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Santander Consumer Finance S.A.

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Santander Consumer Finance S.A.

Ratings Score Snapshot

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

SACP: bbb → **Support: 0** → **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: 0	
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 cyclical car financing.
Wide geographic diversification within Europe.	Inherent high-risk nature of the consumer finance business.
Comfortable capital position and solid earnings generation capacity.	Margins under pressure as funding costs rise.

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 consumer finance operations across Europe that are integral to the overall group strategy. We also think Banco Santander is highly unlikely to sell SCF as a whole, although we consider that it could opportunistically divest parts of SCF's business in times of stress. We think the group is supportive of management and could, if necessary, cover SCF's financial needs under almost all foreseeable circumstances, in the form of capital and funding, for example. Additionally, since SCF falls under its parent's resolution perimeter, the source of parent support includes Santander's buffer of subordinated bail-inable instruments.

SCF is supported by a 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 wide geographic diversification across the continent. We anticipate that SCF will maintain a Risk-adjusted capital (RAC) ratio of 11.0%-11.5% and that its return on equity (ROE) will gradually strengthen, reaching 11.0%-11.4% by 2025, despite the uncertain operating environment and the challenges faced by the auto sector. We anticipate some asset quality deterioration, but within manageable levels, with its problem loans ratio increasing to 2.5%-3.0% in 2024 (versus 2.0% at end-June 2023), and its cost of risk standing at 60 basis points (bps)-70 bps. In addition , we anticipate that SCF's funding and liquidity profile will continue to compare favorably with most of its European peers, owing to the ongoing support of intragroup funding and an increasing customer deposit base in countries such as Germany.

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

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, provided that they don't exceed the level of the Spanish sovereign rating.

Downside scenario

We could lower the ratings on SCF in the next 18-24 months if:

- We downgraded its parent.
- We thought the parent's commitment to SCF had weakened, leading us to revise downward our view of SCF's long-term strategic importance for the Santander group.
- SCF fell out of Santander's resolution perimeter (in this case the source of extraordinary group support would be the group's SACP).
- We lowered our 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.

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, so long as we continue to consider that the parent's commitment to SCF has not weakened and that SCF will 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 --				
(%)	**2021a**	**2022a**	**2023f**	**2024f**	**2025f**
Growth in operating revenue	5.8	6.2	(4.8)-(5.9)	5.8-7.1	3.7-4.5
Growth in customer loans	2.0	6.7	3.2-4.0	2.2-2.7	1.8-2.2
Net interest income/average earning assets (NIM)	3.4	3.2	2.7-3.0	2.9-3.2	2.9-3.3
Cost to income ratio	45.7	46.6	50.6-53.2	47.8-50.2	46.1-48.5
Return on average common equity	11.5	12.2	7.5-8.3	8.7-9.6	10.3-11.4
New loan loss provisions/average customer loans	0.5	0.4	0.6-0.7	0.6-0.6	0.5-0.5
Gross nonperforming loans /customer loans	2.0	2.0	2.1-2.3	2.5-3.0	2.0-2.2
Net charge-offs/average customer loans	0.8	0.6	0.4-0.4	0.4-0.4	0.6-0.6
Risk-adjusted capital ratio	12.8	11.8	10.9-11.5	10.9-11.4	11.0-11.5

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 end-June 2023, the bank's German operations accounted for about 35% of its total loans, followed by Scandinavia (16%), France (16%), Spain (14%), Italy (12%), and other countries (8%).

Our industry risk assessment is supported by Spanish banks' solid funding profiles. Customer deposits, which are largely from households and therefore cheap and sticky, more than fully fund banks' loan books and banks have become net external creditors. Additionally, banks' profitability, which has been under substantial pressure in recent years, is set to benefit from the rapid increase in interest rates. That said, it will take some time for returns to comfortably exceed banks' cost of capital, particularly for midsize banks. Spanish banks are well positioned to deal with inflationary pressures on costs because they have significantly downsized their operating structures over the past decade. But they face other headwinds such as the new temporary banking tax, which will on average reduce banks' 2023 and 2024 profits by about 12%. Furthermore, the public's opinion of banks has somewhat deteriorated. Banks gained recognition for their role during the pandemic, when they ensured credit continued to flow into the economy, but public sentiment has become more negative as customers feel the effects of higher financing costs. Largely supervised by the European Central Bank, Spain's institutional framework is aligned with international standards.

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

Our assessment of SCF's business position reflects its concentration in the consumer lending business and its leading position and franchise. In our view, consumer finance companies such as SCF have an inherently more volatile customer base compared with traditional retail banks. Additionally, their businesses mostly depend on third-party distribution networks. SCF addresses these inherent factors by leveraging:

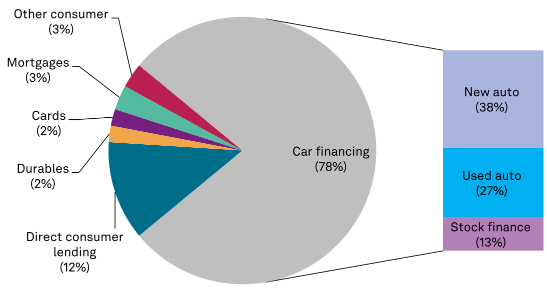
- The parent's brand, reputation, and technological capabilities.
- Many agreements with manufacturers and retailers across Europe that supply sustained business volumes. These deals have increased significantly during the past decade and some of them are pan-European, which increases their long-term sustainability.
- Its relatively large customer deposit base of €44 billion (as of mid-2023). This is mostly in Germany but increasingly in other geographies, including Scandinavia and France.

With total assets of €136 billion at end-June 2023, 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 during periods of stress, such as 2010-2014 in Italy and Spain.

SCF is active in the car financing segment--new and used vehicles, and stock financing dealers--which represented 78% of its loan book as of end-June 2023. This sector has faced several challenges in recent years, first due to COVID-19, then intensified global supply disruptions amid the Russia-Ukraine conflict, and now the higher-for-longer rates ahead. European light vehicle sales experienced a recovery in 2023, when they will likely increase by 9%-11%, supported by pent up demand from fleet managers. Yet growth prospects are weaker for 2024-2025 (0%-3% year-on-year), due to weaker demand from private retail buyers, while total sales remain below pre-pandemic levels. Positively, we anticipate that electric vehicle sales will continue to accelerate and reach over 30% of the fleet in Europe by 2025 (see "Global Auto Sales Forecasts: The Pricing Party Is Coming To An End," published on Oct. 10, 2023).

Chart 1

SCF's business is diversified by product but concentrated in riskier consumer finance

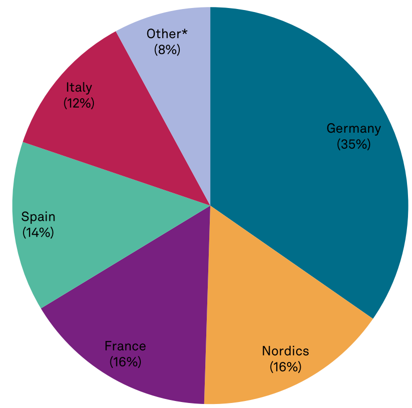


Sources: S&P Global Ratings. SCF's first-half 2023 financial statements.

Chart 2

SCF's business is well diversified geographically

Loan book by country or region (%)



*Other includes Austria, Belgium, Canada, Netherlands, Portugal, Switzerland, and Greece. Sources: S&P Global Ratings. SCF's first-half 2023 financial statements.

SCF closed, in April 2023, an agreement with Stellantis (BBB/Stable/A-2) to finance the vehicles of all the automaker's brands in Belgium, France, Italy, the Netherlands, Poland, Portugal, and Spain--which together account for over 40% of all new vehicle registrations in Europe. The transaction implied that SCF would stop financing Stellantis' (Peugeot and Citroen) cars in Germany, Austria, and the U.K. (in favor of BNP Paribas Personal Finance). We expect that loss will be more than offset by the expected benefits of being Stellantis' exclusive partner in some of its main markets. When SCF announced the transaction, in 2022, it aimed to reach €40 billion of loans from the Stellantis' brands by 2026 (an increase of 33%). As of mid-2023, SCF's exposure to Stellantis' brands stood at around €35 billion, so that initial goal looks achievable.

Direct consumer lending, which we think has higher credit risk and greater earnings volatility, represents about 12% of SCF's loan book. This potential risk is partly offset by SCF's wide geographic diversification across 15 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 duplication. This allowed SCF to benefit from Openbank's advanced technological capabilities and cheaper funding. SCF also remains engaged in simplifying its structure and further squeezing costs by reducing the number of national banking licenses it holds and operating through branches instead. This has resulted, over the last three years, in the absorption of subsidiaries in Belgium, Portugal, the Netherlands, and France, which now operate as branches. As part of its focus on being more efficient, SCF is also uniting its European operations in three hubs and recently reduced its top management to one CEO (formerly the role was shared between two people).

Looking ahead, we expect the bank will seek to increase penetration in electric vehicle financing by gradually increasing its operating leasing agreements--leveraging on its newly developed digital platform targeting retail clients. This will entail new challenges, particularly related to managing its increasing exposure to residual value and controlling the entire value chain (including purchase, financing, maintenance, insurance, extensions, and customer service).

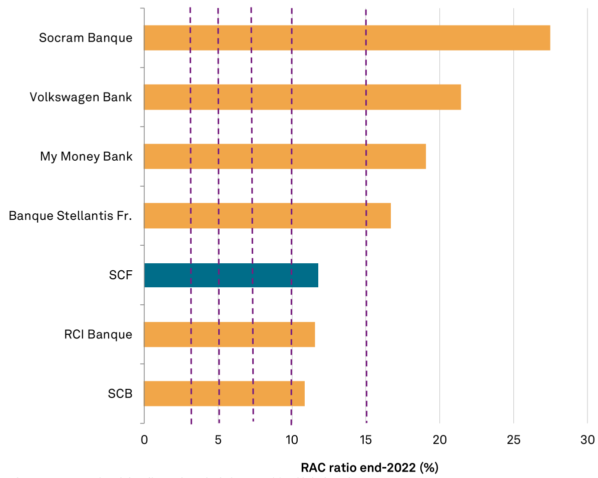
Capital And Earnings: Solid Capital Position And Strong Revenue Generation Capacity

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 11.0%-11.5% over the next 18-24 months, compared to 11.8% at end-2022.

SCF has maintained strong earnings generation capacity over the past eight 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 and technological platforms. That said, the rapid increase in rates and change in financing conditions on the targeted longer-term refinancing operation (TLTRO) has pressured SCF's margins in 2023. Net interest margins dropped to 2.88% in the first half of 2023, compared with 3.21% in 2022. Thus, we forecast that operating revenue Will experience a short-lived decline in 2023(we forecast a 4%-5% drop year-on-year) and will afterwards grow by about 4%-6% annually over 2024 and 2025, with net interest income gradually benefitting from the repricing of loan agreements with dealers at higher rates. Meanwhile, operating costs could grow by about 5.0% in 2023, falling to 0.5% annual growth thereafter, due to the bank's focus on cost control and ongoing benefits from process automation and simplification. Given the nature of its business, we also anticipate some increase in credit losses, with cost of risk ranging between 65 bps-60 bps, up from 44 bps in 2022. Overall, we think SCF's efficiency will remain on par with its peers, with its cost-to-income ratio standing at about 50% over the next two years, and its return on equity at 10%-11%.

Chart 3

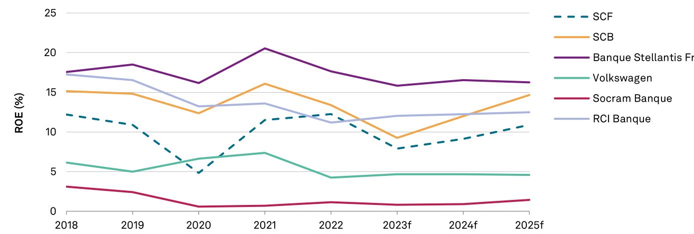
SCF's capitalization is solid, but stands below that of most peers



Data as of end-June 2023. RAC--Risk-adjusted capital. Source: S&P Global Ratings.

Chart 4

Higher rates are pressuring returns



ROE--Return on equity. f--Forecast. Source: S&P Global Ratings.

At end-June 2023, SCF reported a 11.4% fully loaded Common Equity Tier 1 (CET1) ratio, down from 12.6% at end-2022, mainly due to higher lending growth in stock finance. We expect this drop to be temporary and SCF to 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 65%-70% in payouts over our forecast period.

SCF's quality of capital is satisfactory and consistent with most peers, in our view. At end-June 2023, hybrid instruments, subscribed by SCF's parent, represented 10.7% of our measure of the bank's total adjusted capital.

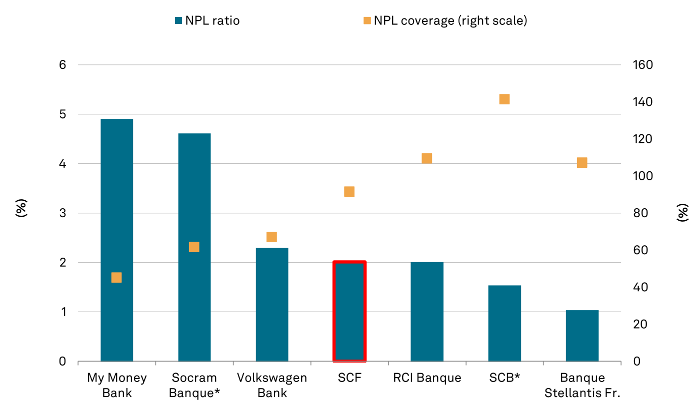
Risk Position: Concentration In The Auto Sector

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 2023. We regard this concentration as a weakness because of the higher vulnerability of consumer lending in times of economic stress, while the cyclical nature of the auto industry is balanced by SCF's relatively granular base of operations with car brands, dealers, and its geographic diversification across Europe. In particular, SCF has more than 110 agreements with 20 car manufacturers to finance car sales across 15 European countries. We also note that SCF has rapidly expanded through a series of acquisitions, which signals an above-peer-average appetite for growth. However, we note the bank's track record of quick consolidation and rapid implementation of its risk framework at each new subsidiary.

We acknowledge that SCF's asset quality metrics have improved toward peer averages over the past six years and are now relatively aligned (see chart 5), although its cost of risk should continue to be worse than its peers (see chart 6). Stage 3 loans across some of its core countries, such as Italy and Spain, are somewhat higher though. 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 weak economic activity and higher for longer rate environment, with its problem loans ratio approaching 2.5%-3.0% in 2024, compared to 2.0% at end-June 2023. In addition, we anticipate that SCF will continue to resort to the sale of defaulted portfolios to preserve its nonperforming loan (NPL) ratio, with somewhat more than €600 million-€700 million estimated sales per year.

Chart 5

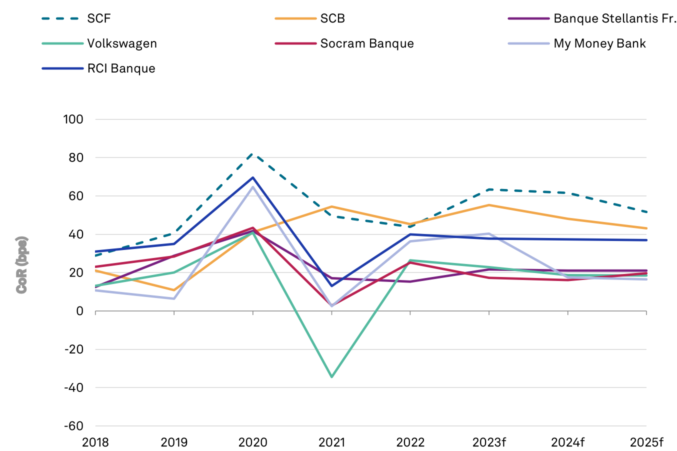
SCF's asset quality metrics are relatively aligned with peers'
data as of end-June 2023



*Data as of YE-2022 Source: S&P Global Ratings.

Chart 6

CoR should remain higher for SCF versus Pure auto-lending peers



CoR--Combined operating ratio. f--Forecast. Bps--Basis points. Source: S&P Global Ratings.

We consider SCF's single-name concentration to be manageable, with its top-20 exposures representing 3.6% of the loan book, or 0.36x of total adjusted capital, as of June 2023. As it builds its operating leasing business, SCF will have to manage its increasing exposure in residual value risk. As of end-June 2023, this amounted to €3.1 billion (about 2.8% of its gross loans).

Funding And Liquidity: Balanced Funding Profile And The Benefit Of Ongoing Parental Support

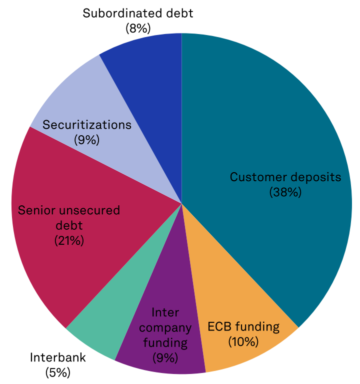
We consider SCF's funding and liquidity to be ratings neutral because we balance its wholesale-dependent funding profile with the benefits derived from being part of the Santander Group.

SCF has a relatively balanced funding profile thanks to customer deposits, which represented 38% of its funding base at end-June 2023. These deposits are largely based in Germany, accounting for about 50% of total deposits and are primarily gathered through retail branches. We also see increasing volumes in other countries, such as Austria, Belgium, and the Nordics, that are sourced digitally and tend to be more price sensitive. We expect customer deposits --being the cheapest source of funding despite some increase in costs-- will continue to increase and could represent a larger portion of SCF's funding base over the next 18-24 months.

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 (10% of the funding base at end-June 2023), intra group interbank deposits (9%), senior unsecured debt (21%), securitizations (9%), and subordinated debt (8%). 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.

Chart 7

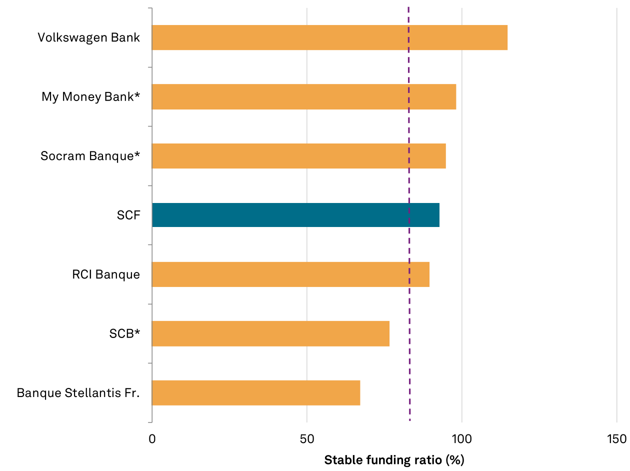
SCF's funding base is diverse but wholesale dependent



Source: S&P Global Ratings. SCF's 1H 2023 financial statements.

Chart 8

Similar to peers, SCF struggles to fund long-term assets with long-term liabilities



Data as of end June 2023. * End Dec. 2022. Source: S&P Global Ratings.

Our calculated stable funding ratio for SCF stood at 93% as of June 2023, relatively in line with the average of its peer group (see chart 8). 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 absorb potential losses of customer deposits. Like most European banks, SCF took advantage of the attractive terms of targeted longer-term refinancing operations (TLTRO III), up to €20.1 billion, of which €6.7 billion remained outstanding as of end-September 2023 and will be repaid by mid-2024. The bank's plan is to partly replace the remaining TLTRO with customer deposits and some intra group funding, and raise further senior debt in the market. We expect the regulatory net stable funding ratio (NSFR)to remain within manageable levels and stay 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 2023, SCF benefitted from €10 billion of funding from the Santander group. Our calculated liquidity coverage ratio was 0.93x as of end-June 2023, while SCF's regulatory liquidity coverage ratio stood at 231%.

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

ESG factors have no material influence on our credit rating analysis of SCF. That said, given its role as provider of auto loans, SCF is exposed to the environmental factors shaping the auto industry which needs to adapt to higher electrification and greener mobility. The latter will certainly affect SCF's business prospects. At this stage, though, we note SCF's wide diversification, with more than 110 agreements with different car manufacturers in several countries.

Regarding social risks, SCF is structurally exposed to increasing legal claims from customers due to the usually higher rates applied in consumer financing and regulators' tendency to protect retail customers. However, we do not see SCF to be more exposed to this risk compared with its peers. 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.

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, under almost all foreseeable circumstances, 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, together with Santander Totta, are the only subsidiaries of the Santander Group that have not been identified as a separate point of entry in resolution, rather falling under the resolution perimeter of Santander. Therefore, we consider Santander's group credit profile (GCP), which includes one notch of ALAC (additional loss-absorbing capacity) uplift, to be a source of support for SCF. 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, provided they don't exceed the rating 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 Banque Stellantis France (BSF). We consider SCB to be core to the group, whereas we consider BSF 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. BSF is a joint venture (JV), 50% owned by SCF and 50% owned by Stellantis N.V. Our ratings on SBF currently benefit from a two-notch uplift above its 'bbb-' SACP. We believe it is unclear whether BSF's senior creditors will benefit from the ALAC built up at the Santander group level, and therefore consider that the reference point for the extraordinary group support that BSF would likely receive if needed from SCF should be 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).

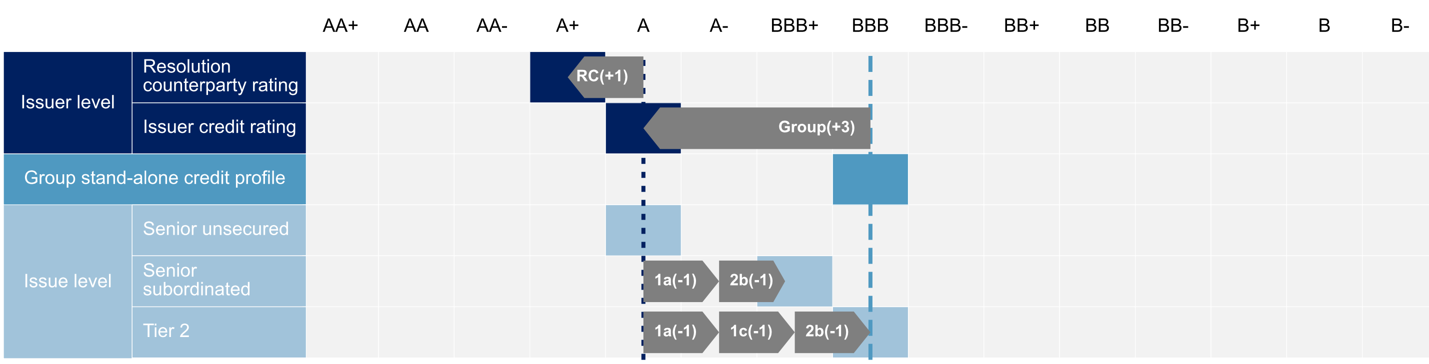
Hybrids

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.
- 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

	--Fiscal year end Dec. 31--				
(Mil. €)	**2023***	**2022**	**2021**	**2020**	**2019**
Adjusted assets	133,203.7	128,083.5	128,767.5	117,909.3	112,247.3
Customer loans (gross)	110,487.9	108,455.5	101,674.5	99,637.7	100,237.0
Adjusted common equity	10,008.3	10,521.7	9,921.4	10,511.2	9,700.1
Operating revenues	2,438.5	5,062.5	4,767.9	4,506.9	4,438.4
Noninterest expenses	1,258.4	2,361.4	2,180.6	2,050.6	1,971.5
Core earnings	601.4	1,627.3	1,541.7	1,086.8	1,477.8

*Data as of end-June 2023.

Table 2

Santander Consumer Finance S.A.--Business position

	--Fiscal year end Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Total revenues from business line (currency in millions)	2,520.9	5,063.7	4,768.1	4,506.9	4,446.8
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 & 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	8.9	12.2	11.5	4.8	10.9

Data as of end-June 2023.

Table 3

Santander Consumer Finance S.A.--Capital and earnings

	--Fiscal year end Dec. 31--				
(%)	**2023***	**2022**	**2021**	**2020**	**2019**
Tier 1 capital ratio	13.2	14.4	14.5	15.2	14.1
S&P Global Ratings' RAC ratio before diversification	N/A	11.8	12.8	13.9	12.1
S&P Global Ratings' RAC ratio after diversification	N/A	12.2	13.3	14.0	12.2
Adjusted common equity/total adjusted capital	89.3	89.8	89.2	89.8	90.2

Table 3

Santander Consumer Finance S.A.--Capital and earnings (cont.)

	--Fiscal year end Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Net interest income/operating revenues	69.1	70.5	74.6	77.2	77.2
Fee income/operating revenues	14.9	15.5	16.0	15.8	17.7
Market-sensitive income/operating revenues	3.3	1.2	0.0	(0.2)	(0.2)
Cost to income ratio	51.6	46.6	45.7	45.5	44.4
Preprovision operating income/average assets	1.8	2.1	2.1	2.1	2.2
Core earnings/average managed assets	0.9	1.2	1.2	0.9	1.3

*Data as of end-June 2023. 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 & central banks	12,339.4	784.5	6.4	613.8	5.0
Of which regional governments and local authorities	539.2	24.7	4.6	20.3	3.8
Institutions and CCPs	4,818.8	876.8	18.2	1,447.4	30.0
Corporate	18,900.2	16,385.2	86.7	14,779.4	78.2
Retail	78,391.4	43,286.6	55.2	52,973.0	67.6
Of which mortgage	3,569.1	765.6	21.4	912.6	25.6
Securitization§	1,848.4	0.0	0.0	548.8	29.7
Other assets†	9,541.6	6,492.9	68.0	11,416.0	119.6
Total credit risk	125,839.9	67,826.0	53.9	81,778.4	65.0
Credit valuation adjustment					
Total credit valuation adjustment	--	699.2	--	0.0	--
Market Risk					
Equity in the banking book	789.2	2,826.3	358.1	6,905.9	875.0
Trading book market risk	--	889.9	--	1,334.8	--
Total market risk	--	3,716.2	--	8,240.7	--
Operational risk					
Total operational risk	--	5,898.7	--	9,491.3	--
	Exposure	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	78,140.2	--	99,510.3	100.0
Total Diversification/ Concentration Adjustments	--	--	--	(3,081.2)	(3.1)
RWA after diversification	--	78,140.2	--	96,429.1	96.9

Table 4

Santander Consumer Finance S.A.--Risk-adjusted capital framework data (cont.)

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio before adjustments	11,132.9	14.2	11,721.7	11.8
Capital ratio after adjustments‡	11,132.9	14.4	11,721.7	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 end-2022. S&P Global Ratings.

Table 5

Santander Consumer Finance S.A.--Risk position

	--Fiscal year end Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Growth in customer loans	1.9	6.7	2.0	(0.6)	6.9
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	(3.1)	(3.2)	(1.1)	(0.4)
Total managed assets/adjusted common equity (x)	13.5	12.4	13.2	11.4	11.8
New loan loss provisions/average customer loans	0.6	0.4	0.5	0.8	0.4
Net charge-offs/average customer loans	0.4	0.6	0.8	0.0	(0.5)
Gross nonperforming loans/customer loans	2.0	2.0	2.0	2.0	2.0
Loan loss reserves/gross nonperforming loans	91.4	89.7	104.0	108.4	98.4

*Data as of end-June 2023. N/A--Not applicable.

Table 6

Santander Consumer Finance S.A.--Funding and liquidity

	--Fiscal year end Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	38.1	37.7	35.1	37.0	39.0
Customer loans (net)/customer deposits	248.3	257.7	254.7	259.8	263.7
Long-term funding ratio	86.9	87.4	86.0	84.4	80.8
Stable funding ratio	92.7	92.3	98.9	92.1	83.3
Short-term wholesale funding/funding base	14.4	14.0	15.4	17.4	21.4
Broad liquid assets/short-term wholesale funding (x)	0.9	0.9	1.4	0.9	0.5
Broad liquid assets/total assets	11.3	10.2	17.7	12.9	8.8
Broad liquid assets/customer deposits	35.0	32.2	59.3	41.2	27.0
Net broad liquid assets/short-term customer deposits	(3.1)	(5.3)	16.8	(6.2)	(31.4)
Short-term wholesale funding/total wholesale funding	22.9	22.0	23.3	27.1	34.4
Narrow liquid assets/3-month wholesale funding (x)	2.1	1.9	2.9	2.3	1.6

*Data as of end-June 2023.

Santander Consumer Finance S.A.--Rating component scores

Issuer Credit Rating	A/Stable/A-1
SACP	bbb
Anchor	bbb+

Santander Consumer Finance S.A.--Rating component scores (cont.)	
Issuer Credit Rating	**A/Stable/A-1**
Economic risk	3
Industry risk	4
Business position	Moderate
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	0
ALAC support	0
GRE support	0
Group support	+3
Sovereign support	0
Additional factors	0

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

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: 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

- Global Banks Country-By-Country Outlook 2024, Nov. 16, 2023
- Eurozone Banks: Higher Reserve Requirements Would Dent Profits And Liquidity, Oct. 24, 2023
- Global Auto Sales Forecasts: The Pricing Party Is Coming To An End, Oct. 9, 2023

- Update: Santander Consumer Bank AG, Aug. 8, 2023
- PSA Banque France, Sept. 6, 2022
- Banco Santander S.A., Oct 10, 2023
- Banking Industry Country Risk Assessment: Spain, April 14, 2023
- Spain 'A/A-1' Ratings Affirmed; Outlook Stable, Sept., 15, 2023

Ratings Detail (As Of December 1, 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
Sovereign Rating	
Spain	A/Stable/A-1
Related Entities	
Banco Santander (Brasil) S.A.	
Issuer Credit Rating	BB-/Positive/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
Resolution Counterparty Rating	AA-/--/A-1+
Commercial Paper	
Foreign Currency	A-1
Senior Subordinated	A-
Banco Santander SA (London Branch)	
Certificate Of Deposit	
Local Currency	A-1

Ratings Detail (As Of December 1, 2023)*(cont.)	
Banco Santander S.A. (New York Branch)	
Commercial Paper	
Local Currency	A-1
Banco Santander Totta S.A.	
Issuer Credit Rating	BBB+/Positive/A-2
Resolution Counterparty Rating	BBB+/--/A-2
Senior Unsecured	BBB+
Banque Stellantis France	
Issuer Credit Rating	BBB+/Stable/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 UK Group Holdings PLC	
Issuer Credit Rating	BBB/Stable/A-2
Junior Subordinated	BB-
Senior Unsecured	BBB
Short-Term Debt	A-2
Subordinated	BB+
Santander UK PLC	
Issuer Credit Rating	A/Stable/A-1
Resolution Counterparty Rating	A+/--/A-1
Junior Subordinated	BB
Junior Subordinated	BB+
Preference Stock	BB
Senior Secured	AAA/Stable
Senior Unsecured	A-1

*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.