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INVESTORS SERVICE

CREDIT OPINION
13 April 2022

Update

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RATINGS

Santander Consumer Bank AG

Domicile	Germany
Long Term CRR	A1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
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EMEA	44-20-7772-5454

Santander Consumer Bank AG

Update to credit analysis

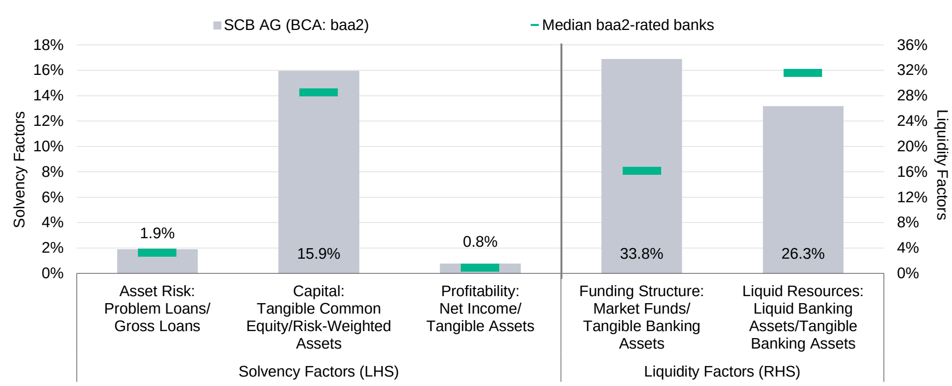
Summary

We assign A2(stable)/P-1 deposit and A2(stable) issuer ratings to Santander Consumer Bank AG (SCB). We also assign a baa2 Baseline Credit Assessment (BCA), a baa1 Adjusted BCA and A1/P-1 Counterparty Risk Ratings (CRRs) to SCB.

SCB's A2 deposit and issuer ratings reflect the bank's baa2 BCA, one notch of rating uplift from its role as a core subsidiary of Santander Consumer Finance S.A. (SCF, A2 stable/A2 stable, baa2)[1], and the application of our Advanced Loss Given Failure (LGF) analysis to its liabilities, which indicates a very low loss given failure and results in two notches of rating uplift. SCB's ratings do not benefit from government support uplift because of its small size in the context of the German banking sector.

SCB's baa2 BCA reflects its strong market position as one of Germany's largest consumer finance lenders and its healthy credit risk profile, which benefits from sound capitalisation and asset risk, resilient profitability and strong access to diversified funding channels. The BCA also reflects more tightly managed liquid resources and strong access to a range of funding sources as well as the bank's limited business diversification given its strong reliance on the niche of consumer lending for its revenues and profits.

Exhibit 1
Rating Scorecard - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

» Overall solid solvency implies satisfactory capacity to absorb shocks, particularly because of good profitability compared with that of its domestic peers and prudent capital management.

» An agreed framework for capital increases and subscription of junior senior unsecured instruments will allow SCB to absorb risk-weighted assets (RWA) and balance-sheet growth while maintaining its financial metrics.

» SCB has only modest reliance on market funds because it mostly uses granular deposits for its funding.

Credit challenges

» SCB's profile as a consumer lending specialist, including its high concentration in auto loans and stock financing for car dealers relative to its capital, implies vulnerability to sector-related stress and product-specific risks.

» We expect cost of credit will remain high because Germany's weakening operating environment is fraught with downside risks.

» Its moderate level of unencumbered liquid assets is a relative weakness in its overall solid credit profile.

Outlook

The stable rating outlook reflects that we do not expect SCB to sustainably improve its financial profile during the 12-18-month outlook horizon. At the same time, we expect the bank's liability structure to build up further protection for external investors, yet not to a degree that would lead to an upgrade during the outlook horizon.

Factors that could lead to an upgrade

» An upgrade of SCB's ratings could be prompted by a higher Adjusted BCA or by a significant increase in the volume of instruments designed to be loss-absorbing such that it prompts more rating uplift from our Advanced LGF analysis.

» An upgrade of SCB's baa2 BCA could be prompted by a successful diversification of revenue and profit to reduce its reliance on its main line of business, consumer finance; or by a significant and combined improvement in solvency and liquidity metrics.

Factors that could lead to a downgrade

» A downgrade of SCB's issuer and deposit ratings could be prompted by a BCA downgrade, or by a weaker result from our Advanced LGF analysis as a result of a declining layer of instruments designed to absorb losses in the case of failure.

» SCB's BCA could be downgraded if its combined liquidity permanently weakened as a result of narrower liquidity buffers, or of a sustained increase in market funding reliance. The bank's BCA could also be downgraded in case of a weakening solvency due to more limited opportunities for revenue generation, weaker asset quality or structurally weaker capital levels.

Key indicators

Exhibit 2
Santander Consumer Bank AG (Unconsolidated Financials) [1]

	12-21[2]	12-20[2]	12-19[2]	12-18[2]	12-17[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	45.3	39.9	36.6	35.1	34.0	7.4[4]
Total Assets (USD Billion)	51.4	48.8	41.1	40.1	40.9	5.9[4]
Tangible Common Equity (EUR Billion)	3.1	3.1	2.8	2.9	2.9	1.9[4]
Tangible Common Equity (USD Billion)	3.5	3.8	3.2	3.3	3.4	0.4[4]
Problem Loans / Gross Loans (%)	1.7	1.9	2.0	2.2	2.3	2.0[5]
Tangible Common Equity / Risk Weighted Assets (%)	15.9	15.6	14.1	14.9	13.7	14.8[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	12.6	13.8	16.0	17.1	19.2	15.8[5]
Net Interest Margin (%)	2.5	2.7	2.9	3.3	3.3	3.0[5]
PPI / Average RWA (%)	2.7	2.2	2.3	2.6	2.3	2.4[6]
Net Income / Tangible Assets (%)	0.8	0.7	0.8	0.9	0.8	0.8[5]
Cost / Income Ratio (%)	59.4	63.8	64.7	61.2	66.4	63.1[5]
Market Funds / Tangible Banking Assets (%)	33.8	29.7	24.4	20.5	21.4	25.9[5]
Liquid Banking Assets / Tangible Banking Assets (%)	26.3	16.6	9.8	8.5	4.6	13.2[5]
Gross Loans / Due to Customers (%)	118.5	127.1	124.6	122.6	131.1	124.7[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Santander Consumer Bank AG (SCB) is a fully owned subsidiary of Santander Consumer Finance S.A., Spain (SCF) and is ultimately owned by Banco Santander S.A. (Spain) (Santander, A2 stable/A2 stable, baa1). With total assets of €45.4 billion as of December 2021 (excluding retained securitisations), SCB is one of the largest dedicated German consumer lenders with a clear focus on retail auto financing and a strong market position within the non-captive automotive finance space.

The bank and its subsidiaries predominantly provide car finance along the life cycle of the vehicle, including used car lending, new car loans and leases, as well as dealer financing. The bank leverages its large customer base from its position as Germany's second-largest auto finance company (largest manufacturer-independent) and its smaller durable goods financing activities to generate cross-selling opportunities for its branch-based and direct financing offerings in consumer and mortgage lending. As of December 2021, consumer lending in SCB's mobility, consumer financial services and direct lending business segments accounted for 67.1% (December 2020: 65.7%) of loans to customers, with retail mortgages accounting for 8.7% (December 2020: 9.3%) and car dealer financing for 4.7% (December 2020: 5.6%) of the loan book. Outside its retail banking activities and as a member of the international Santander network, SCB offers cross-border banking services to an export-oriented German corporate customer base.

Headquartered in Moenchengladbach in Germany, SCB acts as the captive auto finance company for the Volvo and Mazda car brands in Germany, and holds a 51% share in Hyundai Capital Bank Europe GmbH (HCBE) and a 50% share in PSA Bank Deutschland GmbH.

As of year-end 2021, SCB had 2,868 employees and operated through 189 branches in Germany.

Macro Profile of Strong+

SCB is focused on the German market, and the bank's assigned Strong+ Weighted Macro Profile is at the same level as the Strong+ Macro Profile of Germany.

Recent developments

In April 2022, SCF announced[2] that it has renegotiated its captive finance partnership for the Peugeot, Citroen and DS brands with car manufacturer Stellantis N.V. (Baa3 positive). As part of the transaction, which shall take effect in the first half of 2023, SCB will sell its stake in PSA Bank Deutschland GmbH to BNP Paribas Personal Finance (Aa3/Aa3 stable, ba1).

Detailed credit considerations

Asset quality will decline only moderately in reaction to the Russia-Ukraine conflict

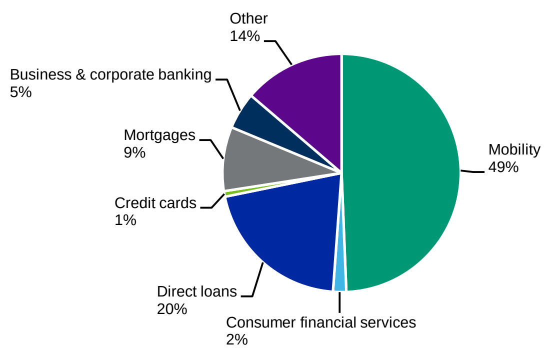
SCB's sound asset quality is reflected in its baa2 Asset Risk score, which includes a four-notch downward adjustment from the a1 initial score. Key risks not reflected in the bank's problem loan metrics are its high exposure to the automotive industry; and legal risks in the context of court rulings favouring consumers, for example, on the scope of fees and charges. In addition, we expect the bank's asset quality to deteriorate moderately because the operating environment in Germany is fraught with downside risks in light of the military conflict between Russia and Ukraine.

The military invasion of Ukraine by Russia poses increasing risks to the European automotive industry supply chain, production and new vehicle sales and, accordingly, we have reduced our growth forecast for new light vehicle sales in Germany to 1.0% for 2022. Our forecast from December 2021 had projected a significant recovery in unit sales by 11.9%. Lower new car sales will further weigh on SCB's new business volumes in new car financing, which declined to €1.2 billion in 2021 from €1.4 billion in 2020. At the same time, the bank's asset quality will be supported by its particular focus on used car financing, which accounted for a practically unchanged new business volume of €4.0 billion in 2021. Strong used car demand in Germany will continue to increase already-high used car prices in 2022, which will support auto loan collateral values. SCB's other consumer lending activities, mostly its direct business instalment loans, would be more vulnerable to downside risks to economic growth and employment.

Exhibit 3

Lending for vehicle purchases and dealers, as well as consumer loans, dominate SCB's asset pool

Loan split by lending type as of year-end 2021



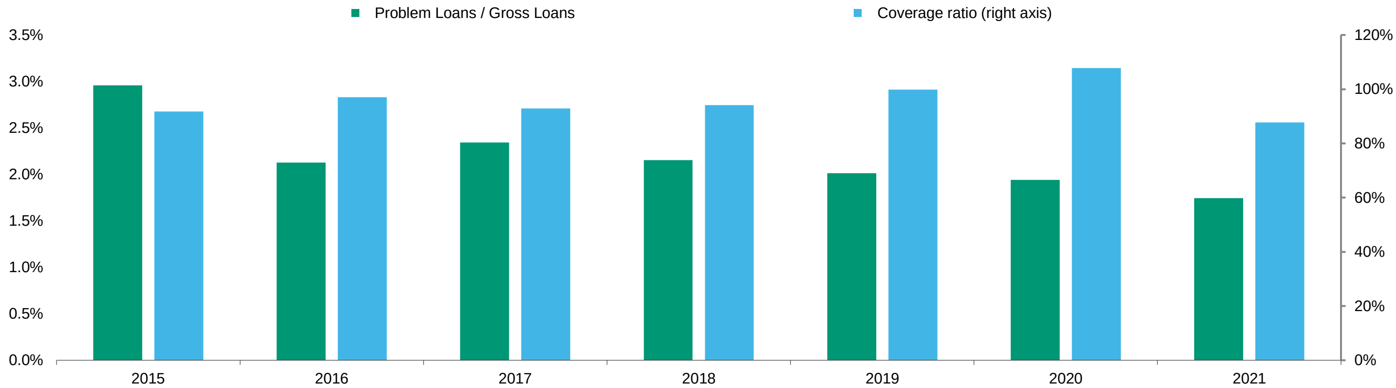
Source: Investor presentation

We further expect SCB's business and corporate banking segment to experience an increase in problem loans as a result of supply chain disruption and input price inflation. SCB had accelerated its new lending (including prolongations) in this area by 12% to €1.3 billion in 2021 from the 2020 level.

Through its joint ventures and subsidiaries held at equity, the share of auto leasing has grown in SCB's portfolio over the past years, not least through the acquisition of a majority stake in Allane SE (formerly Sixt Leasing SE) by HCBE in May 2020. In 2021, the surge in alternative fuel vehicle (AFV) registrations and its cooperation with Tesla Inc. (Ba1 positive) increased the share of AFVs within the combined 2021 new business of SCB and of its unconsolidated subsidiary Santander Consumer Leasing GmbH (SCL) to 27% from 15% in 2020. Through its subsidiaries consolidated at-equity, we expect SCB to continue to grow its exposure to residual value risk currently inherent in small parts of its leasing contracts.

SCB's problem loans have in recent years stabilised below a moderate 2% of gross loans (1.7% as of year-end 2021, excluding related parties exposures from the denominator). The historically good metrics benefit from SCB's strong receivables collection management and from occasional problem loan sales.

Exhibit 4
SCB's problem loan ratio improved in 2021, with still-high coverage by provisions



The problem loan ratio is in accordance with Moody's definition. The coverage ratio compares total loan loss reserves with problem loans.
Sources: Company reports and Moody's Investors Service

Regulatory capitalisation is sound, providing a suitable buffer under less benign conditions

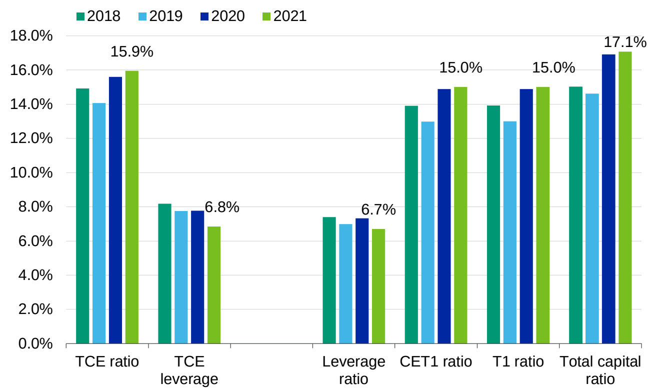
SCB's sound capitalisation is reflected in the a2 Capital score, which is two notches below the initial score. We assess SCB's capitalisation as sound in the context of the risks that the bank has taken in the field of auto finance secured lending and unsecured consumer lending. The downward adjustment reflects the fact that SCB's tangible common equity (TCE) ratio of 15.9% has exceeded the bank's regulatory Common Equity Tier 1 (CET1) capital ratio of 15.0% in part as a result of prudential regulatory deductions that our capital metric does not incorporate. We expect the bank's TCE ratio to consolidate to levels close to 14%, in line with the bank's multiyear capital planning.

The bank's CET1 ratio was 15.0% as of December 2021, up slightly from 14.9% a year earlier. SCB aims to maintain its CET1 ratio sustainably above 13% to maintain a suitable buffer for its individual capital requirements. From 2023 on, these will include additional sector-wide capital requirements announced by German banking supervisor BaFin in order to rein in dynamic growth in the domestic residential property market. Despite the automatic upstreaming of its profit to the German holding company under its profit and loss transfer agreement, SCB has sufficient leeway to decide on the retention of suitable portions of its profit and agrees to any retention or reinvestment of profit by the parent as part of the group's 36-month rolling capital planning.

SCB also has a good degree of control over RWA growth because the bank has repeatedly accessed securitisation markets with transactions targeting capital relief.

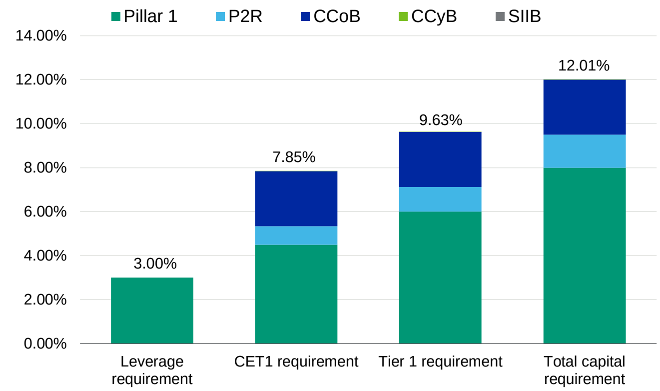
SCB reported a sound and stable regulatory Tier 1 leverage ratio of 6.7% as of the end of December 2021. Based on our leverage metric of TCE/tangible assets, the ratio was 6.8% (December 2020: 7.8%), with the year-on-year decrease reflecting both a higher capital base and a higher denominator following an additional drawing under the ECB's targeted longer-term refinancing operations (TLTRO III). SCB uses the Internal Ratings-Based Approach for most of its loan assets.

Exhibit 5
Earnings retention and management of RWA benefitted SCB's capital ratios in 2021
As a percentage of RWA



TCE = Tangible common equity (Moody's-calculated); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital; the TCE leverage ratio compares TCE with tangible banking assets.
Sources: Company reports and Moody's Investors Service

Exhibit 6
SCB's regulatory total capital requirements for 2021
As a percentage of RWA



Sources: Company and Moody's Investors Service

Profitability is sound, but we expect it to come under pressure in a weak operating environment

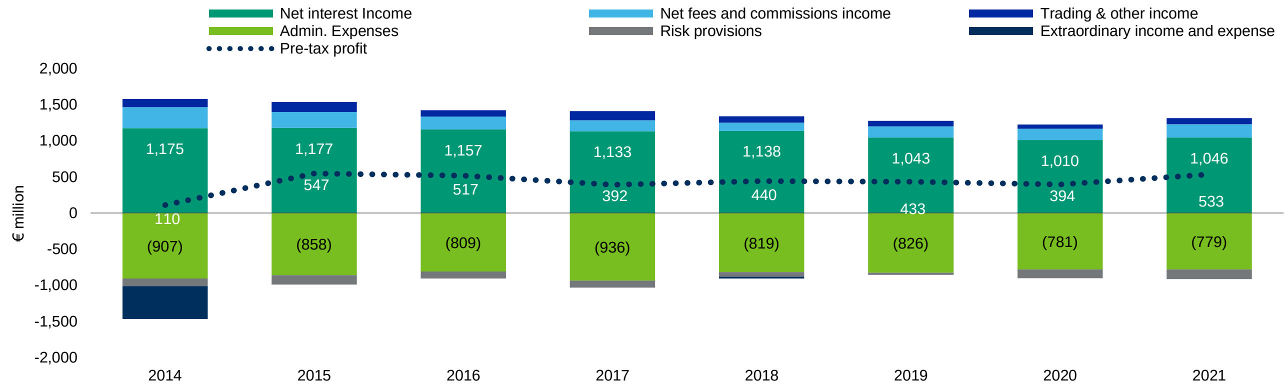
The baa2 assigned score for Profitability is one notch below the initial score. It incorporates our expectation that the deteriorating domestic operating environment will limit SCB's ability to repeat 2021's strong results in 2022. The baa2 score also includes an adjustment for taxes (paid at the holding level) and an adjustment for tangible banking assets to account for the assets employed by SCB's fully owned, but not fully consolidated, affiliate SCL to generate profit, which is included in SCB's profit and loss account. In addition, we factor into this score the relatively high stability of the bank's revenue and profit, and its sound risk charge cover by pre-provision income.

Analytically, our adjusted net income is based on this profit transfer amount, but we use a normalised tax rate of 30% and consider that the results contribution of not fully consolidated subsidiaries is derived from a broader asset base than what enters into SCB's local GAAP accounts.

Before the conflict between Russian and Ukraine, SCB had forecast a strong increase in net profit for 2022 on the back of the improving cost of risk, stable operating expenses and moderately growing revenue. In light of the military conflict, we expect an improvement from SCB's 2021 reported transferable profit of €533 million (2020: €394 million) to be difficult to achieve.

SCB's reported €533 million pretax profit for 2021 (2020: €394 million) was fully transferred to its German holding company under the existing profit and loss transfer agreement. SCB's local GAAP pretax income was supported by its stronger net interest and fee income and dividend payments from affiliates held at-equity, foremost by the €108.7 million of earnings transfer from SCL (2020: €74.1 million). At the same time, operating expenses declined moderately to €779 million in 2021 (2020: €781 million) and loan loss provisions were €134 million (2020: €124 million), higher than pre-pandemic levels.

Exhibit 7
Profitability remains above the average of German banks
In € millions, German GAAP



Operating expenses include personnel and administrative expenses, as well as depreciation and amortisation.
Sources: Company reports and Moody's Investors Service

Dependence on market funds is low, but moderately increasing because of the growing diversification of funding sources

SCB's sound funding profile is reflected in the baa1 Funding Structure score, which is three notches above the initial score. The baa1 assigned score reflects the bank's low dependence on market funds and its access to diversified funding channels. It also incorporates our expectation that the bank's increased drawings of central bank funding are temporary.

SCB has sound funding with a low dependence on market funds. Its lending activities are largely funded by client deposits, which, at €21.2 billion as of year-end 2021, funded 47% of its tangible banking assets. Within the low interest rate environment, SCB's customer deposits have increasingly shifted to overnight deposits, in line with the industrywide trends.

With a €3.5 billion additional drawing in March 2021, SCB increased its use of the ECB's TLTRO III to €10.3 billion. This funds a high share of 23% of SCB's Moody's-adjusted total assets. Prospectively, we expect SCB to continue to use central bank funding secured by self-retained asset-backed securities (ABS) issuances, but in terms of magnitude, this will return to the mid-single-digit billion € range the bank had been using before the pandemic.

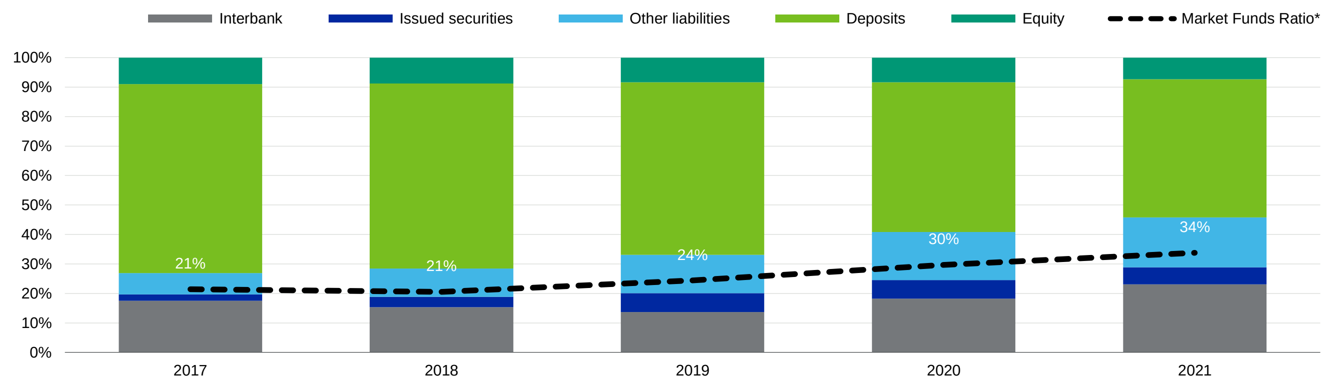
As a result, we expect the role of SCB's issuances of ABS to the market to grow further once TLTRO use is reduced. In 2020 and 2021, SCB issued consumer loan ABS transactions with total sizes of €1.8 billion and €1.5 billion, respectively, to the market. As of December 2021, SCB held €10.3 billion (December 2020: €9.9 billion) of retained ABS as collateral for TLTRO funding.

In terms of market issuances, SCB has been using a diversified set of funding channels. SCB has two benchmark size senior debt instruments outstanding, a junior senior unsecured bond maturing in October 2022 and a senior unsecured bond maturing in 2024. SCB has been building up loss-absorption buffers in the form of Tier 2-eligible debt and junior senior unsecured debt subscribed by its direct parent in recent years, so that the bank will not replace the maturing junior senior bond through future external debt issuance at the same seniority level. SCB has also been using its commercial paper programme, under which the bank had €605 million of liabilities outstanding as of December 2021 (December 2020: €505 million), as well as its Aaa-rated mortgage covered bond programme, under which SCB had €1,025 million of liabilities outstanding as of year-end 2021 (December 2020: €1,000 million).

Exhibit 8

SCB's increase in market funding is temporary and deposits remain the dominant refinancing tool

As a percentage of tangible banking assets



*Market funds ratio = Market funds/tangible banking assets.

Sources: Company reports and Moody's Investors Service

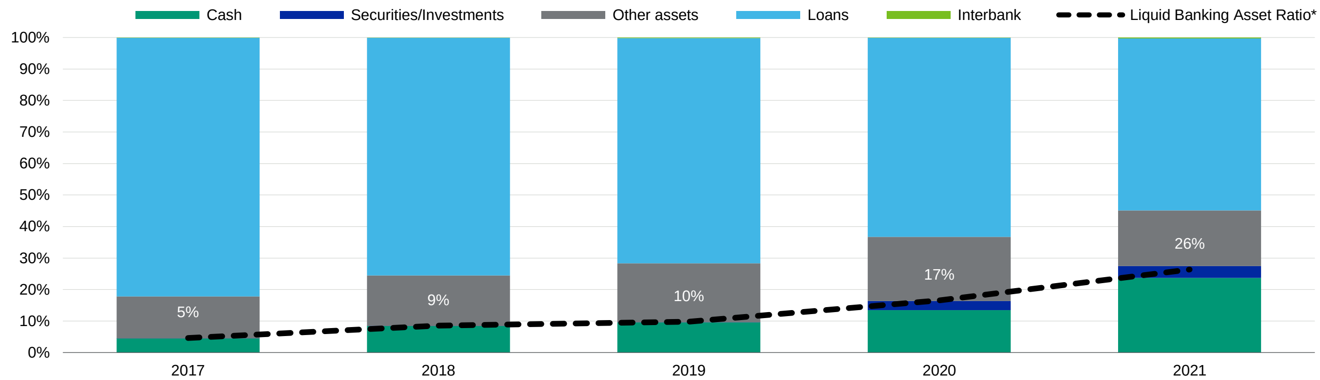
SCB has sufficient liquidity buffers

The bank's assigned Liquid Resources score is ba1, four notches below its initial score. The ba1 score reflects our expectation that SCB's on-balance-sheet liquid resources will remain tightly managed at around 10% of tangible banking assets once the bank repays the temporarily sourced central bank funds out of its cash buffer and securities portfolio. At the same time, SCB exhibits a strong degree of compliance with the regulatory LCR requirements, and has the possibility to generate additional liquidity foremost through its ABS programmes.

Overall, the bank maintains sufficient and temporary inflated liquidity buffers, as illustrated by the 520% LCR reported as of year-end 2021. A temporarily inflated cash position of €10.8 billion (December 2020: €5.3 billion, December 2019: €3.5 billion), accounted for the large majority of SCB's €11.9 billion of liquid assets as of year-end 2021. We exclude the vast majority of SCB's reported interbank assets from this metric, because these predominantly represent term deposits with affiliates. These claims serve as the refinancing of the affiliates' assets, including, for instance, the lease assets held by SCL, which in practice limits their availability at short notice and in turn may need to be increased if funding needs at the affiliates increase.

The bank's €12.0 billion fixed-income securities portfolio as of December 2021 consisted mainly of €10.3 billion of retained ABS tranches sponsored by SCB, which the bank continues to hold on its balance sheet. In addition, in 2020, SCB built a €1.5 billion liquidity portfolio to invest TLTRO drawings. The bank had placed its retained ABS, the liquidity portfolio, and a €25 million retained covered bond with the ECB as collateral for a total of €10.3 billion of funds sourced through the TLTRO. In Q1 2020, SCB used practically its entire additional issuance capacity under its mortgage covered bond programme through the issuance of a €500 million covered bond. We expect the bank to gradually add further collateral over time to expand its issuance capacity under the programme.

Exhibit 9
SCB maintains sufficient liquidity buffers, which will in part be used to repay TLTRO funding
As a percentage of tangible banking assets



*Liquid banking assets ratio = Liquid assets/tangible banking assets.
Sources: Company reports and Moody's Investors Service

Lack of business diversification constrains the BCA

We reduce SCB's weighted average outcome of the assigned Financial Profile factor score by one full notch. This adjustment reflects the bank's strongly focused business profile as a provider of consumer lending products. SCB specialises in captive and non-captive auto finance, unsecured consumer lending, consumer goods finance, and lending to borrowers related to the automobile industry. Therefore, we classify SCB as a monoline bank according to our approach for business diversification.

Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. Business diversification is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a bank's earnings streams and its potential to absorb shocks affecting a business line.

SCB's high reliance on consumer and car finance-related earnings streams limits its potential for earnings diversification and exposes it to unexpected shocks outside its direct control. At the same time, SCB benefits from its specialist risk management know-how in managing related business cycle and operational risks.

ESG considerations

In line with our general view of the banking sector, SCB has low exposure to environmental risks[3] (see our environmental risk heat map for further information). Given the concentration in auto finance, the bank is particularly exposed to the challenges the automotive industry faces related to carbon transition. SCB could face credit losses in the event of higher car dealer default rates, in the case car dealers fail to adapt to the changing industry landscape. SCB could also face a stronger-than-expected decline in the value of loan collateral from both conventional combustion engines and new loans backed by AFVs if the technological change happens in an abrupt and disruptive way rather than in a smooth transition process.

For social risks, we also place SCB in line with our general view on the banking sector, which indicates moderate exposure. This includes considerations in relation to the coronavirus pandemic, given the substantial implications for public health and safety and the severe and extensive economic shock the pandemic has caused across many sectors, regions and markets. For further information, see our social risk heat map[4]. SCB has high exposure to consumer lending, which carries higher margins than residential mortgage lending, but is also particularly exposed to challenges by consumer protection associations.

Governance[5] is highly relevant for SCB, as it is to all banks. SCB has an appropriate risk management framework commensurate with its risk appetite. Therefore, we do not have specific governance concerns for SCB. Nonetheless, corporate governance remains a key credit consideration and continues to be a subject of our ongoing monitoring.

Support and structural considerations

Affiliate support

There is a high probability that SCF would support SCB in case of need already as a going concern. This results in one notch of uplift for SCB's Adjusted BCA and ratings. Support from SCF is illustrated by its high degree of involvement in the strategy and management of SCB's operations.

Loss Given Failure (LGF) analysis

SCB is subject to the EU Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. Therefore, we apply our Advanced LGF analysis, taking into account the risks faced by the different debt and deposit classes across the liability structure, should the bank enter resolution.

We assume a residual TCE of 3% and post-failure losses of 8% of tangible banking assets, a 25% runoff in “junior” wholesale deposits and a 5% runoff in preferred deposits. These ratios are in line with our standard assumptions. In addition, we assume a 10% share of wholesale deposits relative to total deposits, which is our standard assumption for banks relying mostly on retail deposits. Because we use private data provided by the bank to determine current amounts of senior unsecured and junior senior debt, as well as our future new issuance expectations, we do not disclose the underlying volumes of the liability tranches included in our Advanced LGF analysis for SCB.

For SCB's A2 deposit and issuer ratings, our LGF analysis indicates a very low loss given failure, leading to a two-notch uplift from the bank's baa1 Adjusted BCA.

Government support considerations

German banks operate in an environment of weak prospects for financial assistance from the government. Therefore, we generally assume a “low” probability of support for banks that are not considered of global or domestic systemic relevance, including SCB. As a result, we do not apply a rating uplift for government support in our ratings for SCB.

Counterparty Risk Ratings (CRRs)

SCB's CRRs are A1/P-1

SCB’s CRRs are three notches above the Adjusted BCA of baa1, reflecting the extremely low loss given failure supported by the significantly increasing amount of subordinated instruments, in particular at the junior senior unsecured debt level. In line with our support assumptions on deposit and issuer ratings, SCB's CRRs do not benefit from any government support uplift.

Counterparty Risk (CR) Assessment

SCB's CR Assessment is A1(cr)/P-1(cr)

SCB’s CR Assessment is three notches above the Adjusted BCA of baa1, based on the buffer against default provided to the senior obligations represented by the CR Assessment by more subordinated instruments — including the bank’s junior deposits and senior unsecured debt. Because the CR Assessment captures the probability of default on certain senior operational obligations, rather than expected loss, we focus purely on subordination and take no account of the volume of the instrument class.

Methodology and scorecard

Rating methodology

The principal methodology used in rating SCB was the Banks Methodology, published in July 2021.

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 10

Santander Consumer Bank AG

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					

Factor	**Historic Ratio**	**Initial Score**	**Expected Trend**	**Assigned Score**	**Key driver #1**	**Key driver #2**
Solvency						
Asset Risk						
Problem Loans / Gross Loans	1.9%	a1	↔	baa2	Sector concentration	Operational risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	15.9%	aa3	↔	a2	Capital retention	Expected trend
Profitability						
Net Income / Tangible Assets	0.8%	baa1	↔	baa2	Expected trend	Return on assets
Combined Solvency Score		a1		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	33.8%	ba1	↔	baa1	Extent of market funding reliance	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	26.3%	a3	↔	ba1	Additional liquidity resources	Stock of liquid assets
Combined Liquidity Score		baa2		baa2		
Financial Profile				baa1		
Qualitative Adjustments				Adjustment		
Business Diversification				-1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				-1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				baa1 - baa3		
Assigned BCA				baa2		
Affiliate Support notching				1		
Adjusted BCA				baa1		

Balance Sheet is not applicable.

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	-	-	-	-	-	-	-	3	0	a1
Counterparty Risk Assessment	-	-	-	-	-	-	-	3	0	a1 (cr)
Deposits	-	-	-	-	-	-	-	2	0	a2
Senior unsecured bank debt	-	-	-	-	-	-	-	2	0	a2

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a1	0	A1	A1
Counterparty Risk Assessment	3	0	a1 (cr)	0	A1(cr)	
Deposits	2	0	a2	0	A2	A2
Senior unsecured bank debt	2	0	a2	0	A2	A2

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 11

Category	Moody's Rating
SANTANDER CONSUMER BANK AG	
Outlook	Stable
Counterparty Risk Rating	A1/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A1(cr)/P-1(cr)
Issuer Rating	A2
PARENT: SANTANDER CONSUMER FINANCE S.A.	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits -Dom Curr	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa1
Counterparty Risk Assessment	A3(cr)/P-2(cr)
Senior Unsecured	A2
Junior Senior Unsecured -Dom Curr	Baa1
Subordinate -Dom Curr	Baa2
Pref. Stock Non-cumulative -Dom Curr	Ba1 (hyb)
Commercial Paper -Dom Curr	P-1

Source: Moody's Investors Service

Endnotes

1 The ratings shown in this report are the banks' deposit rating and outlook, senior unsecured rating and outlook, and BCA.

2 Please refer to Santander's announcement.

3 Environmental risks can be defined as environmental hazards encompassing the impacts of air pollution, soil/water pollution, water shortages, and natural and human-made hazards (physical risks). Additionally, regulatory or policy risks, like the impact of carbon regulation or other regulatory restrictions, including the related transition risks like policy, legal, technology and market shifts, which could impair the evaluation of assets, are an important factor. Certain banks could face a higher risk from concentrated lending to individual sectors or operations exposed to the aforementioned risks.

4 Social risk considerations represent a broad spectrum, including customer relations, human capital, demographic and societal trends, health and safety, and responsible production. The most relevant social risks for banks arise from the way they interact with their customers. Social risks are particularly high in the area of data security and customer privacy, which are mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage because of product mis-selling or other types of misconduct are further social risks. Social trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services increasing information technology costs, ageing population concerns in several countries affecting the demand for financial services, or socially driven policy agendas translating into regulations that affect banks' revenue bases.

5 Corporate governance is a well-established key driver for banks and related risks are typically included in our evaluation of the banks' financial profile. Furthermore, factors like specific corporate behaviour, key person risk, insider and related-party risk, strategy and management risk factors and dividend policy may be captured in individual adjustments to the BCA, if deemed applicable. Corporate governance weaknesses can lead to a deterioration in a bank's credit quality, while governance strengths can benefit its credit profile. When credit quality deteriorates because of poor governance, such as a breakdown in controls resulting in financial misconduct, it can take a long time to recover. Governance risks are also largely internal rather than externally driven.

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