

SC Germany Auto 2011-1 UG (haftungsbeschränkt)

New Issue

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Capital Structure

Class	Amount (ISOm)	Final Maturity	Rating	CE ¹ (%)	Outlook	TT (%)	TTLM
A	573.0	September 2021	AAAsf	9.5	Stable	95.5	35.4
B	27.0	September 2021	A+sf	5.0	Stable	4.5	1.7
Subordinated Loan	30.0	n.a.	NRsf	0.0	n.a.		

Total issuance

Closing occurred on 23 September 2011. The transfer of the portfolio to the issuer occurred on 23 September 2011. The ratings assigned above are based on the portfolio information as of 31 August 2011, provided by the originators. Tranche Thickness Loss Multiple – TT% divided by Fitch's base case loss expectation. See also "Structured Finance Tranche Thickness Metrics", 29 July 2011

¹ Based on a collateral balance of EUR600m and a reserve fund of EUR30m.

Transaction Summary

Fitch Ratings has assigned 'AAAsf' ratings to 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. SC Germany Auto 2011-1 UG (haftungsbeschränkt) (SCGA 11-1) is a repeat transaction and the structure is similar to previous SC Germany Auto transactions.

Key Rating Drivers

Performance of Loans: Fitch has analysed the portfolio's credit risks and formed a base case default expectation of 2.7% and recovery rate expectation of 40% for the lifetime of the portfolio. These are based on historical data provided by the originator dating back to 2000. Fitch has observed decreasing default levels and stable performance over recent years. Stress tests on default, recovery and prepayment rate base cases were used to analyse the impact on the transaction's cash flows.

Low Recovery Rate: When comparing the historical recovery rates of SCB to other German originators, the recovery rates have been relatively low. This has been taken into consideration when setting the base case recoveries.

Experienced Originator and Servicer: The originator has a good track record in underwriting and servicing auto loans in Germany. All seven previous SC Germany Auto transactions have performed within or better than Fitch's expectations.

Counterparty Exposure: The transaction is dependent on Santander group's credit and operational capabilities. This is because entities of the Santander group act as servicer, account bank and interest rate hedge counterparty. Risks resulting from a potential default of Banco Santander S.A. as the ultimate parent company, are reduced by a number of mitigating factors.

Asset Outlook: Germany's economy has weathered the economic cycle well. Economic growth, initially driven by exports, has been supported by robust consumption fuelled by decreasing unemployment. The German economy is expected to remain stable over the next 18 months.

Related Research

Tyre Tracks Fitch European Auto ABS Index (May 2011)

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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, and secondly, the structural protection was analysed in a customised proprietary cash flow model (see *Financial Structure & Cash Flow Modelling*). The results below should only be considered as one potential outcome, given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default Rates

The tables reflect rating changes if the base case default or recovery rate for the portfolio is increased or decreased by a relative amount. For example, increasing the base case default rate by 50% may result in a four-notch downgrade of the class A from 'AAAsf' to 'AA-sf'.

Rating Sensitivity to Increased Default Rate Assumptions

	Class A	Class B
Original base case (2.7%)	AAA	A+
Increase base case by 10% (= 2.97%)	AAA	A
Increase base case by 25% (= 3.34%)	AA+	A-
Increase base case by 50% (= 4.05%)	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 to varying degrees of stress, ie mild, moderate and severe changes to the expected level of defaults and recoveries.

Rating Sensitivity to Increased Default and Reduced Recovery Rates

	Class A	Class B
Original combination (2.7% & 40.0% resulting in a loss rate of 3.3%)	AAA	A+
Increase defaults by 10% and reduce recoveries by 10% (loss: 1.90%)	AAA	A
Increase defaults by 25% and reduce recoveries by 25% (loss: 2.34%)	AA+	A-
Increase defaults by 50% and reduce recoveries by 50% (loss: 3.24%)	A+	BBB

Source: Fitch

Related Criteria

- EMEA Consumer ABS Rating Criteria (September 2009)
- EMEA Consumer ABS Rating Criteria – Auto Residual Value Addendum (July 2011)
- Global Structured Finance Rating Criteria (August 2010)
- Counterparty Criteria for Structured Finance Transactions (March 2011)
- Counterparty Criteria for Structured Finance Transactions: Derivative Addendum (March 2011)
- Structured Finance Tranche Thickness Metrics (July 2011)
- Criteria for Interest Rate Stresses in Structured Finance Transactions (March 2011)

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.

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.

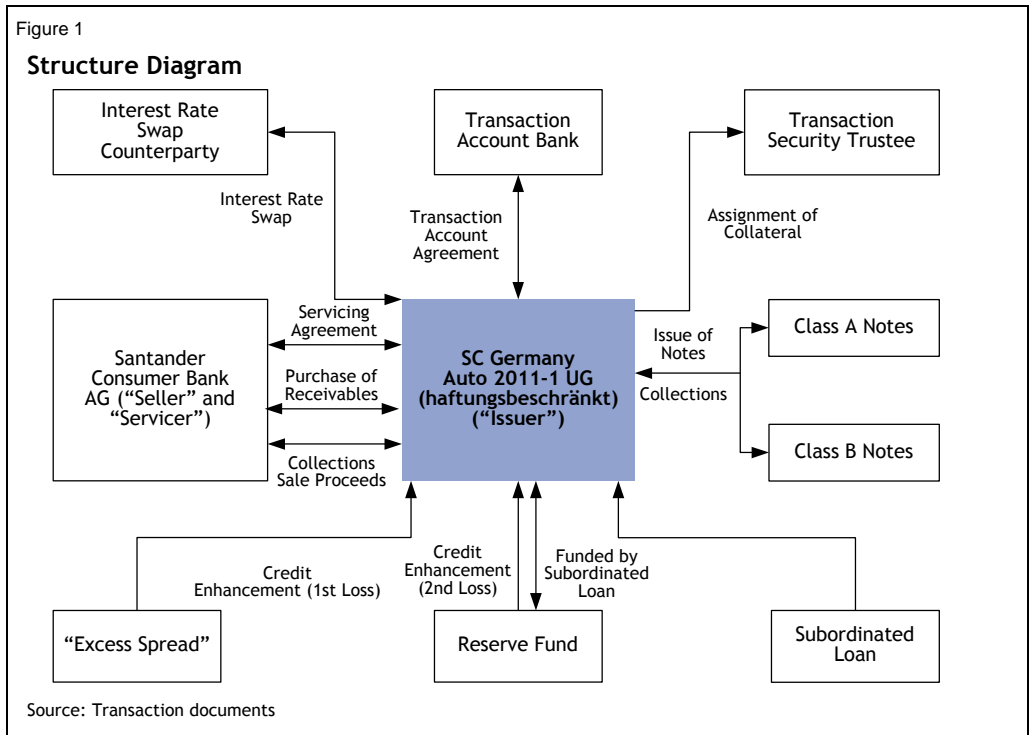
Santander Bank provided monthly default data by monthly origination vintages from January 2000 to March 2011. The data was split by different product types to evaluate performance differences regarding products. The corresponding static recovery data was provided as well. Additionally, the bank provided dynamic delinquency data starting from January 2000 and prepayment data starting from 2004.

The bank provided portfolio stratifications as well as a scheduled amortisation profile of the portfolio which allowed for a detailed analysis of the initial pool.

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 & True Sale

SC Germany Auto 2011-1 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, have been 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 & Credit Enhancement

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

Figure 2

SC Germany Auto 2011-1 Balance Sheet

Asset	Amount (EURm)	Liabilities	Amount (EURm)	Size as % of receivables balance
Receivables	600.0	Class A	573.0	95.5
Reserve fund	30.0	Class B	27.0	4.5
		Sub loan	30.0	5
Total	630.0			

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) will provide the first layer of protection against losses. Due to the moderate interest rate environment at closing, the issuer is expected to benefit from a moderate swap rate while the loans' weighted-average (WA) interest rate has decreased somewhat over recent years. At closing, the WA fixed interest rate of the assets was 5.9%.

The reserve fund was funded on the issuance date via a fully drawn subordinated loan and will amount to 5.0% of the note balance. If defaults exceed the excess spread, a portion of the amounts standing to the credit of the reserve fund (4% of outstanding principal balance of the notes) is available to cover losses. One percent of the reserve fund will serve as liquidity for the transaction (liquidity reserve amount) and will only be used to pay down the notes once the asset balance has reduced to zero.

Once the reserve fund has reached 6% of the outstanding note balance through amortisation, the required amount will be sized at the greater of 6.0% of the current outstanding note balance and EUR6,000,000.

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 makes fixed payments and in return, receives floating payments based on one-month Euribor. The swap is balance-guaranteed, with the notional being equal to the note outstanding balance.

The fixed swap rate is 1.23%.

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 loan has been originated on or after 11 June 2010;
- 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; and
- 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.

Interest Priority of Payments

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	To credit the reserve fund up to the required liquidity reserve amount
10	Principal payments on the class A notes, such that the outstanding class A notes' balance equals the class A target amount
11	Upon the occurrence of any principal deficiency trigger event, interest on the class B notes
12	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
13	To credit the reserve fund with the excess of the required reserve amount and the required liquidity reserve amount
14	After a commingling reserve trigger event has occurred, credit the commingling reserve ledger up to the commingling reserve amount
15	After a set-off reserve trigger event has occurred, credit the set-off reserve ledger up to the set-off reserve amount
16	Any termination payments due to the interest rate swap counterparty
17	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
18	Any amounts owed by the issuer to the seller
19	Prior to a termination event, any remaining balance to the seller

Source: Transaction documents, Fitch

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

Amortisation

After positions 1-9 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 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.

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 120-180 days.

Principal Deficiency Trigger Event

The priority of payments will change upon the occurrence of a principal deficiency 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 (1.25% of the initial note balance).

Reserve Fund

The cash reserve has been funded at closing in an amount of EUR30m. While the reserve fund amount flows through the priority of payments, and hence serves as credit enhancement, it will be a two part reserve, providing both liquidity and credit protection. Position 9 in the priority of payments reserves 1% of the initial balance as liquidity reserve. The cash reserve can be amortised once it has reached 6% 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 final opinions that cover German and English law and which support Fitch's analytical assumptions; these have been factored into the credit analysis with respect to the transaction. Final ratings have been assigned on the basis that Fitch has been provided with final legal opinions at closing of the transaction.

These opine on, among other things: the enforceability of the obligations of the parties under the transaction; and that the bankruptcy remoteness is legal, valid, binding and enforceable.

Fitch has received a legal opinion covering the enforceability of the priority of payments with regards to the subordinated swap payments under Spanish law for another Auto ABS transaction which closed in March 2011 (involving Banco Santander S.A. as swap counterparty). Fitch has based its analysis on this legal opinion. 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 May 2011 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 31 May 2011, the seller's German network consisted of 346 branches and it employed 3,819 people.

- Longstanding track record of the originator as a non-captive car finance provider

Founded in 1957, the seller's lines of business 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. The latest acquisition was the carve-out of SEB bank's German retail business. 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 captive car financiers, here the car dealers are generally 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.

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

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 (eg from Schufa — a major credit bureau in Germany); ii) results from a scoring model; iii) car valuation (eg 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. A week 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.

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 has failed. Santander Consumer Debit GmbH — which used to be in charge of collection functions — has now been integrated into the collections 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, ie termination of the loan and foreclosure of the vehicle. This letter is typically sent out 85 days after the first failed payment. 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; these arrangements 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 recent 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 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 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

Figure 4

Portfolio Characteristics

New vehicles (%)	40.0
Used vehicles (%)	60.0
Weighted-average original term (months)	58.6
Weighted-average current term (months)	50.1
Direct debit (%)	99.7
Fully amortising loans (%)	66.2
Balloon loans (%)	33.8
Balloon rate (%)	17.1
Car (%)	95.9
Motorbike (%)	3.1
Trailer (%)	1.0
Weighted-average interest rate (%)	5.9
Loan contracts with down-payment (%)	68.1
Loan contracts without down-payment (%)	31.9
Weighted-average down-payment (all contracts) (EUR)	3,634.7
Average purchase price (all contracts) (EUR)	14,431.6

Percentages shown are by balance
Source: Santander Consumer Bank AG

The loan claims securitised 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 95.9% share, followed by motorbikes (3.1%) and trailers (1.0%). The portfolio comprises 58,613 loans, with an aggregate outstanding principal balance of EUR600m and an average outstanding balance of EUR10,237 per loan contract.

At closing, the portfolio consisted of 58,613 loans with the single largest obligor contributing EUR64,612 (0.011%) to the overall balance. The 25 largest borrowers contributed only 0.21% to the overall balance.

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 Figure 5.

Figure 5

Top Five Regional Concentrations

State	Percent of the pool (%)
North Rhine Westphalia	17.5
Bavaria	10.0
Lower Saxony	10.0
Baden-Wuerttemberg	9.0
Saxony	7.9

Source: Santander Consumer Bank AG

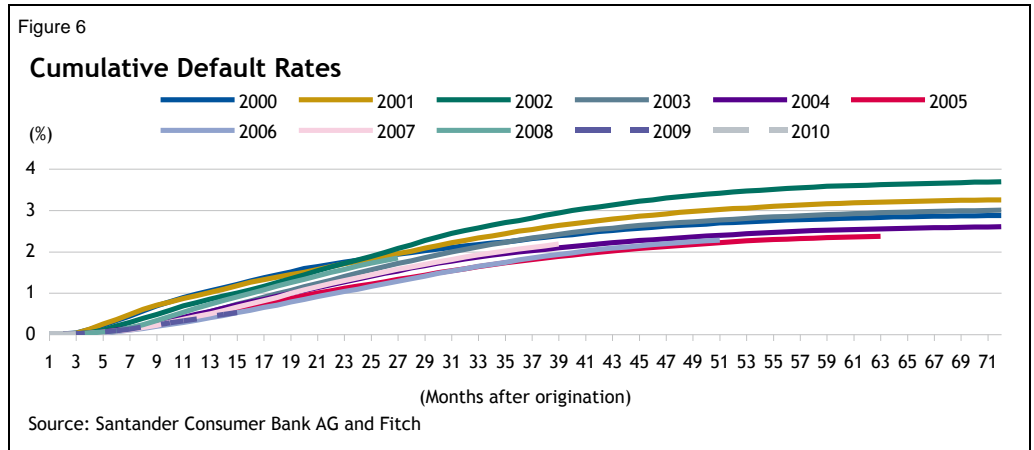
Portfolio Credit Analysis

Default Risk

Fitch was provided with default rate data in vintage form covering the period January 2000 to March 2011; it analysed the vintage data in line with its EMEA consumer ABS rating criteria. The proportion of loans for new versus used vehicles in SCB's whole portfolio has remained stable over recent years. The portion of new car loans in SCB's whole portfolio is slightly lower than that in the securitised pool. The proportion of balloon loans and amortising loans has also been stable. Fitch used the historical data provided for the originator's whole portfolio slip in four datasets for used and new vehicles, as well as for amortising and balloon loans.

The agency used the data to determine the base case default rate for the SCGA 11-1 pool, giving some benefit for the over-weight of new car financings compared to the whole bank portfolio (due to the agency's experience of these over-performing used car financings). A portion of the SCGA 11-1 pool consists of balloon loans which in a more stressful financial environment could lead to additional payment stress for the borrower, due to the high repayment at the end of the loan period. As the provided default vintages also contain a period of financial stress, this additional risk should be reflected in the vintage data and therefore contained in the base case.

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



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, the attraction of better clients — due to the German car scrappage scheme — and the fast economic recovery in Germany in 2010 and 2011. The 2010 vintage has a similar level of defaults to the 2009 vintage. The dynamic delinquency data that were provided to Fitch were stable during 2009 to beginning of 2011.

Combining these observations with its expectation of stable delinquency and default rates — as a result of the benign economic environment in Germany — the agency set the cumulative default base case at 2.7%. This represents a decrease from the assumption used in SCGA 10-1 (3.3%).

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 which 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 on used car prices. Following the end of the scrapping premium, used car prices have recovered to long-term average levels.

In Fitch's experience, recoveries under new car financings slightly exceed those from used ones. This has also been confirmed for Santander's auto loan book. Based on the data provided, Fitch decided to apply an overall base case recovery rate of 40%.

In line with its criteria, Fitch has applied median multiples to the default rate expectation (5x in 'AAA' and 3.3x in 'A+') and lower-than-average recovery stress haircuts to its recovery rate expectation (40% in 'AAA' and 26.7% in 'A+'). These take into account that the presented data covers one economical cycle, spanning the period 2002 and 2003.

Base Case Assumptions

Product	Default Base Case	Recovery Base Case	Loss Base Case	
Full pool		2.7	40.0	1.6

Source: Fitch

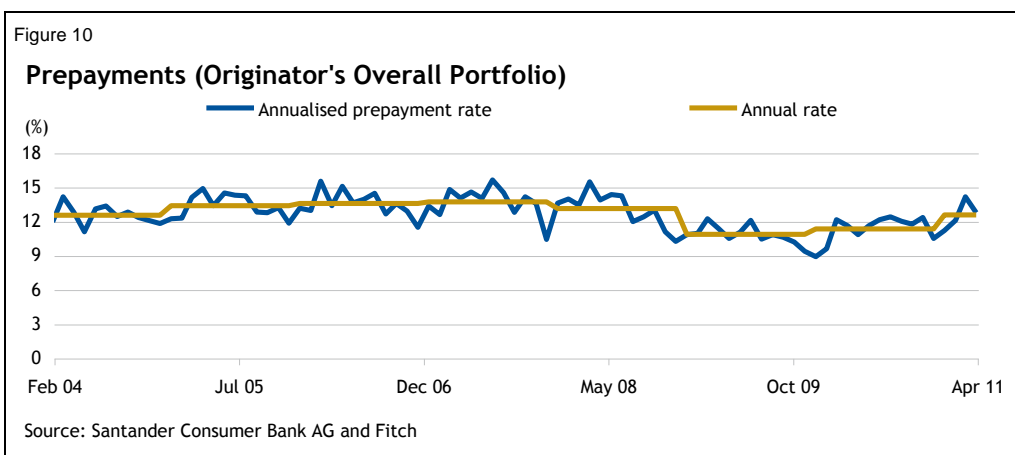
Stressed Assumptions

	Rating Default Rate	Rating Recovery Rate	Rating Loss Rate
AAA	13.5	24.0	10.3
A+	9.0	29.3	6.4

Source: Fitch

Prepayment Risk

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



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 a 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 an 'A+' scenario. Excess spread is one of the credit support providers in this transaction; its reduction due to higher prepayments is stressful for SCGA 11-1 in Fitch's modelling.

Figure 11

Prepayment Assumptions

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

Source: Fitch

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. Recoveries were distributed up to 36 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 interest earned on the asset balance was stressed with a 100% compression for defaulting loans and a 50% 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*", dated March 2011 and available at www.fitchratings.com).

Overall, the cash flow model results are relatively insensitive to interest rate assumptions.

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.

Asset Outlook

The asset outlook for German consumer loans is currently stable. German ABS assets have shown a solid performance throughout the recent crisis. Given the expectation of a further stable economic development, this trend is expected to continue.

Counterparty Risk

The counterparty exposure was analysed using Fitch's criteria "*Counterparty Criteria for Structured Finance Transactions*", dated 14 March 2011.

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) Santander Consumer Finance S.A. ceases to hold 75% ownership of SCB; or b) is downgraded below 'BBB-'; or c) the rating of the servicer is 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), 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 Banco Santander S.A. The account bank agreement contains downgrade provisions in line with Fitch's counterparty criteria: should the account bank be downgraded below 'A' or 'F1' (or the 'A' or 'F1' ratings are set on Rating Watch Negative), the account bank mandate will need to be transferred within 30 calendar days to another bank rated at least 'A'/'F1' at Banco Santander's cost.

Swap Counterparty

At closing, the issuer entered into a swap agreement with Banco Santander S.A. to hedge against the mismatch between the fixed rate received from the loan contracts and the floating rate amounts payable on the notes.

Key Parties

Corporate administrator

Wilmington Trust SP Services
(Frankfurt) GmbH

Originator, servicer and seller

Santander Consumer Bank AG

Security trustee

Wilmington Trust (London) Limited

Data trustee

The Bank of New York Mellon ('AA-/Stable/'F1+')

Interest rate swap counterparty

Banco Santander S.A.
(AA-/Stable/'F1+')

Subordinated loan provider

Santander Consumer Bank AG

Transaction account bank

Banco Santander S.A., Frankfurt
Branch ('AA-/Stable/'F1+')

Principal paying agent

The Bank of New York Mellon
(AA-/Stable/'F1+')

Calculation agent

The Bank of New York Mellon
(AA-/Stable/'F1+')

Cash administrator

The Bank of New York Mellon
(AA-/Stable/'F1+')

The swap agreements contain downgrade provisions, in line with Fitch's counterparty criteria.

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 'A' or 'F1' (or the 'A' or 'F1' ratings are set on Rating Watch Negative); 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. Following the takeover of the consumer finance activities of SEB Bank, SCF is still integrating the bank systems of both banks. At present, the set-off exposure stemming from deposits at SEB can not be quantified. Until the amount can be quantified, SCF will post an amount equal to 0.25% of the outstanding loan balance plus the lower of: (i) the deposit amounts that are held in current accounts with SCF and that are subject to set-off; and (ii) the principal amount of the purchased receivables owed by such debtor.

Following the integration of the systems and quantification of the exposure coming from SEB clients, SCF will post 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 11-1 to be relatively low, as the set-off exposure on the seller's overall car financing portfolio has been limited (significantly below 1%). Also, any additional set-off risk stemming from clients with deposits at SEB is expected to be low.

Commingling

Payments received by the servicer are almost exclusively made via direct debit. Payments are made either on the first (47.7%) or on the 15th day of each month (52.3%) 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, Fitch believes that up to three collections could be affected.

To mitigate the commingling risk in case SCF: (i) is downgraded below 'A' or 'F1' (or the 'A' or 'F1' ratings are set on Rating Watch Negative), 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 note balance. Fitch views the size of the commingling reserve as a positive feature for the transaction.

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 11-1 transaction will be reviewed by a committee on average every 12 months, or

where considered appropriate (eg 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

Figure 13

Deal Comparison

	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 (haftungs- beschränkt)
Registered office	Ireland	Ireland	Ireland	Ireland	Ireland	Germany
Seller	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

Figure 13

Deal Comparison (Cont.)

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 (haftungs- beschränkt)
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 2011-1 UG (haftungsbeschränkt)

Germany/Auto Loans

Capital Structure

Class	Expected Ratings ^a	Size (%)	Size (m)	CE ^b (%)	Interest Rate	PMT Freq	IPD	Final Maturity	ISIN/CUSIP
A	AAAsf	95.5	573.0	9.5	1-month + 0.90%	Euribor Monthly	13 October 2011	September 2021	XS0642101819
B	A+sf	4.5	27.0	4.5	1-month + 1.55%	Euribor Monthly	13 October 2011	September 2021	XS0642102205
Sub loan	NR	5.0	30.0	5.0	n.a.	n.a.	n.a.	n.a.	

Total

^a All rated classes have a Stable Outlook

^b Based on a collateral balance of EUR600m and a reserve fund of EUR30m.

Cash Reserve	30.0		
Scheduled Revolving Period	0	Swaps	Balance-guaranteed, fixed- to-floating-rate swap on class A and class B balance

Key Information

Details	Parties
Closing date	23 September 2011
Country of assets and type	Germany, auto loans
Country of SPV	Germany
Analyst	Tuuli Tikka
	+49 69 768076 170
	Issuer account bank provider
	Security trustee
	Swap counterparty
Performance analyst	Sinead Egan +44 20 3530 1492
	Seller/originator
	Servicer
	Back-up servicer
	Issuer
	Banco Santander S.A., Frankfurt Branch
	Wilmington Trust SPV Services (Frankfurt) GmbH
	Banco Santander S.A.

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 portfolio's credit risks and formed a base case default expectation of 2.7% and recovery rate expectation of 40% for the lifetime of the portfolio. These are, based on historical data provided by the originator dating back to 2000. Fitch has observed decreasing default levels and stable performance over recent years. Stress tests on default, recovery and prepayment rate base cases were used to analyse the impact on the transaction's cash flows.

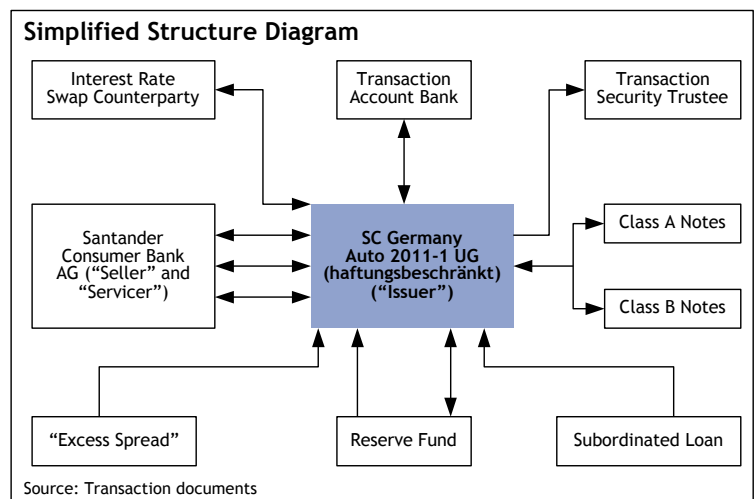
Low Recovery Rate: When comparing the historical recovery rates of SCB to other German originators, the recovery rates have been relatively low. This has been taken into consideration when setting the base case recoveries.

Experienced Originator and Servicer: The originator has a good track record in underwriting and servicing auto loans in Germany. All seven previous SC Germany Auto transactions have performed within or better than Fitch's expectations.

Counterparty Exposure: The transaction is dependent on Santander group's credit and operational capabilities. This is because entities of the Santander group act as servicer, account bank and interest rate hedge counterparty. Risks resulting from a potential default of Banco Santander S.A. as the ultimate parent company are reduced by a number of mitigating factors.

Asset Outlook: Germany's economy has weathered the economic cycle well. Economic growth, initially driven by exports, has been supported by robust consumption, fuelled by decreasing unemployment. The German economy is expected to remain stable over the next 18 months.

Simplified Structure Diagram



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