

# Credit Update

**Investor Presentation**

**December 2021**

**Santander Consumer Bank AG**



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# Agenda Investor Presentation

1. Executive Summary
2. SCB Germany within Santander Group
3. Business Model and Strategy
4. Financials 2020
5. Risk Management
6. Funding Strategy

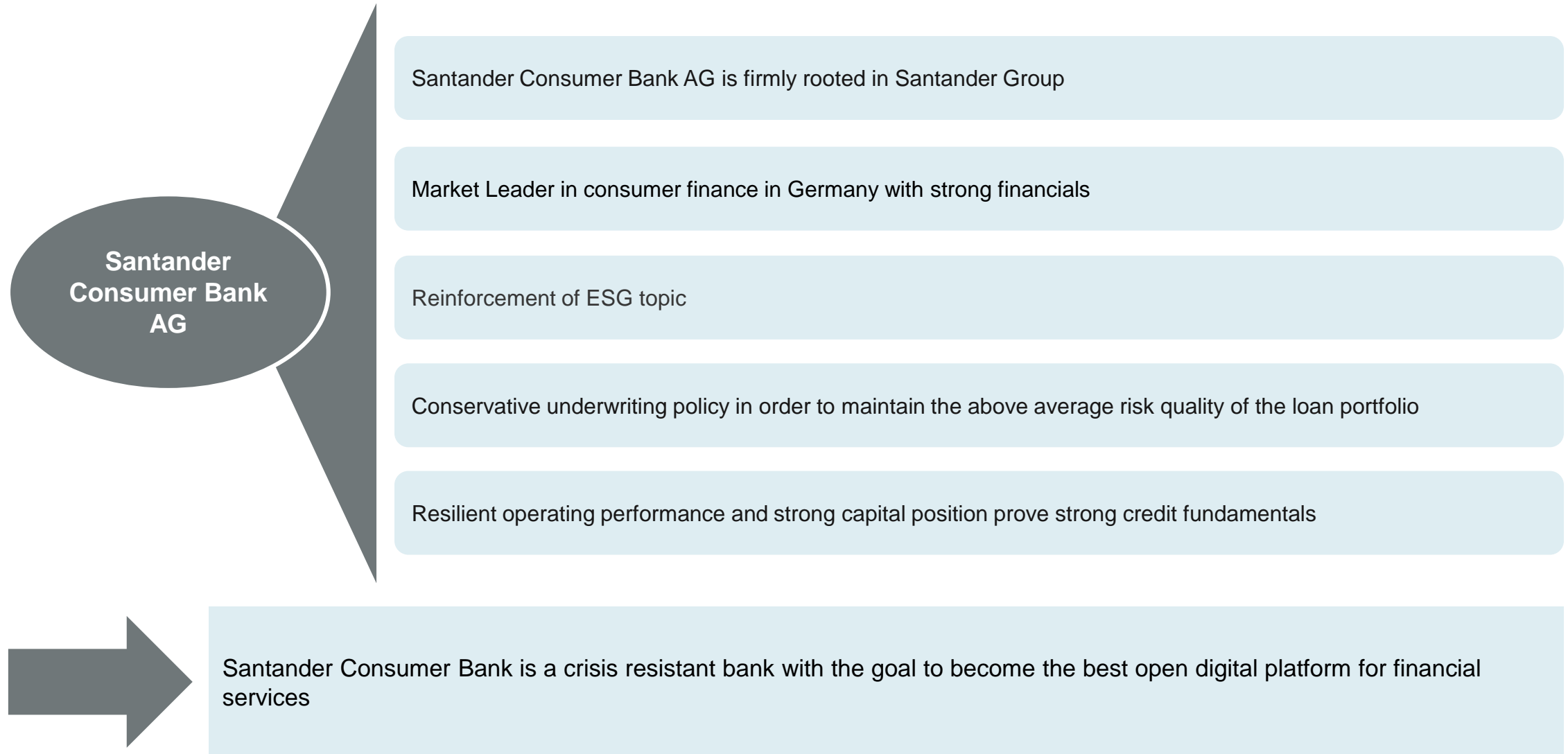




# Executive Summary



# Executive Summary (1/3)



# Executive Summary (2/3)

What do the Rating Agencies say?

Rating Agency	Long Term Rating	Short Term Rating	Outlook
Standard & Poor's	A	A-1	Negative
Moody's	A2	P-1	Stable
Fitch Ratings	A-	F2	Stable

Rating Agency	Pfandbrief Rating	Outlook
Fitch Ratings	AAA	Stable
Moody's	Aaa	Stable

"We note that the bank has been managing the operating headwinds comparably well through the pandemic-induced 2020 recession, predominantly thanks to the solid performance of the used cars financing subsegment.<sup>1)</sup>

**S&P Global**  
Ratings



"SCB's baa2 BCA reflects, and is supported by, the bank's sound asset quality, solid capitalisation and above-average profitability compared with the German banking sector."<sup>2)</sup>

**MOODY'S**

"SCB AG has consistently been one of the most profitable German banks and a reliable source of strong returns for Santander, with average return on equity of about 14 % over the past four years."<sup>3)</sup>

**FitchRatings**  
KNOW YOUR RISK

- 1) S&P Research Update dated 14<sup>th</sup> December 2020
- 2) Moody's Research Update dated 27<sup>th</sup> July 2021; BCA stands for baseline credit assessment
- 3) Fitch Ratings dated 21<sup>st</sup> June 2021; VR stands for viability rating.

# Executive Summary (3/3)

Key Financial Highlights 2020

## Profitability: Resilience even in a pandemic environment

Strong track record of resilient recurring profitability even in unprecedented environment  
Slight decrease in PbT due to almost quadrupled risk provisions to reflect effects of pandemic

PbT2020: EUR 393.6 m (EUR 454.2 m in 2019)  
RoRWA<sup>1)</sup> 2020: 1.34% (vs 1.54% in 2019)

## Capitalisation: Further strengthened

CET1 ratio increased by 145 basis points  
Total capital ratio increased by 159 basis points

CET1 ratio: 14.44% (compared to 12.99% at the end of 2019)  
Total capital ratio: 16.2% (compared to 14.61% at the end of 2019)

## Risk: Prudent risk management as basis for success

Loan loss provisions conservatively increased to reflect potential weakening economy in 2021  
NPL ratio improved in 2020 to 1.7 in line with good asset quality  
Risk prudence leading to high quality new business

Net loan loss provisions increased by 273% to EUR 123.7 m  
NPL ratio decreased to 1.7 (2.0 in 2019)



**SCB Germany  
within Santander  
Group**

 **Santander**  
Deine Bank. Jederzeit. Überall.



# SCB Germany within Santander Group

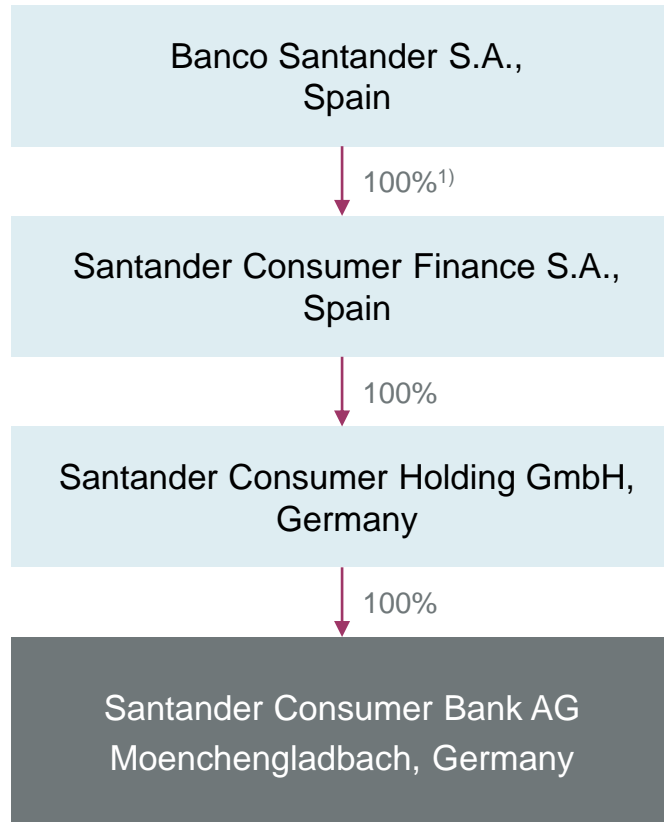
Snapshot SCB Germany



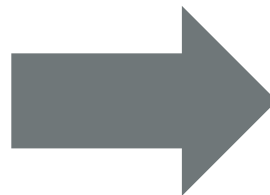
- Founded in 1957 Santander Consumer Bank AG (SCB) is the largest non-captive and second largest car finance provider in Germany
- SCB is also a market leader in consumer goods financing in Germany with a fully-fledged retail banking service
- SCB is wholly owned by Santander Consumer Finance S.A. (SCF), a leader in consumer finance in Europe, which in turn is wholly owned by Banco Santander S.A.
- Grupo Santander is one of the largest banks worldwide serving 148 million customers
- SCF is represented in Germany by SCB

# SCB Germany within Santander Group

Ownership Structure within Banco Santander



- Santander Consumer Bank AG has a full banking license since 1967 and conducts banking business subject to the supervision of the ECB according to the uniform European Single Supervisory Mechanism (SSM) and the German Federal Financial Services Authority in co-operation with the German central bank and in accordance with the German Banking Act
- Santander Consumer Bank's entire share capital is held by Santander Consumer Holding GmbH, a limited liability company based in Mönchengladbach

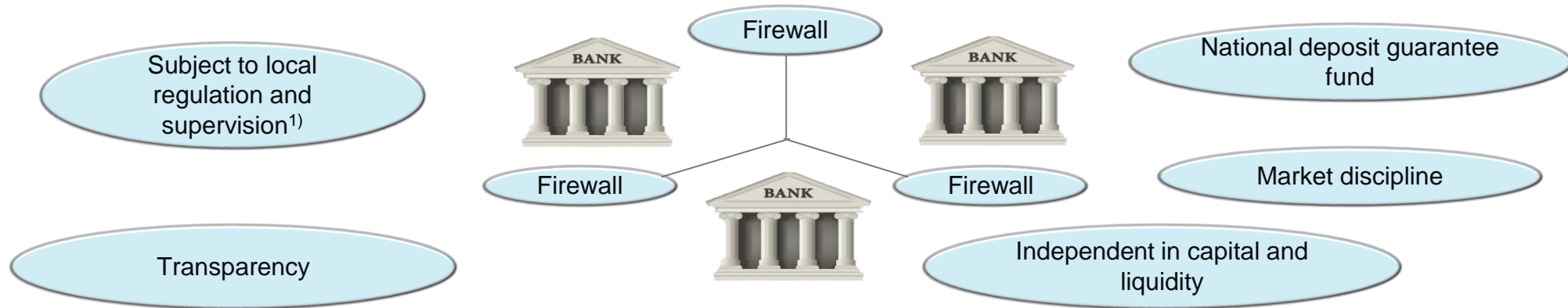


100% of share capital of SCB held by SCF

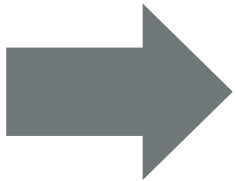
# SCB Germany within Santander Group

Subsidiaries' Model and Deposit Protection Scheme safeguard SCB

A decentralised model with legally autonomous subsidiaries ...



... which benefits from the Group's corporate policies

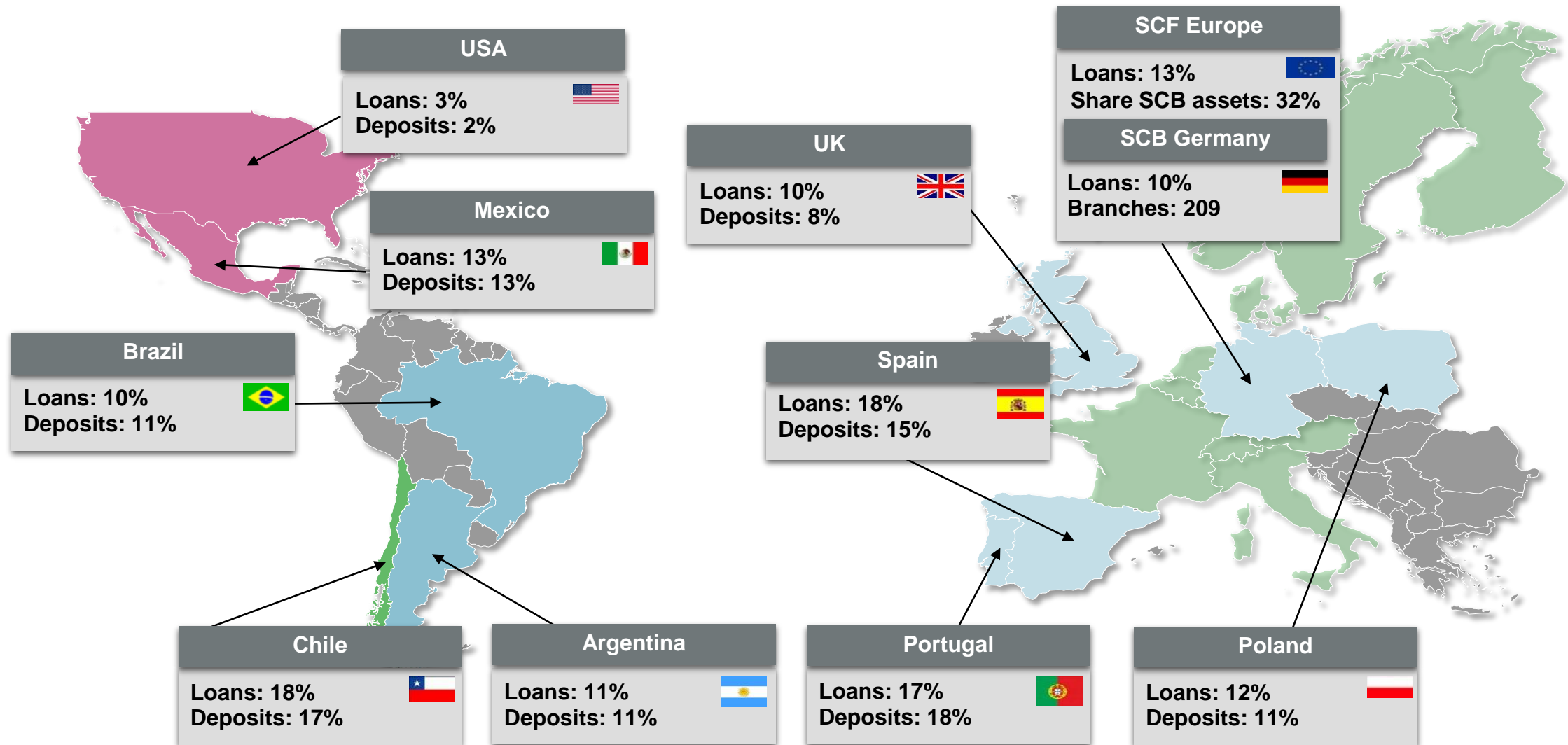


- Subsidiaries' model limits possible contagion among the Group's units thereby reducing systemic risks
- In addition, state of the art deposit protection scheme in place to safeguard SCB's customers



# SCB Germany within Santander Group

Santander's strong Market Share in three Geographic Regions



Source: Banco Santander S.A. ; Market share data as of 30th September 2020 or latest available; Note: The UK includes London branch. Poland including SCF business in Poland. The US include all states where Santander operates. Brazil: Deposits including debentures, LCA (agribusiness notes), LCI (real estate credit notes), financial bills (letras financieras) and COE (certificates of structured operations) The three geographic regions include North America, South America and Europe

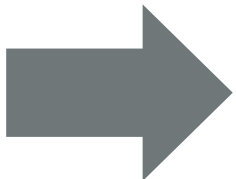
# SCB Germany within Santander Group

Germany makes up 32% of SCF's Assets

SCF Portfolio: EUR 117 bn  
December 2020



SCF Geographies	Portfolio Distribution
Germany	32%
Nordics	15%
Spain	13%
France	13%
UK	10%
Italy	8%
Poland	3%
Netherlands	3%
Austria	2%
Portugal and others	1%



- SCF's portfolio is well spread across 15 European countries and well balanced between car and consumer loans
- SCF has critical mass and TOP 3 positions in all countries
- Germany makes up 32% of SCF's portfolio

# Business Model and Strategy





# Business Model and Strategy

## Facts and Figures SCB

- 2020 ● Acquisition of Sixt Leasing via Hyundai Capital Bank Europe
- 2019 ● Joint Venture „Hyundai Capital Services Inc.“
- 2016 ● Pfandbrief licence obtained and Joint Venture „PSA Bank Deutschland GmbH“
- 2015 ● Joint Venture „Volvo Car Financial Services GmbH“
- 2011 ● Acquisition of the German Retail Business of „SEB“
- 2009 ● Acquisition of and Merger with „GE Money Bank“
- 2008 ● Acquisition of and Merger with „RBS“
- 2006 ● Change of name into „Santander Consumer Bank“
- 2002 ● Merger of „CC-Bank“ with „AKB Bank“
- 1987 ● Branding into „CC-Bank“ and Acquisition by „Santander“
- 1957 ● Founded as „Curt Briechle KG Absatzfinanzierung“



**209**  
Branches



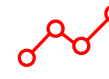
**3.9 m**  
customers

**EUR 50.1 bn**  
Balance Sheet  
total



**EUR 29.2 bn**  
Receivables to  
customers

**EUR 393.6 m**  
Profit before tax



**EUR 3.3 bn**  
Equity







Source: Santander Consumer Bank

All data as of 31.12.2020

# Business Model and Strategy

Our Customer's Needs are at the Center of our Business Activities

	 <b>Mobility business</b>	 <b>Consumer Financial Services</b>	 <b>Direct business</b>	 <b>Business and corporate banking</b>
Customers	<ul style="list-style-type: none"> <li>Private clients</li> <li>Dealers</li> <li>Importers</li> <li>Manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Private clients</li> <li>Retailers</li> </ul>	<ul style="list-style-type: none"> <li>Private clients</li> </ul>	<ul style="list-style-type: none"> <li>Corporate and commercial clients</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Indirect sales</li> <li>Dealer network</li> <li>Sales reps</li> <li>Regional HVC</li> <li>Online activities</li> </ul>	<ul style="list-style-type: none"> <li>Indirect sales                             <ul style="list-style-type: none"> <li>International retailers</li> </ul> </li> <li>Sales reps</li> </ul>	<ul style="list-style-type: none"> <li>Direct sales                             <ul style="list-style-type: none"> <li>Branches</li> <li>Remote advice</li> </ul> </li> <li>Online activities</li> </ul>	<ul style="list-style-type: none"> <li>Sales reps</li> </ul>
Products	<ul style="list-style-type: none"> <li>Installment loans</li> <li>AutoDispoPlus-Card</li> <li>Leasing</li> <li>Factoring</li> <li>Stock financing</li> <li>Importer financing</li> <li>Insurances</li> </ul>	<ul style="list-style-type: none"> <li>Installment loans</li> <li>ComfortCard plus</li> <li>Factoring</li> <li>Insurances</li> </ul>	<ul style="list-style-type: none"> <li>Installment loans</li> <li>Checking accounts</li> <li>Credit and debit cards</li> <li>Deposits</li> <li>Investment products</li> <li>Mortgage and Pfandbrief business</li> <li>Pension schemes</li> <li>Insurances</li> </ul>	<ul style="list-style-type: none"> <li>Cash Management</li> <li>Trade Finance</li> <li>Working Capital Finance</li> <li>Growth and Investment Financing</li> <li>Interest Hedging</li> <li>Currency Hedging</li> </ul>

# Business Model and Strategy

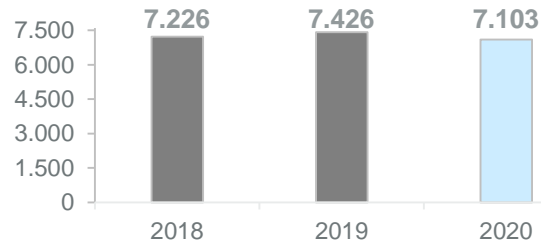
Strong Market Position in Consumer Finance

 **Mobility business<sup>1)</sup>**

 **Consumer Financial Services**

 **Direct business**

**New Business  
(EUR m)**



**Tickets 2020\***

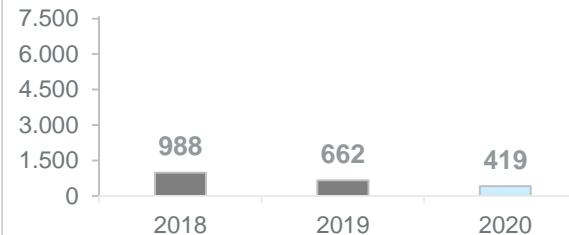
404,000

**Outstanding (EUR bn)**

17.2

**Distribution**

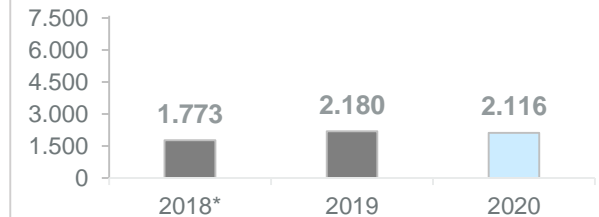
13,300 active dealer partners



569,000

0.7

5,591 active dealer partners



718,000

5.4

209 branches

**Competitors**

1. Volkswagen Bank
2. **Santander**
3. Mercedes Bank
4. BMW Bank
5. Opel Bank

**Santander among the Top 5 banks in Germany**

1. Targobank (Crédit Mutuel)
2. **Santander**
3. ING Diba
4. TeamBank
5. Deutsche Bank

Loans granted per working day: ≈ 5,4000 units<sup>2)</sup>



Source: Santander Consumer Bank; data as of end of December 2020

1) Incl. Leasing

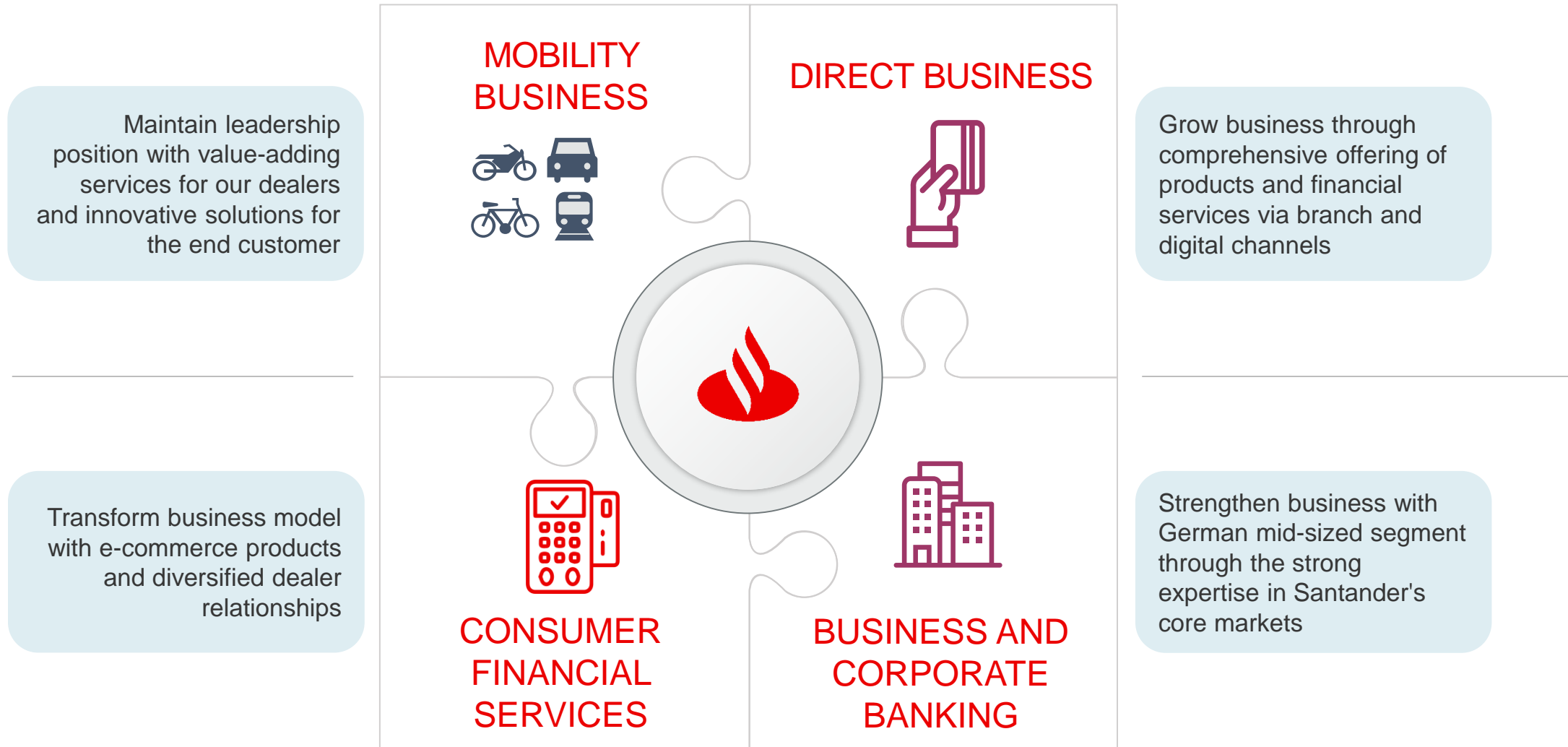
2) Including extensions and increases of loan size

\* Number of loans granted



# Business Model and Strategy

Strategic Priorities in our four Business Fields



# Business Model and Strategy

Responsible Banking Priorities 2021 in Germany: Mapped to ESG

## Goals

### Environmental

Contribute to Paris Agreement goals by aligning our portfolios, helping our customers to transition to a low carbon economy and leading by example in our own operations

### Social

Have a best in class inclusive proposition that is relevant for our business, support our diverse stakeholders and has an impact in society that is concrete and measurable

### Governance

Ensure doing the things the right way by further embedding our culture, having clear and relevant policies, leverage mainstream processes, listen to our stakeholders and ensure oversight by a solid governance

## Initiatives

#### Net 0 of own operations

- Carbon neutral since 2020, review further carbon saving activities

#### Support reduction of customer footprint

- Enable customers to reduce their impact through offsetting initiative with Choose
- Offsetting commitment for 5% of all financed new cars
- Increase share of alternative drive technologies (EVs & PHEVs)

#### Foster inclusive & collaborative culture

- Ensure comprehensive healthy and wellbeing approach (e.g. Be Healthy program, Covid measures)
- Further drive gender equality

#### Leverage Santander Universities

- Contribute to education, employability and entrepreneurship through around 1.000 scholarships

#### Drive Corporate Citizenship

- Support around 47.000 people through selected community programs

#### Reflect ESG standards & requirements in governance & risk management

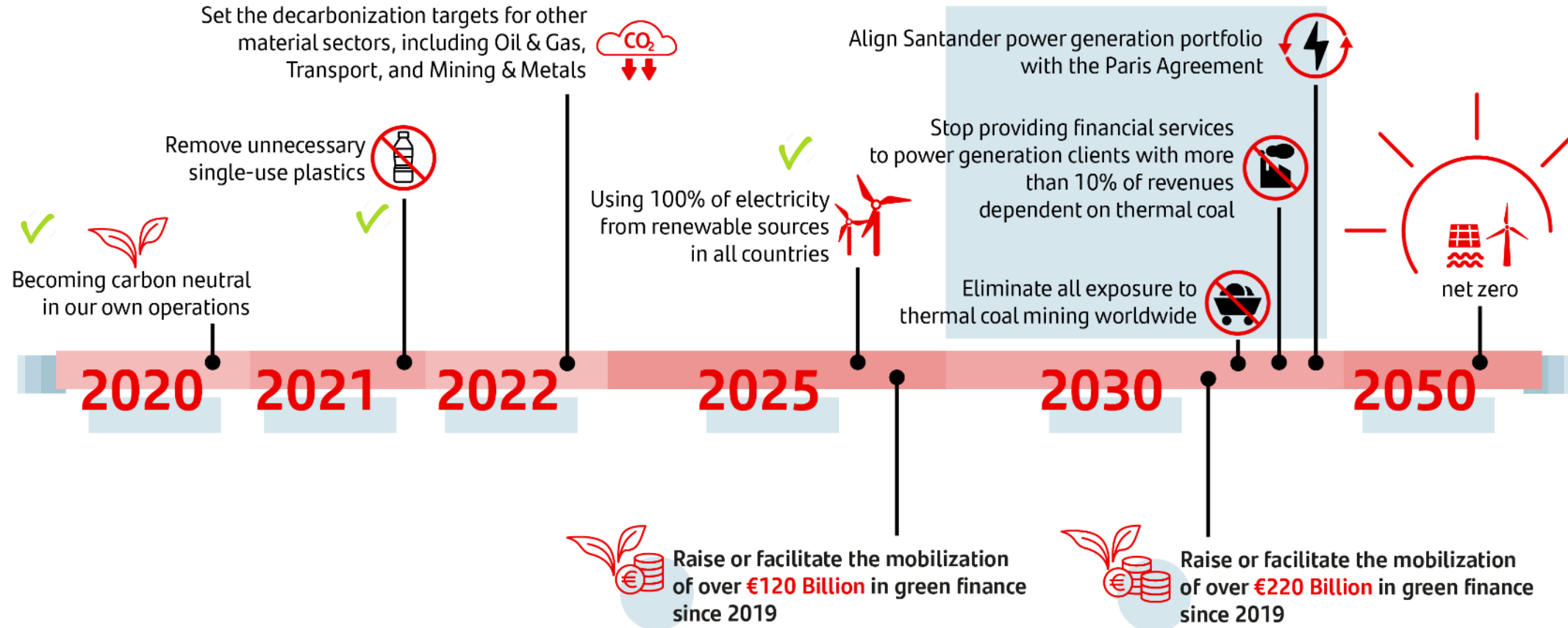
- Incorporate ESG practices towards suppliers

#### Drive transparency & reporting

- Evolve reporting and measurement approach

# Business Model and Strategy

Journey of Banco Santander to be net zero by 2050

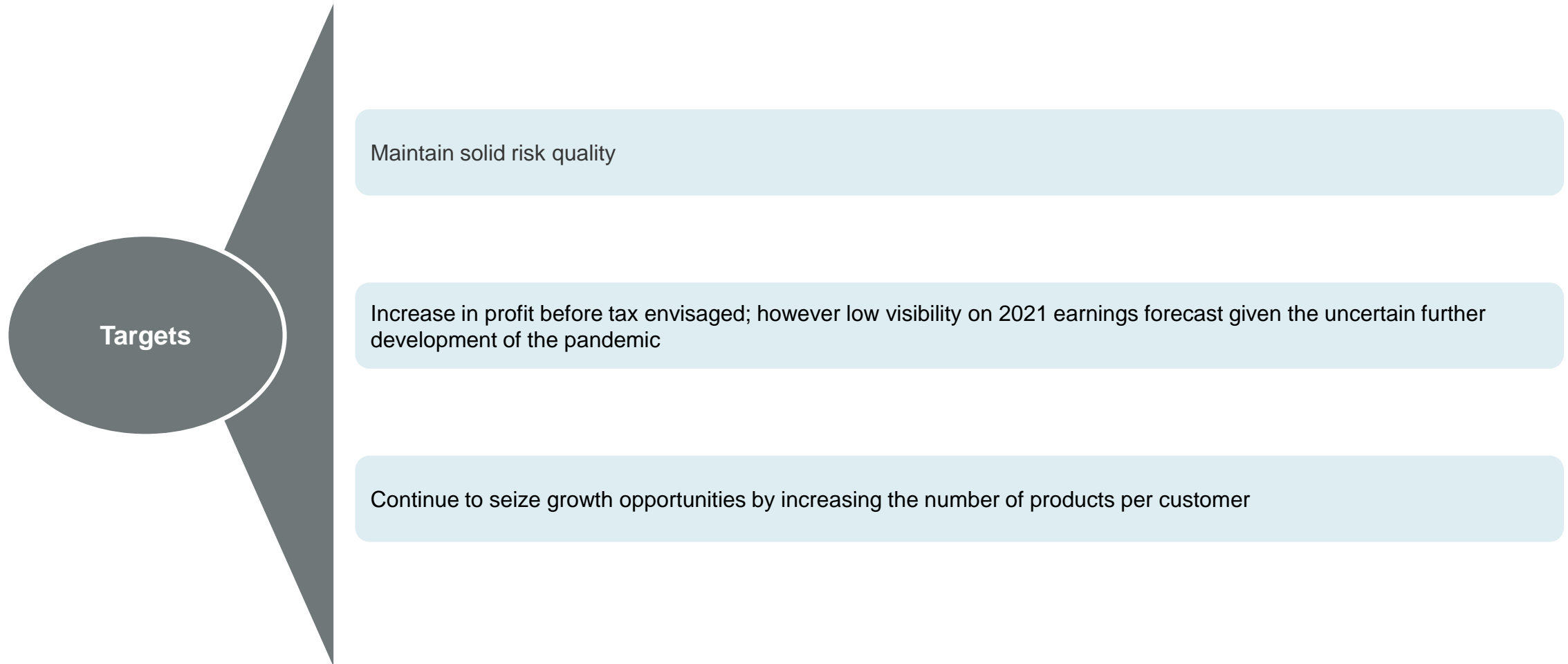


✓ = Germany already implemented



# Business Model and Strategy

Outlook



# Financials 2020

# Financials 2020

Facts and Figures SCB 2020



Profit before  
Taxes

**393.6**  
Million Euro

Previous year: 454.2 Million Euro



LCR<sup>1</sup>

**236.6%**

Previous year: 187.8%



Common Tier  
1 Capital  
Ratio

**14.44%**

Previous year: 12.99%



RoRWA<sup>2</sup>

**1.34%**

Previous year: 1.54%



Employees<sup>3</sup>

**3,075**

Previous year: 3,194



Cost/Income  
Ratio

**62.20%**

Previous year: 65.43%



Total Capital  
Ratio

**16.20%**

Previous year: 14.61%



Client  
Accounts

**4,788**  
Thousand

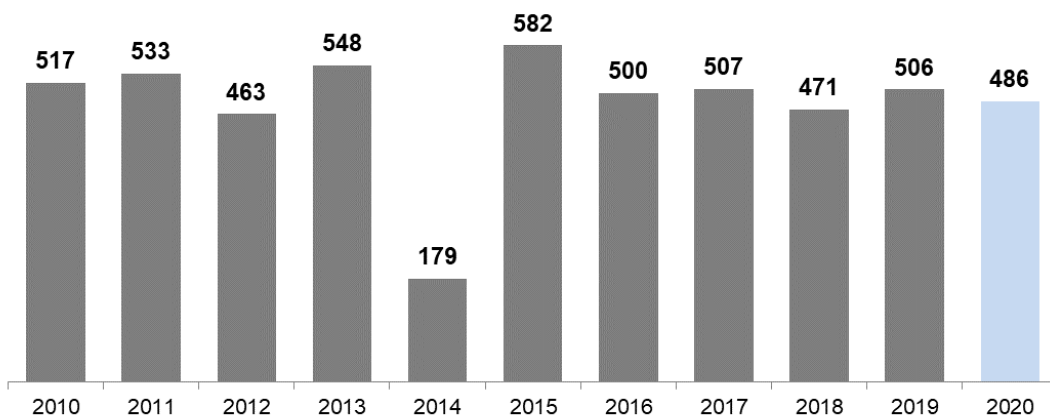
Previous year: 5,384 Thousand



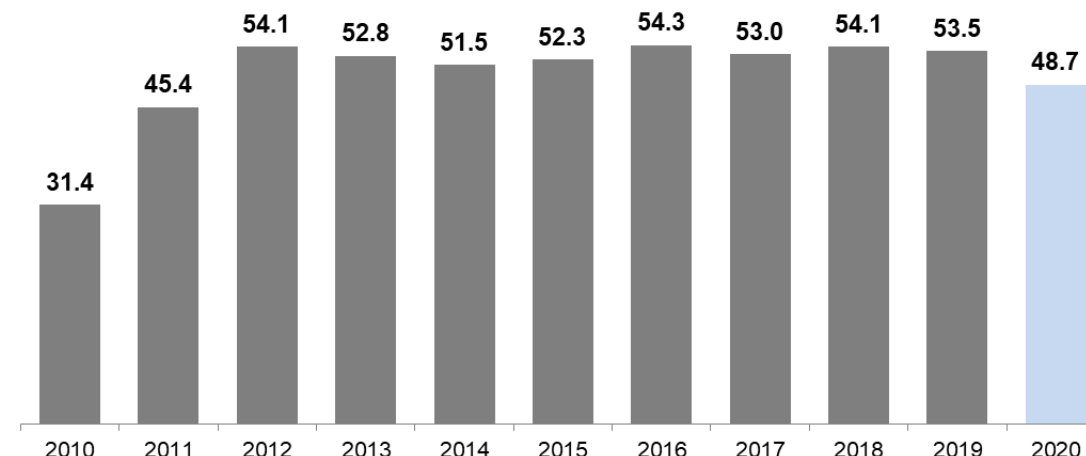
# Financials 2020

Strong Track Record of SC Germany

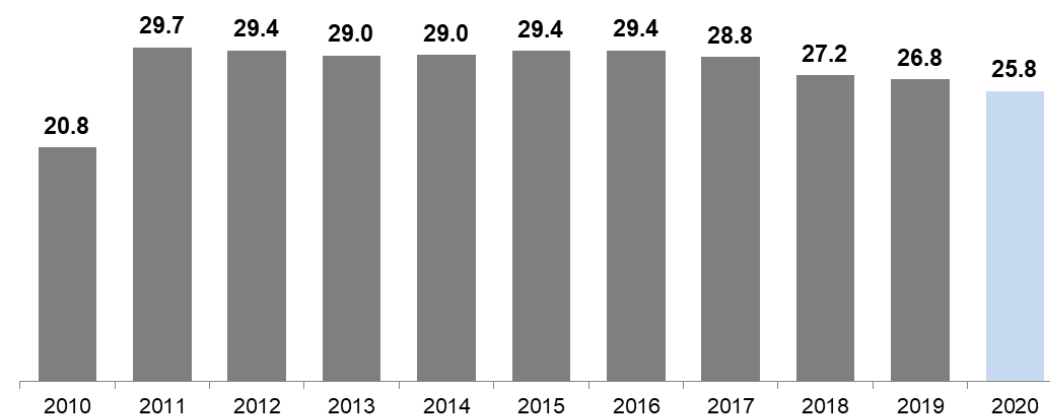
Profit before Taxes (in EUR mn.)<sup>1)</sup>



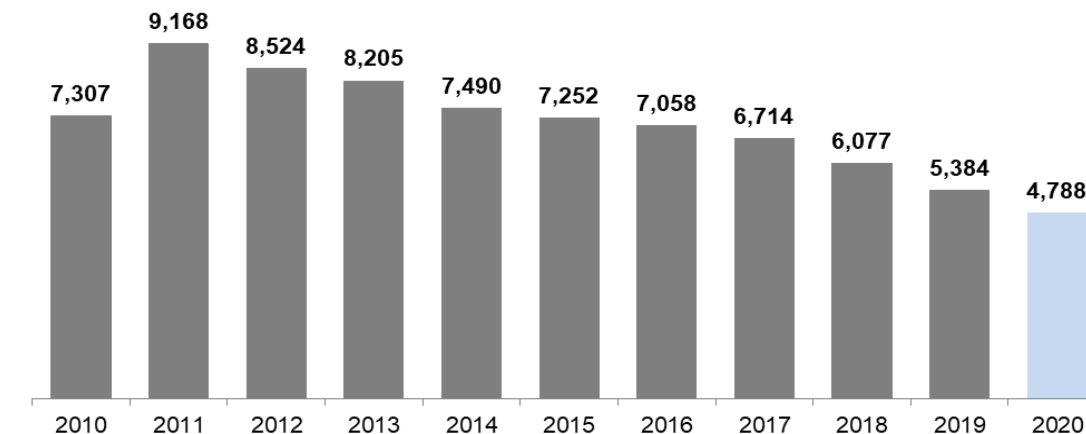
Cost-Income-Ratio (in %, incl. depreciation)



Managed Loans (in EUR bn)<sup>2)</sup>



Customer Accounts (in thsd.)<sup>3)</sup>



1) Management View incl. IFRS w/o PSA/VISA; without Leasing

2) Without Leasing;

3) The decline was caused by reassessments of the portfolio during several IT migrations as well as the change in customer preferences due to the low interest rate environment

# Financials 2020

## Strong Balance Sheet

in EUR m	2019	2020	Δ 20/19
<b>Cash reserve</b>	3,496	5,349	1,853
<b>Receivables from Banks</b>	2,152	2,860	707
<b>Receivables from Customers</b>	29,961	29,217	-744
<b>Debt &amp; other fixed-income securities</b>	9,515	11,435	1,920
<b>Other assets</b>	978	1,266	288
<b>Total Assets</b>	<b>46,102</b>	<b>50,127</b>	<b>4,024</b>
<b>Liabilities to Banks</b>	4,999	7,253	2,254
<b>Liabilities to Customers</b>	23,170	22,774	-396
<b>Provisions</b>	689	685	-4
<b>Issuances</b>	13,298	15,218	1,920
<b>Other liabilities</b>	878	878	1
<b>Equity</b>	3,068	3,318	250
<b>Total Liabilities &amp; Equity</b>	<b>46,102</b>	<b>50,127</b>	<b>4,024</b>

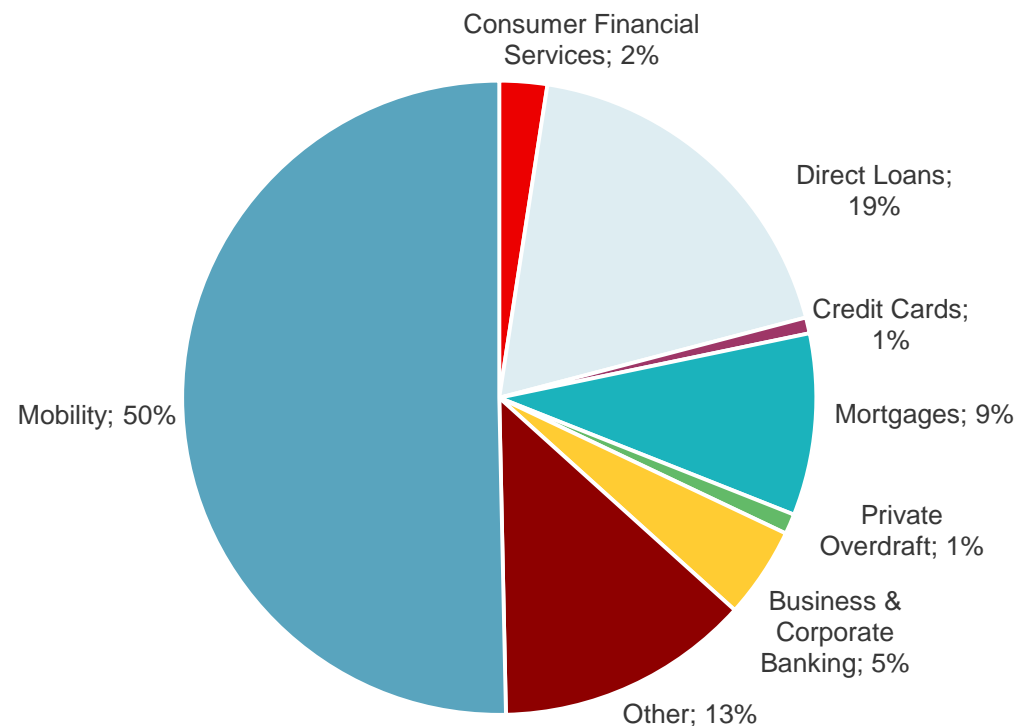
- The deviation in cash reserve was mainly caused by changing excess volumes in the minimum reserve account in order to manage the minimum liquidity buffer
- Receivables from banks increased due to a higher funding to HCBE and SIXT Leasing
- Decrease in receivables from customers (in addition to installment loans this also relates to commercial loans and mortgages; partly due to Covid-19)
- Debt & other fixed-income securities increased due to the closing of a retained ABS transaction amounting to EUR 3.8 bn and the build up of an HQLA portfolio amounting to EUR 1.5 bn
- Liabilities to banks increased due to higher TLTRO III drawings in March, June and September than repayment of TLTRO II
- Liabilities to customers decreased driven by lower wholesale deposits based on liquidity management actions and the reduction in certificate deposits
- Increase in issuances in 2020 due to the closing of a retained ABS transaction (EUR 3.8 bn) and the closing of a market ABS transaction (EUR 1.8 bn). The increase of volume due to one Pfandbrief issuance amounting to EUR 500 m is compensated by the decrease of commercial paper
- Equity increased due to a capital injection amounting to EUR 250 m

# Financials 2020

## Diversification of Customer Assets

Business Area (in m EUR)	Net balance 2019	Net balance 2020	% 20 / 19
Mobility	15,011	14,707	-2.0%
Consumer Financial Services	1,040	711	-31.6%
Direct Loans	5,172	5,403	4.5%
Credit Cards	299	237	-20.9%
Mortgages	2,970	2,709	-8.8%
Private Overdraft	352	301	-14.5%
Business & Corporate Banking	1,455	1,355	-6.9%
Other	3,661	3,794	3.6%
<b>SCB AG</b>	<b>29,961</b>	<b>29,217</b>	<b>-2.5%</b>

Relative portfolio share 2020



In addition to the impact arising from restriction related to Covid-19 the following aspects influenced the development of customer assets:

- Mobility outstanding decreased due to lower new business (-2.8%)
- Return-driven decline in Consumer Financial Services due to ongoing cancellation of unprofitable business
- Higher outstanding in Direct Business mainly due to increasing terms despite of nearly unchanged turnover
- Decreased outstanding in mortgage business driven by higher redemptions

# Financials 2020

## Income Statement

in EUR m	2019	2020	Δ 20/19	%
<b>Interest Income</b>	1,237.3	1,187.1	-50.1	-4.1%
<b>Interest Expenses</b>	-193.8	-177.4	16.4	-8.4%
<b>Net Interest Income</b>	<b>1,043.5</b>	<b>1,009.7</b>	<b>-33.8</b>	<b>-3.2%</b>
<b>Income from Capital Instruments</b>	11.2	0.2	-11.0	-98.0%
<b>Net fees and commissions</b>	154.7	158.0	3.2	2.1%
<b>Gross Margin</b>	<b>1,209.4</b>	<b>1,167.9</b>	<b>-41.5</b>	<b>-3.4%</b>
<b>Personnel Expenses</b>	-315.5	-294.7	20.9	-6.6%
<b>General Expenses</b>	-416.5	-376.4	40.1	-9.6%
<b>Administrative Cost</b>	-732.0	-671.0	61.0	-8.3%
<b>Amortization</b>	-59.3	-55.4	3.9	-6.6%
<b>Operating Expenses</b>	-791.3	-726.4	64.9	-8.2%
<b>Net Operating Income</b>	<b>418.1</b>	<b>441.5</b>	<b>23.4</b>	<b>5.6%</b>
<b>Other operating Income/Expenses</b>	15.1	1.7	-13.5	-89.1%
<b>Extraordinary Expenses</b>	0.0	0.0	0.0	0.0%
<b>Net Loan-Loss Provisions</b>	-33.2	-123.6	-90.5	272.9%
<b>Earnings from profit transfer agreement</b>	54.2	74.1	19.8	36.6%
<b>Profit before Taxes</b>	<b>454.2</b>	<b>393.6</b>	<b>-60.6</b>	<b>-13.4%</b>

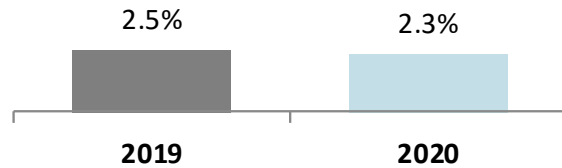
- In 2020 the average interest rate on customer assets continued to fall. The receivables from customers were slightly lower than in 2019 (-2,5%). Interest expenses were lower than last year mainly driven by lower swap expense
- In contrast to 2019, but as expected, in 2020 no dividend was paid by the joint venture PSA
- Slightly lower commission income (-1,1%) but compensated by even lower commission expense (-2,6%), which led to a net increase in net fees and commissions. Both effects resulted from lower new business in CFS and direct business
- Operating expenses are lower than in 2019 mainly due to lower expenses for personnel adjustment measures, IT & consulting costs and pandemic-related cost savings
- Due to the difficult market environment caused by the pandemic, the increase in LLP was higher than ultimately expected
- Other operating expenses were impacted by de-recognitions which were €16.4 million higher than in 2019. This could be partly compensated via lower expenses for operational risks
- Earnings from profit transfer agreement contain the result of SC Leasing



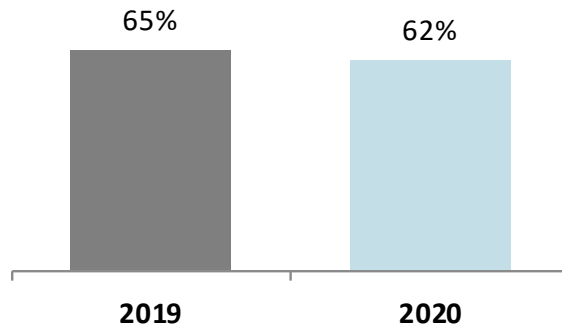
# Financials 2020

## Key Performance Indicators

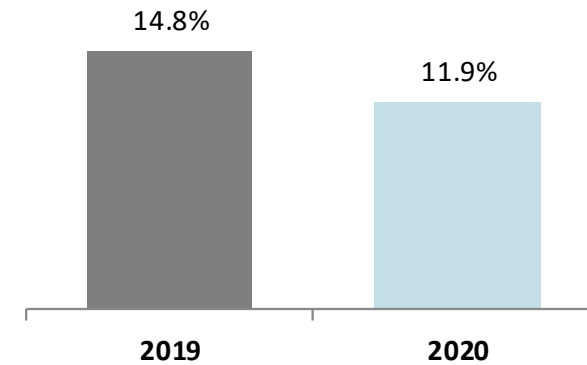
### Net Interest Margin (in %)



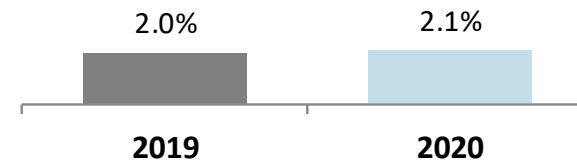
### Cost-Income-Ratio (in %)



### Return on Equity<sup>1)</sup>

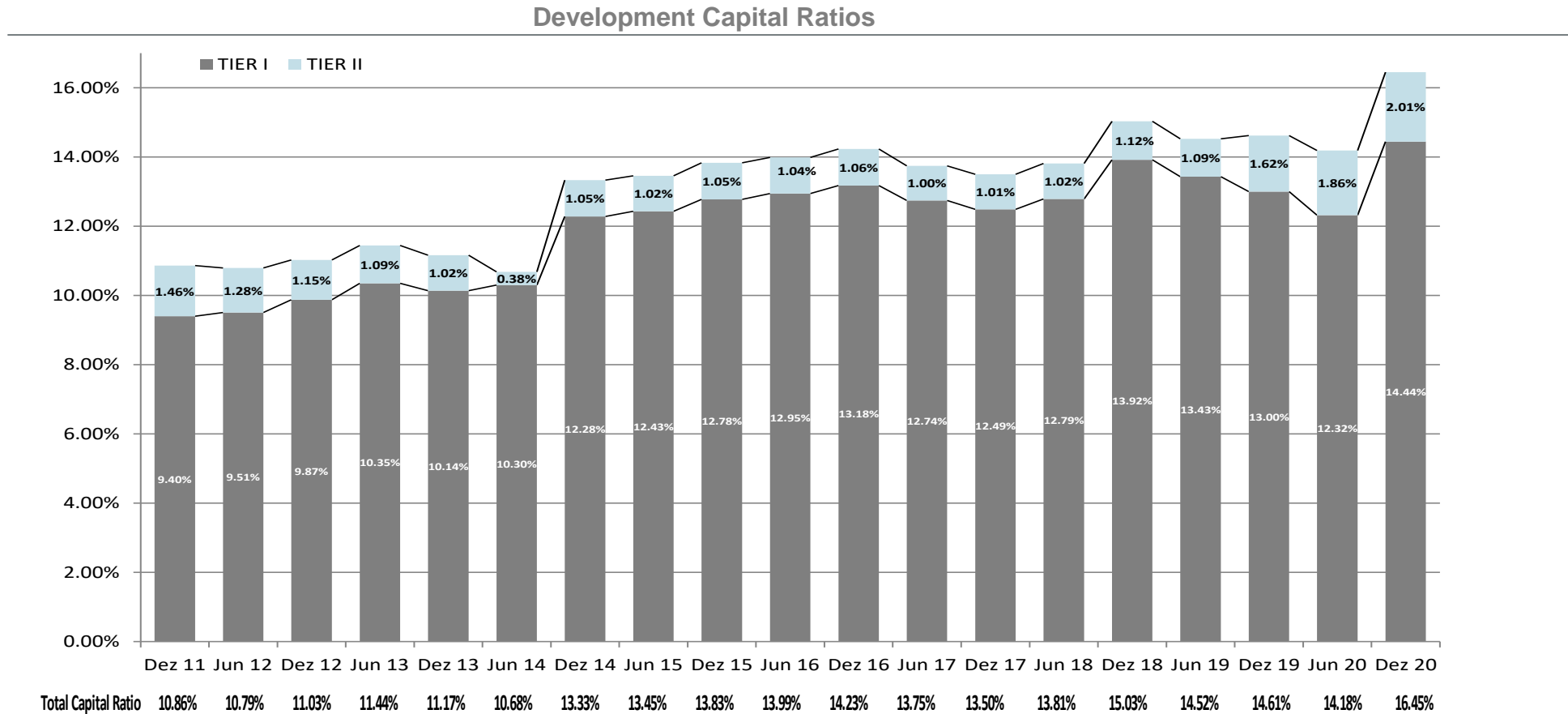


### RORWA<sup>2)</sup>



# Financials 2020

Improving Capitalisation



- All capital ratios are comfortably above the regulatory minimum requirements in December 2020
- Capital increase and RWA optimizations strengthened the capital ratios in the second half of 2020



# Risk Management



# Risk Management

Risk Prudence leads to favorable Risk Situation

Segment PD Band	Private Customers	Business Customers	Private Real Estate Financing	Commercial Real Estate Financing	Gross Balance White/Grey Loans (in % and EUR m) <sup>1)</sup>
< 1.0%	65.7%	9.8%	9.6%	0.7%	<b>85.8%</b>
	17,304.4	2,586.8	2,531.3	180.7	<b>22,603.2</b>
>= 1.0%	12.7%	1.2%	0.1%	0.1%	<b>14.2%</b>
	3,344.6	315.4	37.1	34.5	<b>3,731.6</b>
<b>Total</b>	<b>78.4%</b>	<b>11.0%</b>	<b>9.8%</b>	<b>0.8%</b>	<b>100.0%</b>
	<b>20,649.0</b>	<b>2,902.2</b>	<b>2,568.4</b>	<b>215.2</b>	<b>26,334.8</b>

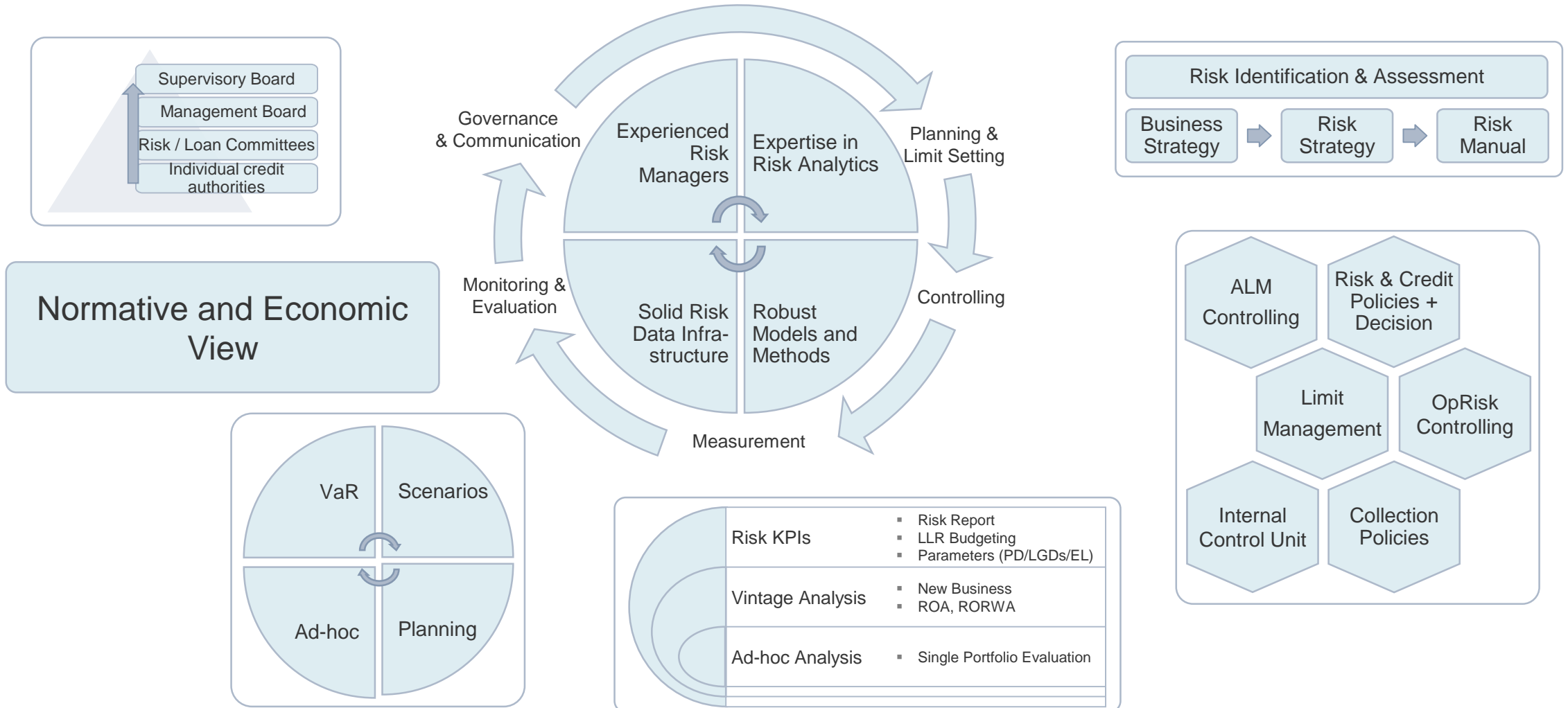


- 86% of loans have a probability of default (PD) of less than 1%
- Broadly diversified private customer loan portfolio



# Risk Management

Comprehensive Risk Controlling Processes established



# Risk Management

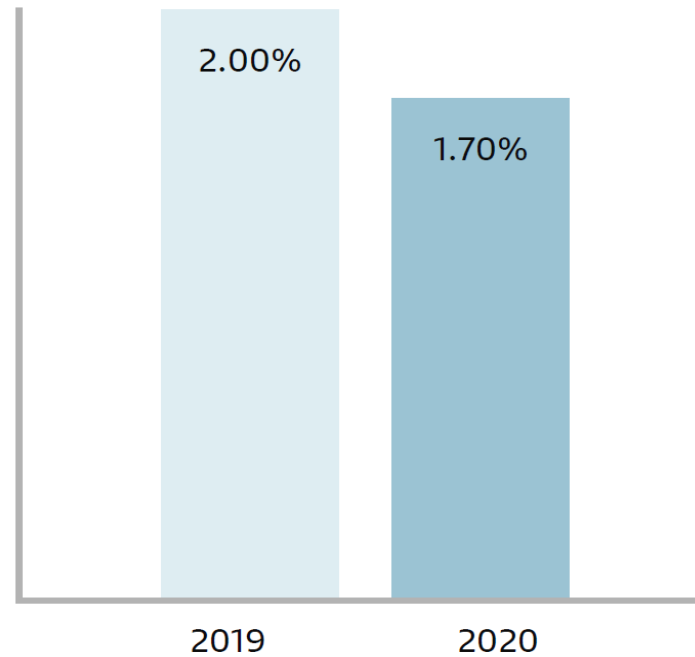
Risk Culture embedded in all Employees' DNA



# Risk Management

*Non Performing Loans Ratio further improved*

**NPL Ratio**



- NPL ratio further decreased in 2020 proving good asset quality
- Various effects due to NPL sales

# Funding Strategy



# Funding Strategy

Funding Mix

## Targets of funding strategy

- Maintain strong retail deposit base
- Strengthen ABS funding via market transactions
- Make efficient use of TLTRO
- Further broadening and diversification of the investor base by issuing
  - Pfandbriefe
  - Senior Unsecured Debt
  - Commercial Paper

## Securitisations as an important funding tool

- SCB has a long track record of originating and structuring European ABS deals
- Main features of our structures include
  - Highly granular and well diversified loan portfolio
  - STS<sup>1</sup> true sale loan transaction
  - Credit enhancement: excess spread, subordination, overcollateralization

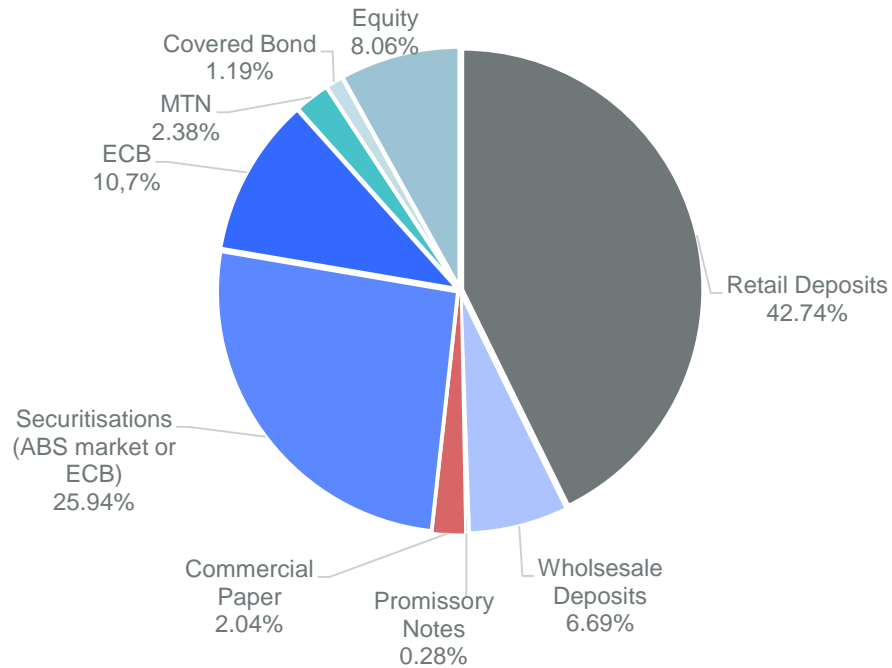
## Intensifying further funding sources

- To establish reputation as a frequent issuer with respect to
  - Pfandbriefe
  - Senior Unsecured Debt
  - Commercial Paper

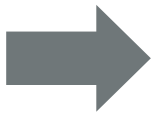
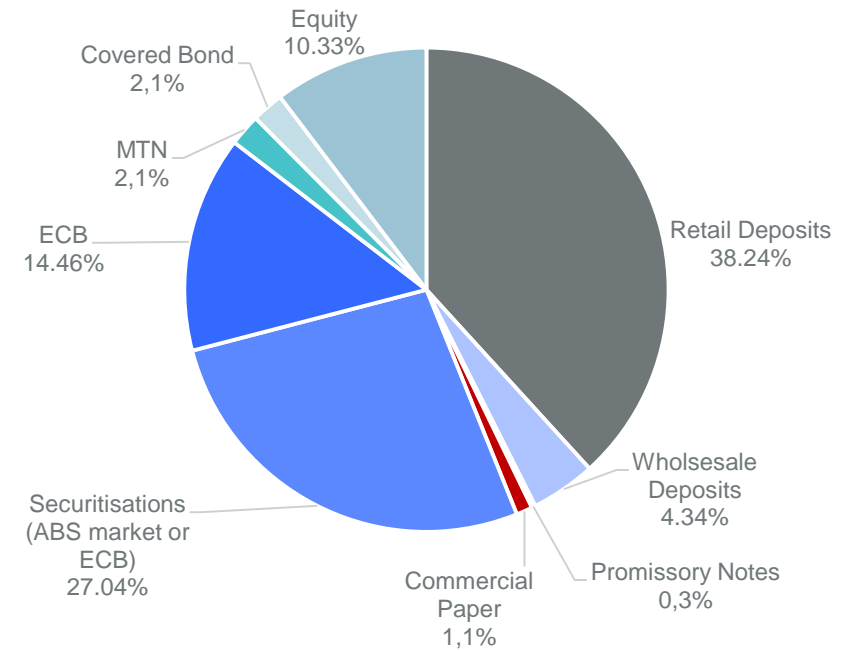
# Funding Strategy

Further Diversification of Funding in 2020

Funding Mix December 2019: EUR 42.1 bn



Funding Mix December 2020: EUR 46.9 bn



- 38% of funding portfolio is provided by retail deposits in 2020
- Pfandbrief issuance in February 2020 has further strengthened the refinancing basis

# Credit Update



# VIELEN DANK.

Unser Anspruch ist, zum Erfolg von Menschen und Unternehmen beizutragen.

Unsere Kultur basiert auf der Überzeugung, dass alles, was wir tun, einfach, persönlich und fair ist:

## Simple Personal Fair

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