



RATING ACTION COMMENTARY

Fitch Affirms Union de Creditos Inmobiliarios at 'BBB', Outlook Stable

Wed 22 Nov, 2023 - 9:57 ET

Fitch Ratings - Frankfurt am Main - 22 Nov 2023: Fitch Ratings has affirmed UCI S.A.'s (UCI) and its fully-owned subsidiary Union de Creditos Inmobiliarios S.A. E.F.C.'s (UCI EFC) Long-Term Issuer Default Ratings (IDRs) at 'BBB' with Stable Outlook. Fitch has affirmed UCI's and UCI EFC's Shareholder Support Ratings (SSR) at 'bbb'.

KEY RATING DRIVERS

Shareholder Support Drives Ratings: UCI's and UCI EFC's ratings are based on Fitch's expectation of a high probability of support from Banco Santander, S.A. (Santander; A-/Stable/F2/a-). Santander directly owns 50% of UCI's share capital. The balance is held by BNP Paribas S.A. (BNPP: A+/Stable/F1/a+) with 10% of the share capital directly and 40% through its fully owned consumer finance subsidiary, BNP Paribas Personal Finance SA.

UCI Important to Santander: Fitch views extraordinary support from Santander highly probable. Due to the joint-venture ownership structure, Fitch believes UCI has limited strategic importance to Santander and support is less certain for UCI than for Santander's fully owned core subsidiaries. This is underlined by Fitch notching UCI's Long-Term IDRs down twice from Santander's Viability Rating of 'a-'. UCI extends residential mortgages, Santander's core product, through real estate agents and online platforms in Spain and Portugal. We view UCI as a complementary sales channel for Santander.

UCI Less Important to BNPP: In Fitch's view, UCI is strategically less important to BNPP as it is non-core to BNPPs' strategy given their limited overlap in geographical and product coverage. However, BNPP continues to contribute capital injections in line with Santander, and both shareholders equally provide material funding for UCI. Fitch believes that extraordinary support from BNPP is likely, but only in conjunction with Santander. We therefore anchor support for UCI's ratings to Santander's.

Long Support Record: UCI has a long support record from Santander and BNPP of providing funding lines and capital. They each maintain a EUR4 billion credit line for UCI. At end 2022, both shareholders equally subscribed to UCI's capital increase of EUR47 million, aimed at offsetting the negative impact on common equity Tier 1 capital (CET1) from the sale of non-performing loans (NPLs).

High Leverage; Weak Performance: UCI's high leverage and weak profitability weigh on its standalone profile. Also, the legacy NPL portfolio weighs on its asset-quality metrics. Funding concentration has decreased, but reliance on parental funding remains high (around 60% of the total at end-2022).

RATING SENSITIVITIES

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

-A downgrade in Santander's ratings would trigger a downgrade in UCI's

-UCI's residential mortgage sales channel becoming less strategically important for Santander, BNPP materially reducing its equity stake in UCI or material reductions in available funding from parents to UCI could lead to wider notching

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

-UCI's ratings are sensitive to positive changes in Santander's ratings

-Acquiring a majority stake in UCI by one of the shareholders would likely lead to narrower notching and hence an upgrade of UCI's ratings

-A change in BNPP's ratings would not directly affect UCI's ratings, assuming BNPP's stake in UCI and the level of non-equity funding from BNPP remains broadly unchanged

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

UCI's IDR is driven by support from Banco Santander, S.A.

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 |
|---|---------------------|---------------------------|----------|---------------------------|
| Union de Creditos Inmobiliarios S.A. E.F.C. | LT IDR | BBB Rating Outlook Stable | | BBB Rating Outlook Stable |
| | | Affirmed | | |
| | ST IDR | F2 | Affirmed | F2 |
| | Shareholder Support | bbb | Affirmed | bbb |
| UCI S.A. | LT IDR | BBB Rating Outlook Stable | | BBB Rating Outlook Stable |
| | | Affirmed | | |
| | ST IDR | F2 | Affirmed | F2 |
| | Shareholder Support | bbb | Affirmed | bbb |

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 05 May 2023\) \(including rating assumption sensitivity\)](#)

[Bank Rating Criteria \(pub. 01 Sep 2023\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

Endorsement Policy

ENDORSEMENT STATUS

| | |
|---|------------------------|
| UCI S.A. | EU Issued, UK Endorsed |
| Union de Creditos Inmobiliarios S.A. E.F.C. | EU Issued, UK Endorsed |

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