FitchRatings

Banks
Retail & Consumer Banks
Germany

Santander Consumer Bank AG

Key Rating Drivers

Shareholder Support Drives IDRs: Santander Consumer Bank AG's (SCB AG) Issuer Default Ratings (IDR) are equalised with those of its ultimate parent Banco Santander, S.A. (Santander; A/Stable) as Fitch Ratings believes there is a very high probability that SCB AG would be supported, either directly by Santander or indirectly via its intermediate parent and 100% shareholder, Santander Consumer Finance, S.A. (SCF; A/Stable). This is captured in SCB AG's 'a' Shareholder Support Rating (SSR). The Stable Outlook on SCB AG's Long-Term IDR mirrors that on its parent.

Strong Alignment with Group Strategy: We view Santander's propensity and ability to support SCB AG as very high, due to SCB AG's strong strategic alignment, deep integration, shared brand name and small size relative to the group. Car and unsecured consumer financing are core businesses for the group. We believe that Santander would increase SCB AG's capital to support organic growth and acquisitions, as it has in the past. SCB AG represented 3% of Santander's consolidated assets at end-2024, and so size would not constrain Santander's ability to provide support.

Integration Underpins Support: Our shareholder support assessment is supported by SCB AG's high level of integration with Santander, including risk management and controls, IT infrastructure, treasury activities and its long and successful record of supporting group objectives. SCB AG belongs to the same resolution perimeter as Santander and SCF.

Strong Consumer Finance Franchise: SCB AG's Viability Rating (VR) reflects a strong consumer finance franchise in Germany, sound earnings generation through economic cycles, and good deposit funding. It also factors in the moderate risk appetite despite the cyclical nature of its business, supported by its conservative underwriting and sound risk controls.

Focused Business Profile: SCB AG has a leading franchise in the specialised German car and consumer financing market, but business diversification is limited. The bank benefits from being part of SCF, particularly through globally arranged captive agreements, branding, and strategic partnerships.

Asset-Quality Pressure: The impaired loans ratio increased to 3.2% at end-2024 (end-2023: 2.1%), due to more defaults in SCB AG's direct lending and corporate portfolio. We expect that the continued challenging operating environment in Germany will lead to a further moderate increase in the impaired loans ratio in 2025 before improving in 2026. Loan impairment charges/gross loans increased to 92bp in 2024, but we believe this should gradually revert to structural levels of 50bp–60bp by 2026.

Profitability to Recover: SCB AG did not fully benefit from higher interest rates, due to the slow repricing of its loan book and a stronger rise in its refinancing costs compared with most German banks. We expect SCB AG to restore its loss-absorption capacity in 2025, and to generate an operating profit of above 1.5% of risk-weighted assets (RWAs) over the next two years.

Adequate Capitalisation: Our assessment of SCB AG's capitalisation includes ordinary group support as the bank relies on capital injections from the group to back significant loan growth or acquisitions. Our assessment also considers a flexible approach to capital relief transactions and good leverage ratio (6.8% at end-2024).

Self-Funded, Largely Through Deposits: SCB AG's established retail deposit franchise is supplemented by regular capital market issuance. SCB AG has limited reliance on funding by the parent, in line with the group strategy.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Derivative Counterparty Rating	A+(dcr)
Viability Rating	a-
Shareholder Support Rating	a
Sovereign Risk (Germany)	
Long-Term Foreign-Currency IDR	AAA
Long-Term Local-Currency IDR	AAA
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Affirms Santander Consumer Bank AG at 'A'; Outlook Stable (April 2025)

Fitch Upgrades Santander to 'A'; Outlook Stable (February 2025)

Global Economic Outlook - April 2025 Update (April 2025)

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Rating Sensitivities

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

SCB AG's IDRs would be downgraded if its SSR was downgraded. A downgrade of Santander's IDR, the sale of a significant stake in SCB AG or a decline in SCB AG's strategic importance for the group could reduce the likelihood of extraordinary support and trigger a downgrade of SCB AG's SSR.

The VR could be downgraded if SCB AG's financial profile materially weakens. This would require a sustained contraction of its operating profit/RWAs to below 1.5%, or the impaired loans and loan impairment charges (LICs)/gross loans ratios increasing above 3% and 1%, respectively, on a sustained basis.

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

An upgrade of Santander's IDRs would trigger an upgrade of SCB AG's IDRs and SSR.

An upgrade of SCB AG's VR is unlikely owing to its business profile and concentrated business model.

Other Debt and Issuer Ratings

Rating Level	Rating
Deposit ratings	A+/F1
Senior preferred	A+/F1
Senior non-preferred	A
Senior secured	AAA

Source: Fitch Ratings

The Derivative Counterparty Rating (DCR) and long-term senior preferred debt and long-term deposit ratings are all one notch above the Long-Term IDR to reflect the protection accruing to preferred creditors from the senior nonpreferred and junior debt buffers at the resolution group level. SCB AG is included in Santander's resolution perimeter and issues its resolution debt buffers internally to SCF or Santander. SCB AG's short-term senior preferred debt and deposit ratings of 'F1' are in line with the parent's short-term senior preferred debt and deposit ratings.

SCB AG's senior non-preferred debt rating is aligned with its parent's senior non-preferred debt rating.

SCB AG's 'F1' support-driven Short-Term IDR is the lower of the two options mapping to the Long-Term IDR of 'A' and is aligned with the parent's Short-Term IDR.

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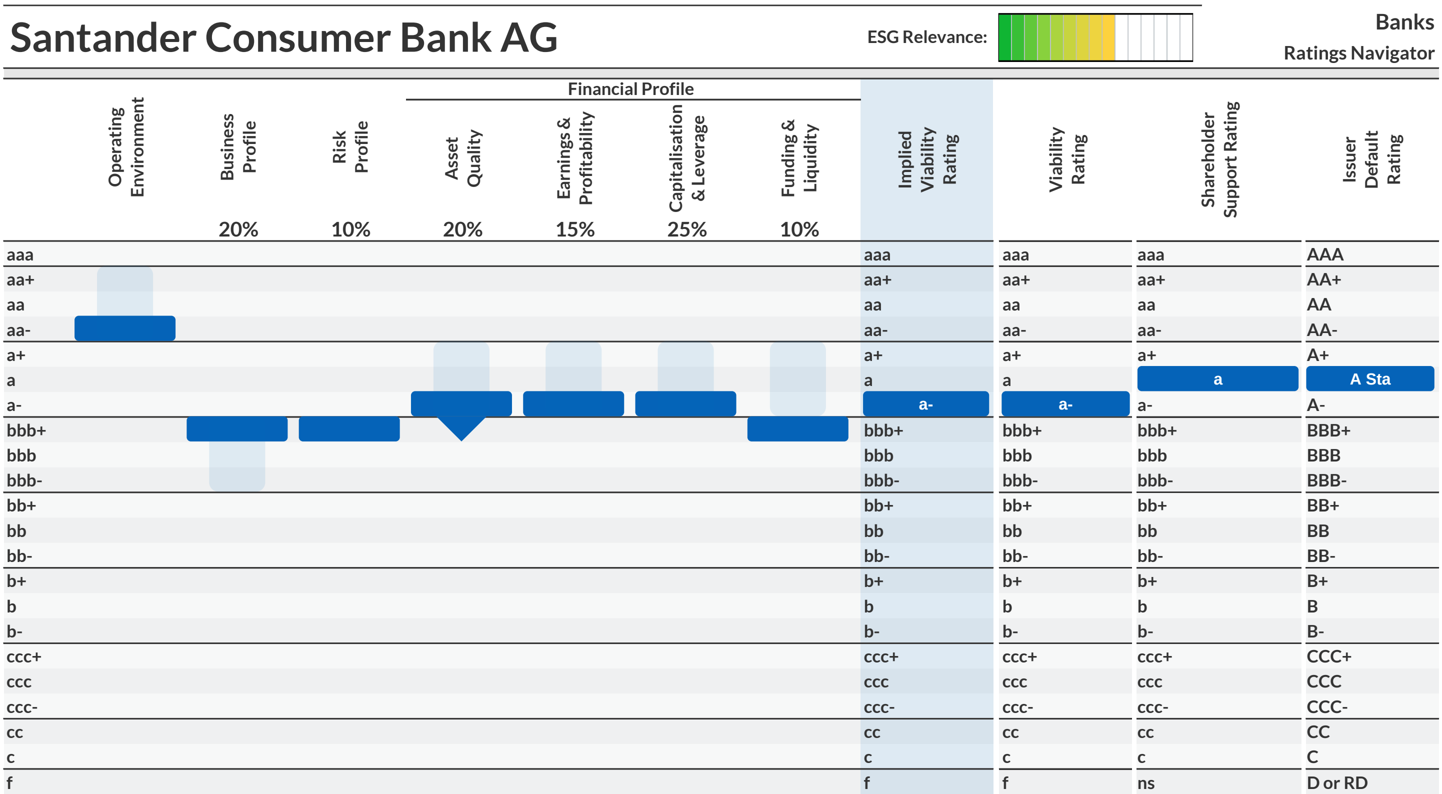
Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The funding and liquidity score of 'bbb+' is below the 'a' implied category score, due to the following adjustment reason: deposit structure (negative).

Company Summary and Key Qualitative Factors

Business Profile

SCB AG runs Santander's German operations and focuses primarily on consumer finance, one of the group's core markets. Its business segments are mobility and direct lending (unsecured consumer loans and credit cards). It closely aligns its strategic objectives and performance targets with Santander's and benefits from the group's resources and expertise. It has been key in SCF's formation of a leading European consumer banking operation through acquisitions over the past decade.

We expect the mobility sector, which accounts for about half of the loan portfolio, to remain SCB AG's largest segment. The bank is the largest non-captive car financing provider in Germany and the second-largest overall behind VW Bank.

SCB AG is well-advanced in its transition to an omni-channel distribution model in its direct segment, reflected by the growing share of fully digitalised processes. However, the intense competition in Germany results in considerable challenges for SCB AG to gain and keep profitable retail customers.

SCB AG has strengthened its strategic focus on car and consumer financing by transferring all its retail partners to Openbank (Santander Group's pan-European 'buy now, pay later' platform), effectively closing down its consumer financial services segment at end-2024, which included point-of-sales and buy now, pay later activities. In addition, the bank has announced that it will no longer underwrite mortgage loans. However, profit contribution from both business segments was limited due to their small size.

Risk Profile

Sound Underwriting Standards

SCB AG's decades-long expertise in German consumer lending includes tested and highly effective proprietary scoring, underwriting, monitoring and impaired loan collection processes. The bank's risk-management organisation is also closely integrated into Santander's.

SCB AG's risk profile also benefits from the high granularity in its consumer financing business segments and from a high share of collateralised auto lending. SCB AG's annual credit volume generation is high and should be viewed in light of a short effective maturity of loans (about two years for auto loans).

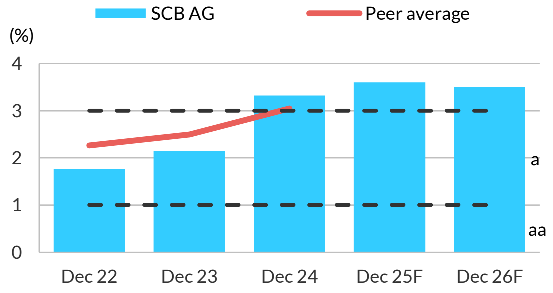
Financial Profile

Asset Quality

Impaired loans and LICs have increased in 2024 from low levels but are still moderate considering the focus on consumer and auto lending. SCB AG's asset quality metrics reflect its reasonable risk appetite, strong risk controls and adequate risk-based pricing despite the cyclicality of its loan exposures. Granular auto and consumer loans, which are mostly collateralised, make up about 70% of the loan portfolio.

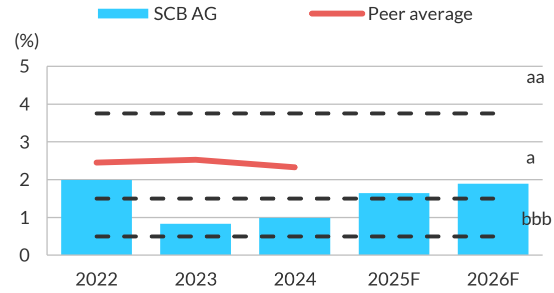
Impaired loans have increased slightly due to postponed sales of defaulted exposures. We expect that SCB AG will continue with opportunistic loan sales, but potentially on a smaller scale than in the past. However, a stronger emphasis on in-house collection is likely to result in improved recoveries, thereby improving risk costs. We expect SCB AG's impaired loans ratio to increase this year due to the ongoing challenging macroeconomic environment and a potential increase in unemployment leading to heightened LICs in 2025. We believe SCB AG's coverage ratio of impaired loans by loan loss allowances is sound. Stage 2 loans increased to 5.5% in 2024, from 2.2% in 2023.

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, banks

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

SCB AG's through-the-cycle profitability has been well above the domestic sector average in the past decade, and reflects generally wide interest rate margins, a competitive cost base and contained LICs. In contrast to other German banks, SCB AG did not fully benefit from the higher interest rates, due to the slow repricing of its loan book and a significant rise in its refinancing costs. SCB AG was able to pass on the higher interest rates to a significant share of its customers, but with a time lag, despite the relatively short tenor of its assets. This delay arose in particular in the bank's mobility segment, due to the delay between the vehicle order and delivery. Typically, the refinancing of each car occurred at the point of delivery at market conditions, reflecting higher interest rates.

Interest expenses simultaneously rose significantly in 2023 and remained high in 2024 due to the tightening of the ECB's targeted longer-term refinancing operations (TLTRO) facility, as well as the bank's shift to other funding sources, including commercial paper, ABS, medium-term notes and customer deposits. We expect the repricing of the bank's loan book to continue to feed into 2025, leading to an improvement in SCB AG's profitability in the medium term, likely reflected in its operating profit/RWAs ratio increasing above 1.5%.

The bank's net commission income remained broadly stable in 2024 but below longer-term averages due to lower income from insurance brokerage, as well as a rise in commission fees paid to business intermediaries, such as car dealers.

SCB AG's cost efficiency is good despite its sizeable nationwide branch network. It is supported by rising loan-generation capacity through direct banking activities. The bank's cost/income ratio improved to 61% at end-2024 (end-2023: 64%), mainly due to the improved net interest income.

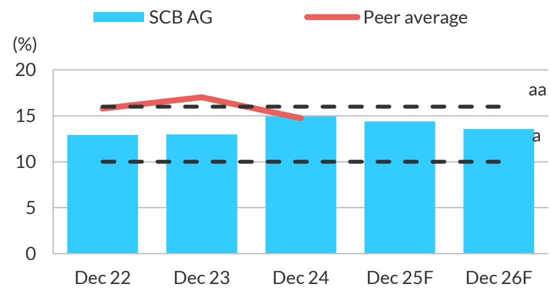
Capitalisation and Leverage

SCB AG generally up-streams its full annual profits to its intermediate parent Santander Consumer Holding under the control-and-profit transfer agreement, which strictly limits SCB AG's capital generation flexibility, except some allowance to retain some profits for investments and growth. This makes the bank vulnerable to RWA inflation, which it counters by regular capital relief transactions, using its pool of consumer collateral.

The bank's CET1 ratio increased to 14.9% at end-2024 (end-2023: 13.0%), due to capital relief transactions leading to decreased RWAs. This leaves a sufficient, buffer to absorb potential cyclical swings against its CET1 requirement. However, we expect higher pay-outs, as current capital levels are above historical levels.

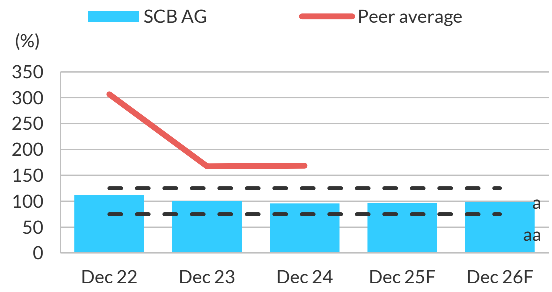
SCB AG plans to move further portfolios that are currently measured under the standardised approach to the risk-weight measurement under the advanced ratings base approach.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, banks

Funding and Liquidity

Retail deposits, and, to a lesser extent, wholesale deposits are SCB AG's main funding sources. This is in line with the group's strategy to have mainly self-funded subsidiaries. The ratio of customer deposits/total non-equity funding has increased significantly in the past two years (end-2024: 67%). The strong increase was driven by the replacement of TLTRO funding from the ECB, especially in 2023. Investors' preference for higher-yielding term deposits, in combination with the repayment of most of its TLTRO funding, had a significant negative impact on the bank's funding costs in 2023. However, these effects have reduced in 2024 as TLTRO was repaid and interest rates on deposits have reduced. We expect the level of deposit funding to be broadly stable in the next two years. ABS funding accounts for about 18% of non-equity funding. Its liquidity coverage ratio remained a comfortable 255% at end-2024.

SCB AG's commercial paper programme (established in 2018, current volume of EUR2.4 billion) also provides additional flexibility to address short-term funding needs. SCB AG will continue to make extensive use of retained auto and consumer ABS as collateral to access ECB funding, generate liquidity and achieve capital relief.

Additional Notes on Charts

The forecasts in the charts in this section reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts. Peer average includes Santander Consumer Finance, S.A. (VR: a-), Santander Consumer Bank AS (bbb+), Banco Santander, S.A. (a), Corner Banca SA (bbb+), CA Auto Bank S.p.A. (bb+). Unless otherwise stated, financial year (FY) end for all banks is 31 December.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	12 months (USDm)	12 months (EURm)	12 months (EURm)	12 months (EURm)	12 months (EURm)
Summary income statement					
Net interest and dividend income	1,147	1,104	971	1,054	1,071
Net fees and commissions	115	111	107	163	182
Other operating income	52	50	64	142	193
Total operating income	1,314	1,264	1,143	1,359	1,446
Operating costs	798	768	716	774	752
Pre-impairment operating profit	516	497	427	585	694
Loan and other impairment charges	300	289	241	141	161
Operating profit	216	208	186	444	533
Other non-operating items (net)	-1	-1	78	–	–
Tax	0	0	0	0	0
Net income	215	207	264	444	533
Summary balance sheet					
Assets					
Gross loans	33,805	32,527	31,598	28,273	25,320
– Of which impaired	1,074	1,033	676	498	589
Loan loss allowances	1,514	1,457	1,011	740	551
Net loans	32,291	31,070	30,587	27,533	24,769
Interbank	10,204	9,818	9,714	6,778	2,755
Other securities and earning assets	11,151	10,729	11,745	17,473	16,817
Total earning assets	53,646	51,617	52,046	51,784	44,341
Cash and due from banks	921	886	687	1,291	10,758
Other assets	441	424	492	535	525
Total assets	55,008	52,928	53,225	53,610	55,623
Liabilities					
Customer deposits	33,650	32,378	31,357	25,250	23,390
Interbank and other short-term funding	2,671	2,570	2,025	8,686	10,473
Other long-term funding	13,579	13,066	14,946	14,707	16,712
Total funding and derivatives	49,900	48,013	48,328	48,643	50,576
Other liabilities	1,143	1,100	1,085	1,245	1,326
Preference shares and hybrid capital	236	227	423	409	408
Total equity	3,729	3,588	3,388	3,313	3,313
Total liabilities and equity	55,008	52,928	53,225	53,610	55,623
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Bank AG

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	1.0	0.8	2.0	2.8
Net interest income/average earning assets	2.1	1.9	2.2	2.4
Non-interest expense/gross revenue	61.2	64.1	61.1	52.0
Net income/average equity	5.9	7.9	13.4	16.1
Asset quality				
Impaired loans ratio	3.2	2.1	1.8	2.3
Growth in gross loans	2.9	11.8	11.7	-14.9
Loan impairment charges/average gross loans	0.9	0.6	0.4	0.5
Capitalisation				
Common equity Tier 1 ratio	14.9	13.0	12.9	15.0
Tangible common equity/tangible assets	6.5	6.0	5.8	5.6
Basel leverage ratio	6.8	6.3	6.7	7.3
Funding and liquidity				
Gross loans/customer deposits	100.5	100.8	112.0	108.3
Gross loans/customer deposits + covered bonds	98.9	97.6	107.6	103.7
Liquidity coverage ratio	255.0	220.8	231.7	519.6
Customer deposits/total non-equity funding	67.1	64.3	51.5	45.9

Source: Fitch Ratings, Fitch Solutions, Santander Consumer Bank AG

Support Assessment

Shareholder Support	
Shareholder IDR	A
Total Adjustments (notches)	0
Shareholder Support Rating	a
Shareholder ability to support	
Shareholder Rating	A/ Stable
Shareholder regulation	Equalised
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	Equalised
Support record	1 Notch
Subsidiary performance and prospects	Equalised
Legal commitments	2+ Notches

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

We view Santander's propensity and ability to support SCB AG as very high, due to SCB AG's deep integration, shared brand name and small size relative to the group. Car and unsecured consumer financing are core business for the group. We believe that Santander would increase SCB AG's capital to support organic growth and acquisitions whenever needed, as it has in the past.

Environmental, Social and Governance Considerations

FitchRatings **Santander Consumer Bank AG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

ESG Relevance to Credit Rating

Santander Consumer Bank AG has 5 ESG potential rating drivers

- Santander Consumer Bank AG has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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 www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

DISCLAIMER & DISCLOSURES