Rating Report
Santander Consumo 3, FT

DBRS Morningstar
7 April 2020

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Summary of Debt

Debt	Amount (EUR) [1]	Size / Subordination [2]	Coupon	Rating	Rating Action Date	Rating Action
Series A Notes ES0305477004	1,705,000,000	85.3%/16.3%	Three-month Euribor + 0.40%	AA (sf)	6 April 2020	Provisional Rating – Finalised
Series B Notes ES0305477012	122,000,000	6.1% / 10.3%	Three-month Euribor + 1.00%	A (sf)	6 April 2020	Provisional Rating – Finalised
Series C Notes ES0305477020	81,000,000	4.1% / 6.2%	Three-month Euribor + 2.00%	A (low) (sf)	6 April 2020	Provisional Rating – Finalised
Series D Notes ES0305477038	41,000,000	2.1% / 4.1%	Three-month Euribor + 3.00%	BBB (sf)	6 April 2020	Provisional Rating – Finalised
Series E Notes ES0305477046	51,000,000	2.6% / 1.5%	Three-month Euribor + 4.00%	BB (high) (sf)	6 April 2020	Provisional Rating – Finalised
Series F Notes[3] ES0305477053	30,000,000	1.5% / --	Fixed Rate	-	-	-

1. As at the issue date
2. The size of the tranche is scaled to the initial asset portfolio and subordination is expressed as portfolio overcollateralization and Cash Reserve (Class F).
3. The Cash Reserve will be funded through the issuance of Series F Notes

Summary of Assets

	Amount (EUR)
Receivable Portfolio [1]	2,000,000,000
Receivable Provisional Portfolio [2]	2,328,561,363
Cash Reserve [3]	30,000,000

1. As at the issue date
2. Asset provisional portfolio principal outstanding as at 5 March 2020
3. The cash reserve is fully funded through the issuance of Series F Notes

Rating Considerations

- The notes are backed by EUR 2 billion of financial receivables related to consumer loan contracts originated by Banco Santander, S.A. (Santander or the originator), granted to individuals resident in Spain for the purchase of consumer goods or services in general terms, and disbursed directly to borrowers.
- Most of the receivables pay a fixed interest (97.7%) whereas the Series A Notes, Series B Notes, Series C Notes, Series D Notes, and Series E Notes (the Rated Notes) pay three-month Euribor plus a margin.
- Interest rate swaps with notional amounts corresponding to the Rated Notes are in place to mitigate interest rate risk arising from the mismatch between the asset portfolio and the issuer's liabilities.
- The transaction benefits from an 11-month revolving period during which the notes will not amortise and the issuer will use the quarterly principal collections to purchase additional receivables that the originator may offer subject to eligibility criteria.

- The amortisation of the notes will start at the scheduled maturity of the revolving period in June 2021 or may start earlier if an early revolving-period termination event occurs.
- During amortisation, the repayment of the notes will be pro rata among Class A to Class F notes until a subordination event occurs at which point the amortisation of the notes will be fully sequential in strict order of subordination.
- The interest payment of some subordinated series of notes may be deferred if certain triggers are breached, based on the portfolio performance.
- The Rated Notes benefit from a fully funded amortising cash reserve that can be used to pay senior expenses and interest of the Rated Notes.

Strengths

- The originator, Santander, is an active and experienced originator and servicer in the Spanish consumer finance business and a financially strong banking institution.
- The transaction benefits from a EUR 30 million cash reserve, which provides liquidity and credit support to the Series A, Series B, Series C, Series D, and Series E Notes. The cash reserve is fully funded at the close of the transaction with proceeds of subscription of the Class F Notes. The cash reserve is released with the amortisation of the notes but has to be maintained at 1.5% of the Series A, Series B, Series C, Series D, and Series E Notes with a floor at EUR 10 million. It reduces to zero on the payment date when the Rated Notes can be fully redeemed.
- The transaction includes interest deferral triggers for the junior series of notes to pay principal of the senior series of notes before the interest on the junior notes upon breach of certain performance triggers.
- The receivables (both initial and additional receivables) constituting the portfolio are positively selected, since only loans with an internal probability of default (PD) assigned by the originator with its internal scoring system equal or lower than 6.0% can be assigned.
- The EUR 2.3 billion provisional portfolio (from which the EUR 2 billion initial portfolio was selected on or about the issue date) has more than eighteen-and-a-half months of seasoning and is very granular with 245,721 loans and 213,379 borrowers.
- Geographically, the portfolio is well diversified across Spain with the highest concentration in Madrid (19.8% of the provisional portfolio by loan balance), followed by Andalusia and Catalonia, which represent 16.9% and 10.9%, respectively (figures based on the provisional portfolio).
- The yield of the portfolio is considerably higher than the transaction's senior expenses and the average yield on the notes, allowing the excess interest collections to flow through the priority of payments where it may be applied to offset credit losses.
- The transaction benefits from an effective hedging structure, which protects the issuer from an increase in interest rates at a fixed cost, and the linkage to financial strength of the eligible counterparty is mitigated by downgrade provisions specified in the transaction documents.

Challenges and Mitigating Factors

- The assignment of additional receivables during the 11-month revolving period may alter the portfolio composition.

  Mitigants: Eligibility criteria and concentration limits restrict the assignment of additional receivables. Furthermore, performance triggers and other restrictions provided in the transaction documents may interrupt the revolving period before its scheduled maturity in case portfolio performance deteriorates or adverse events affect the issuer, the structure, or the originator and servicer.

- The servicer manages the issuer's collections that may be commingled within its own estate in case of insolvency.
  Mitigants: The servicer is a financially strong banking institution and sweeps collections to the issuer's accounts within two business days from receipt. Furthermore, the fully funded reserve ensures funds are available to ensure timely payment of senior expenses and interests.
- The transaction is expected to amortise pro rata until a sequential amortisation event occurs. As a result of the pro rata amortisation, the structure will not deleverage and the notes' ability to repay could be adversely affected in scenarios where defaults are backloaded or the sequential amortisation otherwise continues longer than expected.
  Mitigants: The transaction benefits from certain mechanisms that will switch the amortisation to sequential, such as the default ratio triggers being above a certain percentages of the initial portfolio amount. DBRS Morningstar considered these triggers in its analysis.
- The servicer's ability to modify some of the original terms of the loan agreements within specified limits, which could increase the risk profile and weighted-average (WA) life of the portfolio.
  Mitigants: The servicer's flexibility is common in balance sheet securitisations. Loan modifications to the portfolio of receivables are limited by the permitted variations explained in the documentation. DBRS Morningstar has stressed its cash flow assumptions to account for the mentioned permitted variations in the portfolio.

Key Transaction Parties

Roles [1]	Entity	Ratings [2]
Issuer	Santander Consumo 3, FT	Unrated
Originator and Seller	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable
Servicer	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable
Account Bank	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable
Paying Agent	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable
Hedging Counterparty	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable
Management Company	Santander de Titulización S.G.F.T. S.A.	Unrated
Arranger	Banco Santander, S.A.	A (high)/R-1 (middle)/Stable

1. The list of counterparties may not be exhaustive. For a complete list please refer to the transaction documents or the offering material.
2. Ratings represent Issuer Ratings or Senior Unsecured Debt Ratings (Long Term/Short Term) unless otherwise specified.

Relevant Dates and Periods

Issue Date	2 April 2020
Initial Portfolio Cut-off Date	31 March 2020
First Payment Date	18 June 2020
Payment Dates/Periodicity	18th calendar day of March, June, September, and December
Interest Period	Quarterly
Collection Period	Second business day after the payment date
Scheduled Revolving Period Expiry Date	18 March 2021
Legal Final Maturity	18 December 2031

Transaction Summary

Relevant Jurisdictions	The issuer is incorporated under the laws of the Kingdom of Spain. All the transaction documents are regulated by Spanish law except the hedging agreement, which is regulated by the laws of Ireland.
Assets	The notes are backed by a pool of EUR 2,000,000,000 fixed- and floating-rate receivables regulated by Spanish law.
Currencies	Assets and liabilities are denominated in euros.
Hedging	The interest rate risk is mitigated by five interest rate swaps on the notional amounts of the Series A Notes, Series B Notes, Series C Notes, Series D Notes, and Series E Notes.
Priority of Payments	The transaction features a single waterfall with commingled interest and principal funds and a target for repayment broadly corresponding to the positive difference between the notes and the portfolio plus the cash reserve.
Cash Reserve	The EUR 30,000,000 reserve provides liquidity support over the life of the deal to cover any shortfall on the senior expenses and interest on the Rated Notes, as long there is not deferral triggers for each Series of notes, then Cash Reserve will cover interest shortfall for senior Notes.

This transaction represents the issuance of notes backed by a pool of receivables (see below) related to unsecured consumer loans granted by Banco Santander, S.A., (Santander or the originator) and subsequently assigned to Santander Consumo 3, FT (the issuer). The receivables are serviced by Santander (the servicer) on a mandate of the issuer.

Available Funds and Their Use

The issuer of the notes must apply the available collections made under the assets and other available funds towards satisfaction of its creditors, including the noteholders, in a specific order or priority specified in the terms and conditions of the notes and the other transaction documents.

The issuer's principal source of funds are the collections made under the portfolio, including other ancillary amounts payable in connection to the portfolio by the originator or by other parties. Available collections include:

- Payment of principal and interest by borrowers or guarantors under the receivables.
- The purchase price of receivables, which the issuer or the servicer may have sold (when permitted by the transaction documents) or the originator may have repurchased.
- Indemnities paid or payable to Santander by insurance companies in connection to policies related to the receivables and validly assigned to the issuer by Santander, if any.
- Recoveries made under defaulted receivables (including sale or repurchase of defaulted receivables).
- Indemnities payable by Santander as the portfolio originator, including indemnification for breach of representations and warranties not cured or curable with repurchase of the receivables.

Other funds available to the issuer include other amounts such as:

- The cash reserve.
- Payments received by the hedging counterparty (when the net swap amount is payable in favour of the issuer).
- Any interest earned on the issuer's accounts or revenue from eligible investments, if any.

Prior to liquidation, the issuer pays the transaction parties and the noteholders on set dates (the payment dates) according to the following priorities of payments.

	Priority of Payments
1	Taxes and senior expenses
2	Payment to the Swap Counterparty
3	Interest on the Series A Notes
4	Interest on the Series B Notes (unless interest deferral trigger applies)
5	Interest on the Series C Notes (unless interest deferral trigger applies)
6	Interest on the Series D Notes (unless interest deferral trigger applies)
7	Interest on the Series E Notes (unless interest deferral trigger applies)
8	Replenishment of the cash reserve up to its target amount
9	Interest on the Series F Notes (unless interest deferral trigger applies)
10	Payment of the principal redemption amount (A) During the revolving period: purchase additional receivables and any excess of it will be deposited into the issuer's accounts up to 5% of the outstanding amount of the Rated Notes (any excess is released under item B). (B) After the revolving period: Pro rata amortisation of the notes, unless a subordination event happens then amortisation of the notes will be fully sequential, a subordination event cannot be cured, and sequential amortisation will remain sequential along the life of the transaction.
11	Payment of interest accrued on Series B Notes if the Series B Notes Interest Deferral Trigger applies
12	Payment of interest accrued on Series C Notes if the Series C Notes Interest Deferral Trigger applies
13	Payment of interest accrued on Series D Notes if the Series D Notes Interest Deferral Trigger applies
14	Payment of interest accrued on Series E Notes if the Series E Notes Interest Deferral Trigger applies
15	Payment of interest accrued on Series F Notes if the Series F Notes Interest Deferral Trigger applies
16	Payment to the Swap Counterparty if it defaults
17	Payment of interest on the subordinated loan
18	Payment of principal of the subordinated loan
19	Payment of the intermediary financial margin

The **principal redemption amount** means the minimum of:

1. The difference between:
   a) The principal amount outstanding of the notes,
   b) The target cash reserve amount,
   c) The aggregate of the outstanding balance of the Nondefaulted Receivables, and
2. The available funds, following the priority of payments.

Amortisation of the Notes (Series A to Series F Notes) occurs on a pro rata basis unless a subordination event occurs.

Considering the amortisation amount, each series of notes will amortise according to its current weight in the structure, then for each series of notes the pro rata target amortisation amount is the amount equal to the principal target redemption amount multiplied by the pro rata redemption ratio of each series of notes.

Interest on the junior and subordinated series of notes can be deferred and subordinated to principal repayment to protect the payment of principal of the most senior series of notes. Deferral triggers are based on the portfolio default ratio and are curable (allowing interest payments previously deferred to switch back to their higher position in the priority of payments); the deferral triggers for each series of notes are:

Trigger	Default Ratio (Cumulative Net of Recoveries)
Class F Interest Deferral Trigger	5.05%
Class E Interest Deferral Trigger	6.30%
Class D Interest Deferral Trigger	7.00%
Class C Interest Deferral Trigger	9.90%
Class B Interest Deferral Trigger	17.50%

After the occurrence of a subordination event, the amortisation of the notes becomes fully sequential and all the principal redemption amount will be used to first amortise the Series A Notes in full and then the Series B Notes. The process will then be repeated for the remaining series of notes.

The subordination events are summarised below:

1. The Default Ratio exceeds on the following payment dates:
   a) June 2020: 0.35%
   b) 18 September 2020: 0.80%
   c) 18 December 2020: 1.05%
   d) 18 March 2021: 1.30%
   e) 18 June 2021: 1.60%
   f) 18 September 2021: 1.95%
   g) 18 December 2021: 2.30%
   h) 18 March 2022: 2.65%
   i) B 18 June 2022: 2.90%
   j) 18 September 2022: 3.15%
   k) 18 December 2022: 3.40%
   l) From 18 March 2023 (included): 3.60%
2. The outstanding balance of one borrower represents more than 0.10% of the outstanding balance of the portfolio;
3. The seller breaches any of its obligations under any transaction document (unless the breach is remedied within the earlier of 30 business days or the following purchase date);
4. The servicer is replaced;
5. The swap counterparty is downgraded below the required ratings and no remedies are put in place;
6. The seller exercises its call options;
7. A clean-up call event occurs.

Liquidity Reserve

Initial Amount	EUR 30,000,000 Corresponding to 1.50% of the collateralised notes
Current Status	Fully funded
Funding Mechanism	Proceeds of subscription of the Series F Notes
Application	To the Priority of Payments to cover items (1) to (7) listed above
Target Amount	Fixed during the Revolving Period at EUR 30,000,000 After the Revolving period, the higher of: 1. 0.50% of the initial balance of the collateral portfolio; 2. The lower of: a) 1.5% of the outstanding balance of the Rated Notes; b) the initial Cash Reserve at EUR 30,000,0000 Reduces to zero on the payment date when the Rated Notes can be repaid in full
Released Amount Paid to	Priority of Payments Should be used to repay the notes on the last payment date
Type of Support	Liquidity support during the life of the transaction

Hedging Structure

Hedging Instrument	Interest Rate Swap
Counterparty	Banco Santander, S.A.
Notional	Outstanding balance of Series A Notes to Series E Notes
Issuer Pay Leg	0.07%
Issuer Receive Leg	Three-Month Euribor flat, floored at 0.00%
Upfront Payment	Not applicable

Revolving Period

During the initial 14 months the notes do not amortise and the issuer will use part of its funds (limited to the principal redemption amount) to purchase additional receivables that the originator may offer subject to eligibility criteria, concentration limits, and performance triggers.

If the principal redemption amount, entirely or in part, is not applied to purchase receivables, the remainder must be retained by the issuer in the principal account up to an amount equal to 5.0% of the Rated Notes, if there is excess of that amount it will be used to amortise the notes on a pro rata basis.

The additional receivables must meet certain eligibility criteria and concentration limits (see below). Furthermore, revolving may stop earlier than scheduled if the following events occur.

- The Default Ratio exceeds:
  - on the Determination Date of 18 June 2020, 0.35%;
  - on the Determination Date of 18 September 2020, 0.80%;
  - on the Determination Date of 18 December 2020, 1.05%;
  - on the Determination Date of 18 March 2021, 1.30%;
- The cash reserve is not replenished up to the target cash reserve amount.
- The outstanding balance of the nondefaulted receivables is less than 90.00% of the principal amount outstanding of the notes.
- There are changes in tax regulations in such a way that the assignment of additional receivables becomes excessively onerous to Santander.

- Santander becomes insolvent or faces bankruptcy proceedings.
- The audit reports on the seller's annual accounts show qualifications, which in the opinion of the Spanish Regulator, Comisión Nacional del Mercado de Valores, could affect the additional receivables.
- The credit origination policy suffers material changes.
- Santander is replaced as servicer, or there is a breach of any of its obligations under any transaction documents.
- If there is a downgrade of the swap counterparty below the required ratings and no remedial actions are taken.
- The occurrence of a subordination event (see above).

Liquidation of the Issuer

Upon occurrence of certain events under the transaction documents, a trigger notice is delivered to the issuer. Upon delivery of such notice the issuer's available funds are distributed in accordance with a modified priority of payment, summarised below, and the issuer is liquidated.

Following an early liquidation event, or in case of optional redemption of the notes or redemption for taxation of the notes, the priority of payments will change as follows.

Priority of Payments
1. Taxes and senior expenses
2. Payment to the Swap Counterparty
3. Interest on the Series A Notes
4. Principal on Series A Notes
5. Interest on Series B Notes
6. Principal on Series B Notes
7. Interest on Series C Notes
8. Principal on Series C Notes
9. Interest on Series D Notes
10. Principal on Series D Notes
11. Interest on Series E Notes
12. Principal on Series E Notes
13. Interest on Series F Notes
14. Principal on Series F Notes
15.Payment to the Swap Counterparty if it defaults
16. Payment of interest on the subordinated loan
17. Payment of principal of the subordinated loan
18. Payment of Intermediary Financial Margin

Optional Redemption

Starting from the date in the portfolio when outstanding principal is equal to or lower than 10% of the residual amount of the initial portfolio, the seller has the option to repurchase all the assigned receivables provided that the proceeds of such purchase together with the other available funds are sufficient to redeem in full the notes and pay any expenses and interest thereon.

The Asset Portfolio

Assets backing the notes comprise financial receivables related to unsecured consumer loan contracts granted by Santander to individuals resident in Spain.

Asset Portfolio	
Contract Type	Consumer loans
Borrower Type	Individuals resident in Spain
Security Type	Unsecured
Interest Rate	Mainly fixed interest rate loans, but a small portion of floating interest rate loans are included too
Amortisation Type	Amortisation in equal installments

The securitised loans are of two different types:

- **Pre-Approved Loans**: Loans granted without specific purpose and unsecured, and balance, price, and term is approved by Santander using its internal data and models based on the historical behaviour of the borrower as a Santander client.
- **Regular Consumer Loans:** Unsecured loans granted for specific purpose, and client requests the loan at the branch.

DBRS Morningstar analysed the EUR 2.3 billion provisional portfolio selected by Santander as at 5 March 2020 and from which the EUR 2 billion initial portfolio, assigned to the issuer on the issue date, was selected. The characteristics of the provisional portfolio are as follows:

Portfolio Type	Provisional
Total Principal Amount	2,328,561,363
Number of Contracts	245,7221
Number of Borrowers	213,379
Average Principal Amount by Contract	9,476
Average Principal Amount by Borrower	10,913
Weighted-Average Term (months)	61.6
Weighted-Average Seasoning (months)	18.6
Weighted-Average Coupon	7.86%

The initial portfolio assigned on or about the issue date was selected by the originator from the receivables comprising the provisional portfolio. DBRS Morningstar deems the provisional portfolio representative of the initial portfolio and figures included in this report refer to the provisional pool, unless otherwise specified.

Eligibility Criteria and Concentration Limits

During the revolving period the portfolio composition can change subject to the eligibility criteria and concentration limits set out in the transaction documents and summarised below.

Individual Requirements

- The obligors are individuals resident in Spain, other than an employee, officer, or director of the originator.
- The loan principal has already been fully drawn down.
- None of the loans has been approved contrary to the evaluation of the automatic assessment system.
- Each and every loan has an internal PD equal to or less than 6.0%.

- At least one instalment has fallen due and has been paid on the loan.
- The following loans are excluded from selection:
    - Loan with an outstanding principal balance greater than EUR 100,000.
    - Loans are in arrears for more than 30 days.
    - Loans with a remaining term longer than nine years.
    - Loans contemplating deferrals of interest payments.
    - Loans whose borrowers were unemployed on the date of origination.
    - The maturity date of the loan falls beyond the final maturity date of the issuer.
    - The loan is in an interest or principal repayment exclusion period

Concentration Limits

- The outstanding balance of the receivables corresponding to the same borrower does not exceed 0.05% of the portfolio.
- Maximum WA remaining term: 84 months.
- Maximum concentration in the Top 1 Autonomous Community: 26.0%.
- Maximum concentration in the Top 3 Autonomous Communities: 65.0%.
- Loans with an outstanding balance of more than EUR 60,000 do not exceed 5.0% (they are between EUR 60,000 and EUR 100,000).
- The WA interest rate of the portfolio will be at least 7.0%.

Originator and Servicer Review

DBRS Morningstar conducted an operational review of Santander's Spanish consumer loan operations in January 2020. DBRS Morningstar considers Santander's origination practices to be above other Spanish lenders and the servicing practices to be consistent with those observed among other Spanish lenders.

Santander, founded in 1857, is headquartered in Madrid and is one of the 13 leading banks in the world by market capitalisation and the largest bank in the European Union. Historically, Santander has had a strong presence abroad, beginning in South America in 1947, and is currently one of the largest banks in Europe and Latin America, with a significant presence in the United States.

Santander is engaged in broadly diversified activities in retail and corporate banking, consumer finance, and asset management.

As of the end of September 2019, Santander had total assets of EUR 1.52 trillion, making it the largest bank in Spain and one of the largest in the Eurozone by total assets and market capitalisation. The bank has approximately 201,000 employees worldwide.

DBRS Morningstar's ratings for Santander are as follows:

Banco Santander, S.A.				
Debt	**Long-Term Rating**	**Trend**	**Short-Term Rating**	**Trend**
Issuer Rating	A (high)	Stable	R-1 (middle)	Stable
Senior Debt	A (high)	Stable	R-1 (middle)	Stable
Nonpreferred Debt	A	Stable	R-1 (middle)	Stable
Subordinated Debt	A (low)	Stable	R-1 (middle)	Stable
Deposits	A (high)	Stable	R-1 (middle)	Stable
Critical Obligation	AA (low)	Positive	R-1 (middle)	Positive
Review Date	28 November 2019			

More information on Santander's ratings can be found at www.dbrsmorningstar.com.

Origination and Underwriting

Origination and Sourcing

Santander offers a variety of consumer loans including consumer credit loans, personal loans, and credit cards. Consumer credit loans are generally granted for a specific purpose such as the purchase of a new or used car. The maximum term and amount varies according to the type of loan. Personal loans are only offered to existing customers of the bank. The loans range in size from EUR 1,000.00 to EUR 60,000.00 with terms of 12 months to 96 months and monthly payment frequencies.

Loans are sourced through Santander's branch network of more than 3,200 branches throughout Spain. Santander also employs mailing campaigns and the Internet to acquire new customers. Santander focusses on preapproved loans, which represents almost 70% of new production. Customers who have had a current account for a minimum of four months are given a credit limit based on the financial information of the customer that the bank holds. If a customer requests a loan and it is within the limit then all that customer needs to do is sign the loan terms and the money is disbursed to their account. If the customer requests anything outside of the preapproval limit then they must complete a full application. Santander uses standard application forms that are completed by the customer and sent to Santander's headquarters in Madrid along with the necessary supporting documentation via email.

Underwriting Process

All underwriting activities at Santander are appropriately segregated from marketing and sales. Santander adheres to standard identification and income verification practices and documents required for assessing the borrower's creditworthiness, including pay slips and pension slips. The underwriting process is centralised in Madrid and includes allocation of credit scoring and various database searches. These searches incorporate credit bureau data from Experian. The credit bureau data provides Santander with information concerning existing loan and leasing agreements, existing bank accounts, previous financial defaults, insolvency proceedings, and declarations of insolvency. The information from the external databases is automatically requested by Santander during the credit scoring phase.

For the purposes of credit scoring, the models that Santander uses take into account different variables such as marital status, profession, age, and historical experience with Santander, amongst others. Different scorecards are in place for each product.

The models were developed with FICO and Experian, but are controlled by Santander and only use Santander data. Each model has been approved and is supervised by the Bank of Spain. The last time any of the models were updated was in September 2019, however all models undergo a quarterly validation exercise.

During the credit scoring process, the applicant receives points per variable according to the Santander policy. All results are added and the sum gives Santander a prediction of the risk of granting a loan to the applicant. This scoring process is treated strictly confidential externally. No information regarding the weighting or values of single criteria or cut-off limits of scoring results are communicated externally to customers, partners, or rating agencies. However, information according to the data protection law is given to the applicant if requested.

Approval authority limits are set centrally in Madrid and vary depending on the type of loan, customer, purpose, and other parameters. Out of all applications received, 90% are automated, while the remainder are manually reviewed, with approximately 40% of referrals being approved.

Strengths

- Major Spanish consumer loan lender.
- Europe's largest bank.
- Robust governance and internal control process in place.
- Experienced senior management team and underwriting team in place.
- Centralised underwriting at Santander's Madrid headquarters with all loans agreed by Santander staff only.

Servicing

Servicing is centralised in Madrid, including all general administrative activities and customer service with the former being heavily automated as a result of the standardised nature of the product. Santander handles the new business, checks contracts, documents, and also pays out the balance of the loan. The recovery process is broken down into the following phases based on the number of days in arrears:

- **Day 1 to Day 90:** In this phase the customers are managed by one of three third-party call centres located in the Madrid region. Certain customers are managed by in-house debt managers, for example those with a total exposure to Santander of more than EUR 50,000. During this period, customers are contacted via telephone, SMS, or post.
- **Day 91 to Day 150:** Accounts are referred to one of the five external debt collection agencies in Spain to be managed. Again, certain customers are managed by in-house debt managers, for example those with a total exposure to Santander of more than EUR 50,000. These accounts are managed manually and follow a more specialised process.
- **Day 151+:** Accounts are referred to internal lawyers to pursue the judicial collection process, together with six external recovery partners, which are different from the previous phase.

Most probable solutions of the proceedings are that delinquent clients are able to refinance the debt or pay off the debt in part or in full; however, this is not always possible as the client may no longer be considered creditworthy. If a lawsuit is presented, the judicial process can extend for 11 months to 15 months, generally resulting in foreclosure if appropriate. Once this process is finished, Santander tries to sell the foreclosed assets.

Like most Spanish banks, payments are primarily made through direct debit, although borrowers can submit payments or pay directly at the branch. The majority of loans follow monthly payment schedules although quarterly, semi-annual, and annual schedules may be permitted and this is in line with the overall Spanish market.

The bank follows standard collections and arrears management strategies, including compliance with regulatory guidelines surrounding delinquency, watch list, and default definitions. Borrower contact is managed as detailed above. The bank's internal rating system is used to monitor the loan, including updates to the rating, and helps to set the appropriate workout strategy. Legal proceedings are initiated generally after a loan is officially classified as defaulted and all previous attempts at an out-of-court resolution have been exhausted.

Strengths

- Majority of payments made via direct debit.
- Monthly surveillance activities of the bank's entire loan portfolio segregated by customer segment.

Rating Analysis

Historical Performance Data and Portfolio Information

DBRS Morningstar was provided with historical static data for loans originated by Santander. The set of historical data analysed by DBRS Morningstar is described below:

- Quarterly static default data from Q1 2012 to Q3 2019 for Santander's total consumer pool split between preapproved consumer loans and regular consumer loans.
- Quarterly static default data from Q1 2012 to Q3 2019 for Santander's consumer pool with internal PD up to 6.0%, split between preapproved consumer loans and regular consumer loans.
- Quarterly static recovery data from Q1 2012 to Q3 2019 for Santander's total consumer pool split between preapproved consumer loans and regular consumer loans.
- Quarterly static recovery data from Q1 2012 to Q3 2019 for Santander's consumer pool with internal PD up to 6.0%, split between preapproved consumer loans and regular consumer loans.

The collateral portfolio information provided to DBRS Morningstar includes:

- Detailed stratification tables related to the asset portfolio selected by Santander as at 5 March 2020.
- Loan-by-loan portfolio selected by Santander as at 5 March 2020.

Counterparty Review

Issuer

Issuer Name	Santander Consumo 3, FT
Incorporation	A special-purpose vehicle (SPV), incorporated and registered in the Kingdom of Spain as a securitisation fund (Fondo de Titulización) through a public deed (Escritura de Constitución) executed on 2 April 2020
Isolation Framework	Law 15/2015 main framework for securitisation regulation in Spain
Bankruptcy Remoteness	The SPV was established with the exclusive purpose to enter into securitisation transactions. Within the scope of its role, it is permitted to purchase receivables, issue securitisation notes, enter into the relevant transaction documents, and carry out the activities related to securitisation transactions.

The issuer has no subsidiaries or employees and has not carried on any business or activities other than those incidental to its incorporation, authorisation, and other activities incidental to the exercise of its rights and compliance with its obligations under the transaction. The issuer does not directly conduct any activity and thus has no employees of its own; however, it appointed the transaction parties to conduct all activities necessary to its existence and the management of this securitisation transaction.

Pursuant to the terms of the transaction documents, the management company (Sociedad Gestora), Santander de Titulización, S.G.F.T. S.A., will provide direction and other corporate and administration services to the issuer in exchange for an annual fee paid by the issuer. Likewise, the issuer has mandated the other transaction parties to conduct all the activities necessary to enable the continuation of this transaction.

Account Bank

Banco Santander, S.A. has been appointed as the issuer's account bank for the transaction. DBRS Morningstar holds the following public ratings on Banco Santander, S.A. and has concluded that it meets DBRS Morningstar's minimum criteria to act in its capacity as account bank.

Banco Santander, S.A.				
Debt	**Long-Term Rating**	**Trend**	**Short-Term Rating**	**Trend**
Issuer Rating	A (high)	Stable	R-1 (middle)	Stable
Senior Debt	A (high)	Stable	R-1 (middle)	Stable
Nonpreferred Debt	A	Stable	R-1 (middle)	Stable
Subordinated Debt	A (low)	Stable	R-1 (middle)	Stable
Deposits	A (high)	Stable	R-1 (middle)	Stable
Critical Obligation	AA (low)	Positive	R-1 (middle)	Positive
Review Date	28 November 2019			

The transaction contains downgrade provisions relating to the account bank consistent with DBRS Morningstar's criteria as at the date of this report. The downgrade provisions require that Santander is replaced as account bank upon breach of certain rating provisions. If the account bank's applicable DBRS Morningstar rating is downgraded below "A", then within 60 natural days, the management company on behalf of the fund would need to (1) find a guarantor with the minimum DBRS Morningstar rating of "A" that will unconditionally and irrevocably guarantee the obligations of the cash flow account agreement or (2) find a replacement with the minimum DBRS Morningstar account bank rating of "A".

The account bank holds the issuer's accounts where the issuer deposits all its funds, particularly the issuer's main account, the cash flow account, which holds (1) principal collections once the revolving period is over; during the revolving period the principal collections will be deposited in the principal account (with the same characteristics and triggers as the cash flow account), (2) interest collections, (3) any other revenue directly or indirectly derived from the assigned receivables, and (4) the cash reserve and the funds required to pay the issuer's setup expenses provided on the settlement date by Santander through the subordinated loan.

The principal account holds the amount that, during the revolving period, were not used to purchase additional receivables, the principal account will hold a maximum amount of 5.0% of the Rated Notes; if the amount exceeds the mentioned 5.0%, this excess is used to amortise the notes on a pro rata basis.

The swap account holds any cash collateral to be posted by the swap provider under the swap agreement.

The management company has entered into a paying agency agreement with Santander, on behalf of the issuer. The paying agent executes the payment instructions from the management company, required to make issuer payments. The paying agent calculates the amount due and payable. The transaction documents establish the same trigger as the account bank, and if Santander is then downgraded below "A", the paying agent looks for a substitute entity or a guarantor with a minimum rating of "A" within 60 days.

Hedging Counterparty

Santander is the appointed transaction hedging counterparty. DBRS Morningstar publicly rates Santander (see ratings in the table of the previous section above) and has concluded that Santander meets its minimum requirements to act in this role. The transaction documents contain downgrade provisions with respect to the hedging counterparty consistent with DBRS Morningstar's criteria to date.

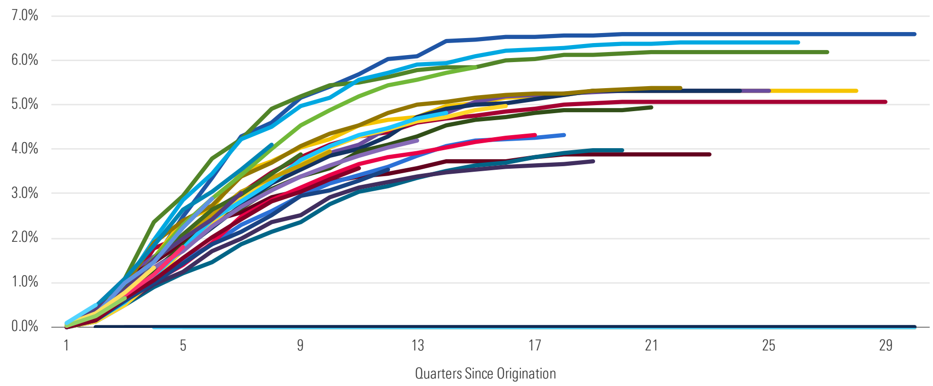
Default and Recovery Analysis

DBRS Morningstar analysed all sets of information and concluded that the historical data from loans with an internal PD up to 6.0% had a better behaviour. DBRS Morningstar then considered positive selection of the portfolio by the seller. DBRS Morningstar decided to give credit to this data but will give only a 50.0% credit in respect of the consumer loan portfolio data.

Default information for preapproved loans with internal PD lower than 6.0% (+ 90 days)

After considering the quality and trend of the data, DBRS Morningstar assumes a base-case lifetime default for preapproved loans with a positive selection of 5.06%.

Exhibit 1

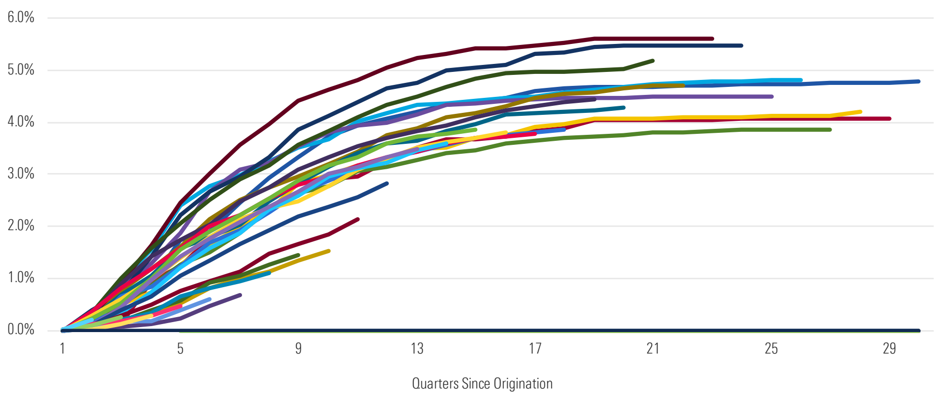


Source: DBRS Morningstar.

Default information for regular loans with internal PD lower than 6.0% (+ 90 Days)

After considering the quality and trend of the data, DBRS Morningstar assumes a base-case lifetime default for regular loans with a positive selection of 3.14%.

Exhibit 2

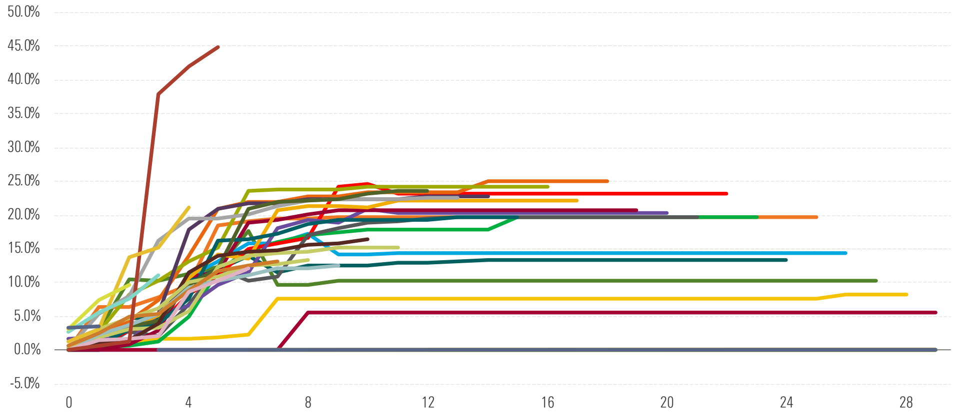


Source: DBRS Morningstar.

Recoveries information for preapproved loans with internal PD lower than 6.0%

After considering the quality and trend of the data, DBRS Morningstar assumed a base case of 22.14% recoveries for preapproved loans with a positive selection.

Exhibit 3

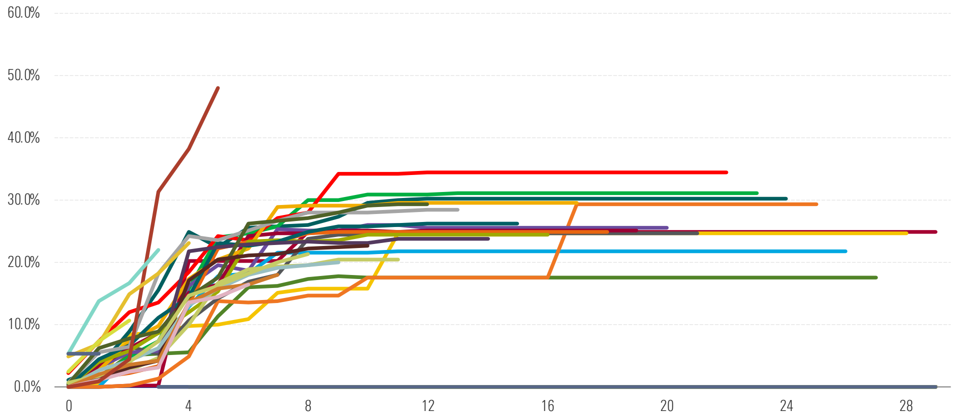


Source: DBRS Morningstar.

Recoveries information for regular loans with internal PD lower than 6.0%

After considering the quality and trend of the data, DBRS Morningstar assumed a base case of 26.90% recoveries for regular loans with a positive selection.

Exhibit 4



Source: DBRS Morningstar.

DBRS Morningstar made the following assumptions:

- The worst-case portfolio distribution according to the eligibility criteria.
- 75% preapproved loans, 25% regular loans.
- To give credit of 50.0% to the positive selection of the portfolio PD up to 6.0%.
- The gross loss and base case recovery rate DBRS Morningstar uses in its analysis are 4.8% and 23.3%, respectively.

Rating	Cumulative Default Rate	Recovery Rate
AA (sf)	21.49%	17.50%
A (sf)	14.52%	18.66%
A (low) (sf)	12.71%	19.05%
BBB (sf)	9.68%	19.83%
BB (high) (sf)	7.92%	20.61%

Prepayment Analysis

Santander did not provide the prepayment data for its consumer portfolio. DBRS Morningstar analysed the prepayment data of Santander's previous securitisation, Santander Consumo 2, FT, and concluded that the average 12-month prepayment rate has remained constant at about 15.0%. In any case, the years the data covers are not relevant in terms of duration and the data itself could include repurchased loans.

DBRS Morningstar has stressed prepayment rates from 0% to 20%, in line with the assumptions made for similar transactions in the Spanish consumer loan market.

Other Risks

Permitted Variations in Securitised Loans

Per the servicing agreement, the servicer is allowed to modify loan contracts within the portfolio aside from the good servicing practices defined by the Bank of Spain. These modifications can be made without the management company's consent and are subject to the following limitations:

- Interest Rate Renegotiations:
  - To modify a floating-rate loan to a fixed-rate loan, the interest rate on a loan shall not decrease if the WA interest rate of the overall portfolio is below 7.00%.
  - To modify the nominal interest rate of a fixed-rate loan, the interest rate on that loan shall not be lower than 7.00%.
  - For each of the above-mentioned renegotiations the maximum amount that may be novated will represent 5.0% of the initial portfolio balance.

- Maturity Extensions:
  - The maturity of the loan can be extended up to 30 September 2028.
  - Frequency of payment and amortisation method must remain the same or higher.
  - The maximum amount that may be extended in the maturity will represent 10.0% of the initial portfolio balance.

DBRS Morningstar considers these changes in its cash flow analysis to stress the worst-case portfolio composition and, in addition, applies a yield compression on the portfolio's interest rate of up to 20.0%.

Cash Flow Analysis

DBRS Morningstar's cash flow assumptions focused on the amount and timing of defaults and recoveries, prepayment speeds, and interest rates. Based on a combination of these assumptions, a total of 18 cash flow scenarios were applied to test the performance of the Rated Notes.

Scenario	Prepayments	Default Timing	Interest Rate

1	Low	Front	Upward
2	Low	Middle	Upward
3	Low	Back	Upward
4	Base	Front	Upward
5	Base	Middle	Upward
6	Base	Back	Upward
7	High	Front	Upward
8	High	Middle	Upward
9	High	Back	Upward
10	Low	Front	Downward
11	Low	Middle	Downward
12	Low	Back	Downward
13	Base	Front	Downward
14	Base	Middle	Downward
15	Base	Back	Downward
16	High	Front	Downward
17	High	Middle	Downward
18	High	Back	Downward

Timing of Defaults

DBRS Morningstar estimated the default timing patterns and created base-, front- and back-loaded default curves. The WA life of the collateral portfolio is expected to be about three years, and the front-loaded, middle- and back-loaded default distributions are listed below.

Period	Front-Loaded Losses	Middle Losses	Back-Loaded Losses
1	50.00%	25.00%	20.00%
2	30.00%	50.00%	30.00%
3	20.00%	25.00%	50.00%

Interest Rate Stresses

DBRS Morningstar applied its standard interest rate stresses as detailed in its *Interest Rate Stresses for European Structured Finance Transactions* methodology (October 2019).

Risk Sensitivity

DBRS Morningstar expects that lifetime base-case probability of default may cause stresses to base-case assumptions and therefore have a negative effect on the credit ratings. The tables below illustrate the sensitivity of the ratings to various changes in the base-case default rates and loss-severity assumptions relative to the base-case assumptions used by DBRS Morningstar in assigning the ratings.

Series A				
		Increase in Default Rate (%)		
		0	**25**	**50**
Increase in Loss Given Default (LGD) (%)	0	AA (sf)	A (high) (sf)	A (sf)
	25	AA (low) (sf)	A (sf)	A (Low) (sf)
	50	AA (low) (sf)	A (sf)	A (Low) (sf)

Series B

		Increase in Default Rate (%)		
		0	**25**	**50**
Increase in LGD (%)	0	A (sf)	A(sf)	BBB(high) (sf)
	25	A (Low) (sf)	BBB (high) (sf)	BBB (sf)
	50	A (Low) (sf)	BBB(high) (sf)	BBB (sf)

Series C				
		Increase in Default Rate (%)		
		0	**25**	**50**
Increase in LGD (%)	0	A (Low) (sf)	BBB (high) (sf)	BBB (low) (sf)
	25	BBB (sf)	BBB (low) (sf)	BB (sf)
	50	BBB (sf)	BBB (low) (sf)	BB (sf)

Series D				
		Increase in Default Rate (%)		
		0	**25**	**50**
Increase in LGD (%)	0	BBB (sf)	BBB (sf)	BB (high) (sf)
	25	BBB (low) (sf)	BB (sf)	B (high) (sf)
	50	BBB (low) (sf)	BB (sf)	B (high) (sf)

Series E				
		Increase in Default Rate (%)		
		0	**25**	**50**
Increase in LGD (%)	0	BB (high) (sf)	BB (high) (sf)	BB (low) (sf)
	25	BB (sf)	B (high) (sf)	B (low) (sf)
	50	BB (sf)	B (sf)	B (low) (sf)

Methodologies Applied

The principal methodology applicable to assign the ratings to the above-referenced transaction is *Rating European Consumer and Commercial Asset-Backed Securitisations* (13 January 2020). https://www.dbrsmorningstar.com/research/355534/dbrs-morningstar-publishes-updated-methodology-for-rating-european-consumer-and-commercial-asset-backed-securitisations.

Other methodologies referenced in this transaction are listed below:

- *Rating European Structured Finance Transactions Methodology* (28 February 2020). https://www.dbrsmorningstar.com/research/357428/rating-european-structured-finance-transactions-methodology.
- *Legal Criteria for European Structured Finance Transactions* (11 September 2019). https://www.dbrsmorningstar.com/research/350234/legal-criteria-for-european-structured-finance-transactions.
- *Operational Risk Assessment for European Structured Finance Servicers* (28 February 2020). https://www.dbrsmorningstar.com/research/357429/operational-risk-assessment-for-european-structured-finance-servicers.
- *Operational Risk Assessment for European Structured Finance Originators* (28 February 2020). https://www.dbrsmorningstar.com/research/357430/operational-risk-assessment-for-european-structured-finance-originators.
- *Derivative Criteria for European Structured Finance Transactions* (26 September 2019). https://www.dbrsmorningstar.com/research/350908/dbrs-publishes-updated-derivative-criteria-for-european-structured-finance-transactions.
- *Interest Rate Stresses for European Structured Finance Transactions*. (10 October 2019). https://www.dbrsmorningstar.com/research/351557/interest-rate-stresses-for-european-structured-finance-transactions.

The rating methodologies and criteria used in the analysis of this transaction can be found at: http://www.dbrsmorningstar.com/about/methodologies. Alternatively, please contact info@dbrsmorningstar.com.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to Appendix C: *The Impact of Sovereign Ratings on Other DBRS Credit Ratings of the Rating Sovereign Governments* methodology (27 November 2017) at: https://dbrsmorningstar.com/research/319564/rating-sovereign-governments.pdf

Surveillance

DBRS Morningstar monitors the transaction in accordance with its *Master European Structured Finance Surveillance Methodology* (13 December 2019), which is available at www.dbrsmorningstar.com under Methodologies. Alternatively, please contact info@dbrsmorningstar.com.

About DBRS Morningstar

DBRS Morningstar is a global credit ratings business with approximately 700 employees in eight offices globally.

On 2 July 2019, Morningstar, Inc. completed its acquisition of DBRS. Combining DBRS' strong market presence in Canada, the U.S., and Europe with Morningstar Credit Ratings' U.S. footprint has expanded global asset class coverage and provided investors with an enhanced platform featuring thought leadership, analysis, and research. DBRS and Morningstar Credit Ratings are committed to empowering investor success, serving the market through leading-edge technology and raising the bar for the industry.

Together as DBRS Morningstar, we are the world's fourth-largest credit ratings agency and a market leader in Canada, the U.S., and Europe in multiple asset classes. We rate more than 2,600 issuers and 54,000 securities worldwide and are driven to bring more clarity, diversity, and responsiveness to the ratings process. Our approach and size provide the agility to respond to customers' needs, while being large enough to provide the necessary expertise and resources.

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