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Santander Consumer Bank AG

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Santander Consumer Bank AG

Rating Score Snapshot

Global Scale Ratings
Issuer Credit Rating
A/Negative/A-1
Resolution Counterparty Rating
A+/--/A-1

SACP: bbb

Anchor	bbb+	
Business position	Moderate	-1
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

Support: +3

ALAC support	0
GRE support	0
Group support	+3
Sovereign support	0

Additional factors: 0

Issuer credit rating
A/Negative/A-1
Resolution counterparty rating
A+/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

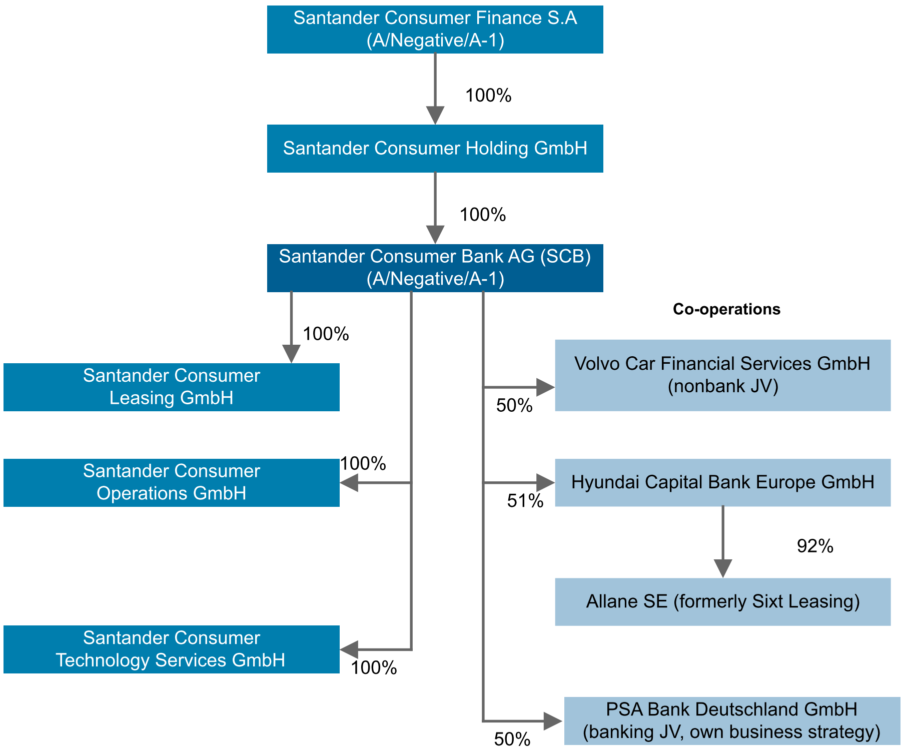
Overview

Key strengths	Key risks
Strong market share in non-captive car financing and the consumer finance business in Germany.	Sectoral concentration on car financing and dependence on the respective product demand.
Continued solid risk-adjusted profitability and sound capitalization.	Volatility of the consumer loans business and small market shares in the business lines note related to car financing.
High granularity of the loan portfolio.	High usage of own asset-backed securities (ABS) issuance, retained predominantly for a meaningful utilization of the European Central Bank's (ECB's) targeted longer-term refinancing operations (TLTRO) programs that results in our funding and liquidity metrics for the bank being lower than those of peers.

Chart 1

Apart From Directly Underwriting Its Own Business, SCB Remains Active In Germany Through Captives Of Non-German Car Producers

Ownership and nonconsolidated participations as of December 2021



In our view, Santander Consumer Bank (SCB) will remain a core subsidiary of Santander Consumer Finance (SCF) group of which it represents about 30%-40% in terms of lending volume. Banco Santander S.A.'s (A+/Negative/A-1) European consumer finance activities are predominantly conducted under the SCF group umbrella. SCB is the SCF's 100%-owned German subsidiary with a high market share in the non-captive domestic car financing and car leasing businesses. We expect SCB's focus on mobility finance segment to strengthen further, following its expansion through co-operations and joint ventures with non-German car producers, including Hyundai Capital Bank Europe GmbH (HCBE). The latter purchased and has been integrating Sixt Leasing--rebranded into Allane SE--since mid-2020 (see Chart 1). We expect SCB's strategy will remain aligned with that of Banco Santander's consumer finance strategy and that the German entity would benefit from extraordinary group support if needed.

We view SCB's consumer finance and car financing businesses as structurally cyclical, but expect the bank will aim to defend its solid market position in those profitable market segments. SCB's revenue and exposure remain concentrated in traditionally riskier and more volatile segments. We view this as a weakness, despite a very granular loan book. Nevertheless, we note that the bank has been managing operating headwinds comparably well through the pandemic, predominantly thanks to the solid performance of the used cars financing subsegment. In addition, despite strong competition in Germany, we believe SCB will be able to defend its sound earnings in the German consumer finance market.

We expect capitalization will remain a rating strength. We expect SCB's S&P Global Ratings' risk-adjusted capital (RAC) ratio will remain largely stable, between 12% and 13% over the next years. The full earnings transfer agreement of SCB can be mitigated by partial re-investments of those profits back into the bank, depending on the buffer above minimum capital requirements or further strategic investment needs (for example, similar to the 2020 Sixt Leasing acquisition).

Our funding and liquidity metrics for SCB on a stand-alone basis will remain somewhat weaker than those of its domestic peers. This results from a large portion of retained ABS positions with upcoming TLTRO programs repayments. Nevertheless, SCB continues to benefit from capital market access, a meaningful share of retail deposits and an overall comfortable liquidity position in regulatory terms. Being part of the wider Santander group also benefits our assessment.

Outlook

The negative outlook mirrors that on SCF. We expect SCB will remain a core subsidiary of SCF, under Santander's resolution perimeter, and would therefore be directly affected by a strengthening or weakening of its parent's credit profile.

Downside scenario

A downgrade of SCB in the next 12-24 months could result from a downgrade of SCF. This could be triggered by a similar action on the ultimate parent, Santander, a Spanish sovereign downgrade, or if we believed that Santander's commitment to SCF had weakened. In addition, a weakening of SCB's importance to SCF could lead us to lower the rating on SCB, although we view this as a remote possibility over the next 24 months.

Upside scenario

We could revise the outlook to stable following a similar action on SCF, in turn triggered by similar actions on Banco Santander and Spain, as long as we believe that its parent's commitment to SCB had not weakened and SCB remains part of Santander's resolution perimeter.

Key Metrics

Santander Consumer Bank AG--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31--				
(%)	**2019a**	**2020a**	**2021e**	**2022f**	**2023f**
Growth in operating revenue	(1.8)	(1.7)	1.0-2.0	2.0-3.5	0.0-1.0
Growth in customer loans	0.3	(2.4)	(1.0)-0.0	0.5-1.5	0.0-1.0
Net interest income/average earning assets (NIM)	2.5	2.3	2.2-2.5	2.3-2.5	2.3-2.6
Cost to income ratio	63.1	60.1	59.0-62.0	58.0-61.0	58.0-62.0
Return on average common equity	14.8	12.3	11.0-13.0	12.0-15.0	11.0-14.0
Return on assets	1.0	0.8	0.6-0.9	0.9-1.1	0.8-1.1
New loan loss provisions/average customer loans	0.1	0.4	0.2-0.4	0.2-0.3	0.1-0.2

Santander Consumer Bank AG--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31--				
(%)	**2019a**	**2020a**	**2021e**	**2022f**	**2023f**
Risk-adjusted capital ratio	12.5	12.8	12.5-13.0	12.5-13.0	12.0-13.5

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. NIM--Net interest margin.

Anchor: 'bbb+' For Banks Operating Only In Germany

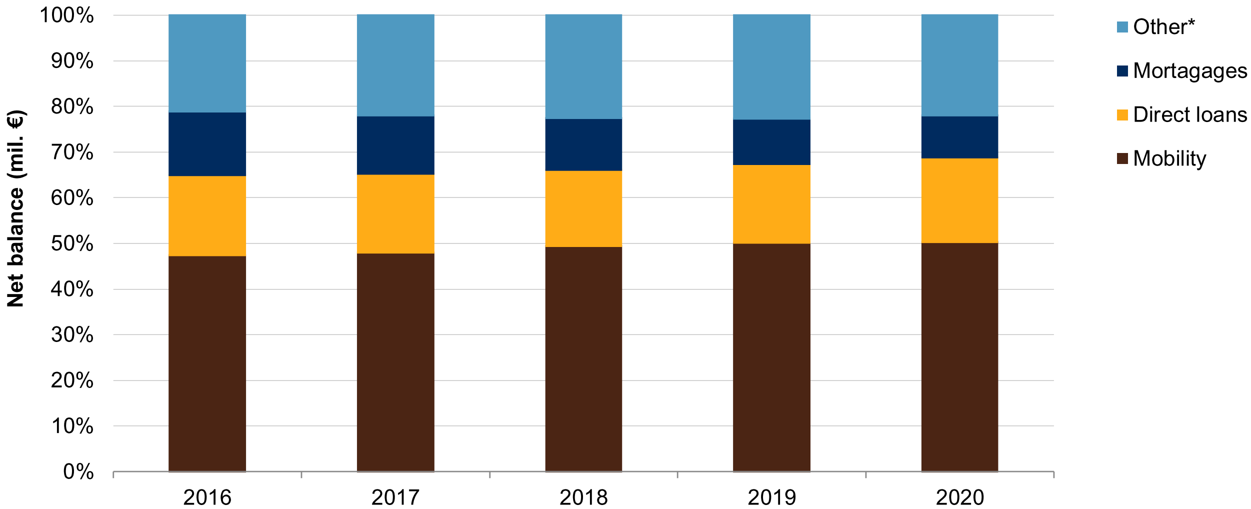
Our anchor for a bank operating mainly in Germany is 'bbb+' based on an economic risk score of '1' and an industry risk score of '4'. We see stable trends for both on our economic risk and our industry risk scores.

Our assessment of economic risk considers the strengths of Germany's highly diverse and competitive economy, with a demonstrated ability to absorb economic and financial shocks. We also anticipate that Germany's ample fiscal and monetary measures will continue to mitigate the cyclical shock due to the coronavirus pandemic to the economy. That said, the high degree of openness, with exports accounting for 50% of GDP, makes the trajectory of recovery also dependent on broad-based international developments. Despite elevated German house-price growth in recent years, we consider a rapid correction after a period of rising house prices unlikely in the medium term.

Our assessment of industry risk considers the dual pressures from the economic impact on banks' balance sheets from the pandemic, and the banking sector's longer-term profitability challenges due to poor cost efficiency, rising risks from technology disruption, and low interest rates. We believe that German banks operate in a highly competitive and structurally overbanked banking market, with low gross margins, and that banks' progress in improving their structural revenue diversification, cost bases, and digitalization has widened the sector's gap with leading banking systems. We see cost pressures arising from the imperative for the German banking industry to invest significantly in the core banking systems and digital customer services that are essential to avoid the risks of tech disruption and franchise damage from cyberattacks and customer data mismanagement.

Chart 2

SCB Remains Concentrated On Car Financing As The Major Balance Sheet And Earnings Driver
Asset portfolio by business area, net balances



*Other, including segments below 5% each (e.g., Business and Corporate or Credit Cards) Source: Company information, S&P Global Ratings.

Business Position: Concentrated Position On Car Financing And Consumer Finance In Germany

We expect SCB's business model to remain fairly concentrated on mobility financing and consumer finance (see chart 2). We are skeptical about SCB's plans to diversify its revenue streams by expanding both its mortgage and corporate banking activities, considering the already very strong competition in this market segment in Germany. While we anticipate that SCB's pre-provision income had remained stable over 2021, similarly to 2020, we expect only moderate future earnings improvements, as government support is phasing out and the recovery path remains uncertain. In the longer term, pre-pandemic challenges such as the high degree of competition in the German banking markets will likely return to the center of attention.

In our view, SCB's strong domestic market share of about 8% in the niche car finance market does not fully compensate for the related business concentration risk. We expect the bank's cost-to-income ratio will continue hovering around 60%. This remains sound compared with the German market, but has potential for improvement versus other consumer and car financing peers. We assume the gradual improvement of cost efficiency will remain one of SCB's key strategic pillars in the next two years.

We think in the era of accelerated digitalization, barriers to entry into the large and attractive German market are shrinking, which will further increase competition from new entrants with digital platforms. Some wider intragroup competition includes Santander's Openbank, which started its digital banking offering, including payment accounts, card products, and robo-advisory services, in Germany in 2019. Increasing competition in the consumer finance segment could also arise from expanding product offerings by Klarna or some other payment providers like PayPal or even Big Techs offering consumer finance products to its large and loyal customer basis. However, this threat remains less imminent in the car financing segment due to the importance of relationships with the car producers and dealers. We assume SCB will continue cooperation-based expansion in that segment.

We expect SCB's revenue will moderately improve through 2022 as the economy recovers further. Though, some pressure on risk costs and net interest margins will likely remain until 2023, given the enduring very low market interest rates (see Key Metrics Table).

Capital And Earnings: Strong Capitalization, Despite Profit Transfer Agreement

We expect SCB's capitalization to remain a rating strength, with S&P Global Ratings' RAC ratio staying at about 12%-13% over the next two years under our base-case scenario (see Key Metrics Table). We note SCB has some flexibility in upstreaming all its profits to SCF (via Santander Consumer Holding GmbH; see Chart 1) based on a profit transfer agreement that can be adjusted for capital needs of the German entity. Since we expect credit risk costs to return to pre-pandemic levels only after 2023, SCB might retain more earnings than in the past to maintain additional capital buffers at their stable levels. For example, SCB's common equity tier 1 (CET 1) ratio stood comfortable at 14.7% as of June 2021, despite the bank using €175 million for the indirect acquisition of Sixt Leasing through the HCBE joint venture in 2020.- This capital deployment was more than compensated by a capital injection of €250 million.

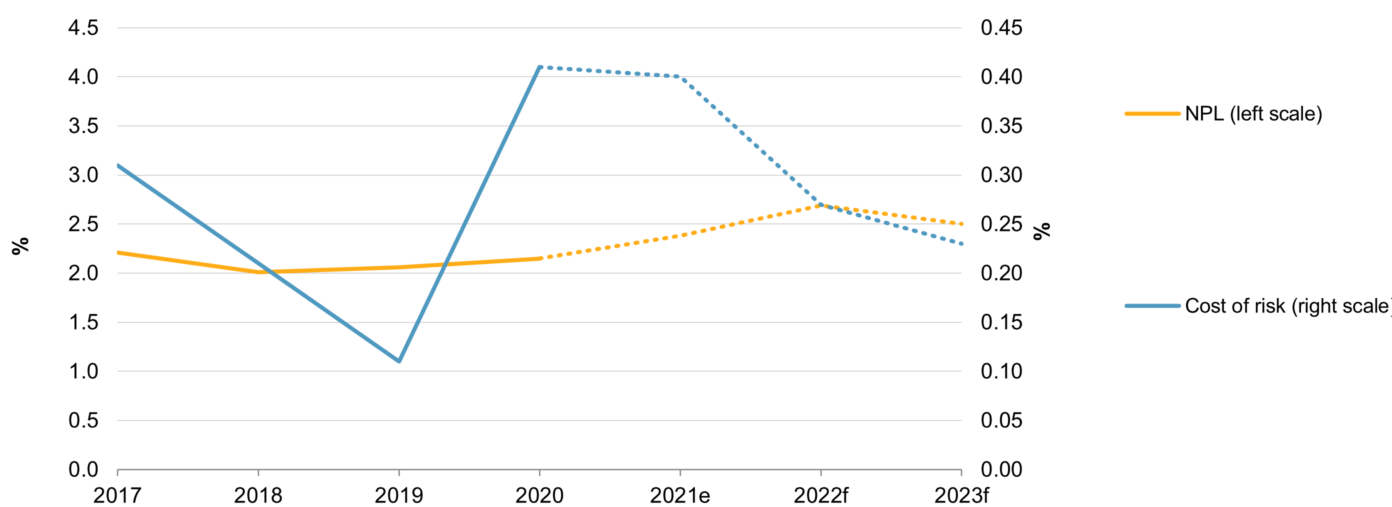
We believe SCB's earnings generation, its first line of defense in case of increasing credit losses, will remain solid, thanks to a high share of high-margin lending. We estimate an earnings buffer, which measures the capacity for a bank's pre-provision earnings will cover normalized (annual average through the cycle) losses, at about 200-220 basis points, which is stronger than that of most German retail banks. The risk-adjusted level of SCB's profitability remains also solid in an international comparison with that of other universal or car financing banks.

Risk Position: Concentration On Higher Risk And Volatile Segments Of The Market

SCB's risk profile is a relative weakness compared with larger and better diversified universal banks but overall we assume SCB will remain sufficiently capitalized against the risks it takes. We also compare SCB's risk position with peers such as Cembra Money Bank or captives like Volkswagen Bank, which are active in similar segments and operate in banking systems with a broadly comparable economic risk. While we recognize SCB's track record of limited losses compared with those of its pure consumer finance peers, we also note a heavy concentration to German consumer finance and motor vehicles financing exposures in its loan book (approximately 70%). In our view, the credit quality of such exposures is inherently more volatile and credit losses may inflate quickly (see Chart 3). This is despite a still relatively stable level of nonperforming loans (NPLs) at the end of 2020 and likely also throughout 2021. With the phaseout of government support programs, we expect the NPL ratio to increase toward 2.5%-3.0% over 2022-2023, compared with roughly 2% in recent years, and an expected estimated average of about or slightly above 1.5% for the German banking market. Importantly, we note that the future development of SCB's NPLs will also depend on the bank's approach to the impaired assets sales.

Chart 3

We Expect SCB's Problem Loans Will Remain Moderately Elevated Over 2022-2023
Expected development of risk costs and NPL over time



Own assumptions and forecasts. e--Estimate. f--forecast. NPL--Nonperforming loans. Source: S&P Global Ratings.

Despite of the moderate growth of problem loans, we assume a solid coverage ratio of the higher NPLs by provisions to continue and, in our opinion, to remain at about 80%-100%.

We understand that SCB intends to expand its retail mortgage and corporate businesses, but we doubt that this would lead to a material improvement in risk diversification over the next years. In our view, the loan portfolio will continue to be dominated by car financing and unsecured consumer lending.

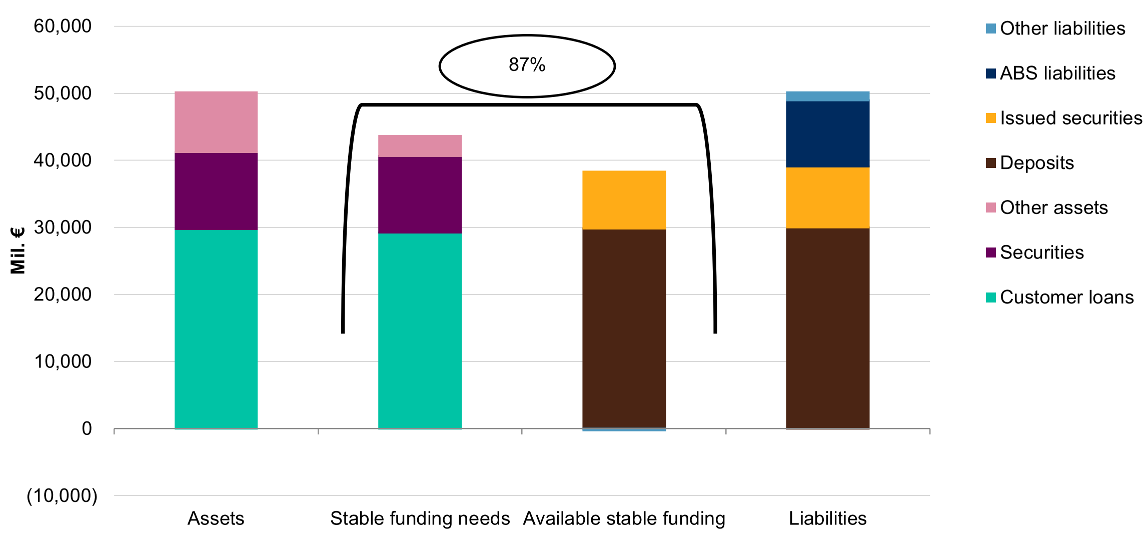
Funding And Liquidity: Franchise-Based And Online Deposits Accompanied By An Opportunistic Use Of ECB Funding And Securitizations

We continue to assess SCB's funding and liquidity profile as neutral rating factors in comparison with an average German bank. This is based on our expectation that the bank will remain largely deposit funded and reduce its retained, non-market ABS funding, while also securing a stable, long-term and granular investor base. We furthermore expect SCB will continue to stabilize its liquidity buffers over the coming years. We also note some potential for support from the wider Santander group, in the unlikely case of a need.

The stable funding ratio, S&P Global Ratings' measure of available long-term funding relative to long-term funding needs, was 87% in 2020 (see Chart 4). This is lower than we see among its German peers that often demonstrate ratios comfortably above 100%. We expect this ratio will improve from a stronger issuance of longer-term debt.

Chart 4

SCB's Stable Funding Ratio Dampened By Our Nonrecognition Of ABS As An Available Stable Funding Source
S&P Global Ratings' Stable Funding Ratio (SFR)



ABS--Asset-backed securities. Deposits that are not eligible as available stable funding include interbank lending with maturities < 1 year (incl. European Central Bank funding). Data as of Dec 2020. Source: S&P Global Ratings.

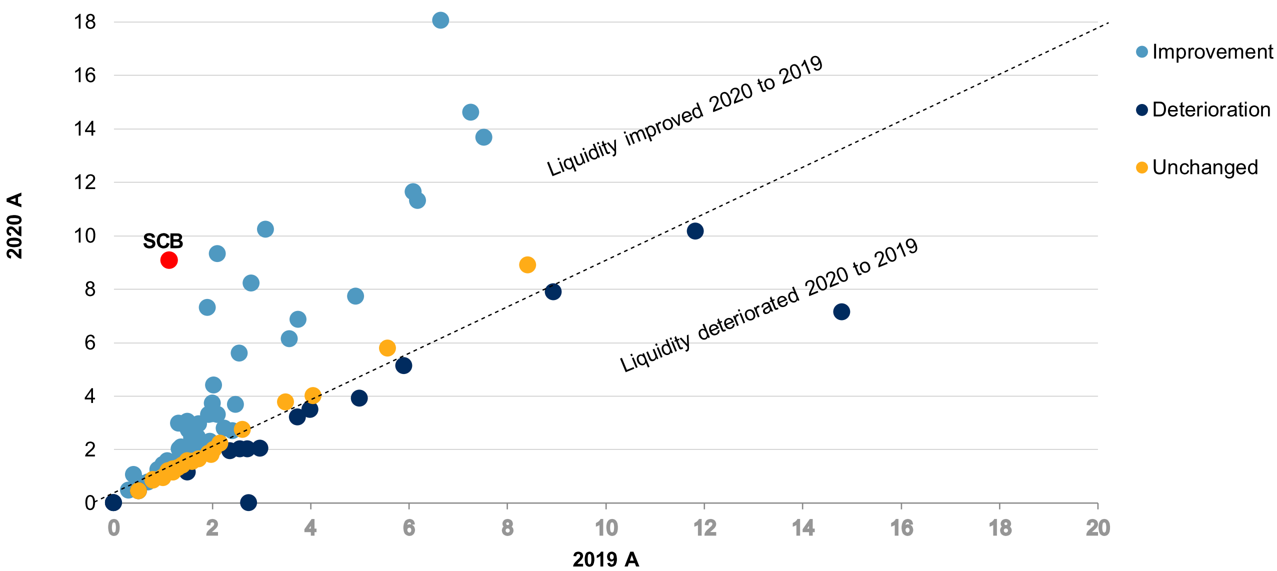
We note that the ratio of broad liquid assets to short-term wholesale funding increased to about 9.0x from 1.1x in the years 2018-2019. However, we do not view that level as sustainable but rather underpinned by an increased use of the ECB's cheap TLTRO III funding, due to SCB's opportunistic profit maximization. We assume these metrics will normalize to levels comparable to those seen pre-pandemic (Chart 4), given our expectation that the means from the ECB will not be used to fund new business in a longer run.

Overall, we note SCB has a relatively high reliance on securitizations, which was already the case before the pandemic. ABS have historically been an important funding vehicle for the bank and the bank has retained most of them on its own books as available collateral for opportunistic funding from the ECB in recent years.

We view positively SCB's additional liquidity buffers in retained ABS, which we do not acknowledge as liquid assets, but believe those could be sold in case of need (or put as eligible collateral for additional ECB funding).

Chart 5

Liquidity Metrics Of Most European Banks Improved In 2020/2021 - SCB Is No Exception
Top 100 banks compared to SCB



SCB--Santander Consumer Bank AG. Year-on-year changes exceeding 10% marked as improvements/deteriorations, respectively; below 10% as unchanged. Source: S&P Global Ratings.

We also consider the potential benefits and stability provided by SCB's membership in the Banco Santander group, although no committed facilities exist, according to our knowledge. The regulatory liquidity coverage ratio was 237% as of year-end 2020 (compared to 188% in 2019), and we expect it will remain sufficiently high above the regulatory minimum in the future too.

Support: Three-Notches Of Uplift To The SACP

The long-term rating on SCB is three notches higher than its intrinsic creditworthiness reflected in the SACP, because we align the rating with that of its parent company, Spain-based Santander Consumer Finance SA.

The Spanish consumer finance activities--including German operations--are part of the same resolution perimeter with a single point of entry at the Banco Santander level. As such, SCB indirectly benefits from an additional and material loss-absorbing capacity of the bail-inable instruments at the Banco Santander level. In our view, this also reduces the default risk of SCB's senior unsecured debt.

Environmental, Social, And Governance

We believe ESG credit factors influence SCB's credit quality similarly to its industry and German peers. We see the main risks that SCB could face from its concentration in the automotive markets that is going through a material transformation. However, we note SCB's strong diversification across different car brands as well as future potential to increase its presence in financing electric vehicles. We consider SCB to follow responsible lending practices in its consumer finance activities, such that social risk are in line with peers'. On the governance side, we note that the supervisory board of SCB predominantly comprises the international representatives of Banco Santander and SCB employees, thus we believe the bank follows adequate governance standards implemented by the broader Santander Group internationally.

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have no material influence on our credit rating analysis of Santander Consumer Bank AG.

Issue Ratings

The 'A' ICR incorporates three notches of group support on top of the 'bbb' SACP. We think this group support would also partially flow to SCB's outstanding senior subordinated bond. For the issue rating of 'BBB+', we deduct two notches from the 'A' ICR. One notch reflects the statutory subordination under German law, which makes this plain vanilla senior bond subordinated in liquidation and resolution to other senior claims. We deduct another notch, since we believe the bail-inable instruments issued by SCB do not benefit from Banco Santander's additional loss-absorbing capacity (ALAC) buffers cumulated at the Spanish group level. We assume that the subordinated debt issued at the ultimate parent level would not be used to support the nonpreferred investors of SCB in any future resolution scenario.

Resolution Counterparty Ratings (RCRs)

We have assigned our 'A+/A-1' RCRs to SCB, since we assess the resolution regime in Germany to be effective and the bank as likely to benefit from bail-in resolution powers being applied to the group if it reaches nonviability.

The RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an exemption from bail-in.

Key Statistics

Table 1

Santander Consumer Bank AG--Key Figures

	--Year ended Dec. 31--				
(Mil. €)	**2020**	**2019**	**2018**	**2017**	**2016**
Adjusted assets	49,893	45,861	42,841	42,222	43,202
Customer loans (gross)	29,756	30,497	30,402	31,421	31,548
Adjusted common equity	2,458	2,459	2,536	2,544	2,512
Operating revenues	1,298	1,321	1,344	1,423	1,436
Noninterest expenses	780	833	815	838	807
Core earnings	393	454	463	487	532

Table 2

Santander Consumer Bank AG--Business Position

	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Loan market share in country of domicile	0.9	1.0	1.0	1.1	1.1
Deposit market share in country of domicile	0.6	0.6	0.6	0.7	0.7
Total revenues from business line (mil. €)	1,298	1,321	1,344	1,423	1,436
Return on average common equity	12.3	14.8	15.1	12.8	17.3

Table 3

Santander Consumer Bank AG--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Tier 1 capital ratio	14.4	13.0	13.9	12.5	13.2
S&P Global Ratings’ RAC ratio before diversification	12.8	12.5	12.9	12.7	12.6
S&P Global Ratings’ RAC ratio after diversification	11.9	11.7	12.0	12.2	11.8
Adjusted common equity/total adjusted capital	99.9	99.9	99.9	99.9	99.8
Net interest income/operating revenues	77.8	79.0	84.6	79.6	80.6
Fee income/operating revenues	12.2	11.7	8.2	10.6	12.4
Market-sensitive income/operating revenues	0.0	0.0	(0.3)	(0.2)	0.0
Cost to income ratio	60.1	63.1	60.6	58.9	56.2
Preprovision operating income/average assets	1.1	1.1	1.2	1.4	1.5
Core earnings/average managed assets	0.8	1.0	1.1	1.1	1.2

N/A--Not applicable. RAC--Risk-adjusted capital.

Table 4

Santander Consumer Bank AG--Risk-Adjusted Capital Framework Data

(€ 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings' RWA	Average S&P Global Ratings' RW (%)
Credit risk					
Government & central banks	6,776,488	66	0	206,307	3
Of which regional governments and local authorities	502,079	2	0	18,075	4
Institutions and CCPs	2,950,958	76,986	3	524,523	18
Corporate	7,999,892	7,127,406	89	4,835,295	60
Retail	20,131,333	7,036,216	35	9,172,703	46
Of which mortgage	2,730,690	386,032	14	552,448	20
Securitization§	1,326,620	365,386	28	1,069,590	81
Other assets†	424,197	294,101	69	427,858	101
Total credit risk	39,609,488	14,900,161	38	16,236,276	41
Credit valuation adjustment					
Total credit valuation adjustment	--	76,688	--	0	--
Market risk					
Equity in the banking book	100,819	372,841	370	882,037	875
Trading book market risk	--	0	--	0	--
Total market risk	--	372,841	--	882,037	--
Operational risk					
Total operational risk	--	1,960,665	--	2,108,779	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	20,353,180	--	19,227,091	100
Total diversification/ concentration adjustments	--	--	--	1,403,727	7
RWA after diversification	--	20,353,180	--	20,630,818	107
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		2,939,303.0	14.4	2,459,936.2	12.8
Capital ratio after adjustments‡		2,939,303.0	14.4	2,459,936.2	11.9

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. CCPs--Central counterparty clearing house. Sources: Company data as of Dec. 31, 2020, S&P Global Ratings.

Table 5

Santander Consumer Bank AG--Risk Position					
	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Growth in customer loans	(2.4)	0.3	(3.2)	(0.4)	2.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	7.3	7.3	6.9	3.9	(3.9)
Total managed assets/adjusted common equity (x)	20.4	18.7	17.0	16.7	17.3
New loan loss provisions/average customer loans	0.4	0.1	0.2	0.3	0.3
Gross nonperforming assets/customer loans + other real estate owned	2.1	2.1	2.0	2.2	2.1
Loan loss reserves/gross nonperforming assets	84.2	85.2	89.7	89.5	96.3

Table 6

Santander Consumer Bank AG--Funding And Liquidity					
	--Year ended Dec. 31--				
(%)	**2020**	**2019**	**2018**	**2017**	**2016**
Core deposits/funding base	63.7	71.8	73.7	74.2	77.5
Customer loans (net)/customer deposits	128.3	129.3	131.4	137.0	130.0
Long-term funding ratio	98.2	89.4	90.3	96.5	97.3
Stable funding ratio	87.4	75.2	77.5	79.5	79.8
Short-term wholesale funding/funding base	1.9	11.6	10.6	3.9	2.9
Broad liquid assets/short-term wholesale funding (x)	9.1	1.1	1.1	1.7	2.7
Broad liquid assets/total assets	12.6	9.1	8.6	4.8	5.6
Broad liquid assets/customer deposits	27.7	18.2	16.3	9.0	10.2
Net broad liquid assets/short-term customer deposits	28.1	2.5	2.1	4.3	7.1
Short-term wholesale funding/total wholesale funding	5.4	41.0	40.5	14.9	12.9
Narrow liquid assets/three-month wholesale funding (x)	30.0	31.6	3.7	5.2	3.0

Related Criteria

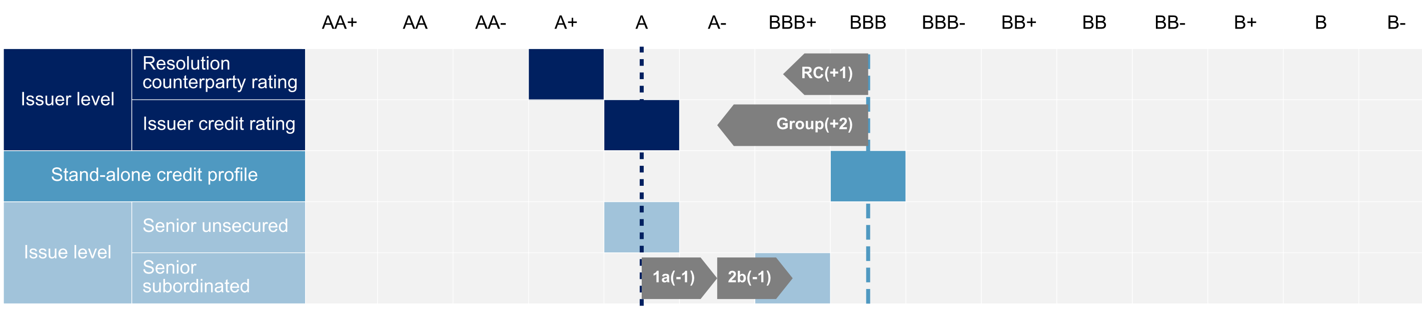
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Six European Banks Upgraded On ALAC Or Group Support Uplift; Off UCO On Implementation Of Revised FI Criteria, Dec 16, 2021
- Banking Industry Country Risk Assessment: Germany, Oct 5, 2021
- Various German Banks Downgraded On Persistent Profitability Challenges And Slow Digitalization Progress, June 24, 2021

Appendix

Santander Consumer Bank AG: Notching



Key to notching

-----	Group stand-alone credit profile
------	Issuer credit rating
RC	Resolution counterpartyliabilities (senior secured debt)
Group	Group support
1a	Contractual subordination
2b	Other nonpayment or default risk not captured already

Note: The number-letter labels in the table above are in reference to the notching steps we apply to hybrid capital instruments, as detailed in table 3 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on July 1, 2019.

Ratings Detail (As Of February 15, 2022)*	
Santander Consumer Bank AG	
Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	A-1
Senior Subordinated	BBB+
Senior Unsecured	A
Issuer Credit Ratings History	
16-Dec-2021	A/Negative/A-1
24-Jun-2021	A-/Stable/A-2
29-Apr-2020	A-/Negative/A-2
06-Apr-2018	A-/Stable/A-2

Ratings Detail (As Of February 15, 2022)*(cont.)	
12-Jun-2017	BBB+/Stable/A-2
03-Apr-2017	BBB+/Positive/A-2
30-Mar-2017	BBB+/Stable/A-2
Sovereign Rating	
Germany	AAA/Stable/A-1+
Related Entities	
Banco Santander (Brasil) S.A.	
Issuer Credit Rating	BB-/Stable/B
Brazil National Scale	brAAA/Stable/brA-1+
Banco Santander-Chile S.A.	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
Foreign Currency	A-2
Senior Unsecured	A-
Banco Santander S.A.	
Issuer Credit Rating	A+/Negative/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Foreign Currency	A-1
Senior Subordinated	A-
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+
Banco Santander SA (London Branch)	
Certificate Of Deposit	
Local Currency	A-1
Banco Santander S.A. (New York Branch)	
Commercial Paper	
Local Currency	A-1
Banco Santander Totta S.A.	
Issuer Credit Rating	BBB/Stable/A-2
Resolution Counterparty Rating	BBB/--/A-2
Senior Unsecured	BBB
PSA Banque France	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+
Santander Bank, N.A.	
Issuer Credit Rating	A-/Stable/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB+
Santander Consumer Finance S.A.	
Issuer Credit Rating	A/Negative/A-1

Ratings Detail (As Of February 15, 2022)*(cont.)	
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	
Local Currency	A-1
Senior Subordinated	BBB+
Senior Unsecured	A
Short-Term Debt	A-1
Subordinated	BBB
Santander Financial Services PLC	
Issuer Credit Rating	A-/Stable/A-2
Resolution Counterparty Rating	A/--/A-1
Santander Holdings U.S.A Inc.	
Issuer Credit Rating	BBB+/Stable/A-2
Senior Unsecured	BBB+
Santander Totta SGPS, S.A.	
Senior Unsecured	BBB
Santander UK Group Holdings PLC	
Issuer Credit Rating	BBB/Stable/A-2
Junior Subordinated	BB-
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
Santander UK PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Junior Subordinated	BB
Junior Subordinated	BB+
Preference Stock	BB
Senior Secured	AAA/Stable
Senior Unsecured	A
Senior Unsecured	A-1
Short-Term Debt	A-1
Subordinated	BBB-

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.