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Fitch Revises Outlooks on SCF and SCB AS to Stable; Affirms at 'A-'

Fitch Ratings - Barcelona - 10 Jun 2021: Fitch Ratings has revised the Outlooks on Santander Consumer Finance, S.A.'s (SCF) and Santander Consumer Bank AS's (SCB) Long-Term Issuer Default Ratings (IDR) to Stable from Negative and affirmed the IDRs at 'A-'.

The Outlook revision follows the rating action on SCF's and SCB's ultimate provider of support, Banco Santander S.A. (see 'Fitch Revises Santander's Outlook to Stable; Affirms IDR at 'A-' published on 7 June 2021). The IDRs of SCF and SCB are based on Fitch's assessment of institutional support from Banco Santander. SCF's and SCB's Viability Ratings (VR) of 'a-' and 'bbb+', respectively, are unaffected by the rating action.

A full list of rating actions is below.

Key Rating Drivers

Unless noted below, the key rating drivers for SCF are those outlined in the rating action commentary published in September 2020 ('Fitch Affirms Santander Consumer Finance's IDR at 'A-/Negative; VR at 'a-') and the key rating drivers for SCB are those outlined in the rating action commentary published in March 2021 ('Fitch Affirms Santander Consumer Bank AS at 'A-'; Outlook Negative).

SCF's and SCB's IDRs are driven by potential shareholder support. We believe that Banco Santander has strong incentives to provide support to fully-owned SCF as we consider it a core and integral part of the group, given that it manages most of Banco Santander's consumer finance operations in Europe. We believe that there is a similarly high propensity to support SCB, which is owned by Banco Santander indirectly via SCF (its 100% shareholder) and is a key and integral part of Banco Santander's consumer finance activities in the Nordics, one of SCF's core geographies. The same considerations also drive SCF's and SCB's Support Ratings (SRs) of '1', which reflect institutional support from their ultimate parent.

SCF's IDRs are further underpinned by its intrinsic strength, as reflected in its 'a-' VR. SCF's VR reflects a strong consumer finance franchise in Europe, sound earnings generation capacity through economic cycles and adequate funding structure, the latter benefiting from ordinary support from its parent. The VR also factors in some degree of stability in its asset quality despite the cyclical nature of its business, aided by the bank's geographical diversification, a large share of less risky secured consumer lending and effective risk controls.

SCF's and SCB's Short-Term IDRs of 'F2' are the lower of the two possibilities corresponding to the banks' 'A-' Long-Term IDRs and in line with Banco Santander's Short-Term IDR.

SCF's and SCB's long-term senior preferred debt and deposit ratings are rated one notch above their Long-Term IDRs to reflect the protection that accrues from buffers of junior and senior non-preferred debt in the resolution perimeter. Banco Santander, SCF and SCB are part of the same resolution group. The short-term senior preferred debt and deposit ratings of 'F1' benefit from the fact that equivalent long-term senior debt and deposit ratings have been notched up to reflect protection.

RATING SENSITIVITIES

SCF

Factors that could, individually or collectively, lead to positive rating action/upgrade:

Positive rating action would require an upgrade of Banco Santander's IDRs and an upgrade of Spain's sovereign rating. An upgrade of SCF's VR is currently unlikely because of the bank's undiversified business model.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

SCF's IDRs would be downgraded if Banco Santander's IDRs and SCF's VR were downgraded. SCF's IDRs also remain sensitive to a downgrade of Spain's sovereign rating.

The negative rating sensitivities for SCF's VR are outlined in the rating action commentary published in September 2020.

SCF's senior preferred debt and deposit ratings are primarily sensitive to changes in Banco Santander's IDRs. We would downgrade the long-term senior preferred and deposit ratings by one notch if the size of the combined buffer of junior and senior non-preferred debt at resolution perimeter fall below 10% of RWA (adjusted by deconsolidating subsidiaries that are in different resolution groups) on a sustained basis, given the resolution group partly meets its MREL with senior preferred debt.

SCF's senior preferred debt and deposit ratings are also sensitive to changes in the group's resolution strategy that result in SCF not being subject to the same resolution perimeter as the parent.

SCB

Factors that could, individually or collectively, lead to positive rating action/upgrade:

SCB's IDRs, long-term senior preferred debt and long-term deposit ratings would be upgraded if the IDRs of SCF and Banco Santander were upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

SCB's IDRs, senior preferred debt, deposit ratings and SR would be downgraded if the IDRs of SCF and

Santander were downgraded, since they are driven by institutional support, and are therefore sensitive to the same factors that might drive a change in its parents' IDRs. SCB's IDRs and SR are also sensitive to a weakening of Banco Santander's and SCF's propensity to support SCB, for example if the Nordic countries or the consumer finance segment become less strategic for the group or if SCB becomes significantly less integrated within the group, which we do not expect.

The senior preferred debt and deposit ratings could also be downgraded by one notch if there were changes in the group resolution strategy resulting in a reduction in the level of protection we currently expect for these debt layers from internal resources within the group.

The rating sensitivities for SCB's VR are outlined in the rating action commentary published in March 2021.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

SCF's and SCB's IDRs are linked to the ratings of Banco Santander, the ultimate source of support.

ESG CONSIDERATIONS

The highest level of ESG credit relevance for SCF and SCF, if present, is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entities, either due to their nature or to the way in which they are being managed by the entities. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Santander Consumer Bank AS	LT IDR A- 	Affirmed	A- 
	ST IDR F2	Affirmed	F2

ENTITY/DEBT	RATING		RECOVERY	PRIOR
	Support	1	Affirmed	1
• long-term deposits	LT	A	Affirmed	A
• Senior preferred	LT	A	Affirmed	A
• short-term deposits	ST	F1	Affirmed	F1
• Senior preferred	ST	F1	Affirmed	F1
Santander Consumer Finance, S.A.	LT IDR	A- 	Affirmed	A- 
	ST IDR	F2	Affirmed	F2
	Support	1	Affirmed	1
• long-term deposits	LT	A	Affirmed	A
• Senior preferred	LT	A	Affirmed	A

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• short-term deposits	ST	F1	Affirmed	F1
• Senior preferred	ST	F1	Affirmed	F1

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Bank Rating Criteria \(pub.28 Feb 2020\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Santander Consumer Finance, S.A. EU Issued, UK Endorsed

Santander Consumer Bank AS EU Issued, UK Endorsed

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