

## **FITCH RATES SANTANDER CONSUMER BANK AG'S MORTGAGE PFANDBRIEFE 'AAA', OUTLOOK STABLE**

Link to Fitch Ratings' Report: Santander Consumer Bank AG - Mortgage Pfandbriefe  
<https://www.fitchratings.com/site/re/907398>

Fitch Ratings-Frankfurt/London-05 December 2017: Fitch Ratings has assigned Santander Consumer Bank AG's (SCB AG; A-/Stable/F2) EUR250 million 0.25% fixed-rate mortgage Pfandbrief with a seven-year maturity a 'AAA' rating. The Outlook is Stable.

### **KEY RATING DRIVERS**

The rating is based on the issuer's Long-Term Issuer Default Rating (IDR) of 'A-', an IDR uplift of two notches, a payment continuity uplift (PCU) of four notches, a recovery uplift of two notches and 'AAA' breakeven over-collateralisation (OC) of 19.5%, which is the minimum SCB AG intends to maintain.

The high breakeven OC relative to peers is driven by a cash flow valuation component of 5.0% and an asset disposal loss of 11.7%, reflecting the maturity mismatches of this newly set up programme. Residential mortgage loans with high remaining terms are tested to repay bond issuances with a significantly shorter maturity.

The credit loss component of only 2.7% reflects the high quality of SCB AG's cover assets. As of October 2017, ordinary cover assets consisted of German residential housing loans. The programme's credit loss is a secondary rating driver, driven by limited expected defaults together with the maximum low loan-to-value (LTV) anchored in the German Pfandbrief Act.

Fitch usually assumes that the cover pool is replenished with assets of a similar amortisation. However, when testing a switch of the recourse against the cover pool shortly ahead of the modelled bond redemption, Fitch assumed that replenishment, if any, would be made from the existing stock of loans, leading to a shorter cover assets' residual life. This keeps maturity mismatches between the cover pool and the covered bonds constant. This constitutes a variation to Fitch's criteria Covered Bonds Rating Criteria. The variation has no rating impact.

### **RATING SENSITIVITIES**

The 'AAA' rating would be vulnerable to downgrade if any of the following occurs: SCB AG's IDR is downgraded to 'BBB-' or lower; (ii) the combined number of notches represented by the IDR uplift and the PCU is reduced from six to three or lower; or (iii) the OC that Fitch considers in its analysis drops below its 'AAA' breakeven level of 19.5%.

If the OC that Fitch considers in its analysis drops to the legal minimum requirement of 2% on a net present value basis, the programme could only achieve a one-notch recovery uplift. As a result, the covered bond rating would likely be downgraded to 'AA-', one notch above SCB AG's IDR as adjusted by the IDR uplift.

The Fitch breakeven OC for the covered bond rating will be affected by the profile of the cover assets relative to outstanding covered bonds, which can change over time, even in the absence of new issuance. Therefore, the breakeven OC to maintain the covered bond rating cannot be assumed to remain stable over time.

Contact:

Primary Analyst  
Reber Acar  
Analyst  
+49 69 768076 129  
Fitch Deutschland GmbH  
Neue Mainzer Str. 46-50  
60311 Frankfurt/Main

Secondary Analyst  
Mathias Pleissner  
Director  
+49 69 768076 133

Committee Chairperson  
Rebecca Holter  
Senior Director  
+49 69 768076 261

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email:  
athos.larkou@fitchratings.com.

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

#### Applicable Criteria

Covered Bonds Rating Criteria (pub. 01 Dec 2017)

<https://www.fitchratings.com/site/re/906615>

EMEA RMBS Rating Criteria (pub. 27 Oct 2017)

<https://www.fitchratings.com/site/re/905358>

Fitch's Cover Assets Refinancing Spread Level (RSL) Assumptions - Excel File (pub. 30 Oct 2017)

<https://www.fitchratings.com/site/re/10008155>

Fitch's Interest Rate Stress Assumptions for Structured Finance and Covered Bonds - Excel File (pub. 17 Feb 2017)

<https://www.fitchratings.com/site/re/894478>

Germany Residential Mortgage Rating Criteria Addendum (pub. 17 May 2017)

<https://www.fitchratings.com/site/re/898262>

Global Bank Rating Criteria (pub. 25 Nov 2016)

<https://www.fitchratings.com/site/re/891051>

Structured Finance and Covered Bonds Counterparty Rating Criteria (pub. 23 May 2017)

<https://www.fitchratings.com/site/re/898537>

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (pub. 23 May 2017)

<https://www.fitchratings.com/site/re/898538>

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (pub. 17 Feb 2017)

<https://www.fitchratings.com/site/re/893890>

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT [WWW.FITCHRATINGS.COM](http://WWW.FITCHRATINGS.COM). PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT [HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY](https://www.fitchratings.com/site/regulatory). FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing

and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001