

# Rating Report

## Santander Consumo 7 FT

Morningstar DBRS  
November 2024

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### Credit Ratings, Issuer's Assets and Liabilities

Debt	Initial Amount (EUR) <sup>1</sup>	Size/ Subordination (%) <sup>1,2</sup>	Coupon (%) <sup>3</sup>	Credit Rating <sup>4</sup>	Credit Rating Action	Rating Action Date
<b>Class A Notes</b> ES0305855001	1,038,000,000	86.50/13.50	Three-month Euribor + 0.85%	AA (sf)	Provisional Rating – Finalised	14 November 2024
<b>Class B Notes</b> ES0305855019	45,000,000	3.75/9.75	Three-month Euribor + 1.30%	A (high) (sf)	Provisional Rating – Finalised	14 November 2024
<b>Class C Notes</b> ES0305855027	33,000,000	2.75/7.00	Three-month Euribor + 1.65%	A (sf)	Provisional Rating – Finalised	14 November 2024
<b>Class D Notes</b> ES0305855035	42,000,000	3.50/3.50	Three-month Euribor + 2.90%	BBB (high) (sf)	Provisional Rating – Finalised	14 November 2024
<b>Class E Notes</b> ES0305855043	42,000,000	3.50/0	Three-month Euribor + 4.40%	B (high) (sf)	Provisional Rating – Finalised	14 November 2024
<b>Class F Notes</b> ES0305855050	15,600,000	1.30/0	Three-month Euribor + 4.95	NR	n/a	n/a

#### Notes:

- As at the closing date with an Issuer price of 100%.
  - Calculated as a percentage of the total collateralised debt issued which excludes the Class F Notes.
  - The floating-rate note coupons are subject to a floor of zero.
  - The credit rating of the Class A Notes addresses the timely payment of scheduled interest and the ultimate repayment of principal by the legal final maturity date. The credit ratings of the Class B, Class C and Class D Notes address the ultimate (but timely when most senior) payment of interest and ultimate repayment of principal by the legal final maturity date. The credit rating of the Class E Notes addresses the ultimate payment of interest and ultimate repayment of principal by the legal final maturity date.
- NR = Not Rated, n/a = not applicable

For additional information on the meaning and scope of the financial obligations identified in these credit ratings, please see Appendix 3.

### Summary of Assets

Receivables Portfolio <sup>1</sup> (EUR)	1,263,157,867
Securitised portfolio <sup>1</sup> (EUR)	1,200,000,001
Reserve Fund <sup>2</sup> (EUR)	15,600,000

#### Notes:

- As at the closing date.
- Fully funded through the issuance proceeds of the Notes.

DBRS Ratings GmbH (Morningstar DBRS) finalised provisional credit ratings on the Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (the Rated Notes; and together with the unrated Class F Notes, the Notes) issued by Santander Consumo 7 FT (the Issuer) as listed above.

### Credit Rating Considerations

- The Rated Notes are backed by a portfolio of fixed-rate unsecured amortising personal loans granted without a specific purpose to private individuals domiciled in Spain and serviced by Banco Santander SA (Santander).

- The transaction is static and incorporates a mixed pro rata/sequential amortisation mechanism during the pre-enforcement.

### Strengths

- The historical performance data covers a full economic cycle and the maximum 10-year term of the securitised loans. The receivables in the portfolio are also positively selected as only loans with an originator's internal probability of default (PD) equal to or lower than 6% are eligible.
- The financial strength of Santander as an experienced originator and servicer in the Spanish consumer lending business. The commingling risk is considered low as the collections are transferred within two business days of receipt to the Issuer's account. In addition, the transaction benefits from a fully funded amortising reserve fund, which is part of available funds and can be used to cover senior expenses, senior swap cost and timely payments of interest due on the Rated Notes (excluding the Class E Notes).

### Challenges and Mitigating Factors

- The structural features of the transaction are considered complex, with potential deferrals of interest on the Class E and Class F Notes, and the sensitivities of transaction waterfalls to sequential/pro rata payment triggers during the pre-enforcement redemption period. In a scenario of strong asset performance with low or negligible defaults, the sequential amortisation trigger may be breached at a much later stage, delaying the de-leveraging of the notes for an extended period. This prolonged redemption period could expose the more senior classes of Notes to delayed repayments, which may adversely affect the Issuer's ability to repay the Rated Notes and could affect the related credit ratings.

*Mitigants:* There are performance-based thresholds established to trigger the irreversible fully sequential amortisation during this period. A separate sequential amortisation trigger unrelated to collateral performance is also incorporated if the outstanding portfolio principal amount is lower than 10% of the initial amount. Morningstar DBRS considered these sequential amortisation triggers in the cashflow analysis.

- Interest rates on the loans are fixed whilst the Notes have floating-rate coupons.

*Mitigant:* There is an interest rate swap in place to mitigate the interest rate mismatch between the collateral and the Notes.

- The servicer retains the ability to modify the original terms of loans within specified limits, which could increase the risk profile and weighted average (WA) life of the portfolio.

*Mitigant:* Loan modifications are limited by the permitted variations in the transaction documentation. Morningstar DBRS stressed its portfolio yield assumptions to account for these permitted variations.

- The senior swap payments related to the subordinated classes of the Notes rank higher than the interest payment on the highest-ranked Class A Notes.

*Mitigant:* Morningstar DBRS considered the impact of such priority of payments in its analysis.

- Morningstar DBRS considers Santander to be a dominant counterparty in the transaction as it, or its subsidiaries, undertake various roles including that of servicer, swap counterparty and account bank. Without structural mitigants, a potential default or rating downgrade of Santander would have an adverse impact on the transaction.

*Mitigant:* DBRS Morningstar maintains public credit ratings, private credit ratings, or internal assessments to evaluate and monitor the potential risk that counterparties pose to the performance

of the notes in their roles. In addition, the transaction agreements foresee specific remedial actions for each counterparty role once the DBRS Morningstar credit ratings fall below certain levels.

### Key Transaction Parties

Roles	Entity	Morningstar DBRS Credit Rating <sup>1</sup>
Issuer	Santander Consumo 7, FT	NR
Originator/Seller/Service	Banco Santander SA	A (high)
Account Bank/Paying Agent	Banco Santander SA	A (high)
Swap Counterparty	Banco Santander SA	A (high)
Management Company	Santander de Titulización S.G.F.T., S.A.	NR
Arranger	Banco Santander SA	A (high)
Joint Lead Managers	Banco Santander SA	A (high)
	UniCredit Bank GmbH	Private
	BofA Securities Europe S.A.	Private
	Credit Agricole Corporate and Investment Bank, S.A	Private

1. Long Term Issuer Rating

### Relevant Dates

<b>Disbursement (Closing) Date</b>	14 November 2024
<b>First Interest Payment Date</b>	20 April 2025
<b>Payment Dates</b>	20th day of January, April, July, and October (or the following business day)
<b>Final Legal Maturity Date</b>	20 July 2038

### Transaction Summary

<b>Currency</b>	The Issuer's assets and liabilities are both denominated in euros (EUR).
<b>Relevant Jurisdictions</b>	The Issuer is incorporated under Spanish law. Transaction documents are regulated by Spanish law, except for the hedging agreement governed by English law.
<b>Interest Rate Hedging</b>	There is an interest rate swap in place where the Issuer will pay 2.26% and receive three-months Euribor without a floor, based on a notional amount equal to the outstanding balance of non-defaulted receivables.
<b>Reserve Fund</b>	Part of available funds to cover any shortfall in the senior expenses, senior swap payments and interest on the Class A, Class B, Class C, Class D and if not deferred, Class E Notes. <ul style="list-style-type: none"> <li>Initial Amount: EUR 15,600,000</li> <li>Target Amount: 1.3% of the outstanding Rated Notes amount</li> <li>Floor: 0.5% of the initial Rated Notes amount. Once the Class E Notes have fully amortised, the required amount will be reduced to zero.</li> </ul>
<b>Servicer Event Reserve</b>	Available to cover the replacement servicer fees before drawing on the available funds. <ul style="list-style-type: none"> <li>Funding mechanism: by the seller within 60 days of the servicer event reserve trigger breach.</li> <li>Initial Amount: nil</li> <li>Target Amount: 1% of the remaining WAL of the collateral (assuming zero prepayment and zero default), multiplied by the then-outstanding portfolio principal amount</li> </ul>

### Available Funds and Priorities of Payments

Available funds include:

1. Interest and principal collections;
2. Recoveries of defaulted receivables (including sale or repurchase prices);
3. Indemnities payable by Santander as the originator;
4. Reserve fund;
5. Net swap receipt amount;
6. Any financial income;

7. Servicer event reserve (only when Santander is replaced as the servicer).

### **Priority of Payments**

#### **Pre-Enforcement Payment Priorities**

1. Taxes and senior expenses (with the payment of replacement servicer fee exclusively from the servicer event reserve);
2. Senior swap payments;
3. Interest on the Class A Notes;
4. Interest on the Class B Notes;
5. Interest on the Class C Notes;
6. Interest on the Class D Notes;
7. Interest on the Class E Notes (as the most senior class or prior to the breach of Class E and Class F Notes interest deferral trigger);
8. Replenishment of the reserve fund up to its target amount;
9. Interest on the Class F Notes (as the most senior class, or prior to the breach of Class E and Class F Notes interest deferral trigger or the required reserve amount is not nil);
10. Principal target redemption amount of the Rated Notes: pro rata amortisation until a subordination event, after which the amortisation will be fully sequential;
11. Interest on Class E Notes if deferred above;
12. Interest on Class F Notes if deferred above;
13. Class F Notes target amortisation amount;
14. Interest on the subordinated loan;
15. Principal of the subordinated loan;
16. Subordinated swap payments;
17. Servicer fee if no replacement of Santander as the initial servicer;
18. Financial intermediation margin to the seller.

Class E and Class F Notes interest deferral trigger means a cumulative default ratio higher than 3.5%. The cumulative default ratio means the ratio between (i) the outstanding balance of all defaulted receivables since the closing date and (ii) the initial portfolio balance.

A defaulted receivable means any receivable that is more than 90 days overdue or the servicer considers the relevant borrower is unlikely to pay the loan instalments as they fall due.

### **Subordination Events**

When one of the subordination events listed below occurs, the redemption of the Notes will be fully sequential and non-reversible:

1. The cumulative default ratio exceeds the following thresholds:
  - a. 1.30% from November 2024 until (and including) April 2025;
  - b. 1.60% from April 2025 until (and including) July 2025;
  - c. 1.90% from July 2025 until (and including) October 2025;
  - d. 2.30% from October 2025 until (and including) January 2026;
  - e. 2.60% from January 2026 until (and including) April 2026;
  - f. 3.00% from April 2026 until (and including) July 2026;
  - g. 3.30% from July 2026 until (and including) October 2026;
  - h. 3.60% from October 2026 until (and including) January 2027;

- i. 3.90% from January 2027 until (and including) April 2027;
  - j. 4.20% from April 2027 until (and including) July 2027;
  - k. 4.50% from July 2027 until (and including) October 2027;
  - l. 4.80% from October 2027 until (and including) January 2028;
  - m. 5.10% from January 2028 until (and including) April 2028;
  - n. 5.50 % from April 2028 until (and including) July 2028; and
  - o. 5.50% from July 2028 onwards;
2. The outstanding balance of any borrower represents more than 0.10% of the total portfolio balance;
  3. The seller breaches any of its obligations under any transaction document and such default is not remedied within five business days;
  4. The servicer is replaced;
  5. An interest rate swap provider downgrade event occurs and none of the remedies in the swap agreement are put in place during the cure period;
  6. A clean-up call event occurs (when the outstanding balance of non-defaulted receivables is lower than 10% of the initial amount);
  7. A seller's call option is exercised.
  8. The collateral trigger is less than or equal to 99.50% for two consecutive payment dates;
  9. The reserve fund is not maintained at the required level for two consecutive payment dates.

The collateral trigger is defined as the ratio between (i) the outstanding balance of the non-defaulted receivables and (ii) the outstanding balance of the Rated Notes.

#### **Post-Enforcement Payment Priorities**

Upon the 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 as summarised below and the Issuer is liquidated.

1. Taxes and senior expenses;
2. Senior swap payments;
3. Interest on the Class A Notes;
4. Class A Notes principal until redeemed in full;
5. Interest on the Class B Notes;
6. Class B Notes principal until redeemed in full;
7. Interest on the Class C Notes;
8. Class C Notes principal until redeemed in full;
9. Interest on the Class D Notes;
10. Class D Notes principal until redeemed in full;
11. Interest on the Class E Notes;
12. Class E Notes principal until redeemed in full;
13. Interest on the Class F Notes;
14. Class F Notes principal until redeemed in full;
15. Interest on the subordinated loan;
16. Principal of the subordinated loan;
17. Subordinated swap payments; and
18. Other junior amounts.

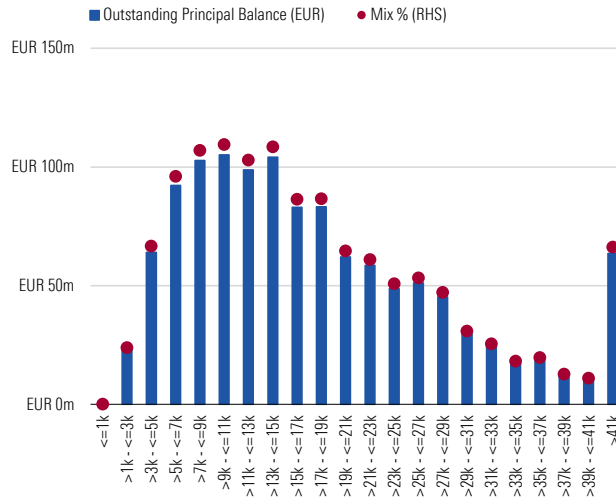
### Collateral Summary

The portfolio is a pool of unsecured amortising consumer loans granted by Santander to its individual customers residing in Spain for personal consumption. The loans in the portfolio must meet the eligibility criteria and concentration limits.

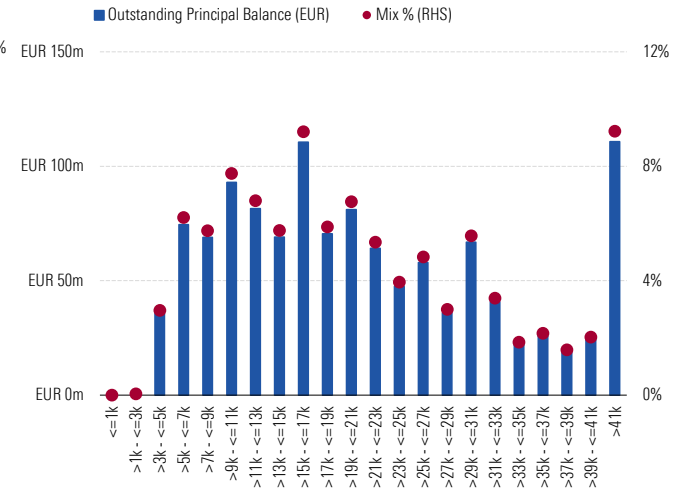
The main characteristics of the securitised portfolio by outstanding balance as of 6 November 2024 are as follows:

<b>Outstanding Principal Balance (EUR)</b>	1,263,157,867
<b>Outstanding Principal Balance Securitised (EUR)</b>	1,200.000.001
<b>Number of Loans</b>	105,980
<b>Average Outstanding Balance (EUR)</b>	11,323
<b>Weighted-Average Effective Interest Rate (%)</b>	6.7
<b>Weighted-Average Seasoning (Months)</b>	12.4
<b>Weighted-Average Remaining Term (Months)</b>	65.2
<b>Origination Year (2023/2024) (%)</b>	30.7/56.9
<b>Geographic Concentration (Madrid/Andalusia/Catalonia) (%)</b>	18.4/17.9/11.3

**Exhibit 1** Distribution by Current Principal Balance (CPB)

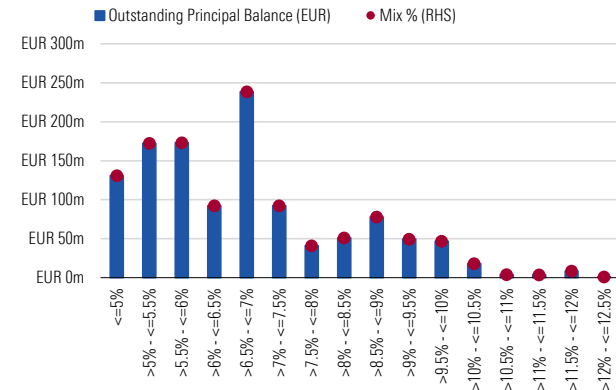


**Exhibit 2** Distribution by Original Balance

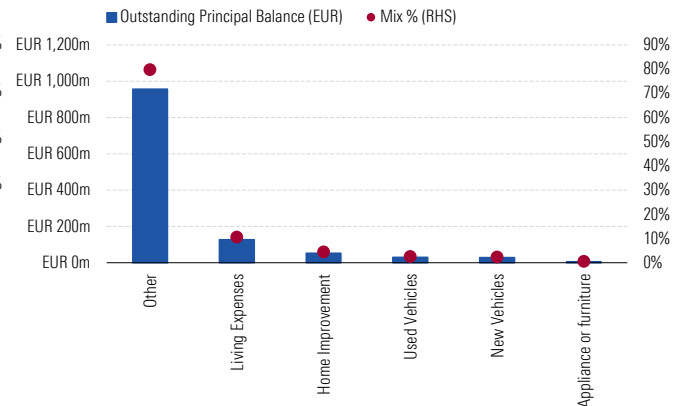


Sources: Morningstar DBRS, Banco Santander.

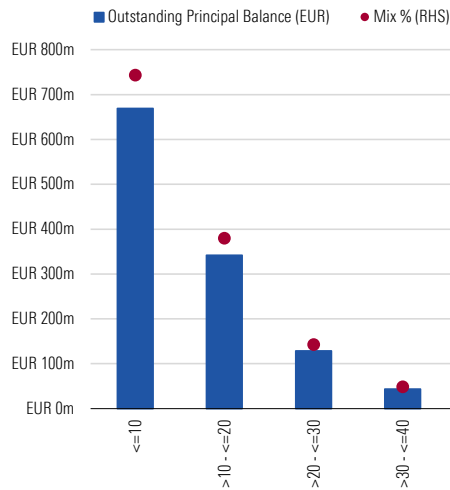
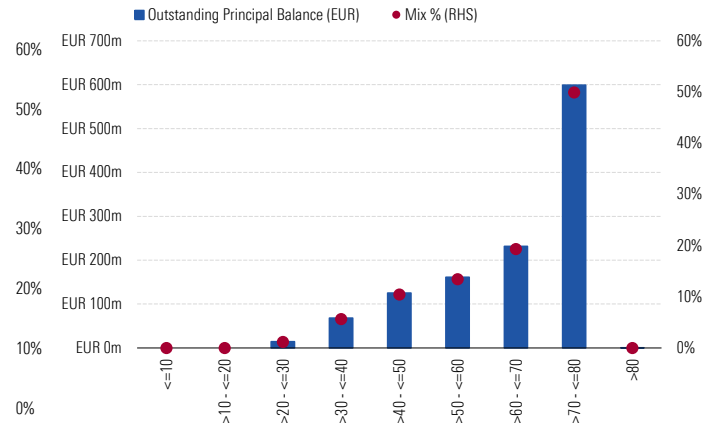
**Exhibit 3** Distribution by Interest Rate



**Exhibit 4** Distribution by Loan Purpose (%)



Sources: Morningstar DBRS, Banco Santander.

**Exhibit 5** Distribution by Seasoning (Months)**Exhibit 6** Distribution by Remaining Term (Months)

Sources: Morningstar DBRS, Banco Santander.

### Eligibility Criteria

Key eligibility criteria are described below:

- The obligors are individuals residing in Spain and are not employees, managers, or directors of the originator;
- The loan principal has already been fully drawn down;
- No loan has been approved contrary to the evaluation of the automatic assessment system;
- Each loan has an internal PD equal to or less than 6%;
- The loan is denominated in euros;
- Payments under the loan are made by direct debit;
- At the closing date, borrowers have paid at least one instalment;
- No loan was granted (at the origination) to unemployed borrowers;
- No loan in arrears;
- The remaining term to maturity of each loan is no longer than nine years;
- All loans pay constant amortisation;
- No restructured loans;

### Originator and Servicer Review

Morningstar DBRS conducted an operational review of Santander's Spanish consumer loan operations in April 2024. Morningstar DBRS 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, Spain and is one of the leading banks in the world. 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 December 2023, Santander had total assets of approximately EUR 1.8 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 212,000 employees worldwide.

Morningstar DBRS' Issuer, Senior Debt and Deposit credit ratings of Santander were confirmed at A (high) with a Stable trend in September 2024.

More information on Santander's credit ratings can be found at <https://dbrs.morningstar.com>

### **Origination & 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 vary 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 to EUR 60,000 with terms of 12 months to 96 months with monthly payment frequencies.

Loans are sourced through Santander's branch network with over 3,000 branch and franchise branches throughout Spain. Santander also employs mailing campaigns and the internet to acquire new customers.

Santander places a focus on pre-approved loans which represents 77% of new production. Customers who have had a current account for a minimum of four months are given a credit limit that is 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 the 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 pre-approval 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.

The credit scoring models that Santander uses take into account various variables such as marital status, profession, age, and historical experience with Santander. Different scorecards are in place for each product.

The scoring models were developed with FICO and Experian but controlled by Santander with only Santander data. Each model has been approved by the Bank of Spain. The last update of the models was done 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, 96% are automated, while the remainder are manually reviewed, with approximately 37% of referrals being approved.

### **Summary Strengths**

- Major Spanish consumer loan lender.
- One of largest banks in Europe.
- Robust governance and internal control process in place.
- Experienced senior management team and underwriting team in place.
- Centralised underwriting in 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 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 that are in the Madrid region. Certain customers will be 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 will be contacted via telephone, SMS, or letter.
- Day 91 to Day 150: Accounts are referred to one of four external debt collection agencies to be managed. Again, certain customers will be 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 three external recovery partners that are different from the previous phase. All external partners are on long-term contracts to remain as a key outsourcers.

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 will try 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 are on 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.

#### **Summary Strengths**

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

#### **Backup Servicer and Servicing Continuity**

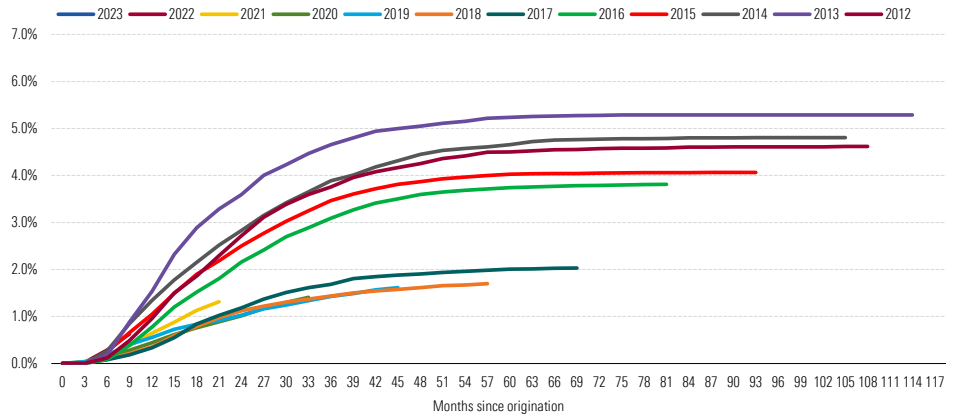
There is no back-up servicer named for this transaction. Morningstar DBRS believes the servicer's current financial conditions help mitigate the risks of a potential servicing disruption due to a servicer event of default, particularly insolvency.

The transaction also contemplates a servicer event reserve which is available to cover the replacement servicer fees before drawing on the available funds. As long as Santander undertakes the servicing activity, it is not entitled to servicing fees. Within 60 days of a servicer event reserve trigger breach, Santander is obligated to fund an amount equal to 1% of the remaining weighted-average life of the collateral (assuming zero prepayment and zero default), multiplied by the then outstanding portfolio principal amount.

In connection with the appointment of a new servicer, the management company will be required to agree to a fee that does not exceed the required servicer event reserve amount. However, any additional cost not covered by the reserve will rank senior in the priority of payments. Morningstar DBRS assessed the likelihood of no available servicer event reserve in its cashflow analysis in conjunction with the current credit rating of Santander and the reserve funding threshold of BBB.



**Exhibit 8** Defaults - Standard Loans



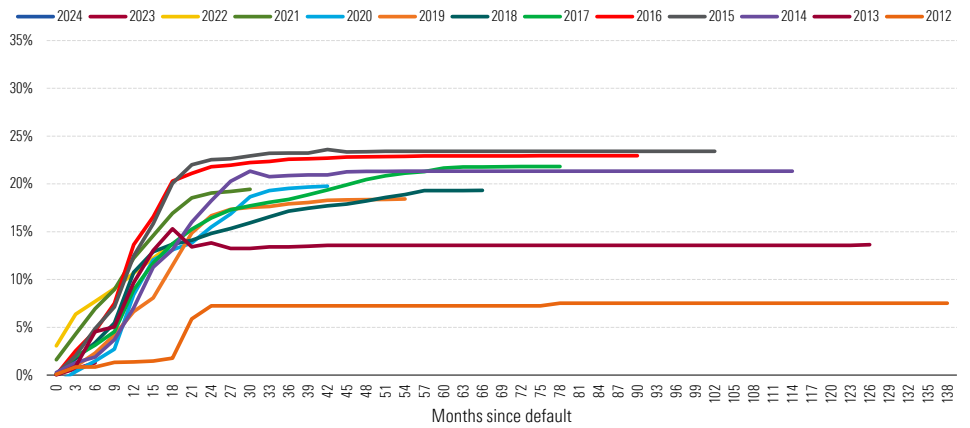
Source: Morningstar DBRS.

Morningstar DBRS notes that the length of the historical data provided covers more than the maximum 10-year term of the loans and an economic cycle. After considering the quality and trend of the data, Morningstar DBRS assumed a lifetime expected default of 4.5% for the overall portfolio.

*Recoveries*

Data is grouped into vintages by the date of loan default and summarised in annual vintages for clearer presentation.

**Exhibit 9** Recoveries - Pre-Approved Loans





Morningstar DBRS considers these permitted loan modifications in the cashflow analysis by applying a compression on the portfolio's interest rate by credit rating level, taking into consideration stressed defaults and the base prepayment rate.

#### *Commingling and Liquidity*

As Santander collects payments into its own account on the Issuer's behalf, there is a risk that the collections may be commingled within its estate and/or a servicing disruption could entail should a servicer event of default occur.

Morningstar DBRS considers the commingling risk for this transaction is mitigated by the following:

1. most of the borrowers pay via direct debit, which can be more easily redirected, and the requirement of collections remittance to the Issuer's account within two business days of receipt,
2. the financial wherewithal of the servicer as the collection account bank, and
3. the reserve fund available to cover any shortfalls of senior expenses, senior swap payments, and interest on the Rated Notes (if not deferred).
4. the minimum credit rating threshold of BBB (high) for the Issuer account bank to be eligible.

The Rated Notes benefit from a reserve fund of EUR 15,600,000, funded by the Notes proceeds on the closing date. The required amount is equal to 1.3% of the Rated Notes' outstanding amount with a floor equal to 0.5% of the initial amount of the Rated Notes.

The reserve is included in the available funds and available to cover any shortfalls of senior expenses, senior swap costs, and interest on the non-deferred Rated Notes. The reserve will be replenished to the target amount in the transaction waterfalls during the pre-enforcement period until the Rated Notes are fully repaid or the commencement of the post-enforcement period where the outstanding reserve amount would be used to repay the Notes.

#### *Set-Off*

If a borrower has a net, due, and payable credit right against Santander and is not notified of the assignment of related receivables, which are fully or partially set off, Santander undertakes to pay to the Issuer the set-off amount plus accrued interest. The undertaking renders the set-off risk limited.

In addition, Santander is a deposit-taking institution. Morningstar DBRS notes that the ultimate level of exposure to deposit set-off is difficult to quantify as borrowers may choose to set off their debt amount directly upon the insolvency of Santander instead of applying for the protection under the deposit protection scheme.

#### *Interest Rate Mismatch*

There is an interest rate swap in place to mitigate the potential mismatch between the fixed-rate loans and the floating-rate Notes.

Under the swap agreement, the Issuer will pay 2.26% in return for three-month Euribor without a floor, based on a notional amount equal to the outstanding balance of the non-defaulted receivables balance.

As the amount in the swap collateral account is typically used to pay for the replacement swap provider and does not form part of the available funds to the Issuer, it is applied outside the transaction waterfalls.

### Cashflow Analysis

The cashflow assumptions focused on the level and timing of defaults and recoveries, prepayment speeds, and interest rates.

#### *Excess Spread*

The potential compression due to the increases in the Notes' coupons is offset by the interest rate swap to a certain degree.

While the interest deferral of the Class E and Class F Notes benefits the repayment of more senior classes, it may also increase the losses on the deferred classes.

Excess spread after the repayment of Rated Notes can also be used to redeem the unrated Class F Notes, which will amortise with a target amortisation equal to 10% of the initial Class F balance on each payment date, subject to available funds.

#### *Expected Defaults and Recoveries*

Morningstar DBRS applied credit rating-level specific multiples to the expected default and credit rating-level specific haircut to the expected recovery in its cashflow analysis as shown in the table below:

	AA	A (high)	A	BBB (high)	B (high)
Default Multiple (times)	3.5	2.8	2.5	2.0	1.2
Recovery Rate (%)	11.3	11.7	12.0	12.5	3

#### *Timing of Defaults and Recoveries*

Morningstar DBRS applied front, mid, and back-loaded default timing curves over a 30-month period as listed below, after 3 months from closing in line with the transaction's default definition of more than 90 days past due. Additional sensitivities of default timing curve lengths were also considered to evaluate how the length of the pro rata amortisation period would affect the Rated Notes. Everything else being equal, the longer the default timing curve, the more adverse the cashflow results are for the more senior notes in a pro rata/sequential transaction as the stressed defaults and the breach of a subordination event would occur later, prolonging the pro rata redemption period without providing subordination support to the more senior notes.

Month	Front (%)	Middle (%)	Back (%)
1 – 10	50	25	20
11 – 20	30	50	30
21 – 30	20	25	50

Recoveries were applied one month after defaults and distributed over a 48-month period.

#### *Prepayment Stress*

Prepayments may lead to a reduction in available excess spread. Morningstar DBRS applied prepayments up to 25% per annum for investment-grade stresses based on historical transaction data and projections in a stress environment, with high prepayments typically representing the constraining scenarios. For this transaction, Morningstar DBRS applied lower prepayment stresses to non-investment-grade levels.

#### *Sensitivity Analysis*

Morningstar DBRS determines an expected PD and LGD based on a review of historical data and pool composition. Adverse changes to asset performance may cause stresses to expected performance and therefore have a negative effect on credit ratings. The tables below illustrate the sensitivity of the credit ratings to various changes in the expected PD and LGD assumptions relative to the expected performance that Morningstar DBRS used in assigning the credit ratings.

#### **Class A Notes**

Increase in LGD (%)	Increase in PD (%)		
	0	25	50
0	AA	A (high)	A
25	AA (low)	A	A (low)
50	AA (low)	A	A (low)

#### **Class B Notes**

Increase in LGD (%)	Increase in PD (%)		
	0	25	50
0	A (high)	A	BBB (high)
25	A (high)	A (low)	BBB
50	A (high)	A (low)	BBB

#### **Class C Notes**

Increase in LGD (%)	Increase in PD (%)		
	0	25	50
0	A	BBB (high)	BBB
25	A (low)	BBB	BBB (low)
50	A (low)	BBB	BBB (low)

#### **Class D Notes**

Increase in LGD (%)	Increase in PD (%)		
	0	25	50
0	BBB (high)	BBB (low)	BB (high)
25	BBB	BB (high)	BB
50	BBB	BB (high)	BB

#### **Class E Notes**

Increase in LGD (%)	Increase in PD (%)		
	0	25	50
0	B (high)	B (low)	below B (low)
25	B (low)	below B (low)	below B (low)
50	B (low)	below B (low)	below B (low)



## Appendix 1: Methodologies Applied

The principal methodology applicable to assign credit ratings to this transaction is *Rating European Consumer and Commercial Asset-Backed Securitisations* (18 September 2024), <https://dbrs.morningstar.com/research/439583>.

Other methodologies referenced in this transaction are listed below:

- *Legal Criteria for European Structured Finance Transactions* (28 June 2024), <https://dbrs.morningstar.com/research/435165>
- *Rating European Structured Finance Transactions Methodology* (18 September 2024), <https://dbrs.morningstar.com/research/439581>
- *Operational Risk Assessment for European Structured Finance Originators and Servicers* (18 September 2024), <https://dbrs.morningstar.com/research/439571>
- *Interest Rate Stresses for European Structured Finance Transactions* (24 September 2024), <https://dbrs.morningstar.com/research/439913>
- *Derivative Criteria for European Structured Finance Transactions* (6 September 2024), <https://dbrs.morningstar.com/research/439043>
- *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* (13 August 2024), <https://dbrs.morningstar.com/research/437781>

The credit rating methodologies and criteria used in the analysis of this transaction can be found at <https://dbrs.morningstar.com/about/methodologies>. Alternatively, please contact [info-DBRS@morningstar.com](mailto:info-DBRS@morningstar.com).

### Surveillance

Morningstar DBRS monitors this transaction in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at [dbrs.morningstar.com](https://dbrs.morningstar.com) under Methodologies. Alternatively, please contact [info-DBRS@morningstar.com](mailto:info-DBRS@morningstar.com).

## Appendix 2: Environmental, Social, and Governance (ESG) Checklist and Considerations

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
<b>Environmental</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Emissions, Effluents, and Waste</b>	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N		N
<b>Carbon and GHG Costs</b>	Do the costs or risks related to GHG emissions, and related regulations and/or ordinances result in higher default risk or lower recoveries of the securitized assets?	N		N
	Are there potential benefits of GHG efficient assets on affordability, financeability, regulatory compliance, or future values (recoveries)?	N		N
	<b>Carbon and GHG Costs:</b>	N		N
<b>Climate and Weather Risks</b>	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries, considering key IPCC climate scenarios?	N		N
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N		N
<b>Social</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Social Impact of Products and Services</b>	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and/or society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N		N
	Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and/or society, and does this result in different default rates and/or recovery expectations?	N		N
	Considering changes in consumer behaviour or secular social trends: Does this affect the default and/or loss expectations for the securitized assets?	N		N
	<b>Social Impact of Products and Services:</b>	N		N
<b>Human Capital and Human Rights</b>	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N		N
	Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N		N
<b>Human Capital and Human Rights:</b>		N		N
<b>Product Governance</b>	Does the originator's, servicer's, or underlying borrower(s) failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N		N
<b>Data Privacy and Security</b>	Does the originator's, servicer's, or underlying borrower(s) misuse or negligence in maintaining private client or stakeholder data result in financial penalties or losses to the issuer?	N		N
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N		N
<b>Governance</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Corporate / Transaction Governance</b>	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N		N
	Considering the alignment of interest between the transaction parties and noteholders: Does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N		N
	Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N		N
	Considering how the transaction structure provides for timely and appropriate performance and asset reporting: Does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N		N
	<b>Corporate / Transaction Governance:</b>	N		N
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N		N
<b>Consolidated ESG Criteria Output:</b>		<b>N</b>		<b>N</b>

\* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.  
 A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

**ESG Considerations****Environmental**

There were no Environmental factors that had a relevant or significant effect on the credit analysis. For more details about which Environmental factors could have an effect on the credit analysis, please refer to the checklist above.

**Social**

There were no Social factors that had a relevant or significant effect on the credit analysis. For more details about which Social factors could have an effect on the credit analysis, please refer to the checklist above.

**Governance**

There were no Governance factors that had a relevant or significant effect on the credit analysis. For more details about which Governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to factors that could affect the financial profile and therefore the credit rating of the Issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS' analytical framework can be found in the *Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings* at <https://dbrs.morningstar.com/research/437781>.

## Appendix 3: Financial Obligations

Morningstar DBRS' credit ratings on the Rated Notes address the credit risk associated with the identified financial obligations in accordance with the relevant transaction documents. For information on the associated financial obligations, please refer to the corresponding press release published for these credit rating actions.

Morningstar DBRS' credit ratings do not address non-payment risk associated with contractual payment obligations contemplated in the applicable transaction document(s) that are not financial obligations.

Morningstar DBRS' long-term credit ratings provide opinions on risk of default. Morningstar DBRS considers risk of default to be the risk that an issuer will fail to satisfy the financial obligations in accordance with the terms under which a long-term obligation has been issued.

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