A

indeterminate

Rating Committee: 05/19/2022

Strenghts/Opportunities:

- Stable business and risk development despite challenging macroeconomic risks and difficult market conditions
- Opportunity to strengthen the bank's position as a financing partner for the German an Austrian market as a result of the restructuring of Stellantis Group
- Solid capital base
- Strong capitalization potential
- Well diversified funding structure

Weaknesses/Threats:

- Difficult market situation (semiconductor shortages, supply chain disruption, war against Ukraine)
- Industry concentration due to the business model and Risk potential from external fraud

Financial Data:

(in kEUR)	2021	2020
Net interest income	41.278	46.082
Leasing result	97.624	88.417
Gross profit	137.454	131.896
Operating result	74.901	73.739
Total assets	5.820.403	5.047.288
CET1 capital ratio	16,7 %	13,6 %
Total capital ratio	19,2 %	15,7 %
Leverage ratio	14,3 %	11,9 %
LCR	456,3 %	326,3 %

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PSA Bank Deutschland GmbH

Rating result

The credit standing of PSA Bank Deutschland GmbH (PSA or Bank) remains high according to the information available at the time of rating. As of the date of the rating committee, GBB-Rating issues the rating result A, on this occasion with an indeterminate outlook. This outlook reflects in general the currently difficult market situation in the automotive sector and therefore that of its financing partners, as well as, in particular, uncertainties relating to the future evaluation of key aspects of the rating existing in the context of the forthcoming shareholder change. As a consequence of the new partnership and shareholder structure within the Stellantis Group, however, the bank's position as a financing partner for the German and Austrian markets is expected to be strengthened.

PSA Bank is a joint venture company of Banque PSA Finance (BPF) and Santander Consumer Bank AG (SCB) and acts as a classic captive automotive financing bank within the Stellantis Group. The current focus of the bank's business is sales financing for group vehicles from the Peugeot, Citroen and DS brands. PSA pursues a clearly focused and plausible strategic concept, which GBB-Rating believes is being consistently implemented on the relevant markets. It is plainly addressing future topics proactively, including in particular the issues of digitalization and electric vehicles. The bank has also adopted appropriate measures to manage and control its strategy. Even in a challenging environment, the business model is proving wholly sustainable.

On the other hand, the operating climate appears to remain uneasy. Measures to combat the COVID-19 pandemic had a detrimental impact on the demand for cars, and now semiconductor shortages, supply chain disruption, rising energy and raw material prices, and elevated transport costs are adversely affecting manufacturers on the supply side. The situation is currently being exacerbated by the repercussions of the war against Ukraine, and by the action being taken to control the pandemic in China. In this context the macroeconomic outlook for 2022 has appreciably deteriorated, although GDP growth is still anticipated at present. In view of the animated political situation, however, a more cautious forecast may need to be adopted at short order. Against this backdrop, macroeconomic and market risks are currently elevated, increasingly affecting vehicle makers on the supply

Summary:

	Rating
Financial profile	adequate
- Earnings position	adequate
- Capital position	strong
Business profile	adequate
- Strategy and market	adequate
- Risk profile	adequate
- Capitalization potential	strong

(strong > adequate > acceptable > deficient > problematic > insufficient))

Rating history:

Rating	Outlook	Date
A	**indeterminate**	**05/19/2022**
A	stable	05/19/2021
A	stable	05/25/2020
A	stable	03/26/2020
A	stable	05/27/2019

Ratingscale:

Rating	Rating categories
AAA	highest financial standing
AA+ / AA / AA-	very high financial standing
A+ / A / A-	high financial standing
BBB+ / BBB / BBB-	good financial standing
BB+ / BB / BB-	satisfactory financial standing
B+ / B / B-	financial standing scarcely adequate
CCC+ / CCC / CCC-	financial standing no longer adequate
CC / C	inadequate financial standing
D	moratorium / insolvency proceedings

side and thus indirectly impacting the business of the automotive banks.

In the first half of 2023 a shareholder change is likely to take place as the financial subsidiaries of the Stellantis Group are realigned. The new equal shareholder replacing Santander

Consumer Bank AG is expected to be BNPP Personal Finance S.A., a wholly owned subsidiary of the BNP Paribas Group (BNP). BNP is envisaged as the financing partner for the German and Austrian markets. Looking forward, the bank is therefore expected to become a financing partner for additional Stellantis Group brands, which will accordingly affect various aspects that are relevant when analyzing the financial and business profiles for rating purposes. Although these aspects cannot be adequately assessed or evaluated at this early stage, the bank's position is likely to be strengthened, as indicated above.

Given its group of shareholders and good self-financing capacity, the ability of the bank to raise capital is strong. This very good standard is expected to be maintained even after the forthcoming shareholder change.

The financial profile, consisting of the aspects “long-term earnings position” and “sustained capital position”, continues to satisfy an appropriate standard.

Despite the challenging environment described above, PSA achieved its targeted earnings after taxes in the financial year 2021. The operating result remained stable overall. The increase in net income from leasing transactions, which corresponds to the growth in the leasing portfolio, is worthy of particular note. In view of the market circumstances outlined above, a moderate decline in earnings after taxes is to be expected in the current financial year. Taking into consideration the Group's internal restructuring, it is too early for an adequate assessment of the medium-term outlook. The long-term earnings position is unlikely to deteriorate.

Based on the regulatory capital ratios and requirements, as well as a qualitative analysis of the current and future capital position, GBB-Rating now regards the bank's sustained capital position, given its business and risk profiles, as strong. Capital is (and will continue to be) allocated within the Group according to economic factors and, in view of the likewise strong assessment of the bank's ability to procure liable capital, it appears highly unlikely that it will be undercapitalized. On top of that, last year's ABS transaction (full-stack lease) has appreciably improved the capital ratios.

Both the risk management systems and the bank's overall management procedures meet a good quality standard. In particular in relation to the management of counterparty risks, the unexceptional changes in portfolio quality and risk provisioning expenses bear witness to a conservative risk culture and appropriate risk management arrangements.

The quality of the credit portfolio continues to give no cause for concern. There are no indications of a shortfall in risk provisioning. The concentration on the automotive trade that is inherent in the business model continues to represent a material risk factor. The bank is also exposed to (latent) operational risks, in particular arising from possible cases of fraud among dealers and retail customers. Given the well diversified funding basis and in view of the magnitude of regulatory indicators, such as LCR and NSFR, the liquidity situation appears to remain comfortable.

Rating drivers

Among the factors capable of maintaining at a high level or even improving the rating in future are, in particular, sustained successes in expanding the business and thus further enhancing the operating earnings capacity and reinforcing the earnings indicators. The anticipated strengthening of the bank's position as a financing partner for the German and Austrian markets within the Stellantis Group could make a contribution in this respect.

The forenamed risks relating to the macroeconomic climate and the automotive market situation could exert an adverse influence on the development of the bank's business. This constitutes a key factor that could place a burden on the rating result.

Appendix

Assets – selected data (kEUR)	**12/31/2021**	**12/31/2020**	**12/31/2019**
Cash and cash balances	253.936	199.211	227.330
Loans and advances to banks	89.480	66.315	26.356
Loans and advances to costumers (gross)	1.672.155	2.010.978	2.359.554
Individual valuation allowances	10.497	12.300	12.809
Collective valuation allowances	4.900	8.100	5.500
Bonds and fixed income securities (gross)	1.069.992	331.670	158.277
Leased objects	2.609.767	2.393.218	2.102.736
Other assets	138.397	67.859	88.407
Total assets	**5.820.403**	**5.047.288**	**4.944.964**

Liabilities – selected data (kEUR)	**12/31/2021**	**12/31/2020**	**12/31/2019**
Liabilities due to banks	785.890	1.147.644	1.324.195
Liabilities due to costumers	3.904.531	2.775.669	2.583.623
Other Provisions	43.795	49.003	52.104
Other liabilities	431.771	428.413	390.897
Contingency reserve according to §340 f HGB	1.563	5.293	3.600
Subordinated Liabilities	79.207	79.204	77.801
Equity	574.038	567.045	516.344
Paid up capital	1.464	1.464	1.464
Capital reserve / retained earnings	515.509	515.509	469.160
Net profit	57.065	50.072	45.720
Total assets	**5.820.403**	**5.047.288**	**4.944.964**

Income statement (kEUR)	**2021**	**2020**	**2019**
Net interest income	41.278	46.082	54.662
Net fee and commission income	-1.448	-2.603	-8.301
Leasing result (valuation adjustments included)	97.624	88.417	81.253
Gross profit	**137.454**	**131.896**	**127.614**
Other operating result*)	-1.549	4.512	-195
Administration costs (valuation adjustments included)	-61.114	-57.847	-55.598
Net credit risk provisions	111	-4.824	-5.205
Gross annual profit	**74.901**	**73.739**	**66.616**

*) Other operating result without leasing result

Credit and Counterparty risk cluster	**2021**	**2020**	**2019**
Gross profitability 1 Adjusted gross profit / Average Total assets	2,37 %	2,83 %	2,96 %
Gross profitability 2 Net interest income and net credit risk provisions / Average risk-weighted exposure amounts [1)]	1,27 %	1,21 %	1,51 %
Net profitability 1 Operating result after provisions for cr and val. adjustments / Average total risk exposure amount	2,13 %	2,00 %	1,87 %
Net profitability 2 Gross annual profit / Average Adjusted total assets [2)]	1,30 %	1,52 %	1,46 %
Return on equity 1 Operating result after provisions for credit risks and valuation adjustments / Average total capital	13,95 %	14,16 %	14,41 %
Return on equity 2 Gross annual profit / Average total capital	13,95 %	14,16 %	14,41 %
Cost income ratio 1 Administration costs and provisions for credit risks / Gross profit	44,38 %	47,52 %	47,65 %
Cost income ratio 2 Administration costs / Adjusted gross profit	44,97 %	42,41 %	43,63 %

[1)] Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries

Financial data (kEUR)	**2021**	**2020**	**2019**
Net interest income	41.278	46.082	54.662
Net interest income and net credit risk provisions	41.389	41.258	49.457
Gross profit	137.454	131.896	127.614
Adjusted gross profit	135.904	136.410	127.419
Administration costs	-61.114	-57.847	-55.598
Administration costs and provisions for credit risks	-61.003	-62.671	-60.803
Operating result after provisions for credit risks and valuation adjustments	74.901	73.739	66.616
Gross annual profit	74.901	73.739	66.616
Average risk-weighted exposure amounts[1)]	3.249.439	3.398.457	3.280.213
Average total risk exposure amount	3.517.904	3.679.977	3.563.956
Average total assets	5.725.805	4.827.399	4.311.530
Average Adjusted total assets[2)]	5.750.122	4.851.802	4.566.358
Average total capital	536.770	520.632	462.449

[1)] Risk weighted exposure amount for credit, counterparty credit and dilution risks and free deliveries

Indicators of sustained capital position	12/31/2021	12/31/2020	12/31/2019
Total capital ratio Own funds / Total risk exposure amount	19,24 %	15,73 %	14,96 %
Tier 1 capital ratio Tier 1 capital / Total risk exposure amount	16,69 %	13,64 %	12,93 %
Common Equity Tier 1 ratio Common Equity Tier 1 capital / Total risk exposure amount	16,69 %	13,64 %	12,93 %

Financial data (kEUR)	12/31/2021	12/31/2020	12/31/2019
Own funds	595.289	594.749	582.644
Tier 1 capital	516.289	515.749	503.644
Common Equity Tier 1 capital	516.289	515.749	503.644
Total risk exposure amount	3.093.681	3.781.732	3.895.039

Regulatory disclosure requirements

Name and function of the analysts:

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Members of the Rating Committee:

- Klaus Foro, Manager, GBB-Rating, Cologne
- Thomas Sauter, Junior Manager, GBB-Rating, Cologne
- Robert Wiesel, Junior Manager, GBB-Rating, Cologne
- Carlo Pflitsch, Junior Manager, GBB-Rating, Cologne

Date	Rating Committee	Notification	Issue
First rating	05/27/2019	05/27/2019	05/29/2019
Current rating	05/19/2022	05/23/2022	

Validity:

- Rating: 12 months
- Outlook: 24 months

Subsequent rating changes after notification to the rated entity:

Major sources of information for the rating:

- Annual report as at 12/31/2021
- Answering a detailed Questionnaire
- Conference call at 05/02/2022
- Further disclosures and company specific information

Statement about the quality of information available (including potential restrictions):

- The quality and extent of information (interviews and documents) were suitable to obtain a comprehensive picture of the bank and to assign an objective, transparent and professional credit rating

Applicable rating methodology, rating type and release:

- Solicited rating
- Methodology for Rating 3.0.05 Banks – credit and counterparty credit risk (CCR)
- https://gbb-rating.eu/en/ratings/methodik/Pages/default.aspx

Meaning of the rating category:

- https://gbb-rating.eu/en/ratings/ratingskala/Pages/default.aspx

Business relationship:

- Besides the rating mandate there are further business relationships within the Banco Santander S.A. group

Legal remarks

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