

RatingsDirect®

Research Update:

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

Primary Credit Analyst:

Heiko Verhaag, Frankfurt (49) 69-33-999-215; heiko.verhaag@spglobal.com

Secondary Credit Analyst:

Bernd Ackermann, Frankfurt (49) 69-33-999-153; bernd.ackermann@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria

Related Research

Ratings List

Research Update:

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

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

	To	From
Issuer Credit Rating	BBB+/Stable/A-2	BBB+/Positive/A-2
SACP	bbb+	bbb+
Anchor	a-	a-
Business Position	Moderate (-1)	Moderate (-1)
Capital and Earnings	Strong (+1)	Strong (+1)
Risk Position	Moderate (-1)	Moderate (-1)
Funding and Liquidity	Average and Adequate (0)	Average and Adequate (0)
Support	0	0
ALAC Support	0	0
GRE Support	0	0
Group Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

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 Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And

Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015

- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- 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: Assessing Bank Branch Creditworthiness, Oct. 14, 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

	To	From
Santander Consumer Bank AG Counterparty Credit Rating	BBB+/Stable/A-2	BBB+/Positive/A-2

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com

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'

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.

Copyright © 2016 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.