Press Release

Creditreform Rating

Rated entity:

Mortgage Covered Bond Program issued by Banco Santander Totta S.A.

Rating:

AA+

Rating outlook / watch:

Outlook positive

Rating summary:

This monitoring report covers our update of the mortgage covered bond program issued under Portuguese law by Banco Santander Totta S.A. („Banco Santander Totta"). Our rating of Banco Santander Totta is reflected by our rating opinion of Banco Santander S.A. (Group) due to its group structure. On 13 April 2022, Creditreform Rating AG ("CRA") affirmed the unsolicited long-term issuer rating of Banco Santander S.A. at A-. However, the outlook was raised from stable to positive. The raise of the outlook and the affirmation of the Credit rating were a result of the less significant and less lasting impact of the Corona crisis on Banco Santander's performance. In addition, CRA expects the bank to deliver strong and stable earnings and a further growth of its business activities in its core markets. Moreover, Banco Santander benefits from its high geographic diversification and the increased digitalization.

During our covered bonds monitoring, we did not come to any new findings with regard to the legal and regulatory framework, the liquidity and refinancing risk and the credit and portfolio risk. Therefore, we maintain a rating uplift of 4 notches for the legal and regulatory framework and a rating uplift of 1 notch for the liquidity and refinancing risk. Furthermore, the credit metrics from the last follow-up rating of 13 January 2022 are valid. The cover pool and cash flow analysis resulted in BBB, which did not ensure any secondary rating uplift.

Taking into consideration the updated 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 with credit metrics as of 13 January 2022, CRA affirms the covered bond program at AA+. However, the outlook of the covered bond program was raised from stable to positive. The AA+ rating represents a very high level of credit quality and very low investment risk.

Risk Factor	Result
Issuer rating	A- (rating as of 13 April 2022)
+ Legal and regulatory framework	+4 Notches
+ Liquidity and refinancing risk	+1 Notch
= Rating after 1st uplift	AA+
Cover pool & cash flow analysis	BBB (credit metrics as of 13 January 2022)
+ 2nd rating uplift	+/- 0 Notch
= Rating covered bond program	**AA+**

Primary key rating drivers:

+ Covered bonds are subject to strict legal requirements
+ Covered bonds are backed by appropriate cover asset class
+ Covered bonds holders have full recourse to the issuer
+ Income situation of issuer reaching already pre-pandemic level
- Asset quality of issuer remains weak area, with relatively high cost of risk

Rating sensitivities:

Best-case scenario: In this scenario, the base case assumptions remained stable, resulting in a cover pool rating of BBB.

Worst-case scenario: In this scenario, we (ceteris paribus) reduced recoveries by 50% and increased credit risk by 50%, resulting in a cover pool rating of BBB-. This would not affect the 2nd rating uplift, still resulting in a final rating of AA+ for the covered bond program.

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 Portuguese legal framework defines clear rules to mitigate risks in public supervision, insolvency and segregation of cover assets, the priority of creditors' claims in the event of insolvency. However, the Portuguese legal framework does not have liquidity buffer and compulsory stress test obligation. On the other hand, the soft bullet structure partially mitigates the refinancing risks, while relatively high OC and liquidity funds cushion the arising risks. Other individual factors with a potential key rating influence were not identified, and therefore did not affect the final rating.

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"), which is available on the homepage under the following link:

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

Rating Date / disclosure to rated entity / maximum validity:

May 2, 2022 / May 2, 2022 / January 1, 2050

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

Initial rating date / rating:

February 18, 2019 / AAA - Outlook stable

Lead-analyst – position / Person approving (PAC):

Aaron Kamruzzaman (Lead) – Analyst

Christian Konieczny (PAC) – Senior Analyst

Name & address of legal entity:

Creditreform Rating AG, Europadamm 2-6, 41460 Neuss, Germany

Status of solicitation:

The rating is an unsolicited rating. The degree of participation was as follows:

With Rated Entity or Related Third Party Participation: No

With Access to Internal Documents: No

With Access to Management: No

Rating methodology / Version / Date of application / Link:

Rating Criteria and Definitions, Version 1.3, January 2018

Technical Documentation Portfolio Loss Distributions, Version 1.4, July 2018

Rating Methodology Covered Bonds, Version 1.1, April 2022

Information on the meaning of a rating category, definition of default and sensitivity analysis of relevant key rating assumptions can be found at “Creditreform Rating AG, Rating Criteria and Definitions”.

https://creditreform-rating.de/en/about-us/regulatory-requirements.html

Endorsement:

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

Regulatory requirements:

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 allowed to issue credit ratings within the EU and is bound to comply with the provisions of the 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 case of providing ancillary services to the rated entity, CRA will disclose all ancillary services in the credit rating report of the issuer.

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 the quality and extent of information available on the rated entity as satisfactory. In regard to the rated entity Creditreform Rating AG regarded available historical data as sufficient.