Rating Report
Banco Santander, S.A.

DBRS Morningstar
11 October 2022

Contents

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Ratings

Debt	Rating	Rating Action	Trend
Long-Term Issuer Rating	A (high)	Confirmed September '22	Stable
Short-Term Issuer Rating	R-1 (middle)	Confirmed September '22	Stable
Intrinsic Assessment	A (high)	Maintained September '22	--

Rating Drivers

Factors with Positive Rating Implications

- An upgrade of the Long-Term Issuer Rating is unlikely in the near term, given the existing rating level of the Kingdom of Spain, and without improvements in the Group's risk adjusted capital metrics.

Factors with Negative Rating Implications

- The ratings could be downgraded if there is a substantial deterioration in asset quality, or if capital levels materially reduce. A downgrade of Spain's sovereign rating would also have negative rating implications.

Rating Considerations

Franchise Strength (Strong)

- Santander's geographically diverse global retail Banking franchise is a key strength underpinning its rating.

Earnings Power (Good)

- A powerful international retail banking franchise contributes to resilient earnings. Profitability is at its peak since 2010. However, during the next quarters profitability affected by higher interest rates and weak macroeconomic environment.

Risk Profile (Good)

- Asset quality expected to deteriorate during coming quarters driven by risks associated with Santander's consumer finance activities and its exposure to emerging market economies. However, Santander is well positioned to manage this scenario given its business and geographical diversification as well as its risk management capacity.

Funding and Liquidity (Strong/Good)

- 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.

Capitalisation (Good)

- Capital is satisfactory. Strong ability to generate capital organically and sound access to capital markets in each of its core geographies.

2022H1	Scorecard Building Block (BB) Assessment	Grids BB Assessment	Combined BB Assessment
Franchise	S/G	VS/S	S
Earnings	G/M	S/G	G
Risk	G/M	S/G	G
Funding & Liquidity	G/M	VS/S	S/G
Capitalisation	G/M	S/G	G

Overall Assessment	Intrinsic Assessment Range (IAR)	Assigned IA
S/G	[A-AAL]	A (high)

Financial Information

		For the Year Ended December 31 (IFRS)				
(In EUR Millions unless otherwise stated)	H1 2022	2021	2020	2019	2018	2017
Total Assets	1,722,840	1,595,835	1,508,250	1,522,695	1,459,271	1,444,305
Gross Loans to Customers	1,030,518	987,983	939,794	964,460	906,228	872,849
Income Before Provisions and Taxes (IBPT)	12,745	22,167	20,811	22,479	23,449	22,808
Net Attributable Income	4,894	8,124	(8,771)	6,515	7,810	6,619
Net Interest Margin	2.7%	2.6%	2.5%	2.7%	2.8%	2.8%
Cost / Income ratio	52.0%	54.6%	55.4%	56.3%	53.5%	55.1%
LLP / IBPT	37.4%	33.3%	59.4%	41.5%	38.3%	40.5%
Cost of Risk	0.95%	0.78%	1.34%	1.03%	1.04%	1.11%
CET1 Ratio	12.25%	12.51%	12.34%	11.65%	11.47%	12.26%

Source: Company reports, DBRS Morningstar. As calculated by DBRS Morningstar

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 reflects the strength of its globally diversified banking franchise, which contributes to resilient underlying 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 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 solid funding and liquidity profile, as well as satisfactory capital levels.

DBRS Morningstar sees Santander’s profitability during the next quarters as affected by higher interest rates, tighter financial conditions and a weaker macroeconomic environment than previously anticipated. DBRS Morningstar anticipates that Santander´s asset quality will deteriorate during coming quarters given this economic environment. In particular, DBRS Morningstar is closely monitoring the evolution of Santander’s exposures to consumer lending and Brazil. However, DBRS Morningstar sees Santander as well positioned to manage this challenging scenario given its business and geographical diversification as well as Santander’s risk management capacity. In addition, we consider that Santander will also benefit from the higher interest rates which will support the Bank´s capacity to absorb higher loan loss provisions as a consequence of the deteriorating economic environment.

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

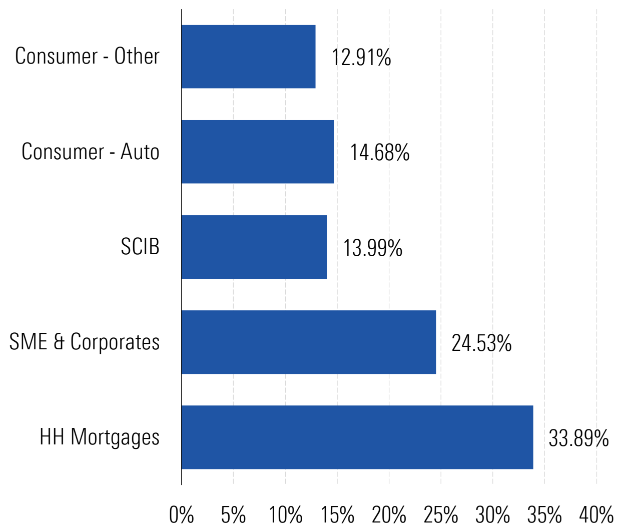
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Strong / Good	Very Strong / Strong	Strong

With around 157 million customers worldwide, and around EUR 1.7 trillion of assets at end-June 2022, Santander is the largest Spanish banking group. Retail banking is the largest contributor to attributable profit given the breadth of Santander's franchise. 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 (Exhibit 1).

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 2) in those markets. Core markets include Brazil, Spain, the United Kingdom (U.K.), Mexico, Poland, Portugal, Chile and Argentina. Another core market for Santander is USA, although its market shares there are more modest. In the United States (USA), the Group is focused on its regional presence in the northeast, as well as consumer finance, with a particular focus on auto finance.

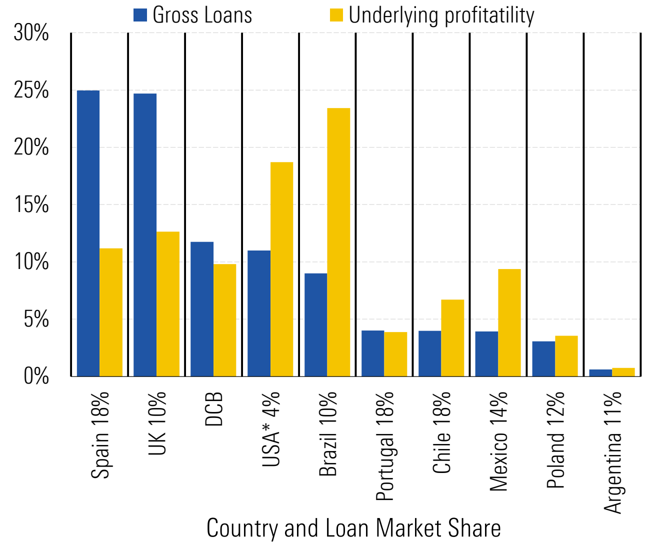
Reflecting the geographically international franchise, profitability is well diversified. Santander follows an approach in which its subsidiaries are largely autonomous in managing their own funding and liquidity, including raising wholesale funding from their local markets. Reflecting the autonomous 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 DCB which is part of Santander SA). Nevertheless, we still assess Santander SA on a consolidated basis as the equity stake in each subsidiary is very sizable and we expect parental support would be available should any subsidiary need further capital.

Exhibit 1 Customer Loan Breakdown at end-June 2022



Source: Company reports, DBRS Morningstar

Exhibit 2 Geographical diversification at end-June 2022



Source: Company reports, DBRS Morningstar. *Auto Lending
Underlying Profitability excl. the Corporate Center

Earnings Power

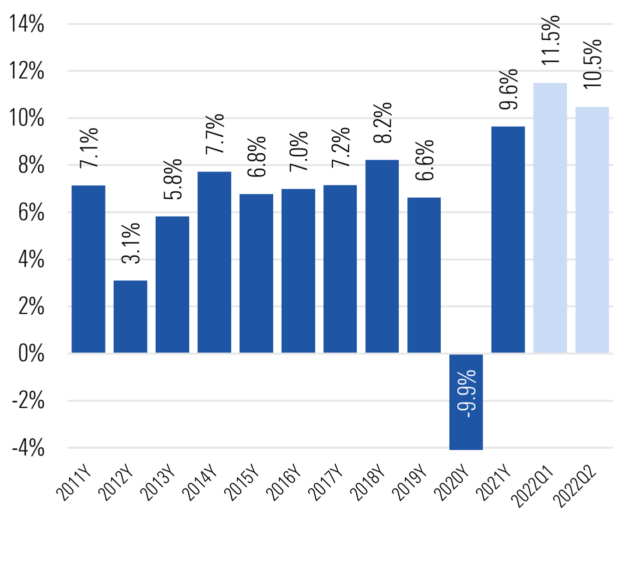
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Strong / Good	Good

DBRS Morningstar notes that Santander´s profitability metrics have materially recovered after the market disruption resulting from COVID-19 and the Group´s return on equity (RoE) is higher than pre-COVID levels (Exhibit 3). Santander reported a EUR 4.9 billion net attributable profit in H1 2022 compared to a EUR 3.7 billion profit in H1 2021. Excluding the one-offs items and at constant exchange rates, Santander's underlying net attributable income in H1 2022 was up 7% YoY. This largely reflects higher net interest income and net fees (both reporting close to 7% growth YoY) which compensated for higher loan loss provisions, up 18% YoY at constant exchange rates.

DBRS Morningstar considers Santander's profitability as supported by its geographical diversification. Brazil Operations represented 24% of the Group´s total underlying profits (excluding the Corporate Centre) in H1 2022 (Exhibit 2). US operations continued to overperformed compared to historical averages, accounting to around 19% of total underlying profits. This contrasts with an average contribution of around 10% in pre-COVID years. Notably, the Group recorded a better underlying profitability in several of its core markets than pre-COVID levels whereas others are very close to those levels (Exhibit 4).

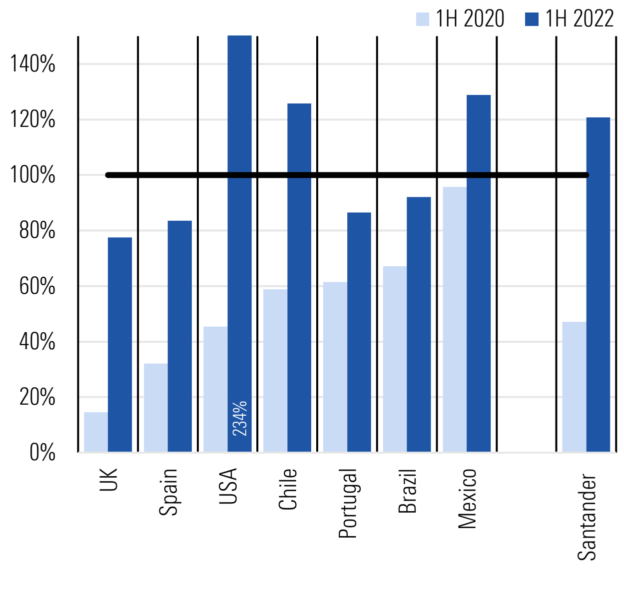
DBRS Morningstar sees Santander´s profitability during the next quarters affected by high uncertainty amid higher interest rates in most geographies and a weaker macroeconomic environment than previously anticipated. Nevertheless, DBRS Morningstar sees Santander as well positioned to manage this challenging scenario given its business and geographical diversification. In addition, we consider that Santander will benefit from higher interest rates which will allow it to absorb higher loan loss provisions as a consequence of a deteriorating economic environment. In particular, YoY NII sensitivity to a shift of +100bps is 19% in Spain, 6% in UK and 2% in US.

Exhibit 3 Santander ROE Evolution



Source: Company reports, DBRS Morningstar

Exhibit 4 Underlying Profit as % Pre-COVID Peak



Source: Company reports, DBRS Morningstar. Pre-COVID peak from H1 2016 to H1 2020.

Risk Profile

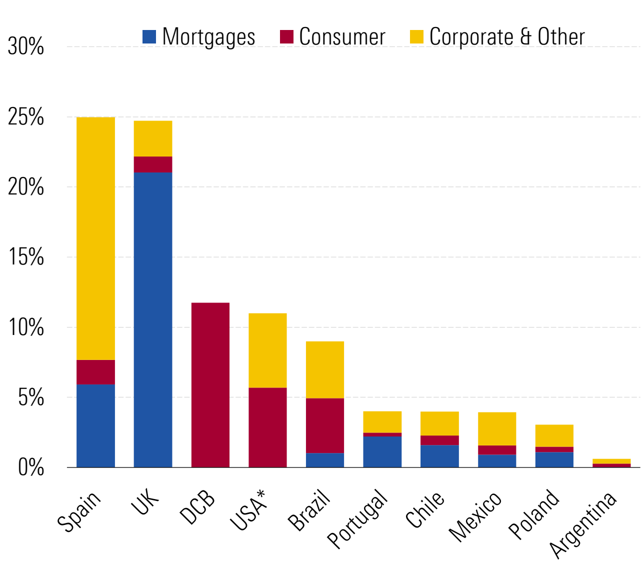
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Strong / Good	Good

DBRS Morningstar believes that Santander benefits from its geographically diverse global retail banking franchise, and has a sound management team with a conservative risk culture that permeates the organization. These factors contribute to very strong credit risk management capabilities. Nevertheless, DBRS Morningstar considers the run rate of the Group's cost of risk as higher than other international peers, given its exposure to non-developed markets, as well as operating in riskier segments (including consumer and auto lending) compared to other retail banks.

Santander's credit risk profile is highly diversified with no specific risk concentration by geography or industry. As of end-June 2022, Santander had EUR 1 trillion of gross loans to customers (excluding reverse repos), up 9% YoY. Santander's loan book is diversified across regions (Exhibit 5). DBRS Morningstar notes that despite being an universal retail bank, Santander´s business strategy in each jurisdiction has notable differences. As a result, consumer finance business is particularly strong in areas including US or Brazil, whereas in the UK the Bank is mostly focused on mortgage lending. The bulk of the European SCIB is booked in its home region, Spain. As a result, Santander's credit risks are located mainly in Spain, UK, US and Brazil (Exhibit 6). Germany is ranked as the 5th most important jurisdiction in terms of credit risk. Santander operates in Germany through its Digital Consumer Bank (DCB).

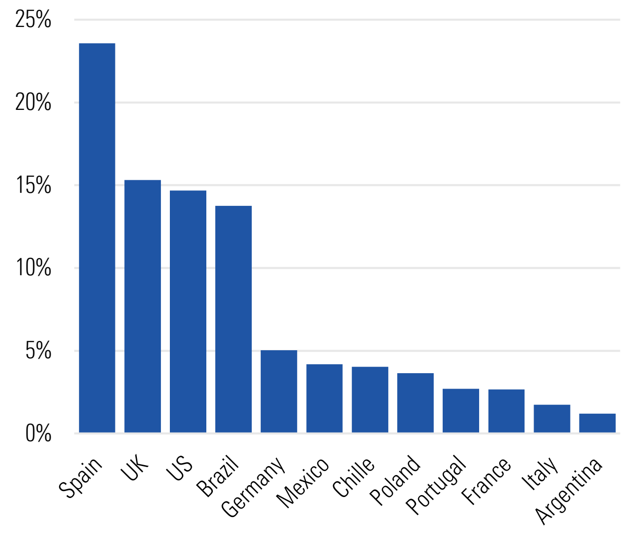
In terms of loan breakdown by type of borrower, the Group's gross loan book is primarily focused on individuals, of which 34% were residential mortgages,15% auto finance and 13% other consumer loans (Exhibit 2). The balance of the portfolio is split across loans to Corporates & SME (25%) and Corporate and Investment Bank (14%).

Exhibit 5 Gross Loans Breakdown (% total loans) end-June 2022



Source: Company reports, DBRS Morningstar. USA consumer includes also mortgages.

Exhibit 6 Credit Risk RWA breakdown by Region



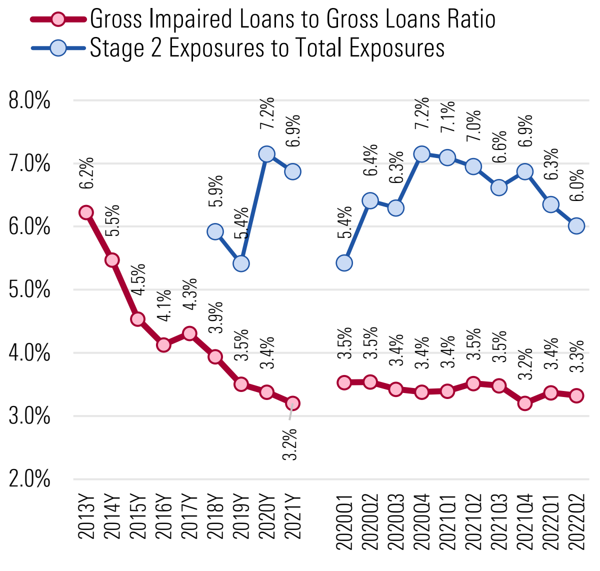
Source: Company reports, DBRS Morningstar

Santander´s asset quality ratios have been stable during the COVID-19 crisis and remain solid. As of end-June 2022, the Group NPL ratio (as calculated by DBRS Morningstar) stood at 3.3% (Exhibit 7), whereas Stage 2 loans (exposures whose credit risk has significantly increased) stood at 6.0% down from 7.2% at end-2020. Santander's non-performing assets (NPAs) ratio stood at 4.2% at end-June 2021, which include around EUR 7 billion of gross Foreclosed Assets (FAs). Despite the positive asset quality metrics during the COVID-19 pandemic, some of Santander´s core markets are already experiencing a notable deterioration in asset quality. In particular, the Brazil NPL ratio increased by 180 bps YoY and stood at 6.3% at end-June 2022 (Exhibit 8). In addition, US and Chile´s asset quality also weakened.

Another source of risk amid this uncertain economic scenario is Santander's state guaranteed loans granted during the COVID-19 pandemic. These amount to EUR 38 billion as of end-June 2022 or around 3.7% of the total loan book, down from 4.4% YoY. In addition, Santander has a sizable fixed income portfolio, totalling around EUR 182 billion or around 10.6% of total assets at end-June 2022. Regarding its ALCO portfolio, at end-June 2022 the Bank reported a portfolio amounting to EUR 99 billion of which 5% were exposures related to Spain (compared to 32% at end-September 2018), 17% to Mexico, 17% to the US, 15% to Brazil or 13% to Poland.

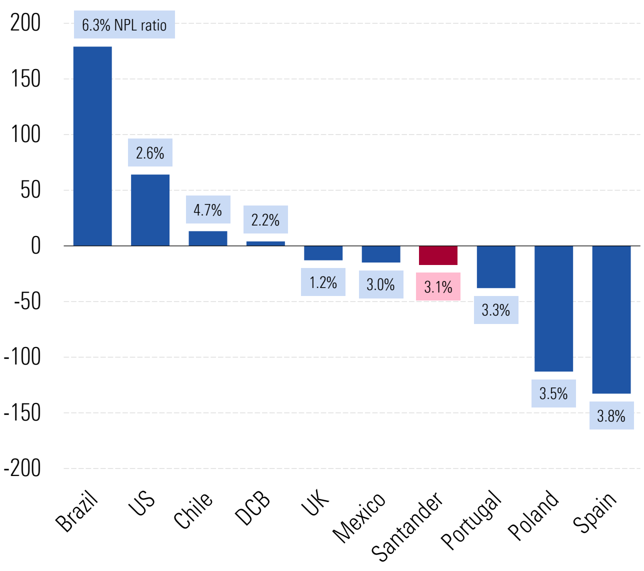
DBRS Morningstar consider that Santander´s asset quality will deteriorate during coming quarters given the challenging economic environment, characterised by tighter financial conditions and weaker economic dynamics in most of their regions. In particular, DBRS Morningstar is closely monitoring the evolution of Santander´s auto finance, other consumer lending and its developing markets exposures. Nevertheless, DBRS Morningstar consider that Santander´s risk management capacity will support the bank´s asset quality during this period, helped by their geographical and sector diversification. In addition, Santander´s provisioning levels will be key during this environment and they reached 68.5% at end-June 2022 (as calculated by DBRS Morningstar).

Exhibit 7 NPL and Stage 2 Ratio Evolution



Source: Company reports, DBRS Morningstar. NPL ratio as calculated by DBRS Morningstar

Exhibit 8 NPL Ratio Evolution at end-June 2022 (YoY Change bps)



Source: Company reports, DBRS Morningstar. NPL ratio as reported by Santander

Funding and Liquidity

Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Very Strong / Strong	Strong / Good

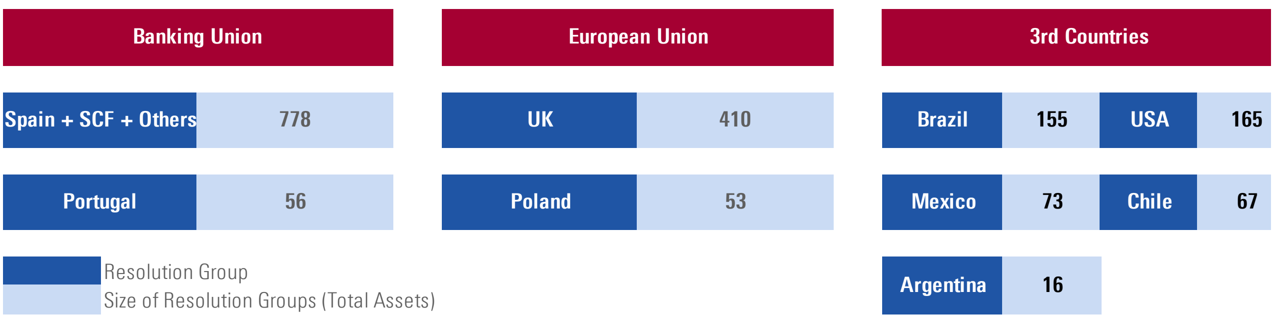
DBRS Morningstar considers Santander's funding and liquidity profile has remained strong despite the COVID-19 crisis. Santander's funding and liquidity reflects the large deposit base that funds its lending activities, together with a broad range of wholesale funding. Santander follows an approach in which its subsidiaries are largely autonomous in managing their own funding and liquidity, including raising wholesale funding from their own local markets (Exhibit 9).

The Group has a large customer base, which is the Bank's main source of funding, representing around 63% of total funding at end-June 2022. Santander's total Central Bank funding stood at around EUR 146 billion at end-June 2022 (or around 9.5% of total funding, as calculated by DBRS Morningstar). Nevertheless Santander has a net creditor position with central banks given it has cash balances that stood at EUR 211 billion. Santander´s wholesale funding (including capital instruments), which represented around 16.9% of total funding as of end-June 2022, is well diversified by instruments and maturities. Longer term instruments mostly include covered bonds (EUR 43 billion), securitisations (EUR 48 billion), senior debt (EUR 60 billion) and senior non-preferred (EUR 53 billion). Lastly, derivatives and credit institutions funding represent around 10.5% of total funding.

The Group's loan-to-deposit ratio was 106% (as calculated by DBRS Morningstar) as of Q2 2022. Santander maintains high levels of liquidity, with a reported Liquidity Coverage Ratio (LCR) of 165% at the Group level as of June 2022. The Group also has a sizable amount of liquidity within its subsidiaries, evidenced by solid LCRs in key subsidiaries such as the U.K. (171%), Brazil (162%) and Spain (162%). The Group also reported a strong Net Stable Funding Ratio (NSFR) of 123% as of Q2 2022 as well as NSFRs above 100% in key subsidiaries.

During 2023 DBRS Morningstar expects that Santander will repay a significant amount of central bank funding as some of their ECB TLRO III operations will expire. However, we expect that some of this funding will not be replaced, as it was not utilised for funding but to benefit from the low cost funding it provided. As a result, DBRS Morningstar expects that Santander might partially replace central bank funding with funding from other credit institutions as well as wholesale funding.

Exhibit 9 MPE Resolution Strategy (End-2021, EUR billion)



Source: Company reports, DBRS Morningstar

Capitalisation

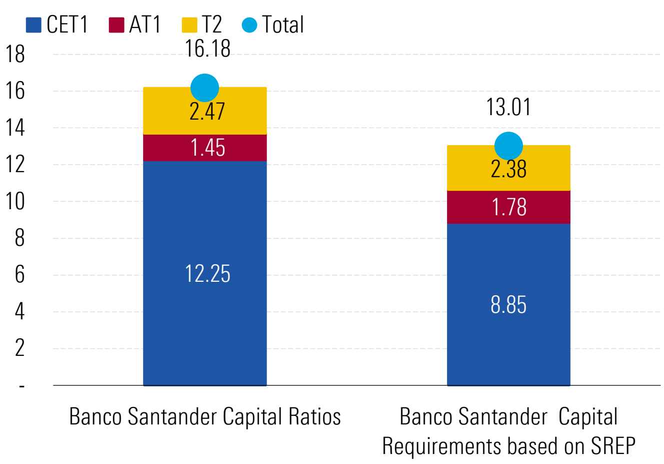
Scorecard BB Assessment	Grids BB Assessment	Combined BB Assessment
Good /Moderate	Strong / Good	Good

Santander's CET1 capital ratio remains at a level close to their global peer group, DBRS Morningstar views these levels as satisfactory given the Banks' solid risk profile. In addition, its capital position is also supported by its highly diversified franchise and its capacity to absorb adverse economic shocks, as reflected in the Santander´s results in the regulatory stress tests.

The Group reported a CET1 capital ratio of 12.25% at end-June 2022 up from 12.11% at end-June 2021. Santander´s capital ratios benefit from the new IFRS 9 transitional arrangements, which accounted for 20 bps in its CET1 ratio. As a result, Santander's fully-loaded CET1 capital ratio stood at 12.05% at end-June 2022 (including the full impact from IFRS-9 accounting standards), up from 11.70% end-June 2022. The Group has a CET1 ratio internal target of 12%. Santander's P2R for 2020 was set at 1.5%, which would imply capital requirements of 8.85% for CET1, and 13.01% for Total Capital. As of end-June 2022, the capital cushion over regulatory requirements stood at 307bps, compared to the pre-COVID buffer of 189bps.

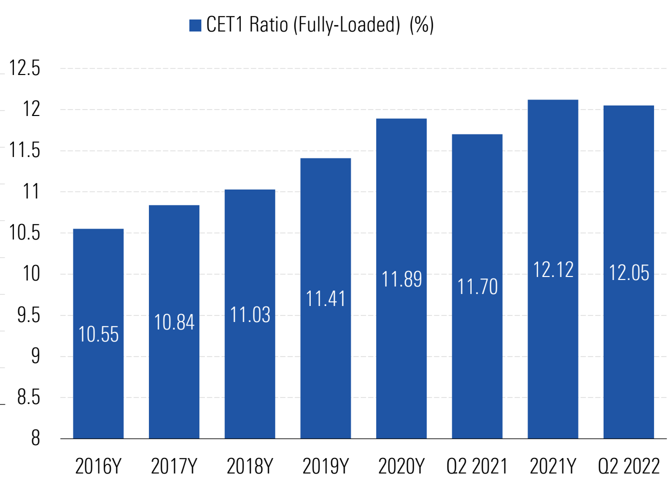
Santander meets its Total Loss-Absorbing Capacity (TLAC) and Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements. Santander's resolution strategy is that of a multiple point of entry (MPE) approach, therefore the TLAC and MREL requirement is established at each resolution entity. The Group's requirements as a proxy for the aggregate TLAC requirement is 18% plus applicable capital buffers, leading to a total requirement of 21.5%. As of end-June 2022, Santander SA had a TLAC ratio of 24.1%. In May 2022, Santander announced its MREL requirement for the resolution group headed by Banco Santander SA (Exhibit 9). The requirement was based on balance sheet exposures at end-2020 for the resolution entity and was to be met by 1 January 2024. Santander´s total MREL requirement was set at 32.5% over TREA (Total Risk Exposure Amount). As of June 2022, Santander met its MREL requirement with a total ratio of 36% of TREAs.

Exhibit 10 Capital Requirements as of end-June 2022



Source: Company reports, DBRS Morningstar

Exhibit 11 CET1 Ratio (Fully-Loaded, Including Full Impact from IFRS-9)



Source: Company reports, DBRS Morningstar

Banco Santander SA

ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental	**Overall:**	**N**	**N**
Emissions, Effluents, and Waste	Do we consider that the costs or risks for the issuer or its clients result, or could result, in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs and/or will such costs increase over time affecting the long-term credit profile?	N	N
Climate and Weather Risks	In the near term, will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
	In the long term, will the issuer's or client's business activities and infrastructure be materially affected financially by a 2°C rise in temperature?	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social	**Overall:**	**N**	**N**
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Human Capital and Human Rights:	**N**	**N**
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	N	N
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance	**Overall:**	**N**	**N**
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
	Bribery, Corruption, and Political Risks:	**N**	**N**
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Does the board and/or management have a formal framework to assess climate-related financial risks to the issuer?	N	N
	Corporate / Transaction Governance:	**N**	**N**
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
	Consolidated ESG Criteria Output:	**N**	N

* A **Relevant Effect** means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A **Significant Effect** means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.

ESG Considerations

Environmental

The Environmental factor is not seen as impacting the ratings or trends assigned to Banco Santander. The bank are committed to implement the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD), and have been signatories since December 2017. Santander was part of the ECB climate risk stress-test results were published on July 8, 2022. While they did not provide detailed indications on the geographies potentially affected under the selected scenarios, participating European banks were told they need to enhance their climate risk stress testing framework.

Social

The Social factor does not affect the ratings or trends assigned to Banco Santander SA. The IRPH mortgage case, where some national courts ruled that a lack of transparency was given to customers in certain contracts on the index, is now considered a legacy issue, so is neither relevant nor significant to Santander's ratings. Separately, in 2019 the bank disclosed 11 public commitments, where some of these commitments aligned with the social ESG factor. This included various targets focused on the improvements of diversity, inclusiveness and social responsibility. The Bank also makes disclosures of progress on these aims thus far against targets. While the Bank has not faced any issues with data breaches and security failures, such events could damage the Company's reputation, financial performance, and its risk profile.

Governance

The Governance factor does not affect the ratings or trend assigned to Banco Santander SA. The Bank operates in a range of different countries including emerging countries, which could prove more challenging from a governance perspective. DBRS Morningstar considers Santander's governance as sound and stable, whilst also having a conservative risk culture which permeates throughout the organisation. These factors have contributed to a generally low risk profile and very strong operational capabilities with a successful history of managing operational risks. A potential new governance risk is related to the Russian invasion of Ukraine. EU banks need to ensure that they are blocking and identifying any potential illicit payments from sanctioned individuals and/or businesses, and any non-compliance with the sanctions imposed could lead to fines and reputational consequences over time.

Banco Santander S.A.

	1		2	3	4	5
2022H1	**Scorecard Indicator**	**Scorecard Indicator Data**	**Scorecard Indicator Assessment**	**Scorecard Building Block (BB) Assessment**	**Grids BB Assessment**	**Combined BB Assessment**
Franchise	Adjusted Assets	1601	VS	**S/G**	**VS/S**	**S**
	Sovereign Rating	15	G			
Earnings	Return on Equity	6.14%	G/M	**G/M**	**S/G**	**G**
	Return on Assets	0.41%	G/M			
	IBPT/Avg.Assets	1.47%	G			
Risk	Net NPLs/Net Loans	1.01%	G	**G/M**	**S/G**	**G**
	Provisions/IBPT	40.82%	G/M			
Funding & Liquidity	Sovereign-Adjusted Funding Ratio	135.7%	G/M	**G/M**	**VS/S**	**S/G**
Capitalisation	Sovereign-Adjusted Capital Ratio	9.21%	G/M	**G/M**	**S/G**	**G**
	NPL/(Equity + Loan Loss Reserves)	29.69%	G/M			
	5-Year Accumulated Net Income/Total Assets	1.50%	G/M			

6	7			8
Overall Assessment	**Intrinsic Assessment Range (IAR)**			**Assigned IA**
S/G	AA (low)	A (high)	A	**A (high)**

Notes: (1) based on financial data as of 2022H1. (2) For more information see Global Methodology for Rating Banks and Banking Organisations published on 23 June 2022.

Annual Financial Information

	For the Year Ended December 31 (IFRS)					
	H1 2022	2021	2020	2019	2018	2017
Balance Sheet (EUR Millions)						
Cash & Cash Equivalents*	304,245	257,986	194,799	150,169	154,439	157,947
Investments in Financial Assets	283,734	252,413	277,250	284,333	279,215	299,678
Gross Loans to Customers	1,030,518	987,983	939,794	964,460	906,228	872,849
Loan Loss Reserves	(23,452)	(22,964)	(23,595)	(22,242)	(23,307)	(23,934)
Net Lending to Customers	1,030,518	965,019	916,199	942,218	882,921	848,915
Total Assets	1,722,840	1,595,835	1,508,250	1,522,695	1,459,271	1,444,305
Deposits from Customers	973,787	881,987	814,836	785,454	747,736	724,721
Debt & Capital Lease Obligations	260,646	249,019	238,318	267,085	246,809	218,168
Total Liabilities	1,625,378	1,498,782	1,416,928	1,412,036	1,351,910	1,337,472
Total Equity	97,462	97,053	91,322	110,659	107,361	106,833
Income Statement (EUR Millions)						
Net Interest Income	18,409	33,370	31,994	35,283	34,341	34,296
Non Interest Income	7,855	15,036	14,763	15,780	15,373	15,825
Equity Method Results	312	432	(96)	324	737	704
Total Operating Income	26,576	48,838	46,661	51,387	50,451	50,825
Total Operating Expenses	13,831	26,671	25,850	28,908	27,002	28,017
Income Before Provisions and Taxes (IBPT)	12,745	22,167	20,811	22,479	23,449	22,808
Loan Loss Provisions	4,762	7,388	12,363	9,340	8,985	9,241
Irregular Income/Expenses	68	232	10,524	596	263	1,476
Net Attributable Income	4,894	8,124	(8,771)	6,515	7,810	6,619
Growth (%) - YoY Change						
Net Interest Income	13.66%	4.30%	-9.32%	2.74%	0.13%	10.32%
Total Operating Income	10.65%	4.67%	-9.20%	1.86%	-0.74%	10.08%
Total Operating Expenses	11.16%	3.18%	-10.58%	7.06%	-3.62%	9.50%
IBPT	10.11%	6.52%	-7.42%	-4.14%	2.81%	10.80%
Net Attributable Income	33.17%	-192.62%	-234.63%	-16.58%	17.99%	6.69%
Gross Loans & Advances	8.95%	5.13%	-2.56%	6.43%	3.82%	7.12%
Deposits from Customers	8.91%	8.24%	3.74%	5.04%	3.18%	11.78%
Earnings (%)						
Net Interest Margin	2.72%	2.60%	2.47%	2.73%	2.78%	2.82%
Non-Interest Income / Total Revenue	29.56%	30.79%	31.64%	30.71%	30.47%	31.14%
Cost / Income ratio	52.04%	54.61%	55.40%	56.26%	53.52%	55.12%
LLP / IBPT	37.36%	33.33%	59.41%	41.55%	38.32%	40.52%
Return on Avg Assets (ROAA)	0.67%	0.62%	-0.50%	0.54%	0.65%	0.58%
Return on Avg Equity (ROAE)	11.00%	9.63%	-9.92%	6.62%	8.22%	7.15%
IBPT over Avg RWAs	4.29%	3.86%	3.61%	3.72%	3.93%	3.77%
Internal Capital Generation	11.00%	9.07%	-9.92%	4.57%	4.85%	4.09%
Risk Profile (%)						
Cost of Risk	0.95%	0.78%	1.34%	1.03%	1.04%	1.11%
Gross NPLs over Gross Loans	3.32%	3.20%	3.38%	3.50%	3.94%	4.31%
NPL Coverage Ratio	68.46%	72.57%	74.28%	65.81%	65.30%	63.66%
Net NPLs over Net Loans	1.05%	0.90%	0.89%	1.23%	1.40%	1.61%
NPLs to Equity and Loan Loss Reserves Ratio	30.33%	30.03%	30.23%	26.03%	27.94%	31.75%
Funding & Liquidity (%)						
Net Loan to Deposit Ratio	105.83%	109.41%	112.44%	119.96%	118.08%	117.14%
Liquidity Coverage Ratio	165%	164%	162%	147%	158%	133%
Net Stable Funding Ratio	NA	126%	120%	112%	114%	NA
Capitalization (%)						
CET1 Ratio	12.25%	12.51%	12.34%	11.65%	11.47%	12.26%
Tier1 Ratio	13.71%	14.24%	13.95%	13.14%	13.12%	12.77%
Total Capital Ratio	16.18%	16.81%	16.18%	15.05%	14.98%	14.99%
Leverage Ratio	4.73%	5.37%	5.33%	5.15%	5.22%	5.28%
Dividend Payout Ratio	NA	NA	NA	NA	NA	NA

Source: Morningstar Inc., Company Documents
*Includes Loans to Banks

Rating Methodology

The applicable methodology is the Global Methodology for Rating Banks and Banking Organisations (June 23, 2022), DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (May 17, 2022), and DBRS Criteria: Guarantees and Other Forms of Support (April 4, 2022), which can be found on our website under Methodologies.

Ratings

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

Ratings History

Issuer	Obligation	Current	2021	2020	2019	2018
Banco Santander S.A.	Long-Term Issuer Rating	A (high)	A (high)	A (high)	A (high)	A (high)
Banco Santander S.A.	Long-Term Senior Debt	A (high)	A (high)	A (high)	A (high)	A (high)
Banco Santander S.A.	Long-Term Deposits	A (high)	A (high)	A (high)	A (high)	A (high)
Banco Santander S.A.	Short-Term Issuer Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Banco Santander S.A.	Short-Term Debt	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Banco Santander S.A.	Short-Term Deposits	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)
Banco Santander S.A.	Senior Non-Preferred Debt	A	A	A	A	A
Banco Santander S.A.	Subordinated Debt	A (low)	A (low)	A (low)	A (low)	A (low)
Banco Santander S.A.	Long-Term Critical Obligations Rating	AA (low)	AA (low)	AA (low)	AA (low)	AA (low)
Banco Santander S.A.	Short-Term Critical Obligations Rating	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)	R-1 (middle)

Previous Actions

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- ESG Factors for Financial Institutions, Part One: Environmental Factors, April 27, 2021

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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

- Bank Ratio Definitions, March 14, 2022

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