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

Fitch Ratings - Frankfurt am Main - 13 Nov 2024: Fitch Ratings has affirmed the Long Term Issuer Default Ratings (IDRs) of UCI S.A. (UCI) and its fully owned subsidiary Union de Creditos Inmobiliarios S.A. E.F.C. (UCI EFC) at 'BBB' with Stable Outlook. Fitch has also affirmed UCI and UCI EFC's Shareholder Support Ratings (SSR) of 'bbb'.

Key Rating Drivers

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

UCI Complementary to Santander: Fitch views extraordinary support from Santander as highly probable. However, 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 reflected in Fitch notching UCI's Long-Term IDRs down twice from Santander's Viability Rating (VR) of 'a-'. UCI extends Santander's core product, residential mortgages, through real estate agents and online platforms in Spain and to a lesser extent in Portugal.

UCI Less Important to BNPP: Fitch views UCI as less strategically important to BNPP than it is to Santander, because it is non-core to BNPPs' strategy given the 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 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 record of support from Santander and BNPP through their provision of funding lines and capital. They each maintain a EUR4 billion credit line for UCI, and both shareholders have subscribed equally to UCI's multiple capital increases in recent years. At end-2023, both shareholders equally subscribed to UCI's capital increase of EUR88 million, aimed at strengthening UCI's solvency and support with complying with new regulations that require higher solvency levels, equivalent to credit institutions.

High Leverage; Weak Performance: UCI's weak profitability and high leverage weigh on its standalone credit profile. UCI's legacy non-performing loans portfolio weighs on its asset-quality

metrics. Funding concentration has slightly improved, but reliance on parental funding remains high (59% of total funding at end-2023).

RATING SENSITIVITIES

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

A downgrade of Santander's ratings would trigger a downgrade of UCI's.

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

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

UCI's ratings and Outlook are sensitive to positive changes in Santander's ratings and Outlook.

Santander acquiring a majority stake in UCI would be likely to lead to narrower notching and therefore 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>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Union de Creditos Inmobiliarios S.A. E.F.C.	LT IDR	BBB 	Affirmed	BBB 
	ST IDR	F2	Affirmed	F2
	Shareholder Support	bbb	Affirmed	bbb
UCI S.A.	LT IDR	BBB 	Affirmed	BBB 
	ST IDR	F2	Affirmed	F2
	Shareholder Support	bbb	Affirmed	bbb

RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	○	

Applicable Criteria

[Non-Bank Financial Institutions Rating Criteria \(pub.17 Jan 2024\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

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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