194
Securities & Other Financial Assets Impairments	6	1	18	69	458
Other Impairments	27	467	1,579	352	1,314
Other Non-Operating Income (Net)	0	67	425	22	283
Income Before Taxes (IBT)	**6,531**	**14,200**	**12,089**	**10,768**	**9,547**
Tax on Profit	2,449	4,886	3,883	3,282	2,213
Discontinued Operations	0	0	0	0	0
Other After-tax Items	0	0	0	0	0
Minority Interest	851	1,504	1,586	1,282	1,368
Net Attributable Income	**3,231**	**7,810**	**6,619**	**6,204**	**5,966**

Source: DBRS Morningstar, Copyright © 2019, S&P Global Market Intelligence*

	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA	Banco Santander, SA
	2019H1	2018Y	2017Y	2016Y	2015Y
Earnings Power					
Earnings					
Net Interest Margin (%)	2.61	2.60	2.66	2.55	2.70
Yield on Average Earning Assets (%)	4.20	4.10	4.32	4.50	4.68
Cost of Interest Bearing Liabilities (%)	1.63	1.54	1.71	2.01	2.03
IBPT over Avg Assets (%)	1.46	1.63	1.60	1.55	1.58
IBPT over Avg RWAs (%)	3.63	3.96	3.68	3.56	3.54
Expenses					
Cost / Income ratio (%)	55.28	51.46	53.66	53.26	53.90
Operating Expenses by Employee	133,828	123,335	128,809	125,254	128,058
LLP / IBPT (%)	39.92	38.09	41.07	46.12	48.02
Profitability Returns					
Return on Avg Equity (ROAE) (%)	6.58	8.23	7.16	7.00	6.70
Return on Avg Assets (ROAA) (%)	0.55	0.65	0.58	0.56	0.55
Return on Avg RWAs (%)	1.35	1.56	1.34	1.29	1.22
Dividend Payout Ratio (%)	16.33	46.74	52.18	48.18	72.62
Internal Capital Generation (%)	4.47	4.32	3.42	3.59	0.30
Risk Profile					
Gross NPLs over Gross Loans (%)	3.70	3.94	4.31	4.13	4.54
Net NPLs over Net Loans (%)	1.29	1.40	1.61	1.17	1.34
NPL Coverage Ratio (%)	66.01	65.30	63.66	72.51	71.49
Net NPLs over IBPT (%)	53.54	52.51	60.72	44.64	49.82
Net NPLs over CET1 (%)	17.10	18.23	18.42	12.55	14.39
Texas Ratio (%)	25.94	27.32	28.75	26.47	29.61
Cost of Risk (%)	0.99	1.06	1.17	1.21	1.39
Level 2 Assets/ Total Assets (%)	10.13	9.64	8.60	10.98	11.58
Level 3 Assets/ Total Assets (%)	0.48	0.31	0.09	0.10	0.19
Funding and Liquidity					
Bank Deposits over Funding (%)	17.22	18.01	20.37	17.85	19.49
- Interbank over Funding (%)	10.77	10.88	13.62	12.78	14.22
- Central Bank over Funding (%)	6.45	7.13	6.74	5.07	5.27
Customer Deposits over Funding (%)	62.39	61.04	60.66	60.22	59.14
Wholesale Funding over Funding (%)	20.39	20.95	18.98	21.94	21.37
- Debt Securities over Funding (%)	18.68	18.19	16.44	19.41	18.78
- Subordinated Debt over Funding (%)	1.71	2.77	2.53	2.53	2.60
Liquid Assets over Assets (%)	27.68	27.62	28.72	27.26	27.17
Non-Deposit Funding Ratio (%)	44.40	44.69	45.81	47.56	47.99
Net Loan to Deposit Ratio (%)	116.51	118.08	117.14	121.92	122.47
LCR (Phased-in) (%)	155.00	147.25	141.94	146.00	146.00
NSFR (%)	113.00	114.00	NA	NA	NA
Capitalisation					
CET1 Ratio (Phased-In) (%)	11.30	11.47	12.26	12.53	12.55
CET1 Ratio (Fully-Loaded) (%)	11.30	11.30	10.84	10.55	10.05
Tier 1 Capital Ratio (Phased-In) (%)	12.87	13.12	12.77	12.53	12.55
Total Capital Ratio (Phased-In) (%)	14.83	14.98	14.99	14.68	14.40
Tang. Equity / Tang. Assets (%)	5.47	5.51	5.52	5.60	5.29
Leverage Ratio (DBRS) (%)	4.83	4.97	5.50	6.01	6.00
Growth					
Net Attributable Income YoY (%)	-20.4	18.0	6.7	4.0	2.6
Net Fees and Commissions YoY (%)	4.8	-1.0	13.9	1.5	3.5
Total Operating Expenses YoY (%)	10.2	-4.0	10.3	-4.9	7.0
IBPT YoY (%)	-10.7	4.8	8.6	-2.4	-6.3
Assets YoY (%)	3.6	1.0	7.9	-0.1	5.8
Gross Lending to Customers YoY (%)	2.7	3.8	7.1	-0.3	7.3
Net Lending to Customers YoY (%)	5.7	4.0	7.4	0.0	7.6
Loan Loss Provisions YoY (%)	-5.9	-2.8	-3.3	-6.3	-3.1
Deposits from Customers YoY (%)	8.8	0.4	12.5	1.2	5.5

Source: DBRS Morningstar, Copyright © 2019, S&P Global Market Intelligence*

Rating Methodology

The applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (June 2019), which can be found on our website under Methodologies.

Ratings

Issuer	Obligation	Action	Rating	Trend
Banco Santander S.A.	Long-Term Issuer Rating	Confirmed	A (high)	Stable
Banco Santander S.A.	Long-Term Deposits	Confirmed	A (high)	Stable
Banco Santander S.A.	Long-Term Senior Debt	Confirmed	A (high)	Stable
Banco Santander S.A.	Senior Non-Preferred Debt	Confirmed	A	Stable
Banco Santander S.A.	Subordinated Debt	Confirmed	A (low)	Stable
Banco Santander S.A.	Short-Term Issuer Rating	Confirmed	R-1 (middle)	Stable
Banco Santander S.A.	Short-Term Deposits	Confirmed	R-1 (middle)	Stable
Banco Santander S.A.	Short-Term Debt	Confirmed	R-1 (middle)	Stable
Banco Santander S.A.	Short Term Critical Obligations Rating	Trend Change	R-1 (middle)	Positive
Banco Santander S.A.	Long Term Critical Obligations Rating	Trend Change	AA (low)	Positive

Ratings History

Issuer	Obligation	Current	2019	2018	2017
Banco Santander S.A.	Long-Term Issuer Rating	A (high)	A (high)	A (high)	A
Banco Santander S.A.	Long-Term Senior Debt	A (high)	A (high)	A (high)	A
Banco Santander S.A.	Long-Term Deposits	A (high)	A (high)	A (high)	A
Banco Santander S.A.	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (low)
Banco Santander S.A.	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (low)
Banco Santander S.A.	Short-Term Deposits	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (low)
Banco Santander S.A.	Senior Non-Preferred Debt	A	A	A	A (low)
Banco Santander S.A.	Subordinated Debt	A (low)	A (low)	A (low)	BBB (high)
Banco Santander S.A.	Long-Term Critical Obligations Rating	AA (low)	AA (low)	AA (low)	A (high)
Banco Santander S.A.	Short-Term Critical Obligations Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)

Previous Actions

- DBRS Morningstar Confirms Banco Santander SA’s Long-Term Issuer Rating at A (high), Stable Trend, November 29, 2019
- DBRS Confirms Banco Santander SA’s Issuer Ratings at A (high), Stable Trend, December 3, 2018
- DBRS Upgrades Santander’s Senior Ratings to A (high), Stable Trend, April 12, 2018
- DBRS Confirms Ratings of Santander – Senior at A, Stable Trend, December 7, 2017

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- European Banking: Key Themes in 2020, January 14, 2020
- Profits up for Spanish Banks in 9M19, but has the credit cycle turned?, November 26, 2019
- Uncertainty Remains for Polish Banks after ECJ Ruling on Swiss Franc Mortgages, October 10, 2019
- DBRS: Portuguese Banks to withstand fines from alleged anticompetitive practices, September 24, 2019
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- DBRS: TLTRO-III Removes Medium-Term Refinancing Risk at European Banks, June 18, 2019

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- Banco Santander SA: Rating Report, December 20, 2018
- Banco Santander SA - Rating Report, December 12, 2017
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- European Bank Ratios & Definitions, June 11, 2019.