FitchRatings

Banks
Retail & Consumer Banks
Spain

Santander Consumer Finance, S.A.

Update

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
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	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2024)

Related Research

Fitch Upgrades Santander Consumer Finance to 'A' Following Banco Santander's Upgrade (February 2025)

Global Economic Outlook (March 2025)

Santander Consumer Finance, S.A. (November 2024)

Global Corporates Macro and Sector Forecasts (September 2024)

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Key Rating Drivers

Very High Shareholder Support Probability: Santander Consumer Finance, S.A.'s (SCF) Issuer Default Ratings (IDRs) are underpinned by potential shareholder support, as reflected in the Shareholder Support Rating (SSR) of 'a'. Fitch Ratings believes Banco Santander, S.A. (A/Stable) has strong incentives to support its fully owned subsidiary, as it considers SCF to be a core and integral part of the group.

Fitch's shareholder support assessment is underpinned by SCF's high integration with Banco Santander, including risk management and controls, and its role in the group.

Strong Consumer Finance Franchise: SCF's Viability Rating (VR) of 'a-' reflects a strong consumer finance franchise in Europe, sound earnings-generation capacity, and adequate capitalisation. Reliance on wholesale funding is gradually reducing but is still high. Our assessment of funding and liquidity, and capitalisation and leverage, reflects potential ordinary support from Banco Santander. The VR considers the moderate asset-quality stability, despite the cyclical nature of the business, aided by conservative underwriting and sound risk controls.

Leading European Consumer Lender: The bank has a leading franchise in European consumer finance, ranking among the top banks in the markets in which it operates. Its business model is concentrated on consumer finance but has geographical diversification, adequate product diversification and a granular client base.

Well-Managed Risks: A focus on auto lending, which we view as lower-risk than unsecured consumer lending, results in a moderate risk appetite. However, tight underwriting standards, sound risk controls and geographical diversification mitigate risks, resulting in stable asset quality throughout the cycle. Risk governance is robust and benefits from high operational integration with Banco Santander.

Stable Asset Quality: Asset-quality metrics have been resilient in the past few years, supported by recurrent write-offs, with an impaired loans ratio of around 2% and a good reserve coverage ratio. The bank's loan impairment charges/gross loans ratio increased to 80bp in 1H24, but we believe this should gradually revert to structural levels at 60bp–70bp by 2026.

Profitability to Recover: SCF's franchise, adequate risk-pricing and operating efficiency result in structurally resilient operating profitability. Operating profit has been 2.5% of risk-weighted assets (RWAs) on average over the past decade. Unlike most European banks, SCF did not immediately benefit from higher interest rates, due to the slow repricing of its loan book and a rise in funding costs. However, we expect the bank's profitability to return to its long-term average over 2025–2026, supported by the gradual repricing of assets and falling funding costs.

Adequate Capitalisation: Capital ratios are adequate considering SCF's risk profile and have satisfactory buffers over requirements. Capitalisation is supported by established earnings generation 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.

Diversified Funding Profile: SCF's funding relies on wholesale funding, but is stable and more diversified than at other wholesale-funded banks. Wholesale funding comprises unsecured and secured debt, and intragroup funding. SCF raises deposits (about 43% of total non-equity funding at end-June 2024), 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.

Rating Sensitivities

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

SCF's SSR and IDRs would be downgraded if Banco Santander's IDR is downgraded, if the consumer finance unit became less strategically important for the group, or if SCF becomes considerably less integrated, which Fitch does not expect.

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 RWAs. This could stem from a structural deterioration in SCF's revenue (for example, prolonged lower business activity or loss of captive agreements), higher-than-expected credit charges, or an inability to manage its cost of funding as planned.

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

SCF's IDRs and SSR would be upgraded if Banco Santander's IDR is upgraded, provided our assumptions surrounding potential support remain unchanged.

An upgrade of SCF's VR is unlikely, due to its business profile and concentrated business model.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposits: long term/short term	A+/F1
Senior preferred: long term/short term	A+/F1

Source: Fitch Ratings

SCF's long-term senior preferred debt and deposit ratings are one notch above SCF 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 the equivalent long-term senior debt and deposit ratings having been notched up to reflect protection.

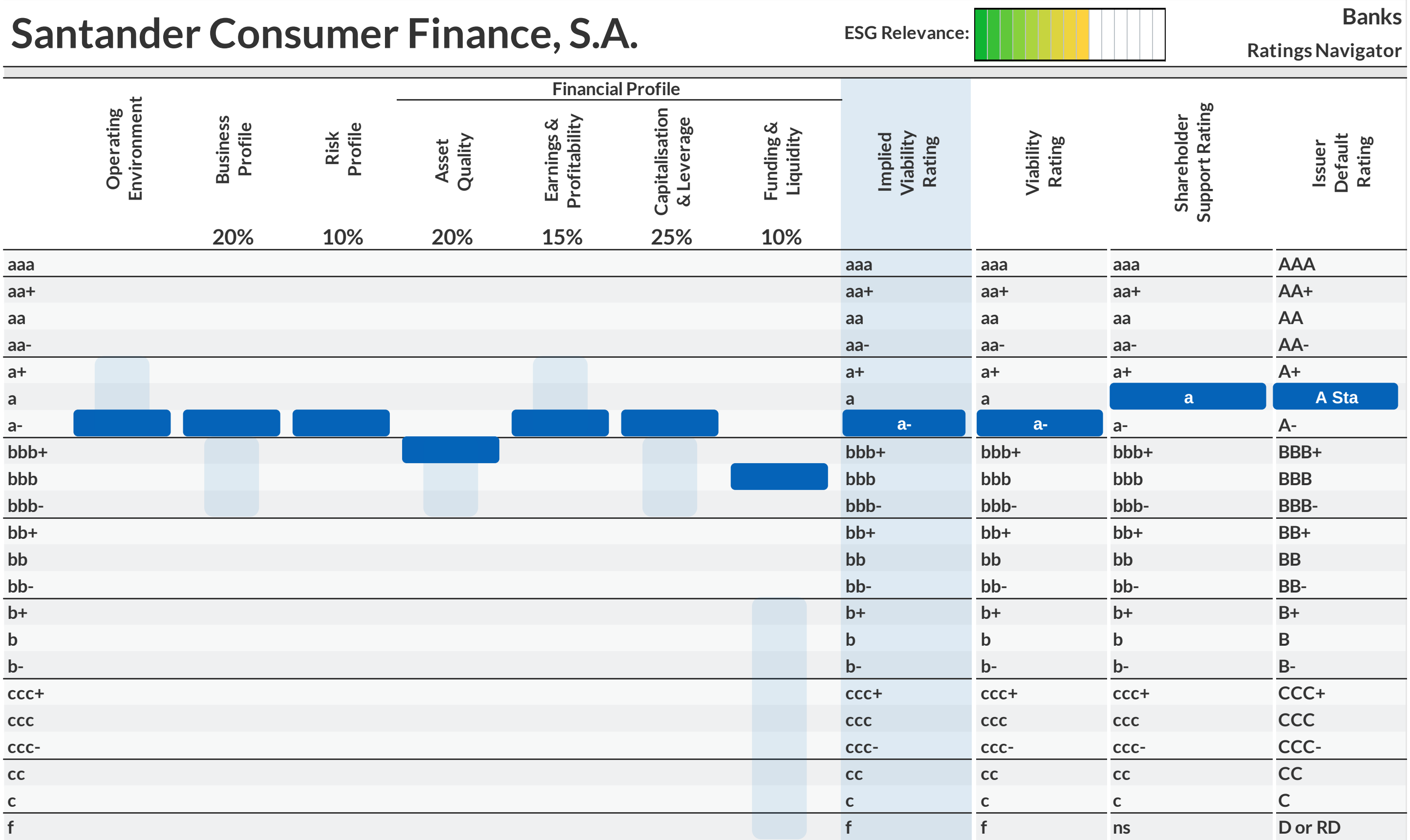
Significant Changes from Last Review

Rating Upgraded Following Banco Santander's Upgrade

Our recent upgrade of SCF's IDR to 'A' from 'A-' and its SSR to 'a' from 'a-' mirrored that on SCF's parent, Banco Santander, as the IDRs of SCF are driven by shareholder support from Banco Santander.

The upgrade of Banco Santander reflects our view that Banco Santander's strong and resilient performance can support a rating one notch above the Spanish sovereign's Long-Term IDR (A-/Positive). Its performance is underpinned by broad and balanced geographical diversification, resilient earnings, good loss-absorption capacity, and limited asset-quality variability over various cycles. The upgrade also reflects our expectation that Banco Santander will operate with capital ratios above previous levels.

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 ‘a-’ operating environment score is in line with the ‘a’ implied category score. International operations were identified as a relevant positive factor in the assessment.

The ‘a-’ business profile score is above the ‘bbb’ implied category score due to the following adjustment reason: group benefits and risks (positive).

The ‘a-’ capitalisation & leverage score is above the ‘bbb’ implied category score due to the following adjustment reason: capital flexibility and ordinary support (positive).

The ‘bbb’ funding & liquidity score is above the ‘b & below’ implied category score due to the following adjustment reasons: non-deposit funding (positive), ordinary support (positive).

Financials

Financial Statements

	30 Jun 24		31 Dec 23	31 Dec 22	31 Dec 21
	6 months - interim	6 months - interim	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified (emphasis of matter)	Audited - unqualified (emphasis of matter)	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,888	1,757.0	3,425.4	3,571.4	3,558.3
Net fees and commissions	444	412.9	729.3	783.5	761.5
Other operating income	150	139.9	371.1	291.3	122.8
Total operating income	2,482	2,309.8	4,525.8	4,646.2	4,442.6
Operating costs	1,125	1,047.3	2,093.4	1,945.4	1,855.2
Pre-impairment operating profit	1,357	1,262.5	2,432.4	2,700.8	2,587.4
Loan and other impairment charges	502	467.0	683.8	451.9	495.1
Operating profit	855	795.5	1,748.6	2,248.9	2,092.3
Other non-operating items (net)	-88	-81.9	52.1	-41.0	-68.4
Tax	228	212.5	479.5	606.3	533.2
Net income	538	501.1	1,321.2	1,601.6	1,490.7
Summary balance sheet					
Assets					
Gross loans	128,967	120,025.4	117,641.7	108,455.9	101,674.8
- Of which impaired	3,034	2,823.8	2,512.9	2,180.0	2,033.1
Loan loss allowances	2,502	2,328.3	2,133.3	1,956.1	2,115.2
Net loans	126,466	117,697.1	115,508.4	106,499.8	99,559.6
Interbank	746	694.5	1,367.8	342.8	363.6
Derivatives	379	352.4	631.8	916.6	126.8
Other securities and earning assets	6,163	5,735.5	5,258.0	7,727.1	5,502.9
Total earning assets	133,753	124,479.5	122,766.0	115,486.3	105,552.9
Cash and due from banks	11,311	10,526.8	11,278.5	6,826.2	18,965.1
Other assets	10,687	9,946.4	9,303.0	7,967.2	6,413.2
Total assets	155,752	144,952.7	143,347.5	130,279.7	130,931.2
Liabilities					
Customer deposits	57,562	53,570.6	48,751.7	41,327.3	39,088.5
Interbank and other short-term funding	29,994	27,914.7	33,688.0	35,760.0	36,465.3
Other long-term funding	44,977	41,858.3	39,150.6	32,616.6	35,964.8
Trading liabilities and derivatives	587	546.4	783.9	659.8	186.8
Total funding and derivatives	133,120	123,890.0	122,374.2	110,363.7	111,705.4
Other liabilities	7,451	6,934.6	6,594.6	5,723.8	5,831.5
Preference shares and hybrid capital	1,289	1,200.0	1,200.0	1,200.0	1,200.0
Total equity	13,891	12,928.1	13,178.7	12,992.2	12,194.3
Total liabilities and equity	155,752	144,952.7	143,347.5	130,279.7	130,931.2
Exchange rate		USD1 = EUR0.930665	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

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

Key Ratios

	30 Jun 24	31 Dec 23	31 Dec 22	31 Dec 21
Ratios (%; annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.0	2.2	2.9	2.9
Net interest income/average earning assets	2.9	2.9	3.3	3.4
Non-interest expense/gross revenue	46.0	47.1	42.8	42.4
Net income/average equity	7.7	10.2	12.7	11.9
Asset quality				
Impaired loans ratio	2.4	2.1	2.0	2.0
Growth in gross loans	2.0	8.5	6.7	2.0
Loan loss allowances/impaired loans	82.5	84.9	89.7	104.0
Loan impairment charges/average gross loans	0.8	0.6	0.4	0.5
Capitalisation				
Common equity tier 1 ratio	12.0	12.5	12.5	12.6
Basel leverage ratio	8.3	8.5	8.9	9.4
Net impaired loans/common equity Tier 1	5.2	3.8	2.3	-0.9
Funding and liquidity				
Gross loans/customer deposits	224.1	241.3	262.4	260.1
Liquidity coverage ratio	385.0	357.0	240.0	319.0
Customer deposits/total non-equity funding	43.0	39.7	37.3	34.7
Net stable funding ratio	113.0	111.0	109.0	115.0

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 core and integral to the group, which results in an extremely high probability of support. 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 group in Spain. The high 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.

			ESG Relevance to Credit Rating
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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
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

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
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) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
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

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

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to result in a negative impact unless indicated with a '+' sign for positive impact.h 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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

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.

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