

ABS/Auto Loans
Germany
New Issue

SC Germany Auto 2010-1 UG (haftungsbeschränkt)

Analysts

Olga Huelsmann
+49 69 768076 116
olga.huelsmann@fitchratings.com

Andrei Gozia
+44 20 7682 7263
andrei.gozia@fitchratings.com

Performance Analytics

Guili Yu
+44 20 7682 7272
guili.yu@fitchratings.com

Related Research

Applicable Criteria

- *EMEA Consumer ABS Rating Criteria (September 2009)*
- *Servicing Continuity Risk Criteria for Structured Finance Transactions (March 2010)*
- *Global Structured Finance Rating Criteria (September 2009)*
- *Counterparty Criteria for Structured Finance Transactions (October 2009)*

Other Research

- *Fitch Interest Rate Assumptions for Structured Finance (April 2010)*

Contents

Transaction Summary	1
Transaction and Legal Structure	3
Asset Analysis.....	6
Financial Structure and Cash Flow	
Modelling	12
Counterparty Risk	12
Performance Analytics	14
Appendix A: Transaction Comparison	15
Appendix B: Transaction Overview	16

Ratings

Class	Amount (EURm)	Final Maturity	Rating	LSR	CE (%)	Outlook
A	567.0	August 2019	AAA	LS1	8.5	Stable
B	33.0	August 2019	A	LS3	3.0	Stable
Subordinated Loan	18.0	n.a.	NR	NR	0.0	n.a.
Total Issuance						

Closing occurred on 29 July 2010. The transfer of the portfolio to the issuer occurred on 29 July 2010. The ratings assigned above are based on the portfolio information provided by the originator as of 30 June 2010. Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other material should be reviewed prior to any purchase.

Transaction Summary

This transaction is a true sale securitisation of German auto loan receivables originated by Santander Consumer Bank AG (SCB, the seller and servicer), a wholly-owned subsidiary of Santander Consumer Finance S.A. (SCF, rated 'AA'/Stable/'F1+'). SC Germany Auto 2010-1 UG (haftungsbeschränkt) (SCGA 10-1) is a repeat transaction and replicates the structure of previous SC Germany Auto transactions. A summary comparison of the SC Germany Auto transactions is available in *Appendix A*. The transaction is static and notes start to amortise in strictly sequential order as of the first payment date, which, in Fitch Ratings' view, is a structural strength. The initial credit enhancement for the class A notes of 8.5% is made up of the subordination of the class B notes (5.5%) and a reserve fund of 3.0% of the initial note balance. Initial credit enhancement for the class B notes of 3.0% is provided by the reserve fund, which is fully funded at closing by a subordinated loan.

Key Rating Drivers

- **Performance of Loans:** The ability of the issuer to meet its payment obligations under the notes is directly linked to the performance of the loan portfolio. Fitch has analysed the credit risks and formed a base case default and recovery rate assumption based on historical data provided by the originator dating back to 2000. Stress tests on default, recovery and prepayment rate base cases were used to analyse the impact on the transaction's cash flows.
- **Credit Enhancement:** Credit enhancement has remained at the same level as that for the SCGA 09-1 transaction, which closed in November 2009. The class A notes benefit from 8.5% subordination while enhancement for the class B note is 3.0%. The transaction credit enhancement is primarily driven by the healthy excess spread levels, which are available in the transaction due to the quite low interest swap rate compared to the fixed rate paid by the assets.
- **Experienced Originator and Servicer:** The originator has a good track record in underwriting and servicing auto loans in Germany. All six previous SC Germany Auto transactions have performed within or better than Fitch's expectations.
- **Counterparty Exposure:** Santander group entities are only performing the role of servicer for this transaction while for SCGA 09-1, Santander entities also performed the roles of account bank and interest rate hedge counterparty. As a result, the transaction is less dependent on Santander group's credit and operational capabilities compared to the SCGA 09-1 transaction. The reduction in the transaction's reliance on a single group is viewed positively by Fitch.

- **Asset Outlook:** The default and recovery performance history shows an overall stable trend, even though the German economy continues to be under stress. Although Germany's economy came under significant pressure during 2008-2009, the expected rapid increase in unemployment did not materialise. Even though the overall performance is stable, Fitch has noticed a deterioration in the performance of the 2008 originations compared to pre or post 2008 originations.

Rating Sensitivity¹

This section of the report provides a greater insight into the model-implied sensitivities the transaction faces when one risk factor is stressed, while holding others equal. The modelling process first uses the estimation and stress of base-case assumptions to reflect asset performance in a stressed environment; secondly, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure and Cash Flow Modelling* section). The results below should only be considered as one potential outcome, given that the transaction will be exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default Rates

The change in rating (ie ratings migration), if the base case probability of default for each loan is increased by a relative amount, is demonstrated below. For example, increasing the base case default rate by 50% may result in a two-notch downgrade of the class A notes from 'AAA' to 'AA'.

Rating Sensitivity to Increased Default Rate Assumptions

	Class A	Class B
Original base case (3.3%)	AAA	A
Increase base case by 10% (= 3.63%)	AAA	A
Increase base case by 25% (= 4.13%)	AA+	A-
Increase base case by 50% (= 4.95%)	AA	BBB+

Source: Fitch

Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rates are adjusted is demonstrated below:

Rating Sensitivity to Reduced Recovery Assumptions

	Class A	Class B
Original base case (40.0%)	AAA	A
Reduced base case by 10% (= 36.0%)	AAA	A
Reduced base case by 25% (= 30.0%)	AAA	A
Reduced base case by 50% (= 20.0%)	AAA	A-

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The table below summarises the rating sensitivity to stressing multiple factors concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the

Rating Sensitivity to Increased Default and Reduced Recovery Rates

	Class A	Class B
Original combination (3.3% & 40.0% resulting in a loss rate of 1.98%)	AAA	A
Increase defaults by 10% and reduce recoveries by 10% (loss: 2.32%)	AAA	A
Increase defaults by 25% and reduce recoveries by 25% (loss: 2.89%)	AA	BBB+
Increase defaults by 50% and reduce recoveries by 50% (loss: 3.96%)	A+	BBB-

Source: Fitch

¹ These sensitivities only describe the model-implied impact of a change in one of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

rating to varying degrees of stress, i.e. mild, moderate and severe changes to the expected level of defaults and recoveries.

Model, Criteria Application and Data Adequacy

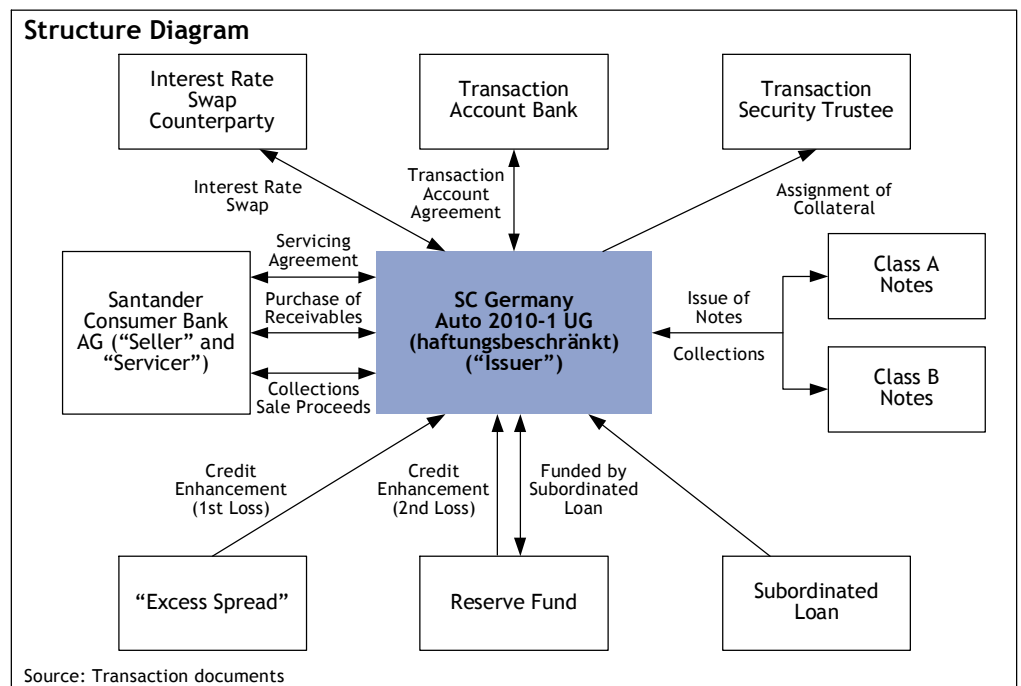
Fitch has analysed the transaction's risks in accordance with its "EMEA Consumer ABS Rating Criteria", dated 1 September 2009, available at www.fitchratings.com. The transaction's asset pool characteristics (high number of obligors, small size of the loans and low levels of pool concentrations) have prompted the agency to use the criteria mentioned above to analyse the transaction. The following information was provided by the originator to support Fitch's assets analysis:

- default rate vintages broken down by (a) new vs. used car and (b) amortising vs. balloon loans: the vintage data go back to the beginning of 2000;
- static recovery rate vintages since 2000;
- origination volumes since 2000;
- dynamic delinquency data since 2000;
- prepayment data since 2004;
- stratification tables for the final pool cut; and
- the scheduled amortisation of the portfolio.

In addition, Fitch has used performance data collected for the outstanding SC Germany Auto transactions. In the agency's view, the reporting is of a high standard and provides a representative and meaningful insight into the performance of the securitised assets.

Fitch has used its proprietary cash flow model to analyse the impact of its default rate, recovery rate and the respective timing assumptions, as regards the issuer's ability to meet its debt service under the notes.

Transaction and Legal Structure



Issuer and True Sale

SC Germany Auto 2010-1 UG (haftungsbeschränkt) is a special-purpose, bankruptcy-remote company incorporated with limited liability under the laws of Germany. At

closing, the issuer acquired the instalment claims arising under loan contracts between the seller as lender and certain debtors. The claims arising under the loan contracts, as well as the related collateral, were assigned and transferred to the issuer as security.

The issuer has appointed the security trustee to act in the fiduciary interest of noteholders. At closing, the issuer assigned and transferred to the security trustee all the rights, claims and interests arising in connection to its assets as security for its liabilities.

Capital Structure and Credit Enhancement

As of closing, the balance sheet of the issuer's assets and liabilities was as follows:

SC Germany Auto 2010-1 Balance Sheet

Asset	Amount (EUR)	Liabilities	Amount (EUR)	Size as % of receivables balance
Receivables	600,000,000	Class A	567,000,000	94.5
Reserve fund	18,000,000	Class B	33,000,000	5.5
		Sub loan	18,000,000	3.0
Total	618,000,000		618,000,000	

Source: Fitch, transaction documents

Excess spread, which is calculated as the difference between the portfolio yield and all issuer expenses (including swap rates, senior costs and the note margin) provides the first layer of protection against losses. Due to the low interest rate environment at closing, the issuer benefits from a low swap rate while the loans' weighted-average (WA) interest rate has decreased slightly over the past years. At closing, the WA fixed interest rate of the assets equalled to 6.6%.

If defaults exceed the excess spread, amounts standing to the reserve fund are available to cover losses. The reserve fund was funded on the issuance date via a fully drawn subordinated loan and amounted to 3.0% of the notes' balance.

Once the outstanding balance of notes is less than 50.0% of the initial balance, the reserve will begin to amortise. From this point on, the required amount will be sized at the greater of 6.0% of the current outstanding note balance and EUR5,500,000.

Interest Rate Swap

As loan receivables bear fixed rates in contrast to the floating interest due under the notes, the issuer faces an interest rate mismatch. To hedge the exposure, the issuer has entered into an interest rate swap. Under this swap, the issuer will make fixed payments and, in return, will receive floating payments based on one-month Euribor. The swap is balance-guaranteed, with the notional being equal to the note outstanding balance.

The swap is a standard interest rate swap and was entered into at the prevailing market swap rate of 1.1% at the time of transaction closing.

Eligibility Criteria & Concentration Limits

The eligibility criteria stipulate, inter alia, the following:

- As of the purchase date, no receivable is considered delinquent, defaulted or disputed.
- Each loan contract has a minimum remaining term of one month, a maximum remaining term of 84 months and an original term not greater than 90 months.
- Each receivable has a fixed interest rate and is either fully amortising or is a balloon loan.

- At least two loan instalments have been fully paid.
- Each receivable is due from a private individual.
- The loan agreement is subject to German law.
- The receivable is not due from a debtor who holds a deposit with the seller.
- No debtor contributes more than EUR150,000 to the overall pool balance.

Priority of Payments

The transaction uses a combined waterfall for principal and interest collections. Additionally, the available distribution amount includes the balance of the reserve fund. Prior to an issuer event of default, distributions are made on each payment date from the available distribution amount in the following order of priority:

Distribution Priorities

Position	Description
1-5	Senior expenses
6	Payments due to the swap counterparty, excluding termination fees
7	Interest due on the class A notes
8	Prior to the occurrence of a principal deficiency trigger event, interest due on the class B notes
9	Principal payment on the class A notes, such that the outstanding class A notes' balance equals the class A target amount
10	Upon the occurrence of any principal deficiency trigger event, interest on the class B notes
11	After the class A notes have been redeemed in full, principal on the class B notes, such that the outstanding class B note principal amount equals the class B target amount
12	To credit the reserve fund up to the required reserve amount
13	After a commingling reserve trigger event has occurred, credit the commingling reserve ledger up to the commingling reserve amount
14	After a set-off reserve trigger event has occurred, credit the set-off reserve ledger up to the set-off reserve amount
15	Any termination payments due to the interest rate swap counterparty
16	Interest and accrued interest due on the subordinated loan and thereafter, repayment of the subordinated loan in an amount equal to the amortisation of the reserve fund
17	Any amounts owed by the issuer to the seller
18	Prior to a termination event, any remaining balance to the seller

Source: Transaction documents

- The notes amortise sequentially with the target to reduce the SPV's liabilities to the performing asset balance if defaults occur in the pool

Amortisation

After positions 1-8 of the priority of payments are settled, the available distribution amount is used to repay the notes. To avoid amortising the notes using all interest collections, the target class A amount is equal to the difference between the performing asset balance and the outstanding class B balance. The class B notes will only start to amortise after the class A notes are redeemed in full. The target class B amount equals the performing asset balance. This mechanism ensures that the notes are to be amortised in an amount equal to the principal balance of defaulted loans at the time of default. As such, unused excess spread is also passed to lower positions in the waterfall ("use it or lose it" mechanism). In Fitch's view, this feature provides the highest protection if defaults are front-loaded, which is also the agency's current expectation.

The transaction has no technical default definition. Receivables are deemed to be in default as soon as the servicer declares them to be due and payable in full, in accordance with the servicing procedures. Based on the current servicing routines applied by the seller, this is generally the case when a debtor is delinquent by 120 days.

Principal Deficiency Trigger Event

The priority of payments will change upon the occurrence of a principal deficiency trigger event, such that class B interest is paid junior to the payment of class A interest and principal. This is the case as soon as there is a shortfall between the balance of performing assets and the outstanding balance of notes in excess of EUR7,500,000 (1.3% of the initial note balance).

Reserve Fund

The cash reserve was funded at closing in an amount of EUR18m and it provides liquidity and credit protection simultaneously. In contrast to the strict sequential amortisation of the notes – which Fitch views as a strength of the structure as it constantly builds up credit protection – the cash reserve can be amortised once it has doubled its size relative to the outstanding note balance, and as long as no shortfall on the required reserve amount has occurred. Fitch has taken this into account when modelling the transaction’s cash flows.

Clean-Up Call

As soon as the outstanding asset balance falls below 10% of the initial note balance, the seller will have the option to repurchase sold receivables. This will be subject to the requirement that the repurchase price due equals the then-outstanding note balance, plus accrued interest thereon, plus senior expenses. As the clean-up call is an option of the seller, no credit was given for the option and the full amortisation period was considered when modelling this transaction.

Legal Opinions

Fitch has reviewed opinions that cover German, English and French law to confirm that its assumptions – which are being factored into the credit analysis with respect to the transaction – are supported by such legal opinions. Among other points, the French legal opinion covered the enforceability of the subordinated status of certain payments to the swap counterparty.

Readers of this report may be interested to know that transaction counsel have confirmed that on a literal reading of German insolvency law, a German insolvency court could, during any insolvency proceeding involving the seller, order that the receivables cannot be collected by the issuer. Transaction counsel are, however, of the belief that a German insolvency court would not be entitled to issue such an order. Readers of this report may want to take their own legal advice on this matter.

Please see Fitch’s general disclaimer on legal opinions below.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction 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.

Asset Analysis

Santander Consumer Bank’s Business Strategy

As SCB is a repeat issuer, Fitch conducts an on-site review at least annually. The last review was held in October 2009 by the agency’s analysts. Overall, Fitch deems the underwriting and servicing capabilities to be in line with market standards among the top German car finance companies; SCB also has a proven track record in its securitisation activity. In Fitch’s opinion, the results of the review were satisfactory.

The seller is the second-largest auto financier in Germany and the largest non-captive auto financier in Germany, cooperating with approximately 21,500 dealers. As of April 2010, the seller’s German network consisted of 176 branches and it employed 1,914 people. Due to the takeover of GE Money Bank’s German retail banking activities, the number of branches has almost doubled.

- Longstanding track record of the originator as a non-captive car finance provider
- Despite growth through acquisitions, only loans originated by SCB are present in SCGA 10-1

Founded in 1957, the seller's lines of business today include: (i) car financing to private customers, dealers, importers and manufacturers; (ii) the financing of consumer goods to private customers, retail outlets and manufacturers; (iii) direct financing to private customers, and (iv) deposit-taking, and other retail banking business. During the past year, the originator acquired the German consumer finance entities of Royal Bank of Scotland and also took over the retail banking activities of GE Money Bank in Germany. However, no loans originated by the former RBS or GE Money Bank entities are included. All loans in this transaction are originated by Santander Consumer Bank AG in line with its standard origination processes.

SCB's Auto Loan Products

SCB offers financing for new and used cars produced by all car manufacturers and also finances motorbikes and trailers. The loans are either fully amortising or have a higher balloon payment at maturity. Contrary to balloon loan products offered by most of the captive car financiers, here the car dealers are not responsible for settling the final balloon amount.

The loans are originated indirectly via a network of franchise and independent dealers and granted to private customers.

Underwriting

The seller employs a fully automated, online application system, capable of interfacing with its loan decision system. This automated application system is used by almost all of the car dealers that cooperate with the seller.

Once the dealer has forwarded the loan application, customer profile and information on the vehicle to be financed, the individual borrower information is assessed using various components, such as: i) credit bureau reports (e.g. from Schufa – a major credit bureau in Germany); ii) results from a scoring model; iii) car valuation (e.g. from EurotaxSchwacke GmbH); iv) a household budget calculation; v) the history of the client relationship; and vi) other credit and competence guidelines. Every component has to be satisfied separately when evaluating the credit standing of the borrower.

Once these components are evaluated, loan applications will be categorised as either “green”, “yellow” or “red”. If “green”, the loan will be granted subject to verification of documentation and the final decision will be transmitted electronically to the dealer. If “yellow” or “red”, the underwriter from the loan decision department will review the application and make a manual decision in accordance with predefined written rules, as well as a decision matrix.

Loans are settled once all the information required to make a decision has been verified for accuracy. At disbursement, loans are paid directly to the dealer, not to the debtor.

Collections

The customer service department is in charge of monitoring the performance of debtors and providing ongoing services related to the loan. All employees are subject to a competence matrix, which outlines the services they can perform with respect to accounts as they pass through various stages of delinquency.

If the seller does not receive a payment, the borrower will receive a computer-generated reminder letter. Two weeks after the initial payment date, the seller will again charge the amount due via direct debit. If this payment fails again, the instalment will be drawn again on the next instalment's due date. Three dunning letters will be sent to the borrower – one letter every two weeks – up to a time when the seller terminates the contract and requires receivables to be due and payable in full.

- Origination through a large dealer network, including franchise and independent dealers

The customer service department is in charge of all aspects of the arrears management process, including sending reminders and dunning letters and calling delinquent borrowers after the first direct debit failed. Santander Consumer Debit GmbH and Santander Service GmbH, which used to be in charge of certain servicing functions, have now been integrated into the customer service department of the originator.

If all efforts to collect the amounts overdue are unsuccessful, a further letter is sent to the debtor, advising of the failure to pay and its consequences, i.e. termination of the loan and foreclosure of the vehicle. This letter is typically sent out 85 days after the first payment failed. If the delinquency is not cured, notice of termination is sent to the debtor.

If, 25 calendar days after the above notification period, the borrower still fails to pay, the relevant loan might be terminated, subject to the requirements of the German Civil Code concerning consumer loans; this generally occurs 120 days after the initial due date, but may in some circumstances occur later, up to 180 days after the initial due date.

To minimise losses, the seller may offer certain payment arrangements to delinquent borrowers. Such arrangements include deferral or reduction of the instalments and payment holidays and are regulated by Santander Consumer Bank's internal procedures. The period of a loan may only be extended by a limited number of months and only in accordance with the internal rules of the seller's credit manual. According to the seller, the percentage of granted deferral programmes in relation to its overall auto loan portfolio has been stable over the past years.

After the loan contract has been terminated, judicial procedures for the enforcement of the receivables are initiated. This includes the foreclosure of the financed vehicle in instances where it was not returned voluntarily by the obligor at an earlier stage (the majority of obligors return the vehicle before this is necessary). If the vehicle is not returned voluntarily, external repossession companies are engaged to collect the vehicle.

After the vehicle is returned, it is sold through different car auction platforms, which dealers throughout Germany have connections with.

In addition to these measures, a title is typically obtained from a local court, via an electronic service provided by the local court of Hagen. Public authorities are then put in charge of further foreclosure measures, following the receipt of the court title. The timeframe for this process varies across the different regions of Germany and usually takes 12 to 24 months.

Portfolio Summary

The securitised loan claims have all been originated by the seller and are against German residents only. Loans finance the purchase of new and used cars, motorcycles and trailers. The overall portfolio consists predominantly of car loans, with a 96.6% share, followed by motorbikes (3.0%) and trailers (0.4%). The portfolio comprises 67,572 loans, with an aggregate outstanding principal balance of EUR600m and an average outstanding balance of EUR8,879 per loan contract. The characteristics of the initial portfolio, as of 30 June 2010, are shown in the table below.

In comparison to the SCGA 09-1 transaction, the maximum original tenor of the loans was reduced to 90 months and the maximum remaining term was limited to 84 months. The WA original term of the loans in the pool is 58.5 months and the WA remaining term is 48.4 months, which is around 14.6 months shorter than in the SCGA 09-1 transaction. This is mainly because the share of loans with an original tenor of more than 78 months has decreased from about 50% (SCGA 09-1) to 12.5% in this transaction.

At closing, the portfolio consisted of 67,572 loans with the single largest obligor contributing EUR93,352.6 (0.016%) to the overall balance. The 25 largest borrowers contributed only 0.2% to the overall balance.

Portfolio Characteristics

New vehicles (%)	40.0
Used vehicles (%)	60.0
Weighted-average original term (months)	58.5
Weighted-average current term (months)	48.4
Direct debit (%)	99.7
Fully amortising loans (%)	70.7
Balloon loans (%)	29.3
Balloon component (as % of total balloon loans' principal outstanding)	53.2
Car (%)	96.6
Motorbike (%)	3.0
Trailer (%)	0.4
Weighted-average interest rate (%)	6.6
Loan contracts with down-payment (%)	72.2
Loan contracts without down-payment (%)	27.8
Weighted-average down-payment (all contracts) (EUR)	3,523.4
Average purchase price (all contracts) (EUR)	13,134.1

Percentages shown are by balance
Source: Santander Consumer Bank AG

Some loan receivables are subsidised by the dealer; hence, in some instances, the borrower pays an interest rate well below market rates. In such cases, the dealer makes a lump sum payment to the seller (at contract inception) equal to the difference between the bank interest rate (rate required by the seller) and the contractual interest rate (rate offered by the dealer). The present value of the portfolio will always be determined by taking the higher of: (a) the bank interest rate; and (b) the contractual interest rate, thus mitigating any risks related to prepaying contracts.

Regional Distribution

Obligors are limited exclusively to residents in Germany. The distribution within Germany is, in Fitch's view, well diversified. The top five regions by outstanding amount of the pool can be seen in the table below.

Top Five Regional Concentrations

State	Percent of the pool (%)
North Rhine Westphalia	18.5
Lower Saxony	10.0
Bavaria	9.9
Baden-Wuerttemberg	8.6
Saxony	7.5

Source: Santander Consumer Bank AG

Portfolio Credit Analysis

Historical Default Data

Fitch was provided with default rate data in vintage form covering the period January 2000 to April 2010. Fitch analysed the vintage data in line with its EMEA consumer ABS rating criteria. The proportion of loans for new vs. used vehicles in SCB's whole portfolio has remained stable over recent years and corresponds to the split for new vs. used vehicles in the securitised pool. Similarly, the proportion of balloon loans and amortising loans has also been stable. Therefore, Fitch used the historical data provided for the originator's whole portfolio to determine the base case default rate for the SCGA 10-1 pool.

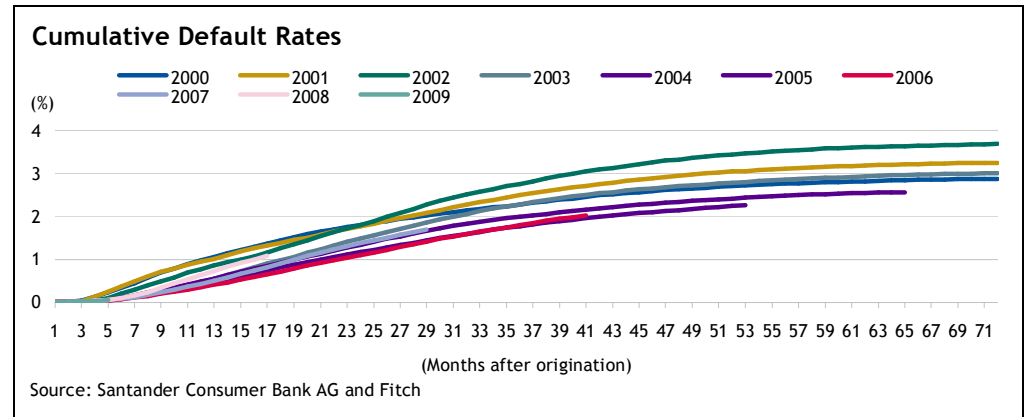
Overall, the vintage curves have shown an improving trend over time. In Fitch's view, this is due to the ongoing improvement in collection processes as well as the

Base Cases

	(%)
Base-case default rate	3.3
Base-case recovery rate	40.0
Base-case loss rate	2.0
Base-case prepayment rate	13.0

Source: Fitch

favourable economic environment in Germany between 2005 and 2008. It also has to be noted that the merger of CC-Bank AG with AKB Bank AG in 2002 had a certain impact on the observed performance. This is because a consistent and single servicing procedure has only been in place since 2004, which is also the period after which economic conditions in Germany became more favourable again.



Fitch focused on the more recent vintages (2003-2009) following the merger. The agency has noticed that the 2008 vintage exhibits higher defaults when compared with other vintages. This is explained by the fact that the loans included in the 2008 vintage were originated during a relatively benign economic environment and they were less seasoned at the start of the global economic crises. The 2009 vintages show better performance due to the tightening in the originator's lending criteria and the attraction of better clients due to the German car scrappage scheme.

The dynamic delinquency data that were provided to Fitch were stable during 2009 to 2010, due to the offsetting effect between the low delinquencies for the new originations and the worse performance of the 2008 originations.

Combining these observations with its expectation of rising delinquency and default rates as a result of the still challenging economic environment in Germany, the agency set the cumulative default base case at 3.3%. This represents a marginal increase from the assumption used in SCGA 09-1.

Fitch has also taken the view that the shape of the default and loss curves will become more front-loaded compared to most recent vintages. Most of the defaults are expected to come in the next 30 months, which in itself will also drive up the default and loss rates. This is because the default and loss rates relate to the outstanding defaulted amount, which is higher the earlier the default occurs.

Recovery Rates

In the context of adopting a clear distinction between the exposure at default and the loss, the seller provided Fitch with static recovery data that is consistent with the default information provided. The calculation tracks all recoveries that are collected from debtors after the loan was classified as being defaulted. Both the magnitude as well as the timing of recoveries could be derived from the information presented.

In February 2009, the German government introduced a scrapping premium (Abwrackprämie) to support the German automotive sector. While the programme, which ended in December 2009, was successful and helped to boost new car registrations in 2009, it had a negative impact both on new and used car prices. Also, Fitch expects that used car prices will remain under pressure in the coming years due to lower demand as a result of front-loading future car sales via the programme, rising unemployment and a contraction in demand in the consumer segment.

In combination with the available data, Fitch has determined a base-case recovery rate of 40% to be an adequate assumption for its portfolio analysis.

In line with its criteria, Fitch has applied lower-than-median multiples to the default rate expectation of 3.3% and lower-than-average recovery stress haircuts to its recovery rate expectation of 40%. This is to reflect Fitch's view that the base cases already incorporate a certain level of economic stress. It also takes into account that the presented data cover one economical cycle, as they span the period of 2002 and 2003.

Stresses

	Base case default multiplier	Base case recoveries haircut (%)
AAA	4.2	40.0
A	2.8	24.0

Source: Fitch

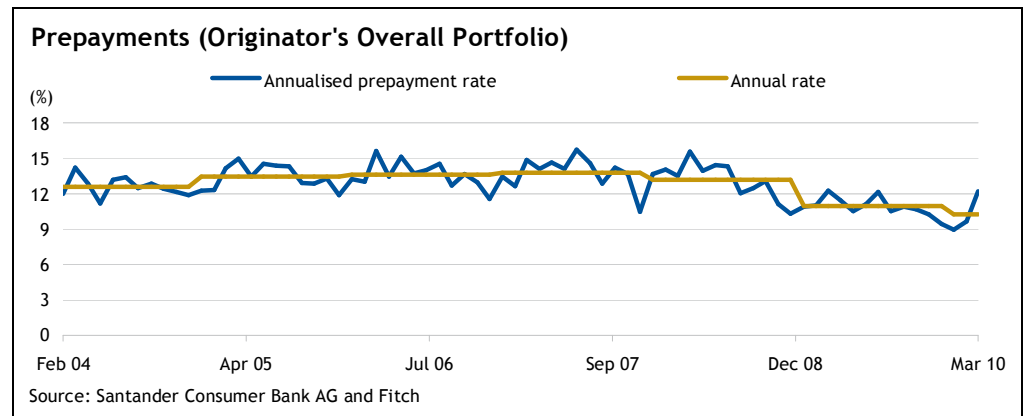
Stressed Assumptions

(%)	Rating default rate	Rating recovery rate	Rating loss rate
AAA	14.0	24.0	10.5
A	9.2	30.4	6.4

Source: Fitch

Prepayment Risk

Dynamic prepayment data was provided on a monthly basis showing the early settlement behaviour of borrowers.



Prepayment Assumptions

	(%)
Prepayment 'AAA'	19.5
Prepayment 'A'	16.9

Source: Fitch

While the data showed a relatively stable trend for annual prepayments from 2004-2008, prepayments started to decrease in 2009 before recovering in 2010. Prepayment rates in the securitised pools were around 4.5% higher than the rates seen in the originator's overall portfolio. With a focus on recent developments, the observations made by monitoring predecessor transactions, and the expectation of stabilisation in prepayment rates, a base-case prepayment rate of 13.0% was used. This base-case rate was then stressed 1.5x in a 'AAA' scenario and 1.3x in a 'A' scenario. As the high level of excess spread is one of the key rating drivers in this transaction, its reduction due to higher prepayments is stressful for SCGA 10-1 in Fitch's modelling.

Financial Structure and Cash Flow Modelling

To analyse the credit enhancement levels available for each rating, the agency ran several scenarios using its cash flow model. Defaults were allocated over the amortisation profile using a default distribution that was first derived from historical vintages but was then front-loaded to take into account the agency's expectation that the upcoming 30 months will be the most stressful for the transaction due to the expected economic downturn. Recoveries were distributed up to 30 months after the simulated default, thus replicating the long tenor over which unsecured recoveries are obtained.

Weighted-Average Coupon Compression

In both rating scenarios, the available coupon earned on the asset balance was stressed with a 100% compression for defaulting loans and a 25% compression for prepaying contracts. This reduces the benefit of excess spread.

Interest Rate Stress

Fitch modelled increasing, stable and decreasing interest rates in accordance with its stresses, which can be found on Fitch's website (see "*Fitch Interest Rate Assumptions for Structured Finance (April 2010)*", available at www.fitchratings.com).

Overall, the cash flow model results are relatively insensitive to interest rate assumptions. While upward interest rate movements are beneficial in a scenario where the interest earned on the reserve fund will flow into the priority of payments, the opposite is true for the downward interest rate scenario.

Prepayment Rate Stress

The transaction is moderately sensitive to high prepayment assumptions as excess spread will only be available on a reduced asset balance.

The available credit enhancement for the class A and B notes, however, is sufficient to pass all the agency's stresses. Additionally, Fitch deems a low prepayment environment to be most realistic for the coming quarters that will be dominated by the impact of the still stressful economic environment in Germany.

Counterparty Risk

Counterparties

Role	Entity
Corporate administrator	Wilmington Trust SP Services (Frankfurt) GmbH
Originator and seller	Santander Consumer Bank AG
Servicer	Santander Consumer Bank AG
Security trustee	BNY Corporate Trustee Services Limited
Data trustee	WestLB AG ('A-' / Rating Watch Negative / 'F1')
Interest rate swap counterparty	Natixis ('A+' / Stable / 'F1+')
Subordinated loan provider	Santander Consumer Bank AG
Funding loan provider	Santander Consumer Finance S.A. ('AA-' / Stable / 'F1+')
Transaction account bank	The Bank of New York Mellon ('AA-' / Stable / 'F1+')
Principal paying agent	The Bank of New York Mellon ('AA-' / Stable / 'F1+')
Calculation agent	WestLB AG ('A-' / Rating Watch Negative / 'F1')
Cash administrator	WestLB AG ('A-' / Rating Watch Negative / 'F1')
Listing agent	The Bank of New York Mellon ('AA-' / Stable / 'F1+')

Source: Transaction documents

Servicing

The originator acts as servicer of the loans on behalf of the issuer. The key risk involves a scenario where Santander Consumer Bank AG is unable to perform the servicing function. While no back-up servicer is identified at closing, the structure details that if a) Banco Santander ceases to hold 75% ownership of SCB, or b) Banco

Santander S.A. is downgraded below 'BBB-', or c) a rating on the servicer would be lower than 'BBB-', then a back-up servicer will be identified. Given the existing position of SCB within the SCF group, as well as the trigger events, Fitch is of the opinion that the servicing risk is adequately mitigated.

Servicer Disruption Date

In case the servicer fails to provide the monthly collections report to the calculation agent (defined as a servicer disruption date), the priority of payments provides that only senior expenses and interest and principal on the notes are distributed. Any remaining amounts will be retained in the issuer account and will be distributed on a subsequent payment date on which the calculation agent has the information to generate the distribution report. Fitch views positively the fact that the calculation agent will have clear instructions for this potential scenario.

Account Bank

The issuer holds its accounts with Bank of New York Mellon, Frankfurt branch ('AA-'/Stable/'F1+'). The account bank agreement contains downgrade provisions in line with Fitch's counterparty criteria: should the account bank be downgraded below 'A' or 'F1', the account bank mandate will need to be transferred within 30 calendar days to another bank rated at least 'A'/'F1' at Bank of New York Mellon's cost.

Swap Counterparty

At closing, the issuer entered into a swap agreement with Natixis ('A+'/Stable/'F1+') to hedge against the mismatch between the fixed rate received from the loan contracts and the floating rate amounts payable on the notes. The swap documentation contains counterparty credit risk mitigating provisions, in line with Fitch's counterparty criteria: the first rating trigger would be breached in the event that the swap counterparty is downgraded below 'A' or 'F1'. At such point, the swap counterparty would have the obligation to obtain a replacement, obtain a guarantor, or collateralise its obligations under the swap within 14 calendar days.

Set-Off

The issuer's claim may be affected by the set-off rights of borrowers with deposits in accounts held with the seller. While the eligibility criteria initially exclude borrowers that hold a deposit with the seller, borrowers may open an account and deposit funds during the amortisation period of the transaction.

In light of this risk, the seller is obliged to fund a set-off reserve if: SCF (i) is downgraded below 'BBB+'; or (ii) ceases to be rated; or (iii) holds less than 75% of the share capital of the seller.

If one of these events occurs, the seller will post collateral within five days in an amount equal to the lower of: (i) the deposit amounts that are held in current accounts with the seller and that are subject to set-off; and (ii) the principal amount of the purchased receivables owed by such debtor. The collateral amount will be adjusted monthly.

Fitch expects the potential set-off amount for SCGA 10-1 to be relatively low, as the set-off exposure on the seller's overall car financing portfolio has been rather limited (significantly below 1%). Despite the increased popularity of customers' deposits as a funding source, the agency has not yet noted a significant increase in the set-off exposure in German consumer ABS transactions in general.

Commingling

Payments received by the servicer are almost exclusively made via direct debit. Payments are made either on the first (51.9%) or on the 15th day of each month (48.1%) to a collection account of the seller. The resulting collections are swept on the 12th calendar day of each month from the collection account to the issuer's transaction account.

Given the above-described mechanism, commingling risk over a horizon of one month and 11 days could arise, i.e. upon the default of the seller, up to three collections could be affected.

To mitigate the commingling risk in case SCF: (i) is downgraded below 'F1', or is no longer rated by Fitch; or (ii) ceases to own, directly or indirectly, at least 75% of the share capital of the seller, the seller will be required to post collateral. The collateral amount, to be posted within 14 calendar days, is equal to the next four scheduled collections, plus 2.5% of the outstanding notes' balance.

Performance Analytics

Throughout the life of the transaction, Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes.

Fitch will receive monthly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency's surveillance of the performance of the transaction against both base case expectations and the performance of the industry as a whole. The ratings on the SCGA 10-1 transaction will be reviewed by a committee on average every 12 months, or where considered appropriate (e.g. in the event of a deterioration in performance, an industry-wide development, or a change at SCB that may influence the transaction) with any affirmation or change in the ratings disseminated publicly.

Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base case assumptions.

Fitch's structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers at www.fitchratings.com.

Please call the Fitch analysts listed on the first page of this report with any queries regarding the initial analysis or the ongoing performance.

Appendix A: Transaction Comparison

Deal Comparison

Issuer	SC Germany Auto 07-1 Ltd	SC Germany Auto 07-2 Ltd	SC Germany Auto 08-1 Ltd	SC Germany Auto 08-2 Ltd	SC Germany Auto 09-1 Ltd	SC Germany Auto 10-1 UG (haftungsbeschränkt)
Registered office	Ireland	Ireland	Ireland	Ireland	Ireland	Germany
Seller	Santander Consumer Bank AG	Santander Consumer Bank AG	Santander Consumer Bank AG	Santander Consumer Bank AG	Santander Consumer Bank AG	Santander Consumer Bank AG
Issuance volume (EURm)	1,000.0	1,000.0	1,000.0	500.0	1,000.0	600.0
Class	Class A	Class A	Class A	Class A	Class A	Class A
Rating	AAA	AAA	AAA	AAA	AAA	AAA
Amount (EURm)	945.0	945.0	945.0	475.0	945.0	567.0
Credit enhancement (%)	8.3	8.3	8.5	7.8	8.5	8.5
Class	Class B	Class B	Class B	Class B	Class B	Class B
Rating	A	A	A	A	A	A
Amount (EURm)	55.0	55.0	55.0	25.0	55.0	33.0
Credit enhancement (%)	2.8	2.8	3	2.8	3.0	3.0
Class	Sub-loan	Sub-loan	Sub-loan	Sub-loan	Sub-loan	Sub-loan
Rating	BBB	BBB	BBB	NR	NR	NR
Amount (EURm)	28.0	28.0	30.0	14.0	30.0	18.0
Credit enhancement (%)	1	1.1	1.9	0.0	0.0	0.0
Class	Cash reserve	Cash reserve	Cash reserve	n.a.	n.a.	n.a.
Rating	NR	NR	NR	n.a.	n.a.	n.a.
Amount (EURm)	1	1.1	1.9	n.a.	n.a.	n.a.
Excess spread (%) ^a	2.4	2.4	2.4	3.1	4.4	4.5
Portfolio summary as of closing						
Type	Static	Static	Static	Static	Static	Static
Type of receivables	Auto loans	Auto loans	Auto loans	Auto loans	Auto loans	Auto loans
Total discounted principal amount (EUR)	999,999,878	999,999,786	999,999,625	499,999,969	1,000,000,000	600,000,000
Number of receivables	125,688	119,830	120,331	62,365	92,950	67,572
WA nominal interest rate (%)	6.9	6.9	7.2	7.1	7.1	6.6
Av. original balance (EUR)	9,391.9	9,746.5	9,134.1	8,661.0	11,352.6	9,745.6
Av. outstanding balance (EUR)	7,956.0	8,345.2	8,310.4	8,017.3	10,758.5	8,879.4
WA remaining term in months	48.7	49.2	49.2	48.5	63.0	48.4
WA seasoning in months	13.1	12.3	10.3	9.1	11.2	10.1
WA original term in months	61.9	61.5	59.4	57.7	74.2	58.5
Max. original term in months	90.0	90.0	90.0	90.0	96.0	90.0
Collateral by balance (%)						
Age of vehicle						
New vehicles	30	40	30	30	40	40
Used vehicles	70	60	70	70	60	60
Type of financed vehicle						
Car	96.6	96.1	96.0	93.6	97.0	96.6
Motorbike	3.1	3.5	3.7	6.0	2.5	3.0
Trailer	0.3	0.4	0.3	0.4	0.5	0.4
Type of repayment						
Fully amortising	72.5	71.4	70.6	74.8	83.4	70.7
Balloon payment	27.5	28.6	29.4	25.2	16.6	29.3
Payment method						
Direct debit	99.5	99.3	99.5	99.5	99.6	99.7
Cumulative default rate assumption	3	2.9	2.7	2.8	3.0	3.3
Recovery rate assumption	50	50	50	50	40	40
Prepayment-rate assumption	13.5	13.5	14	17	13	13

Notes as of closing

^a Excess spread is calculated as the difference between the initial portfolio yield and all issuer expenses (including swap rates, senior costs and the note margin)

Source: Transaction documents/Santander Consumer Bank AG/Fitch

Appendix B: Transaction Overview

SC Germany Auto 2010-1 UG (haftungsbeschränkt)

Germany/Auto Loans

Capital Structure

Class	Ratings ^a	Size (%)	Size (EURm)	CE (%)	Interest rate	Payment frequency	Final maturity	ISIN	
A	AAA	94.5	567.0	8.5	1-month Euribor + 1.05%	Monthly	August 2019	XS0525278304	
B	A	5.5	33.0	3.0	1-month Euribor + 1.50%	Monthly	August 2019	XS0525278486	
Sub loan	NR	3.0	18.0	0.0	n.a.	n.a.	n.a.	n.a.	
Total			618.0						
Reserve fund (funded from sub loan at closing)				18,000,000					
Scheduled revolving period				0	Swap	Balance-guaranteed fixed-to-floating-rate swap on class A and class B balance			

^a All rated classes have a Stable Outlook
Source: Transaction documents

Key Information

Details	Parties	
Closing date	29 July 2010	Seller/originator
Country of assets and type	Germany, auto loans	Servicer
Country of SPV	Germany	Back-up servicer
Analyst	Olga Huelsmann	Issuer
	+49 69 768076 116	Issuer account bank provider
		Security trustee
Performance analyst	Guili Yu	Swap counterparty
	+44 20 7682 7272	

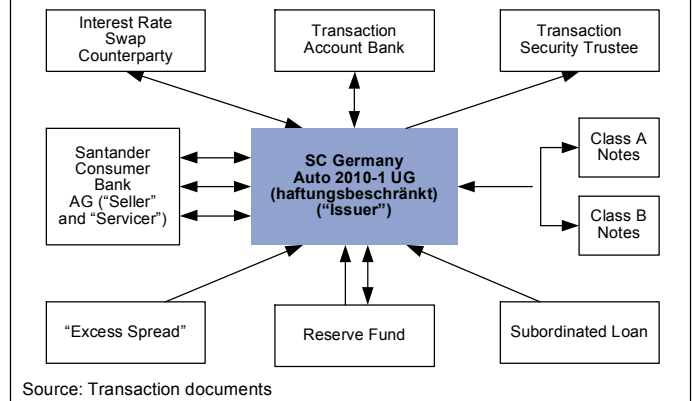
Source: Transaction documents

Key Rating Drivers

- Performance of Loans:** The ability of the issuer to meet its payment obligations under the notes is directly linked to the performance of the loan portfolio. Fitch has analysed the credit risks and formed a base case default and recovery rate assumption based on historical data provided by the originator dating back to 2000. Stress tests on default, recovery and prepayment rate base cases were used to analyse the impact on the transaction's cash flows.
- Credit Enhancement:** Credit enhancement has remained at the same level as that for the SCGA 09-1 transaction, which closed in November 2009. The class A notes benefit from 8.5% subordination while enhancement for the class B note is 3.0%. The transaction credit enhancement is primarily driven by the healthy excess spread levels, which are available in the transaction due to the quite low interest swap rate compared to the fixed rate paid by the assets.
- Experienced Originator and Servicer:** The originator has a good track record in underwriting and servicing auto loans in Germany. All six previous SC Germany Auto transactions have performed within or better than Fitch's expectations.
- Counterparty Exposure:** Santander group entities are only performing the role of servicer for this transaction while for SCGA 09-1, Santander entities also performed the roles of account bank and interest rate hedge counterparty. As a result, the transaction is less dependent on Santander group's credit and operational capabilities compared to the SCGA 09-1 transaction. The reduction in the transaction's reliance on a single group is viewed positively by Fitch.
- Asset Outlook:** The default and recovery performance history shows an overall stable trend, even though the German economy continues to be under stress. Although Germany's economy came under significant pressure during 2008-2009, the expected rapid increase in unemployment did not materialise. Even though the overall performance is stable, Fitch has noticed a deterioration in the performance of the 2008 originations compared to pre or post 2008 originations.

Source: Transaction documents

Simplified Structure Diagram



Source: Transaction documents

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