



Date of Release: April 12, 2018

Insight beyond the rating.

DBRS Upgrades Santander's Senior Ratings to A (high), Stable Trend

Industry: Fin.Svc.--Banks & Trusts

DBRS, Inc. (DBRS) upgraded the ratings of Banco Santander SA (Santander or the Group), including the Long-Term Issuer Rating to A (high), and the Short-Term Issuer rating to R-1 (middle). The trend on all the ratings remains Stable. Concurrently, DBRS upgraded the Group's Intrinsic Assessment (IA) at A (high) and confirmed its Support Assessment at SA3. A full list of rating actions is included at the end of this press release.

KEY RATING CONSIDERATIONS

The upgrade of Santander's ratings follows DBRS's upgrade of the Kingdom of Spain to A, with Stable trend on April 6, 2018. Santander's ratings continue to be positioned one-notch above DBRS's rating of the Spanish sovereign, reflecting the Group's strong franchise with a high degree of international diversification and ability to generate solid and consistent earnings. The upgrade of Santander's long-term ratings considers that, given Santander's strong franchise position in Spain, the Bank's fundamentals are expected to continue to benefit from further improvements in Spain's economic environment and sovereign position. DBRS also sees Santander as benefitting from its significant scale, which benefits the Group's efficiency, and will likely contribute to more cost savings as Santander further leverages its technology to cater to digital and mobile banking customers.

RATING DRIVERS

Positive rating pressure would likely be linked to improvement in the Spanish sovereign rating coupled with continued improving trends in the bank's earnings and risk profile. While less likely, negative ratings pressure could arise if there is any indication of an increased risk profile, particularly within Santander's consumer finance or wholesale banking businesses, without the appropriate increase in capitalization. Additionally, lower earnings prospects in its international subsidiaries would likely put negative pressure on Santander's ratings, as this would reduce the benefit of the Group's international diversification.

RATING RATIONALE

With an excess of EUR 1.4 trillion of assets, Santander ranks in the top 10 European banks by asset size. The Group has strong market shares across its ten core geographies, located throughout Europe and the Americas. Santander benefits from the resilient performances across its businesses. The

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE



Group regularly upstreams dividends from each of its subsidiaries to the parent, contributing to diversity of earning streams at the Spanish-based parent bank.

DBRS considers Santander's earnings as strong and improving. Pressure on profitability is receding as various environmental factors are showing improvement, including higher interest rate margins (especially in Brazil) and improving economic conditions, and this is contributing to revenue growth and lower provisioning levels. Santander recorded EUR 6.6 billion of net attributable income in 2017, up 6.7% YoY. Higher core revenues, lower impairment charges and capital gains from the sale of Allfunds offset the integration costs of Popular and the negative goodwill of Santander Consumer US. Underlying profit in constant Euros for 2017 showed double digit growth for Santander's main operating regions, except for Poland.

DBRS 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. 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. Following the Blackstone transaction, Santander's non-performing assets (NPAs) totaled EUR 44.6 billion and the NPA ratio (as calculated by DBRS) at end-2017 remained in line with 2016 at 5.1%.

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. Santander also benefits from its position as a relevant player in local markets with each subsidiary responsible for its own funding needs. DBRS sees Santander as being well on track to achieving its TLAC target of EUR 33 billion to EUR 40 billion by 2019 given its issuance of approximately EUR 27 billion of debt securities, of which EUR 19 billion were TLAC eligible debt during 2017.

Further supporting its strong credit profile, Santander maintains solid capital levels. The Group reported a fully loaded CET1 capital ratio of 10.84% at end-17, up 28 bps since end-2016. While still at the low end of the global peer group, DBRS notes that Santander's strong ability to generate capital internally, while continuing to manage RWAs, is contributing to steady improvement. IFRS-9 impact is estimated to be around 20 bps in its CET1 fully-loaded capital.

The Grid Summary Grades for Banco Santander SA are as follows: Franchise Strength – Very Strong/Strong; Earnings – Strong; Risk Profile – Strong/Good; Funding & Liquidity – Strong; Capitalisation – Strong.



Notes:

All figures are in EUR unless otherwise noted.

The applicable methodologies are the Global Methodology for Rating Banks and Banking Organisations (May 2017) which can be found on our website under Methodologies.

The primary sources of information used for this rating include SNL Financial, company reports, Bank of Spain, European Banking Authority (EBA) and European Central Bank (ECB). DBRS considers the information available to it for the purposes of providing this rating was of satisfactory quality.

This rating is endorsed by DBRS Ratings Limited for use in the European Union.

Lead Analyst: Lisa Kwasnowski, Senior Vice President - Global FIG

Rating Committee Chair: Elisabeth Rudman, Managing Director, Head of EU FIG, Global FIG

Initial Rating Date: October 11, 2006

Most Recent Rating Update: December 7, 2017

The rated entity or its related entities did participate in the rating process. DBRS did have access to the accounts and other relevant internal documents of the rated entity or its related entities.

For more information on this credit or on this industry, visit www.dbrs.com.

Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Banco Santander SA	Long-Term Issuer Rating	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Santander SA	Long-Term Deposits	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Santander SA	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Santander SA	Senior Non-Preferred Debt	Upgraded	A	Stb	Apr 12, 2018
Banco Santander SA	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Banco Santander SA	Short-Term Issuer Rating	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Santander SA	Short-Term Deposits	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Santander SA	Short-Term Debt	Upgraded	R-1 (middle)	Stb	Apr 12, 2018

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE



Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Banco Santander SA	Long Term Critical Obligations Rating	Upgraded	AA (low)	Stb	Apr 12, 2018
Banco Santander SA	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Stb	Apr 12, 2018
Santander International Debt, S.A. Unipersonal	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018
Santander Central Hispano Financial Services, Ltd.	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Santander Central Hispano Issuances, Ltd.	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Santander Financial Issuances Limited	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Santander Issuances, S.A. Unipersonal	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Santander Perpetual S.A.	Subordinated Debt	Upgraded	A (low)	Stb	Apr 12, 2018
Santander Finance Capital S.A. Unipersonal	Preferred Securities	Upgraded	BBB (high)	Stb	Apr 12, 2018
Santander Finance Preferred S.A. Unipersonal	Preferred Securities	Upgraded	BBB (high)	Stb	Apr 12, 2018
Santander Central Hispano Finance (Delaware) Inc.	Short-Term Debt	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Santander US Debt, S.A.U.	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Long-Term Issuer Rating	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Long-Term Deposits	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Short-Term Issuer Rating	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Short-Term Debt	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Short-Term Deposits	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Long Term Critical Obligations Rating	Upgraded	AA (low)	Stb	Apr 12, 2018
Banco Popular Español S.A.	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Long-Term Issuer Rating	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Long-Term Deposits	Upgraded	A (high)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018



Issuer	Debt Rated	Rating Action	Rating	Trend	Latest Event
Banco Pastor, S.A.	Short-Term Issuer Rating	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Short-Term Deposits	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Short-Term Debt	Upgraded	R-1 (middle)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Long Term Critical Obligations Rating	Upgraded	AA (low)	Stb	Apr 12, 2018
Banco Pastor, S.A.	Short Term Critical Obligations Rating	Confirmed	R-1 (middle)	Stb	Apr 12, 2018
BPE Financiaciones, S.A.	Long-Term Senior Debt	Upgraded	A (high)	Stb	Apr 12, 2018

For more information on this credit or on this industry, visit www.dbrs.com or contact us at info@dbrs.com.

Lisa Kwasnowski
Senior Vice President - Global FIG
+1 212 806 3228
lkwasnowski@dbrs.com

Pablo Manzano
Assistant Vice President - Global Financial Institutions Group
pmanzano@dbrs.com

Elisabeth Rudman
Managing Director, Head of EU FIG, Global FIG
+44 20 7855 6655
erudman@dbrs.com

**ALL DBRS RATINGS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS.
PLEASE READ THESE [DISCLAIMERS AND LIMITATIONS](#). ADDITIONAL INFORMATION REGARDING DBRS RATINGS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON WWW.DBRS.COM.**

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: <http://www.dbrs.com/research/225752/highlights.pdf>.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT <http://www.dbrs.com/about/disclaimer>. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE