MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive ratings to ABS issued by FT, SANTANDER CONSUMER SPAIN AUTO 2016-1

Global Credit Research - 18 Mar 2016

Frankfurt am Main, March 18, 2016 -- Moody's Investors Service has assigned the following definitive ratings to the debt issued by FONDO DE TITULIZACIÓN SANTANDER CONSUMER SPAIN AUTO 2016-1:

....EUR650.2M Class A Notes due April 2032, Definitive Rating Assigned Aa2 (sf)

....EUR30.6M Class B Notes due April 2032, Definitive Rating Assigned A3 (sf)

....EUR42.1M Class C Notes due April 2032, Definitive Rating Assigned Baa3 (sf)

....EUR23.0M Class D Notes due April 2032, Definitive Rating Assigned Ba1 (sf)

Moody's ratings were not assigned to Class E and Class F Notes which have also been issued.

RATINGS RATIONALE

FT SANTANDER CONSUMER SPAIN AUTO 2016-1 is a three year revolving securitisation of auto loans granted by Santander Consumer, E.F.C., S.A. ("Santander Consumer"), 100% owned by Santander Consumer Finance S.A. (A3/P-2 Bank Deposits; A3(cr)/P-2(cr)), to private and corporate obligors in Spain. Santander Consumer is acting as originator and servicer of the loans while Santander de Titulizacion S.G.F.T., S.A. (NR) is the Management Company ("Gestora").

As of 25 February 2016, the securitized portfolio was composed of 78,745 auto loans granted to obligors located in Spain, 95.7% of whom are private individuals. The weighted average seasoning of the portfolio is 9 months and its weighted average remaining term is 61 months. Around 80.5% of the outstanding portfolio are loans to purchase new vehicles, and the remaining 19.5% are loans to purchase used vehicles. Geographically, the pool is concentrated mostly in Andalucia (18.8%), Catalonia (16.1%) and Madrid (14.3%). The portfolio, as of its pool cut-off date, did not include any loans in arrears.

Moody's analysis focused, amongst other factors, on, (i) an evaluation of the underlying portfolio of loans; (ii) the historical performance information of the total book and past ABS transactions; (iii) the credit enhancement provided by the subordination, the excess spread and the reserve fund; (iv) the liquidity support available in the transaction, by way of the liquidity reserve, the principal to pay interest, and the reserve fund; (v) the commingling reserve provisions, which mitigates commingling risk; (vi) the exposure to the issuer's account bank; (vii) the set-off risk related to insurance contracts and (viii) the overall legal and structural integrity of the transaction.

According to Moody's, the transaction benefits from several credit strengths such as the granularity of the portfolio, securitisation experience of Santander Consumer, significant excess spread and the sequential amortisation on the notes during the amortisation period. Moody's, however, notes that the transaction features a number of credit weaknesses, such as the relatively high linkage to the unrated originator and servicer, the exposure to larger cash amounts deposited at the account bank and the set-off risk related to insurance contracts. Moody's also took into account the worse than expected performance of some Auto ABS in Spain and the relatively stable performance of the previous Santander Auto ABS transactions. These characteristics, amongst others, were considered in Moody's analysis and ratings.

The high linkage to an unrated originator and servicer is partially mitigated by the funding of a 1% liquidity reserve if Santander Consumer's parent is downgraded below Baa2 or below P-2, or if its ownership of Santander Consumer drops below 75%. In addition, the Management Company will act as a back-up servicer facilitator.

The transaction has medium linkage to the account bank Santander Consumer Finance S.A. (A3/P-2 Bank Deposits; A3(cr)/P-2(cr)), which can hold higher amounts of cash due to some structural features, such as a 2.0% reserve fund, principal cash flows held up to 5% that cannot be directly reinvested during the revolving

period and quarterly payment dates. The minimum issuer account bank's required ratings are Baa2/P-2. Moody's has assessed the impact of a default of the issuer account bank on the ratings of the transaction.

Set-off risk could arise if insurance policies signed together with the loan contract are not honoured in the event of a default of the insurance provider, also part of the Santander group, and a default of the originator. In such a scenario, borrowers may be able to set-off the unused premium amount, which has been paid up front, against the outstanding loan. In the portfolio, 94% of receivables had one insurance policy connected to the loan contract and 6% more than one. Due to legal uncertainty, Moody's has taken this risk into account in the quantitative analysis.

MAIN MODEL ASSUMPTIONS

In its quantitative assessment, Moody's assumed a mean default rate of 5.0%, with a coefficient of variation of around 60% and a recovery rate of 30%. This corresponds to a portfolio credit enhancement (PCE) of 16%.

The Spanish country ceiling is Aa2, and is therefore the maximum rating that Moody's will assign to a domestic Spanish issuer including structured finance transactions backed by Spanish receivables. The portfolio credit enhancement represents the required credit enhancement under the senior tranche for it to achieve the country ceiling. The methodology alters the loss distribution curve and implies an increased probability of high loss scenarios.

Under the methodology incorporating sovereign risk on ABS transactions, loss distribution volatility increases to capture increased sovereign-related risks. Given the expected loss of a portfolio and the shape of the loss distribution, the combination of the highest achievable rating in a country for SF and the applicable credit enhancement for this rating uniquely determine the volatility of the portfolio distribution, which is typically measured as the coefficient of variation (COV) for ABS transactions. All things equal, a higher applicable CE for a given rating ceiling or a lower rating ceiling with the same applicable CE both translate into a higher COV.

As a result, the standard deviation of the default distribution has been initially defined following analysis of the historical data, as well as by benchmarking this portfolio with past and similar transactions and the sovereign-related risk impact.

STRESS SCENARIOS

Moody's Parameter Sensitivities: Moody's principal portfolio model inputs are Moody's cumulative default rate assumption and the recovery rate. Moody's tested various scenarios derived from different combinations of mean default rate (i.e. adding a stress on the expected average portfolio quality) and recovery rate. For example, Moody's tested for the mean default rate: 5.0% as base case ranging to 6.0% and for the recovery rate: 30.0% as base case ranging to 20.0%. At the time the rating was assigned, the model output indicated that class A would have achieved A1 output even if the cumulative mean default probability (DP) had been as high as 6.0%, and the recovery rate as low as 20.0% (all other factors being constant). Moody's Parameter Sensitivities provide a quantitative / model-indicated calculation of the number of rating notches that a Moody's-rated structured finance security may vary if certain input parameters would change. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if the two parameters within a given sector that have the greatest rating impact were varied.

METHODOLOGY

The principal methodology used in this rating was Moody's Global Approach to Rating Auto Loan- and Lease-Backed ABS, published in December 2015. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

FACTORS THAT WOULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS:

Factors that may cause an upgrade of the ratings include a significantly better than expected performance of the pool together with an increase in credit enhancement of the notes and an upgrade of Spain's local country currency (LCC) rating.

Factors that may cause a downgrade of the ratings include a decline in the overall performance of the pool or a downgrade of Spain's local country currency (LCC) rating.

The ratings address the expected loss posed to investors by the legal final maturity of the notes. In Moody's

opinion, the structure allows for timely payment of interest and ultimate payment of principal with respect to the Class A, Class B, Class C and Class D notes by the legal final maturity. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed but may have a significant effect on yield to investors.

LOSS AND CASH FLOW ANALYSIS

In rating this transaction, Moody's used ABSROM to model the cash flows and determine the loss for each tranche. The cash flow model evaluates all default scenarios that are then weighted considering the probabilities of the lognormal distribution assumed for the portfolio default rate. In each default scenario, the corresponding loss for each class of notes is calculated given the incoming cash flows from the assets and the outgoing payments to third parties and noteholders. Therefore, the expected loss or EL for each tranche is the sum product of (i) the probability of occurrence of each default scenario; and (ii) the loss derived from the cash flow model in each default scenario for each tranche.

Therefore, Moody's analysis encompasses the assessment of stress scenarios.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions of the disclosure form.

Moody's describes its loss and cash flow analysis in the section "Ratings Rationale" of this press release.

Moody's describes the stress scenarios it has considered for this rating action in the section "Ratings Rationale" of this press release.

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