

## RATING ACTION COMMENTARY

# Fitch Affirms Santander Consumer Finance at 'A'; Outlook Stable

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Fitch Ratings - Milan - 06 Oct 2025: Fitch Ratings has affirmed Santander Consumer Finance, S.A.'s (SCF) Long-Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook and Viability Rating (VR) at 'a-'. A full list of rating actions is below.

## KEY RATING DRIVERS

**Shareholder Support Drives IDRs:** SCF's IDRs are equalised with those of its ultimate parent Banco Santander, S.A. (A/Stable) as Fitch sees a very high probability that Santander would support its fully-owned subsidiary. This is reflected in SCF's Shareholder Support Rating (SSR) of 'a'. Fitch believes Santander has strong incentives to support SCF, as it considers it a core and integral part of the group. Our shareholder support assessment also reflects SCF's high level of integration with Santander, including risk management and controls, and huge reputational risk to Santander's franchise in case of SCF's default.

**Strong Consumer Finance Franchise:** SCF's VR reflects its well-established consumer finance market footprint in Europe, conservative underwriting and good risk controls, sound earnings generation capacity through economic cycles and adequate capitalisation. High reliance on wholesale funding is a rating weakness, but it is gradually reducing. Our assessment of funding, liquidity and capitalisation considers potential ordinary parental support. The VR also considers well managed asset quality, despite the cyclical consumer lending.

**Stable Business Model:** SCF ranks among the top European consumer finance banks in its home markets. Its consistent, although concentrated, business model benefits from geographical and product diversification and a granular client base.

**Well-Managed Risks:** The bank's strategic focus on secured auto lending, tight underwriting standards and risk controls and healthy geographical diversification is resulting in limited asset quality pressure throughout the cycle. Risk management also

benefits from high operational integration with Santander, which has extensive expertise in retail banking.

**Contained Asset Quality Pressures:** The impaired loans ratio increased to 2.7% at end-June 2025 (from 2.1% at end-2023) and should remain broadly stable. The deterioration reflects higher interest rates, a weaker economic environment in Germany and some deterioration in lending to car dealers. The ratio should be viewed in light of sizeable write-offs and solid coverage by loan loss allowances, which we expect to remain above 80%. Loan impairment charges reached almost 1% of gross loans in 1H25 and we expect only gradual improvement in the coming years.

**Profitability Turnaround:** SCF's profitability has been recently affected by slow loans repricing coupled with a rise in funding costs and loan impairment charges, resulting in operating profit/risk-weighted assets (RWAs) of 1.5% in 1H25 compared with an average 2.5% in the last decade. We expect the ratio to reach 2% in 2026 and then continue to improve, supported by a gradual loan production at higher margins and falling funding and risk costs. The bank's cost efficiency will remain a strength, underpinned by digitalisation and the group's simplification plan.

**Adequate Capitalisation:** Capital ratios are commensurate with SCF's risk profile and comfortably above requirements. Capitalisation is supported by solid earnings generation and potential ordinary support from its parent. We expect the bank to maintain a common equity Tier 1 ratio of 12%-12.5% in the medium term.

**Wholesale Funded, Growing Deposits:** SCF's wholesale funding is well diversified between unsecured and secured debt. Its well-established access to the capital markets is underpinned by bond placements with the parent, which could increase if needed. Deposits reached 47% of total non-equity funding at end-June 2025 and the bank has an ambitious long-term target to fully fund its lending by deposits, as part of SCF's strategic plan to reduce the cost of funding. SCF's healthy liquidity profile benefits from short loan book duration.

## **RATING SENSITIVITIES**

### **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

SCF's IDRs and SSR would be downgraded if Santander's IDRs were downgraded or if Fitch concludes that the consumer finance becomes less strategic for the parent, which we do not expect.

SCF's VR could be downgraded if its operating profit structurally falls below 2% of RWAs, which could be driven by a prolonged income pressure from lower business activity or

elevated loan impairment charges.

A downgrade of Santander would also likely trigger a downgrade of SCF's VR, due to reduced potential ordinary parental funding, liquidity and capital support and a high integration between the two banks.

### **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

SCF's IDRs and SSR would be upgraded if Santander was upgraded. An upgrade of SCF's VR is unlikely, due to its concentrated business model on cyclical consumer finance.

### **OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS**

SCF's senior preferred debt and deposit ratings are equalised with that of its parent. The one-notch uplift for SCF's long-term senior preferred debt and deposit ratings above its Long-Term IDR reflects the protection accruing from Santander's buffers of junior and senior non-preferred in a resolution scenario because SCF is included in its parent's resolution perimeter.

### **OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

The senior preferred debt and deposit ratings are sensitive to changes in Santander's IDRs and potential changes in the group's resolution strategy that could result in SCF not being in the same resolution group as the parent.

### **VR ADJUSTMENTS**

The 'a' operating environment score is below the 'aa' implied category score due to the following adjustment reason: sovereign rating (negative).

The 'a-' business profile score is above the 'bbb' implied category score due to the following adjustment reason: group benefits and risks (positive).

The 'a-' capitalisation & leverage score is above the 'bbb' implied category score due to the following adjustment reason: capital flexibility and ordinary support (positive).

The 'bbb' funding & liquidity score is above the 'b & below' implied category score due to the following adjustment reasons: non-deposit funding (positive) and liquidity access and ordinary support(positive).

### **Sources of Information**

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

## 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 Long-Term IDR and SSR are linked to Banco Santander's Long-Term IDR.

## ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡				PRIOR ⚡
Santander Consumer Finance, S.A.	LT IDR	A Rating Outlook Stable			A Rating Outlook Stable
	Affirmed				
	ST IDR	F1	Affirmed		F1
	Viability	a-	Affirmed		a-
	Shareholder Support	a	Affirmed		a
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

[VIEW ADDITIONAL RATING DETAILS](#)

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## APPLICABLE CRITERIA

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

## ADDITIONAL DISCLOSURES

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## ENDORSEMENT STATUS

Santander Consumer Finance, S.A.

EU Issued, UK Endorsed

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