FitchRatings

Banks
Wholesale Commercial Banks
Germany

Deutsche Factoring Bank GmbH & Co. KG

Key Rating Drivers

Support Drives Ratings: Deutsche Factoring Bank GmbH & Co. KG's (DFB) ratings reflect Fitch Ratings' view of a very high probability that the bank would receive support from its immediate parent and majority owner, Deutsche Sparkassen Leasing AG & Co. KG (DSL; A+/Stable), and from its ultimate owners that are part of Sparkassen-Finanzgruppe (Sparkassen) (SFG; A+/Stable), the German savings bank network.

Consequently, DFB's Issuer Default Ratings (IDR) and Shareholder Support Rating (SSR) are equalised with SFG's IDRs. The Stable Outlook on DFB's Long-Term IDR is aligned with that on SFG's Long-Term IDR.

Core Bank to SFG: DFB has a central role in supporting SFG's strategic objectives as the central provider of factoring products for SFG's clients. Individual savings banks within SFG can refer their clients for specific financings needs. DFB's customer base, primarily German SMEs, is mainly sourced from SFG's savings banks, with which the bank closely cooperates. DFB's factoring products supplement SFG's product offering, demonstrating a strong alignment between DFB's market focus and SFG's.

We believe that a default of DFB would constitute huge reputational risk for DSL and, ultimately, for SFG. The record of ordinary and extraordinary support provided to DFB by its parents underpin our view of DFB's core role in the SFG group. Any further support would be immaterial for SFG.

DSL, controlled by SFG, holds a 53% stake in DFB, while the rest is owned by SFG members. DFB is not a part of SFG's institutional protection scheme. Fitch does not assign a Viability Rating to DFB because it lacks a standalone franchise given its strategic reliance on the German savings banks' client relationships with SMEs and their broad market coverage.

Adequate Risk Profile: We expect that DFB's performance through the cycle will be supported by its strong factoring expertise, record of sound execution and well-tested risk management framework. The latter is underpinned by robust underwriting standards and its operational and strategic integration with DSL. Fitch believes that DFB's fraud and verity risk, inherent to factoring business, is well-managed and mitigated by sound risk controls.

Good Asset Quality: DFB's loan book consists primarily of short-dated domestic trade receivables, which are mainly insured by highly-rated credit insurers, strongly mitigating the inherent risk of the underlying receivables.

Adequate Profitability: DFB's profitability is moderate, reflected in a four-year average operating profit/risk-weighted assets of 1.2%. We expect profitability to remain adequate in 2025, supported by business growth and efficiency gains due to scale effects from DFB's growing customer base.

Sound Capitalisation: DFB's common equity Tier 1 ratio increased to 19.8% at end-2024 (end-2023: 16.9%) due to retained earnings and lower risk-weighted assets. We expect DFB's capital ratios to remain solidly above regulatory requirements in the medium term.

High Reliance on Parental Funding: Maturity-matched short-term funding, mainly sourced from the savings banks, dominates DFB's funding mix, which averaged about 50% in the past four years. DFB's funding and treasury is mainly managed by DSL, which is also an important funding source. DFB does not collect private retail or corporate deposits.

Ratings

Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1+
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 Deutsche Factoring Bank at 'A+'; Outlook Stable (August 2025)

Fitch Affirms Deutsche Sparkassen Leasing at 'A+'; Outlook Stable (July 2025)

Fitch Affirms Sparkassen-Finanzgruppe at 'A+'; Outlook Stable (March 2025)

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Rating Sensitivities

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

DFB's IDRs and SSR would be downgraded if SFG's IDRs were downgraded or if SFG's propensity to provide timely support weakened. The latter could be indicated by a reduced number of savings banks using DFB's services or by a transfer of business activities to other factoring providers. Similarly, a reduction of funding from the savings banks that indicates weaker integration could put DFB's ratings under pressure.

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

An upgrade of SFG is likely to result in an upgrade of DFB's IDRs and SSR.

Company Summary and Key Qualitative Factors

Business Profile

DFB acts as a competence centre for factoring to SMEs within SFG and has active relationships with nearly every savings bank in Germany. Its collaboration with SFG is important for generating new business, as Fitch estimates that about 90% of its factoring volume is generated via SFG's client base. DFB offers various products linked to receivables management and financing for clients from more than 50 industry sectors. DFB is also a medium-sized factoring provider in the broader German market, ranking behind larger peers in terms of financing volumes. However, DFB's client base is less concentrated than peers', reflected in lower turnover volumes per client, due to DFB's focus on smaller SMEs, underpinned by customised products and high client retention. We believe the latter supports DFB's competitive margins.

Fitch expects above-market credit growth for DFB in the coming years, as factoring is becoming increasingly important to SMEs for liquidity-management purposes, and DFB's unique selling points (speed and modern digital offering) allow it to grow its business via the onboarding of new clients.

Risk Profile

DFB's risk profile is driven by operational and credit risk, given the nature of its business mix. Operational risk, in particular verity and fraud risk, are key in DFB's factoring business and the sector. In this regard, risk awareness is high, supported by DFB's focus on system resilience and enhancing credit control with early risk detection, which has been an important driver for its IT modernisation since 2018.

Financial Profile

Asset Quality

DFB's loan book consists predominantly of short-dated domestic trade receivables, mainly insured by highly rated credit insurers, which strongly mitigates the inherent credit risk of the underlying receivables. Fitch estimates that, on average, about 80% of DFB's exposure has benefitted from credit insurance protection in recent years. In addition, credit risk is mitigated by the short-term nature of trade receivables and DFB's monitoring of the creditworthiness of debtors and the performance of the invoices. DFB's asset quality benefits from the broad diversification by customers and sectors, reflecting SFG's franchise, being nationwide active in almost all domestic industry sectors. Accordingly, loan impairment charges have been low in recent years.

Earnings and Profitability

DFB's profitability is moderate, reflected in a four-year average operating profit/risk-weighted assets of 1.2%. We expect profitability to remain adequate in 2025, supported by business growth and efficiency gains due to scale effects from DFB's growing customer base.

Business volumes were below average in 2024, reflected in the loan book shrinking by 16% at end-2024. The latter was a result of lower business activity, stemming from weak economic activity in Germany, and also resulted in lower net interest income.

Capitalisation and Leverage

DFB's common equity Tier 1 (CET1) ratio increased to 19.8% at end-2024 from 16.9% at end-2023, mainly due to retained earnings and lower risk-weighted assets. We expect DFB's capital ratios to remain solid in the medium term and above its regulatory requirements, which was 10.1% for the CET1 ratio at end-2024. DFB's leverage ratio of 18.4% at end-2024 is higher than the average for domestic banks and reflects its use of the standardised approach to assess its credit risk. Fitch believes this also limits capital ratios' vulnerability to negative rating migrations.

Funding and Liquidity

Providing liquidity to its clients is DFB's core activity. Accordingly, DFB, together with DSL, closely monitors its highly volatile funding needs, which are centrally managed by DSL, as the latter is at the same time DFB's core short-term liquidity provider.

In addition, DFB's refinancing needs are largely met by short-term maturity-matched funding (about 60% of its funding mix at end-2024), which is sourced from the savings banks, as DFB is not a part of SFG's Institutional Protection Scheme and does not collect private retail or corporate deposits. DFB's refinancing is complemented by settlement accounts from factoring clients.

Financials

Financial Statements

	31 Dec 24		31 Dec 23	31 Dec 22	31 Dec 21
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
Summary income statement					
Net interest and dividend income	60	58	68	64	60
Net fees and commissions	0	0	0	0	0
Other operating income	0	0	0	5	2
Total operating income	61	58	69	69	62
Operating costs	39	38	39	36	36
Pre-impairment operating profit	21	20	30	33	26
Loan and other impairment charges	6	6	6	9	3
Operating profit	15	14	24	24	23
Tax	2	2	3	3	3
Net income	13	13	21	21	21
Summary balance sheet					
Assets					
Gross loans	1,543	1,484	1,775	1,997	1,900
Loan loss allowances	27	26	26	25	23
Net loans	1,516	1,458	1,749	1,973	1,878
Interbank	25	24	21	17	59
Total earning assets	1,540	1,482	1,770	1,990	1,937
Cash and due from banks	0	0	0	0	0
Other assets	6	6	5	10	13
Total assets	1,547	1,488	1,776	2,000	1,950
Liabilities					
Customer deposits	414	398	622	772	710
Interbank and other short-term funding	723	695	733	818	865
Other long-term funding	68	66	79	79	53
Total funding and derivatives	1,205	1,159	1,434	1,669	1,628
Other liabilities	11	11	14	12	13
Total equity	331	318	327	318	309
Total liabilities and equity	1,547	1,488	1,776	2,000	1,950
Exchange rate		USD1 = EUR0.962186	USD1 = EUR0.912742	USD1 = EUR0.937559	USD1 = EUR0.884173

Source: Fitch Ratings, Fitch Solutions, DFB

Key Ratios

(%)	31 Dec 24	31 Dec 23	31 Dec 22	31 Dec 21
Profitability				
Operating profit/risk-weighted assets	1.0	1.4	1.2	1.2
Net interest income/average earning assets	3.6	3.6	3.3	3.3
Non-interest expense/gross revenue	65.1	56.7	52.5	57.8
Net income/average equity	3.9	6.6	6.6	6.9
Asset quality				
Growth in gross loans	-16.4	-11.2	5.1	13.0
Loan loss allowances/impaired loans	–	–	–	–
Loan impairment charges/average gross loans	0.4	0.3	0.5	0.2
Capitalisation				
Common equity Tier 1 ratio	19.8	16.9	14.5	14.5
Tangible common equity/tangible assets	21.3	18.3	15.8	15.7
Basel leverage ratio	18.4	15.6	13.4	13.0
Funding and liquidity				
Gross loans/customer deposits	372.6	285.3	258.7	267.5
Liquidity coverage ratio	132.1	160.3	146.2	141.9
Customer deposits/total non-equity funding	34.4	43.4	46.3	43.6
Net stable funding ratio	205.8	196.8	172.7	152.4

Source: Fitch Ratings, Fitch Solutions, DFB

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	1 Notch
Relative size	Equalised
Country risks	Equalised
Shareholder propensity to support	
Role in group	Equalised
Reputational risk	Equalised
Integration	1 Notch
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

DFB's Long-Term IDR is driven by a very high probability of support from SFG and is aligned with SFG's Long-Term IDR. In assessing support, Fitch considers DFB's core product provider status and central role in supporting SFG's objective to offer a full range of financial services to its client base. The ratings also reflect SFG's 100% indirect ownership of DFB, as well as SFG's high ability to provide timely support to DFB, given that any required support for DFB would be immaterial relative to SFG's size and strong financial profile.

Fitch also believes there is a huge reputational risk for SFG should DFB default. SFG's funding is resilient to external stress from capital market disruptions, given SFG's haven status, which results from its strong reputation as well as its stability and record of operating without any default within the group over several decades. This also means that not providing support to members of the savings banks group could seriously impair its reputation and status.

Environmental, Social and Governance Considerations

FitchRatings **Deutsche Factoring Bank GmbH & Co. KG**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Deutsche Factoring Bank GmbH & Co. KG has 5 ESG potential rating drivers

- Deutsche Factoring Bank GmbH & Co. KG 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.

			ESG Relevance to Credit Rating
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.

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