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# Santander Consumer Spain Auto 2022-1, FT

## Capital Structure

| Class | Expected Rating | Outlook | Amount (EURm) | CE (%) | Interest Rate (%) | Legal Final Maturity |
|---|---|---|---|---|---|---|
| A | AA(EXP)sf | Stable | 572.0 | 19.3 | 3m Euribor + 0.80% | Sept 2038 |
| B | A+(EXP)sf | Stable | 32.5 | 14.6 | 3m Euribor + 1.05% | Sept 2038 |
| C | A(EXP)sf | Stable | 22.5 | 11.4 | 3m Euribor + 1.80% | Sept 2038 |
| D | BBB(EXP)sf | Stable | 45.0 | 5.0 | 3m Euribor + 3.50% | Sept 2038 |
| E | NR(EXP)sf | | 28.0 | 1.0 | 3m Euribor + [•] | Sept 2038 |
| F | NR(EXP)sf | | 7.0 | 0.0 | [TBD] fixed | |
| **Total** | | | **707.0** | | | |

Notes: Credit Enhancement (CE) consists of structural subordination and the reserve fund, which is funded with class F issuance proceeds. Moreover, the structure benefits from an initial excess spread of about [TBD ] per annum.

Santander Consumer Spain Auto 2022-1, FT (SCSA 2022-1) is a revolving securitisation of a EUR700 million portfolio of fully amortising auto loans originated by Santander Consumer Finance, S.A. (SCF, A-/Stable/F2, seller), whose ultimate parent is Banco Santander, S.A. (A-/Stable/F2).

## Key Rating Drivers

**Large Used Cars Share:** Fitch Ratings' credit assumptions on the portfolio reflect the large share of used-car loans, which could represent up to 80% in volume terms under revolving limits. This exposure is higher than the average seen in recent Spanish peer auto transactions. Fitch has assumed base case lifetime default and recovery rates of 6.7% and 55.6% respectively for the stressed portfolio. This is given the historical data provided by SCF, Spain's economic outlook, and the originator's underwriting and servicing strategies.

**Revolving Period Increases Risk:** The transaction will feature a 13-month revolving period, during which new receivables can be purchased by the SPV. Fitch believes revolving periods increase risk due to the longer exposure to the economic cycle and the possibility of underwriting standards loosening. The portfolio could migrate towards riskier asset types. Fitch accounted for these risks through the 3.4x default multiple applied at 'AA' level, and assuming the portfolio shifts towards a stressed composition in line with the documented replenishment limits.

**Sensitivity to Pro Rata Amortisation:** After the revolving period, classes A to E notes will be repaid pro rata unless a switch to sequential event is triggered, which Fitch expects to occur relatively soon given the stressed portfolio performance expectations compared with defined triggers. Fitch views the tail risk posed by the pro rata paydown as mitigated by the mandatory switch to sequential amortisation when the portfolio balance falls below 10% of its initial balance.

**Account Bank Eligibility Limits Ratings:** The maximum achievable rating of the transaction is 'AA+sf' due to the transaction account bank (TAB) and derivative provider minimum eligible ratings contractually defined of 'A-' or 'F1', which are not commensurate with 'AAAsf' ratings.

**Servicing Disruption Risk Mitigated:** Fitch views the cash reserve fund as adequate to mitigate payment interruption risk in a scenario of servicer disruption. It is available to cover senior costs and classes A to E interest for over three months, a period we view sufficient to implement an alternative arrangement.

EMEA ABS Compare Tool

| Inside This Report | Page |
|---|---|


This presale report reflects information in Fitch's possession at the time that Fitch's expected ratings are issued; the transaction has yet to be finalised and changes could occur. As a result, the expected ratings disclosed in this report do not reflect final ratings, but are solely based on information provided by the issuer as of 4 November 2022. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other material should be reviewed prior to any purchase.

Fitch's related Rating Action Commentary issued at transaction closing will include final ratings, which will include an assessment of any material information that may have changed subsequent to the publication of the presale.

Representations, Warranties and Enforcement Mechanisms Appendix

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## Highlights

### Highlights

| Effect | Highlight |
|---|---|
| Neutral | **Resilience to Downside Risks:** Fitch believes the current asset assumptions are not overly sensitive to the downside performance risks associated with the war in Ukraine and rising living costs (see Global Economic Outlook – September 2022). We have factored in the potential combined impacts of high inflation and low GDP growth in our analysis. |
| + | **Interest Rate Mismatch Hedged:** The transaction will benefit from an interest rate swap agreement that hedges the interest rate mismatch arising from the assets paying a fixed interest rate and the floating rate paying classes A to E. |
| Neutral | **Insurance Premia Securitised:** Around 83% of the portfolio balance includes loans with financed insurance premiums. Fitch believes the risk of insurance set-off risk arising in the event of an insurance company default is immaterial. Spain's insurance industry has a clear regulatory framework which protects customer claims following an insurer default. The Insurance Compensation Consortium, a Spanish public entity, would be in charge of liquidating any defaulted insurer and settling policyholders' claims. |
| - | **Higher Probability of Default (PD) Limit:** SCSA 2022-1 can be exposed up to 20% of its portfolio balance to loans with a regulatory PD of up to 6%, which is higher than the maximum 4% PD allowed in the prior Santander Consumer Spain Auto 2019-1 deal. Fitch's credit analysis of SCS 2022-1 accounted for this higher risk profile. See Transaction Comparisons and Portfolio Credit Analysis sections. |
| + | **Fully Amortising Loans:** The transaction is not exposed to balloon instalment nor residual value risks as all the loans are fully amortising (French amortisation). |

Source: Fitch Ratings

## Key Transaction Parties

### Key Transaction Parties

| Role | Name | Fitch Issuer Default Rating (IDR) unless stated otherwise |
|---|---|---|
| Issuer, SPV | SCSA 2022-1 | Not Rated |
| Originator, Servicer, Transaction Account Bank (TAB) | Santander Consumer Finance, S.A. | A-/Stable/F2<br>A/F1 deposit rating |
| Hedge Provider | Banco Santander, S.A. | A-/Stable/F2<br>A(dcr) |
| Trustee (management company) | Santander de Titulización, S.G.F.T, S.A | Not rated |

Source: Fitch Ratings, transaction documents

## Transaction Comparison

The most significant features of SCSA 2022-1 compared to other Iberian auto loan securitisations are its high share of used cars and its exposure to loans with regulatory PD up to 6%. All information within the table below refers to the analysis at the closing date of each transaction.

### Key Rating Driver (Negative/Positive/Neutral)

| Rating Impact | Key Rating Driver |
|---|---|
| Negative | Large Used Cars Share |
| Negative | Revolving Period Increase Risk |
| Neutral | Sensitivity to Pro-Rata Amortisation |
| Negative | Account Bank Eligibility Limits Ratings |
| Positive | Servicing Disruption Risk Mitigated |

Source: Fitch Ratings

### Applicable Criteria

Global Structured Finance Rating Criteria (October 2021)

Consumer ABS Rating Criteria (August 2022)

Structured Finance and Covered Bonds Counterparty Rating Criteria (July 2022)

Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (August 2022)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (September 2021)

Structured Finance and Covered Bonds Country Risk Rating Criteria (July 2022)

Global Structured Finance Rating Criteria (October 2021)

### Related Research

Global Economic Outlook (September 2022)

ABS Compare (August 2022)

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## Transaction Comparison

| | Santander Consumer Spain Auto 2022-1 | Santander Consumer Spain Auto 2019-1 | AutoNoria Spain 2022, FT | AutoNoria Spain 2021 | BBVA Consumer Auto 2022-1, FT |
|---|---|---|---|---|---|
| Closing | November 2022 | October 2019 | September 2022 | June 2021 | June 2022 |
| Country of assets | Spain | Spain | Spain | Spain | Spain |
| Originator | Santander Consumer Finance, S.A. | Santander Consumer Finance, S.A. | Banco Cetelem S.A.U. | Banco Cetelem S.A.U. | BBVA, S.A. |
| Issuance (EURm) | 707.0 | 555.5 | 600.0 | 1000.0 | 1,205.5 |
| Class | Class A | Class A | Class A | Class A | Class A |
| Initial rating | AA(EXP)sf | AA+sf | AAAsf | AAAsf | AA+sf |
| Amount (EURm) | 572.0 | 440.0 | 493.5 | 790.0 | 1,038.0 |
| CE (%) | 19.3 | 21.0 | 17.8 | 21.0 | 14.0 |
| Class | Class B | Class B | Class B | Class B | Class B |
| Initial rating | A+(EXP)sf | AA+sf | AA+sf | AA+sf | AA-sf |
| Amount (EURm) | 32.5 | 57.5 | 15.0 | 55.0 | 30.0 |
| CE (%) | 14.6 | 10.5 | 15.3 | 15.5 | 11.5 |
| Class | Class C | Class C | Class C | Class C | Class C |
| Initial rating | A(EXP)sf | Asf | A+sf | Asf | Asf |
| Amount (EURm) | 22.5 | 27.8 | 24.0 | 50.0 | 24.0 |
| CE (%) | 11.4 | 5.5 | 11.3 | 10.5 | 9.5 |
| Class | Class D | Class D | Class D | Class D | Class D |
| Initial rating | BBB(EXP)sf | BBB+sf | Asf | BBB+sf | A-sf |
| Amount (EURm) | 45.0 | 10.0 | 12.0 | 40.0 | 48.0 |
| CE (%) | 5.0 | 3.6 | 9.3 | 6.5 | 5.5 |
| Portfolio Summary | | | | | |
| Revolving period length | 13 months | 24 months | 6 months | 12 months | Static |
| Type of receivables | Auto loans | Auto loans | Auto, moto and recreational vehicles | Auto, moto and recreational vehicles | Auto loans |
| Portfolio balance (EURm)[a] | [TBD] | 550.0 | 619.6 | 1,108.2 | 1,359 |
| Number of loans | [TBD] | 52,559 | 46,485 | 97,911 | 116,512 |
| Average balance (EUR) | [TBD] | 11,660 | 13,329 | 11,319 | 11,666 |
| WA remaining term (months) | 73 | 75 | 74 | 68 | 72 |
| WA seasoning (months) | 11 | 25 | 10 | 18 | 16 |
| WA interest rate (%) | 6.7 | 6.5 | 7.4 | 7.1 | 6.3 |
| Vehicle type (%) | | | | | |
| New | 28 | 47 | 80[b] | 86[b] | 80 |
| Used | 72 | 53 | 14 | 5 | 20 |
| Other | 0 | 0 | 6[c] | 9[c] | 0 |
| Borrower type (%) | | | | | |
| Individual | 96 | 97 | 100 | 100 | 100 |
| SME/commercial | 4 | 3 | 0 | 0 | 0 |
| Base case assumptions (%) | | | | | |
| Defaults (lifetime, blended) | 6.7 | 5.3 | 3.5 | 4.6 | 4.0 |
| Recoveries (blended) | 55.6 | 52.6 | 20.4 | 20.1 | 60.0 |
| Prepayment rate (annual, %) | 6.0 | 6.0 | 11.0 | 11.0 | 6.0 |

[a] SCSA 2022-1 preliminary portfolio data as of 29 August 2022

[b] New and semi-new (used < 4 years) vehicles

[c] Moto and recreational vehicles

Source: Fitch Ratings,

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## Sector Risks: Additional Perspective

### Key Sector Risks

| | |
|---|---|
| **Sector or asset outlook** | Fitch's asset performance outlook for auto ABS is neutral (see Fitch's Mid-Year Sector Outlook Updates). However, downside performance risks have increased. The current pronounced increase in inflation will put pressure on household finances, especially for weaker borrowers, and increase risks to structured finance asset performance. |
| Macro or sector risks | The outlook for Spain's economic growth has deteriorated as inflation challenges intensify and Russia's invasion of Ukraine threatens global energy supplies. Fitch reduced its estimate for Spain's GDP growth for 2022 and 2023 by 0.3pp and 1.7pp, respectively to 4.1% and 1.7% in its September 2022 Global Economic Outlook. We also forecast the unemployment rate and CPI inflation to average 12.9% and 7.8% in 2022. |

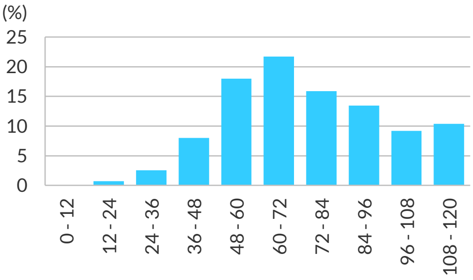
Source: Fitch Ratings

## Asset Analysis

The pool comprises fully amortising loans granted to Spanish individuals and SMEs for the purpose of buying new or used vehicles. All the loans were originated following SCF's guidelines in the course of its normal business, bear a fixed rate of interest, and are repaid monthly through direct debits.

### Remaining Term to Maturity

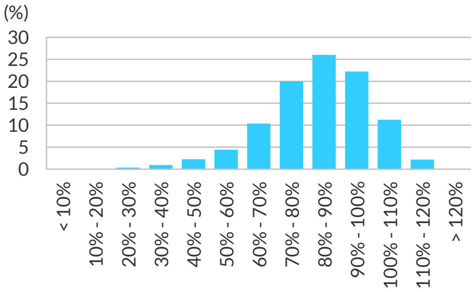
% Initial Portfolio Balance




Source: Fitch Ratings, SCSA 2022-1

### Original Loan to Value

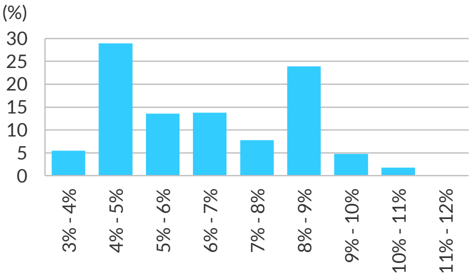
% Initial Portfolio Balance




Source: Fitch Ratings, SCSA 2022-1

### Interest Rate

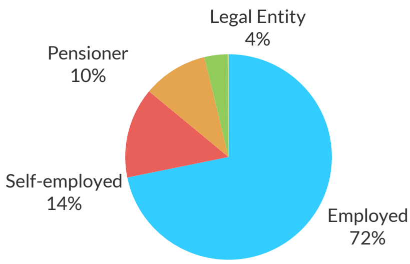
% Initial Portfolio Balance




Source: Fitch Ratings, SCSA 2022-1

### Employment Status

% Initial Portfolio Balance




Source: Fitch Ratings, SCSA 2022-1

### Key Asset Eligibility Criteria

For each asset purchase the following key eligibility criteria will apply:

- Each loan is governed by Spanish laws, denominated in euros, granted to individuals or SMEs for the acquisition of a car in the ordinary course of SCF's business. The borrower is domiciled in Spain, and is not unemployed or an employee of the seller;
- Each loan has been executed for the financing of a single vehicle, and none is in arrears or defaulted. None of the loans has been restructured or refinanced;
- Each loan has at least one instalment paid, bears a fixed interest rate of at least 3.95%, has a monthly payment frequency with fixed instalments, is repaid by direct debit, and matures before the legal final maturity of the notes;
- Each loan has a regulatory PD equal or lower than 6%.

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## Revolving Period

The transaction will use available funds to purchase new receivables during the first 13 months, unless a revolving period early termination event occurs, which includes the following:

1. At each quarterly interest payment date (IPD), the portfolio excluding defaults (defined as arrears over 90 days) is lower than 75% of the original balance of the classes to E notes;
2. A principal deficiency is identified, when the outstanding balance of the class A-E notes at the prior IPD is higher than the sum of: pool balance excluding defaults, assets purchased on the prior IPD, and remaining cash after asset purchases;
3. A seller insolvency event occurs;
4. The cumulative loss ratio at each IPD is larger than the limits shown in the table on the right. The cumulative loss ratio is calculated as gross cumulative defaults less cumulative recoveries, divided by initial pool balance including asset purchases.
5. Cumulative gross defaults exceed 100% of the sum of the classes D, E and F closing balances;
6. Breach of obligations by the seller not remedied within five business days;
7. A swap counterparty downgrade event occurs and no remedies are put in place;
8. The seller exercises the seller's call option (this includes the clean-up event, the tax event and the regulatory call event).

During the revolving period, the classes A to E notes would amortise on a pro rata basis if the available cash balance at the TAB is greater than 5% of these notes outstanding balances at each IPD, in an amount equivalent to the excess above the defined limit. This mechanism mitigates the risk of excessive cash accumulation during the revolving period.

The portfolio migration risk during the revolving period is contained by limits to the total portfolio including new purchases as described below:

### Cumulative Loss Ratio Trigger

| Payment dates after closing | Trigger (%) |
|---|---|
| December 2022 | 0.28 |
| March 2023 | 0.55 |
| June 2023 | 0.96 |
| September 2023 | 1.30 |
| December 2023 | 1.38 |
| March 2024 | 1.65 |
| June 2024 | 1.95 |
| September 2024 | 2.20 |
| From December 2024 to June 2026 | 2.48 |
| From September 2026 | 3.00 |

Source: Fitch Ratings, transaction documents

### Portfolio Limits (Simplified)

| Description (% unless stated otherwise) | Limit | Initial portfolio |
|---|---|---|
| Used vehicles | <= 80 | 71.2 |
| New vehicles with an internal score < 545 (approximate PD > 4%) | <= 15 | 0.4 |
| Used vehicles with an internal score < 545 (approximate PD > 4%) | <= 25 | 0.7 |
| Top obligor | <= 0.05 | 0.02 |
| SME obligors | <= 8 | 3.9 |
| WA maturity (months) | <= 72 | 73 |
| Loan balance > EUR 50,000 | <= 1.5 | 0.5 |
| Other than passenger car and four-wheel drive vehicle | <= 15 | 8.9 |
| Unemployed (that carry a guarantor as per the seller's underwriting policies) | <= 7 | 0.16 |
| WA interest rate | >= 6 | 6.8 |
| Regulatory PD between 4% and 6% | <= 20 | 8.6 |
| Self-employed borrowers | <= 18 | 14.2 |

Source: Fitch Ratings, transaction documents

## Portfolio Credit Analysis

Fitch derived base-case default, recovery and prepayment assumptions are based on historical data provided by the originator, the macroeconomic outlook for Spain, and the originator's underwriting and servicing strategies. A migration towards riskier attributes during the revolving period is assumed as illustrated by the table below.

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## Base-Case Asset Assumptions (%)

| | Portfolio share | | | |
|---|---|---|---|---|
| Product type | Initial/current | Stressed | Base case default | Base case recovery |
| New vehicles, regulatory PD <= 4% | 26.0 | 18.0 | 3.5 | 60.0 |
| New vehicles, regulatory PD > 4% <= 6% | 2.8 | 2.0 | 7.5 | 60.0 |
| Used vehicles, regulatory PD <= 4% | 65.4 | 62.0 | 6.0 | 55.0 |
| Used vehicles, regulatory PD > 4% <= 6% | 5.8 | 18.0 | 12.0 | 55.0 |
| Total portfolio / Weighted Average | 100.0 | 100.0 | 6.7 | 55.6 |

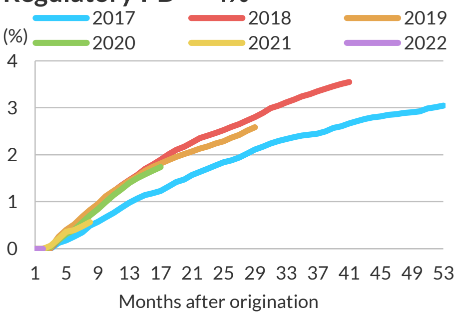
Source: Fitch Ratings

### *Default Risk*

Fitch has assumed a blended base-case lifetime default rate of 6.7%, after assessing default data by vehicle type (new and used) and by regulatory PD bracket provided by the SCF. The analysis also took into account the performance of prior SCF auto securitisations. The charts below display the cumulative default rate relative to the portfolio balance originated by vintage.

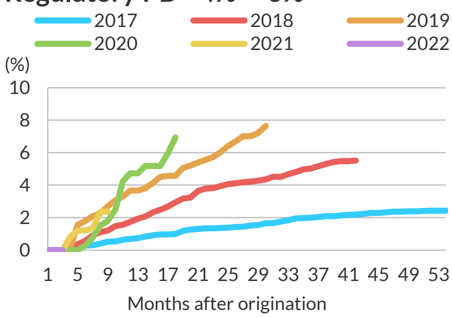
Defaults are defined as loans with at least one instalment in arrears by more than 90 consecutive calendar days (considering materiality thresholds in terms of EUR amounts and the percentage of unpaid amounts on the residual debt), or those classified as unlikely to pay by the seller. This is slightly different from the definition used by prior SCF transactions which referred to three unpaid instalments without any materiality thresholds.

**Cumulative Defaults New Vehicles - Regulatory PD <=4%**



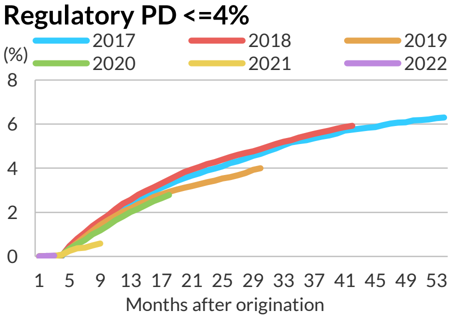

Source: Fitch Ratings, SCF

**Cumulative Defaults New Vehicles - Regulatory PD >4%<=6%**



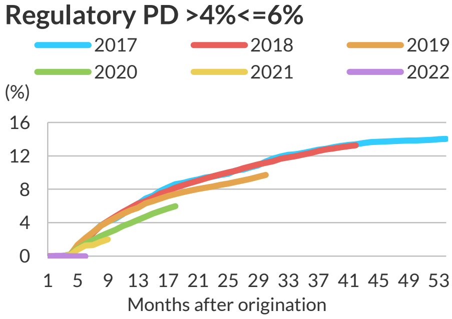

Source: Fitch Ratings, SCF

**Cumulative Defaults Used Vehicles - Regulatory PD <=4%**




Source: Fitch Ratings, SCF

**Cumulative Defaults Used Vehicles - Regulatory PD >4%<=6%**




Source: Fitch Ratings, SCF

At the 'AA' rating level, Fitch calibrated a default multiple of 3.4x from the base case taking into account the length of the revolving period and its permitted covenants, the default definition, the origination shift towards used cars, and the absolute level of the base cases.

### *Recovery Rates*

Fitch has calibrated a blended base case recovery rate of 55.6% considering the historical data received from the originator and performance data from prior SCF auto securitisations. At the 'AA' rating level, Fitch calibrated a WA haircut of 40% reflecting the secured nature of the loans and the shift towards used car origination.

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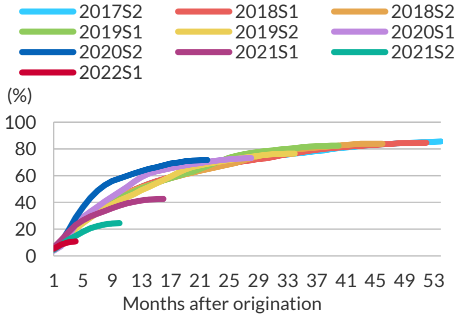
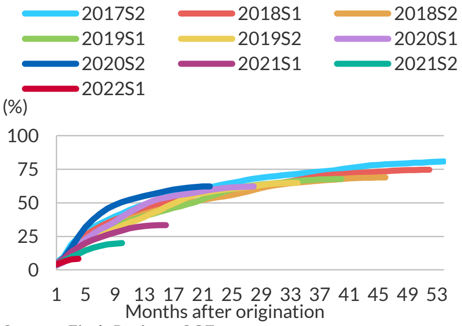
**Cumulative Recoveries New Vehicles**




Source: Fitch Ratings, SCF

**Cumulative Recoveries Used Vehicles**




Source: Fitch Ratings, SCF

The stressed asset assumptions for the blended portfolio are summarised below.

### Stressed Asset Assumptions

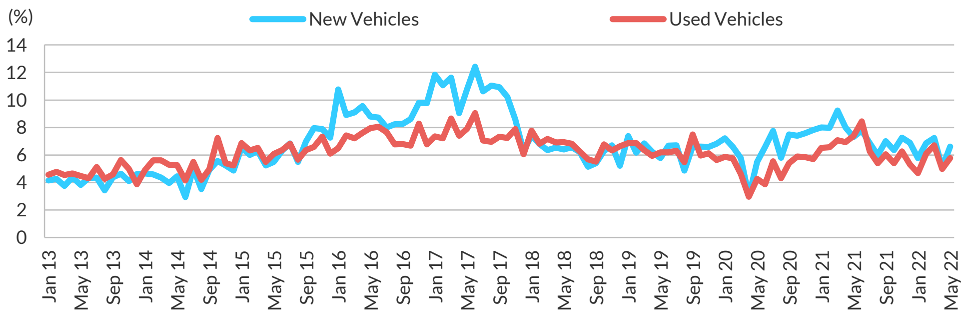
| (%) | Default rate | Recovery rate | Loss rate |
|---|---|---|---|
| AAsf | 22.5 | 33.4 | 14.9 |
| Asf | 16.9 | 38.9 | 10.3 |
| BBBsf | 12.6 | 43.2 | 7.2 |
| BBsf | 8.4 | 47.3 | 4.4 |
| Bsf | 7.5 | 50.1 | 3.7 |
| Base case | 6.7 | 55.6 | 2.9 |

Source: Fitch Ratings

### *Prepayments*

Fitch derived a base-case prepayment assumption of 6% for all the products based on data provided by SCF. Low and high prepayment stresses are in line with Fitch's criteria.

**Annualised Prepayments**




Source: Fitch Ratings, SCF

## Financial Structure and Cash Flow Analysis

The default and recovery rates for this portfolio, together with different timings of defaults, levels of prepayment and interest rate stresses, were tested in Fitch's proprietary cash flow model to determine if there would be sufficient cash flows to pay interest and principal according to the terms of the notes.

The default timing assumption was based on a WA life of between 27 and 43 months for the different sub pools. The recovery timing was derived based on historical observations, and Fitch assumed the same recovery timing for all the products. With respect to yield on the assets, 6% has been accommodated in our cash flow model in line with portfolio covenants during the revolving period.

The analysis shows that the CE levels provided for the securitisation notes are sufficient to withstand the relevant stresses determined by Fitch for the assigned ratings. The ratings address timely payment of interest on the class A notes, but ultimate repayment of interest for

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classes B to D notes as deferrals are permitted under transaction documents. The rating analysis addresses the ultimate repayment of principal for all the notes by the legal final maturity date.

### *Priority of Payments*

The transaction features a combined priority of payments, which governs how the issuer's available funds are allocated on each quarterly IPD.

### Available Funds (Simplified)

| |
|---|
| Interest and principal collections, including recoveries from defaulted loans |
| Swap agreement receipts, if any |
| Reserve fund |
| Monies standing on the SPV bank accounts, including related yield (if any) |
| Any other money belonging to the SPV |

Source: Fitch Ratings, transaction documents

The transaction has a principal deficiency ledger (PDL) mechanism that allows provision for defaults. On each IPD, defaulted amounts will create a PDL entry and excess spread (if any) will clear the PDL to zero. The notes target amortization amount is defined as the difference between collateralized liabilities (classes A to E notes) and the non-defaulted collateral balance.

### Simplified Priority of Payments

| | |
|---|---|
| 1 | Taxes and senior expenses |
| 2 | Swap payments and termination payments if the swap counterparty is not the defaulting party |
| 3 | Interest A |
| 4 | Interest B |
| 5 | Interest C |
| 6 | Interest D |
| 7 | Interest E, if not deferred |
| 8 | Reserve Fund top up |
| 9 | Interest F, if not deferred |
| 10 | During the revolving period, the principal target amortisation amount is used to:<br>(i) buy new loans,<br>(ii) debit the TAB up to 5% of the classes A to E balances at previous IPD, and<br>(iii) amortise classes A to E on a pro rata basis in an amount equal to the excess over the 5% cash accumulation limit.<br>During the amortisation period, to repay the notes. |
| 11 | Interest E, if deferred if the cumulative loss ratio > 3% (see definition below) |
| 12 | Interest F, if deferred if the cumulative loss ratio > 10% |
| 13 | Class F target amortisation amount until fully redeemed. |
| 14 | Other subordinated items including swap termination payment if the swap counterparty is the defaulting party |

Source: Fitch Ratings, transaction documents

## Pro Rata Amortisation

After the revolving period, the classes A to E notes will amortise pro rata until a sequential amortisation event occurs, which is defined equal to revolving period early termination events items 3 to 8 (see *Revolving Period* section). The switch to a sequential amortisation mechanism is irreversible, and a mandatory switch to sequential amortisation is activated when the portfolio balance is less than 10% of its initial amount.

## Interest Rate Swap

The issuer will enter into a swap agreement to hedge against the fixed-floating interest rate mismatch, considering the 100% fixed rate loans and classes A-E floating rate notes. Under the swap agreement, the issuer will pay a fixed coupon and receive three-month Euribor (no floor), on a notional amount equal to the portfolio balance excluding defaulted assets.

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## Reserve Fund

The reserve fund will be funded at the closing date with the class F notes issuance proceeds, for an amount equivalent to 1% of classes A to E notes' initial balances. The reserve fund can amortise from the first IPD after revolving period maintaining the above-mentioned proportion subject to a floor of 0.25% of classes A to E initial balance. It cannot amortise if it was not at target on the prior IPD or if a sequential amortisation event has occurred.

The reserve fund is available to cover senior expenses and interest on class A to E notes. Moreover, any amounts in excess of its required balance will be released through the combined waterfall and so it can be used to repay the notes if there is any principal shortfall (ie. provided CE protection). The reserve is fully released once the classes A to E are fully redeemed, at final legal maturity or when the performing portfolio balance is zero.

### Call Options

The seller will have the option to repurchase all outstanding loans if the collateral balance (including outstanding defaulted loans) is equal to or less than 10% of the initial portfolio balance, as long as available funds are enough to fully redeem the rated class A to E notes.

On the occurrence of a regulatory call event the seller will have the option to redeem classes B to F via a loan provided by the seller (seller loan) to the SPV, subject to the availability of funds ensuring the full redemption of classes B to F. The repayment of the seller loan will not affect the class A, which will remain senior to the seller loan and will continue to be collateralised by the whole portfolio. Regulatory events are defined as any change in any applicable law or its interpretation by any competent authority with a material negative effect on the benefit for the seller from the transaction.

## Expected Rating Sensitivity

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade Include:

- For the senior notes, modified TAB and derivative provider minimum eligibility rating thresholds compatible with 'AAAsf' ratings under the agency's Structured Finance and Covered Bonds Counterparty Rating Criteria.
- Increasing CE ratios as the transaction deleverages to fully compensate the credit losses and cash flow stresses commensurate with higher rating scenarios may lead to upgrades.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade Include:

- Long-term asset performance deterioration such as increased delinquencies or reduced portfolio yield, which could be driven by changes in portfolio characteristics, macroeconomic conditions, business practices or the legislative landscape. Higher inflation, larger unemployment and lower economic growth than Fitch's current forecast, as set out in the *Global Economic Outlook - September 2022*, could affect borrowers' ability to repay car loans.

The *Rating Sensitivity* section provides insight into the model-implied sensitivities the transaction faces when one assumption is stressed, while holding others equal. The modelling process uses the estimation and stress of these variables to reflect asset performance in a stressed environment. The results below should only be considered as one potential outcome, as the transaction is exposed to multiple dynamic risk factors. It should not be used as an indicator of possible future performance.

No change or positive change
Negative change within same category
-1 category change
-2 category change
-3 or larger category change
See report for further details

### Rating Sensitivity to Default and Recovery Assumptions

| | A | B | C | D | E |
|---|---|---|---|---|---|
| Original Rating | AAsf | A+sf | Asf | BBBsf | NRsf |
| Defaults increase by 10% | AA-sf | A+sf | Asf | BBBsf | NRsf |
| Defaults increase by 25% | A+sf | Asf | A-sf | BBB-sf | NRsf |
| Defaults increase by 50% | A-sf | BBB+sf | BBBsf | BB+sf | NRsf |
| Recoveries decrease by 10% | AA-sf | A+sf | Asf | BBBsf | NRsf |
| Recoveries decrease by 25% | AA-sf | Asf | Asf | BBBsf | NRsf |
| Recoveries decrease by 50% | A+sf | Asf | A-sf | BBB-sf | NRsf |
| Defaults increase by 10% and recoveries decrease by 10% | A+sf | Asf | A-sf | BBB-sf | NRsf |
| Defaults increase by 25% and recoveries decrease by 25% | Asf | A-sf | BBB+sf | BB+sf | NRsf |
| Defaults increase by 50% and recoveries decrease by 50% | BBB+sf | BBB-sf | BB+sf | BB-sf | NRsf |

Source: Fitch Ratings

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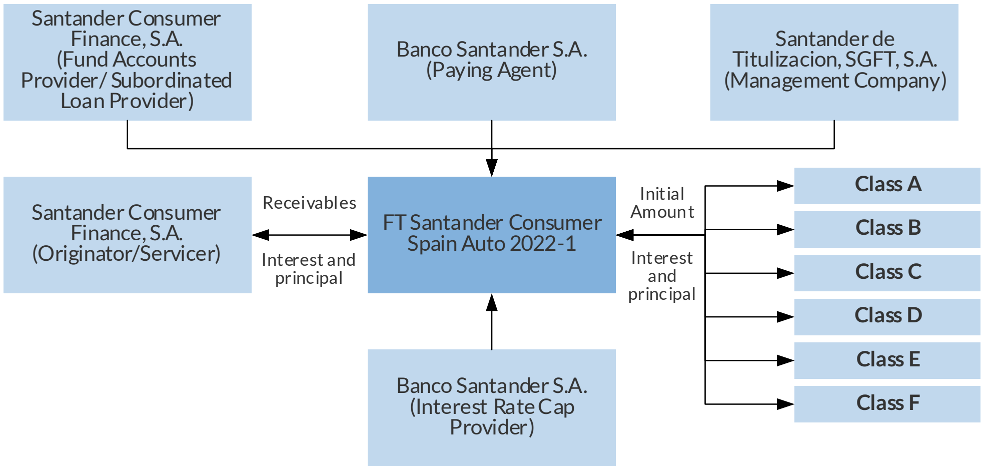
### Best- and Worst-Case Rating Scenarios

International scale credit ratings of structured finance transactions have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of seven notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of seven notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAAsf' to 'Dsf'. Best- and worst-case scenario. credit ratings are based on historic performances.

## Transaction Structure

### Structure Diagram




Source: Fitch Ratings, Santander Consumer Spain Auto 2022-1, FT

### Issuer and True Sale

The notes are issued by SCSA 2022-1, a limited-liability securitisation vehicle incorporated under the laws of Spain, the sole purpose of which is to acquire auto loans from Santander Consumer Finance, S.A. as collateral for the issuance of quarterly-paying notes.

The auto loans have been acquired from the seller on behalf of the issuer by the trustee (Santander de Titulización, SGFT, S.A.) at closing. The trustee is responsible for cash reconciliation, payment and waterfall calculations and reporting. It is supervised by the Spanish capitals market supervisor, and it is responsible for taking any action in the interests of the noteholders, such as the replacement of ineligible counterparties if needed.

### Representations and Warranties

The seller provided the issuer with specific R&Ws concerning the seller's organization and the asset characteristics. The related appendix to this report includes the main R&Ws that are available to investors. The R&Ws are substantially comparable to those typically contained in other EMEA auto ABS transactions, as described in Fitch's Representations, Warranties and Enforcement Mechanisms in Global Structured Finance Transactions. Fitch made no adjustments to its analysis in relation to the R&Ws.

### Loan Permitted Variations

The servicer is entitled to modify loan terms subject to a limit of 10% of the initial portfolio balance. Permitted variations include reduction in the interest rate subject to a minimum of 3.95% for each loan and a minimum WA interest rate of the portfolio of 6%; loans maturities can be expected but not beyond three years before the legal final maturity of the notes. Moratoriums or renegotiations are excluded from the 10% permitted variations limit.

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## Euribor Fall-Back Provisions

The planned, reformed Euribor, which is based on a hybrid calculation, has become compliant under the Benchmark Regulation (see Uneven IBOR Progress Leaves Key Uncertainties for Structured Finance), so the phase-out risk is lower than for Libor. However, fall-back provisions are still important for covering developments that could lead to a discontinuation of Euribor.

### *Assets*

No exposure to Euribor as 100% of the assets pay a fixed interest rate.

### *Rated Notes and Interest Rate Swap*

The transaction has fall-back provisions in place in the event of a discontinuation of Euribor. In this situation, the trustee, in the name of the SPV will inform the seller and the interest rate swap provider of the occurrence of the discontinuation event and will appoint a rate determination agent who shall determine the alternative base rate. The new rate must comply with the following characteristics, according to the transaction documents:

- a base rate published, endorsed, approved or recognised by the relevant regulatory authority or any stock exchange on which the notes are listed or any relevant committee or other body established, sponsored or approved by any of the foregoing;
- a base rate used in a material number of publicly listed new issues of euro-denominated ABS floating rate notes before the effective date of the base rate modification;
- a base rate used in a publicly-listed new issue of euro-denominated asset-backed floating-rate notes where the originator of the relevant assets is SCF; or
- another base rate as the rate determination agent reasonably determines.

Moreover, it is a condition to any base rate modification that:

- any change to the reference rate of the floating rate notes will take effect at the same time as the adjustment to the relevant rate applicable under the interest rate swap agreement;
- all costs incurred by the trustee for the base rate modification should be borne by the seller; and
- the trustee should notify the rating agencies and make reasonable efforts to ensure the modification does not negatively affect the ratings.

## Disclaimer

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# Counterparty Risk

Fitch assesses the counterparty risk under its Structured Finance and Covered Bonds Counterparty Rating Criteria to be in line with the ratings assigned based on the documentation provisions and analytical adjustments described in the following table.

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## Counterparty Risk Exposures

| Counterparty Type | Counterparty | Minimum Ratings Under Criteria | Minimum Ratings and Remedial Actions Under Documents | Analytical Adjustments |
|---|---|---|---|---|
| Transaction Account Bank (TAB) | Santander Consumer Finance, S.A. | 'A-' or 'F1' Deposit Rating (DR) if assigned and applicable, otherwise IDR | Minimum DR (or IDR if not available) of 'A-' or 'F1'; replacement or guarantee within 60 calendar days to an eligible entity. | No adjustment. Minimum ratings and remedial actions in line with criteria up to 'AA+sf' ratings. |
| Hedge provider | Banco Santander, S.A. | 'A-' or 'F1' Derivative Counterparty Rating (DCR) if assigned and applicable, otherwise IDR | DCR (or IDR if not available) of 'A-' or 'F1'. Remedials include collateralisation within 14 calendar days, or replacement or guarantee within 60 calendar days if downgraded below 'BBB-' and 'F3'. | No adjustment. Minimum ratings and remedial actions in line with criteria up to 'AA+sf' ratings. |
| Servicer, collection account bank | Santander Consumer Finance, S.A. | There is no minimum rating. | There is no minimum rating. | No adjustment. Servicing disruption risk is mitigated by structural arrangements, such as the reserve fund, the sweep collections into the TAB within two days and the use of direct debits. |

Source: Fitch Ratings, transaction documents

## Portfolio Servicer

The issuer will appoint SCF to act as its servicer in accordance with the terms of the servicing agreement. Fitch has conducted an operational review with SCF to assess, among other things, its business strategy, underwriting practices and servicing capabilities.

## Commingling and Payment Interruption Risk

Fitch views commingling risk as immaterial for this transaction due to the transfer of direct debit collections from the servicer's account to the TAB within two business days, and an adequate borrower notification process upon a servicer termination event.

We view payment interruption risk as sufficiently mitigated. If a servicer event leads to collection disruption the reserve fund is available to cover an estimated period of at least three months of senior costs, net swap payments (if any) and interest on the class A notes. Fitch did not consider classes B to D in its assessment of payment interruption risk as these notes are allowed to defer interest payments without constituting an event of default for the notes.

## Transaction Account Bank

SCF will act as TAB provider, holding the reserve fund and the collections from the assets. Fitch classifies this exposure as a primary credit risk under its counterparty criteria. Fitch considers the structure to adequately address TAB counterparty risk by incorporating rating eligibility thresholds that would trigger remedial actions within 60 calendar days if the TAB provider's deposit rating (or IDR if not available) is downgraded below 'A-' and 'F1'.

The remedial actions upon loss of eligibility include replacement or guarantee from an eligible entity. Costs related to the replacement will be borne by the counterparty.

## Hedge Provider

Banco Santander, S.A. will act as interest rate swap provider. Fitch classifies this exposure as a primary credit risk under its counterparty criteria. Fitch believes the structure adequately addresses hedge provider counterparty risk by incorporating rating eligibility thresholds that would trigger collateral posting (within 14 calendar days) if the hedge provider's derivative counterparty rating (or IDR if not available) is downgraded below 'A-' and 'F1' or replacement or eligible guarantor (within 60 calendar days) if the swap counterparty is downgrade below 'BBB-' and 'F3'.

## Set-Off Risk

SCF is a deposit-taking institution in Spain. However, Fitch views deposit set off risk as non-ratings material based primarily on the high level of political support for protecting such deposits, and the very remote conditions needed to apply under the Spanish legal framework (e.g. set-off not possible after assignment notification and after insolvency declaration, and only possible against due and unpaid loan amounts).

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With respect to insurance set-off risk, around 83% of the securitised loans have some kind of insurance-linked contract, especially credit protection payments. Potential set-off losses related to the financed insurance premium cannot be entirely ruled out in the event of the insurer defaulting and failing to pay compensation when it is claimed.

Fitch believes this risk is not material for the ratings given the regulatory framework in Spain. Spain's insurance industry has a clear regulatory framework which protects customer claims following an insurer default. In case of the default of an insurer, the Insurance Compensation Consortium, a Spanish public entity, will be in charge of liquidating the defaulted insurer and settling policyholder´s obligations.

## Criteria Application, Model and Data Adequacy

### Criteria Application

See page 2 for the list of Applicable Criteria.

Fitch applies the *Consumer ABS Rating Criteria* as its sector-specific criteria under the overarching framework provided by the Global Structured Finance Rating Criteria, which is the master criteria for the sector. The Structured Finance and Covered Bonds Country Risk Rating Criteria outlines Fitch's approach to assigning and maintaining structured finance and covered bond ratings, where the relevant sovereign's Local-Currency IDR is below 'AAA'. The remaining criteria listed under Applicable Criteria are cross-sector criteria that outline Fitch's approach to counterparty risk and interest rate change vulnerability that are relevant for the ratings.

### Models

The models below were used in the analysis. Click on the link for the model (if published) or for the criteria for a description of the model.

Multi-Asset Cash Flow Model

Consumer ABS Asset Model

### Data Adequacy

Fitch was provided with the following data used in the analysis. The list below is not exhaustive but includes a comprehensive representation of the data provided.

- dynamic monthly delinquency and prepayments from 2013 to June 2022 for new and used vehicles;
- static monthly default and recovery vintage data from 2017 to June 2022 split by new and used vehicles and by regulatory PD. Data were provided on the basis of the new default definition under the transaction;
- static monthly default and recovery vintage data from 2017 to 2021 split by new and used vehicles and by regulatory PD. Data were provided on the basis of the old default definition under the previous SCF transactions;
- loan-by-loan portfolio data as of August 2022; and
- pool stratifications and amortisation profiles as of August 2022.

Fitch performed a file review as part of the originator review process with satisfactory results, and an agreed-upon procedures report has been made available to Fitch without findings.

## Surveillance

Fitch will monitor the transaction regularly and as warranted by events, with a review conducted at least yearly. Performance reports will be provided by the management company on a quarterly basis. Fitch's quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the agency expectations. Fitch's structured finance performance analytics team will ensure 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 will be available to subscribers at www.fitchratings.com.

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# Appendix 1: Origination & Servicing

## Originator Overview

Fitch conducted a meeting with SCF management team in July 2022 to understand the recent business trends, origination and servicing developments. The seller is an experienced originator in the Spanish auto market and has proven strong and stable underwriting standards over the last years and especially after the 2007-2008 global financial crisis.

In 2017, SCF ended its captive financing agreements with Kia and Hyundai. Since then, the seller has adapted its business model to increase penetration in the used-car market, a trend reflected in the composition of the securitised portfolio.

### *Underwriting*

Loan applications are completed at the dealer level making use of specific software tools that connect directly with SCF's systems. To manage the relationships with auto dealers, SCF maintains a commercial team of almost 300 agents within more than 50 branches.

Underwriting decisions and credit risk assessments are defined in accordance with SCF and Santander's global credit and risk management policies. SCF uses different in-house credit scoring tools on the basis of product offered.

Underwriting processes and standards have remained fairly stable over the last five years. Despite the cut-off reduction in asset quality, Fitch observed used-car portfolio characteristics have remained broadly stable. The loss of the captive agreements, which typically attracts higher credit quality applications, is resulting on a slight increase in LTV and original terms in the new-car segment compared to pre-2017 origination.

The origination process relies on scoring model outcomes and several additional rules, such as a minimum income or affordability ratio that would trigger a manual assessment of the application. Lastly, underwriting is also subject to minimum acceptance criteria that could overturn the model assessment, such as an adverse credit record of the borrower (internally or externally).

In May 2019, SCF deployed a new scoring model for the used-car segment intended to strengthen the discriminatory power in the application process. SCF has effective procedures to minimize fraud risks, such as a documentation review process performed by a specialised unit.

### *Servicing*

SCF has a proven successful record as a servicer of auto loans and uses standard servicing procedures. Servicing and recovery functions have also remained stable over the past few years and are adequately designed and staffed.

The main objective of recovery management is to optimise the collections cycle and avoiding accounts from rolling beyond the 90 days past due threshold. The focus is performed in the friendly agreements phase, and dedicated teams work with the customer to tailor the best possible solution. Loan renegotiations are only offered if the borrower shows willingness and ability to continue paying under the new terms and must always be approved by the relevant team within the risks area.

SCF maintains a competitive model on which best practices are shared to increase efficiency across all phases of the cycle. SCF works with external suppliers incentivized based on specific objectives for each recovery phase. When the judicial process is initiated (at around 180 days in arrears), the extra-judicial process continues running in parallel to find an amicable solution.

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# Appendix 2: ESG Relevance Score

FitchRatings

## Santander Consumer Spain Auto 2022-1, FT

**SF ESG Navigator**
**ABS - Auto**

### Credit-Relevant ESG Derivation

Santander Consumer Spain Auto 2022-1, FT has 5 ESG potential rating drivers

- Santander Consumer Spain Auto 2022-1, FT has exposure to macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

| | | | Overall ESG Scale |
|---|---|---|---|
| key driver | 0 | issues | 5 |
| driver | 0 | issues | 4 |
| potential driver | 5 | issues | 3 |
| not a rating driver | 5 | issues | 2 |
| | 4 | issues | 1 |

### Environmental (E)

| General Issues | E Score | Sector-Specific Issues | Reference | E Scale |
|---|---|---|---|---|
| GHG Emissions & Air Quality | 2 | Regulatory risks, fines, or compliance costs related to emissions, energy consumption and/or related reporting standards | Asset Quality; Surveillance | 5 |
| Energy Management | 2 | Assets' energy/fuel efficiency and impact on valuation | Asset Quality; Surveillance | 4 |
| Water & Wastewater Management | 1 | n.a. | n.a. | 3 |
| Waste & Hazardous Materials Management; Ecological Impacts | 1 | n.a. | n.a. | 2 |
| Exposure to Environmental Impacts | 2 | Asset, operations and/or cash flow exposure to extreme weather events and other catastrophe risk, including but not limited to flooding, hurricanes, tornadoes, and earthquakes | Surveillance | 1 |

### Social (S)

| General Issues | S Score | Sector-Specific Issues | Reference | S Scale |
|---|---|---|---|---|
| Human Rights, Community Relations, Access & Affordability | 1 | n.a. | n.a. | 5 |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 2 | Compliance with consumer protection related regulatory requirements, such as fair/transparent lending, data security, and safety standards | Operational Risk; Surveillance | 4 |
| Labor Relations & Practices | 2 | Labor practices, pension obligations and related litigation | Surveillance | 3 |
| Employee Wellbeing | 1 | n.a. | n.a. | 2 |
| Exposure to Social Impacts | 3 | Macroeconomic factors and sustained structural shifts in secular preferences affecting consumer behavior | Asset Quality; Surveillance | 1 |

### Governance (G)

| General Issues | G Score | Sector-Specific Issues | Reference | G Scale |
|---|---|---|---|---|
| Rule of Law, Institutional and Regulatory Quality | 3 | Jurisdictional legal risks; regulatory effectiveness; supervisory oversight; foreclosure laws; government support and intervention | Asset Isolation and Legal Structure; Asset Quality; Rating Caps; Surveillance | 5 |
| Transaction & Collateral Structure | 3 | Asset isolation; resolution/insolvency remoteness; legal structure; structural risk mitigants; complex structures | Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Rating Caps; Surveillance | 4 |
| Transaction Parties & Operational Risk | 3 | Counterparty risk; origination, underwriting and/or aggregator standards; borrower/lessee/sponsor risk; originator/servicer/manager/operational risk | Asset Quality; Financial Structure; Operational Risk; Rating Caps; Surveillance | 3 |
| Data Transparency & Privacy | 3 | Transaction data and periodic reporting | Asset Isolation and Legal Structure; Asset Quality; Financial Structure; Surveillance | 2 |
| | | | | 1 |

**How to Read This Page**
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

**The Environmental (E), Social (S) and Governance (G) tables** break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular asset class. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the transaction's or program's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

**The Credit-Relevant ESG Derivation table** shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the transaction's or program's credit rating. The three columns to the left of the overall ESG score summarize the transaction's or program's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the transaction's or program's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

**Classification** of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the Sustainability Accounting Standards Board (SASB).

**CREDIT-RELEVANT ESG SCALE - DEFINITIONS**

| How relevant are E, S and G issues to the overall credit rating? | |
|---|---|
| 5 | Highly relevant; a key transaction or program rating driver that has a significant impact on an individual basis. |
| 4 | Relevant to transaction or program ratings; not a key rating driver but has an impact on the ratings in combination with other factors. |
| 3 | Minimally relevant to ratings; either very low impact or actively mitigated in a way that results in no impact on the transaction or program ratings. |
| 2 | Irrelevant to the transaction or program ratings; relevant to the sector. |
| 1 | Irrelevant to the transaction or program ratings; irrelevant to the sector. |

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The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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