Santander Consumer Bank AG (/gws/en/esp/issr/88386330)

Fitch Rates Santander Consumer Bank AG's Debt Issuance Programme 'A-’/’F2’

Fitch Ratings-Frankfurt/London-21 June 2017: Fitch Ratings has assigned Germany-based Santander Consumer Bank AG's (SCB AG) EUR5 billion debt issuance programme a long-term rating of 'A-' and a short-term rating of 'F2'.

The ratings are programme ratings and apply only to senior unsecured issuance whose terms Fitch believes to be commensurate with non-preferred treatment under Germany’s revised resolution regime in force since 1 January 2017. There is no assurance that notes issued under the programme will be assigned a rating, or that the rating assigned to a specific issue under the programme will have the same rating as the programme rating.

KEY RATING DRIVERS
SENIOR NON-PREFERRED DEBT RATINGS
The programme ratings are driven by and equalised with SCB AG's Issuer Default Ratings (IDRs) of 'A-’/’F2’. Fitch views that the likelihood of default on senior unsecured notes under this programme would reflect the likelihood of default of the bank.

SCB AG's IDRs are driven by the bank's Viability Rating (VR) of 'a-', and by institutional support because it is our view that, if needed, SCB AG would benefit from strong support from its ultimate parent, Banco Santander, S.A. (Santander, A-/Stable/F2/a-). As Santander's main operating subsidiary in Germany SCB AG is deeply integrated within the operations of its intermediate parent Santander Consumer Finance, S.A. (SCF, A-/Stable/F2/bbb+). The VR reflects SCB AG's solid business model and franchise in Germany, which result in strong pricing power and adequate risk-pricing, and considerable flexibility to mitigate earnings pressure from a low interest-rate environment.

RATING SENSITIVITIES
SENIOR NON-PREFERRED DEBT RATINGS
The ratings are primarily sensitive to changes in SCB AG's IDRs.

A downgrade of SCB AG’s IDRs could be driven either by a downgrade of Santander's or SCF’s IDRs or by a weakening propensity of institutional support. The latter could be signalled, for example, by the sale of a significant stake in SCB AG or if we believe that Santander no longer views SCB AG as a core entity. An upgrade of SCB AG’s IDRs would require an upgrade of Santander's or SCF’s Long-Term IDRs accompanied by either a continued very strong propensity to support SCB AG or an upgrade of SCB AG’s VR.

An upgrade of SCB AG’s VR would require major revenue diversification and sustainable strengthening of the bank's capital and liquidity buffers. A downgrade of the VR could result from excessive growth, a failure to maintain an adequate risk-return profile in mortgage and SME lending, strong margin pressure in consumer finance, severe deterioration of German households' creditworthiness triggering significant asset quality pressure or sharp capital erosion due to insufficient capital injections from Santander.

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