

# RatingsDirect®

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## Update: Santander Consumer Bank AG

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# Update: Santander Consumer Bank AG

## Rating Score Snapshot

Global Scale Ratings	
<b>Issuer Credit Rating</b>	A/Stable/A-1
<b>Resolution Counterparty Rating</b>	A+/-/A-1

**SACP: bbb** → **Support: +3** → **Additional factors: 0**

SACP: bbb			Support: +3		Additional factors: 0									
Anchor	bbb+		ALAC support	0	<table border="1"> <thead> <tr> <th colspan="2">Issuer credit rating</th> </tr> <tr> <td colspan="2" style="text-align: center;"><b>A/Stable/A-1</b></td> </tr> <tr> <th colspan="2">Resolution counterparty rating</th> </tr> <tr> <td colspan="2" style="text-align: center;"><b>A+/A-1</b></td> </tr> </thead></table>		Issuer credit rating		<b>A/Stable/A-1</b>		Resolution counterparty rating		<b>A+/A-1</b>	
Issuer credit rating														
<b>A/Stable/A-1</b>														
Resolution counterparty rating														
<b>A+/A-1</b>														
Business position	Moderate	-1	GRE support	0										
Capital and earnings	Strong	+1	Group support	+3										
Risk position	Moderate	-1	Sovereign support	0										
Funding	Adequate	0												
Liquidity	Adequate													
CRA adjustment		0												

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

## Credit Highlights

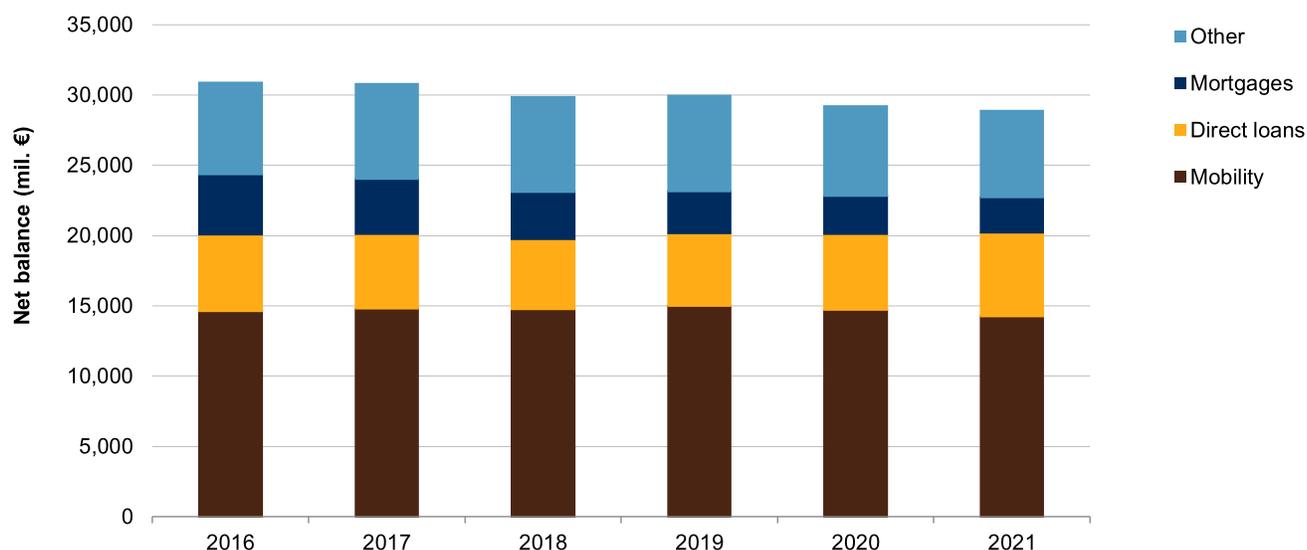
Overview	
Key strengths	Key risks
Strong market share in noncaptive car financing and the consumer finance business in Germany.	Sectoral concentration on car financing and dependence on respective product demand.
Continued solid risk-adjusted profitability and sound capitalization.	Main business segments, consumer loans and car financing, are structurally more volatile.
High granularity of the loan portfolio.	Funding and liquidity metrics expected to normalize as last monetary policies tighten and targeted longer-term refinancing operations (TLTRO) bonification, which was used opportunistically, phases out.

*S&P Global Ratings expects Santander Consumer Bank (SCB) to remain a core subsidiary of its immediate 100%-parent Santander Consumer Finance (SCF; A/Stable/A-1) group, and continued support at the current issuer credit rating (ICR) level.* SCB represents about 30% of SCF's lending volume. SCF's ultimate parent, Banco Santander S.A. (A+/Stable/A-1), concentrates most of its European consumer finance activities in the SCF group but also operates other retail-oriented entities in Europe, such as Openbank. We expect SCB's strategy will remain aligned with Banco Santander's consumer finance strategy and that the German entity would benefit from extraordinary group support if needed.

Chart 1

**SCB Remains Focused On The Mobility Segment With Limited Diversification Progress**

Asset portfolio by business area, net balances



Source: Company information, S&amp;P Global Ratings.

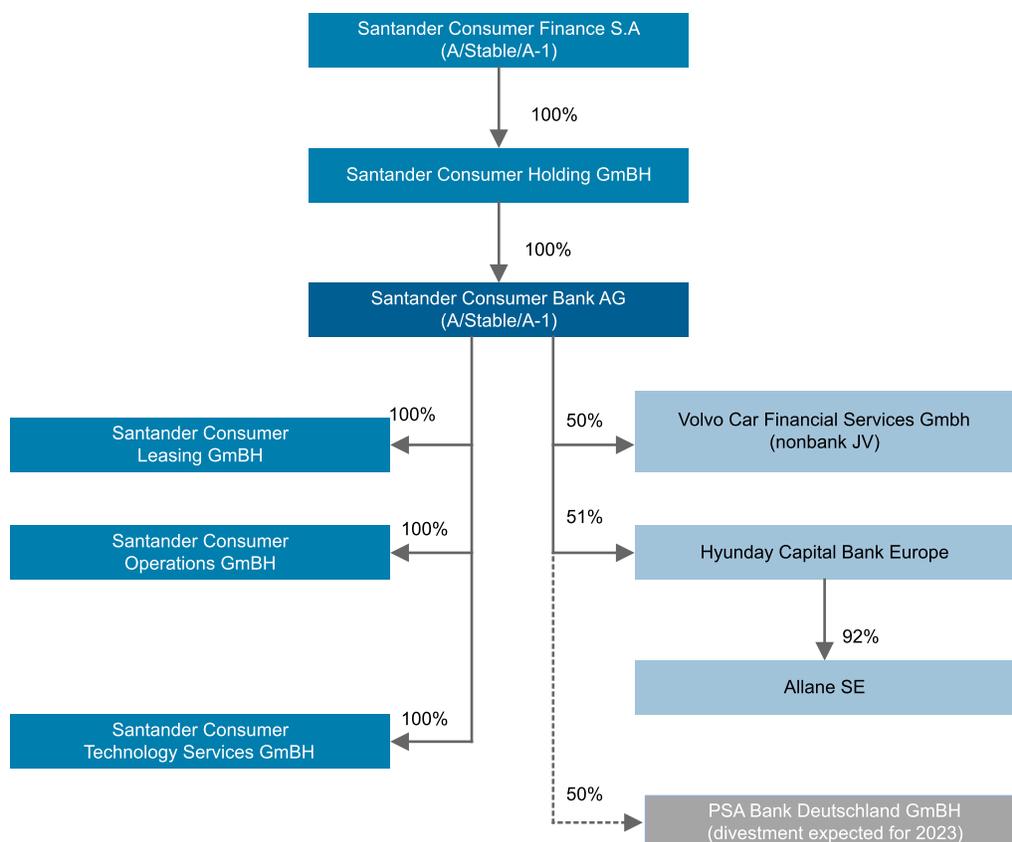
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***SCB has continued strength in but also a reliance on the mobility finance segment, despite the joint venture (JV) divestment.*** The bank has a high market share in the noncaptive domestic car financing and car leasing businesses. Consumer finance activities are a secondary area of focus, while other areas, such as corporate banking services or the financing of residential real estate, play less of a role (see chart 1). We expect the relative importance of the various business segments to be unchanged. In recent years, SCB has engaged in various cooperative agreements and JVs with non-German car producers, which further strengthened its market position in mobility finance. Against this backdrop, we expect a manageable impact from the divestment of SCB's JV share in PSA Bank Deutschland GmbH (PSABD), which follows an agreement between SCF, BNP Paribas Personal Finance (BNPP PF) and car manufacturer Stellantis N.V. to reorganize Stellantis' car financing organization in Europe (see chart 2 and "Stellantis' Revised Captive Agreements Improve Business Prospects For Two Of Its European Banking Partners, published June 9, 2022, on RatingsDirect). Furthermore, we expect an extraordinary one-off gain for SCB should the sale go through as planned in 2023.

## Chart 2

### After The Anticipated PSABD Divestment, SCB Remains A Captive Partner Of Non-German Car Producers

Ownership structure and nonconsolidated participations of Santander Consumer Bank AG



Source: S&P Global Ratings.

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***We view SCB's consumer finance and car financing businesses as structurally cyclical but expect the bank can defend its solid positions in these profitable market segments.*** SCB's revenue and exposure remain concentrated in traditionally riskier and more volatile segments. Although we view this as a weakness, despite a very granular loan book, we also consider SCB's underwriting standards in consumer finance as conservative relative to those of peers. Nevertheless, we view its main market segments, car financing and general consumer finance, as more vulnerable to asset-quality deteriorations amid macroeconomic headwinds and rising interest rates. Furthermore, we expect increasing competition in SCB's important used-car financing subsegment, as captive finance providers and other businesses broaden their service offerings to cover the whole car lifecycle. However, given its strong current market position within its niche, we believe SCB will be able to defend its sound earnings in the German consumer and mobility finance markets.

***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, at 12.0%-14.0% over the next two years. The full earnings transfer agreement can be mitigated by partial re-investment of 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, now Allane SE). The anticipated sale of its JV participation in PSABD is expected to free up capital resources and could potentially support SCB's solvency, if not upstreamed.

***We expect SCB's funding and liquidity metrics to normalize toward pre-COVID-19 levels as monetary policy support diminishes.*** Opportunistic use of the European Central Bank (ECB)'s TLTRO program had improved SCB's funding and liquidity metrics to unprecedented levels in recent years. With the phasing out of the TLTRO bonification, SCB intends to reverse the past two years' TLTRO-triggered balance sheet expansion. Although retained asset-backed security (ABS) positions--previously tied up as collateral in the ECB's TLTRO program--will free up as the program matures, we expect an overall normalization from past years' relatively stronger funding and liquidity position. 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 outlook on SCB is stable and mirrors that on its Spain-based parent, SCF (A/Stable/A-1). We expect SCB will remain a core subsidiary of SCF, within Santander's resolution perimeter, and would therefore be directly affected by a strengthening or weakening of its parent's credit profile.

### Downside scenario

We could downgrade SCB in the next 18-24 months if we downgraded SCF. This could be triggered by a similar action on the ultimate parent, Banco Santander; a downgrade of the Spanish sovereign; or a weakening in Santander's commitment to SCF. 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

Although unlikely, we could consider upgrading SCB if we were to upgrade SCF, which would in turn stem from an upgrade of Banco Santander and the Spanish sovereign. An upgrade of SCB would also require no weakening of SCF's commitment to SCB and SCB remaining within Santander's resolution perimeter. An improvement in SCB's stand-alone creditworthiness alone would not result in an upgrade.

## Environmental, Social, And Governance

## ESG Credit Indicators

E-1	<b>E-2</b>	E-3	E-4	E-5	S-1	<b>S-2</b>	S-3	S-4	S-5	G-1	<b>G-2</b>	G-3	G-4	G-5
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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 alphanumeric 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 SCB.

## Key Metrics

### Santander Consumer Bank AG--Key Ratios And Forecasts

(%)	--Fiscal year ended Dec. 31--				
	2020a	2021a	2022f	2023f	2024f
Growth in operating revenue	(1.7)	11.4	(3.0)-(3.5)	0.0-1.0	1.0-2.0
Growth in customer loans	(2.4)	(1.3)	(0.5)-(1.5)	(0.5)-(1.5)	(0.5)-0.5
Net interest income/average earning assets (NIM)	2.3	2.4	2.3-2.5	2.4-2.6	2.4-2.6
Cost to income ratio	60.1	52.0	53.0-56.0	53.0-56.0	53.0-56.0
Return on average common equity	12.3	16.1	15.0-16.0	20.0-25.0	16.0-17.0
Return on assets	0.8	1.0	0.8-1.0	1.2-1.5	0.9-1.1
New loan loss provisions/average customer loans	0.4	0.5	0.4-0.6	0.3-0.4	0.3-0.4
Risk-adjusted capital ratio	12.8	12.7	12.0-13.00	12.0-14.0	12.0-14.0

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

**Table 1**

### Santander Consumer Bank AG--Key Figures

	--Year-ended Dec. 31--				
	2021	2020	2019	2018	2017
Adjusted assets	55,398.8	49,892.7	45,861.4	42,840.7	42,221.8
Customer loans (gross)	29,360.5	29,755.8	30,496.7	30,402.3	31,420.6
Adjusted common equity	2,468.7	2,458.4	2,459.1	2,536.0	2,543.8
Operating revenues	1,446.0	1,297.9	1,320.7	1,344.4	1,423.2
Noninterest expenses	752.4	779.9	833.1	815.3	838.2
Core earnings	532.7	393.5	454.2	463.4	486.9

**Table 2**

### Santander Consumer Bank AG--Business Position

(%)	--Year ended Dec. 31--				
	2021	2020	2019	2018	2017
Loan market share in country of domicile	0.8	0.9	1.0	1.0	1.1
Deposit market share in country of domicile	0.6	0.6	0.6	0.6	0.7
Total revenues from business line (currency in millions)	1,446.0	1,298.0	1,320.7	1,344.4	1,423.2
Commercial & retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0

**Table 2**

Santander Consumer Bank AG--Business Position (cont.)					
	--Year ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Return on average common equity	16.1	12.3	14.8	15.1	12.8

**Table 3**

Santander Consumer Bank AG--Capital And Earnings					
	--Year ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Tier 1 capital ratio	15.0	14.4	13.0	13.9	12.5
S&P Global Ratings' RAC ratio before diversification	12.7	12.8	12.5	12.9	12.7
S&P Global Ratings' RAC ratio after diversification	11.7	11.9	11.7	12.0	12.2
Adjusted common equity/total adjusted capital	100.0	99.9	99.9	99.9	99.9
Net interest income/operating revenues	72.3	77.8	79.0	84.6	79.6
Fee income/operating revenues	12.6	12.2	11.7	8.2	10.6
Market-sensitive income/operating revenues	0.0	0.0	0.0	(0.3)	(0.2)
Cost to income ratio	52.0	60.1	63.1	60.6	58.9
Preprovision operating income/average assets	1.3	1.1	1.1	1.2	1.4
Core earnings/average managed assets	1.0	0.8	1.0	1.1	1.1

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 (%)	
<b>Credit risk</b>						
Government & central banks	12,342,086.0	42.4	0.0	373,264.1	3.0	
Of which regional governments and local authorities	500,253.4	0.0	0.0	18,009.1	3.6	
Institutions and CCPs	2,831,576.6	120,642.3	4.3	683,082.6	24.1	
Corporate	7,952,478.6	7,212,490.3	90.7	4,786,663.7	60.2	
Retail	19,377,370.8	6,616,368.4	34.1	8,871,574.8	45.8	
Of which mortgage	2,342,750.5	338,500.7	14.4	473,067.8	20.2	
Securitization§	674,055.9	330,361.3	49.0	1,088,488.6	161.5	
Other assets†	431,474.6	319,190.1	74.0	433,949.8	100.6	
Total credit risk	43,609,042.4	14,599,094.7	33.5	16,237,023.6	37.2	
<b>Credit valuation adjustment</b>						
Total credit valuation adjustment	--	83,183.6	--	0.0	--	
<b>Market Risk</b>						
Equity in the banking book	140,920.4	521,335.0	369.9	1,233,005.0	875.0	
Trading book market risk	--	0.0	--	0.0	--	
Total market risk	--	521,335.0	--	1,233,005.0	--	

Table 4

Santander Consumer Bank AG--Risk-Adjusted Capital Framework Data (cont.)					
Operational risk					
Total operational risk	--	1,894,815.9	--	2,036,733.7	--
	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	19,767,857.5	--	19,506,762.3	100.0
Total diversification/ concentration adjustments	--	--	--	1,679,196.0	8.6
RWA after diversification	--	19,767,857.5	--	21,185,958.2	108.6
	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)	
Capital ratio					
Capital ratio before adjustments		2,965,755.3	15.0	2,469,237.5	12.7
Capital ratio after adjustments†		2,965,755.3	15.0	2,469,237.5	11.7

\*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, 2021, S&P Global Ratings.

Table 5

Santander Consumer Bank AG--Risk Position					
	--Year ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Growth in customer loans	(1.3)	(2.4)	0.3	(3.2)	(0.4)
Total diversification adjustment/S&P Global Ratings' RWA before diversification	8.6	7.3	7.3	6.9	3.9
Total managed assets/adjusted common equity (x)	22.5	20.4	18.7	17.0	16.7
New loan loss provisions/average customer loans	0.5	0.4	0.1	0.2	0.3
Net charge-offs/average customer loans	N.M.	N.M.	N.M.	N.M.	N.M.
Gross nonperforming assets/customer loans + other real estate owned	2.3	2.1	2.1	2.0	2.2
Loan loss reserves/gross nonperforming assets	75.9	84.2	85.2	89.7	89.5

RWA--Risk-weighted assets. N.M.--Not meaningful.

Table 6

Santander Consumer Bank AG--Funding And Liquidity					
	--Year ended Dec. 31--				
(%)	2021	2020	2019	2018	2017
Core deposits/funding base	57.5	63.7	71.8	73.7	74.2
Customer loans (net)/customer deposits	123.4	128.3	129.3	131.4	137.0
Long-term funding ratio	94.1	98.2	89.4	90.3	96.5
Stable funding ratio	93.2	87.4	75.2	77.5	79.5
Short-term wholesale funding/funding base	6.3	1.9	11.6	10.6	3.9
Broad liquid assets/short-term wholesale funding (x)	4.4	9.1	1.1	1.1	1.7
Broad liquid assets/total assets	20.2	12.6	9.1	8.6	4.8

**Table 6**

<b>Santander Consumer Bank AG--Funding And Liquidity (cont.)</b>					
	<b>--Year ended Dec. 31--</b>				
<b>(%)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Broad liquid assets/customer deposits	48.1	27.7	18.2	16.3	9.0
Net broad liquid assets/short-term customer deposits	40.2	28.1	2.5	2.1	4.3
Short-term wholesale funding/total wholesale funding	14.8	5.4	41.0	40.5	14.9
Narrow liquid assets/3-month wholesale funding (x)	31.6	30.0	31.6	3.7	5.2

### **Santander Consumer Bank AG--Rating Component Scores**

<b>Issuer Credit Rating</b>	<b>A/Stable/A-1</b>
SACP	bbb
Anchor	bbb+
Economic risk	1
Industry risk	4
Business position	Moderate
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+3
ALAC support	0
GRE support	0
Group support	+3
Sovereign support	0
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

## **Related Criteria**

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, 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

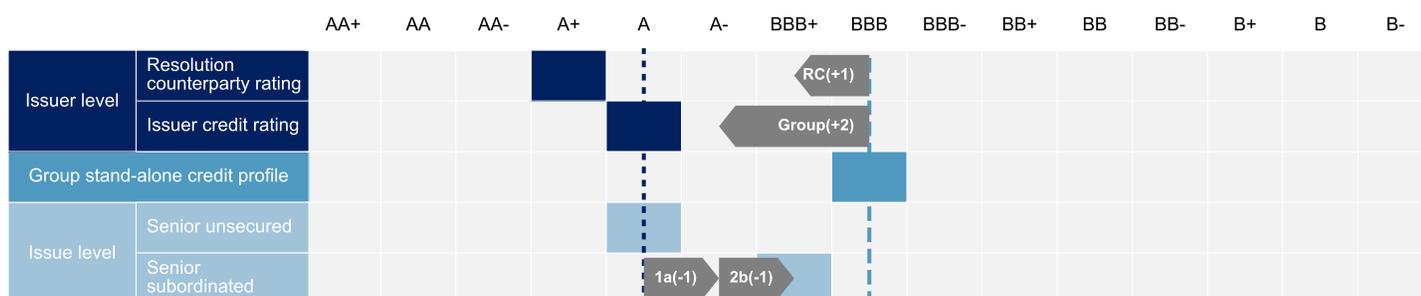
## Related Research

- Multiple Point Of Entry Resolution: Analytical Considerations For Groups Designed To Fragment In Crisis, Aug. 11, 2022
- Geopolitical Risks Add Headwinds For German Banks, Despite Robust Capitalization, July 22, 2022
- Outlook Revised To Stable On Top Spanish Banks And Subsidiaries Following Similar Action On Spain; Ratings Affirmed, March 22, 2022
- Stellantis' Revised Captive Agreements Improve Business Prospects For Two Of Its European Banking Partners, June 9, 2022
- Banking Industry Country Risk Assessment: Germany, Oct. 5, 2021

## Notching Form

Chart 3

### Santander Consumer Bank AG: Notching



#### Key to notching

- Group stand-alone credit profile
- Issuer credit rating
- RC Resolution counterparty liabilities (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 2 of our "Hybrid Capital: Methodology And Assumptions" criteria, published on March 2, 2022.

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### Ratings Detail (As Of September 28, 2022)\*

#### Santander Consumer Bank AG

Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	A-1

Ratings Detail (As Of September 28, 2022)*(cont.)	
Senior Subordinated	BBB+
Senior Unsecured	A
<b>Issuer Credit Ratings History</b>	
22-Mar-2022	A/Stable/A-1
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
<b>Sovereign Rating</b>	
Germany	AAA/Stable/A-1+
<b>Related Entities</b>	
<b>Banco Santander (Brasil) S.A.</b>	
Issuer Credit Rating	BB-/Stable/B
<i>Brazil National Scale</i>	brAAA/Stable/brA-1+
<b>Banco Santander-Chile S.A.</b>	
Issuer Credit Rating	A-/Stable/A-2
Commercial Paper	
<i>Foreign Currency</i>	A-2
Senior Unsecured	A-
<b>Banco Santander S.A.</b>	
Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
<i>Foreign Currency</i>	A-1
Senior Subordinated	A-
Senior Unsecured	A+
Short-Term Debt	A-1
Subordinated	BBB+
<b>Banco Santander SA (London Branch)</b>	
Certificate Of Deposit	
<i>Local Currency</i>	A-1
<b>Banco Santander S.A. (New York Branch)</b>	
Commercial Paper	
<i>Local Currency</i>	A-1
<b>Banco Santander Totta S.A.</b>	
Issuer Credit Rating	BBB+/Stable/A-2
Resolution Counterparty Rating	BBB+/--/A-2
Senior Unsecured	BBB+
<b>PSA Banque France</b>	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+

## Ratings Detail (As Of September 28, 2022)\*(cont.)

**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/Stable/A-1
Resolution Counterparty Rating	A+/-/A-1
Commercial Paper	
<i>Local Currency</i>	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+
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**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.

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