

SC Germany Auto 2011-2 UG (haftungsbeschränkt)

New Issue

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Capital Structure

Class	Amount (ISom)	Final Maturity	Rating	CE ^a (%)	Outlook	TT (%)	TTLM
A	573.0	November 2021	AAAsf	9.5	Stable	95.5	72.3
B	27.0	November 2021	Asf	5.0	Stable	4.5	3.4
Subordinated Loan	30.0	n.a.	NRsf	0.0	n.a.		

Total Issuance

Closing occurred on 29 November 2011. The ratings assigned are based on information provided by the issuer as of 15 November 2011. 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. Tranche Thickness (TT) Loss Multiple – TT% divided by Fitch's base case loss expectation. See also *Structured Finance Tranche Thickness Metrics*, 29 July 2011

^a 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 2011-2 UG (haftungsbeschränkt) (SCGA 11-2) 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 2.2% and a 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. The default base case of 2.2% does not include periods of economic stress, since Fitch expects German unemployment to remain low over the next two years.

In line with its criteria, as the base case was derived from benign economic periods, Fitch has applied a high stress multiple of six to account for the impact of unexpected economic deterioration on the portfolio. 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 eight 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, interest rate hedge counterparty and account bank. 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: Fitch has a stable asset outlook for German consumer ABS transactions. However, although the agency forecasts Germany's economic activity to remain relatively robust over the next two years, additional uncertainty remains given recent sovereign instability in the eurozone, which could have an adverse impact on global trade and therefore on German consumers. Fitch set its rating multiplier considering the current uncertainties of the global economic outlook.

Related New Issue Appendix

[SC Germany Auto 2011-2 UG \(haftungsbeschränkt\)](#)

Related Research

[Tyre Tracks Fitch European Auto ABS Index \(May 2011\)](#)

Analysts

Bettina Weibrecht
+49 69 768076 263
bettina.weibrecht@fitchratings.com

Georgy Kharlamov
+49 69 768076 263
georgy.kharlamov@fitchratings.com

Sinead Egan
+44 20 3530 1492
sinead.egan@fitchratings.com

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 two-notch downgrade of the class B from 'Asf' to 'BBB+sf'.

Rating Sensitivity to Increased Default Rate Assumptions

	Class A	Class B
Original base case (2.2%)	AAA	A
Increase base case by 10% (= 2.42%)	AAA	A
Increase base case by 25% (= 2.75%)	AAA	A
Increase base case by 50% (= 3.30%)	AAA	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 (2.2% & 40.0% resulting in a loss rate of 1.3%)	AAA	A
Increase defaults by 10% and reduce recoveries by 10% (loss: 1.55%)	AAA	A
Increase defaults by 25% and reduce recoveries by 25% (loss: 1.93%)	AAA	A
Increase defaults by 50% and reduce recoveries by 50% (loss: 2.64%)	AAA	BBB+

Source: Fitch

Model, Criteria Application and Data Adequacy

Fitch has analysed the transaction's risks in accordance with its "*EMEA Consumer ABS Rating Criteria*", dated 14 July 2011, 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.

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.

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-/Negative/F1+')

Subordinated loan provider

Santander Consumer Bank AG

Transaction account bank

Santander ('AA-/Negative/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+')

Related Criteria

[EMEA Consumer ABS Rating Criteria \(July 2011\)](#)

[EMEA Consumer ABS Rating Criteria –Auto Residual Value Addendum \(July 2011\)](#)

[Global Structured Finance Rating Criteria \(August 2011\)](#)

[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 \(March 2011\)](#)

Santander Bank provided monthly default data by monthly origination vintages from January 2000 to September 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.

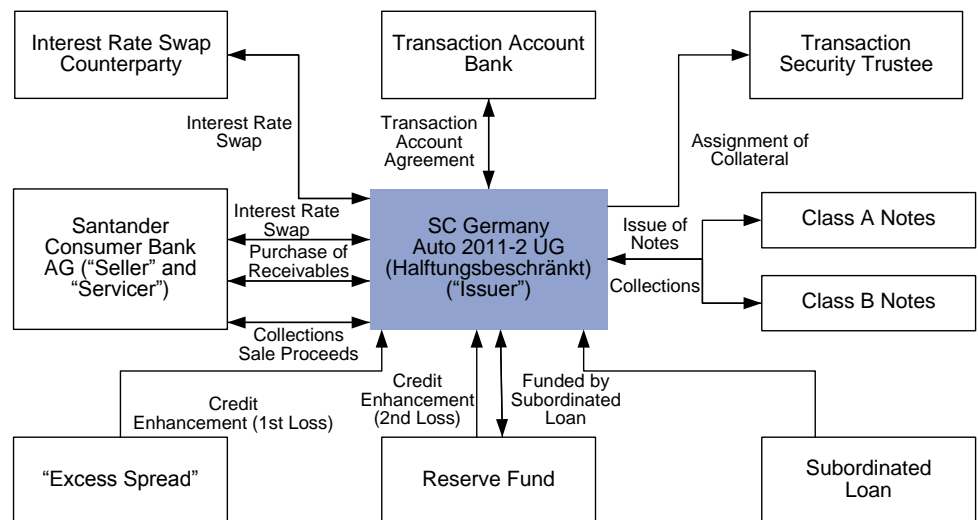
Additionally to data provided by the originator, Fitch used performance data from outstanding SC Germany Auto transactions.

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.

Prior to assigning expected ratings, Fitch reviewed the Agreed Upon Procedures (AUP) report regarding the data provided by the arranger. An internationally recognised accounting firm conducted the report, which included a detailed review of 300 loans from the 64,896 loan files. Fitch believes the sample size, the scope of the AUP report, and the lack of material error findings suggest the originator provided an acceptable quality of data. As a result, Fitch made no adjustments to its analysis with respect to the data provided. For more detail regarding Fitch's review of the origination process, please see *Asset Analysis* section.

Transaction and Legal

Figure 1
Structure Diagram



Source: Transaction documents

Issuer & True Sale

SC Germany Auto 2011-2 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 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 has been as follows.

Figure 2
SC Germany Auto 2011-2 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 current moderate interest rate environment, 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 5.95%.

The reserve fund will be 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 (initially 4% of the principal balance of the notes) is available to cover losses. Additionally, 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.

Excess spread and a reserve fund in the amount of 4% of the initial balance of the notes are available to cover for losses.

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 will enter into an interest rate swap at closing. 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 swap rate fixed at closing was 1.20%.

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.

Figure 3

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

Amortisation

After positions 1-9 of the priority of payments are settled, the available distribution amount is used to repay the notes. In order to align the note balance to the asset balance (and as such, avoid all interest collections being used to amortise notes), 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 performing principal balance (excluding defaulted loans). 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 if a principal deficiency event prevails, 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 will be 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 a liquidity reserve and this will only be used to pay down the notes once the asset balance has reduced to zero. The remainder will be

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

credited to the reserve fund (junior in the waterfall) and is available to cover losses, once defaults exceed excess spread. 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 (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 21,000 dealers. As of 31 October 2011, the seller's German network consisted of 332 branches and it employed 3,768 people.

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. In the course of 2009, the originator acquired the German consumer finance entities of Royal Bank of Scotland and also took over the retail

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

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.

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 an authority 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.

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

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.

The loans are originated against German residents and are secured by new and used cars, motorcycles and trailers.

Portfolio Summary

Figure 4

Portfolio Characteristics

New vehicles (%)	40.0
Used vehicles (%)	60.0
Weighted-average original term (months)	58.3
Weighted-average remaining term (months)	50.1
Direct debit (%)	99.7
Fully amortising loans (%)	69.6
Balloon loans (%)	30.4
Balloon rate (%)	15.0
Car (%)	95.6
Motorbike (%)	3.5
Leisure (%)	0.9
Weighted-average interest rate (%)	5.95
Loan contracts with down-payment (%)	68.3
Loan contracts without down-payment (%)	31.7
Weighted-average down-payment (all contracts) (EUR)	3,464.6
Average purchase price (all contracts) (EUR)	13,524.4

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 95.6% share, followed by motorbikes (3.5%) and trailers (0.9%). The portfolio comprises 63,026 loans, with an aggregate outstanding principal balance of EUR600m and an average outstanding balance of EUR9,246 per loan contract.

The current portfolio to be securitised consists of 63,026 loans, with the single largest obligor contributing EUR85,605 (0.014%) to the overall balance. The 25 largest borrowers contribute only 0.22% 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	17.6
Bavaria	10.0
Lower Saxony	10.0
Baden-Wuerttemberg	9.0
Saxony-Anhalt	8.0

Source: Santander Consumer Bank AG

Portfolio Credit Analysis

Default Risk

Fitch considers the state of the labour market, in particular unemployment, to be one of the main drivers of defaults in auto ABS transactions.

Fitch was provided with default rate data in vintage form covering the period January 2000 to September 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 the securitised pool is slightly higher than that in SCB’s whole portfolio. The proportion of balloon loans and amortising loans has also been stable. Fitch used the historical data provided for the originator’s whole portfolio split in four datasets for used and new vehicles, as well as for amortising and balloon loans.

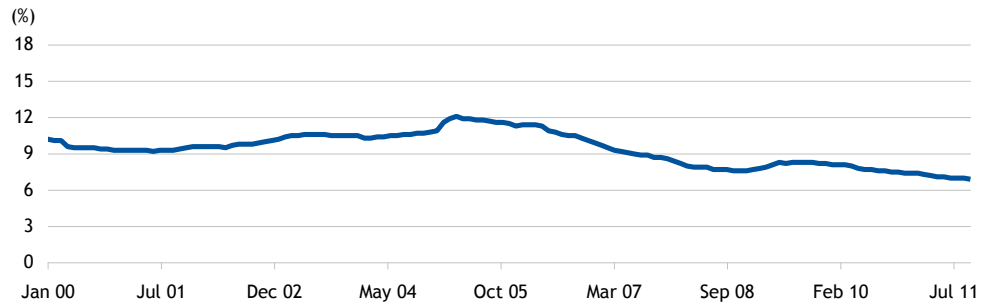
The agency used the data to determine the base case default rate for the SCGA 11-2 pool, giving some benefit for the over-weight of new car financings compared to the whole bank portfolio (due to the agency’s experience of these over-performing used car financings). A portion of the SCGA 11-2 pool consists of balloon loans which in a more stressful financial environment could lead to additional payment stress for the borrower, due to the higher repayment at the end of the loan period. This additional risk should be reflected in the vintage data and therefore contained in the base case.

Fitch considers the state of the labour market, in particular unemployment, to be one of the main drivers of defaults in auto ABS transactions. The German unemployment rate peaked at 12.1% in 2005, after which it steadily decreased until the end of 2008. During the financial crisis, unemployment in Germany increased. However, this increase was significantly lower than in other countries, partly because employers were able to shorten working hours (Kurzarbeit) in order to avoid terminations of employment contracts.

Thus, at the peak of the crisis in 2009, the unemployment rate stabilised around 8.3% and has been steadily declining ever since. Currently, unemployment in Germany is at an historical low and is expected to remain at this level for the foreseeable future. Fitch’s unemployment rate forecast for Germany is 7.0% in 2011 and 6.7% in 2012 (see “Fitch Global Economic Outlook”, October 2011).

Figure 6

German Unemployment Rate

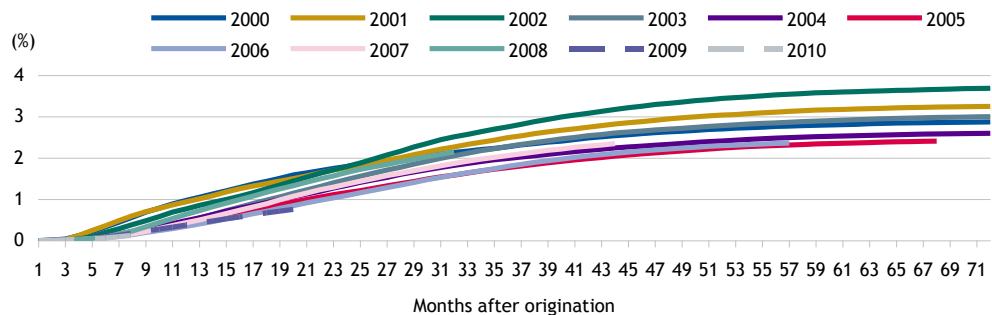


Source: Bloomberg / Deutsche Bundesbank (GRUEPR Index)

In 2002, CC-Bank AG and AKB Bank AG merged, which led to the implementation of consistent unified servicing and collections processes in 2004. This had a positive effect on the observed performance, which was further strengthened by the favourable economic environment in Germany between 2005 and 2008. Overall, the vintage curves have shown an improving trend. In its analysis, Fitch focused on the more recent vintages (2003-2009) following the merger.

Figure 7

Cumulative Default Rates



Source: Santander Consumer Bank AG and Fitch

Fitch has observed decreasing default levels and stable performance over recent years.

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 crisis. The 2009 vintages show better performance due the tightening in the originator's lending criteria, the attraction of better clients — due to the German car scrappage scheme — and the rapid economic recovery in Germany in 2010 and 2011. The 2010 vintage has a similar level of defaults as the 2009 vintage. The dynamic delinquency data that were provided to Fitch were stable in the period from 2009 until the third quarter of 2011.

When setting the default rate base case, Fitch considered the following factors. First, as has been mentioned above, German unemployment has reached its historical lows since unification and is expected to remain at this level. Furthermore, German GDP is growing at a stable rate, which indicates that the German economy has left the recession behind. Hence, asset performance (ie default and delinquency rates) is expected to remain stable as a result of the benign economic environment in Germany and the stable/positive outlook for the next two years. Secondly, previous SCGA transactions have performed above the agency's expectations; historically, the observed default rates were significantly below the base cases. Finally, there is positive selection in the asset pool to be securitised in comparison to SCB's total portfolio; for example, the securitised pool contains 40% new cars and 60% used cars, whereas there are 30% new cars and 70% used cars on SCB's balance.

The default base case of 2.2% does not include periods of economic stress, since Fitch expects German unemployment to remain low over the next two years.

Based on these considerations, Fitch has set the cumulative default base case at 2.2%. This represents a decrease from the assumption used in SCGA 11-1 (2.7%). The base case of 2.2% lies below the average observed cumulative default rate that the agency derived from the data presented to it (2.5%). The base case reflects the agency's expectation of the future asset performance and does not include stress assumptions. In line with Fitch criteria, to account for the impact of economic deterioration on the transaction's cash flows (and thus incorporate a "through the cycle" approach), Fitch applies multiples to the base case for the respective rating scenarios. These stress multiples address the risk that actual default performance may be worse than the base case assumption. Since the base case is set below the historical average, Fitch has applied the higher multiples as per its criteria, namely 6x for 'AAAsf' and 3.6x for 'Asf'.

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 scraping 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 lower-than-average recovery stress haircuts to its recovery rate expectation (40% in 'AAAsf' and 24% in 'Asf'). When setting these assumptions, Fitch took into account the following: recoveries are generally driven by the workout process and less so by the macroeconomic environment; the recovery data presented to Fitch covers the period between 2000 and 2011; recoveries have been relatively stable through the cycle, with no clear increasing or decreasing trend observable; the assumed recovery base case of 40% is the lowest compared to other German auto ABS transactions.

Figure 8
Base Case Assumptions

Product	Default base case	Recovery base case	Loss Base case
Full pool	2.2	40.0	1.3

Source: Fitch

Figure 9
Stressed Assumptions

	Rating default rate	Rating recovery rate	Rating loss rate
AAAsf	13.2	24.0	10.0
Asf	7.9	30.4	5.5

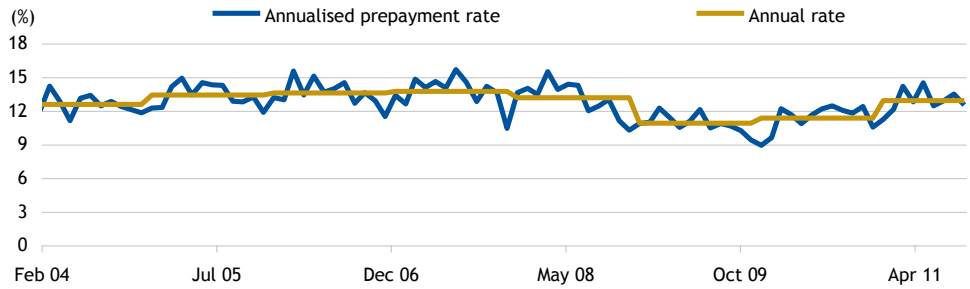
Source: Fitch

Prepayment Risk

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

Figure 10

Prepayments (Originator's Overall Portfolio)



Source: Santander Consumer Bank AG and Fitch

As excess spread is one of the credit support providers, high prepayments are stressful for the transaction in Fitch's modelling.

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 'AAAsf' scenario and 1.3x in an 'Asf' scenario. Excess spread is one of the credit support providers in this transaction; its reduction due to higher prepayments is stressful for SCGA 11-2 in Fitch's modelling.

Figure 11

Prepayment Assumptions

	(%)
Prepayment 'AAAsf'	19.5
Prepayment 'Asf'	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 using the default distribution for long-term portfolios, as per Fitch's EMEA consumer ABS rating criteria. Recoveries were assumed to be achieved from month six onwards and were distributed up to 30 months after the simulated default, thus replicating the longer tenor over which unsecured recoveries are obtained.

The transaction is sensitive to a back-loaded default timing distribution, since this reduces the extent to which excess spread can be used to cover defaults. For sensitivity test purposes, the agency tested the effect of simultaneous stresses of several factors. Some of the sensitivity runs involving back-loaded default timing did not pass the tested capital structure. In these runs, excess spread was further stressed by assuming high prepayments and applying the weighted average coupon compression. The agency regards these combinations of stressed factors to be beyond the level of stress that need to be met to pass a certain rating scenario.

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 repaying 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 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 considered to be adequate to pass 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 low unemployment rate, 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 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.

Furthermore, the transaction features sufficient liquidity via the liquidity reserve fund to cover senior expenses and interest payments of at least three to four months.

Account Bank

The issuer holds its accounts with Banco Santander. 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.

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

The transaction is dependent on Santander group's credit and operational capabilities. Risks resulting from a potential default of Banco Santander S.A. as the ultimate parent company are reduced by a number of mitigating factors.

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.

Potential set-off exposure arising from deposits is mitigated by a reserve which will be posted following a trigger breach. A reserve to cover a potential set-off risk arising out of handling fees is in place from closing on. With respect to the set-off risk arising from insurances, Fitch has gained comfort through a legal opinion and mitigates provided in the structure.

Fitch expects the potential set-off amount for SCGA 11-2 resulting from deposits 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.

Furthermore, loan contracts provide for an obligation of the borrower to pay a handling fee. This obligation is part of the loan contract itself rather than being announced through the bank's general terms and conditions. A new court decision taking into account handling fees has been published in October 2011. To date there is no legal evidence as to whether this updated court decision would entitle borrowers within the pool to set off the handling fees against the loan - a legal opinion on this matter was not provided. SCB's legal department is of the opinion that this court decision does not affect the portfolio. SCB estimates the total handling fees to be EUR21.9 million. To mitigate a potential set-off risk, SCB posted a set-off reserve that will fully cover the total handling fees of EUR21.9 million from closing onwards. This reserve will be available solely to capture set-off risk and will not provide credit enhancement for the notes. If, following further legal clarification, the transaction's legal counsel does not deem the set-off risk out of handling fees to be applicable, the set-off reserve fund might be withdrawn by SCB. In such case, Fitch will be notified and will re-assess the potential set-off risk.

Fitch has gained comfort from the fact that the set-off reserve fund will cover the whole exposure and will be available in cash from closing onwards. The agency also concluded that the transaction's dependence on entities of the Santander group, although high, will not become excessive as a result of the reserve fund.

Fitch has further reviewed a potential set-off risk resulting from insurance contracts entered into together with the loan contract. The legal opinion provided by the transaction counsel supports the view that the issuer should not be exposed to any set-off risk arising out of the insurance contracts. Nevertheless, as no case law is in place, this opinion is qualified. From a structural point of view, the potential risk is further mitigated by the seller's obligation to indemnify the issuer for any potential set-off exposure. Hence, for such a risk to materialise, both the originator and the insurance company would have to default at the same time. Combined with the comfort provided by the legal opinion, Fitch regarded this risk as limited and is therefore comfortable with the set-off risk mitigates provided in the structure.

Commingling

Payments received by the servicer are almost exclusively made via direct debit. Payments are made either on the first (52.0%) or on the 15th day of each month (48.0%) to a collection account of the seller. The resulting collections are swept on the 13th 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. Where appropriate, the agency may request to monitor further data from SCB. The ratings on the SCGA 11-2 transaction will be reviewed by a committee at least once 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.

The ratings on the SCGA 11-2 transaction will be reviewed by a committee at least once every 12 months, or where considered appropriate.

Appendix A: Transaction Comparison

Figure 12
Deal Comparison

Issuer	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)	SC Germany Auto 11-1 UG (haftungsbeschränkt)	SC Germany Auto 11-2 UG (haftungsbeschränkt)
Registered office	Ireland	Ireland	Ireland	Germany	Germany	Germany
Seller	Santander Consumer Bank AG					
Issuance volume (EURm)	1,000.0	500.0	1,000.0	600.0	600.0	600.0
Class	Class A	Class A	Class A	Class A	Class A	Class A
Rating	AAAsf	AAAsf	AAAsf	AAAsf	AAAsf	AAAsf
Amount (EURm)	945.0	475.0	945.0	567.0	573.0	573.0
Credit enhancement (%)	8.5	7.8	8.5	8.5	9.5	9.5
Class	Class B	Class B	Class B	Class B	Class B	Class B
Rating	Asf	Asf	Asf	Asf	A+sf	Asf
Amount (EURm)	55.0	25.0	55.0	33.0	27.0	27.0
Credit enhancement (%)	3	2.8	3.0	3.0	5.0	5.0
Class	Sub-loan	Sub-loan	Sub-loan	Sub-loan	Sub-loan	Sub-loan
Rating	BBBsf	NR	NR	NR	NR	NR
Amount (EURm)	30.0	14.0	30.0	18.0	30.0	30.0
Credit enhancement (%)	1.9	0.0	0.0	0.0	0.0	0.0
Class	Cash reserve	n.a.	n.a.	n.a.	n.a.	n.a.
Rating	NR	n.a.	n.a.	n.a.	n.a.	n.a.
Amount (EURm)	1.9	n.a.	n.a.	n.a.	n.a.	n.a.
Excess spread (%) ^a	2.4	3.1	4.4	4.5	3.9	3.8
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)	999,999,625	499,999,969	1,000,000,000	600,000,000	600,000,000	600,000,000
Number of receivables	120,331	62,365	92,950	67,572	58,613	63,026
WA nominal interest rate (%)	7.2	7.1	7.1	6.6	6.0	5.95
Av. original balance (EUR)	9,134.1	8,661.0	11,352.6	9,745.6	10,820	10,669
Av. outstanding balance (EUR)	8,310.4	8,017.3	10,758.5	8,879.4	10,214	9,520
WA remaining term in months	49.2	48.5	63.0	48.4	50.4	50.1
WA seasoning in months	10.3	9.1	11.2	10.1	8.0	8.3
WA original term in months	59.4	57.7	74.2	58.5	58.4	58.3
Max. original term in months	90.0	90.0	96.0	90.0	90.0	90.0
Collateral by balance (%)						
Age of vehicle						
New vehicles	30	30	40	40	40	40
Used vehicles	70	70	60	60	60	60
Type of financed vehicle						
Car	96.0	93.6	97.0	96.6	96.3	95.6
Motorbike	3.7	6.0	2.5	3.0	3.1	3.5
Trailer	0.3	0.4	0.5	0.4	0.6	0.9
Type of repayment						
Fully amortising	70.6	74.8	83.4	70.7	66.7	69.6
Balloon payment	29.4	25.2	16.6	29.3	33.3	30.4
Payment method						
Direct debit	99.5	99.5	99.6	99.7	99.7	99.7
Cumulative default rate assumption	2.7	2.8	3.0	3.3	2.7	2.2
Recovery rate assumption	50	50	40	40	40	40
Prepayment-rate assumption	14	17	13	13	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 2011-2 UG (haftungsbeschränkt)

Germany/Auto Loans

Figure 13
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 Euribor + 0.95%	Monthly	November 2011	November 2021	XS0704702413
B	Asf	4.5	27.0	5.0	1-month Euribor + 1.55%	Monthly	November 2011	November 2021	XS0704706679
Sub loan	NR	5.0	30.0	0.0	n.a.	n.a.	n.a.	n.a.	
Total									
Cash Reserve			30.0						
Scheduled Revolving Period			0		Swaps	Balance-guaranteed, fixed- to-floating-rate swap on class A and class B balance			

^a All rated classes have a Stable Outlook
^b Based on a collateral balance of EUR600m and a reserve fund of EUR30m.
 Source: Fitch

Key Information

Details	Parties
Closing date	29 November 2011
Country of assets and type	Germany, auto loans
Country of SPV	Germany
Analyst	Bettina Weihbrecht
	+49 69 768076 298
	Issuer account bank provider Banco Santander
	Security trustee Wilmington Trust SPV Services (Frankfurt) GmbH
Performance analyst	Sinead Egan +44 20 3530 1492
	Swap counterparty Banco Santander S.A.

Source: Fitch

Key Rating Drivers

Performance of Loans: Fitch has analysed the portfolio's credit risks and formed a base case default expectation of 2.2% and a 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. The default base case of 2.2% does not include periods of economic stress, since Fitch expects German unemployment to remain low for the next two years.

In line with its criteria, as the base case was derived from benign economic periods, Fitch has applied a high stress multiple of six to account for the impact of unexpected economic deterioration on the portfolio. 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.

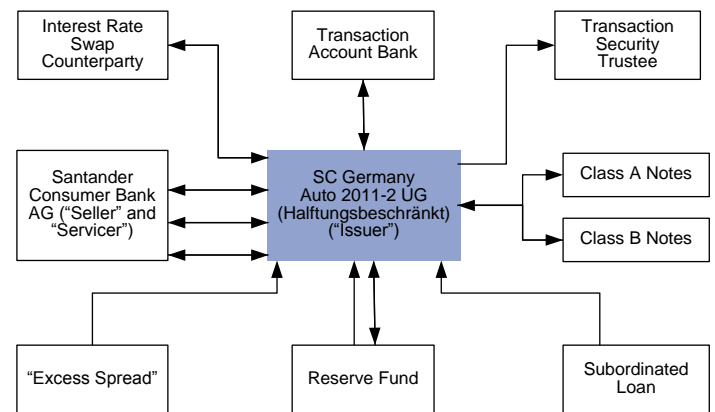
Experienced Originator and Servicer: The originator has a good track record in underwriting and servicing auto loans in Germany. All seven previous SC Germany Auto transactions have performed within or better than Fitch's expectations.

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, interest rate hedge counterparty and account bank. 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: Fitch has a stable asset outlook for German consumer ABS transactions. However, although the agency forecasts Germany's economic activity to remain relatively robust over the next two years, additional uncertainty remains given recent sovereign instability in the eurozone, which could have an adverse impact on global trade and therefore on German consumers. Fitch set its rating multiplier considering the current uncertainties of the global economic outlook.

Source: Fitch

Simplified Structure Diagram



Source: Transaction documents

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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