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CREDIT OPINION
31 May 2023

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	A2
Type	Senior Unsecured - Dom Curr
Outlook	Stable
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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Santander Consumer Bank AG

Update to credit analysis

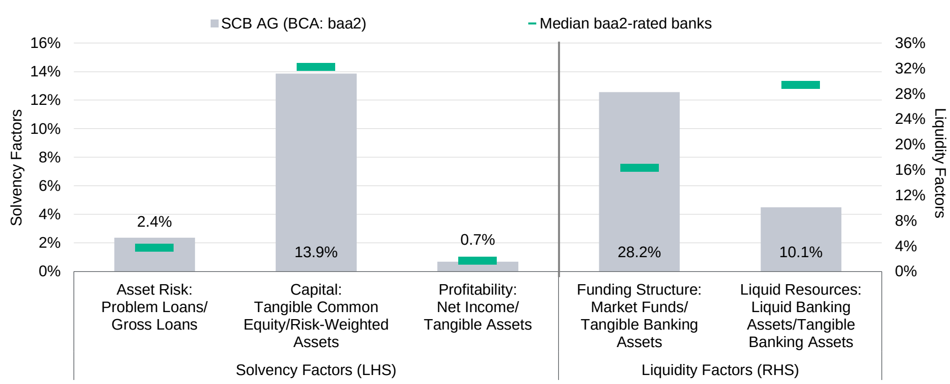
Summary

We assign A2 (stable)/P-1 deposit and A2 (stable) senior unsecured 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 senior unsecured 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 for its deposits and senior unsecured debt ratings. 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 (Aaa stable) largest consumer finance lenders. The bank's credit profile benefits from sound asset risk and resilient profitability as well as a strong and proven access to diversified funding channels, the largest being its granular branch and online deposit franchise. The BCA also reflects the bank's relatively low and tightly managed liquid resources as well as its limited business diversification owing to its strong reliance on consumer lending revenues.

Exhibit 1
Rating Scorecard - Santander Consumer Bank AG - Key financial ratios



Source: Moody's Financial Metrics

Credit strengths

- Satisfactory capacity to absorb shocks, as displayed by good profitability compared with that of its domestic peers and adequate capitalisation
- Agreed framework for capital increases and subscription of junior senior unsecured instruments by its parent will help absorb risk-weighted assets (RWA) and balance-sheet growth
- SCB's modest reliance on market funds is supported by its granular deposit franchise

Credit challenges

- High concentration risks in auto loans and stock financing for car dealers relative to capital implies vulnerability to sector-related stress and product-specific risks
- Cost of credit needs to be contained in light of Germany's weakening operating environment
- Moderate level of unencumbered liquid assets is a relative weakness

Outlook

- The stable rating outlook reflects our expectation that SCB will be able to sustain its financial profile over the next 12 to 18 months. 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 a significant increase in the volume of instruments designed to be loss-absorbing such that it prompts a higher rating uplift from our Advanced LGF analysis.
- An upgrade of SCB's baa2 BCA could be prompted by 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 ratings could be prompted by a BCA downgrade, or by a weaker result from our Advanced LGF analysis because of a declining layer of instruments designed to absorb losses in the case of failure.
- SCB's BCA could be downgraded if its liquidity profile 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 if its solvency weakens because of further decrease in opportunities for revenue generation, weaker asset quality or structurally weaker capital levels.

Key indicators

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

	12-22[2]	12-21[2]	12-20[2]	12-19[2]	12-18[2]	CAGR/Avg.[3]
Total Assets (EUR Billion)	45.1	45.3	39.9	36.6	35.1	6.5[4]
Total Assets (USD Billion)	48.1	51.4	48.8	41.1	40.1	4.7[4]
Tangible Common Equity (EUR Billion)	3.1	3.1	3.1	2.8	2.9	2.1[4]
Tangible Common Equity (USD Billion)	3.3	3.5	3.8	3.2	3.3	0.4[4]
Problem Loans / Gross Loans (%)	2.4	2.2	1.9	2.0	2.2	2.1[5]
Tangible Common Equity / Risk Weighted Assets (%)	13.9	15.9	15.6	14.1	14.9	14.9[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	17.6	15.4	13.8	16.0	17.1	16.0[5]
Net Interest Margin (%)	2.3	2.5	2.7	2.9	3.3	2.7[5]
PPI / Average RWA (%)	2.0	2.7	2.2	2.3	2.6	2.4[6]
Net Income / Tangible Assets (%)	0.7	0.8	0.7	0.8	0.9	0.8[5]
Cost / Income Ratio (%)	65.4	59.4	63.8	64.7	61.2	62.9[5]
Market Funds / Tangible Banking Assets (%)	28.2	32.7	29.7	24.4	20.5	27.1[5]
Liquid Banking Assets / Tangible Banking Assets (%)	10.1	26.3	16.6	9.8	8.5	14.3[5]
Gross Loans / Due to Customers (%)	122.2	119.0	127.1	124.6	122.6	123.1[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 €45.1 billion as of December 2022 (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. As of year-end 2022, SCB had 2,878 employees and operated through 189 branches in Germany.

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, and 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. 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. 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. (Baa2 stable). 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). In November 2022, SCB signed a purchase agreement to buy 100% of MCE Bank GmbH, a German subsidiary of Mitsubishi Corporation (A2 stable), that is responsible for the distribution of Mitsubishi and Isuzu vehicles. The transaction will be completed in the first half of 2023.

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.

Detailed credit considerations

Asset quality will decline only moderately in reaction to macroeconomic challenges

SCB's sound asset quality is reflected in its baa2 Asset Risk score, which includes a three-notch downward adjustment from the a2 initial score. The adjustment considers the bank's high exposure to the automotive industry and legal risks in the context of consumer-friendly court rulings, for example, on the scope of fees and charges on current accounts. In addition, the assigned score reflects our expectation of a moderate deterioration in asset quality owing to Germany's weakening operating environment.

SCB's business area 'Mobility' (new and used cars) comprises the biggest share of SCB's loan book, making up 49% or €16 billion of the bank's total customer assets of €32 billion as of year-end 2022 (2021: €29 billion). Further, SCB is exposed to consumer financial services (1%) and direct (consumer) lending business segments (21%) as well as retail mortgages accounting for 8% and corporate banking for 5% of the loan book.

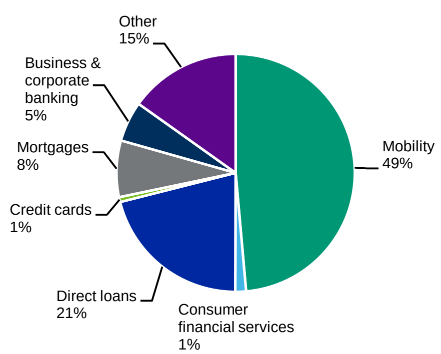
Over the next 12 to 18 months, we expect SCB to experience a slight increase in problem loans as a result of input price inflation. This incudes higher cost of living (including for energy) not offset by salary increases, higher vehicle prices because of costlier production along the entire auto supply chain, and higher interest rates that make loans and leases less attractive for buyers, which will weigh on new loan demand and diminishes the debt-service capacity of existing customers. In 2022, SCB's problem loans increased slightly to 2.4% of gross loans from 2.2% as of year-end 2021 (excluding related-party exposures from the denominator). The historically good metrics benefit from SCB's strong receivables collection management and from occasional problem loan sales.

At the same time, the bank's asset quality is supported by its particular focus on used car financing, which accounted for an increased new business volume of €4.6 billion in 2022 (2021: €4.0 billion). The strong used car demand in Germany is likely to support already high used car prices in 2023, 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. In the business and corporate banking division, SCB had accelerated new lending (including prolongations) by 18% year-over-year to €1.5 billion in 2022.

Exhibit 3

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

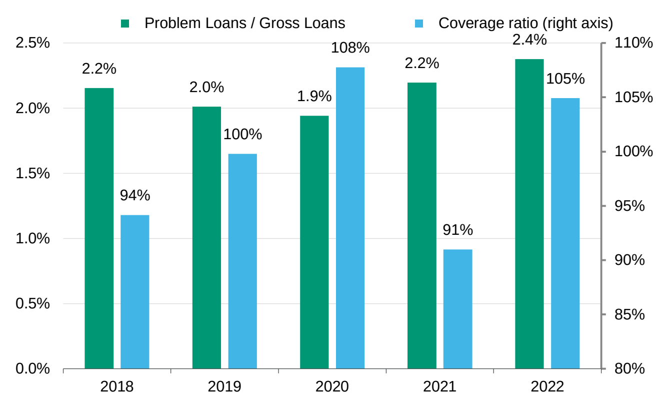
Loan split by lending type as of year-end 2022



Source: Company data

Exhibit 4

SCB's problem loan ratio slightly deteriorated in 2022, with still high coverage by provisions



The problem loan ratio is in accordance with our definition. The coverage ratio compares total loan loss reserves with problem loans.

Source: Company reports and Moody's Investors Service

In addition to traditional lending risks, SCB has grown its exposure to auto leasing through its joint ventures and subsidiaries held at equity over the past few years, not least through the acquisition of a majority stake in Allane SE (formerly Sixt Leasing SE) by HCBE in May 2020. The surge in alternative fuel vehicle (AFV) registrations and its cooperation with Tesla Inc. (Baa3 stable) increased the share of AFVs within the combined 2022 new business of SCB and of its unconsolidated subsidiary Santander Consumer Leasing GmbH (SCL) to 31% from 27% in 2021. 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.

Regulatory capitalisation has decreased due to loan growth

SCB's capitalisation is reflected in the a3 Capital score, which has been assigned one notch below the a2 initial score, reflecting the potential for some RWA increases in light of auto finance secured lending and unsecured consumer lending risks as well as our assessment of capital stress.

SCB's tangible common equity (TCE) ratio of 13.9% as of the end of 2022 (2021: 16.0%) exceeds the bank's regulatory Common Equity Tier 1 (CET1) capital ratio of 12.9% in 2022 (2021: 15.0%), which is in part a result of prudential regulatory deductions that our capital metric does not incorporate. We expect the bank's TCE ratio to remain close to 14% over time, in line with the bank's multi-year capital planning. The strong decrease in capital ratios is mainly driven by the growth in risk-weighted assets of €3.0 billion in 2022 as a result of loan growth, in particular in the 'Mobility' and 'Direct lending' segments. In the past, SCB has shown a good degree of control over RWA growth because the bank has repeatedly accessed securitisation markets for capital management and relief in case of need

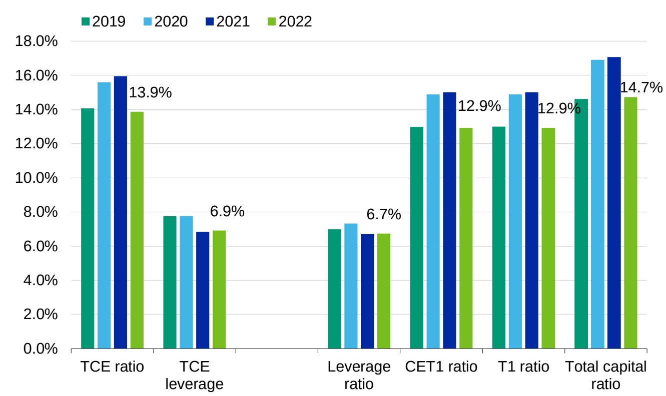
SCB aims to maintain its CET1 capital ratio around 13% to maintain a suitable buffer for its individual capital requirements. Since the beginning of 2023, these will include additional sector-wide capital requirements announced by German banking supervisor BaFin to rein in dynamic growth in the domestic 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.

Moreover, SCB reported a sound and stable regulatory Tier 1 leverage ratio of 6.7% as of the end of December 2022, which is in line with our TCE/tangible assets ratio of 6.9% (December 2021: 6.8%). SCB uses the Internal Ratings-Based Approach (IRBA) for most of its loan assets.

Exhibit 5

The increase in RWA led to a decline in SCB's capital ratios in 2022

As a percentage of RWA



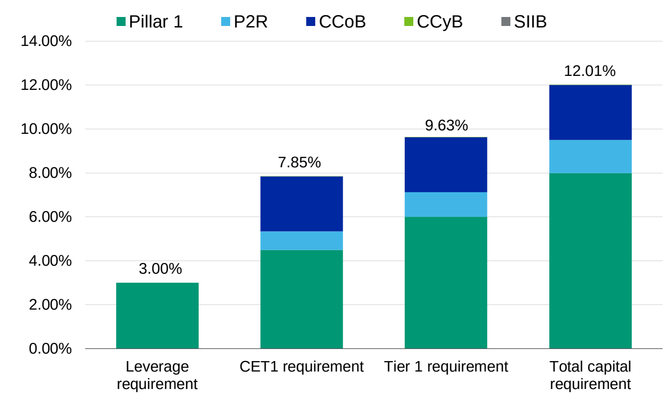
TCE = Tangible common equity (Moody's-calculated); CET1 = Common Equity Tier 1 capital; T1 = Tier 1 capital; the TCE leverage ratio compares TCE with tangible banking assets.

Sources: Company reports and Moody's Investors Service

Exhibit 6

SCB's regulatory total capital requirements for 2022

As a percentage of RWA



Sources: Company and Moody's Investors Service

Profitability is sound, but is constrained by slower repricing of assets

The baa2 assigned score for Profitability is in line with the initial score. It incorporates our expectation that SCB will be able to keep its return on assets broadly stable over the next 12-18 months despite increasing funding costs.

The baa2 score further reflects 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 in the relatively high stability of the bank's revenue and profit, and its sound risk charge cover by pre-provision income[3].

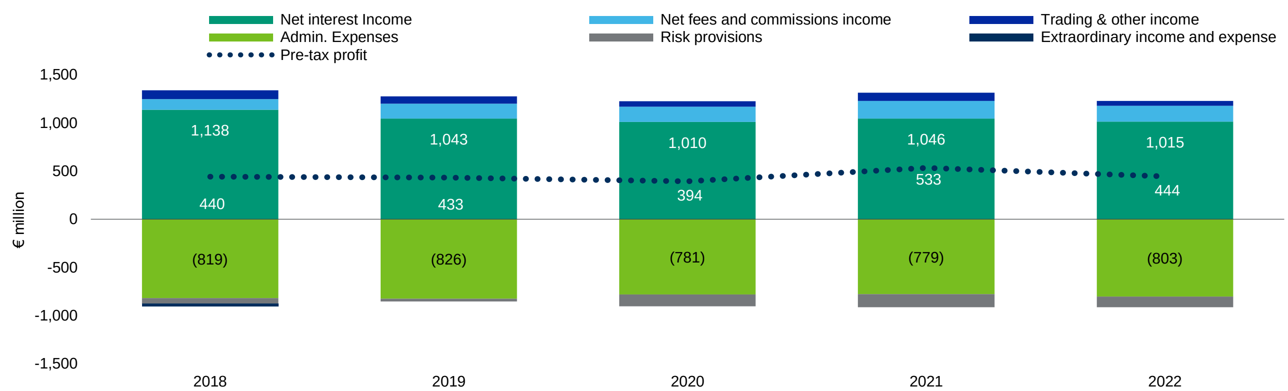
In light of the interest rate increases in 2022 and high inflation, SCB reported a lower pre-tax profit of €444 million for 2022, compared with €533 million for 2021. That profit was fully transferred to its German holding company under the existing profit and loss transfer agreement. SCB's local GAAP pretax income was hurt by a decrease in net interest and net fee and commission income to €1,015 million and €163 million in 2022 from 2021 (€1,045 million and €182 million respectively). The decline was mostly driven by the higher interest and fee expenses the bank had to pay, while interest income only slightly increased as most of the loans are at fixed rates which leads to slower repricing on the asset side. Moreover, a delay in delivery of new cars put pressure on asset margins as contracts based on lower interest rates only were booked in 2022, when interest rates have already increased on the market. Further, SCL contributed €93.3 million (2021: €108.7 million) to SCB's earnings from profit transfer agreements in 2022. Operating expenses increased only moderately to €803 million in 2022 (2021: €779 million) and loan loss provisions of €112 million stood slightly below the previous year (2021: €134 million), but were higher than the pre-pandemic levels.

For 2023, we expect SCB's profitability to remain largely stable, driven by a positive impact on net interest income owing to volume growth and higher rates, that will be mitigated by higher interest expenses on deposits and other capital market funding as well as higher operating expenses due to inflationary pressure.

Exhibit 7

Profitability remains above the average of German banks

In € million, German GAAP



Operating expenses include personnel and administrative expenses, and depreciation and amortisation.

Sources: Company reports and Moody's Investors Service

Low dependence on market funds, but moderately increasing because of the growing diversification of funding sources

SCB's sound funding profile is reflected in its baa1 Funding Structure score, which has been assigned one notch above the initial score. The 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 increase in the bank's drawings of central bank funding (TLTRO) is only temporary and will fade in 2023 before full repayment in 2024.

SCB has a sound funding profile, displaying a low dependence on more confidence-sensitive market funding. Its lending activities are largely funded by client deposits, which, at €23.1 billion as of year-end 2022, funded 51% of its tangible banking assets. Moreover, SCB decreased its use of the ECB's TLTRO III to €8.5 billion as of year-end 2022 (2021: €10.3 billion). Prospectively, we expect SCB to continue to use central bank funding secured by self-retained asset-backed securities (ABS) issuances, but 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, 2021 and 2022, SCB issued consumer loan ABS transactions worth €1.8 billion, €1.5 billion and €1.0 billion, respectively, to the market. As of December 2022, SCB held €8.6 billion (December 2021: €10.3 billion) of retained ABS as collateral for central bank funding.

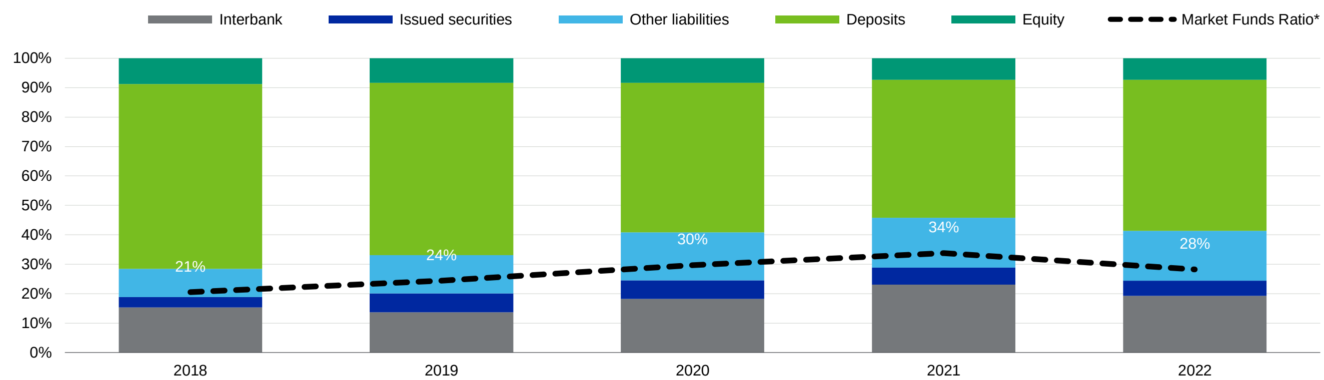
In terms of market issuances, SCB has been using a diversified set of funding channels. It has issued two benchmark-size senior debt instruments and a senior unsecured bond maturing in 2024. SCB has been building up loss-absorption buffers in the form of Tier 2-eligible debt and junior senior unsecured debt subscribed by its direct parent in recent years, such that the bank will not have to 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 €835 million of liabilities outstanding as of December 2022 (December 2021:

€605 million), and its Aaa-rated mortgage covered bond programme, under which SCB had €1,025 million of liabilities outstanding as of year-end 2022 (December 2021: €1,025 million).

Exhibit 8

Decrease in SCB's market funding is due to the reduction of funding obtained under the TLTRO III programme; 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

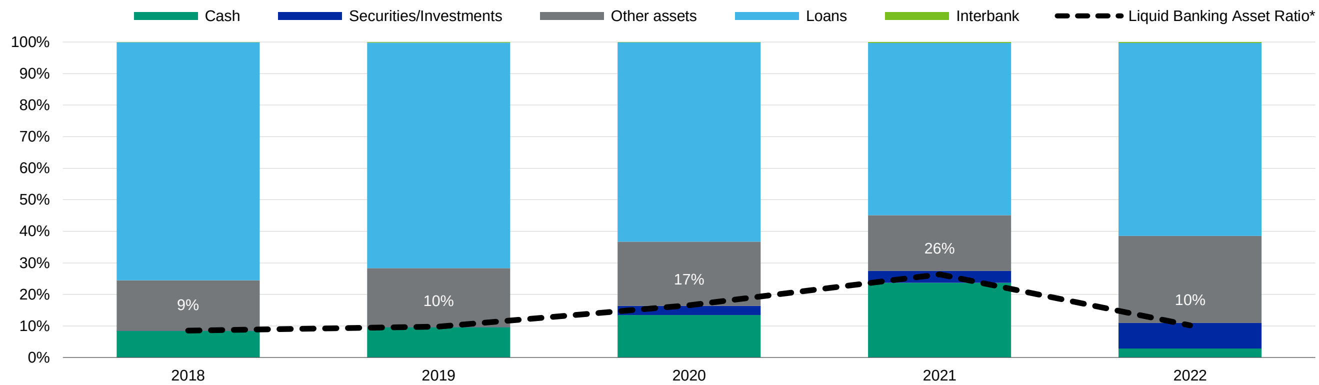
SCB has limited liquidity buffers to cover larger deposit outflows

The bank's assigned Liquid Resources score is ba1, in-line with 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 has repaid 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.

In 2022, the volume of reported liquid resources reduced significantly as the level of cash decreased to €1.3 billion, from €10.8 billion in 2021 (December 2020: €5.3 billion, December 2019: €3.5 billion), largely owing to the funding of affiliates and the partial repayment of TLTRO balances. The bank's €12.2 billion fixed-income securities portfolio as of 31 December 2022 mainly consisted of €8.6 billion of retained ABS tranches sponsored by SCB, which the bank continued to hold on its balance sheet. In 2020, SCB has built up a €1.5 billion liquidity portfolio to re-invest its 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 €8.5 billion of funds sourced through the TLTRO. In 2023, we expect SCB to repay its TLTRO balances through cash and the maturing (majority) part of its financial securities liquidity portfolio. We, therefore, expect the bank to raise additional deposits through its proven and well-managed online and branch channels, allowing it to maintain adequate liquidity and repay maturing TLTRO funding.

In our overall assessment, we exclude from liquid assets the part of SCB's interbank assets that effectively represent term deposits with affiliates. These claims refinance the respective affiliate's assets, including, for instance, lease assets held by SCL. These assets are, therefore, not freely available at short notice and may need to be increased if funding needs at the affiliates increase. Even though the bank's liquid resources are sufficient to cover expected market funding outflows, we regard the overall level of liquidity as unsustainable in case unexpected and larger outflows occur within the bank's deposit franchise, in particular from online deposits where already stiff competition is increasing and online customers are more willing to move money for higher interest rates elsewhere.

Exhibit 9
SCB maintains sufficient liquidity buffers, which have decreased following TLTRO repayments
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 Financial Profile 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.

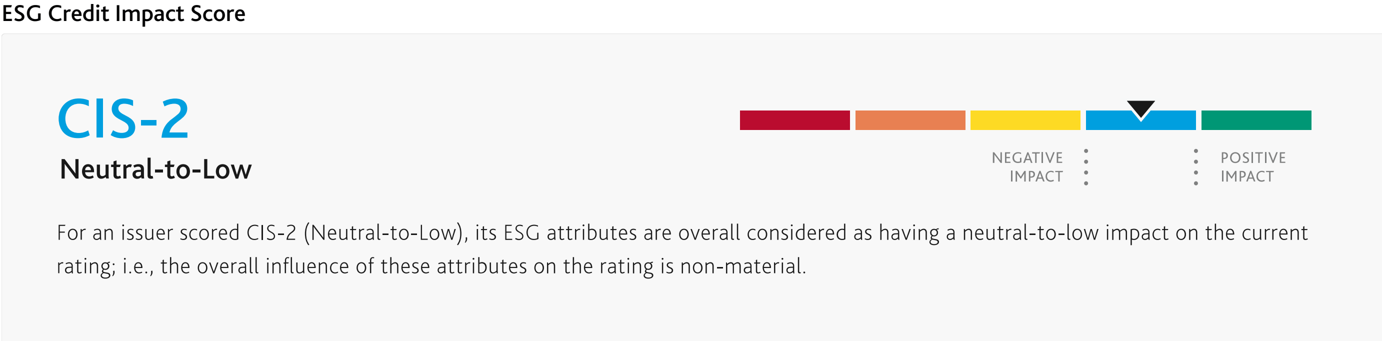
Business diversification is an important gauge of a bank's sensitivity to stress in a single business line. Business diversification is related to earnings stability in the sense that earnings diversification across distinct and relatively uncorrelated lines of business increases the reliability of a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

Santander Consumer Bank AG's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 10
ESG Credit Impact Score



Source: Moody's Investors Service

SCB's ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environmental and social factors on the rating to date, and neutral-to-low governance risks.

Exhibit 11
ESG Issuer Profile Scores

Source: Moody's Investors Service

Environmental
SCB faces moderate environmental risks, primarily because of its portfolio exposure to carbon transition risk in its auto lending business. Such risks are associated with stricter emission regulations and the trend towards low and zero emission vehicles. The risk is somewhat mitigated by the short-term nature of the bank's loan portfolio and the bank's flexibility to finance multiple dealers and automaker franchises in response to shifting market pressures and consumer preferences towards low-emission vehicles.

Social
SCB is exposed to high industrywide social risks particularly related to customer relations risk and associated regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by SCB's developed policies and procedures. SCB's high cyber and personal data risks are mitigated by the group's sound IT framework.

Governance
SCB faces low governance risks, and its risk management framework and corporate governance are in line with industry practices. Because SCB is effectively controlled by Santander Consumer Finance and ultimately Banco Santander through their 100% shareholding, we have aligned the subsidiary's board structure, policies and procedures score with that of its parents, given the bank's strategic importance and public affiliation with the group, the parent's oversight of its subsidiary board and the regulated nature of the entities.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

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 is 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 senior unsecured 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.

A1/P-1 Counterparty Risk Ratings (CRRs)

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

A1(cr)/P-1(cr) Counterparty Risk (CR) Assessment

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 12

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	2.4%	a2	↔	baa2	Sector concentration	Operational risk
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	13.9%	a2	↔	a3	Capital retention	Expected trend
Profitability						
Net Income / Tangible Assets	0.7%	baa2	↔	baa2	Expected trend	Return on assets
Combined Solvency Score		a3		baa1		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	28.2%	baa2	↑	baa1	Extent of market funding reliance	Deposit quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	10.1%	ba1	↔	ba1	Additional liquidity resources	Stock of liquid assets
Combined Liquidity Score		baa3		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 13

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
Senior Unsecured -Dom Curr	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 ratings and outlooks, senior unsecured ratings and outlooks, and BCAs.

2 Please refer to Santander's announcement.

3 Analytically, our adjustment to net income is based on this profit transfer amount. 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 SCB's local GAAP account.

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454