



## Rating Action: **Moody's upgrades Santander Consumer Bank AS's deposit and senior unsecured debt ratings**

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25 Jul 2023

Stockholm, July 25, 2023 – Moody's Investors Service ("Moody's") has today upgraded Santander Consumer Bank AS's (SCB) long- and short-term foreign and local currency deposit and issuer ratings to A2 from A3 and to P-1 from P-2 respectively. The foreign currency senior unsecured debt and medium-term note (MTN) program ratings were also upgraded to A2 from A3 and to (P)A2 from (P)A3 respectively, and the foreign and local currency junior senior unsecured MTN program rating was upgraded to (P)Baa1 from (P)Baa2. The outlook on the long-term deposit, issuer and senior unsecured debt ratings was changed to stable from ratings under review.

The upgrade concludes the review initiated on 24 April 2023, which considered SCB's expected issuance volume of senior non-preferred (SNP) debt in the first half of 2023 due to the bank's Minimum Requirement for own funds and Eligible Liabilities (MREL). All other outstanding ratings and assessments of SCB remain unaffected by this rating action.

### RATINGS RATIONALE

The upgrade of the deposit and senior unsecured ratings follow larger volumes of SNP debt that the bank issued during the first half of 2023, which in turn increases the senior creditors' protection for its deposit and senior debt. In addition, the larger SNP volumes also expand the pool of junior senior creditors, which contain any potential losses for this class of debt in a bank resolution scenario.

These rating upgrades are inferred by Moody's forward-looking Advanced Loss Given Failure (LGF) analysis, which take into consideration the bank's funding plans over the foreseeable future and assesses the potential losses in its liability structure in case of resolution. The rating agency notes that in the case of SCB, any SNP debt is issued towards its parent bank (Santander Consumer Finance S.A.) as part of its internal MREL, which was communicated to the bank from the Financial Supervisory Authority of Norway (Finanstilsynet) and the Single Resolution Board (SRB) last year.

### OUTLOOK

The outlook on SCB's long-term deposit, issuer and senior unsecured debt ratings is stable, reflecting our expectation that the bank's financial performance and credit profile will be broadly stable in the next 12-18 months. The outlook on SCB's long-term ratings is also aligned with the stable outlook on its parent bank's long-term deposit ratings.

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

SCB's ratings could be upgraded if it improves its credit risk profile while maintaining satisfactory levels of profitability, and its reliance on confidence-sensitive market funding declines, exerting upward pressure on its standalone Baseline Credit Assessment (BCA). Concurrently, SCB's junior senior unsecured debt ratings could be further upgraded if the bank issues larger volumes of junior liabilities, including SNP, resulting in a lower loss given failure.

SCB's ratings could be downgraded if the bank's capital declines significantly; asset quality deteriorates, or its risk profile increases in combination with lower profitability; or the bank's funding and liquidity characteristics weaken exerting negative pressure on its BCA. SCB's ratings could also be downgraded in case Moody's lowers its affiliate

support assumptions, due to a reduced commitment by the parent bank to support its subsidiary. In addition, a potential shift in SCB's liability structure – for example, if the amount of outstanding junior senior unsecured debt were to significantly decline – could lead to lower creditor protection and a downgrade of the bank's deposit and senior debt ratings.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks Methodology published in July 2021 and available at <https://ratings.moodys.com/rmc-documents/71997>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

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.moodys.com/rating-definitions>.

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