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Santander Consumer Finance S.A.

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Santander Consumer Finance S.A.

Rating Component Scores

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

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

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/Stable/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**
High strategic importance to parent, Banco Santander S.A.	Business concentration in car financing.
Wide geographic diversification within Europe.	Inherent high-risk nature of the consumer finance business.
Comfortable capital position and solid earnings generation capacity.	

The long-term issuer credit rating (ICR) on Santander Consumer Finance (SCF) benefits from three notches of parental support uplift. 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 think the group is supportive of management and could cover SCF's financial needs if necessary, in the form of capital and funding, for example. Furthermore, since it falls under its parent's resolution perimeter, the source of parent support includes Santander's buffer of subordinated bail-inable instruments. We also think Banco Santander is highly unlikely to sell SCF as a whole, although we estimate that it could opportunistically divest parts of SCF's business in times of stress.

SCF remains 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. Despite being concentrated in the consumer lending business, SCF remains one of Europe's largest consumer finance institutions, benefitting from a wide geographic diversification across the continent. We anticipate that SCF will maintain a RAC ratio of 13.25%-13.75% and a ROE of about 11% over the next 24 months, despite the uncertain operating environment and the challenges faced by the auto sector. We also anticipate some asset quality deterioration, but within manageable levels, with its problem loans ratio approaching 3%-3.5% (versus 2% at end-2021), with its cost of risk standing at 70 basis points (bps)-80 bps. In addition, and even if its funding costs are set to increase, we anticipate that SCF's funding and liquidity profile will continue to compare favorably with most of its European peers, owing to its sizable customer deposit base in countries such as Germany and the ongoing support of its parent.

We analyze SCF at the legal perimeter level. Banco Santander's reporting segment "Digital Consumer Bank" includes SCF. It also includes other segments that do not fall within SCF's legal perimeter, such as Openbank and the Open Digital Services platform. We exclude these from our analysis, which we base on SCF's legal perimeter.

Outlook

The stable outlook on SCF mirrors that on its parent, Santander, as well as that on Spain, SCF's country of domicile. As long as we continue to assess SCF as highly strategic to Santander, and it remains within Santander's resolution perimeter, our ratings on SCF will remain one notch below those on its parent, and capped at the level of the Spanish sovereign.

Downside scenario

We could lower the ratings on SCF in the next 18-24 months if we downgraded its parent, or if we thought the parent's commitment had weakened, leading us to revise downward our view of SCF's long-term strategic importance for the Santander group, or if SCF were to fall out of Santander's resolution perimeter. In addition, we could lower our ratings on SCF if we lowered the sovereign credit rating on Spain. That is because we cannot rate highly strategically important subsidiaries such as SCF above the sovereign credit rating on their country of domicile based on group support, unless their exposure to their country of domicile is lower than 10%, which is not the case for SCF.

Upside scenario

Although unlikely, an upgrade of SCF in the next 18-24 months could be triggered by a similar action on both its parent and on Spain, for as long as we continue to consider that the parent's commitment to SCF had not weakened and that SCF would remain part of Santander's resolution perimeter. In addition, if we revised SCF's status within the group to core, we could consider an upgrade.

Key Metrics

Santander Consumer Finance S.A.--Key Ratios And Forecasts					
	--Fiscal year ended Dec. 31--				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	1.5	5.8	3.1-3.8	3.0-3.7	4.9-6.0
Growth in customer loans	(0.6)	2.0	2.1-2.5	1.8-2.2	2.2-2.7
Net interest income/average earning assets (NIM)	3.3	3.4	3.2-3.5	3.2-3.6	3.4-3.8
Cost to income ratio	45.5	45.7	44.8-47.1	44.9-47.2	44.1-46.3
Return on average common equity	4.8	11.5	10.9-12.0	9.4-10.3	10.5-11.6
New loan loss provisions/average customer loans	0.8	0.5	0.6-0.6	0.7-0.8	0.6-0.7
Gross nonperforming assets/customer loans	2.0	2.0	2.2-2.4	3.0-3.4	2.8-3.1
Risk-adjusted capital ratio	13.9	12.8	12.8-13.4	12.9-13.6	13.1-13.8

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

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.

SCF's anchor 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, and the Nordics. At year-end 2021, the bank's German operations accounted for about 38% of its total loans, followed by those in Scandinavia (17%), France (14%), Spain (14%), Italy (9%), and other European countries (7%).

Our industry risk score of '4' balances Spanish banks' solid funding profiles and a supportive institutional framework with the profitability challenges and technological disruption that the industry faces. Customer deposits now fund the bulk of banks' credit operations, and at historically low costs. Recourse to external funding has fallen meaningfully, with the banking sector's net external position even turning negative. Furthermore, banks' borrowings from the European Central Bank's (ECB's) third targeted longer-term refinancing operations are largely back at the ECB. That said, the pandemic aggravated pre-existing profitability challenges and accelerated digitalization trends, making it more difficult for banks, particularly midsize banks, to achieve higher returns than cost of capital. While higher interest rates will support interest income growth, we still anticipate limited volume growth and potentially rising pressure on operating costs, which will partly offset benefits from higher margins.

Business Position: Specialized Player In Consumer Finance, But With A Wide Geographic Diversification

Our assessment of SCF's business position primarily reflects its concentration in the consumer lending business. In our view, consumer finance companies such as 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 attempts to mitigate this by leveraging:

- The parent's brand and reputation;
- Many agreements with manufacturers and retailers across Europe that supply sustained business volumes. These deals have increased significantly during the past decade and some of them are cross-European, which increases their long-term sustainability; and
- Its relatively large customer deposit base of €40 billion (as of mid-2022), mostly in Germany but increasingly in other geographies, including Scandinavia and France.

With total assets of €127 billion at end-June 2022, 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. SCF's management team has successfully integrated newly acquired businesses and generated profit, which has tripled in the past decade. Its spread over several European countries has been a competitive advantage supporting its business and financial performance, despite times of stress, such as 2010-2014 in Italy and Spain.

Specifically, SCF is active in the car financing segment--new and used vehicles, and stock financing dealers--which represented 78% of the loan book as of end-June 2022. This sector had already been facing several challenges over the past few years. Given intensified global supply disruptions amid the Russia-Ukraine conflict, we anticipate that European light vehicle sales could have fallen by 9%-11% in 2022 year-on-year, and will only recover by 3%-5% in 2023 and 4%-6% in 2024. Positively, we anticipate that electric vehicle sales will continue to accelerate and reach over 30% of the fleet in Europe by 2025 (see "Auto Sales Recovery Stalls Amid Weaker Economic Outlook," published on Oct. 14, 2022).

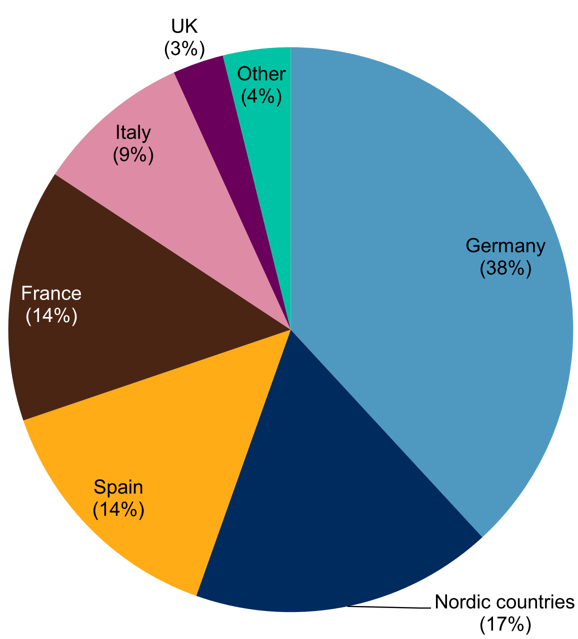
In parallel, SCF announced in April 2022 that it had reshaped its agreement with Stellantis (BBB/Stable/A-2) to finance the vehicles of all the automaker's brands in seven European countries: Belgium, France, Italy, the Netherlands, Poland, Portugal, and Spain--such countries account for somewhat more than 40% of all new vehicle registrations in Europe. Meanwhile, BNP Paribas Personal Finance will finance Stellantis' vehicles in Germany, Austria, and the U.K., while Stellantis' other European financing partner, Credit Agricole, will partner with the car maker for operational car leasing in 10 European countries. From a business perspective, SCF expects to benefit from strong volumes and earnings generation over the next couple of years. It aims to reach €40 billion loans from the Stellantis' brands by 2026 (an increase of 33%). Even if SCF will lose its ability to finance Stellantis' cars in two of Europe's strongest countries--Germany and the U.K--we believe its business prospects will improve under the revised captive agreement, as it will remain its exclusive partner in some of its main markets. The transaction is expected to close in the first half of 2023, once the required authorizations have been obtained.

Direct consumer lending, which we think has higher credit risk and greater earnings volatility, represents about 13% of SCF's loan book. This potential risk is partly offset by SCF's wide geographic diversification across 16 European countries, leading market positions in most of these countries, and the positive track record of acquisition-led expansion.

At the end of 2020, Santander announced the combination--not legal merger--of SCF with Openbank, as part of its commitment to operate more cohesively across units and avoid duplications, allowing SCF to benefit from Openbank's advanced technological capabilities. This was witnessed recently, for instance, with SCF's launch of Zinia--a "buy now pay later service"--which uses technology developed by Openbank. SCF also remains committed to simplifying its structure and further compressing costs by reducing the number of banking licenses in several countries and operating through branches instead, as demonstrated by the absorption of its subsidiaries in Belgium, Portugal, the Netherlands, and France over the last two years, which now operate as branches.

Chart 1

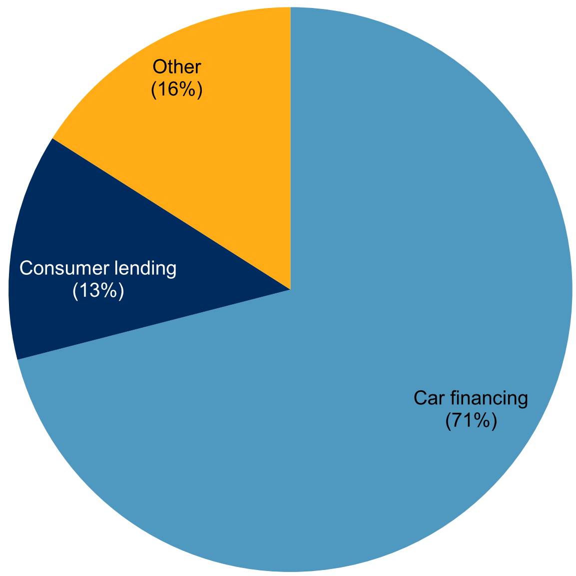
SCF Benefits From A Wide Geographic Diversification Across Europe
Customer loan distribution, as of end-2021



Source: S&P Global Ratings.

Chart 2

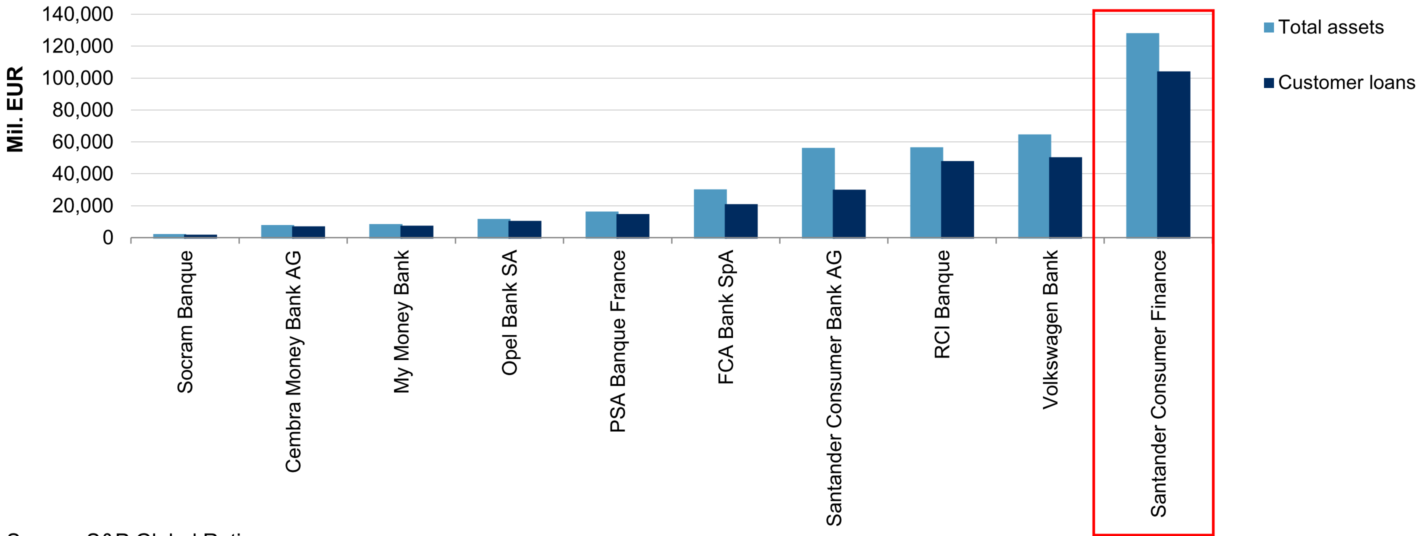
But Its Business Is Concentrated In Inherently Riskier Consumer Finance
Product distribution, as of end-2021



Source: S&P Global Ratings.

Chart 3

SCF Enjoys The Largest Franchise Compared With European Peers
As of June 2022



Source: S&P Global Ratings.

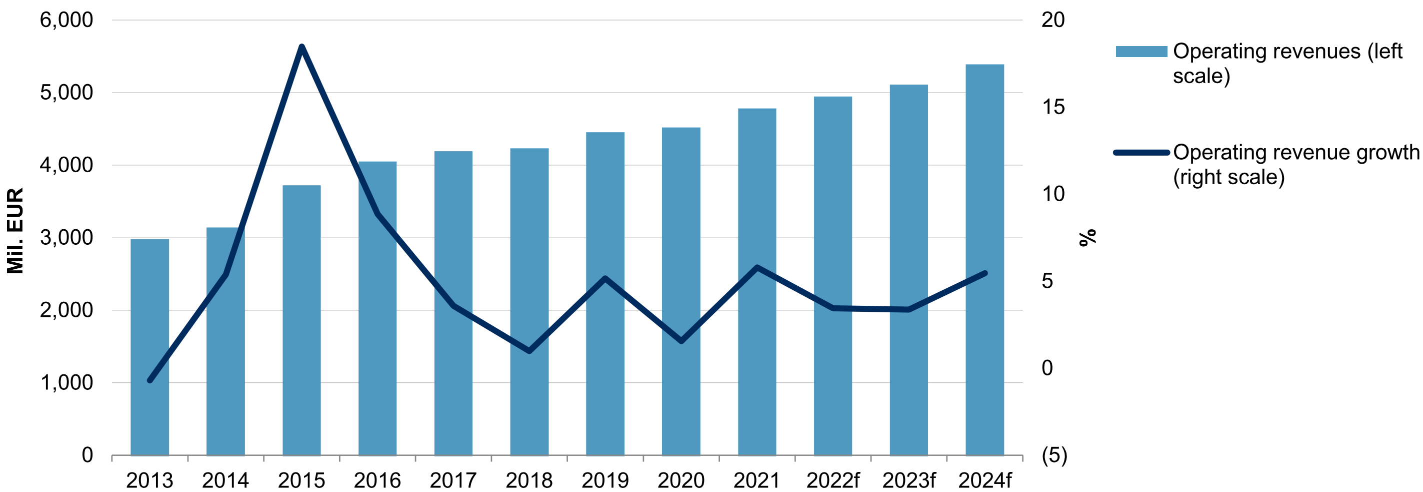
Capital And Earnings: Solid Capital Position And Strong Revenue Generation Capacity

We consider SCF's capital and earnings to be robust enough to cover its concentrated consumer finance risks. We expect the bank's RAC ratio will stay at around 13.25%-13.75% over the next 18-24 months, compared to 12.85% at end-2021.

SCF has maintained strong earnings generation capacity over the past seven years--only somewhat interrupted in 2020 due to the COVID-19 outbreak--with sound efficiency and high capacity to benefit from economies of scale arising from its large business platform. We forecast that operating revenue will grow by about 4% annually over the next 18-24 months, with net interest income benefitting from the increase in interest rates but also reflecting higher funding costs. Meanwhile, operating costs could grow by about 3.5% each year, given high inflation pressure and further investments related to the ongoing structure simplification and business transformation. Given the nature of its business, we also anticipate some increase in credit losses, with cost of risk standing at 70 bps-80 bps, from 50 bps in 2021. Overall, we think SCF's efficiency will remain on par with peers,' with its cost-to-income ratio standing at about 45% by end-2024, and its return on equity at 11%.

Chart 4

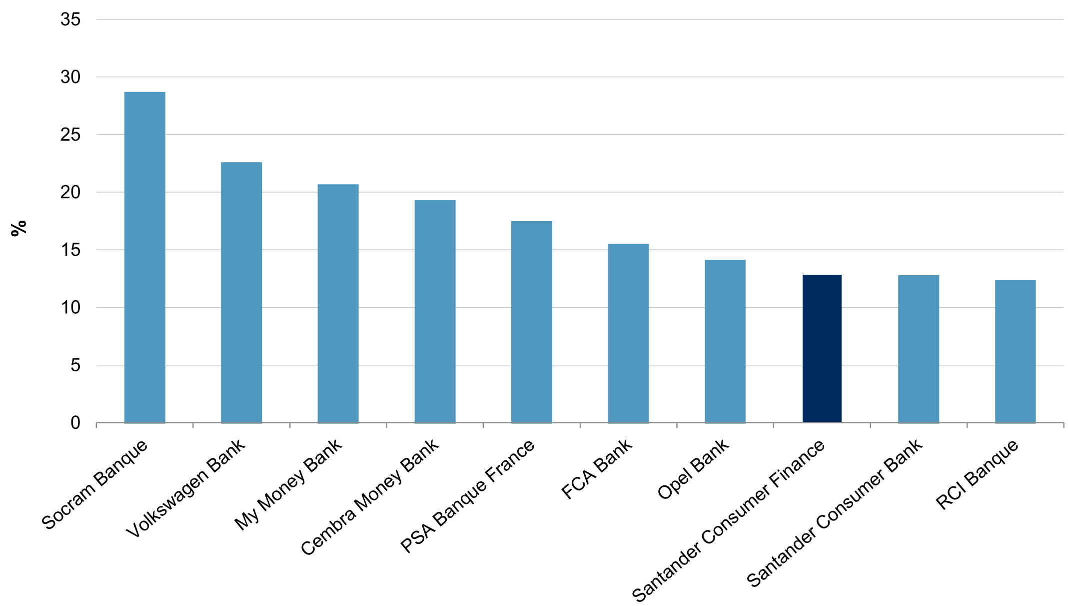
SCF Will Continue Posting Relatively Stable But Growing Operating Revenues Through Time



Source: S&P Global Ratings.

Chart 5

Like Most Peers, SCF's Capitalization Is Strong
S&P Global Ratings' risk-adjusted capital ratio as of year-end 2021



Source: S&P Global Ratings.

At end-June 2022, SCF reported a 12.3% fully loaded Common Equity Tier 1 (CET1) ratio, down from 12.6% at end-2021. We expect SCF will maintain a CET1 ratio somewhat above 12% over the next 18-24 months, more or less in line with the group's overall target. We also anticipate that SCF will distribute to its parent the capital it does not need to sustain additional growth in risk-weighted assets. In our forecasts, we assume an approximate 60% in payouts this year and next.

SCF's quality of capital is satisfactory and consistent with most peers, in our view. At end-June 2022, hybrid instruments represented 10.5% of our total adjusted capital, and 4.4% of its deferred tax assets.

Risk Position: Concentration In The Auto Sector

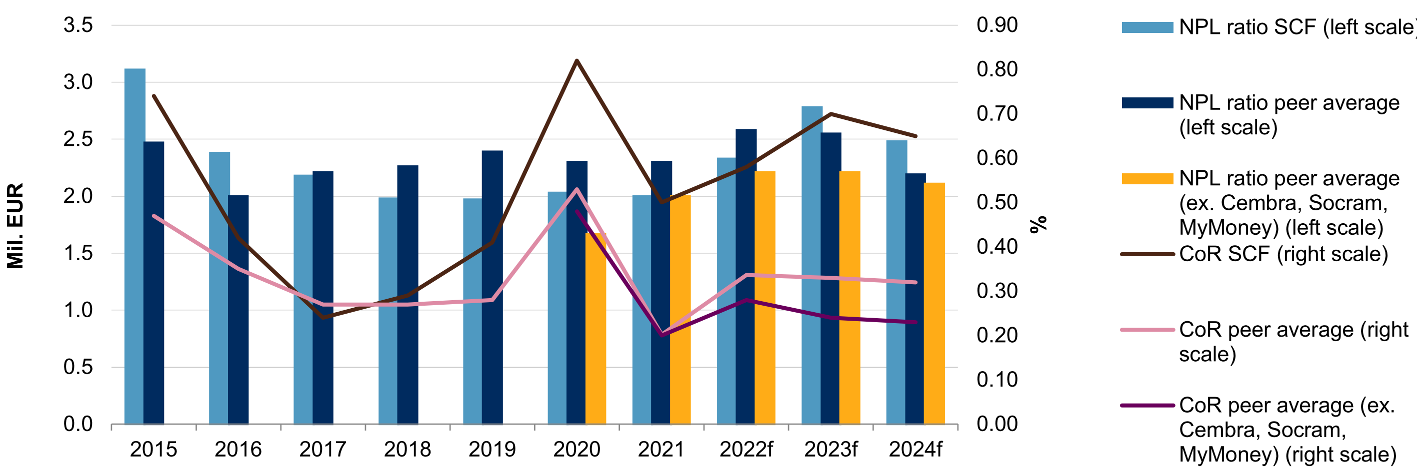
SCF maintains a high concentration in inherently higher-risk consumer lending, particularly in the auto sector. Its auto-related exposure, including new cars, used cars, and dealer stock financing, accounted for 78% of total loans as of end-June 2022. We regard this concentration as a weakness because of the cyclical nature of the auto industry and the higher vulnerability of consumer lending in times of economic stress.

However, unlike captive financers in the auto sector, this is partly mitigated by SCF's operations with various car brands--including Opel once the new agreement with Stellantis is closed, expected in the first half of 2023--and its geographic diversification across Europe. In particular, SCF has more than 120 agreements with 16 car manufacturers in 16 countries. We also note that SCF has rapidly expanded through a series of acquisitions, which signals an above-peer-average appetite for growth. In particular, it has closed 10 acquisitions in the past 12 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.

We acknowledge that SCF's asset quality metrics across its core countries--including those that we consider riskier, such as Italy and Spain--have improved toward peer averages over the past six years. They still compare slightly worse than those of pure auto peers, however. At the same time, the bank's underlying consumer lending portfolios remain more volatile and risky compared with universal banks. We anticipate that SCF's problem loans could deteriorate somewhat over the next 18-24 months amid the current economic slowdown, with its problem loans ratio approaching 3%, compared to 2.0% at end-2021. In addition, we anticipate that SCF will continue to resort to the sale of defaulted portfolios, although to a lesser extent than in the past, with somewhat more than €100 million estimated sales per year.

Chart 6

SCF's Asset Quality Metrics Have Improved In Recent Years, But Still Lag Somewhat Pure Auto Peers



f--Forecast. Average excluding Cembra, Socram, My Money. NPL--Nonperforming loans. CoR--Cost of risk.
Source: S&P Global Ratings.

We consider SCF's single-name concentration to be manageable, with its top-20 exposures representing 4% of the loan book, or 0.35x of total adjusted capital, as of year-end 2021.

Funding And Liquidity: More Balanced Funding Profile Than Peers' And Ongoing Parental Support

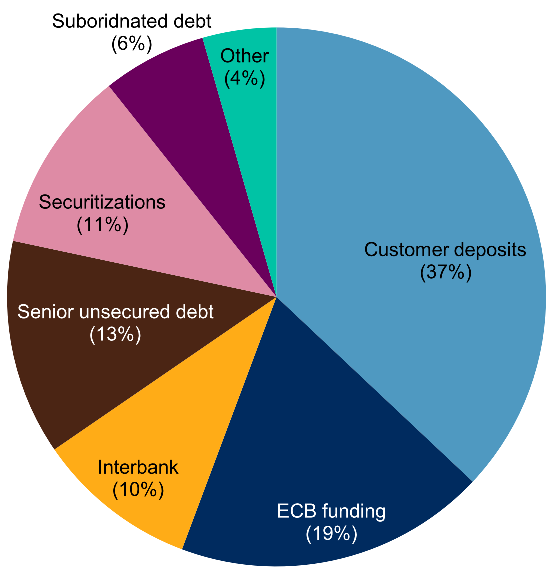
We consider SCF's funding and liquidity to be ratings neutral because we balance its wholesale-dependent funding profile with the benefits derived from being part of the Santander Group.

SCF has a more balanced funding profile than consumer finance peers'--which depend mostly on wholesale sources--thanks to customer deposits, which represented 37% of its funding base at end-June 2022. These deposits are largely based in Germany, accounting for 60% of total deposits, but we also see increasing volumes in other countries, such as Spain 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 financial crises. Aside from deposits, SCF's other funding sources include central bank funding (19% of the funding base at end-June 2022), interbank deposits (10%), senior unsecured debt (13%), securitizations (11%), and subordinated debt (6%). Spain is the most active issuer in the group, followed by France and the Nordics, accounting for about 80% of the group's outstanding debt. Together with its main subsidiaries, SCF aims to further diversify wholesale funding sources across its network through secured and unsecured debt issuances.

Chart 7

SCF's Funding Profile Is Wholesale-Dependent, But Somewhat More Balanced Than Peers'
As of June 30, 2022



Source: S&P Global Ratings.

Our calculated stable funding ratio for SCF stood at 94.6% as of June 2022, relatively 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 that can manage potential losses of customer deposits. Like its peers, SCF has taken advantage of the attractive terms of targeted longer-term refinancing operations (TLTRO III), increasing its recourse to €20.1 billion, leading to an extension of its maturity profile and cheaper funding. Part of this was deposited back at the central bank, and SCF plans to gradually amortize it until 2024, and partly replace it with customer deposits and by tapping the market with other funding sources. This will likely result in some deterioration of its regulatory net stable funding ratio (NSFR), but within manageable levels and staying above regulatory requirements.

In our view, the ongoing parental support balances SCF's partial reliance on short-term liabilities to finance long-term assets. As of end-June 2022, SCF benefitted from €7.3 billion of funding from its parent. Our calculated liquidity coverage ratio was 1.05x as of end-June 2022, while its regulatory liquidity coverage ratio stood at 266%.

Environmental, Social, And Governance (ESG): No Material Effect On SCF's Creditworthiness At This Stage

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.

Although SCF is indirectly more exposed to the auto sector than traditional retail banks, we do not currently see environmental factors influencing its creditworthiness more negatively than the industry average. That said, the business and financial challenges of the auto industry--which is more exposed to environmental factors and needs to adapt to higher electrification and greener mobility--could indirectly affect SCF's business prospects, since it is a large provider of auto loans. At this stage, though, we note SCF's wide diversification, with more than 120 agreements with different car manufacturers in several countries.

Regarding social risks, SCF is exposed to increasing legal claims from its customers, but not to a larger extent than its peers, in our view. SFC's business stability is also challenged by potential substantial changes in consumer preferences, such as favoring renting and leasing over ownership, which is making SCF gradually adapt its product offering. Finally, we note SCF follows adequate governance standards, as per the broader Santander group.

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 importance to Banco Santander. Therefore, our long-term ICR on SCF is one notch below that on its parent, three notches above SCF's SACP.

Our assessment of SCF as a subsidiary of high strategic importance primarily reflects the bank's position as a solidly profitable subsidiary with operations across Europe that are integral to Santander's group strategy. We think 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 think that Banco Santander is highly unlikely to sell SCF as a whole, although we estimate that the parent could opportunistically divest parts of SCF's business in times of stress.

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 consider it to be eligible to indirectly benefit from the parent's stronger creditworthiness, now including one notch of ALAC (additional loss-absorbing capacity) uplift. As long as we continue to assess SCF as highly strategic to Banco Santander, and it remains under Santander's resolution perimeter, our ratings on SCF will remain one notch below those on its parent, and capped at the level of the Spanish sovereign.

Group Structure, Rated Subsidiaries, And Hybrids

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, whereas we consider PBF to be strategically important. In both cases, the subsidiaries benefit from group support and, as a result, our ratings on these entities are higher than their SACPs.

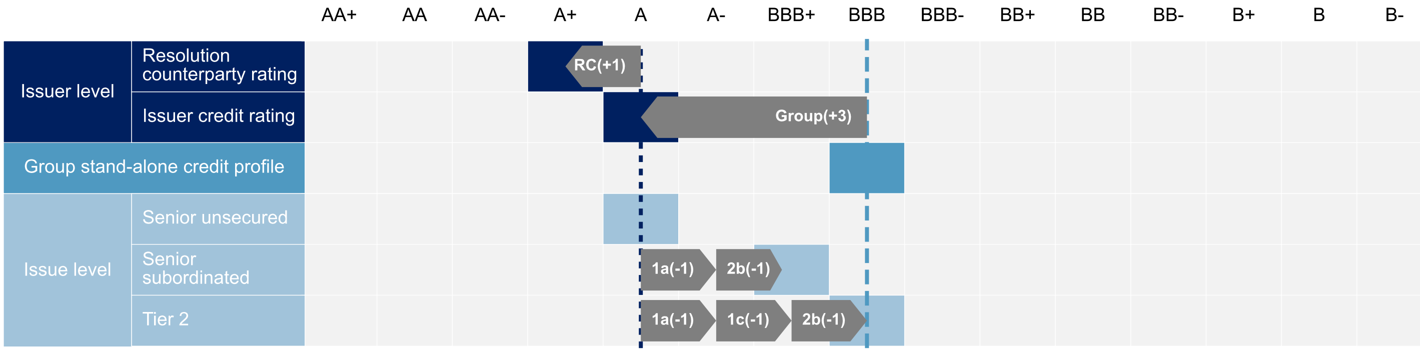
SCB currently benefits from a three-notch uplift above its 'bbb' SACP, since we equalize the ICR with that on SCF. PBF is a joint venture (JV), 50% owned by SCF and 50% owned by Stellantis N.V. Our ratings on PBF currently benefit from a two-notch uplift above its 'bbb-' SACP. We believe it is unclear whether PBF's senior creditors will benefit from the ALAC built up at the Santander group level, and therefore consider that the reference point for the likely support that PBF will receive from SCF should remain at an ICR of 'A-' rather than 'A' (see PSA Banque France Affirmed At 'BBB+/A-2'; Outlook Stable; Off UCO On Implementation Of Revised FI Criteria , published Jan. 19, 2022).

Our 'BBB' rating on SCF's Tier 2 subordinated instruments stands three 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 think authorities could force their write-down to absorb losses before SCF reaches the point of nonviability; and
- One notch because we believe that ALAC support at the parent level would not be available to support SCF's hybrid instruments.

Similarly, our 'BBB+' rating on SCF's senior non-preferred (SNP) instruments stands two notches below its ICR, incorporating one notch for contractual subordination and a further notch to reflect our belief that additional loss-absorbing capacity (ALAC) support at Santander would not be available to support SCF's SNP instruments.

Santander Consumer Finance S.A.: Notching



Key to notching

- - - - - Group stand-alone credit profile
- - - - - - Issuer credit rating

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

Resolution Counterparty Ratings (RCRs)

The long- and short-term RCRs on SCF are 'A+/A-1', one notch above the long- and short-term ICRs on the bank. 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 that the issuer will likely be subject to a resolution that entails a bail-in if it reaches nonviability.

Key Statistics

Table 1

Santander Consumer Finance S.A.--Key Figures

	--Year-ended Dec. 31--				
(Mil. €)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	125,344.5	128,767.5	117,909.3	112,247.3	103,355.1
Customer loans (gross)	103,457.5	101,674.5	99,637.7	100,237.0	93,788.5
Adjusted common equity	10,166.4	9,921.4	10,511.2	9,700.1	8,978.5
Operating revenues	2,515.0	4,767.9	4,506.9	4,438.4	4,219.6
Noninterest expenses	1,211.8	2,180.6	2,050.6	1,971.5	1,862.0

Table 1

Santander Consumer Finance S.A.--Key Figures (cont.)					
	--Year-ended Dec. 31--				
(Mil. €)	2022*	2021	2020	2019	2018
Core earnings	782.5	1,541.7	1,086.8	1,477.8	1,509.7

*Data as of June 30.

Table 2

Santander Consumer Finance S.A.--Business Position					
	--Year-ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Total revenues from business line (currency in millions)	2,516.3	4,768.1	4,506.9	4,446.8	4,233.3
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	11.5	11.5	4.8	10.9	12.2

*Data as of June 30.

Table 3

Santander Consumer Finance S.A.--Capital And Earnings					
	--Year-ended Dec. 31--				
(%)	2022*	2021	2020	2019	2018
Tier 1 capital ratio	14.2	14.5	15.2	14.1	13.9
S&P Global Ratings' RAC ratio before diversification	N/A	12.8	13.9	12.1	11.9
S&P Global Ratings' RAC ratio after diversification	N/A	13.3	14.0	12.2	12.0
Adjusted common equity/total adjusted capital	89.4	89.2	89.8	90.2	89.5
Net interest income/operating revenues	72.2	74.6	77.2	77.2	78.5
Fee income/operating revenues	15.7	16.0	15.8	17.7	18.1
Market-sensitive income/operating revenues	0.8	0.0	(0.2)	(0.2)	0.1
Cost to income ratio	48.2	45.7	45.5	44.4	44.1
Preprovision operating income/average assets	2.0	2.1	2.1	2.2	2.3
Core earnings/average managed assets	1.2	1.2	0.9	1.3	1.5

*Data as of June 30. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

Santander Consumer Finance S.A.--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 and central banks	22,816.8	877.8	3.8	747.1	3.3
Of which regional governments and local authorities	542.2	21.4	4.0	20.2	3.7
Institutions and CCPs	3,578.1	857.6	24.0	1,157.7	32.4
Corporate	16,090.1	13,576.0	84.4	12,770.3	79.4

Table 4

Santander Consumer Finance S.A.--Risk-Adjusted Capital Framework Data (cont.)					
Retail	77,679.0	43,743.7	56.3	48,752.1	62.8
Of which mortgage	3,901.7	889.1	22.8	1,005.9	25.8
Securitization§	2,394.5	0.0	0.0	647.8	27.1
Other assets†	6,865.0	5,067.6	73.8	8,585.8	125.1
Total credit risk	129,423.4	64,122.7	49.5	72,660.8	56.1
Credit valuation adjustment					
Total credit valuation adjustment	--	1,019.0	--	0.0	--
Market risk					
Equity in the banking book	410.7	1,474.5	359.0	3,593.6	875.0
Trading book market risk	--	909.0	--	1,363.5	--
Total market risk	--	2,383.4	--	4,957.0	--
Operational risk					
Total operational risk	--	5,794.8	--	8,939.8	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	73,319.8	--	86,557.7	100.0
Total diversification/ Concentration adjustments	--	--	--	(2,752.4)	(3.2)
RWA after diversification	--	73,319.8	--	83,805.3	96.8
		Tier 1 capital	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		10,579.1	14.4	11,121.4	12.8
Capital ratio after adjustments‡		10,579.1	14.5	11,121.4	13.3

*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, 2021, S&P Global Ratings.

Table 5

Santander Consumer Finance S.A.--Risk Position					
	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	3.5	2.0	(0.6)	6.9	5.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(3.2)	(1.1)	(0.4)	(1.4)
Total managed assets/adjusted common equity (x)	12.5	13.2	11.4	11.8	11.8
New loan loss provisions/average customer loans	0.5	0.5	0.8	0.4	0.3
Net charge-offs/average customer loans	0.6	0.8	0.0	(0.5)	0.4
Gross nonperforming assets/customer loans + other real estate owned	2.1	2.0	2.0	2.0	2.0
Loan loss reserves/gross nonperforming assets	93.2	104.0	108.4	98.4	102.5

*Data as of June 30. N/A--Not applicable. RWA--Risk-weighted assets.

Table 6

Santander Consumer Finance S.A.--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	37.6	35.1	37.0	39.0	39.1
Customer loans (net)/customer deposits	249.9	254.7	259.8	263.7	266.0
Long-term funding ratio	86.9	86.0	84.4	80.8	81.4
Stable funding ratio	94.6	98.9	92.1	83.3	84.0
Short-term wholesale funding/funding base	14.5	15.4	17.4	21.4	20.9
Broad liquid assets/short-term wholesale funding (x)	1.0	1.4	0.9	0.5	0.4
Broad liquid assets/total assets	12.9	17.7	12.9	8.8	7.7
Broad liquid assets/customer deposits	40.4	59.3	41.2	27.0	23.5
Net broad liquid assets/short-term customer deposits	2.0	16.8	(6.2)	(31.4)	(36.1)
Short-term wholesale funding/total wholesale funding	22.8	23.3	27.1	34.4	33.6
Narrow liquid assets/3-month wholesale funding (x)	2.3	2.9	2.3	1.6	1.1

*Data as of June 30.

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: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: December 2022, Dec. 20, 2022
- European Banks' Residential Mortgage Losses Should Remain Contained Even As Economies Slow, Nov. 15, 2022
- Banking Risk Indicators: November 2022 Update, Nov. 10, 2022
- European Banks: The Agile Will Come Out Stronger, Nov. 9, 2022

- Auto Sales Recovery Stalls Amid Weaker Economic Outlook, Oct. 14, 2022
- Rising Recession Risks Cloud Eurozone Banks' Earnings Prospects, Sept. 30. 2022
- Update: Santander Consumer Bank AG, Sept. 28, 2022
- PSA Banque France, Sept. 6, 2022
- Banco Santander S.A., July 27, 2022
- Stellantis' Revised Captive Agreements Improve Business Prospects For Two Of Its European Banking Partners, June 9, 2022
- BICRA Spain, April 11, 2022
- Outlook Revised To Stable On Top Spanish Banks And Subsidiaries Following Similar Action On Spain; Ratings Affirmed, March 22, 2022
- Spain Outlook Revised to Stable From Negative on Balanced Growth; 'A/A-1' Ratings Affirmed, March 18, 2022

Ratings Detail (As Of January 10, 2023)*	
Santander Consumer Finance S.A.	
Issuer Credit Rating	A/Stable/A-1
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
Issuer Credit Ratings History	
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
Sovereign Rating	
Spain	A/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+/Stable/A-1

Ratings Detail (As Of January 10, 2023)*(cont.)	
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 Bank AG	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Commercial Paper	A-1
Senior Unsecured	A
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

Ratings Detail (As Of January 10, 2023)*(cont.)	
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.