Santander Consumer Bank AG

Mortgage Pfandbriefe

Covered Bonds Rating/Outlook	**AAA/Stable**	**Asset type**	**Residential mortgages**
Issuer Default Rating/Outlook	A-/Stable	**Cover assets (EURbn)**[a]	1.790
Resolution uplift	2 notches	**Covered bonds (EURbn)**[a]	1.025
Payment continuity uplift (PCU)	6 notches	**Nominal OC (%)**[a]	74.6
Recovery uplift	2 notches	**OC Fitch considers in its analysis (%)**	25.8
Unused notches for rating	4	**Basis of OC relied upon**	Lowest of the last 12 months
Break-even OC (%)	3.0	**Covered bonds maturity type**	Soft bullet
Credit loss (%)	3.3	**WAL of the assets (years)**[a]	4.2
ALM loss (%)	-0.1	**WAL of the liabilities (years)**[a]	3.0

[a] Data at 30 June 2024. OC – Overcollateralisation, WAL – Weighted Average Life
Source: Fitch Ratings

Key Rating Drivers

Four-Notch Rating Cushion: The 'AAA' Pfandbriefe rating is based on Santander Consumer Bank AG's (SCB) Long-Term Issuer Default Rating (IDR) of 'A-', a resolution uplift of two notches, a payment continuity uplift (PCU) of six notches and a recovery uplift of two notches. The rating is also based on the overcollateralisation (OC) of 25.8% considered by Fitch Ratings in its analysis. This is higher than the agency's 'AAA' break-even OC of 3.0%. The four-notch buffer against a downgrade of the IDR supports the Stable Outlook on the Pfandbriefe rating.

Two-Notch Resolution Uplift: The covered bonds are granted a two-notch resolution uplift, reflecting that collateralised Pfandbriefe in Germany are exempt from bail-in, Fitch's view of sufficiently low risk of under-collateralisation at the point of resolution, and that a resolution of SCB is not likely to result in the direct enforcement of the recourse against the cover pool. The two-notch resolution uplift also takes into account that SCB's IDR is equal to its viability rating.

Six-Notch PCU: The six-notch PCU reflects the liquidity protection for principal and interest payments provided by the 180-day liquidity reserve as well as the conditional 12-months maturity extension feature as stipulated under the Pfandbrief law.

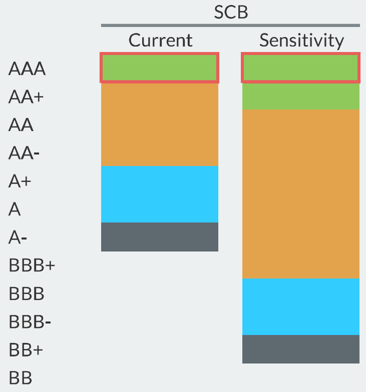
Two-Notch Recovery Uplift: Fitch has granted a recovery uplift of two notches because we expect the covered bonds to experience outstanding recoveries in the event of any potential default.

'AAA' Break-Even OC: The 'AAA' break-even OC of 3.0% supports timely payments in a 'AA+' stress scenario and recoveries given default in line with a one-notch recovery uplift under Fitch's criteria.

Credit Loss Drives Break-Even OC: The 'AAA' break-even OC remains driven by the credit loss of 3.3%, which reflects the high quality of SCB's cover assets with a high seasoning and low current weighted average loan-to-value (LTV) ratio of 46.1%, which allows for outstanding recoveries.

The credit loss is driven by the portfolio loss floor in Fitch's criteria, which Fitch applied to address the idiosyncratic risks of low-risk portfolios. The ALM loss of Fitch 'AAA' break-even OC is at -0.1%.

Rating Sensitivity to IDR Downgrade



Covered Bond rating	AAA
Recovery uplift (notches)	2
PCU (notches)	6
Resolution uplift (notches)	2
IDR/reference IDR	A-

Source: Fitch Ratings

Analysts

Omari Teka
+49 69 768076 149
omari.teka@fitchratings.com

Sebastian Seitz
+49 69 768076 267
sebastian.seitz@fitchratings.com

Programme Highlights

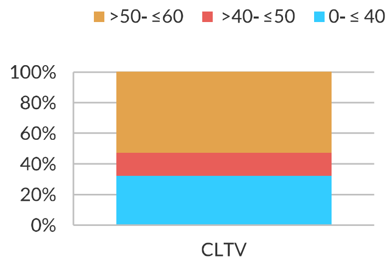
Granular Residential Mortgage Portfolio: At end-June 2024, the cover pool comprised 23,728 German residential mortgage borrowers with an average loan size of around EUR68,000. The top 10 borrowers in the cover pool made up 0.4% of the cover assets. The cover pool is also regionally well diversified with loan exposures in similar proportion to the distribution of inhabitants in Germany.

Fixed-Rate, Mostly Amortising Loans: The loans have individual interest reset dates and a repayment option for private borrowers after 10 years under German law. The cover pool comprises fixed rate mortgages, 98.0% of which are amortising.

Low LTVs: The portfolio, combined with the low weighted average current LTV ratio of 46.1%, would allow for outstanding recoveries.

LTV Breakdown

30 June 2024



Source: Fitch Ratings

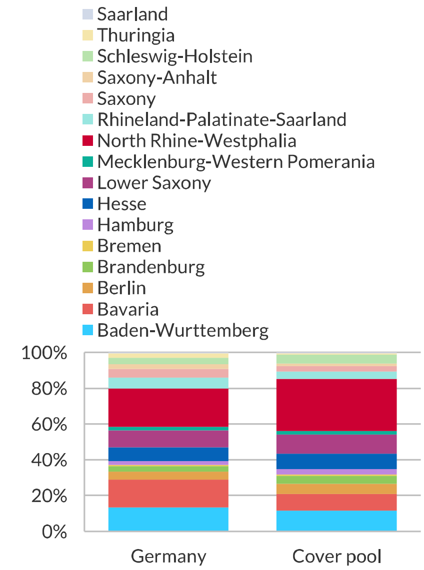
Cover Pool

Characteristics at 30 June 2024			
General		**Payment type (%)**	
Current principal balance (EURbn)	1.790	Annuity	98.0
Number of loans	18,668	Interest-only	2.0
Number of borrowers	23,728	**Occupancy type (%)**	
WA current loan-to-value (LTV) (%)	46.1	Owner-occupied	85.3
WAL of the assets (years)[a]	4.2	Non-owner occupied	14.7
WAL of the liabilities (years)[a]	3.0	**Regional Distribution (%)**	
Substitute assets (EURm)	520.0	Baden-Wüttemberg	11.5
Loan characteristics		Bavaria	9.3
Average loan size (EUR)	68,026	Hesse	8.6
Residential mortgage loans to individuals **(%)**	100	Lower Saxony	10.6
Fixed-rate loans with periodic resets **(%)**	100	North Rhine-Westphalia	29.3
Loans in arrears **(%)**	0	Other	30.7

Source: Fitch Ratings

Geographical Breakdown

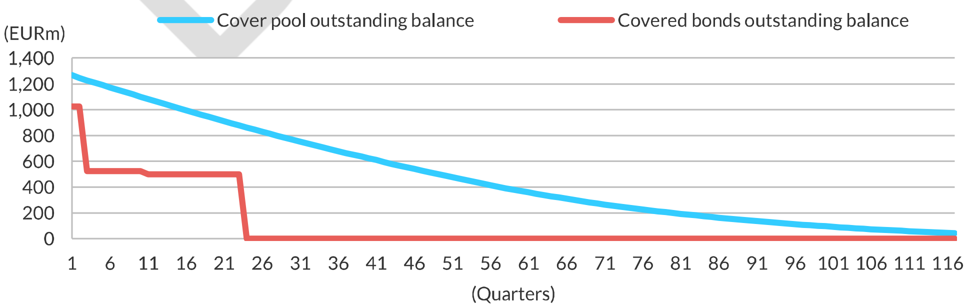
30 June 2024



Source: Fitch Ratings

Low Market Risks: The programme has no foreign-exchange exposure as assets and liabilities are exclusively denominated in euros. The outstanding fixed-rate Pfandbriefe are also secured purely by fixed-rate assets and the maturity profile of the loans is evenly distributed.

Assets and Liabilities Unstressed Amortisation Profile



Source: Fitch Ratings

Peer Comparison

The Peer Comparison table compares the key rating drivers for the covered bond programme with other Fitch-rated residential mortgage covered bond programmes with similar characteristics.

The 'AAA' break-even OC for SCB's covered bond programme is 3.0%. This is lower than the 'AAA' break-even OC for Sparkasse Hannover (SPK Hannover) of 10.5% and for Sparkasse Pforzheim-Calw (SPK PFCW) of 6.0%.

The asset and liability management (ALM) loss component represents the non-credit-loss component of the break-even OC and reflects the modelled maturity and interest rate mismatches. It is based on a worst-case scenario that assumes an immediate recourse to the cover pool. In the case of SCB, the ALM loss of -0.1% mainly reflects the stable asset-liability structure of the programme as well as the risk mitigating factors of modelling the 12-month extendible maturity feature in addition to a 180-day liquidity buffer. SPK Hannover and SPK PFCW are rated 'AAA', based on the IDR plus resolution uplift plus two notches of recovery uplift. In this case, no cash flow modelling is conducted.

The credit loss component of 3.3% for SCB's cover assets is lower than for the other two programmes because its pool consists entirely of residential mortgage loans, whereas the pools of both Sparkassen also include commercial mortgage loans. The credit loss components of the peers are also based on a 'AAA' rating scenario, whereas SCB's is based on the 'AA+' scenario, due to the cash flow analysis being conducted for SCB.

SCB's credit loss component is driven by the portfolio loss floor, given the high seasoning and low current weighted average LTV levels of the residential assets within the pool. The 3.2% 'AA+' expected loss for SCB is based on a 10.3% weighted average foreclosure frequency and a 69.1% weighted average recovery rate, which is floored at the minimum loss assumption for German mortgage loans under Fitch's *European RMBS Rating Criteria*.

Please see Fitch's *Covered Bond Surveillance Snapshot* and the related Excel file for a detailed comparison of rating drivers across all Fitch-rated covered bond programmes.

Peer Comparison: Key Rating Drivers

	Santander Consumer Bank AG – Mortgage Pfandbriefe	Sparkasse Hannover – Mortgage Pfandbriefe	Sparkasse Pforzheim Calw – Mortgage Covered Bonds
IDR/Outlook	A-/Stable	A+/Stable	A+/Stable
Resolution uplift (notches)	2	2	2
PCU (notches)	6	6	6
Recovery uplift (notches)	2	2	2
'B' portfolio loss rate (%)	0.4	0.4	0.4
'AAA' break-even OC (%)	3.0	8.5	6.0
Break-even OC components (%)			
Credit loss	3.3	8.4	6.2
ALM loss	-0.1	-	-

Source: Fitch Ratings, data at June 2024

Applicable Criteria

Covered Bonds Rating Criteria (August 2024)
Bank Rating Criteria (March 2024)
Structured Finance and Covered Bonds Country Risk Rating Criteria (June 2024)
Structured Finance and Covered Bonds Counterparty Rating Criteria (November 2023)
Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (November 2023)
Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (April 2024)

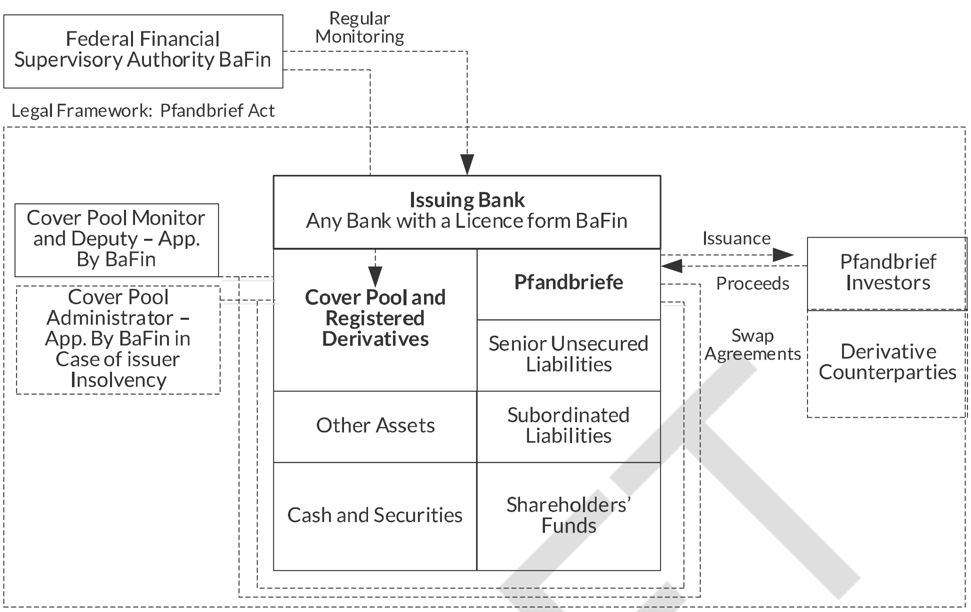
Related Disclosure

Structured Finance and Covered Bonds Sovereign IDR-Related Country Caps (Excel) (June 2024)

Related Research

Fitch Affirms Santander Consumer Bank AG at 'A-'; Outlook Stable (May 2024)
Covered Bonds Snapshot (Q2 2024)
Covered Bonds Protection Dashboard (July 2024)
German Sparkassen Mortgage Pfandbriefe Programmes – Peer Review (July 2024)

Diagram of a Pfandbrief Programme



Source: Fitch Ratings

List of Outstanding Mortgage Covered Bonds at June 2024

ISIN	Currency	Amount (m)	Maturity
XS1727499680	EUR	500	5 December 2024
XS2421360558	EUR	25	17 December 2026
XS2114143758	EUR	500	14 February 2030

Source: Fitch Ratings, SCB

Programme Review

Cover pool and covered bond information is updated on a quarterly basis and displayed on Fitch's covered bond surveillance pages, available at www.fitchratings.com, and in the quarterly Covered Bonds Snapshot report.

Disclaimer

References in this report to the content and impact of relevant legislation and/or regulation represent Fitch's interpretation. Fitch relies on legal opinions or memoranda provided by issuers' and/or other outside legal counsel. As Fitch has always made clear, Fitch does not provide legal advice or confirm that a country's legal or regulatory framework, the legal opinions or memoranda, or any other programme documents or any structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch, and should not be used or interpreted as legal, tax and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

ESG Relevance Scores

FitchRatings

Santander Consumer Bank AG, Mortgage Pfandbriefe

Covered Bonds ESG Navigator
Residential Mortgage and Public Sector

Credit-Relevant ESG Derivation

Santander Consumer Bank AG, Mortgage Pfandbriefe has 6 ESG potential rating drivers

- Santander Consumer Bank AG, Mortgage Pfandbriefe has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure/recovery practices, borrower/consumer data protection (data security) but this has very low impact on the rating.
- Santander Consumer Bank AG, Mortgage Pfandbriefe has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior and underlying mortgages and/or mortgage availability but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	6	issues	3
not a rating driver	4	issues	2
	4	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	2	Regulatory risks, fines, or compliance costs related to building emissions and related reporting standards (including energy consumption)	Asset Stresses; Cash Flow Stresses; OC Protection	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Environmental site risk and associated remediation/liability costs; sustainable building practices including Green building certificate credentials	Asset Stresses; Cash Flow Stresses; OC Protection	2
Exposure to Environmental Impacts	2	Asset, operations and/or cash flow exposure to extreme weather events and other catastrophe risk, including but not limited to flooding, hurricanes, tornadoes, and earthquakes	Asset Stresses; Cash Flow Stresses; OC Protection	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Accessibility to affordable housing; GSE/agency issued or provision for social good; services for underbanked and underserved communities	Asset Stresses; Cash Flow Stresses; OC Protection	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure/recovery practices, borrower/consumer data protection (data security)	Asset Stresses; Cash Flow Stresses; OC Protection; Issuer Risk Present	4
Labor Relations & Practices	1	n.a.	n.a.	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior and underlying mortgages and/or mortgage availability	Asset Stresses; Cash Flow Stresses; OC Protection	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Rule of Law, Institutional and Regulatory Quality	3	Jurisdictional legal risks; regulatory effectiveness; supervisory oversight; foreclosure laws; government support and intervention	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	5
Transaction & Collateral Structure	3	Asset isolation; resolution/insolvency remoteness; legal structure; structural risk mitigants; complex structures	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	4
Transaction Parties & Operational Risk	3	Counterparty risk; origination, underwriting and/or aggregator standards; borrower/lessee/sponsor risk; originator/servicer/manager/operational risk	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	3
Data Transparency & Privacy	3	Transaction data and periodic reporting	Issuer Risk Present; Payment Continuity Assessment; OC Protection; Asset Stresses; Cash Flow Stresses	2
				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.

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.

CREDIT-RELEVANT ESG SCALE – DEFINITIONS

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

5	Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis.
4	Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors.
3	Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings.
2	Irrelevant to the transaction or program ratings; relevant to the sector.
1	Irrelevant to the transaction or program ratings; irrelevant to the sector.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.