Germany-Based Santander Consumer Bank AG's Senior Unsecured Nonpreferred Notes Assigned 'BBB' Rating

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FRANKFURT (S&P Global Ratings) Sept. 25, 2017—S&P Global Ratings said today that it had assigned its 'BBB' long-term issue rating to the proposed senior subordinated (senior unsecured nonpreferred) notes to be issued by Santander Consumer Bank AG (SCB; BBB+/Stable/A-2). The rating is subject to our review of the notes' final documentation.

Since the amendment of the German credit act (§46f KWG), senior unsecured notes like the ones proposed have become senior subordinated in resolution and insolvency. We therefore rate these notes under our criteria for hybrid instruments ("Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions," published Jan. 29, 2015, on RatingsDirect). This is in line with our rating approach for other German senior subordinated bonds.

The 'BBB' issue rating reflects our analysis of the proposed notes and our 'BBB+' issuer credit rating (ICR) on SCB. The issue rating stands one notch below the ICR, reflecting our view that the notes rank subordinated to existing and future senior obligations by law (see "Credit FAQ: Rating Implications For German Banks Due To Evolving Bank Resolution Regulations," published Dec. 15, 2016).

We anticipate that a bail-in or write-down of the notes would only take place
after the bank reached the point of nonviability. We believe that extraordinary group support from the intermediate parent, Spanish Santander Consumer Finance SA (SCF), and ultimately from Banco Santander SA would also extend to these senior subordinated notes. Therefore, we notch down from the ICR instead of the stand-alone credit profile (SACP), though these are currently on the same level. At the same time, our rating on these notes is capped at, but could be lower than, the rating on an otherwise similar instrument issued by the operating company SCF, which is currently rated at the same level.

We believe it is likely that the German credit act will be amended in the future to align with a harmonized European bail-in framework, as recommended by the European Commission in November 2016. However, we understand that the ranking of outstanding liabilities would not be affected if the EC's proposal were adopted.

RELATED CRITERIA
• 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
• 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: Group Rating Methodology, Nov. 19, 2013
• Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
• 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
• General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

RELATED RESEARCH
• Santander Consumer Bank AG, Sept. 4, 2017
• Santander Consumer Finance S.A., Dec. 20, 2016

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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
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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.