

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Santander Consumer Finance's ratings

27 Nov 2024

Madrid, November 27, 2024 -- Moody's Ratings (Moody's) has today affirmed Santander Consumer Finance S.A.'s (SCF) deposit ratings at A2/Prime-1, its senior unsecured debt ratings at A2 and the Commercial Paper ratings at A2/Prime-1. We have also affirmed (1) the bank's Baseline Credit Assessment (BCA) and Adjusted BCA at baa2 and baa1 respectively; (2) the senior unsecured MTN programme rating at (P)A2; (3) the junior senior unsecured rating at Baa1; (4) the subordinated debt rating and subordinated MTN programme rating at Baa2 and (P)Baa2 respectively; and (5) its preferred stock non-cumulative rating at Ba1(hyb). SCF's Counterparty Risk Ratings (CRR) and Counterparty Risk Assessment (CR Assessment) have been affirmed at A2/Prime-1 and A3(cr)/Prime-2(cr) respectively. The outlook on the long-term deposit and senior unsecured debt ratings remains positive.

RATINGS RATIONALE

-- RATIONALE FOR AFFIRMING THE BCA AND ADJUSTED BCA

The affirmation of SCF's baa2 BCA reflects the bank's sound credit risk profile, underpinned by its long-established leading position in the auto and consumer finance business in several European countries. SCF displays low asset risk relative to its business profile and good profitability, which we expect to remain solid over the next 12-18 months despite some recent deterioration caused by an increase in problem loan entries and in the cost of credit. The BCA affirmation also reflects the bank's business model concentration on consumer finance, although related risks are mitigated by the bank's broad product offering and a good level of geographical diversification. SCF's funding profile is characterized by a high reliance on market funding with its funding risk partially offset by liquidity support provided by its parent Banco Santander, S.A. (Spain) (Banco Santander).

The affirmation of SCF's Adjusted BCA at baa1 incorporates our updated assumption of a very high probability of affiliate support from its parent Banco Santander, from a high probability of support previously. We have increased our expectation that SCF would receive extraordinary support from Banco Santander in case of need in light of

the close links established through the provision of liquidity support and the purchase of all the loss-absorbing instruments issued by SCF, given that both entities belong to the same resolution group, and our assessment that SCF's funding and liquidity has become more structurally reliant on its parent. The updated support assumption translates into an unchanged one notch of uplift from the bank's BCA.

-- RATIONALE FOR AFFIRMING SCF's SENIOR UNSECURED DEBT AND DEPOSIT RATINGS

The affirmation of SCF's long-term senior unsecured debt and deposit ratings at A2 reflects: (1) the affirmation of the bank's BCA and Adjusted BCA; (2) the outcome of our Advanced Loss Given Failure (LGF) analysis which leads to two notches of uplift for both instruments; and (3) our assessment of a low probability of government support given the bank's non-systemic nature in the Spanish market.

Because SCF belongs to Banco Santander's resolution group, we apply the Advanced LGF analysis of its parent company, which translates into a very low loss given failure for SCF's deposits and senior unsecured debt. Although Banco Santander's LGF analysis provides three notches of uplift above the Adjusted BCA of baa1 for the bank's long-term deposit and senior unsecured debt ratings, these ratings are capped at A2, two notches above Spain's sovereign rating of Baa1, as per our Banks rating methodology.

-- RATIONALE FOR THE POSITIVE OUTLOOK

The positive outlook on the long-term deposit and senior unsecured debt ratings is driven by the positive outlook of Spain's sovereign rating, and it also assumes that Banco Santander's liability structure will remain broadly unchanged.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

An upgrade of the baa2 BCA would require an improvement in the bank's financial indicators, principally stronger solvency levels and a lower reliance on market funding. An upgrade of the BCA would result in the convergence of our assessment of the bank's standalone creditworthiness with that of its parent Banco Santander, therefore not affecting its Adjusted BCA of baa1.

Similar to those of its parent, the bank's long-term deposit and senior debt ratings could be upgraded if Spain's sovereign rating is upgraded.

SCF's ratings could be downgraded if the bank's asset quality or profitability deteriorates beyond our current expectations, or by our assessment of a lower probability of parental support or a weakening of Banco Santander's creditworthiness. A downgrade of Spain's government rating could also lead to a downgrade of SCF's deposit and senior unsecured debt ratings.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in November 2024 and available at <https://ratings.moody's.com/rmc-documents/432741>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody's.com> for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody's.com/rating-definitions>.

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