

# Covered Bonds follow-up Rating

Banco Santander S.A.

Mortgage Covered Bond Program

**Creditreform**   
**Rating**

Rating Object	Rating Information	
<b>Banco Santander S.A., Mortgage Covered Bond Program</b>	Rating / Outlook : <b>AAA / Stable</b>	Type: Rating Update (unsolicited)
Type of Issuance : Mortgage Covered Bond under Spanish law Issuer : Banco Santander, S.A.	Rating Date : 02.02.2022 Rating Renewal until : Withdrawal of the rating Maximum Validity: 01.01.2050 Rating Methodology : CRA „Covered Bond Ratings“	
LT Issuer Rating : A- (Banco Santander) ST Issuer Rating : L2 Outlook Issuer : Stable		

Program Overview			
Nominal value	EUR 49,829 m.	WAL maturity covered bonds	6.09 Years
Cover pool value	EUR 81,686 m.	WAL maturity cover pool	15.17 Years
Cover pool asset class	Mortgages	Overcollateralization (nominal/committed)	63.93%/ 25.00%
Repayment method	Hard Bullet	Min. overcollateralization	25.00%
Legal framework	Spanish mortgage market law	Covered bonds coupon type	Fix (81.46%), Floating (18.54%)

Cut-off date Cover Pool information: 31.12.2021.

## Rating Action

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This follow-up report covers our analysis of the mortgages covered bond program issued under Spanish law by Banco Santander, S.A. („Banco Santander“). The total covered bond issuance at the cut-off date (31.12.2021) had a nominal value of EUR 49,829.20 m., backed by a cover pool with a current value of EUR 81,686.03 m. This corresponds to a nominal overcollateralization of 63.93%. The cover assets include Spanish mortgages obligations in Spain.

Taking into consideration the issuer rating, our analysis of the regulatory framework, liquidity- and refinancing risks, as well as our cover pool assessment and results of the cash flow analysis, Creditreform Rating AG (“Creditreform Rating” or “CRA”) affirms the covered bond program with a AAA rating. The AAA rating represents the highest level of credit quality and the lowest investment risk.

Analysts

Philip Michaelis  
Lead Analyst  
p.michaelis@creditreform-rating.de  
+49 2131 109 2157

Ritank Gupta  
Analyst  
r.gupta@creditreform-rating.de  
+49 2131 109 5242

Neuss, Germany

## Key Rating Findings

- + Covered Bonds are subject to strict Spanish legal framework for covered bonds
- + Full recourse of the covered bonds to the issuer
- + Covered bonds are backed by the appropriate covered asset class.
- + High systematic relevance of the issuer in the global banking sector as Spain’s largest bank.
- Legal framework does not stipulate a special cover pool monitor independent from the issuer.
- Very high impairments on assets in 2020 for the issuer

Table1: Overview results

Risk Factor	Result
Issuer rating	A- (rating as of 17.12.2021)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1 <sup>st</sup> uplift	AA+
Cover pool & cash flow analysis	AAA
+ 2 <sup>nd</sup> rating uplift	+1 Notch
= Rating covered bond program	<b>AAA</b>

## Issuer Risk

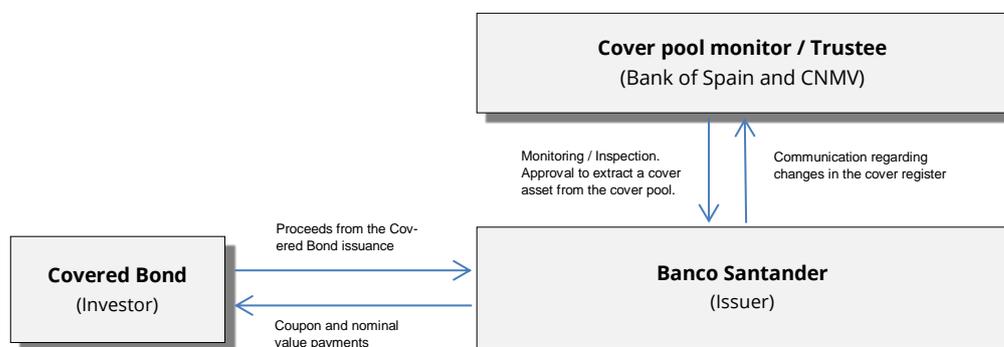
### Issuer

Our rating of Banco Santander covered bond program is reflected by our issuer rating opinion of Banco Santander S.A. (Group). CRA has affirmed the Long-term rating of Banco Santander at A- in a Rating Update dated 17.12.2021. Banco Santander is Spain's largest bank with high systematic relevance in global banking sector. CRA expects Banco Santander to achieve higher net profit in 2021 and a growth in customer base. Additionally, a high geographic diversification and increased digitization contributed to an improvement of Banco Santander's outlook from negative to stable. However, high dependence on currency effects in individual business countries and significant impairments on assets in 2020 act as negative drivers on Banco Santander's overall outlook. For a more detailed overview of the issuer rating, please refer to the webpage of Creditreform rating AG.

## Structural Risk

### Transaction structure

Figure1: Overview of Covered Bond emission | Source: CRA



## Legal and Regulatory Framework

In Spain, the most common type of covered bonds outstanding are “Cédulas Hipotecarias” (CH). The legal framework for CH is constituted by the Law 2/1981 of 3/25/1981 on the regulation of the mortgage market. Law 2/1981 was modified several times since then. Under this framework, any universal or specialized credit institutions (mainly commercial banks, savings banks and co-operative banks) can issue CH.

The European Commission on November 2019 has adopted the legislative package to provide for enhanced harmonisation of the EU covered bond market. Each of the Member States shall implement the Covered Bond Directive by 8 July 2021 and the national measures shall be applied at the latest from 8 July 2022. Once fully implemented, the directive might have a potential impact on legal and regulatory framework on the issuer and the covered bonds of each EU member states.

On 2 November 2021, the Council of Ministers approved Royal Decree-Law 24/2021, that transposed, inter alia, the European Commission’s covered bond directive and set its entry into force to 8 July 2022. Referring to the first transitory provision, until the legal regime comes into force any securities or bonds that are issued will continue to be governed by the provisions of Law 2/1981. The new law provides among other things for the introduction of a mandatory 180-day net liquidity buffer, modifies the legal minimum overcollateralisation from 25% to 5%, and allows for maturity extension for covered bonds under certain conditions. In addition, the implementation of an independent cover pool monitor and a separate insolvency administrators is to enhance the governance structure. The final legal framework will be included in the future rating when it comes into force.

Referring to the currently valid legal framework, the covered bondholders have direct recourse to the issuer and a preferential claim to the cover pool assets, which entail the entire mortgage loan book. The legal framework differentiates between cover assets and eligible assets. A fraction of the cover assets constitutes eligible assets in order to define the maximum volume of mortgage covered bonds that can be issued.

The geographical scope of legitimate mortgage assets is confined to EU countries. With certain restrictions, substitute cover assets are allowed to be in the cover pool only in the case of mortgage covered bonds.

The Spanish legal framework does not stipulate a special cover pool monitor independent from the issuer. The regular inspection by the Bank of Spain involves the recurrent disclosure of reports on the cover asset pool by the issuer. The issuer is in charge of the supervision of the eligible cover asset pool and has to make sure that the obligatory limits are always met.

In the event of bankruptcy, the usual insolvency administrator is responsible for the superintendence of the cover assets and the administration of the covered bond program. Not any special administrator but the usual insolvency administrator is responsible for reimbursing the covered bond holders’ claims on time.

In general, Spanish legal framework defines clear rules to mitigate risks in particular regarding insolvency remoteness, investor’s special claim vis-à-vis other creditors, among other provisions. However, Spanish legal framework does not stipulate a special cover pool monitor independent from the issuer.

Nevertheless, we assess the structural framework in Spain as positive and set a rating uplift of four (+4) notches for the Spanish covered bond programs (“CH”).

## Liquidity- and Refinancing Risk

The Spanish legal framework demands overcollateralization levels of 25% for mortgage covered bonds. However, there exists no requirement for the implementation of a particular liquidity buffer. There is no demand to mitigate foreign exchange risk as well.

While coverage tests have to be conducted, it is not obligatory to do stress tests to anticipate interest rate and currency discrepancies, nor to do stress tests regarding the calculation of the coverage requirement per se due to the high level of overcollateralization.

In the event of the issuer's insolvency, the legal framework stipulates that the insolvency administrator can sell assets of the cover pool or use them as a guarantee for liquidity operations if liquidity shortfalls are foreseeable.

In comparison to other jurisdictions, sufficient structural safeguards for liquidity risks are not established in Spain due to the absence of compulsory liquidity buffers and no obligation to conduct stress tests for interest rate and currency risks. In addition, refinancing risks cannot be structurally reduced due to the hard bullet repayment structure, which can only be cushioned by sufficiently high overcollateralization or by other liquid funds. It is our understanding that the main attenuator for such risk is the high overcollateralization level. Nevertheless, we assess the overall legal provisions on liquidity management for covered bonds programs issued in Spain and set a rating uplift of only one (+1) notch.

For a more comprehensive overview of the regulatory framework for Spanish covered bond programs, please refer to our initial rating reports of Banco Santander published in 2019.

## ESG Criteria

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

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

## Credit and Portfolio Risk

### Cover pool analysis

The analysis of the cover pool is based on public information which has been made available by the Issuer, in particular the Harmonised Transparency Template („HTT”) as per regulatory requirements. This information was sufficient according to CRA´s rating methodology “Covered Bond Ratings”.

At the cut-off-date 31.12.2021, the pool of cover assets consisted of 810,239 debt receivables, of which 100.00% are domiciled in Spain. The total cover pool volume amounted to EUR 81,686.03 m. in residential (78.96%), commercial (21.04%) and others (0.00%) loans.

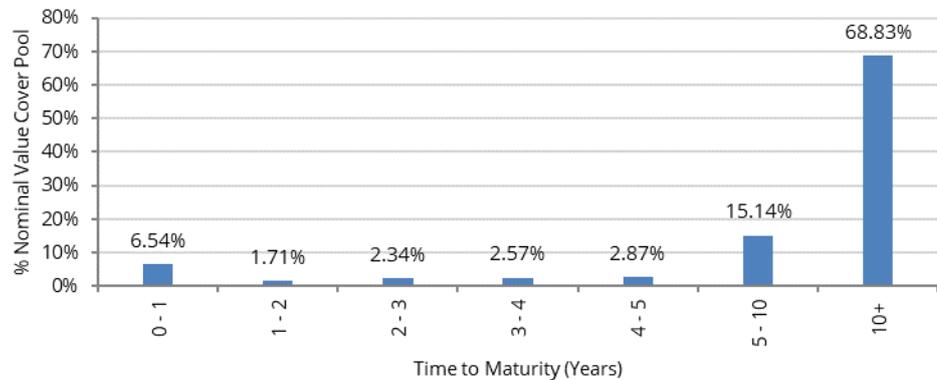
The residential cover pool consists of 757,289 mortgage loans having an unindexed weighted average LTV of 60.00%. However, 9.74% of residential loans have a LTV over 80% which are not considered as eligible assets as per legislation. The non-residential cover pool consists of 52,950 mortgage loans having an unindexed weighted average LTV of 75.00%. Along with other conditions, a higher percentage (33.08%) of commercial loans have a LTV higher than 60% which do not qualify as eligible assets. The ten largest debtors of the portfolio total to 1.73%. Table 2 displays additional characteristics of the cover pool:

Table 2: Cover pool characteristics | Source: Banco Santander

Characteristics	Value
Cover assets	EUR 81,686 m.
Covered bonds outstanding	EUR 49,829 m.
Substitute assets	EUR 0.00 m.
Cover pool composition	
<i>Mortgages</i>	100.00%
<i>Substitute assets</i>	0.00%
<i>Other / Derivative</i>	0.00%
Number of debtors	NR
Mortgages Composition	
<i>Residential</i>	78.96%
<i>Commercial</i>	21.04%
<i>Other</i>	0.00%
Average asset value (Residential)	EUR 85.17 k.
Average asset value (Commercial)	EUR 325.00 k.
Non-performing loans	6.38%
10 biggest debtors	1.73%
WA seasoning	NR
WA maturity cover pool (WAL)	15.17 Years
WA maturity covered bonds (WAL)	6.09 Years

We have listed an extended view of the composition of the cover pool in the appendix section “Cover pool details”. The following chart displays the maturity profile of the cover assets at the cut-off date 31.12.2021 (see figure 2):

Figure 2: Distribution by remaining time to maturity | Source: Banco Santander



## Maturity profile

The following charts present the cash flow profile of the Issuer (see figure 3 and figure 4):

Figure 3: Cover asset congruence | Source: Banco Santander

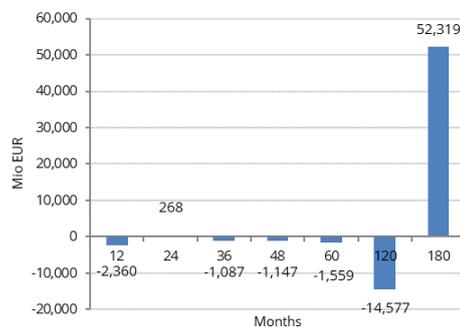
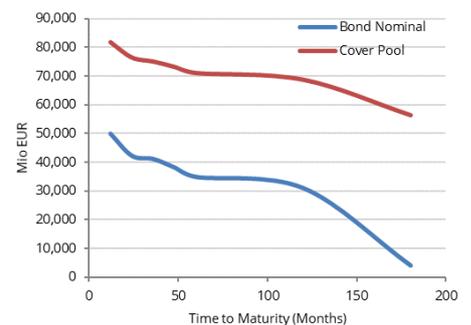


Figure 4: Amortization profile | Source: Banco Santander



During its cash flow modelling, CRA has taken into consideration the maturity structure of cover assets and liabilities. This structure was an integral part of the cash flow analysis.

## Interest rate and currency risk

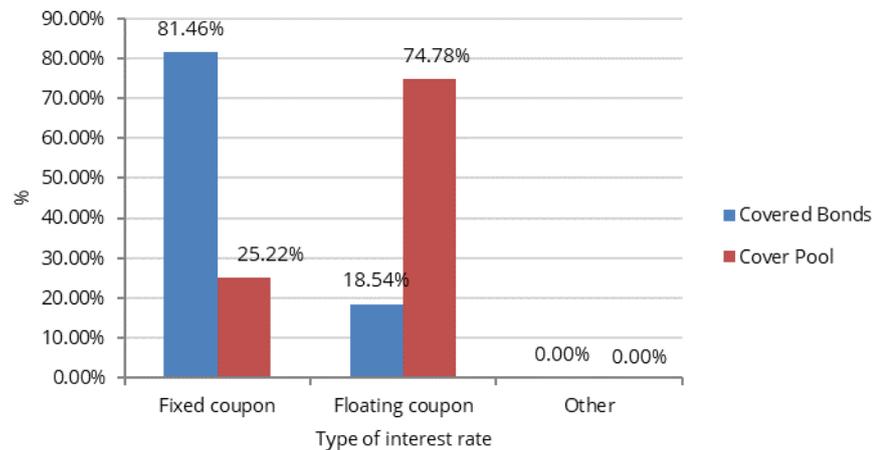
This covered bond program does not use derivatives to hedge interest rate- and currency risk. In addition, there are no regulatory obligations that require issuers to perform specific stress tests to monitor interest rate- and currency risks. However, interest rate risk could be mitigated by the 25% obligatory OC requirement. Currency risk, on the other hand, is also limited for this program as 99.14% of the cover pool assets and 100.00% of the cover bonds are denominated mainly in euro. Nevertheless, we have applied interest rate and foreign exchange stresses on the cash flows for each rating level according to our methodology.

Table 3: Program distribution by currency | Source: Banco Santander

Currency	Volume	Share (%)
Cover Pool		
EUR	80,984 m.	99.14%
CHF	119 m.	0.15%
GBP	9 m.	0.01%
USD	223 m.	0.27%
Other	352 m.	0.43%
Covered Bond		
EUR	49,429 m.	100.00%

Figure 5 shows the types of interest rate used in this program.

Figure 5: Type of interest rate | Source: Banco Santander



## Credit Risk

The credit risk assessment for Mortgage Covered Bond have been determined in accordance with CRA rating methodology for Covered Bonds by means of historical data and particular parameters from the Covered Bonds.

Due to the high granularity of mortgage pools we have characterized these portfolios as big enough and with a homogeneous composition i.e. ("Large Homogeneous Portfolio", LHP). Furthermore, under that premise we have assumed that it is possible to derive a loss distribution. CRA has used the issuer's historical NPL ratios to derivate a conservative default rate proxy for the approximation through the LHP distribution. For the Banco Santander it has been assumed an expected default rate of 0.03% for the LHP. Furthermore, CRA has considered a 15.00% correlation to define the LHP distribution. Table 4 disclosed the expected default rate for each relevant rating level.

In order to derive recovery and loss-severity base case assumption, CRA has used historical data from mortgage price indexes. To determine loan-level recovery assumptions the resulting stressed recoveries assumptions were compared with the portfolio's existing loan-to-value ratios (LTVs).

Based on the default rates and taking into account the recovery assumptions, the following loss assumptions were determined for the current cover pool (see Table 4):

Table 4: Cover Pool Base case assumptions | Source: CRA

Rating	Default Rate (%)	Recoveries (%)	Expected Loss (%)
<b>AAA</b>	<b>11.18%</b>	<b>44.50%</b>	<b>6.21%</b>
AA+	9.88%	47.02%	5.23%
AA	7.77%	52.42%	3.70%
AA-	6.29%	57.35%	2.68%
A+	5.72%	59.63%	2.31%
A	5.71%	59.65%	2.31%
A-	5.38%	61.09%	2.09%

## Cash-Flow Analysis

### Model Assumptions

Based on public information and using the base case loss assumptions, we implement a scenario-based cash flow model. This model aims to test the ability of the structure to service all covered bonds according to their payment profile in diverse stress scenarios. The CRA cash flow analysis assumes that the Issuer has defaulted, i.e. all obligations will be met using cash flows from the cover pool assets only. We also assume that no additional assets will be added to the cover pool during the wind-down phase.

Additionally, CRA has only considered the committed OC level in Spain i.e. 25% in the analysis to count for possible fluctuations in the issuance volume and whole bank's mortgage book. Nevertheless, it is our understanding that the covered bond programs may have OC levels above that minimum requirement i.e. uncommitted levels.

The cash-flow analysis considers, among other factors, asset value haircuts ("asset-sale discount"), and the possible positive yield spread between covered assets and covered bonds ("yield spreads"). To derive the asset-sale discount, CRA assumes, based on secondary market data, a rating level haircut on the asset value. Furthermore, CRA, using available public information (i.e. issuer's annual accounts), has derived estimations for yield spreads (see table 5):

Table 5: Cash-Flow Model assumptions | Source: CRA

Rating level	Asset-Sale Discount	Yield Spread
<b>AAA</b>	<b>71.71%</b>	<b>2.15%</b>
AA+	66.09%	2.18%
AA	62.48%	2.20%
AA-	59.03%	2.22%
A+	56.38%	2.24%
A	54.21%	2.25%
A-	51.37%	2.27%

## Rating Scenarios

In our cash flow model rating scenarios have been tested considering several central input parameters, such as:

- Portfolio composition (diversification, concentration, granularity)
- Probability of default of cover assets
- Correlations of cover assets and systematic risk factors
- Recoveries
- Maturity profile of covered bonds and cover assets (ALM)

Within a AAA rating scenario, the cash flow model showed that obligations can be paid fully and in a timely manner. Overall, the cash flow analysis revealed that the portfolio, given all used information as of 31.12.2021, may ensure the repayment of bonds' nominal capital notwithstanding the occurrence of the presented stressed scenarios.

## Overcollateralization Break-Even Analysis

CRA also performed a break-even OC analysis taking into considerations the following drivers: ALM, Loss level, Interest rate spreads, foreign currency mismatches and Recoveries. Performing the break-even OC analysis, we took rating-level specific stressed outcomes into account. Based on these analyses, the maximum OC required for each relevant rating level during the whole period has been presented in table 6.

Table 6: Breakeven Analysis | Source: CRA

Rating Level	Break-Even OC
AAA	<b>19.36%</b>
AA+	16.55%
AA	13.88%
AA-	11.77%
A+	10.52%
A	9.76%
A-	8.57%

## Sensitivity Analysis

CRA also evaluates the sensitivity of the structure and program with respect to important input parameters. In particular, the following factors have been varied:

- Credit quality of cover assets
- Recoveries

The following table presents the rating impact of a decline in recoveries and an increase in the credit risk of single debtors. Starting from the best-case, which is represented by our base case assumptions, the analysis reveals the sensitivity of the rating with respect to recovery rates and credit risk. The worst-case scenario, in which we reduce recoveries by 50% and increase credit risk by 50%, the impact can be seen by a change in the implied rating scenario by 1 notch from AAA to AA+ (see Table 7):

Table 7: Covered Bond Program Sensitivity: Credit Quality und Recovery Rates | Source: CRA

Defaults \ Recovery	Base Case	-25%	-50%
Base Case	<b>AAA</b>	AAA	AAA
+25%	AAA	AAA	AAA
+50%	AAA	AAA	AA+

In general, based on the presented cash flow analysis results, the rating of the cover pool within our covered bond program rating has been set at AAA. Consequently, the secondary rating uplift was set at one (+1) notch.

However, it is worth mentioning that, the ongoing Covid-19 crisis could have a potential impact on the cover pool. It remains to be seen how serious the effects of the lockdown, among other things, will be. Should there be any changes to the cover pool and the issuer rating in the future, we will include them during our monitoring process.

## Counterparty Risk

### Derivatives

No derivatives in use at present.

### Commingling

Covered bond holders have a privilege claim over the issuer's complete mortgage loan book and not just by a relevant percentage of it. Should the issuer become bankrupt, there is a risk ("commingling risk") that funds may not be returned and commingled with the insolvency estate of the issuer. In order to avoid such risk, the law that regulates covered bonds in Spain ("Cédulas Hipotecarias") stipulates that covered bond holders enjoy legal privilege over the bankruptcy estate of the issuer. Furthermore, an insolvency administrator (no special covered pool administrator) will be as well responsible for the reimbursement of the covered bond holders' claims on time. Under that mandate the usual insolvency administrator will have first priority on the up-coming cash flows from the cover pool assets. These cash flows in turn should be used to cover interest and principal payments of the covered bond holders in event of the Issuer's insolvency.

## Appendix

### Rating History

Event	Rating Date	Publication Date	Result
Initial Rating	30.01.2019	04.02.2019	AAA/Stable
Rating Update	13.02.2020	19.02.2020	AAA/Stable
Monitoring	24.03.2020	28.03.2020	AAA/watch negative
Rating Update	11.02.2021	17.02.2021	AAA/Stable
Monitoring	05.07.2021	06.07.2021	AAA/watch unknown
Monitoring	22.12.2021	29.12.2021	AAA/Stable
Rating Update	02.02.2022	04.02.2022	AAA/Stable

### Details Cover Pool

Table 8: Characteristics of Cover Pool | Source: Banco Santander

Characteristics	Value
Cover Pool Volume	EUR 81,686.03 m.
Covered Bonds Outstanding	EUR 49,829.20 m.
Substitute Assets	EUR 0 m.
Share Derivatives	0.00%
Share Other	0.00%
Substitute Assets breakdown by asset type	
Cash	0.00%
Guaranteed by Supranational/Sovereign agency	0.00%
Central bank	0.00%
Credit institutions	0.00%
Other	0.00%
Substitute Assets breakdown by country	
Issuer country	0.00%
Eurozone	0.00%
Rest European Union	0.00%
European Economic Area	0.00%
Switzerland	0.00%
Australia	0.00%
Brazil	0.00%
Canada	0.00%
Japan	0.00%
Korea	0.00%
New Zealand	0.00%
Singapore	0.00%

# Creditreform Covered Bond Rating

Banco Santander S.A.

Mortgage Covered Bond Program

Creditreform   
Rating

US	0.00%
Other	0.00%
Cover Pool Composition	
Mortgages	100.00%
Total Substitute Assets	0.00%
Other / Derivatives	0.00%
Number of Debtors	NR
Distribution by property use	
Residential	78.96%
Commercial	21.04%
Other	0.00%
Distribution by Residential type	
Occupied (main home)	97.82%
Second home	1.37%
Non-owner occupied	0.00%
Agricultural	0.00%
Multi family	0.00%
Other	0.81%
Distribution by Commercial type	
Retail	22.45%
Office	10.90%
Hotel	25.81%
Shopping center	0.26%
Industry	21.25%
Agriculture	3.57%
Other commercially used	0.39%
Land	9.78%
Property developers/ Bulding unter construction	0.06%
Other	5.52%
Average asset value (Residential)	EUR 85.17 k.
Average asset value (Commercial)	EUR 325.00 k.
Share Non-Performing Loans	6.38%
Share of 10 biggest debtors	1.73%
WA Maturity (months)	NR
WAL (months)	182
Distribution by Country (%)	
Spain	100
Distribution by Region (%)	
Andalusia	17.33
Aragon	2.11

# Creditreform Covered Bond Rating

Banco Santander S.A.

Mortgage Covered Bond Program



Asturias	1.26
Balearic Islands	3.39
Basque Country	3.51
Canary Islands	4.51
Cantabria	1.45
Castile La Mancha	2.48
Castile León	3.94
Catalonia	17.08
Ceuta	0.08
Extremadura	1.41
Galicia	4.49
La Rioja	0.37
Madrid	27.07
Melilla	0.13
Murcia	1.68
Navarra	0.74
Valencia	6.99

Table 9: Participant counterparties | Source: Banco Santander

Role	Name	Legal Entity Identifier
Issuer	Banco Santander S.A.	5493006QMFDDMYWIAM13

Figure 6: Program currency mismatches | Source: Banco Santander

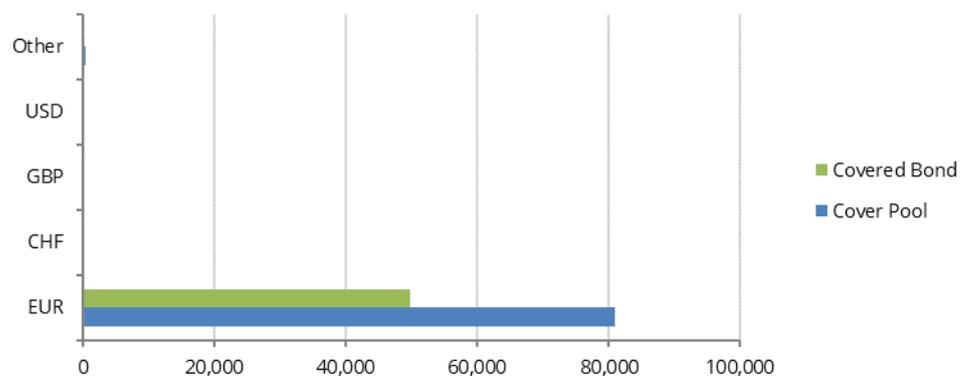


Figure 7: Unindexed LTV breakdown - residential pool | Source: Banco Santander

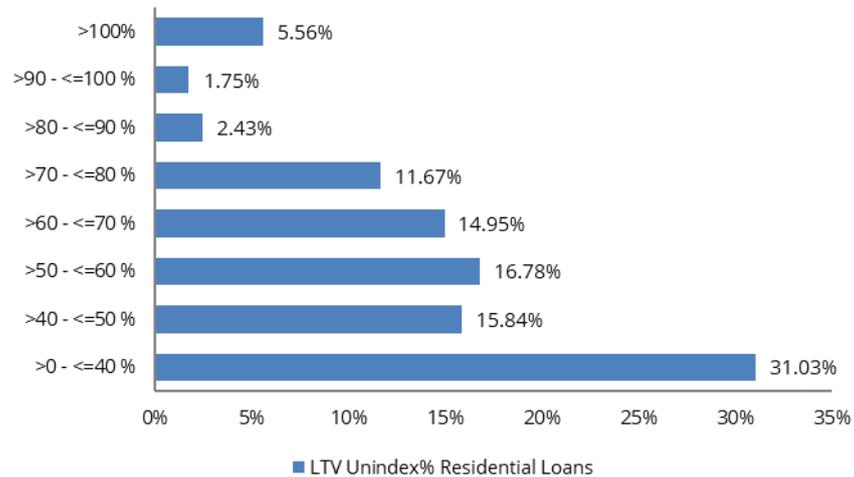
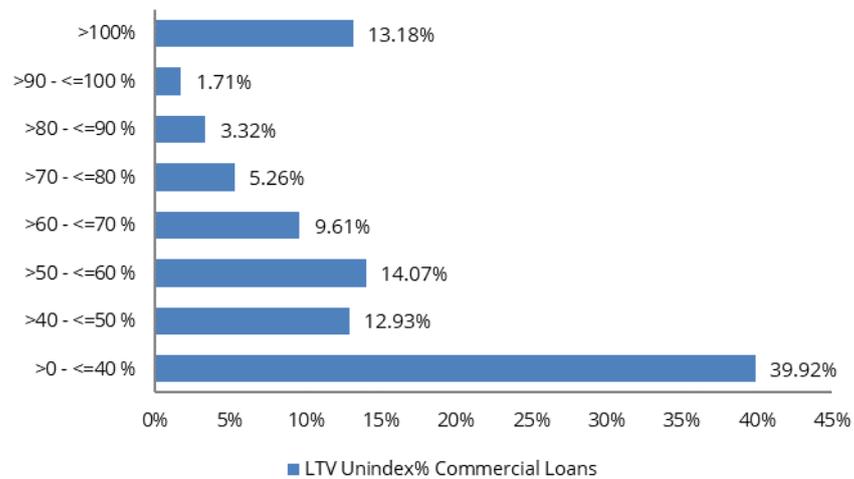


Figure 8: Unindexed LTV breakdown - commercial pool | Source: Banco Santander



## Key Source of Information

### Documents (as of 31.12.2021)

#### Issuer

- Audited consolidated annual reports of the Banco Santander Group 2017-2020
- Final Rating report as of 17.12.2021
- Miscellaneous Investor Relations Information and Press releases
- Data from CRA eValueRate databank

#### Covered Bond and Cover Pool

- HTT Reporting from Banco Santander as of 31.12.2021
- Base Prospectus as of 23.09.2021
- Market data Mortgage Cover Bond Program

## Regulatory and Legal Disclosures

Creditreform Rating AG was neither commissioned by the rating object nor by any other third parties for the rating. The analysis took place on a voluntary basis by Creditreform Rating AG and is to be described in the regulatory sense as an unsolicited rating. The rating was conducted on the basis of Creditreform Rating's "[Covered Bond Ratings" methodology \(v1.0, July 2017\)](#) and "[Technical Documentation Portfolio Loss Distributions" \(v.1.0, July 2018\)](#) in conjunction with Creditreform's basic document "[Rating Criteria and Definitions" \(v1.3, January 2018\)](#). On the subject of ESG (environment, social and governance), Creditreform Rating AG has published the basic document "[The Impact of ESG Factors on Credit Ratings" \(March 2020\)](#).

### Unsolicited Credit Rating

With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating is based on publicly available information and internal evaluation methods for the rated bank and program. The issuer's quantitative analysis is based mainly on the latest annual accounts, interim reports, and other information of the bank pertaining to investor relations. The cover pool's quantitative analysis for the rated Covered Bond Program was based on the "Harmonised Transparency Template" (HTT) published by the Banco Santander.

A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

[www.creditreform-rating.de/en/regulatory-requirements/](http://www.creditreform-rating.de/en/regulatory-requirements/)

This rating was carried out by analysts Philip Michaelis (Senior Analyst) and Ritank Gupta (Analyst) both based in Neuss/Germany. On 02.02.2022, the rating was presented to the rating committee by the analysts and adopted in a resolution. The function of Person Approving Credit Ratings (PAC) was performed by Christian Konieczny (Senior Analyst).

On 02.02.2022, the rating result was communicated to Banco Santander, and the preliminary rating report was made available. The Issuer and all relevant parties examined the rating report prior to publication and were given at least one full working day to appeal the rating committee decision and provide additional information. The rating decision was not amended following this examination.

The rating is subject to one-year monitoring from the creation date (see cover sheet). Within this period, the rating can be updated. After one year at the latest, a follow-up is required to maintain the validity of the rating.

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

## Endorsement

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

## Conflict of Interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks.

In the event of provision of ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report.

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

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our policy "Rating Committee," all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, CRA has used following substantially material sources:

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

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

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

The rating report and/or Press release indicate the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology, or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating and indicates how the different methodologies and other

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The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks, is indicated clearly and prominently in the rating report and/or Press Release as a "Rating action"; first release is indicated as "initial rating", other updates are indicated as an "update", "upgrade or downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the rating report and/or Press Release.

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Creditreform Rating AG

## Contacts

### **Creditreform Rating AG**

Europadamm 2-6  
D - 41460 Neuss

Fon +49 (0) 2131 / 109-626  
Fax +49 (0) 2131 / 109-627  
E-Mail [info@creditreform-rating.de](mailto:info@creditreform-rating.de)  
Internet [www.creditreform-rating.de](http://www.creditreform-rating.de)

CEO:  
Dr. Michael Munsch  
Chairman of the board:  
Michael Bruns

HRB 10522, Amtsgericht Neuss