SANTANDER CONSUMER SPAIN AUTO 2020-1, FT

Auto Loan ABS – Spain – New Issue Report

Ratings

Series	Rating	Notional (EUR m)	Notional (% assets)	CE (% assets)	Coupon*	Final maturity
Class A	AA_{SF}	450.0	86.5	14.5	3m-EURIBOR + 0.70%	21 Mar 2033
Class B	A_{SF}	24.0	4.6	9.9	3m-EURIBOR + 0.95%	21 Mar 2033
Class C	BBB_{SF}	19.0	3.7	6.2	3m-EURIBOR + 1.95%	21 Mar 2033
Class D	$BB+_{SF}$	17.0	3.3	2.9	3.50%	21 Mar 2033
Class E	$B+_{SF}$	10.0	1.9	1.0	5.60%	21 Mar 2033
Class F	NR	5.2	0.0	0.0	6.49%	21 Mar 2033
Total notes		525.2				

Scope's quantitative analysis is based on the portfolio dated 04 June 2020 and subsequent updates as provided by the originator. Scope's Structured Finance Ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the SF Rating Definitions.

* Margin and coupons were communicated to Scope, but labeled confidential

Transaction details

Purpose	Funding and capital relief
Issuer	Santander Consumer Spain Auto 2020-1 FT
Originator	Santander Consumer, E.F.C., S.A. (now Santander Consumer Finance S.A.)
Servicer	Santander Consumer Finance S.A.
Closing date	22 Sep 2020
Payment frequency	Quarterly 20 March, 20 June, 20 September, 20 December

The transaction is a true-sale securitisation of a EUR 520.0m static portfolio of secured auto loans with no residual value risk, granted to private individuals and retail commercial clients in Spain by Santander Consumer Finance.

Rating rationale (summary)

The ratings reflect the legal and financial structure of the transaction; the credit quality of the underlying portfolio in the context of macroeconomic conditions in Spain and the current Covid-19 pandemic; the ability of the originator and servicer, Santander Consumer Finance (SCF); the counterparty credit risk exposure to Banco Santander and its subsidiaries in their different money handling roles as account bank, servicer, paying agent and interest-cap counterparty.

Classes A to E are protected against potential losses from the underlying portfolio via subordination of 14.5%, 9.9%, 6.2%, 2.9% and 1.0% respectively. The notes will start to amortise on a pro-rata basis but will switch to sequential if the underlying portfolio performs poorly. The ratings reflect the evolution of the absolute credit enhancement available under the pro-rata amortisation mechanism as well as the notes' rating sensitivity to analytical assumptions and default timing.

The notes also benefit from significant excess spread of at least 5.8% per annum at closing, which will be available to cover periodic payment shortfalls. Liquidity is further supported by a fully funded 1% liquidity reserve, whose remaining balance can also cover note losses at the transaction's maturity. The issuer will enter into interest rate caps with Banco Santander, which cap the potential increase of the 3-month EURIBOR at 1% and prevent further erosion of excess spread due to the fixed-floating asset-liability mismatch.

The transaction benefits from the consistent and proven business model of SCF and its integration into Santander Group. SCF is an experienced auto loan originator, providing

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Related Research

Consumer and Auto ABS Rating Methodology, March 2020

Methodology for Counterparty Risk in Structured Finance, July 2020

Spain: deep recession, jobs crisis and wider deficit in 2020 but ECB cushions public-finance impact, April 2020

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highly standardised auto financing solutions to its private and retail customers. SCF has made a commitment to replace or repurchase any loan for which moratorium measures related to Covid-19 have been granted. This partially mitigates portfolio credit risks related to Covid-19. Scope's baseline scenario is a general economic slowdown in the EU area, which will have a negative impact on the Spanish macroeconomy with increasing levels of unemployment and declining household incomes.

The ratings also reflect the transaction's counterparty risk exposure to SCF and Banco Santander SA as servicer, account bank and interest cap provider, respectively. The strong credit profile of the Santander group and its subsidiaries, together with appropriate replacement mechanisms upon the loss of a BBB rating, mitigate the concentration of the counterparty exposure. Scope maintains ratings on Banco Santander SA and SCF.

Rating drivers and mitigants

Positive rating drivers

Positive asset selection. The portfolio is positively selected, as eligibility criteria exclude all loans with a bank-internal probability of default above 4%, as well as all loans in arrears.

Experienced loan originator and servicer. SCF has a long track record (25+ years) in the Spanish consumer and auto loan business. The bank is the second largest financing platform in Spain and has a global footprint, which provides additional experience from other jurisdictions.

Significant excess spread. High excess spread to cover periodic losses from the assets provides strong credit protection for the notes. The spread between the portfolio's weighted average interest and the weighted average cost of liabilities is about 5.8% as of closing.

The interest rate cap entered into with Banco Santander protects the excess spread. Additionally, the high credit quality of SCF makes a servicer replacement scenario with associated potential cost increases a remote scenario.

Negative rating drivers and mitigants

Pro-rata amortisation. The amortisation mechanism erodes absolute credit enhancement for the highest tranches and particularly exposes the senior tranches adversely to the timing of defaults and the speed of repayments.

This is partially mitigated by a pro-rata stop trigger schedule referencing delinquencies, cumulative defaults and cumulative losses as well as a reserve fund available to cover losses from the portfolio at transaction termination. Additionally, the 90+ days past due default definition increases the effectiveness of the pro-rata triggers and the provisioning of defaults from excess spread.

Weak macroeconomic outlook. The Spanish economy is currently challenged by two adverse effects, Covid-19 and the general economic slowdown in Europe, which Scope expects to result in rising levels of unemployment and decreasing household income.

Support measures from the government and supranational institutions may help to reduce the adverse impact. Also, SCF will replace or repurchase loans for which Covid-19 related moratorium measures have been granted. However, uncertainties remain in terms of default risk volatility and recovery expectations. Which we have factored into our analysis.

Counterparty concentration. Banco Santander and its subsidiaries perform all counterparty roles in this transaction. The high credit quality of the group and its subsidiaries partially mitigates counterparty risk. Moreover, the transaction benefits from an automatic replacement mechanism upon the loss of a BBB rating for the account bank SCF and the interest cap provider Banco Santander SA, as well as from collateralisation of the servicer exposure, should the current servicer SCF default.

Upside rating-change drivers

An **early activation of the stop-pro-rata trigger followed by improving portfolio performance** may reflect positively on the senior rated instruments.

Downside rating-change drivers

A severe Covid-19 second wave poses downside risk to the transaction, which would be likely reflected in higher unemployment and an increase of defaults in the portfolio.

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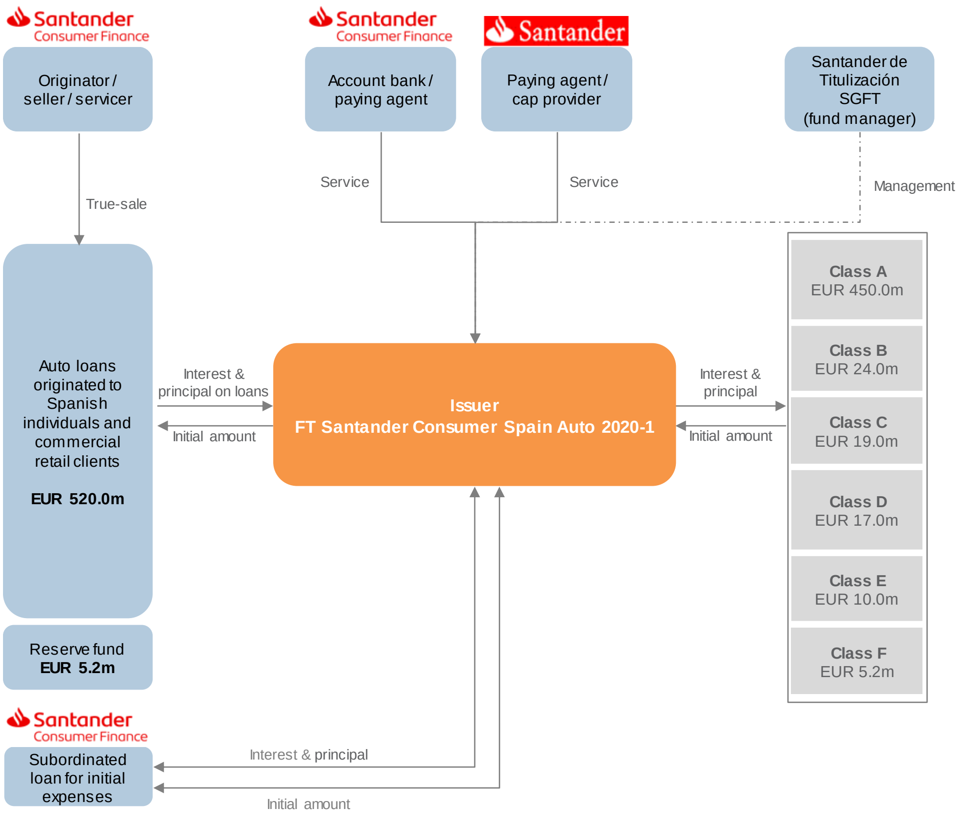
1. Transaction summary

Figure 1: Simplified transaction overview



Source: Prospectus and Scope.

FT Santander Consumer Spain Auto 2020-1 is SCF's 14th auto loan ABS transaction since 2006. The transaction consists of the securitisation of a EUR 520.0m portfolio of 49,547 fully amortising loans for vehicle acquisitions, which SCF originated and granted to Spanish consumers and commercial retail clients.

The transaction features a pro-rata amortisation mechanism for tranches A to E, subject to certain performance conditions for the underlying portfolio. If assets underperform or the outstanding asset balance falls below 10% of the initial balance, the liabilities will amortise fully sequentially.

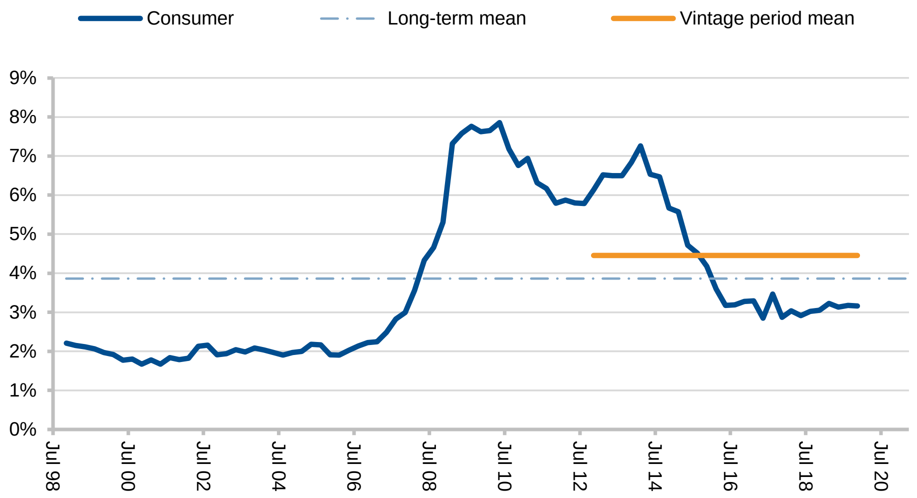
Of the six classes of notes being issued, we have assigned ratings to classes A through E, leaving class F unrated. The transaction closed on 22 September 2020 and the final legal maturity will be on 21 March 2033.

2. The Spanish auto loan market

Severe delinquencies (90+ days past due) in the Spanish consumer loan market financing durable goods have stabilised at a slightly higher level than prior to the financial crisis, but significantly below the levels observed in 2008 to 2016. This generally reflects the tightening of bank lending standards, but also increased competition in bank lending practices. While banks' origination standards preclude lending to risky customers, banks have identified products which meet a wide range of less risky consumers' financing needs. We believe this has driven the higher delinquency rates, as the banks' assessment of what customers can afford sometimes maxes out the customer's entire debt service capacity, with the result that marginal income fluctuations result in delinquent loans.

We expect a new rise in consumer loan delinquencies across Spain, in line with other European jurisdictions, as a result of the Covid-19 pandemic and the general economic slowdown observed in the country. In particular, rising unemployment levels in the hospitality, event and tourism industry will result in obligors falling behind on their debts. Governmental support measures and payment holidays granted by banks may soften the impact, but uncertainty remains, which we have factored into our analytical assumptions.

Figure 2: 90+ days-past-due delinquencies in the Spanish durable consumer loan market



Source: Bank of Spain and Scope.

3. Asset analysis

3.1. Securitised assets

The portfolio is composed of 49,547 amortising loans to Spanish individuals (97.2%) and commercial retail clients (2.8%) originated by SCF to finance new and used vehicles. The loans reflect current market conditions, as they were recently granted (96.8% of the portfolio was originated since 2018). The loans finance mainly passenger cars (91.3%), comprising 51.6% new vehicle financings and 48.4% used vehicle financing. The portfolio is very granular, with the 20 largest exposures only accounting for 0.19% of the portfolio, while the largest brand concentration is 11.6% on Opel.

Young and granular asset portfolio

The loans have an average seasoning of about 1.3 years and an average remaining term of 5.5 years. All loans are amortising with no residual value risk.

The transaction benefits from positive selection, as none of the borrowers will be in arrears at closing and SCF only selects obligors with a bank-internal one-year probability of default (PD) of up to 4%.

Figure 3: Portfolio origination profile

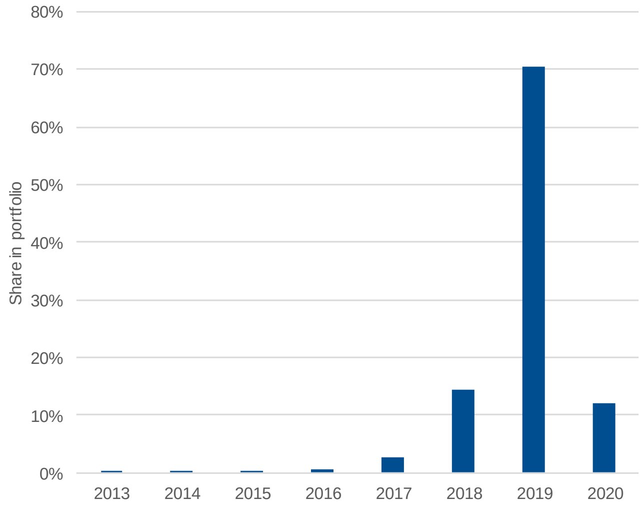


Figure 4: Portfolio maturity profile

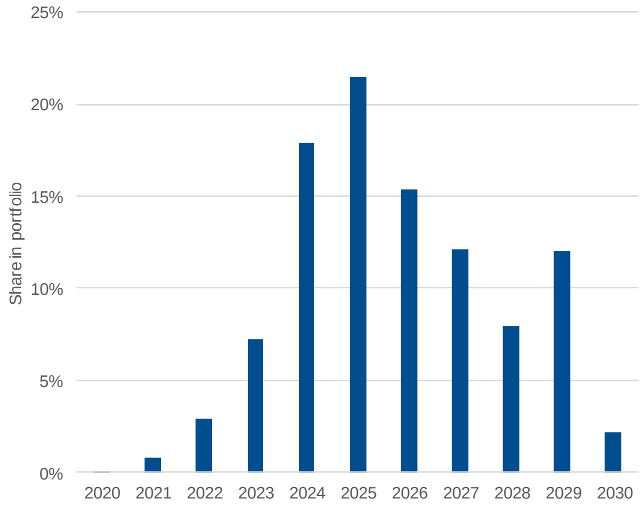
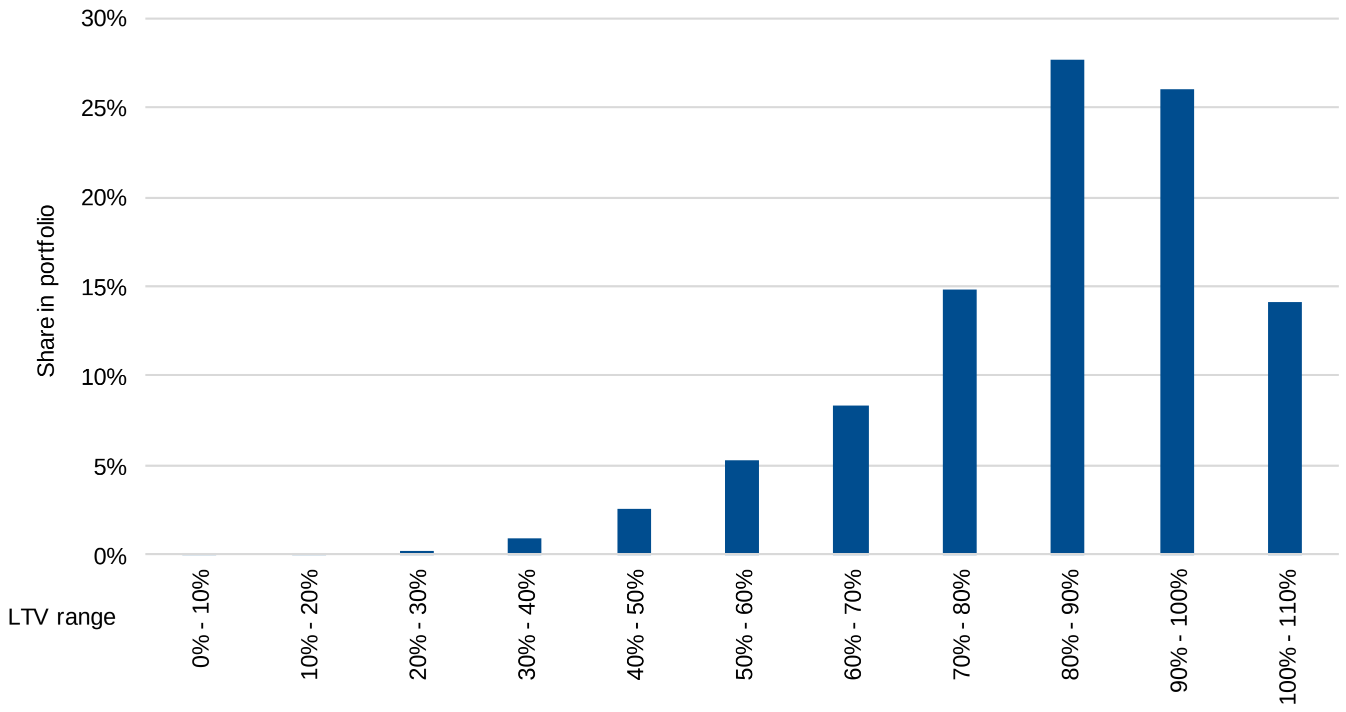


Figure 5: Portfolio origination loan-to-value distribution

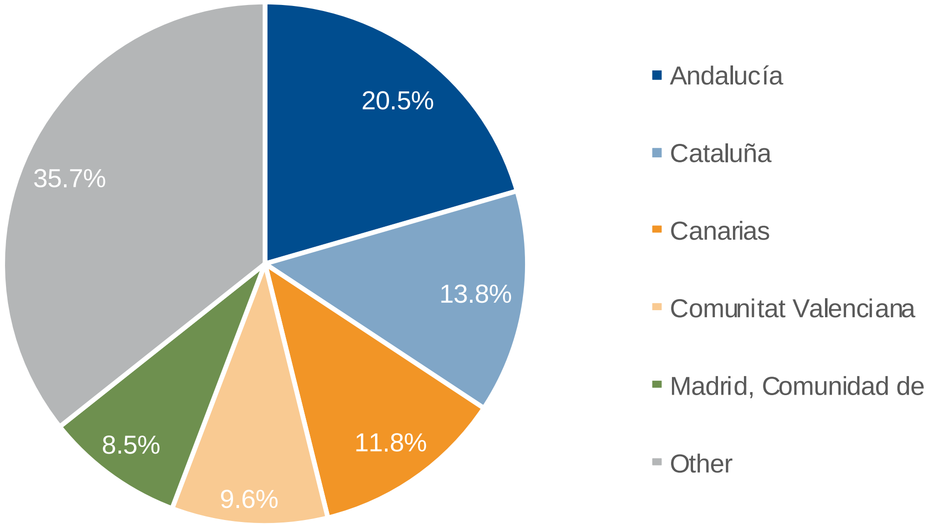


3.2. Regional distribution

The portfolio is well distributed across Spain

The portfolio is well distributed across Spain: the five largest regions combined comprise only 64.3% of the portfolio balance. This reflects the country-wide outreach of SCF's business model.

Figure 6: Portfolio regional distribution



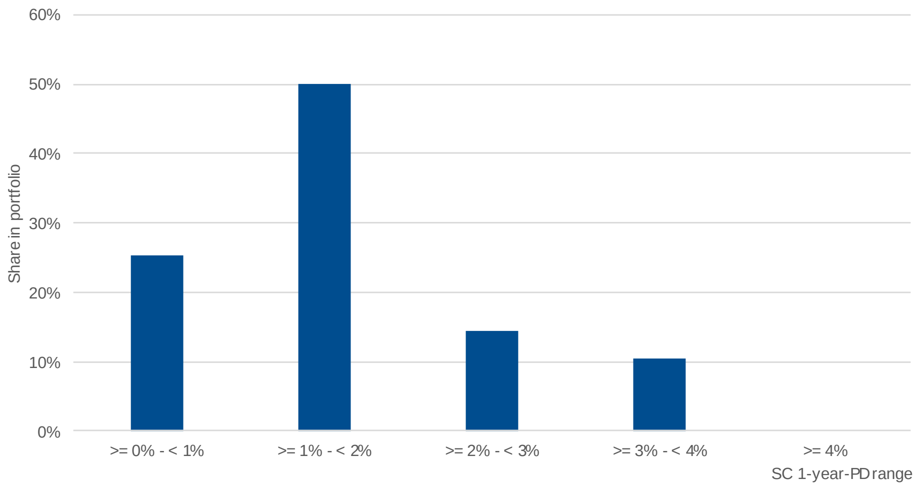
3.3. Portfolio eligibility criteria and positive selection

The asset portfolio was positively selected

The eligibility criteria for the assert portfolio result in a positive selection compared to SCF's consumer loan book, in line with previous transactions.

Portfolio loans must, among others, be i) performing; ii) granted for the purpose of vehicle financing in Spain; ii) not subject to a credit event; and iv) not originated from a debt restructuring or refinancing. In addition, v) obligors must have a maximum bank-internal one-year PD of 4%; and vi) at least one instalment must have been paid on vii) the amortising loans.

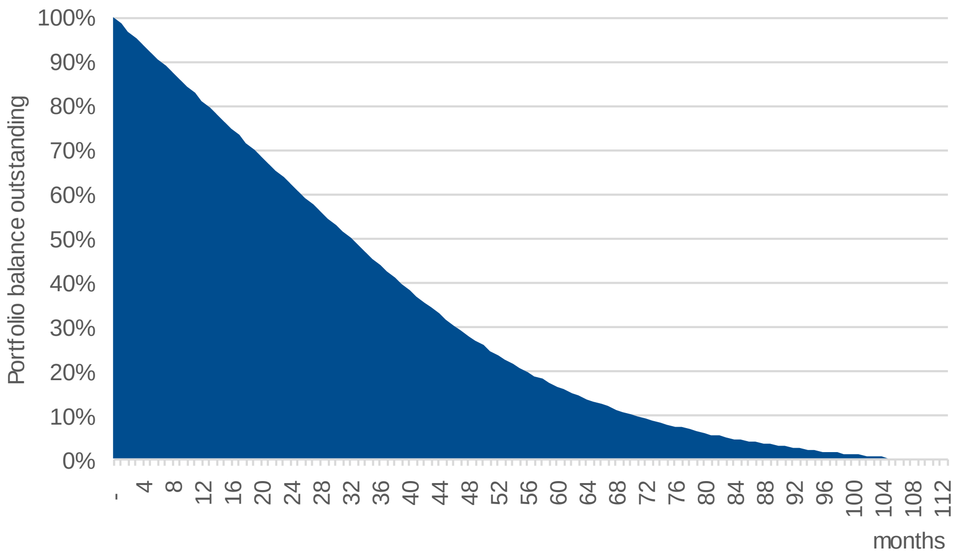
Figure 7: Portfolio bank-internal PD profile



3.4. Amortisation profile

The quick amortisation of the static portfolio (Figure 8) limits adverse impacts from a deteriorating macroeconomy. The portfolio has a weighted average life of 3.0 years, which can even reduce in light of prepayments.

Figure 8: Expected portfolio amortisation profile (0% prepayment, 0% defaults)



4. Portfolio modelling assumptions

Figure 9: Portfolio modelling inputs for the asset portfolio

	Portfolio
Mean default rate	6.0%
Coefficient of variation	50.0%
Base case recovery rate	40.0%
AAA rating-conditional recovery rate	24.0%
Low constant prepayment rate	0.0%
High constant prepayment rate	15.0%
Portfolio constant interest rate	6.5%

4.1. Default definition

The transaction considers loans to be defaulted, either due to subjective default or delinquent loans getting more than 90 days overdue. The short default definition increases the efficiency of the use of excess spread for defaults provisioning.

SCF provided default and recovery vintage data considering a 90-days-past-due default definition. The most relevant data can be found in Appendix II on page 16.

4.2. Default rate analysis on portfolio

Positive selection and seasoning reflect positively on risk assumptions

We have assumed a 90-days-past-due mean default rate of 6.0% over a weighted average life of 3.0 years and a coefficient of variation of 50%. Our assumptions are based on the default rate vintage data that SCF has provided covering a period from Q1 2013 to Q1 2020.

The portfolio mean default rate considers a risk horizon of 6.8 years, adjusted for an average seasoning of 1.3 years.

4.3. Recovery rate

Analysis incorporates rating-conditional recovery assumptions

We considered a base case recovery rate of 40%. We have modelled the loan portfolio using fixed assumptions for recovery rates, which we then stressed with haircuts based on the target rating of the credit-linked notes. The rating-conditional recovery rates are: 40% for B, 36.8% for BB, 33.6% for BBB, 30.4% for A, 27.2% for AA, and 24% for AAA.

We analysed recovery performance data considering cumulated recoveries up to two years after a default to derive our base case assumptions for the asset portfolio. We consider a recovery lag of 24 months.

The recovery rate assumption reflects SCF's general recovery approach that aims at curing the delinquent loan, rather than at quickly foreclosing on the vehicle. Compared to other foreclosure practices, this causes a slower accumulation of recoveries, as recoveries flow in over a prolonged period of time.

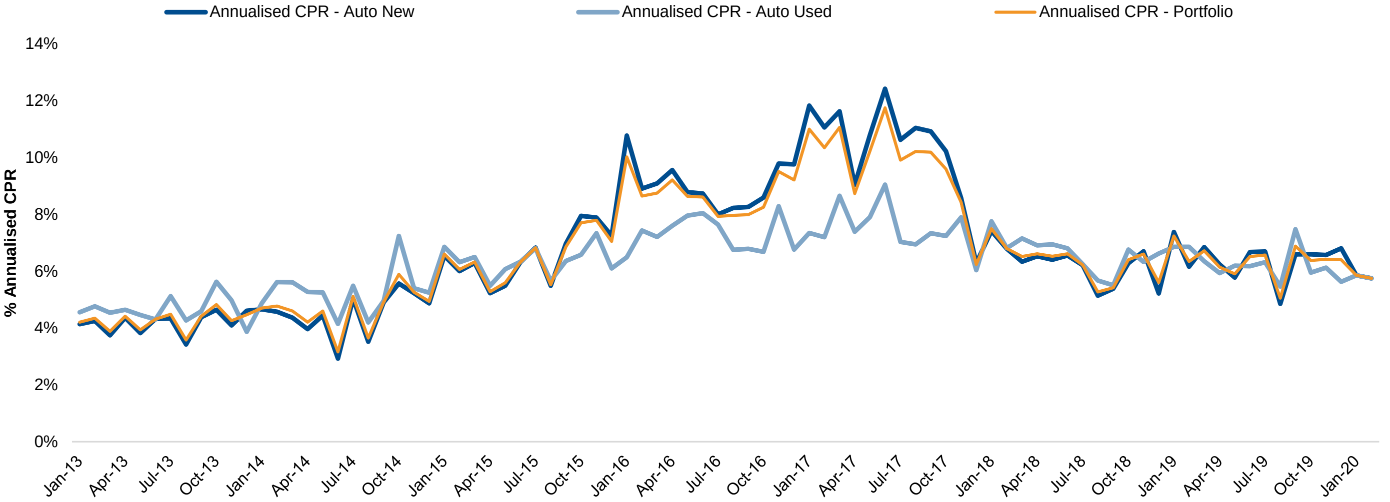
4.4. Constant prepayment rate (CPR)

We tested the ratings against stressed CPR assumptions

We tested the rated notes against CPR assumptions of 0% and 15%, which represent stresses to historically observed levels. The scenarios that consider the high CPR assumption show the effect of quickly eroding excess spread and senior tranche credit enhancement from subordination, caused by the quick prepayments.

Our analysis incorporates our view that prepayment rates at historical high levels may not coincide with an adverse economic scenario, as we reflect it in our base case assumptions. The ratings therefore also consider the rated instruments' sensitivities towards lower prepayment rate scenarios.

Figure 10: Historic prepayment data from SCF



Source: Santander Consumer Finance and Scope

5. Financial structure

5.1. Capital structure and risk-cover release

Six classes of notes are issued. The issuance proceeds from the classes A through E are used to purchase the portfolio of assets and the class F notes proceeds fund the reserve fund, which is to the benefit of the classes A through E.

The classes A through E start amortising on a fully pro-rata basis. This would change to a fully sequential amortisation in case of portfolio underperformance leading to a trigger breach, or the outstanding balance of receivables (defaulted and non-defaulted receivables) represent less than 10% of the initial portfolio balance. Once the structure changes from pro-rata to sequential, the amortisation schedule will remain sequential.

All tranches benefit from the significant excess spread, the major source of repayment for the class F notes.

5.1.1. Amortisation mechanisms – pro-rata to sequential

Upon the breach of the following triggers, the structure would move from pro-rata amortisation to sequential, which is to the benefit of the senior tranches, if that happens early in the life of the transaction.

Trigger definition	Trigger level
Outstanding portfolio balance	10% (Outstanding receivables balance over the initial receivables balance)
Outstanding delinquencies	5% of the outstanding receivables balance
Cumulative defaults	6.19% (the combined balance of the D through F notes over the initial receivables balance)
Cumulative losses (always calculated as cumulative defaults minus cumulative recoveries over the initial receivables balance)	Until December 2020 **0.45%** From December 2020 to March 2021 **0.75%** From March 2021 to June 2021 **1.05%** From June 2021 to September 2021 **1.35%** From September 2021 to December 2021 **1.65%** From December 2021 to March 2022 **1.95%** From March 2022 to June 2022 **2.15%** From June 2022 to September 2022 **2.35%** From December 2022 **2.55%**

5.2. Reserve fund

Classes A through E benefit from an amortising liquidity reserve, at 1.0% of the rated note’s balances, floored at 0.5% of these notes’ initial balances.

The reserve can cover the senior notes interest, costs and can be used to cover losses at transaction termination.

This reserve is sufficient to cover rated notes’ interest and stressed senior fees for up to five months considering three-month-Euribor at 0%.

5.3. Priority of payments

The combined priority of payments materially protects against payment interruption. Principal collections from the assets can be used to pay timely interest on the notes. Further, only a few days’ worth of collections suffices to pay notes’ interest and other more senior items, even in the event of a servicer disruption.

Figure 11: Priority of payments and available funds

Pre-enforcement priority of payments	Post-enforcement priority of payments
Available funds Proceeds from interest, principal, recoveries, net interest cap receipts, reserve fund, others	**Available funds** All issuer funds, including proceeds from liquidation of assets and reserve
1) Taxes and expenses	1) Taxes and expenses
2) Class A interest	2) Class A - interest and principal
3) Class B interest	3) Class B - interest and principal
4) Class C interest	4) Class C - interest and principal
5) Class D interest	5) Class D - interest and principal
6) Class E interest	6) Class E - interest and principal
7) Reserve fund replenishment	7) Class F - interest and principal
8) Class F interest	8) Subordinated items
9) Principal classes A through F pro-rata, unless sequential trigger hit, then sequential	
10) Subordinated items	
11) Class F principal (min(10% of class F initial balance; available funds at this item))	
12) Remaining funds to originator	

5.4. Marginal interest rate mismatch

The classes A through C pay interest based on three-months EURIBOR plus a margin, which introduces a fixed-floating mismatch, as all loans in the asset portfolio pay a fixed interest rate.

The risk is partially mitigated by the high excess spread, the prefunded interest rate cap and the reserve fund. Also considering the short transaction life and the deteriorating economic environment, we do not expect a steep rise of interest rates in our base line scenario. The interest rate cap provided by Banco Santander limits the maximum applicable three-months-Euribor to 1%.

5.5. Accounts

The issuer account collects all asset proceeds and holds the reserve fund.

Account represents counterparty exposure to SCF

The account represents a counterparty risk exposure to SCF as the account bank (see 'Counterparty risk' on page 11). Potential negative carry is covered by available excess spread and credit enhancement.

The servicer SCF collects the asset proceeds before transferring them to the issuer account within two business days after receipt, which represents servicer commingling risk for the transaction.

6. Originator – Santander Consumer Finance

SCF operates the second largest consumer financing platform in Spain

We consider SCF a strong and experienced player in the Spanish consumer loan and auto financing market, with more than 30 years of market experience. The bank is mainly focused on financing through dealers at the point of sale, but also has a significant online presence. The bank is open to find a financing solution for any applicant that has no bad credit record, relying on its highly automated underwriting process.

6.1. Sanctioning and underwriting

SCF operate its loan origination business under the underwriting and credit risk framework of Banco Santander. The origination process is highly automated (85% of all decisions are model driven), with an acceptance rate of about 70% and limited manual overrides. Eligibility criteria exclude loans for this portfolio if the approval was subject to a manual override.

SCF applies a scorecard-based approach that considers behavioural data that Santander has collected in house, but also financial information, demographics, and product specific parameters. The calibration of the scorecards is marginally different for new and used cars, addressing the fact that new cars financing generally involves higher values and a quicker drop in vehicle value right after the sale.

Recent underperformance of the credit profile, starting in 2018, led to a recalibration of the scoring models to bring the business back in line with Santander's strategies and objectives of stable net loss levels and controlled costs.

Risk assessment models reflect the requirements to the bank under Banco Santander's internal-ratings-based approach, that is reviewed and approved by the Bank of Spain.

6.2. Servicing and recovery

Proactive servicing and recovery processes

We consider SCF's loan servicing and management of non-performing loans very pro-active, reflecting the attempt to get in touch with delinquent obligors as early as possible to find a way back to performance, rather than seeking the quick termination of the loan and the foreclosure of the vehicle.

The collections process starts from the first day past due (dpd) and terminates when the vehicle repossession is triggered at 180+dpd. The process focuses on the outstanding amounts, when it comes to individual treatment during filed collections, while lower amounts are directly given to a specialised management, following a 90-days period with phone calls.

The work-out of a defaulted loan mainly focuses on finding restructuring solutions, considering the repossession and sale of the vehicle through an auction platform as final option. Historically, this has resulted in recovery rates of about 50% to 60%, with majority share coming from payments under the restructured or even cured loan contracts.

7. Quantitative analysis

The ratings are based on our cash flow analysis. The results factor the macroeconomic conditions and the protective credit enhancement mechanisms available for each note class, but also the sensitivity of the results towards changes in the analytical assumptions.

We applied our large homogenous portfolio approximation approach (LHPA) when modelling the highly granular collateral pool. Key assumptions derived were then applied to the cash flow analysis of the transaction over the amortisation period. We modelled the transaction based on the whole combined portfolio.

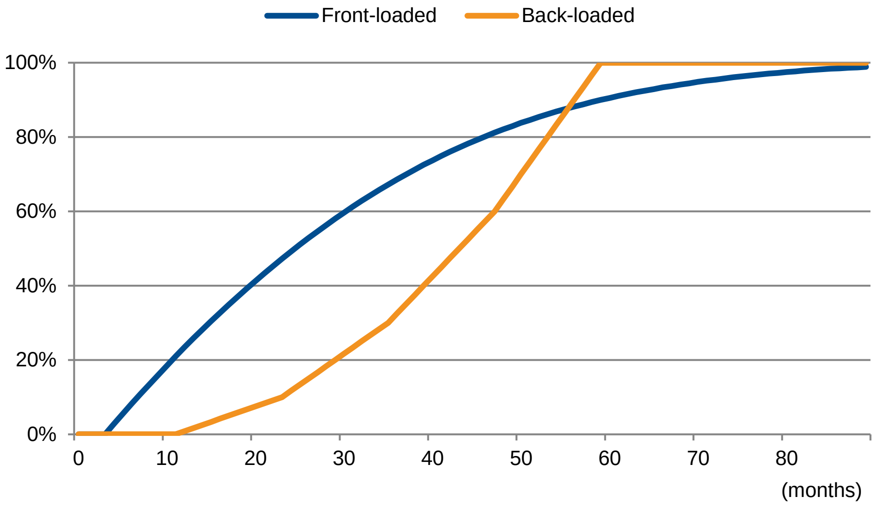
Scope used a bespoke cash flow model to analyse this transaction

We analysed the transaction with a cash flow model, combined with the portfolio default distribution (inverse Gaussian) to calculate the probability-weighted loss for the notes. The cash flow model also produces the expected weighted average life for the notes.

Pro-rata makes the credit-linked notes sensitive to default timing

We tested both a front-loaded and a back-loaded default-timing term structure (Figure 12). The rates instruments are sensitive to default timing due to the pro-rata amortisation mechanism, through which the absolute credit enhancement from subordination and excess spread for the more senior tranches erodes through repayments and prepayments before defaults occur. The defaults are classified as 90+dpd, in line with definitions in the documentation.

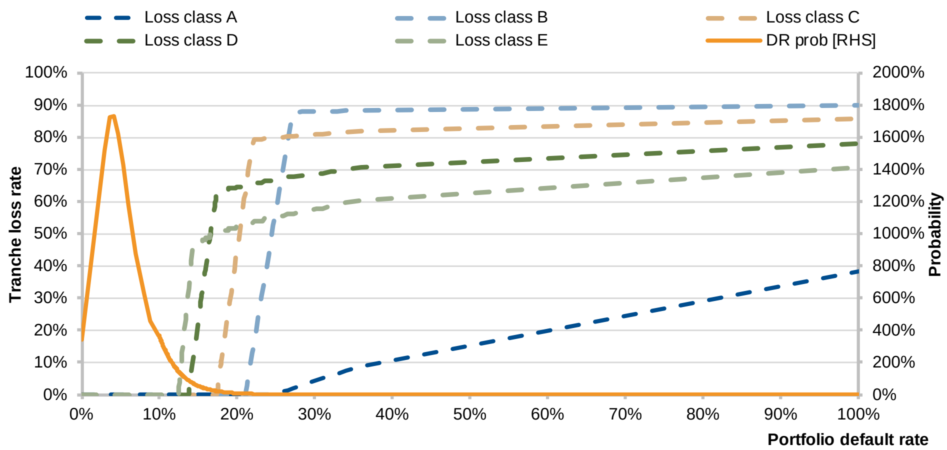
Figure 12: Default-timing assumptions – front and back-loaded



Ratings consider both front- and back-loaded default timings

Figure 13 shows the losses of the rated notes at all portfolio default rates and how credit enhancement and recovery proceeds in case of default protect the notes.

Figure 13: Cash flow results for base case mean default rate and coefficient of variation and rating-case recovery rate



Note: The probabilities displayed on the right-hand side axis has to be considered in the context of the calculation of the probability density

8. Rating sensitivity

Rating stability is supported by: i) the structure's strong protective mechanisms; and ii) our use of rating-conditional recovery rate assumptions and a long-term performance reference for the assets.

We tested the sensitivity of the analysis to deviations from the main input assumptions: i) the mean-default rate; and ii) recovery rates.

- Class A sensitivity to: mean-default rate + 50%, 2; recovery rates – 50%, 0;
- Class B sensitivity to: mean-default rate + 50%, 4; recovery rates – 50%, 2;
- Class C sensitivity to: mean-default rate + 50%, 2; recovery rates – 50%, 1;
- Class D sensitivity to: mean-default rate + 50%, 2; recovery rates – 50%, 0;
- Class E sensitivity to: mean-default rate + 50%, 0; recovery rates – 50%, 0.

9. Sovereign risk – Spain

Sovereign risk does not limit the instruments' ratings

Sovereign risk does not limit any of the ratings. The risks of an institutional framework meltdown, legal insecurity or currency convertibility problems, due to Spain's hypothetical exit from the eurozone, are immaterial, especially given the relatively short expected portfolio of three years.

Scope factors the deteriorating economic outlook and the macroeconomic uncertainty into the rating analysis, as Spain's GDP is expected to contract and then grow at a lower speed if the pandemic stops, while unemployment is expected to increase. The final impact on Spanish consumers' financial performance is uncertain, given the governmental support measures, however we expect it to be rather adversely impacted.

Moreover, another outbreak of the COVID-19 pandemic in the country followed by lock-down measures may accelerate and decide the adverse crystallisation of this uncertainty.

10. Counterparty risk

The counterparty risk of the transaction supports the highest ratings. None of the counterparty exposures are excessive, i.e., if counterparty risk crystallises, notes rating sensitivity would still be limited to six notches.

10.1. Operational and commingling risk from servicer

Servicer replacement outside Santander group unlikely

Operational risk from the servicer role is well mitigated in this transaction. In the event of a SCF's replacement as portfolio servicer, we expect a quick transition to another servicer, as the loan products and data systems are relatively standardised.

SCF's integration into the Santander group mitigates servicer counterparty risk for the transaction.

Operational risks from a servicer replacement are low, as the credit quality of SCF and Santander group make a servicer replacement event unlikely.

Comingling risk from the exposure to SCF as servicer is also mitigated through the credit quality of the Santander group. Moreover, the maximum two days holding period limits the commingling exposure of the transaction towards SCF.

10.2. Counterparty risk from account bank and paying agent

Counterparty risk is sufficiently remote as to pose an immaterial risk for the notes

The class A notes have a short expected weighted average life of just 2.0 years under 15% CPR.[1] SCF's high credit quality makes the risk of commingling losses sufficiently remote as to be immaterial for the notes.

The risk is further mitigated through a replacement of the account bank role upon loss of BBB, in line with our counterparty criteria.

Scope maintains a subscription rating on SCF and its parent Banco Santander SA.

10.3. Exposure to the interest cap counterparty

We consider that counterparty risk associated with the interest cap counterparty, Banco Santander, is sufficiently remote because i) we expect the cap to be out of the money, i.e. three-months-Euribor will remain below 1% throughout the transaction life; and ii) the credit quality of the swap counterparty is high.

Standard collateralisation and replacement mechanisms further mitigate the counterparty risk associated with this role for the transaction

[1] This expected weighted-average life results from our cash-flow modelling and is the expected value, reflecting the probability-weighted average of the instrument-weighted-average lives across all default rate scenarios considered in our analysis.

10.4. Set-off risk from originator

Set-off risk from the originator is reasonably remote

SCF's credit quality, supported by its parent Banco Santander, makes set-off sufficiently remote. Moreover, eligibility criteria exclude loans that carry a potential set-off claim.

11. Legal structure

Scope has reviewed legal opinions produced by Cuatrecasas, Gonçalves Pereira S.L.P., which support our analytical assumptions regarding the legal and tax setup of the transaction.

11.1. Legal framework

This securitisation is governed by Spanish law and represents the true sale of the assets to a bankruptcy-remote vehicle without legal personality, represented by Santander de Titulizacion, SGFT,SA, the management company.

The SPV is essentially governed by the terms in the documentation. Changes to the documentation require the unanimous agreement of all stakeholders to the transaction, i.e. noteholders and creditors.

11.2. Loan modifications

Limitations on loan modification ensure no negative carry and timely amortisation

The documentation allows the servicer to modify up to 10% of the outstanding portfolio with respect to the interest rate and the loan maturity, but only within certain limits. These limits ensure no negative carry for the transaction and ensure amortisation within the legal final maturity of the transaction, i.e. minimum interest rate is 5.0% for an individual loan and 7.0% for the weighted average rate of modified loans, while the maximum maturity is set to March 2030, three years before the legal final.

12. Monitoring

We will monitor the ratings based on performance reports from Santander de Titulizacion, SGFT,SA, the management company of the securitisation fund, as well as other available information. The ratings will be monitored on an ongoing basis.

Scope analysts are available to discuss the rating analysis

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which these instruments are exposed and the ongoing monitoring of the ratings.

13. Applied methodology and data adequacy

For the analysis of these notes, we applied our Consumer and Auto ABS Rating Methodology, available at www.scoperatings.com.

SCF has provided product-specific vintage data for default and recovery rates referencing a 90dpd default definition and covered a period from 2013 to Q1 2020, a period of average stress in the Spanish auto loan market. The bank also provided dynamic delinquency and prepayment information for the same period.

The provided data was very granular, both for default and recovery information.

I. Summary of portfolio characteristics

The analysis considers the portfolio from 04 June 2020

Key features	Asset portfolio as of 19 August 2020
Originator	Santander Consumer Finance S.A.
Closing date	22 September 2020
Portfolio balance (EUR m)	**579.6**
Number of assets	49,547
Average asset size (EUR)	11,697.45
Maximum asset size (EUR)	62,850.88
Minimum asset size (EUR)	520.33
Weighted average life (contractual) (years)	3.0
Weighted average seasoning (years)	1.3
Weighted average remaining term (years)	5.5
Largest obligor	0.01%
Top 20 obligors	0.19%
Largest region	20.5% (Andalucía)
Top 5 regions	64.3%
Current weighted average coupon	6.95%
Weighted average loan-to-value	83.9%
Amortising loans	100.0%

II. Vintage data provided by the originator

SCF provided granular default vintages with a 90-days-past due default definition for both new and used vehicle financings.

Vintage data is granular and representative of the portfolio.

Figure 14: New vehicle financings – 90+ vintage data presented by SCF

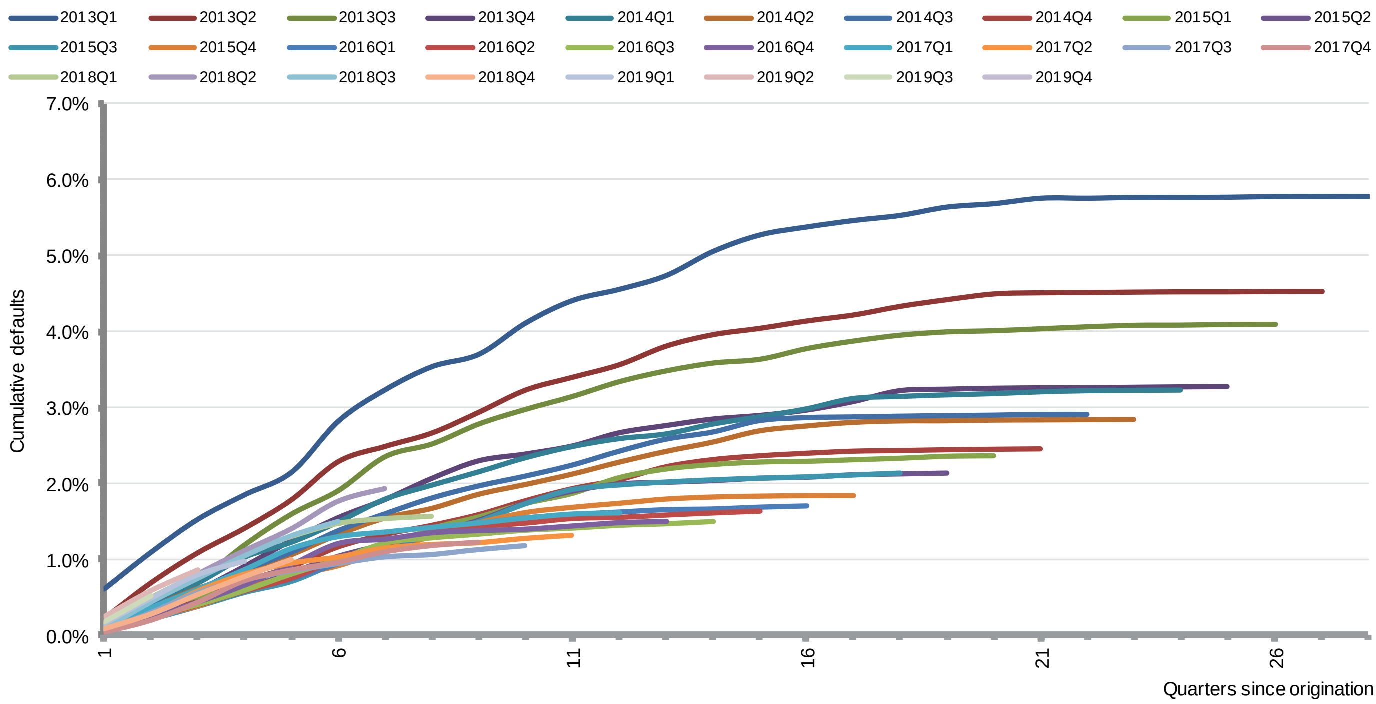


Figure 15: Used vehicle financings – 90+ vintage data presented by SCF

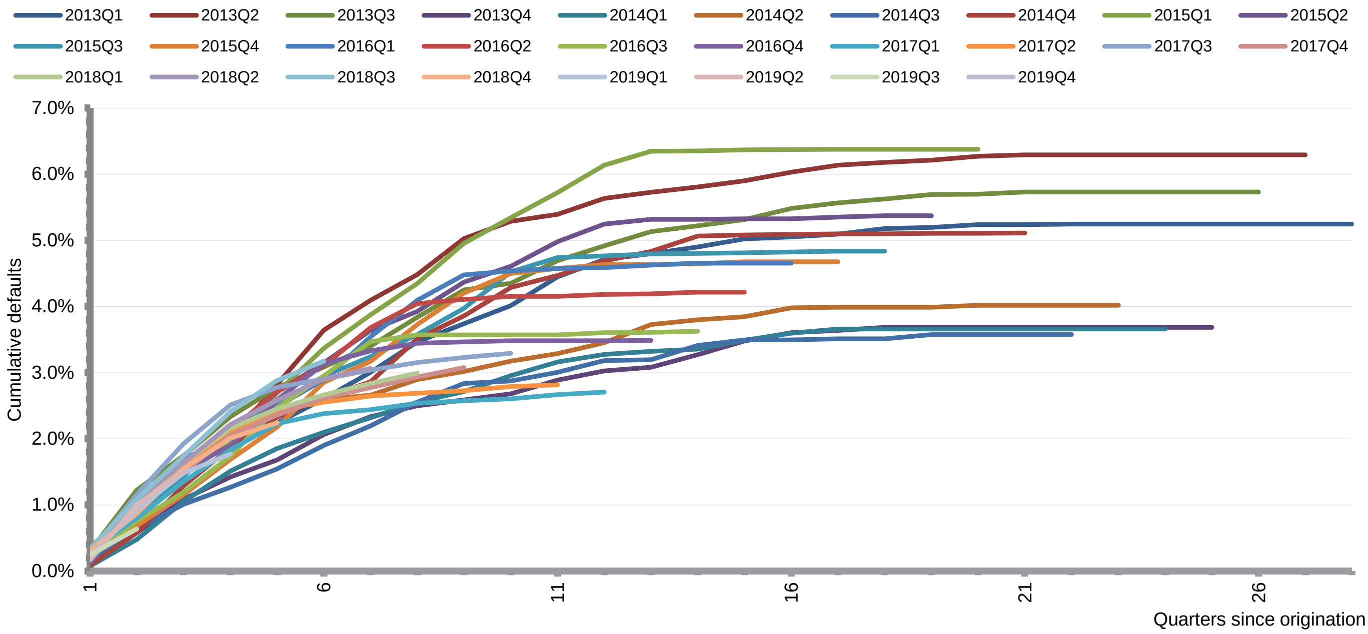


Figure 16: New vehicle financings – recovery rate vintage data presented by SCF

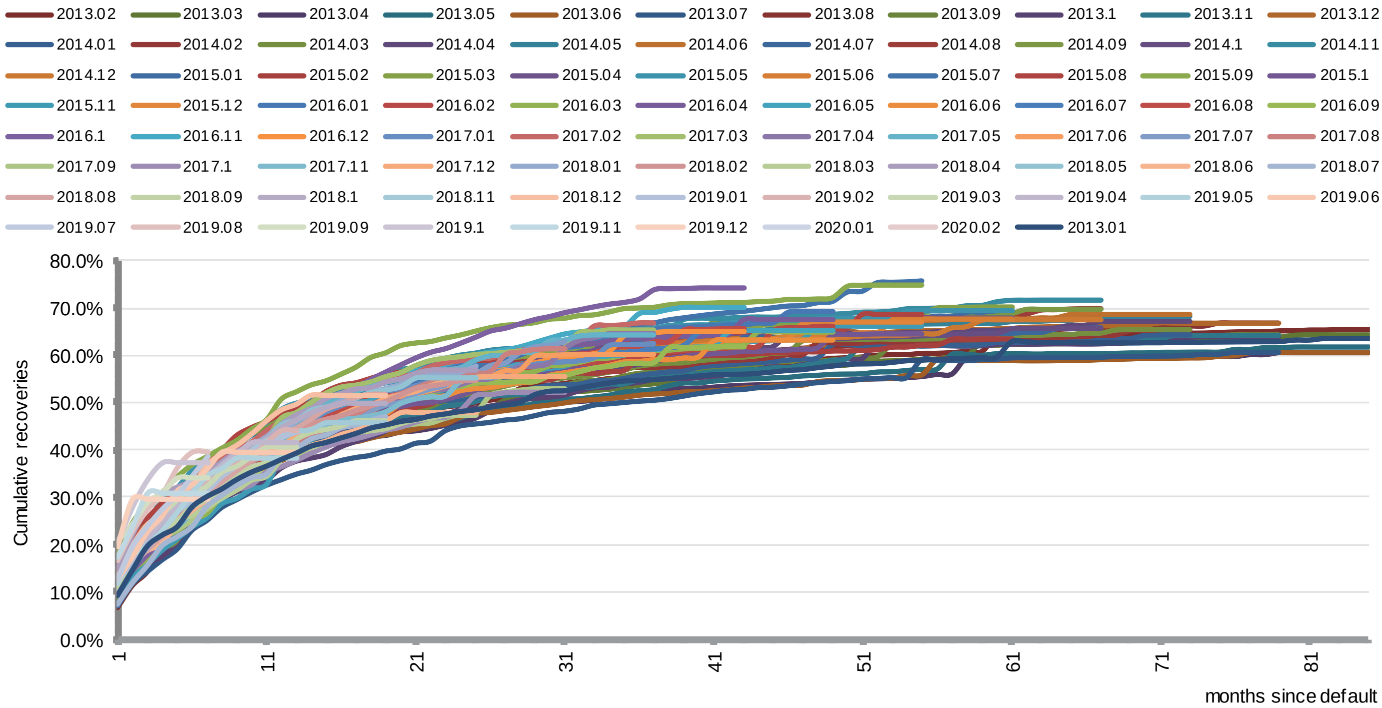
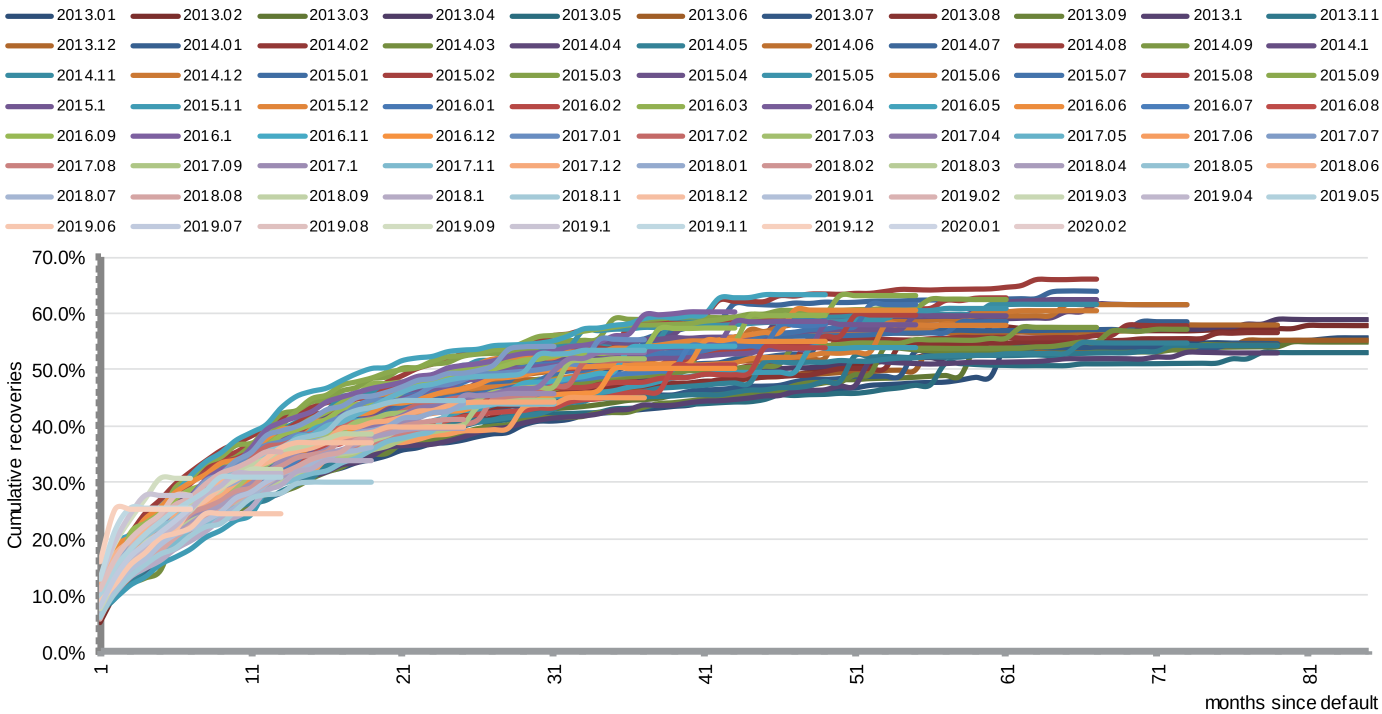


Figure 17: Used vehicle financings – recovery rate vintage data presented by SCF



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