FitchRatings

Banks
Retail & Consumer Banks
Spain

Santander Consumer Finance, S.A.

Ratings

Foreign Currency	
Long-Term IDR	A-
Short-Term IDR	F2
Viability Rating	a-
Shareholder Support Rating	a-
Sovereign Risk (Spain)	
Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Key Rating Drivers

Strong Franchise, Resilient Profits: Santander Consumer Finance, S.A.'s (SCF) ratings reflect a strong consumer finance franchise in Europe, sound earnings generation capacity through economic cycles, and adequate capitalisation. Its funding is stable but largely reliant on wholesale sources, and, together with capitalisation, benefits from ordinary support from parent bank, Banco Santander, S.A. (A-/Stable). The Viability Rating (VR) also factors in some degree of stability in SCF's asset quality despite the cyclical nature of its business and sound risk controls.

Shareholder Support Underpins IDRs: While SCF's IDRs are driven by its intrinsic strength, the ratings are underpinned by potential shareholder support, which is reflected in the Shareholder Support Rating (SSR) of 'a-'. Fitch Ratings believes Santander has strong incentives to support to SCF, since it is a core and integral part of the group, managing most of the group's consumer finance operations in Europe, and because SCF belongs to the same resolution perimeter.

Leading European Consumer Franchise: SCF has a leading franchise in European consumer finance and ranks among the top peers in the markets in which it operates. The bank's business model is concentrated in the consumer finance business with reliance on a few auto manufacturers. However, it benefits from geographical diversification in Europe, with a clear bias towards strong northern countries, adequate product distribution and the granular nature of its client base.

Well-Managed Risks: SCF's focus on auto lending, which we view as lower risk than the unsecured consumer business, resulting in moderate risk appetite. However, the bank has tight underwriting standards and sound risk controls, which, together with geographical diversification, mitigate, risks, resulting in stable asset quality throughout cycles.

Stable Asset Quality: SCF's asset-quality metrics have been resilient in the past few years, partly aided by recurrent write-offs, with an impaired loan ratio of around 2% and a high reserve coverage ratio (91% at end-June 2023). Loan impairment charges (LICs)/gross loans have been low in recent years, but we expect them to increase to more normalised levels in 2023–2025, considering the heightened economic risks across SCF's geographies.

Resilient Operating Profitability: SCF's franchise, adequate risk-pricing and operating efficiency resulted in an average operating profit at 2.5% of risk-weighted assets (RWAs) over the past decade, with limited volatility. This declined to 2.1% in 1H23, due to assets repricing more slowly than liabilities. We expect operating profit to gradually recover to around 2.5% of RWAs, driven by an increase in rates of new loan production and a larger portion of cheaper customer deposits in the funding mix, partially offset by higher operating expenses and LICs.

Adequate Capitalisation: Capital ratios are adequate considering SCF's risk profile and have satisfactory buffers over requirements. Capitalisation is supported by strong earnings-generation capacity and potential ordinary support from the parent. We expect the bank to maintain a common equity Tier 1 ratio of 12%–12.5% in the medium term.

Wholesale-Based Funding Profile: SCF's funding structure is stable. Wholesale funding comprises unsecured and secured debt, intragroup funding and ECB's targeted long-term refinancing operations. SCF raises deposits (end-1H23: about 38% of total funding), mainly through its northern European subsidiaries, and is planning to increase its deposit base to reduce the cost of funding. SCF has well-established access to the capital markets and would be able to increase intragroup funding if needed.

Applicable Criteria

Bank Rating Criteria (September 2023)

Related Research

Global Economic Outlook (September 2023)

Global Corporates Macro and Sector Forecasts (September 2023)

Fitch Affirms Santander at 'A-'; Outlook Stable (September 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

SCF's IDRs would be downgraded if Banco Santander's IDRs or SCF's VR were downgraded.

The most likely trigger for a downgrade of SCF's VR would be the bank's inability to maintain its good earnings-generation capacity, resulting in an operating profit structurally below 2% of RWA. This could stem from a permanent deterioration in its revenue (i.e. prolonged lower business activity or loss of captive agreements), higher-than-expected credit risks, or the inability to manage its cost of funding as planned.

A downgrade of Banco Santander's VR, and hence its Long-Term IDR, would likely trigger a downgrade of SCF's VR, given the contagion stemming from the close links between the two banks in the form of operational integration, intragroup funding and the parent bank's policy to upstream subsidiaries' capital through dividends.

SCF's SSR would be downgraded if Banco Santander's IDR was downgraded, if the consumer finance segment becomes less strategic for the group, or if SCF becomes significantly less integrated, which Fitch does not expect.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Positive rating action would require an upgrade of Banco Santander's IDRs, which in turn is contingent upon an upgrade of Spain's sovereign rating, resulting in a better assessment of the group's operating environment. An upgrade of SCF's VR is unlikely, given its business profile and concentrated business model.

Other Debt and Issuer Ratings

Rating level	Rating
Long-term deposits	A
Senior preferred: long term	A
Senior preferred: short term	F1
Short-term deposits	F1

Source: Fitch Ratings

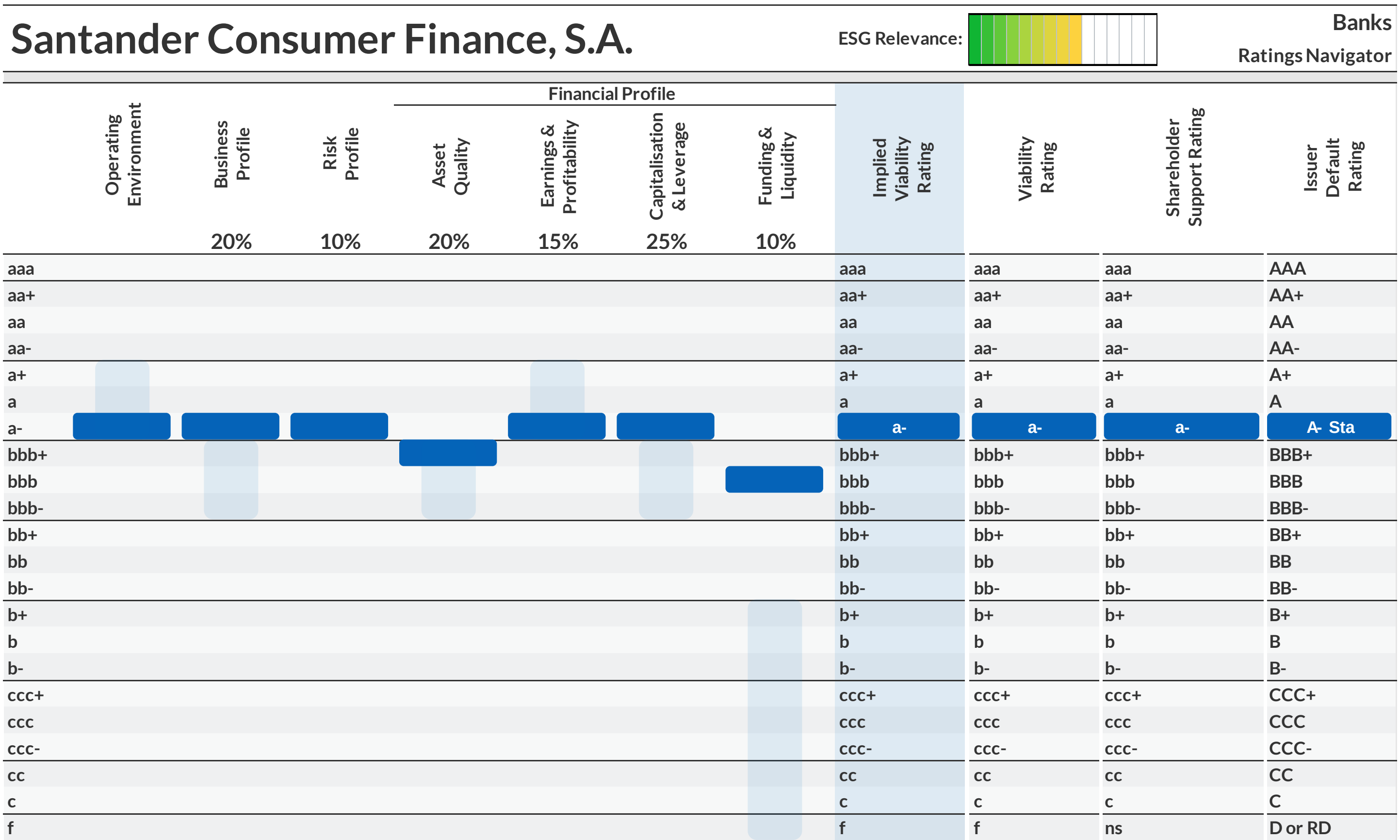
SCF's long-term senior preferred debt and deposit ratings are rated one notch above SCF's and Banco Santander's Long-Term IDRs to reflect the protection that accrues from buffers of junior and senior non-preferred debt in the resolution perimeter. Fitch estimates that the buffer of qualifying junior debt and senior non-preferred debt exceeds 10% of RWAs (after deconsolidating subsidiaries that are in different resolution groups) on a sustained basis.

The short-term senior preferred debt and deposit ratings of 'F1' benefit from equivalent long-term senior debt and deposit ratings having been notched up to reflect protection.

The senior preferred debt and deposit ratings are primarily sensitive to changes in SCF's, and ultimately Banco Santander's, IDRs. We would downgrade the long-term senior preferred and deposit ratings by one notch if the size of the combined buffer of junior and senior non-preferred debt at resolution perimeter sustainably falls below 10% of RWAs, given the resolution group partly meets its MREL with senior preferred debt.

SCF's long-term senior preferred debt and deposit ratings are also sensitive to changes in the group's resolution strategy that result in SCF not being subject to the same resolution perimeter as the parent.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score has been assigned in line with the implied score. International operations was identified as a relevant positive factor in the assessment.

The business profile score has been assigned above the implied score due to the following adjustment reason: group benefits and risks (positive).

The capitalisation & leverage score has been assigned above the implied score due to the following adjustment reasons: capital flexibility and ordinary support (positive).

The funding & liquidity score has been assigned above the implied score due to the following adjustment reasons: non-deposit funding (positive), ordinary support (positive).

Company Summary and Key Qualitative Factors

Operating Environment

Slowing Economy, Recovering Auto Sales

Fitch expects eurozone growth to remain subdued, with renewed falls in output in Germany in 3Q23. Europe's economy has languished over the past year, with the eurozone only having grown by about 0.5% yoy in 2Q23, despite momentum from a rapid rebound in 2021 and scope for above-potential growth for the full year in the presence of still-negative output gaps. Europe's consumption was also hit by the shock to real wages as headline inflation surged, with consumption barely growing between 2Q22 and 2Q23. Against this backdrop, Europe is now being hit by new external challenges as world trade slows and China falters. The impact of monetary tightening is also becoming more evident, with the demand for, and supply of, credit slowing significantly.

Fitch expects European auto production volumes to grow (2023F: 7%; 2024F: 4%) as supply constraints ease. However, logistics challenges and weaker demand will continue to put pressure on manufacturing output compared to pre-pandemic levels. Pent-up demand is still apparent among European customers, with new car registrations increasing 17% yoy in April 2023, although from a low base.

Fitch's Projections (Yoy Growth)

(%)	2022	2023F	2024F
Eurozone consumer spending	4.3	0.4	1.1
Global new vehicle sales	-0.9	6.3	5.8
European new vehicle sales– including UK	-5.1	7.1	4.2

Source: Fitch Ratings, Fitch Solutions

Business Profile

Leading European Consumer Finance Franchise

SCF is the consumer lending arm of Santander, and its integration into the group provides benefits including technology synergies and client relationships. The group has leading consumer finance franchises in Europe, with some pricing power in selected products – despite consumer finance being a mature market in Europe, with strong competition. SCF has strengthened its franchise in recent years through acquisitions and the creation of joint ventures with industrial partners. Germany is the most relevant market, representing 36% of SCF's total loan book, followed by France, the Nordics, Italy and Spain.

Financing of new and used cars is SCF's core financing offering, although the bank also provides durables financing and other consumer lending products. The bank has also built a meaningful fee base from cross-selling services, mostly related to insurance products, although reliance on net interest income continues to be significant (77% of operating income in 1H23, versus 17% from fee and commission income).

The bank uses agreements with auto-manufacturers and retail store chains, which provide recurrent business volumes and adequate credit loan quality. The main partner is Stellantis N.V. (BBB+/Stable), and the agreement was recently extended following the merger of Fiat Chrysler and PSA Group. With this new agreement, SCF has become the captive finance provider for all brands of the auto manufacture in seven European countries, including France, Italy and Spain, while it lost the German and UK business to BNP Paribas Personal Finance. We expect the new agreement to be credit positive, despite the increase in concentration to this automaker, as it should strongly support business volumes in the medium term.

SCF is also the intermediate holding company for the group's consumer finance businesses in continental Europe. SCF actively manages its various operating units and deploys uniform risk-management systems, although each unit is responsible for its own funding, liquidity and capital management, in line with Santander's model. SCF and its subsidiaries are part of the same resolution perimeter as Santander.

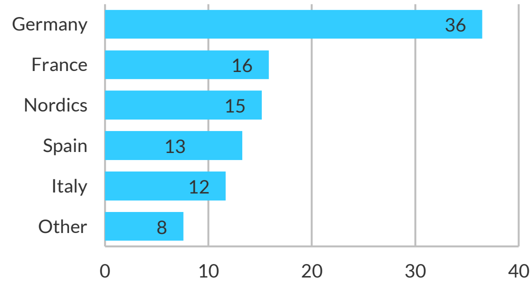
Digital Consumer Bank

SCF is part of Digital Consumer Bank, one of Santander's five global business units, which also includes the consumer finance business outside SCF's legal perimeter and Openbank. The latter is a separate legal entity with EUR15 billion of assets at end-1H23 that acts as Santander's digital bank and offers retail banking services, including deposit-gathering, in Spain and other European markets.

SCF's strategic plan largely focuses on strengthening its franchise in consumer finance and financing of e-commerce buyers and merchants; extending and renewing captive agreements; improving the cost/income ratios of less-efficient units; investing in IT and digitalisation to simplify and enhance customer experience; and strengthening its funding profile and improving its interest margin via larger customer deposit funding. SCF is expanding its leasing, subscription and fleet financing capabilities, where the bank's positioning is weaker than in other business lines. The bank is also growing its "Buy Now, Pay Later" and green finance segments, although business volumes in these segments remain small.

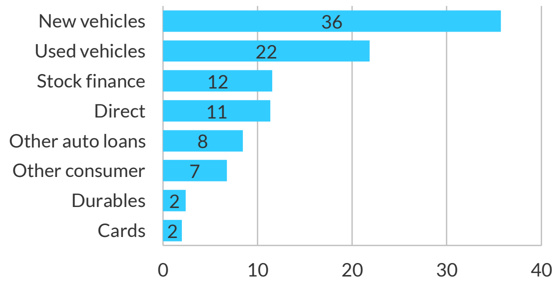
SCF has historically shown good execution skills in implementing its strategy and business plans, aided by the quality of its management, sound geographical diversification, and parent support.

Loan Split by Geography (%)
End-June 2023



Source: Fitch Ratings, Fitch Solutions, SCF

Loan Book by Segment (%)
1H23



Source: Fitch Ratings, Fitch Solutions, SCF

Risk Profile

Cyclical but Highly Collateralised Business

SCF is mainly exposed to credit risk stemming from its lending activities (end-1H23: 80% of total assets). The bank is specialised in auto-financing (end-1H23: 76% of gross loans), which is a lower-risk consumer finance segment given its secured nature, but it also offers other consumer lending services (durables financing, cash loans and credit cards, representing 18% of gross loans). SCF's geographic diversification has provided some stability and resilience to SCF's earnings through credit cycles. Its loan book is granular given its retail nature.

SCF's risk appetite also benefits from its sound risk-management framework, adequate collateral management, and consistent underwriting standards. The entity has enhanced its admission risk model for retail lending through increased automation. For dealer lending related to car-stock financing, the admission process is based on internal ratings, with different levels of delegated authorities. SCF monitors ageing stock, and sets ad-hoc plans for preventing or mitigating obsolescence risks.

SCF adheres to Banco Santander group's operational risk framework, with a set of processes, indicators and assessment to monitor non-financial risk exposure. Modest operational losses in recent years mainly relate to external fraud and litigation claims, while residual risks remain small despite SCF growing its leasing and subscription services.

Recovering Auto Business

SCF business volumes have benefitted from acquisitions and partnerships with auto makers to increase their volumes. SCF has executed these integrations, while at the same time organically growing its business without altering its overall risk profile. The group has also consistently grown organically through new agreements with car manufacturers (most recently, with Stellantis) and a broader range of physical and online retailers, highlighting that its critical mass in most markets is a strong lever to achieve new business volumes.

SCB's annual credit volume generation is high and should be viewed in light of a short effective maturity of loans. However, the fast loan book turnover is well controlled. In 1H23 the loan book continued to increase (2% yoy) benefitting from the higher business volumes in used vehicles, stock finance, and direct personal loans, which offset the weak production of new vehicles due to the industry's supply issues. However, growth was below the overall market average due to the bank's efforts to transfer all the increase in rates to customers so as to mitigate the repricing of its funding. The bank is also growing strongly in the leasing business, helped by acquisitions (such as that of Allane) and its strong operational capabilities.

Contained Market Risks Despite Higher Interest Rates

SCF does not hold any trading activity, and exchange rate risks are derived from permanent investments in participation with associate entities, mainly in the Nordics. Assets in non-euro currencies are funded with liabilities in the same currency, limiting exchange-rate risks. The transactions involving exchange-rate risks are hedged via cross-currency swaps. Exchange-rate risk is managed centrally at group level.

SCF has a negative sensitivity to higher interest rates in the short term due to the structure of its balance sheet, with funding heavily reliant on wholesale funding and a large proportion of loans having fixed interest rates, but with short maturities. However, the bank has been increasing its hedging position and funding at fixed rates, reducing the interest rate sensitivity and potential impact.

Financial Profile

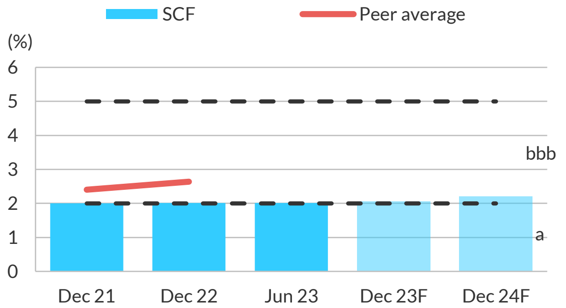
Asset Quality

SCF's robust underwriting standards and risk controls, the largely secured nature of its consumer lending business, and geographic diversification have supported its fairly stable asset quality through economic cycles, with an impaired loan ratio ranging from a peak of 5.5% in 2010 to a low of about 2% in recent years. Due to the nature of the business, significant write-offs are regularly conducted, and support the stability of asset quality metrics. At end-June, the impaired loans ratio, including net write-offs, in the period stood at 2.5%.

We expect only a mild deterioration in the impaired loans ratio due to resilient employment prospects, support programmes and available savings by households. Write-offs and foreclosures are extensively used as work-out tools for impaired loans, and are complemented by a strong collection model and recurring portfolio sales.

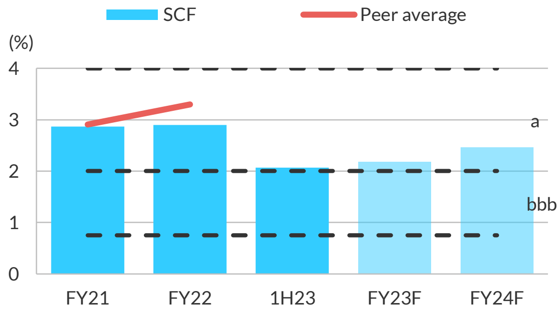
Stage 2 loans have also remained stable in recent years and represented 3.7% of gross loans at end-June 2023, while the stock of restructured operations remains small at below 1% of gross loans. SCF's level of repossessed assets is small as the entity's policy is to sell all repossessions in a small timeframe through sales to individuals and dealers or auctions.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

Resilient Through-The Cycle, Short-Term Effects from Higher Rates

SCF has maintained a strong earnings generation capacity through the cycle, despite some pressure from higher funding costs in 2023. The bank's large outstanding amount of TLTRO funding and its heavy reliance on interbank and wholesale funding increased funding costs faster than revenues in 1H23, resulting in a 7% reduction in net interest income yoy. This, together with lower fees – which were down 8%, largely due to the new regulation and lower direct volumes in Germany – decreased overall operating income by 2%.

Costs increased by 5% in 1H23, contributing to the increase in the cost/income ratio to 48% in 1H23 (44% in 1H22), which nevertheless remains sound. We expect operating costs to increase due to inflation and growth plans, but at lower levels than income, bringing the cost/income ratio back to previous levels.

Loan impairment charges have remained contained in recent years supported by portfolio sales and good performance of the loan book. These increased to more normalised levels in 1H23, and represented 65bp of gross loans, a level we expect to maintain in the medium term.

Profitability should benefit in 2H23–2024 from the increased prices of new production, continued growth of the loan book, and the bank's strategy to reduce cost of funding through a higher proportion of customer deposits in the funding mix. We also expect income from operational leasing to continue increasing. All these factors combined should more than offset growth in operating costs and loan impairment charges.

Capital and Leverage

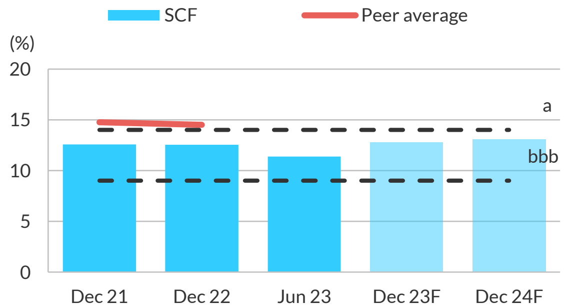
Capital Management Aligned with Parent Needs

SCF's CET1 (end-1H23: 11.4%) and total capital (15.7%) ratios compared favourably with the regulatory requirements of 7.89% and 12.05%, respectively. The CET1 ratio decreased by around 1pp in 1H23 due to a dividend paid to the parent, and RWA growth.

The bank aims to maintain its CET1 ratio at around 12% as earnings generation should offset planned business growth and dividend distribution to the parent, which we believe is achievable. The risk-weight density (end-1H23: 58%) and the leverage ratio (8.2%) were satisfactory. In addition, 91% of RWAs are credit-related whereas 8% operational. The bank calculates some credit risk RWAs under IRB, and is in the process of migrating some other portfolios to IRB in the medium term. The bank also undertakes securitisations to transfer risk on a regular basis.

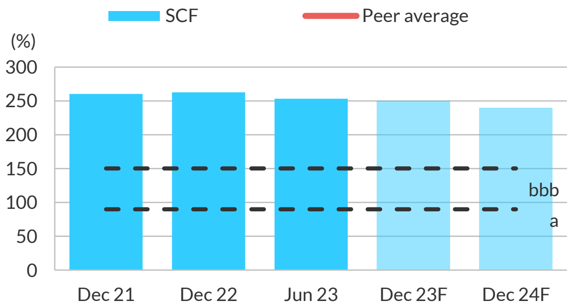
SCF is part of Banco Santander's resolution perimeter. As a material legal entity within the resolution group, the bank needs to meet an internal MREL requirement and places all MREL instruments at Santander, while issuing only senior preferred debt externally.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Wholesale Funded, but Growing, Deposit Base

At end-1H23, 62% of funding was wholesale, and SCF has recently launched different initiatives in order to increase retail deposits to replace more expensive wholesale funding.

The bank has repaid EUR13 billion TLTRO funding through debt issuances and customer deposits, and it follows the same strategy to replace the remaining EUR 11billion (10% of total funding) maturing in 2H23–2024.

Unsecured long-term funding includes senior preferred bonds placed in the market and MREL-eligible debt placed at the parent, while unsecured short-term funding is mainly short-term commercial paper. ABS funding (10% of total funding) provides SCF with a cheap funding source that can be retained in order to meet internal liquidity requirements. This type of ABS has a good market perception as the underlying assets tend to have short maturities, good residual values of the collateral, and diversified pools. The bank has also access to intragroup funding from Santander (9% of total funding).

SCF manages its liquidity both globally and at country level as legal frameworks and internal limits set different requirements for each operating unit. The end-June liquidity coverage ratio (231%) and net stable funding ratio (111%) were adequate, in our view. Refinancing risk from debt maturities is mitigated by the short-term nature of its loan book.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Santander Consumer Bank AG (VR: a-), Santander Consumer Bank AS (bbb+), Banco Santander, S.A. (a-), CA Auto Bank S.p.A. (bb+), LeasePlan Corporation N.V. (bbb+). Latest average uses FY22 data for Santander Consumer Bank AG; 9M23 data for Banco Santander, S.A..

Financials

Financial Statements

	30 Jun 23		31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
	6 months - interim (USDm) Audited - unqualified	6 months - interim (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified	Year end (EURm) Audited - unqualified
Summary income statement						
Net interest and dividend income	1,830	1,684.4	3,571.4	3,558.3	3,481.7	3,428.1
Net fees and commissions	395	363.4	783.5	761.5	711.3	787.3
Other operating income	166	152.8	291.3	122.8	74.6	52.6
Total operating income	2,391	2,200.6	4,646.2	4,442.6	4,267.6	4,268.0
Operating costs	1,131	1,041.1	1,945.4	1,855.2	1,811.4	1,801.2
Pre-impairment operating profit	1,260	1,159.5	2,700.8	2,587.4	2,456.2	2,466.8
Loan and other impairment charges	382	351.8	451.9	495.1	825.2	381.0
Operating profit	878	807.7	2,248.9	2,092.3	1,631.0	2,085.8
Other non-operating items (net)	79	73.0	-41.0	-68.4	-344.0	-100.5
Tax	263	242.2	606.3	533.2	523.3	575.2
Net income	694	638.5	1,601.6	1,490.7	763.7	1,410.1
Other comprehensive income	-47	-42.8	58.0	61.8	-175.5	-66.6
Fitch comprehensive income	647	595.7	1,659.6	1,552.5	588.2	1,343.5
Summary balance sheet						
Assets						
Gross loans	120,057	110,488.3	108,455.9	101,674.8	99,637.9	100,237.0
- Of which impaired	2,410	2,218.2	2,180.0	2,033.1	2,026.9	1,969.8
Loan loss allowances	2,202	2,026.9	1,956.1	2,115.2	2,197.4	1,938.4
Net loans	117,854	108,461.4	106,499.8	99,559.6	97,440.5	98,298.6
Interbank	3,132	2,882.2	342.8	363.6	551.8	158.4
Derivatives	1,091	1,004.5	916.6	126.8	79.0	97.7
Other securities and earning assets	5,595	5,149.0	7,727.1	5,502.9	5,980.7	3,298.6
Total earning assets	127,672	117,497.1	115,486.3	105,552.9	104,052.0	101,853.3
Cash and due from banks	9,944	9,151.5	6,826.2	18,965.1	10,316.8	7,829.0
Other assets	9,648	8,879.5	7,967.2	6,413.2	5,665.8	4,900.9
Total assets	147,265	135,528.1	130,279.7	130,931.2	120,034.6	114,583.2
Liabilities						
Customer deposits	47,455	43,673.1	41,327.3	39,088.5	37,500.9	37,131.5
Interbank and other short-term funding	42,617	39,220.8	35,760.0	36,465.3	15,999.7	18,939.3
Other long-term funding	34,429	31,685.0	32,616.6	35,964.8	47,730.4	39,565.8
Trading liabilities and derivatives	652	600.0	659.8	186.8	205.6	118.6
Total funding and derivatives	125,153	115,178.9	110,363.7	111,705.4	101,436.6	95,755.2
Other liabilities	7,094	6,528.6	5,723.8	5,831.5	4,691.0	5,585.1
Preference shares and hybrid capital	1,304	1,200.0	1,200.0	1,200.0	1,200.0	1,050.0
Total equity	13,714	12,620.6	12,992.2	12,194.3	12,707.0	12,192.9
Total liabilities and equity	147,265	135,528.1	130,279.7	130,931.2	120,034.6	114,583.2
Exchange rate		USD1 = EUR0.920302	USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Finance, S.A.

Key Ratios

	30 Jun 23	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (%; annualised as appropriate)					
Profitability					
Operating profit/risk-weighted assets	2.1	2.9	2.9	2.3	2.9
Net interest income/average earning assets	2.9	3.3	3.4	3.4	3.5
Non-interest expense/gross revenue	47.9	42.8	42.4	43.2	43.0
Net income/average equity	10.1	12.7	11.9	6.1	11.6
Asset quality					
Impaired loans ratio	2.0	2.0	2.0	2.0	2.0
Growth in gross loans	1.9	6.7	2.0	-0.6	6.9
Loan loss allowances/impaired loans	91.4	89.7	104.0	108.4	98.4
Loan impairment charges/average gross loans	0.7	0.4	0.5	0.8	0.4
Capitalisation					
Common equity Tier 1 ratio	11.4	12.5	12.6	13.2	12.5
Basel leverage ratio	8.2	8.9	9.4	8.9	8.5
Net impaired loans/common equity Tier 1	2.1	2.3	-0.9	-1.9	0.4
Funding and liquidity					
Gross loans/customer deposits	253.0	262.4	260.1	265.7	270.0
Liquidity coverage ratio	231.	240.0	319.0	314.0	n.a.
Customer deposits/total non-equity funding	37.7	37.3	34.7	36.6	38.4
Net stable funding ratio	111.0.	109.0	115.0	114.0	n.a.

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Finance, S.A.

Support Assessment

Shareholder Support	
Parent IDR	A-
Total Adjustments (notches)	0
Shareholder Support Rating	a-
Shareholder ability to support	
Shareholder Rating	A-/ Stable
Shareholder regulation	Equalised
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

SCF's SSR of 'a-' is in line with Banco Santander's Long-Term IDR of 'A-' to reflect our view that SCF is a core and integral part of the group, resulting in an extremely high probability of support, if needed. Our assessment of shareholder support also considers that the parent and SCF operate in the same jurisdiction, are subject to the same regulations, and belong to the same resolution perimeter in Spain. The high degree of integration of SCF's operations, risk management and controls with those of Banco Santander, as well as SCF's long and successful record of supporting group objectives, also contribute to our overall support assessment.

Environmental, Social and Governance Considerations

FitchRatings **Santander Consumer Finance, S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Santander Consumer Finance, S.A. has 5 ESG potential rating drivers

- Santander Consumer Finance, S.A. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	5	issues	2
	4	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	2	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.