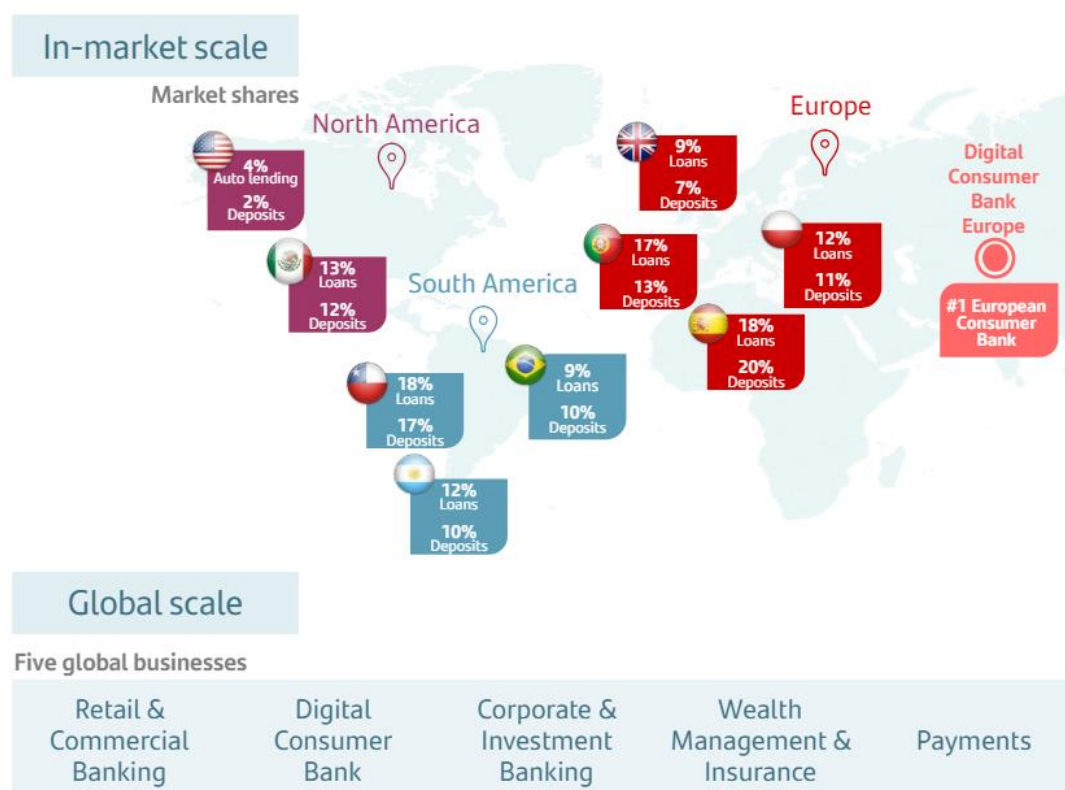


Santander's response to the European Commission's targeted consultation on the functioning of the EU securitisation framework

Santander appreciates the opportunity to comment on the Commission's Consultation on the functioning of the EU Securitisation framework.

Introduction to the Santander Group

Santander Group is one of the largest banking groups of the European Union, present in major markets in Europe, North America and South America through large local banks. Santander has a unique combination of global scale and local leadership (top 3 in lending, deposits and mutual funds in most of our markets).



Our activities are organized under five global businesses: Retail & Commercial Banking, Digital Consumer Bank, Corporate & Investment Banking, Wealth Management & Insurance, and Payments.

This organization allows us to leverage our unique combination of local leadership and global scale - pooling and sharing technology, investment, and talent across the group so we can offer the best customer experience, while creating sustainable value for shareholders.

Introduction to Santander's securitisation activity

Santander is one of the leading European banks that actively takes part in the securitisation market under the roles of originator, investor but also as structurer for third parties. This involvement from different perspectives allows us to have a broad view of the market.

As Originator. Santander's role in the securitization process is mainly that of originator – i.e. the entity that creates the exposures (underlying assets) subsequently traditionally or synthetically securitized. As of December 31, 2023, Grupo Santander had a total of 83 securitisations that transfer risk and free up capital (26 traditional transactions and 57 synthetic). The main underlying portfolios were consumer loans (primarily for cars) and loans to businesses. Of this number, 26 were issued in 2023 (9 were traditional and 17 synthetic).

Santander also structures and places its own securitizations, as it does for third parties, and leads and promotes new structures in various jurisdictions for both funding and risk transfer purposes. This activity is carried out against a backdrop of securitization revival as a tool for channelling credit to the real economy, with a special focus on SMEs and consumer loans.

Santander also originates and holds positions in traditional securitisation funds whose underlying portfolios mainly comprise consumer and corporate loans.

Grupo Santander strives to achieve and maintain STS (Simple, Transparent and Standardised Securitisations) certification for all newly originated securitisations (both synthetic and traditional) whenever possible. Presently, 38 securitisations currently have this certification.

As Investor. Santander holds positions in securitisation funds originated by entities outside the Group whose underlying assets mainly comprise receivables, credit cards, and corporate, SME and mortgage loans.

In its role as originator and investment entity for securitisations, Santander complies with the requirements relating to the net retention of economic interest and requirements established in procedure and control policies for all securitisation funds issued since 1 January 2011.

As Sponsor. Finally, Grupo Santander is sponsor of a securitisation whose underlying is the short-term receivables on individual debtors issued by a corporate client in the energy sector.

Santander's objectives in its activity as Originator

Santander pursues various objectives through its securitisation activity:

- Management and diversification of credit risk
- Optimization of capital consumption
- Obtaining liquidity
- Diversifying funding sources

Santander's comments to the Consultation on the functioning of the EU securitisation framework

Santander welcomes the Commission's Consultation on the functioning of the EU securitisation framework. We consider it a very important initiative and have been actively involved in several of the industry's responses. In particular, we would like to endorse the responses prepared by the Spanish Banking Association (AEB), the European Banking Federation (EBF) and the Association for Financial Markets in Europe (AFME).

Securitisations are a key tool for banks since they allow them to transfer credit risk to investors, release capital and unlock additional lending. At the same time, securitisations allow to make available new investment assets to investors thus contributing to the development of Europe's capital markets.

The securitisation market in the EU has not fully recovered from its pre-financial crisis situation, in terms of supply and demand. In the case of the latter, we would like to highlight the lack of sufficient demand for the senior tranches of securitisations. It is therefore necessary to adopt measures to help revive the market.

Among these measures, we would like to highlight the following:

- Review the prudential treatment of banks' exposures to securitisations under the CRR.
- Improve the treatment of securitizations in the Liquidity Coverage Ratio.
- Review the prudential treatment of insurers' exposures to securitisations under Solvency II.
- Review the Securitisation Regulation: simplification of due diligence and transparency requirements and introduction of proportionality in Articles 5 and 7; simplification of the STS criteria.
- Harmonize and streamline the SRT process for STS and non-STS securitisations.