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Santander Consumer Finance S.A.

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Table Of Contents

Santander Consumer Finance S.A.

SACP	bbb	+	Support	+2	+	Additional Factors	0

Anchor	bbb+	
Business Position	Moderate	-1
Capital and Earnings	Strong	+1
Risk Position	Moderate	-1
Funding	Average	0
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	+2
Sovereign Support	0

Issuer Credit Rating
A-/Negative/A-2

Resolution Counterparty Rating
A/--/A-1

Major Rating Factors

Strengths:	Weaknesses:
• High strategic importance to parent Banco Santander S.A. • Wide geographic diversification within Europe. • Ample capital buffer, which should help the bank to cope with the economic and credit distress stemming from the COVID-19 pandemic.	• Business concentration in car financing. • Inherent high-risk nature of the consumer finance business.

Outlook: Negative

The negative outlook on Santander Consumer Finance S.A. (SCF) reflects that on Banco Santander S.A. As long as we continue to assess SCF as highly strategic to Banco Santander, our ratings on SCF will remain one notch below, and move in tandem with, those on the parent.

In particular, a downgrade of SCF in the next 18-24 months could follow a similar action on Banco Santander. We could also downgrade SCF if we believed that the parent's commitment to it had weakened, such that we revised downward our view of the subsidiary's long-term strategic importance for the Santander group.

Conversely, we could revise the outlook on SCF to stable following a similar action on Banco Santander.

Rationale

The long-term rating on SCF stands one notch below that on the parent because we consider it a subsidiary of high strategic importance. This is based on SCF's position as a solidly profitable subsidiary of Banco Santander, with operations across Europe that are integral to the overall group strategy. We believe the group is supportive of management and the subsidiary financing needs if necessary, for example in the form of capital and funding. We also believe that SCF is highly unlikely to be sold as a whole, although we estimate that parts of its business could be divested opportunistically in case of stress.

Our assessment of SCF's stand-alone credit profile (SACP) is supported by its solid franchise and high market share in most operating countries, wide geographic diversification across Europe, and strong capitalization, which mitigates the risks stemming from its consumer-focused loan book. We see SCF's business as particularly vulnerable to the economic and credit distresses stemming from the COVID-19 pandemic, however, and anticipate that its operating revenues will decline by at least 6% this year, and its credit losses will almost triple in 2020, with its bottom-line profitability declining by slightly more than 50%, before recovering somewhat in 2021. That said, we anticipate the bank's risk-adjusted capital (RAC) ratio will remain at 12.0%-12.5% in the coming 18-24 months, compared with 12.1% at year-end 2019.

We believe that SCF's funding and liquidity profile compares favorably with that of other consumer finance banks in Europe, owing to its sizable customer deposit base in countries like Germany, and the ongoing support of its parent, which at year-end 2019 provided €7.1 billion funding to SCF (12% of its non-deposit funding base). At the same time, SCF is a recurrent issuer in capital markets, issuing a wide array of instruments, and in different jurisdictions.

On the other hand, our ratings are constrained by what we see as a business concentrated on consumer finance activities, which carry higher credit risk than traditional retail such as mortgages. The bank's wide geographical and consumer product diversification, along with good asset-quality metrics to date, only partially mitigate these factors.

Anchor: 'bbb+', reflecting geographic diversification in countries with lower economic risks than Spain.

The 'bbb+' anchor is the starting point in assigning the rating on SCF. It draws on our Banking Industry Country Risk Assessment (BICRA) methodology and, specifically, our view of economic and industry risks. SCF's anchor is one notch higher than the anchor we apply to banks operating primarily in Spain.

The anchor for SCF reflects our view of the weighted-average economic risk of the countries where the bank has operations, and the industry risk in Spain, where the bank is legally incorporated and primarily regulated. Given SCF's broad geographic diversification within Europe, the economic risk to which it is exposed is lower than that faced by institutions operating primarily in Spain. The weighted-average economic risk for SCF is '3', because most of its operations are in countries where we see lower economic risks than in Spain, such as Germany, France, or Scandinavia. At year-end 2019, the bank's German operations accounted for about 35% of its total loans, followed by those in Scandinavia (16%), Spain (15%), France (14%), Italy (9%), Poland (4%), and other European countries (7%). We now see negative trends on the economic risks for a number of such countries; if a number of them were to materialize, SCF's anchor could be pressured.

With regard to industry risk, our score of '4' reflects Spanish banks' balanced funding profiles and ample liquidity, as well as the profitability challenges ahead. Customer deposits now fund the bulk of banks' loan books, and at historically low costs. Reliance on wholesale market funding is therefore limited and markets remain open. In addition, through the TLTRO III program and the recently launched PELTRO facility, the European Central Bank will continue to ensure banks' access to funding, if needed, at attractive prices. The COVID-19 shock, however, will aggravate existing profitability challenges resulting from low rates, limited business growth, and intense competition. The prospect of banks achieving returns in line with their cost of capital was already remote, particularly for midsize banks, and much more so in the current environment. Banks' profitability will decline substantially in 2020, from the combination of weaker earnings and increased credit costs, and will only partially recover in 2021. However, we expect Spanish banks to remain fairly efficient compared to peers.

Table 1

Santander Consumer Finance S.A.--Key Figures

	--Year ended Dec. 31--				
(Mil.€)	**2019**	**2018**	**2017**	**2016**	**2015**
Adjusted assets	112,247.3	103,355.1	97,492.0	93,963.5	84,065.5
Customer loans (gross)	100,237.0	93,788.5	88,536.0	84,140.1	72,990.9
Adjusted common equity	9,670.1	8,978.5	8,452.8	7,912.7	7,192.8
Operating revenues	4,438.4	4,219.6	4,179.0	4,033.5	3,705.7
Noninterest expenses	1,971.5	1,862.0	1,875.3	1,826.2	1,703.6
Core earnings	1,477.8	1,509.7	1,436.6	1,250.1	1,175.6

Business position: Specialized player in consumer finance, partly mitigated by a wide geographic diversification.

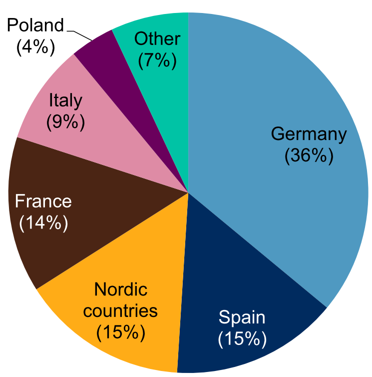
Our assessment of SCF's business position primarily reflects its concentration in the consumer lending business, a segment that we believe is particularly vulnerable to the economic and credit distresses stemming from the COVID-19 pandemic, both from an asset quality and from a business generation perspective, with compressed volumes likely to translate into lower profitability.

Specifically, SCF is active in the car financing segment (new and used vehicles, and stock financing dealers), which represented 69% of the loan book as of March 31, 2020, a sector already facing big challenges pre-COVID-19, and for which we now anticipate heightened pressure, with global light vehicle sales likely to decline by almost 15% in 2020 (see "COVID-19 Will Batter Global Auto Sales And Credit Quality", published on March 23, 2020). Direct consumer lending, which in our opinion, has higher credit risk and greater earnings volatility, also represents about 21% of the loan book. This is partly offset by SCF's wide geographic diversification across 15 European countries (some of which are expected to better weather the economic impact of the pandemic), leading market positions in most of these countries, and the positive track record of acquisition-led expansion.

Chart 1

SCF Benefits From A Wide Geographic Diversification Across Europe

Customer loan distribution, as of first-quarter 2020

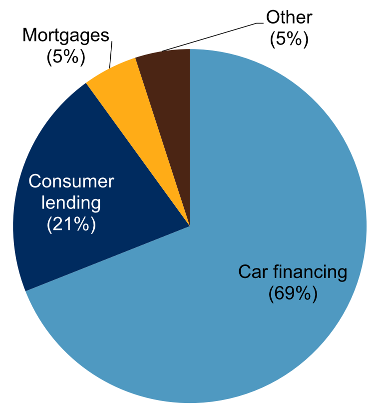


Source: S&P Global Ratings.

Chart 2

But Its Business Is Concentrated In Inherently Riskier Consumer Finance

Product distribution, as of first-quarter 2020



Source: S&P Global Ratings.

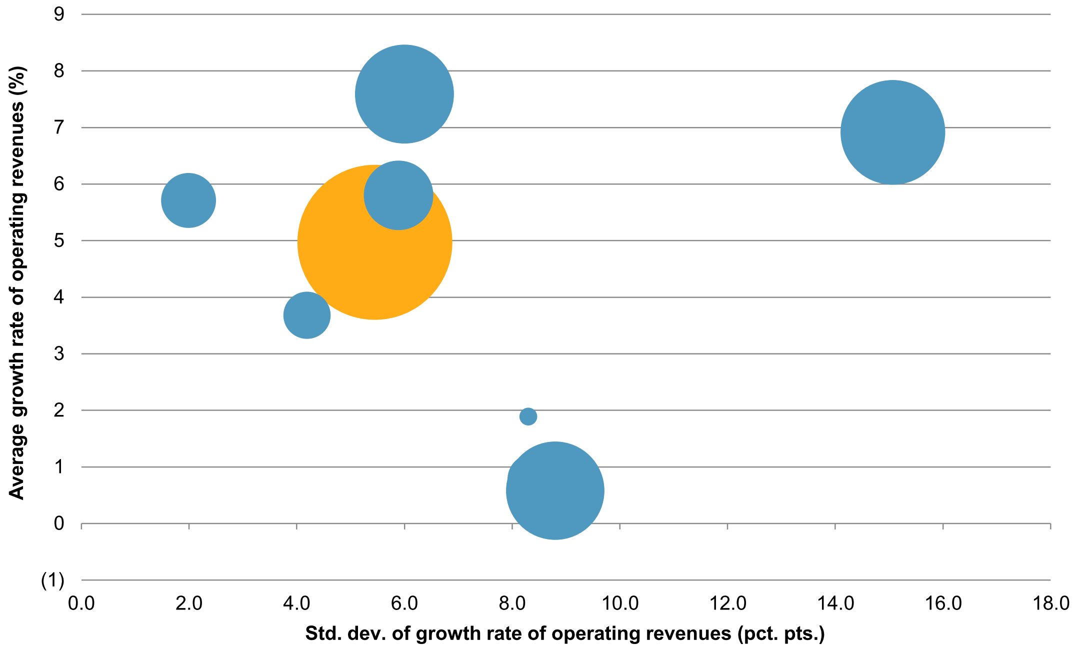
In our view, consumer finance companies like SCF have an inherently more volatile and less-engaged customer base compared with traditional retail banks, as well as a business that mostly depends on a third-party distribution network. However, SCF tries to mitigate this by leveraging:

- The parent's brand and reputation;
- A large number of agreements with manufacturers and retailers across Europe that supply sustained business volumes. These deals have increased significantly during the past eight years and some of them are cross-European, which increases their long-term sustainability; and
- Its relatively large customer deposit base of €23.6 billion (as of year-end 2019) in Germany.

SCF is one of Europe's largest consumer finance institutions, and its business profile benefits from its geographic diversification. This reach has increased in recent years through both organic growth and SCF's active acquisition strategy, including the recent deals with Hyundai-Kia in Germany and Forso in the Nordics. SCF's management team has succeeded in integrating newly acquired businesses and generating profit, which has tripled in the last decade. Its spread over several European countries has been in fact a competitive advantage supporting its business and financial performance, for example, when some of its operations were undergoing stress in Italy and Spain in 2010-2014.

Chart 3

SCF's Operating Revenues Have Grown By 5% On Average, And Consistently Over The Last Decade



Bubble size represents the level of average Operating Revenues. Metrcis computed using 2010-2019 Operating Revenues Data. Yellow bubble represents SCF, blue bubbles represent peers. Peers include Carrefour Bank, Cembra Money Bank, FCA Bank, PSA Banque France, RCI Banque, Santander Consumer Bank, Socram Banque and Vokswagen Bank. Source: S&P Global Ratings.

However, in light of weaker business prospects ahead in many consumer finance segments, we now anticipate that SCF's loan book and operating revenues will contract by at least 6% in 2020. In fact, SCF's new lending in the first quarter of 2020 declined by 5% year-on-year, especially in Spain and Italy, but also in France and other countries. In addition, we believe that SCF's credit losses will almost triple this year, with its overall bottom-line profitability declining by slightly more than 50%, before recovering somewhat in 2021.

Table 2

Santander Consumer Finance S.A.--Business Position					
	--Year ended Dec. 31--				
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Total revenues from business line (currency in millions)	4,446.8	4,233.3	4,207.2	4,044.5	3,782.9
Commercial banking/total revenues from business line	2.3	2.3	2.3	2.3	2.3
Retail banking/total revenues from business line	96.5	96.5	96.5	96.5	96.5
Commercial and retail banking/total revenues from business line	98.7	98.7	98.7	98.7	98.7
Other revenues/total revenues from business line	1.3	1.3	1.3	1.3	1.3
Return on average common equity	10.9	12.2	11.6	12.0	13.2

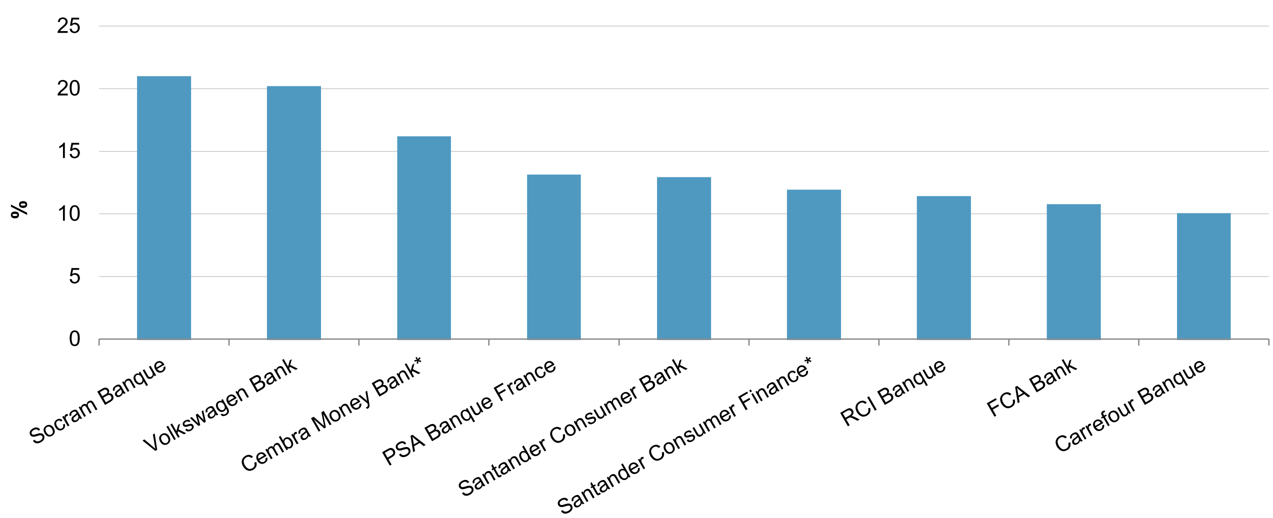
Capital and earnings: Solid capital position to absorb higher credit losses stemming from the COVID-19-related economic shock.

We consider SCF's capital and earnings robust enough to cover the bank's concentrated consumer finance risks and absorb the distress stemming from the COVID-19 pandemic. Our expectation is thus that the bank's RAC ratio will stay over 10% in the next 18-24 months, with lower but still solid earnings generation.

SCF's RAC ratio stood at 12.1% as of Dec. 31, 2019, and we expect the ratio will stand in the 12.0%-12.5% range in the next 18-24 months. A potential deterioration of economic risk in Germany, Spain, France, and Italy, all of which carry negative trends, would likely shave around 80 basis points (bps) from SCF's RAC. At year-end 2019, SCF reported a 12.5% fully loaded Common Equity Tier 1 (CET1) ratio. Going forward, we expect that SCF will maintain a CET1 ratio close to 12%, relatively in line with the 11%-12% target envisaged by the overall group. That said, we do not think SCF's RAC ratio will increase in line with its lower but still high profitability, because we anticipate SCF will distribute the capital it does not need to sustain additional growth in risk-weighted assets to its parent. We believe there is a possibility that SCF will not distribute dividends this year, following the regulators' recommendations, but we see this as exceptional and temporal, and believe that it will resume dividend payments in 2021.

Chart 4

Like Most Peers, SCF's Capitalization Is Strong
S&P Global Ratings' risk-adjusted capital ratio as of year-end 2018



*Data as of year-end 2019. Source: S&P Global Ratings.

SCF has maintained strong revenue generation over the past five years, with relatively contained operating costs linked to economies of scale arising from its large business platform. However, we now anticipate that its earnings will contract by at least 6% in 2020, on the back of compressing margins, lower new loan production, and declining fees, before recovering partly in 2021. In addition, we project SCF's efficiency will deteriorate somewhat but still remain on par with peers', with its cost-to-income ratio standing at about 48% this year and next, compared with 44% at year-end 2019. This, together with our expectation that credit losses will almost triple in 2020, will result in a contraction of SCF's bottom-line profit of slightly more than 50% this year, before starting to recover, although not fully, by next year. Overall, we anticipate that SCF's return on equity will stand at about 5%-7% over the next two years, versus our previous expectation of 11%-12%.

Table 3

Santander Consumer Finance S.A.--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Tier 1 capital ratio	14.1	13.9	13.7	12.3	12.8
S&P Global Ratings' RAC ratio before diversification	12.1	11.9	10.4	8.8	9.6
S&P Global Ratings' RAC ratio after diversification	12.2	12.0	10.6	9.0	10.4
Adjusted common equity/total adjusted capital	90.2	89.5	90.9	100.0	100.0
Net interest income/operating revenues	77.2	78.5	76.7	76.3	74.6
Fee income/operating revenues	17.7	18.1	20.2	20.3	22.3
Market-sensitive income/operating revenues	(0.2)	0.1	0.1	0.2	(0.3)
Noninterest expenses/operating revenues	44.4	44.1	44.9	45.3	46.0
Preprovision operating income/average assets	2.2	2.3	2.4	2.4	2.5
Core earnings/average managed assets	1.3	1.5	1.5	1.4	1.5

RAC--Risk-adjusted capital.

Table 4

Santander Consumer Finance S.A. RACF [Risk-Adjusted Capital Framework] Data

(Mil. €)	**Exposure***	**Basel III RWA**	**Average Basel III RW(%)**	**S&P Global Ratings RWA**	**Average S&P Global Ratings RW (%)**
Credit risk					
Government & central banks	8,501	734	9	683	8
Of which regional governments and local authorities	150	21	14	10	6
Institutions and CCPs	3,696	893	24	1,066	29
Corporate	17,713	15,499	87	14,087	80
Retail	76,096	42,525	56	51,912	68
Of which mortgage	4,690	1,075	23	1,212	26
Securitization§	3,489	359	10	1,026	29
Other assets†	4,391	2,611	59	5,994	137
Total credit risk	113,886	62,621	55	74,768	66
Credit valuation adjustment					
Total credit valuation adjustment	--	62	--	0	--

Table 4

Santander Consumer Finance S.A. RACF [Risk-Adjusted Capital Framework] Data (cont.)

Market Risk					
Equity in the banking book	381	1,360	357	3,334	875
Trading book market risk	--	1,378	--	2,067	--
Total market risk	--	2,737	--	5,401	--
Operational risk					
Total operational risk	--	5,958	--	8,322	--
(Mil. €)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	71,378	--	88,491	100
Total diversification/ concentration adjustments	--	--	--	(350)	(0)
RWA after diversification	--	71,378	--	88,141	100
(Mil. €)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		10,151	14.2	10,750	12.1
Capital ratio after adjustments‡		10,151	14.1	10,750	12.2

*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. Sources: Company data as of 'Dec. 31 2019', S&P Global Ratings.

Risk position: Concentration in the auto sector.

Our assessment of SFC's risk position reflects our view of the bank's concentration in the inherently higher risk consumer lending, a segment that we believe is particularly vulnerable in the current crisis.

Auto-related exposure, including new cars, used cars, and dealer stock financing, has increased to 69% of total loans as of March 31, 2020. We regard this concentration as a weakness, stemming from the cyclical nature of the auto industry and higher vulnerability of consumer lending in times of economic stress. In addition, auto dealers have been particularly negatively impacted during the lockdown period. Although such lockdowns are varying from country to country, the longer they last, the more likely they are to impact consumers' investment decisions. In this context, we anticipate that some dealers may undergo significant pressure. SCF is trying to mitigate such impact by offering extensions to dealers, proactively offering refinancing alternatives, as well as payment holidays of several months for customers having difficulty in paying their loans, among others. At the same time, we note positively that SCF has operations with various car brands, unlike captive financers in the auto sector, and its geographic diversification across Europe. In particular, SCF has more than 115 agreements with more than 15 car manufacturers within 15 countries.

We also consider that SCF's rapid expansion through a series of acquisitions signals an above-peer-average appetite for growth. SCF has closed nine acquisitions in the past eleven years, with its loan book expanding by more than 50%. However, we note the bank's track record of quick consolidation and rapid implementation of its risk framework in each new subsidiary.

Lastly, we acknowledge the sustained improvement over the past five years of asset quality metrics across SCF's core countries, including those that we consider riskier such as Italy and Spain, toward peer averages. However, the underlying consumer assets of the bank are more volatile and risky compared with universal banks. We believe SCF's credit quality will deteriorate amid the economic downturn linked to COVID-19, with its nonperforming loan (NPL) ratio more than doubling to above 4% by year-end 2020, from 2% in 2018-2019. Although we anticipate it will maintain very conservative, and above peer average, NPL coverage (98% at year-end 2019). In our projections, we assume that SCF's cost of credit risk will hike to almost 120 bps and 100 bps this year and next, respectively, compared with abnormally low levels of 30 bps on average over the last three years. This is a trend that we also expect for its peers, though.

We consider SCF's single name concentration to be manageable because its top 20 exposures represented less than 3% of the loan book, or 0.3x of total adjusted capital, as of year-end 2019.

Table 5

Santander Consumer Finance S.A.--Risk Position

	--Year ended Dec. 31--				
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Growth in customer loans	6.9	5.9	5.2	15.3	21.4
Total diversification adjustment/S&P Global Ratings' RWA before diversification	(0.4)	(1.4)	(1.5)	(1.8)	(7.1)
Total managed assets/adjusted common equity (x)	11.8	11.8	11.8	12.2	12.0
New loan loss provisions/average customer loans	0.4	0.3	0.2	0.4	0.7
Net charge-offs/average customer loans	(0.5)	0.4	(0.1)	(0.0)	1.1
Gross nonperforming assets/customer loans + other real estate owned	2.0	2.0	2.2	2.4	3.1
Loan loss reserves/gross nonperforming assets	98.4	102.5	98.3	107.4	107.4

RWA--Risk-weighted assets.

Funding and liquidity: More balanced funding profile than peers and ongoing parental support.

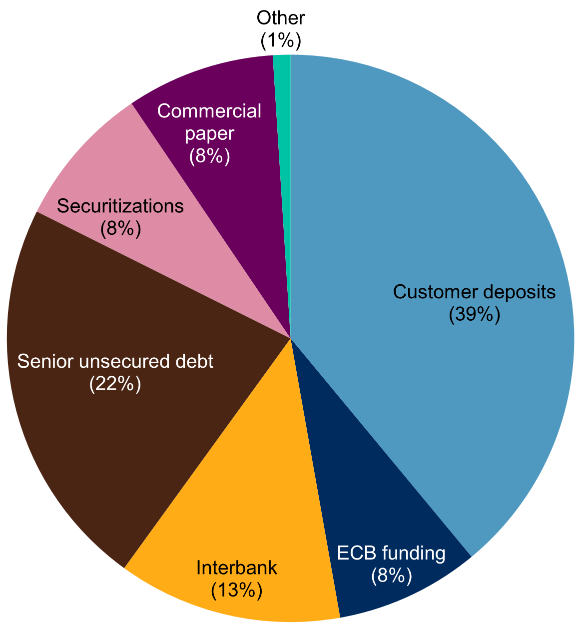
We consider SCF's funding and liquidity to be rating neutral because we balance its wholesale-dependent funding profile with the benefits derived from being part of the Santander Group.

SCF has a more balanced funding profile than consumer finance peers--which depend mostly on wholesale sources--thanks to customer deposits, which represented 39% of its funding base at year-end 2019. Although these deposits are largely based in Germany (accounting for 63% of total deposits), we now see increasing volumes in other countries, mostly Scandinavia and France.

In addition, SCF is a recurrent issuer in capital markets and in different jurisdictions, and it has been able to access the market continuously throughout the financial crisis, including in early 2020. On top of deposits, SCF's other funding sources include senior unsecured debt (22% of the funding base at year-end 2019), interbank deposits (13%), central bank funding (8%), commercial paper (8%), and securitizations (8%). Spain is the most active issuer in the group, followed by France, and the Nordics, accounting altogether for about 80% of the group's debt outstanding. The bank and its main subsidiaries aim to diversify wholesale funding sources further across its network through secured and unsecured debt issuances.

Chart 5

SCF's Funding Profile Is Wholesale-Dependent, But More Balanced Than Peers'
As of Dec. 31, 2019



Source: S&P Global Ratings.

Our calculated stable-funding ratio for SCF stood at just 83.3% as of December 2019, in line with the average of its peer group. This highlights some weaknesses because we expect banks to fund long-term assets with appropriate forms of stable long-term funding, plus a margin to be able to manage potential losses of customer deposits. We believe, though, that SCF will use and maximize the targeted longer-term refinancing operations III (TLTRO) on an opportunistic basis, to refinance outstanding TLTRO II (€7.9 billion at year-end 2019, or 6.8% of total assets) and increase the amount currently outstanding. This will result in an extension of the maturity profile and cheaper funding.

In our view, the ongoing parental support balances SCF's partial reliance on short-term liabilities to finance long-term assets. As of year-end 2019, SCF benefitted from €7.1 billion of its parent's funding. Our calculated liquidity coverage ratio was 0.5x as of year-end 2019, while its regulatory liquidity coverage ratio was 115%.

Table 6

Santander Consumer Finance S.A.--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Core deposits/funding base	39.0	39.1	40.1	40.7	42.2
Customer loans (net)/customer deposits	263.7	266.0	258.3	247.8	228.4
Long-term funding ratio	80.8	81.4	82.7	80.9	69.5

Table 6

Santander Consumer Finance S.A.--Funding And Liquidity (cont.)					
	--Year ended Dec. 31--				
(%)	**2019**	**2018**	**2017**	**2016**	**2015**
Stable funding ratio	83.3	84.0	84.1	83.3	73.7
Short-term wholesale funding/funding base	21.4	20.9	19.2	21.0	33.5
Broad liquid assets/short-term wholesale funding (x)	0.5	0.4	0.4	0.5	0.4
Net broad liquid assets/short-term customer deposits	(31.4)	(36.1)	(36.1)	(35.0)	(59.9)
Short-term wholesale funding/total wholesale funding	34.4	33.6	31.6	35.4	57.9
Narrow liquid assets/three-month wholesale funding (x)	1.6	1.1	1.1	1.2	0.4

Support: Rated one notch below the parent to reflect its highly strategic importance to the group.

We classify SCF as a subsidiary of high strategic important to Banco Santander and therefore assign a long-term rating one notch below that on its parent, equivalent to two notches above its SACP.

The assessment of SCF as a subsidiary of high strategic importance primarily reflects SCF's position as a solidly profitable subsidiary with operations across Europe that are integral to Santander's group strategy. We believe the group is supportive of SCF's management and will provide financial assistance if needed, for example in the form of capital and funding. We also believe that SCF is highly unlikely to be sold as a whole, although we estimate that parts of its business could be divested opportunistically.

SCF is the only subsidiary of the Santander Group that has not been identified as a separate point of entry in resolution, rather falling under the resolution perimeter of Santander. Therefore, we expect the parent to fulfil the minimum requirement for own funds and eligible liabilities of SCF, when required. At this point, Santander's additional loss-absorbing capacity buffer is not enough for the bank to benefit from a one notch ratings uplift over its SACP. However, should that be the case, for as long as SCF remains part of the resolution perimeter of its parent, the ratings of SCF would also benefit from that upside.

Group structure and rated subsidiaries

We rate two of SCF's operating subsidiaries in Europe, Germany-based Santander Consumer Bank AG (SCB) and PSA Banque France (PBF). We consider SCB to be core to the group, while we consider PBF to be strategically important. In both cases, the subsidiaries benefit from group support and, as a result, have ratings that are higher than their SACPs.

In particular, SCB currently benefits from a one-notch uplift above its 'bbb+' SACP, as we equalize its issuer credit rating (ICR) with that of SCF. PBF, on its side, is a joint venture (JV), 50%-owned by SCF and 50%-owned by French carmaker Peugeot S.A. (PSA; BBB-/Negative/NR). Because we believe that PSA's creditworthiness can potentially influence the JV, we would not rate PBF more than two notches above PSA, as we would typically do if it was a pure captive. Our ratings on BPF therefore currently benefit from a two-notch uplift above its 'bbb-' SACP.

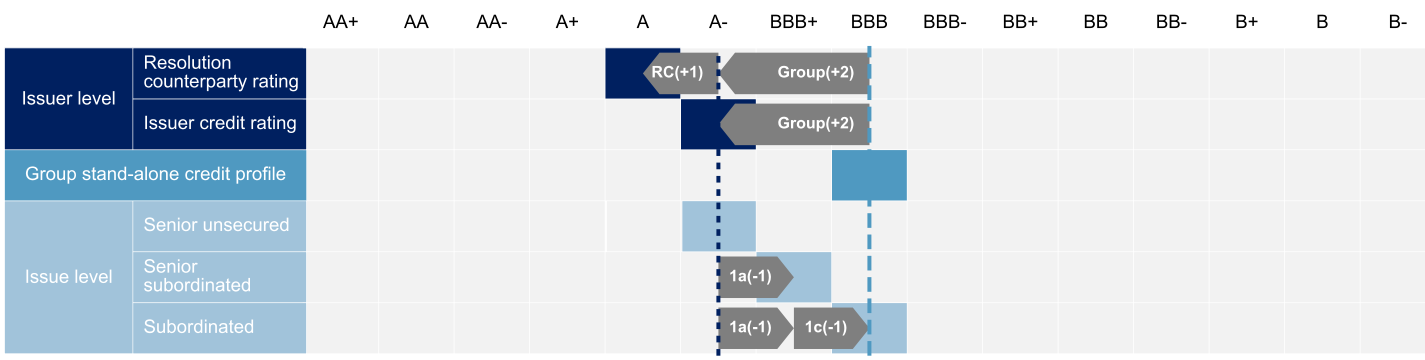
Hybrid issue ratings

Our 'BBB' rating on SCF's Tier 2 subordinated instruments stands two notches below our 'A-' ICR on the entity. We derive this gap as follows:

- One notch for contractual subordination, since SCF is an investment-grade issuer.
- One notch because they are regulatory capital instruments and we believe that authorities could force their write down to absorb losses before the institution reaches the point of nonviability.

We believe that group support would also flow to SCF's outstanding Tier 2 subordinated instruments, and therefore we use the ICR for our notching.

Santander Consumer Finance: Notching



Key to notching

Group stand-alone credit profile
Issuer credit rating

Group	Group support
RC	Resolution counterpartyliabilities (senior secured debt)
1a	Contractual subordination
1c	Mandatory contingent capital clause or equivalent

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.
NDSD--Non-deferrable subordinated debt.

Resolution counterparty ratings (RCRs)

We set the RCR of SCF at 'A/A-1', one notch above the bank's long-term issuer credit rating. An RCR is a forward-looking opinion of the relative default risk of certain senior liabilities that may be protected from default through an effective bail-in resolution process for the issuing financial institutions. RCRs apply to issuers in jurisdictions where we assess the resolution regime to be effective and we consider the issuer likely to be subject to a resolution that entails a bail-in if it reaches nonviability.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty

Ratings, April 19, 2018

- 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
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Anchor Matrix

Industry Risk	Economic Risk									
	1	2	**3**	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	**bbb+**	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of May 29, 2020)*

Santander Consumer Finance S.A.	
Issuer Credit Rating	A-/Negative/A-2
Resolution Counterparty Rating	A/--/A-1
Commercial Paper	
Local Currency	A-2
Senior Subordinated	BBB+
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB
Issuer Credit Ratings History	
29-Apr-2020	A-/Negative/A-2
06-Apr-2018	A-/Stable/A-2
09-Jun-2017	BBB+/Stable/A-2
03-Apr-2017	BBB+/Positive/A-2
06-Oct-2015	BBB+/Stable/A-2
Sovereign Rating	
Spain	A/Stable/A-1
Related Entities	
Banco Ole Bonsucesso Consignado S.A.	
Issuer Credit Rating	
Brazil National Scale	brAAA/Stable/brA-1+
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/Negative/A-1

Ratings Detail (As Of May 29, 2020)*(cont.)	
Commercial Paper	
Foreign Currency	A-1
Senior Unsecured	A
Subordinated	A-
Banco Santander S.A.	
Issuer Credit Rating	A/Negative/A-1
Resolution Counterparty Rating	A+/--/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+/Negative/A-2
Commercial Paper	A-2
Senior Unsecured	BBB+
Santander Bank, N.A.	
Issuer Credit Rating	A-/Negative/A-2
Senior Unsecured	A-
Short-Term Debt	A-2
Subordinated	BBB+
Santander Consumer Bank AG	
Issuer Credit Rating	A-/Negative/A-2
Resolution Counterparty Rating	A/--/A-1
Commercial Paper	A-2
Senior Subordinated	BBB+
Senior Unsecured	A-
Santander Holdings U.S.A Inc.	
Issuer Credit Rating	BBB+/Negative/A-2
Preferred Stock	BB+
Senior Unsecured	BBB+
Santander Totta SGPS, S.A.	
Senior Unsecured	BBB
Santander UK Group Holdings PLC	
Issuer Credit Rating	BBB/Negative/A-2

Ratings Detail (As Of May 29, 2020)*(cont.)	
Junior Subordinated	B+
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
Santander UK PLC	
Issuer Credit Rating	A/Negative/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-
Sovereign Real Estate Investment Trust	
Preferred Stock	BB+

*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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