Research Update:
Germany-Based Santander Consumer Bank Outlook Revised To Stable From Positive; 'BBB+/A-2' Ratings Affirmed

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Overview

• On June 9, 2017, we revised the outlook on Spain-based Banco Santander S.A. and its subsidiary Santander Consumer Finance S.A. (SCF) to stable from positive, following Banco Santander's acquisition of Banco Popular Español S.A.
• We are now revising the outlook on SCF's core subsidiary, Santander Consumer Bank AG, to stable from positive and affirming our 'BBB+/A-2' ratings.
• The stable outlook mirrors that on SCF, as we expect it to remain a core subsidiary and as such be directly affected by a strengthening or weakening credit profile of the parent.

Rating Action

On June 12, 2017, S&P Global Ratings revised its outlook on Germany-based Santander Consumer Bank AG (SCB) to stable from positive and affirmed its 'BBB+/A-2' long- and short-term counterparty credit ratings on the bank.

Rationale

The rating actions on SCB mirror those on its parent Santander Consumer Finance S.A. (SCF; BBB+/Stable/A-2), since we view SCB as a core subsidiary of SCF.

The outlook revision on SCF followed the same action on the ultimate parent, Banco Santander S.A., after the bank's acquisition of Banco Popular Español S.A. (see "Outlook On Spain-Based Banco Santander S.A. Revised To Stable From Positive On Acquisition Of Banco Popular Espanol," published June 9, 2017, on RatingsDirect).

Previously, our outlook on SCB was positive, reflecting the potential benefit from a buffer of loss-absorbing instruments at the Banco Santander level, since we regard SCB to be part of the Banco Santander resolution group. However, following the acquisition of Banco Popular, we now expect a slower buildup of capital and loss-absorbing instruments at Banco Santander and have consequently revised the outlook to stable.

SCB contributes about 40% to SCF's lending volume. We expect SCB's strategy
will remain aligned with that of Banco Santander Group's consumer finance strategy. The group support does not result in uplift, given our current assessment of SCB's stand-alone credit profile at 'bbb+', being at the same rating level as our issuer credit rating on SCF.

**Outlook**

The stable outlook on SCB mirrors that on its parent SCF as we expect it to remain a core subsidiary and as such be directly affected by a strengthening or weakening credit profile of the parent.

We could raise the ratings on SCB if we were to upgrade SCF. Conversely, we could lower the ratings on SCB following a similar action on SCF, or if we were to revise downward SCB's core status. We see the latter scenario as remote over the outlook horizon.

**Ratings Score Snapshot**

<table>
<thead>
<tr>
<th></th>
<th>To</th>
<th>From</th>
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</thead>
<tbody>
<tr>
<td>Issuer Credit Rating</td>
<td>BBB+/Stable/A-2</td>
<td>BBB+/Positive/A-2</td>
</tr>
<tr>
<td>SACP</td>
<td>bbb+</td>
<td>bbb+</td>
</tr>
<tr>
<td>Anchor</td>
<td>a-</td>
<td>a-</td>
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<tr>
<td>Business Position</td>
<td>Moderate (-1)</td>
<td>Moderate (-1)</td>
</tr>
<tr>
<td>Capital and Earnings</td>
<td>Strong (+1)</td>
<td>Strong (+1)</td>
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<tr>
<td>Risk Position</td>
<td>Moderate (-1)</td>
<td>Moderate (-1)</td>
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<tr>
<td>Funding and</td>
<td>Average and</td>
<td>Average and</td>
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<tr>
<td>Liquidity</td>
<td>Adequate (0)</td>
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<td>Support</td>
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<tr>
<td>Additional Factors</td>
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**Related Criteria**

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And
Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
• General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
• General Criteria: Group Rating Methodology, Nov. 19, 2013
• Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
• General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
• Criteria - Financial Institutions - Banks: Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
• Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
• Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
• Criteria - Financial Institutions - Banks: Bank Capital Methodology And Assumptions, Dec. 6, 2010
• General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
• Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

Related Research
• Outlook On Spain-Based Banco Santander S.A. Revised To Stable From Positive On Acquisition Of Banco Popular Espanol, June 9, 2017

Ratings List

Outlook Action; Ratings Affirmed

<table>
<thead>
<tr>
<th>Santander Consumer Bank AG</th>
<th>To</th>
<th>From</th>
</tr>
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<tbody>
<tr>
<td>Counterparty Credit Rating</td>
<td>BBB+/Stable/A-2</td>
<td>BBB+/Positive/A-2</td>
</tr>
</tbody>
</table>

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings'
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public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.