FTA Santander Consumer Spain Auto 2014-1

New Issue

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Capital Structure

Class	Final Rating	Outlook	Amount (EURm)	CE[a] (%)	Interest Rate (%)	Final Maturity	PLM[c] (x)
A	Asf	Stable	703.0	12.5	2.0	June 2032	3.5
B	BBBsf	Stable	27.4	8.9	2.5	June 2032	2.5
C	BB+sf	Stable	15.2	6.9	3.5	June 2032	1.9
D	BBsf	Stable	14.4	5.0	5.0	June 2032	1.4
E	CC	RE = 75%	38.0	0.0	5.0	June 2032	-
Total Issuance			798.0			**PLE[b] (%)**	3.6

Closing occurred on 26/Nov/2014. The transfer of the portfolio to the issuer occurred on 26/11/2014. The ratings assigned above are based on the portfolio information as of 26/Nov/2014

[a] Credit Enhancement (CE): The CE consists of overcollateralization based on a total asset pool of EUR760.0m and the amortising cash reserve of 5.0% of the initial portfolio balance. In addition, the structure benefits from initial excess spread of about 6.4% p.a.

[b] Portfolio Loss Expectation (PLE)

[c] Portfolio Loss Multiple (PLM): See *Appendix B* for definitions and further metrics

Transaction Summary

This transaction is a securitisation of a four-year revolving pool of auto loans originated in Spain by Santander Consumer, E.F.C., S.A. (Santander Consumer or the seller). Santander Consumer is a wholly-owned and fully integrated subsidiary of Santander Consumer Finance (SCF, A-/Stable/F2) whose ultimate parent is Banco Santander, S.A. (Santander, A-/Stable/F2).

Fitch Ratings has assigned final ratings to the notes issued by FTA, Santander Consumer Spain Auto 2014-1 (the issuer). The rating addresses the timely payment of interest and the ultimate payment of principal on the class A notes and the ultimate payment of interest and principal on the remaining classes in accordance with the terms and conditions of the notes.

Key Rating Drivers

Revolving Transaction: Fitch views that the transaction's 48-month revolving period allows for limited portfolio credit quality deterioration. The transfer of new eligible assets is subject to early amortisation events, as well as limits on important portfolio characteristics. Potential migration to a worst case (WC) portfolio composition during the revolving period is reflected in the rating analysis. The triggers are considered appropriate to stop revolving in a scenario of asset performance deterioration.

Long And Improving Track Record: This is the eleventh ABS deal originated by Santander Consumer in Spain. Fitch considered the long track record and the improving performance in recent deals. Deals originated since 2010 show very low delinquencies and defaults.

Reduced Loss Assumptions: Our base case default rates of 4.5% and 7.5% for new and used car loans combined with recovery expectations of 35% and 30% result in our expected lifetime loss rates of 2.9% and 5.3%. The weighted average loss rate is initially 3.4% and could increase to 3.6% if more risky used car loans are included up to the allowed maximum of 30%. To reflect improved performance the loss expectation was reduced below the 4.8% lifetime losses assumed in last year’s transaction.

No Interest Rate Risk: The transaction is not exposed to interest rate risk since the notes and the collateral are both linked to fixed interest rates.

Transaction Comparison

Figure 1
Santander Auto Loans Transactions

Portfolio characteristics	SCSA 2011-1[a]	SCSA 2012-1	SCSA 2013-1	SCSA 2014-1
Outstanding principal balance (EUR)	836,751,634	549,916,894	579,771,947	760,000,001
Number of loan contracts	85,456	55,441	56,968	73,909
Average loan balance (EUR)	9,791	9,919	10,177	10,283
Original term (60+ months) (%)	46	56	60	54
WA original term (months)	65	67	73	69
WA remaining term (months)	55	57	60	58
WA seasoning (months)	9	11	13	10
Average interest rate (%)	7.9	8.0	8.7	8.7
New vehicles (%)	79	71	76	77
Used vehicles (%)	21	29	24	23
Direct debit (%)	100	100	100	100
Monthly paying (%)	100	100	100	100
Fully amortising (%)	100	100	100	100
Spanish debtors (%)	92	92	94	93
Company borrowers (%)	3	4	4	4
Retail borrowers (%)	97	96	96	96
Top 20 borrowers (%)	0.2	0.2	0.4	0.2
Geographic 1 (%)	Andalucia (24.2)	Andalucia (22.3)	Andalucia (22.2)	Andalucia (18.6)
Geographic 2 (%)	Madrid (13.5)	Madrid (14.7)	Cataluña (12.9)	Cataluña (14.4)
Geographic 3 (%)	Cataluña (11.7)	Cataluña (12.8)	Madrid (12.5)	Madrid (14.2)
Make 1 (%)	Ford (13.0)	Ford (11.2)	Hyundai (12.3)	Hyundai (19.5)
Make 2 (%)	Opel (10.6)	Opel (9.8)	Ford (11.7)	Kia (17.0)
Make 3 (%)	Citroen (8.5)	Hyundai (8.4)	Opel (11.4)	Opel (11.7)
WA OLTV (%)	81.4	82.4	84.8	81.0
OLTV < 100% (%)	88.5	85.8	82.4	85.5
OLTV > 100% (%)	11.5	14.2	17.6	14.5
WA downpayment (%)	24.3	23.4	24.2	26.1
Reservation of title registered (%)	56	61	64	33.2

[a] Santander Consumer Spain Auto
Source: Transaction documents and Fitch

Transaction Parties

Figure 2
Key Transaction Parties

Name	Role	Rating
FTA Santander Consumer Spain Auto 2014-1	Issuer/SPV	Non rated
Santander de Titulización, S.G.F.T, SA	Trustee	Non rated
Santander Consumer, E.F.C, SA	Orignator, seller, servicer, subscribing entity and provider of the subordinated loan	Non rated
Santander Consumer Finance	Account bank	A-/Stable/F2
Banco Santander	Paying agent	A-/Stable/F2
Credit Agricole, CIB	Arranger	A/Stable/F1

Source: Fitch

Related Criteria

Global Structured Finance Rating Criteria (August 2014)

EMEA Consumer ABS Rating Criteria (June 2014)

Counterparty Criteria for Structured Finance an Covered Bonds (May 2014)

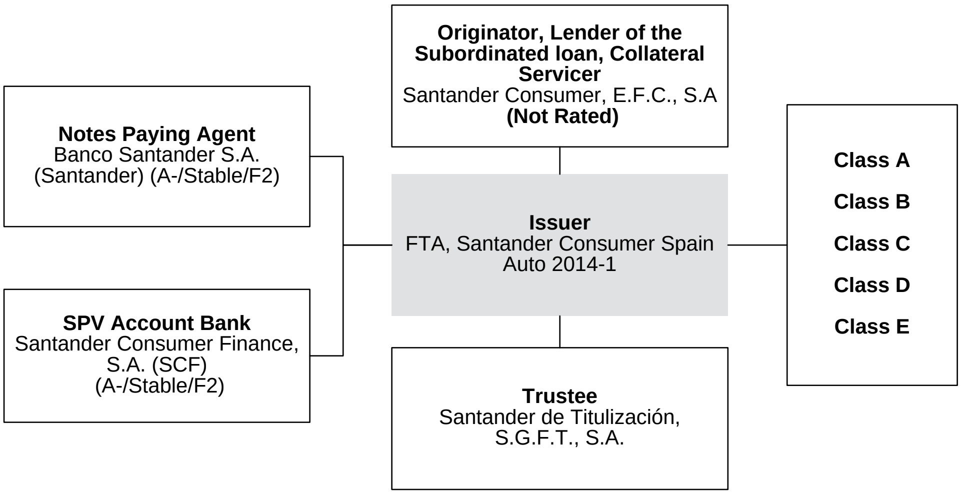
Criteria for Servicing Continuity Risk in Structured Finance (July 2014)

Criteria for Sovereign Risk in Developed Markets for Structured Finance and Covered Bonds (April 2014)

Transaction and Legal Structure

Figure 3

Summary of Transaction



Source: Transaction documents

Issuer & True Sale

The issuer is a limited-liability SPV incorporated under the laws of Spain, the sole purpose of which is to acquire the auto loan receivables from Santander Consumer as collateral for the issuance of quarterly-paying notes. At closing, the auto loans were acquired from the seller on behalf of the issuer by the trustee (*gestora*).

The trustee, which is supervised by the Comisión Nacional del Mercado de Valores (CNMV), is responsible for cash reconciliation, payment and waterfall calculations and their reporting, including the monitoring of applicable triggers. It is also responsible for taking any action in the interests of the noteholders, such as the replacement of the servicer or account bank counterparty.

Capital Structure & Credit Enhancement

The financial structure consists of five sequentially subordinated, quarterly paying tranches with a fully funded cash reserve fund and without any hedge agreement in place.

Figure 4

FTA Santander Consumer Spain Auto 2014-1: Balance Sheet at Closing

Assets	Amount (EUR)	Liabilities	Amount (EUR)
Auto loans	766,310,000	Notes issued	798,000,000
Principal	**760,000,000**	Class A	**703,000,000**
Accrued interests	**6,310,000**	Class B	**27,400,000**
		Class C	**15,200,000**
Treasury account	38,775,000	Class D	**14,400,000**
		Class E	**38,000,000**
		Subordinated loan	7,085,000
Total	**805,085,000**	**Total**	**805,085,000**

Source: Transaction documents, Fitch

The transaction features a mechanism that will trap excess spread to provision for defaults (defined as loans in arrears for more than one year) and consequently excess spread provides the first layer of protection against losses. The annual excess spread of the deal is significant since the weighted average rate of the assets amounts to 8.7% (the minimum as per one of the revolving conditions is 7.0%) while the average interest rate of the notes before amortization amounts to 2.3%. Excess spread is the only form of CE for class E.

Additional CE is available to class A to C notes from asset overcollateralisation (7.5%, 3.9% and 1.9% as of closing for classes A, B and C respectively) and the cash reserve (5%), which also provides CE to class D. The reserve fund will be allowed to decrease to the maximum of 10% of the outstanding balance and 2.5% of the initial balance of classes A to D if the following circumstances are met;

- If in the previous payment date the reserve fund was at its required level.
- 4 years have passed since the beginning of the amortization phase;

The reserve fund will be part of the available funds and released amounts are distributed in accordance with the priority of payments.

Priority of Payments

Interest and principal available funds will be applied in the following order of priority.

Figure 5

Priority of Payments

1	Senior expenses
2	Class A note interest
3	Class B note interest (if not deferred – when implicit Principal Deficiency Ledger>50% of class B)*
4	Classes A and B note principal
5	Class B note interest (if deferred)[a]
6	Class C note interest
7	Class D note interest
8	Class C note principal
9	Class D note principal
10	Reserve fund replenishment
11	Class E interest
12	Class E principal
13	Subordinated items

[a] An implicit PLD exists under such structure as detailed below
Source: Transaction documents, Fitch

The target principal amortization is calculated as the difference between the outstanding notes amount (excluding class E, that is to say, the aggregate amount of classes A to D) and outstanding assets excluding defaults. Therefore, the transaction has an implicit PDL mechanism.

Class B interest would be deferred in case that there is a principal deficiency that reaches 100% of classes C and D plus 50% of class B, that is to say, if the principal deficiency ledger reaches 5.7% of the initial portfolio balance (EUR 43.2m).

The above waterfall will be replaced by a post enforcement waterfall if the SPV trustee judges that the SPV suffers from a material economic imbalance. In such case, senior expenses and class A notes would remain in first and second place in the waterfall respectively. Remaining notes would receive funds according to their respective priority, that is to say, each class would receive funds if accrued interest and principal of the more senior classes are fully paid.

Eligibility Criteria & Portfolio Limits

The following eligibility criteria, among others (the full list is available in the New Issue Report Appendix), apply to the assets:

- governed by Spanish law;
- denominated in euros;
- at least one instalment has been paid;
- loans have an interest rate of at least 5%;
- performing (i.e. non-delinquent);
- legally and beneficially owned by Santander Consumer; and
- borrowers are not unemployed when the loan is granted.

Additionally, the purchase of additional loan receivables is subject to the following main portfolio limits;

- The outstanding balance of loans granted for used car acquisition should not be higher than 30%
- The outstanding balance of the largest obligor should not be higher than 5bps
- The outstanding balance of loans granted to companies should not be higher than 8%
- The weighted average remaining time to maturity should not exceed 72 months
- The outstanding balance of loans granted for acquisition of cars other than private vehicles and sport utility vehicles should be lower than 15%
- The outstanding balance of the loans with a downpayment below 5% should not be higher than 10%
- The weighted average interest rate should be at least 7%
- The outstanding balance of the loans granted to self-employed individuals should not be higher than 18%

Performance Triggers and Revolving Conditions

The revolving period will be terminated early if any of the following performance triggers or revolving conditions is breached:

- The average outstanding ratio of 90 days delinquent loans should not surpass 2.91%. The ratio is calculated before the purchase of new loans;
- Restructured and refinanced loans should not surpass 2.5% in any year. This ratio is calculated by dividing restructured and refinanced amounts of a given year by the outstanding amount at the beginning of the respective year.

  The trigger prevents further replenishment if delinquency or default triggers are not hit in a stressed economic environment due to loan refinancings or restructurings. However, Fitch notes that this ratio is exposed to cyclicality as the beginning of each year it drops to 0.
- Cumulative defaulted loans should be below 2.25%, 3.5%, and 4.25% after one, two and three years respectively. The effectiveness of this trigger is undermined by the long default definition –one year- of the transaction;
- The reserve fund should be at its target amount. This condition implies that the notes will be 100% collateralized in the revolving phase and that each class will keep at least the same CE as of closing;
- Regulation changes on tax law resulting in high costs for the transfer of rights;
- Santander Consumer should not default or be substituted;

Overall, Fitch believes that these early amortization triggers and revolving conditions effectively stop the revolving phase in a scenario of asset deterioration.

Permitted Variations

The SPV trustee enables the servicer to renegotiate, without its previous consent, the terms and conditions on the loans as follows.

Changes in loan interest rates will be limited to the WA interest rate of the assets not falling below 7.0% while maintaining a minimum rate of 5.0% for each individual loan. The servicer may also agree to increase the remaining life of the auto loan in question by extending its maturity date. Any extension is limited to December 2028.

The outstanding amount of auto loans on which conditions are modified must not exceed 10% of the initial pool principal balance transferred to the issuer. Fitch notes that the transaction does not envisage a specific actions if this 10% threshold of permitted variations is breached. Nevertheless, Fitch takes some comfort on the duties of the trustee which could ask for compensation or revoke the capacity of servicer of renegotiating loans upon such a breach.

Historically, limited loan modifications or restructurings have been reported for existing ABS transactions.

Disclaimer

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Asset Analysis

Originator Overview

As part of its rating process, Fitch conducted an operational review of the origination and servicing procedures of Santander Consumer.

Santander Consumer is a wholly-owned and fully integrated subsidiary of SCF, the parent bank of a consumer-finance group specialized in auto finance. At end-2013, SCF's lending was distributed as follows: Germany 49%; Nordic Countries 14%; Spain 8%; Poland 7%, Italy 6%; and rest of Europe 6%. SCF posted EUR794m of net profit, representing 12% of Santander's profit.

The Issuer Default Rating of SCF is in line with that of its parent and reflects the benefits it enjoys as an integral part of the group in a strategically important business.

Loan Products

The collateral refers to fully amortising auto loans granted to individuals and companies in Spain, for the purpose of buying new and used cars. All the loans have been originated following Santander Consumer's guidelines in the course of its normal business, bear a fixed rate of interest, and are repaid monthly through direct debit payments.

The legal title of the vehicles associated to the loans in this transaction is kept by the borrower but the lender and the SPV benefit from the security that is provided by the "*reserve of title*" (RD, *reserva de dominio*) which is part of the loan terms and conditions. The RD represents a true acknowledgment of the ownership in favour of the lender, so the debtor lacks any power of disposal on the vehicle while the loan remains unpaid, unless the beneficiary of the reservation (the lender) grants its consent.

Although Santander Consumer has an RD for all loans it only registers it in a public registry in some cases as the registration incurs costs. Registration takes place on the first missed payment or under certain circumstances such as the loan having a low score, the recommendation of the credit analyst or the loan reaching a certain amount (over EUR24k in the case of regular cars).

As of end November, 33.2% of the portfolio had an RD registered (or in the process of being registered), and the remaining 66.8% had a right to register an RD at any time and always at the first unpaid amount. Fitch notes that the percentage of RD registered is lower than in previous Santander Consumer rated deals as shown in the Transaction Comparison table. The fact that RDs are only registered after delinquency might undermine the recovery prospects. A registration will not be possible if the car has been previously sold to a buyer in good faith, and the bank would have no claim against such buyer. However, Fitch sees no evidence for such car sales since almost all RD registrations (at the time of delinquency) were successful in the past.

Fitch divided the pool into two different sub-pools for its analysis: loans granted for new car and used car acquisition due to the difference in observed performance in these two sub-pools.

Underwriting

Underwriting decisions and credit risk assessments are defined in accordance with SCF and Santander's global credit and risk management policies. Santander Consumer has been using in-house credit scoring tools since 1989, with different scorecards depending on the asset characteristics and the debtor profile. Santander Consumer currently uses five different scorings for auto loan credit admissions, of which four are present in this securitisation: (i) self-employed; (ii) new vehicles (excluding self-employed borrowers); (iii) used cars (excluding self-employed borrowers); and (iv) SMEs. Scoring tools generate one of the following results: accept, review or reject.

Credit decisions are centralised in a unit called Unidad de Decisión de Operaciones. Scorings are updated regularly and the system has been in place for new and used cars since December 2009; models for SMEs and self-employed borrowers were developed in June 2010 and December 2012 respectively. This scoring system has been calibrated using historical data, including the current recession. The internal rating-based scoring models have been approved by Bank of Spain.

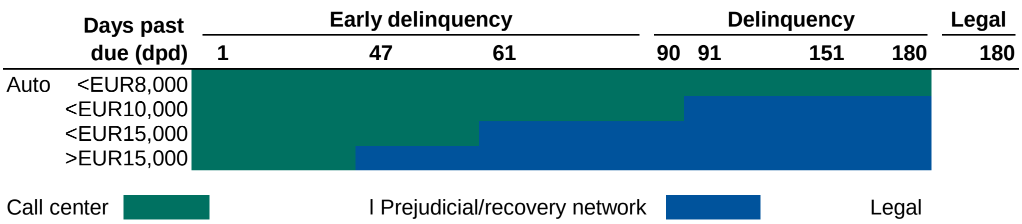
The seller has followed a more cautious origination strategy since 2009 which is reflected in higher downpayments, a drastic reduction in fraud due to improved controls, a policy that favours captive loans (those signed in the context of framework agreements with the dealer) and more refined internal rating models.

Servicing & Collections

Fitch considers Santander Consumer to have proven records as servicer of consumer loans, and standard servicing procedures.

The recovery process is based on a portfolio segmentation strategy, depending on delinquency bucket and outstanding amount (rather than unpaid instalments). Each segment has a different approach, as summarised in Figure 6. The recovery through call centres starts at the date of the first unpaid instalment while the recovery network start depends on the amount outstanding of the loan. In this phase adequate solutions for the borrower circumstances are analysed.

Figure 6
Recovery Strategy for Auto Loans



Source: Santander consumer

Portfolio Summary

The initial portfolio consists of 73,909 auto loans originated by Santander Consumer totalling EUR760m and granted to individuals and companies resident in Spain.

The pool is granular and regionally diversified across Spain. The loans have a WA seasoning of 10 months and a remaining term of 58 months. Main portfolio characteristics are detailed in Figure 7.

Figure 7

Portfolio Characteristics[a]

Outstanding principal balance (EUR)	760,000,001
Number of loan contracts	73,909
Average loan balance (EUR)	10,283
WA original term (months)	69
WA remaining term (months)	58
WA seasoning (months)	10
Average interest rate (%)	8.7
New vehicles (%)	77
Used vehicles (%)	23
Direct debit (%)	100
Monthly paying (%)	100
Fully amortising (%)	100
Spanish nationals (%)	93
Company borrowers (%)	4
Individual borrowers (%)	96
Top 20 borrowers (%)	0.2
Maximum regional concentration (%)	Andalucia (18.6)

[a] percentages calculated over outstanding loan balance
Source: Fitch and Santander Consumer

Default Risk

Fitch determined base case default rates of 4.5% and 7.5% for new and used cars sub-pools, respectively. These assumptions reflect the performance of Santander Consumer book, and Spain's economic outlook and unemployment.

Fitch derived a WA default base case of 5.4% taking into account the migration allowed by the covenants, performance triggers and portfolio limits. The agency divided the total pool in new and used sub-pools given the homogeneity and granularity within each sub-pool and the different credit profile between the two. The WC portfolio consists of 70% new cars and 30% used cars.

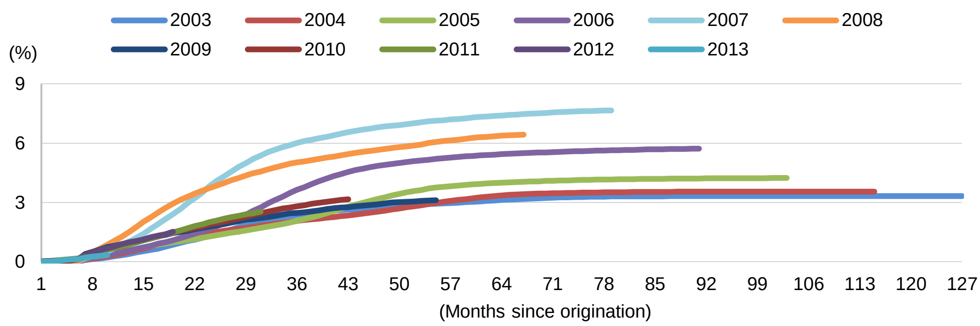
When deriving our lifetime base case default expectations, Fitch analysed the vintage data displayed in Figures 8 and 9, which summarises the cumulative percentage of loan balances which fall into arrears over 180 days. We consider this convention of arrears to be adequate for determining defaults, irrespective of the actual default definition used in the transaction documents (one year or when the servicer believes that outstanding amounts are non-recoverable) which is used to provision for non-performing assets. Consequently, under Fitch´s analysis, recoveries have been calculated for loans of 180 days in arrears.

The 2006, 2007 and 2008 vintages exhibit higher cumulative six month-plus arrears in volume terms compared to other vintages. This can be explained by unemployment increase that occurred in the 2008-2013 period, the difficult economic environment and weaker underwriting standards applied during those years. The most recent vintages show better performance, due to a tightening in originator lending criteria and the selection of better quality borrowers. Additionally, unemployment has decreased recently, even if it remains near historical highs.

Figure 8

New Auto Loans

Cumulative 180 days+ arrears by volume

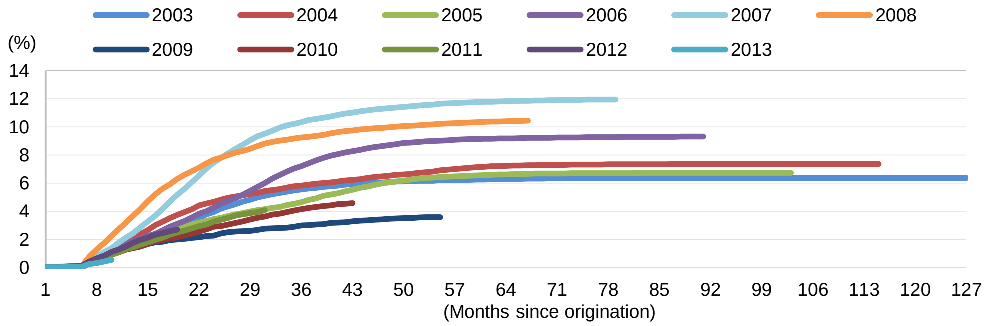


Source: Santander consumer

Figure 9

Used Auto Loans

Cumulative 180 days+ arrears by volume



Source: Santander consumer

Fitch has applied a rating-dependent stress to default levels, multiplying the base case default rate by 3.6x for the 'Asf' rating scenario (for comparison purpose, this corresponds to 6.0x for 'AAAsf' rating scenario), which resulted in a 19.4% default rate under the 'Asf' stress. Fitch applied high default multipliers in line with its EMEA Consumer ABS Rating Criteria to account for the increase risk that implied by a 4-year revolving transaction and the late 180d+ default definition used to derive the base cases.

Furthermore, this high multiple also captures the fact that under a stressed environment obligors may face difficulties in refinancing their loans. Santander Consumer has refinanced and restructured between 1.3% and 2.5% of its loan book annually since 2011. Under 'Asf' stress scenario Santander Consumer may not be there and hence obligors would not be able to refinance their loans with Santander.

Recovery Rates

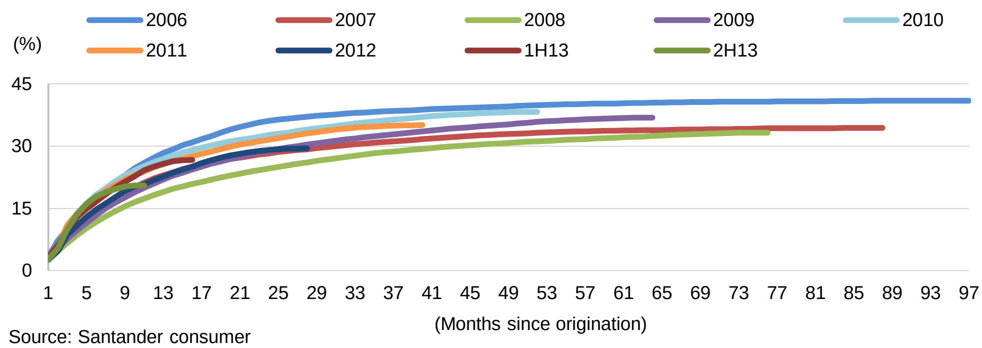
Fitch assumed base case recoveries of 35% for new cars and 30% for used cars. These are lower than those observed, to account for the downward trend in recent vintages.

Fitch applied the median haircuts of the EMEA Consumer ABS Rating Criteria such as a 30% 'Asf' haircut to the base-case recovery rates of the WC portfolio. These haircuts take into account the 4 year revolving feature of the deal and potential costs due to the reserve of title registration upon originator insolvency on the negative side while also considering as positive qualitative factors the stability of the collateral characteristics and recovery processes.

Figure 10

New Auto Recoveries as % of Defaulted Balance (180d+)

Cumulative % recovered

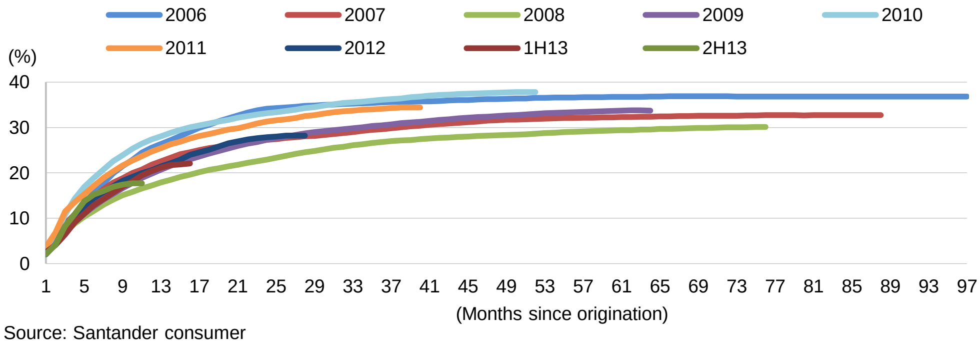


Source: Santander consumer

Figure 11

Used Auto Recoveries as % of Defaulted Balance (180d+)

Cumulative % recovered



Source: Santander consumer

The combination of the above mentioned default and recovery base cases resulted in the following loss rate expectations:

Figure 12

Expectations

	Default rate expectations (%)	Recovery rate expectations (%)	Loss rate expectations (%)
New cars	4.5	35.0	2.9
Used cars	7.5	30.0	5.3
Total pool[a]	5.4	32.9	3.6

[a] Weighted as per the WC portfolio

Source: Fitch

The above base case expectation for portfolio losses is lower than the 4.8% equivalent of last year's auto transaction (FTA Santander Consumer Spain Auto 2013-1) from the same originator. The lower base case loss rate is mainly due to the observed improved performance of existing securitisation transactions with similar eligibility criteria and the stricter underwriting business model of the originator as reflected in the evolution of the performance of the total auto loan book of the bank in recent years.

Figure 13

Stressed Assumptions

	Rating default rate (%)	Rating recovery rate (%)	Rating loss rate (%)
A	19.4	23.0	15.0
BBB	14.0	25.3	10.5
BB	9.7	28.0	7.0
B	7.0	29.6	4.9

Source: Fitch

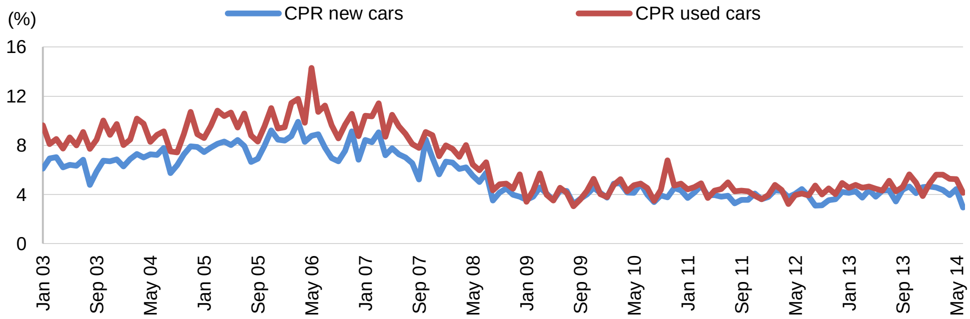
Prepayment Risk

Fitch derived its base case prepayment assumption using data provided by Santander Consumer since January 2003. Fitch applied an annual prepayment rate base case of 5%. This was stressed downwards in line with Fitch's EMEA ABS Criteria while upward stresses were higher than those specified in our Criteria given the high prepayment rates experienced in the past and the low level of the base case. In this sense, class A notes were able to withstand Asf prepayment stresses consisting of 3.5% (low) and 10% (high) CPR.

Figure 14

FTA, Santander Consumer Spain Auto 2014-1

Conditional prepayment rate (CPR)



Source: Santander consumer

Financial Structure and Cash-Flow Modelling

The agency's cash-flow model was used to simulate the impact of defaults, recoveries and prepayments on the issuer's income, based on the assets acquired. We tested three different default timings (front, evenly and back-loaded) while assuming that recovery timings would occur in line with the historical evidence provided by Santander Consumer. Default timings were also back-tested against historical evidence concluding that historical timings fall within the scenarios tested.

Fitch modelled the static post-revolving WC asset pool, which implied, among other things, assuming a portfolio composition of 70% new cars and 30% used cars and a weighted average interest of 7% on the assets. The agency modelled the combined waterfall ie, pre-enforcement, assuming that CE has not been eroded during the revolving period as per the revolving conditions.

The cash flows were tested in the relevant rating scenario to ascertain if they were sufficient to pay interest and principal on the classes notes when due. The model thereby took into account the structural elements of the transaction.

The transaction is not exposed to interest rate risk since the notes and the collateral are both linked to fixed interest rates.

Fitch performed various sensitivity runs to assess the impact of changed input factors on the ultimate results, such as different default timings (front and back loaded) and prepayment stresses (high and low).

Rating Sensitivity[1]

This section of the report provides a greater insight into the model implied sensitivities the transaction faces when one or more risk factors are stressed, while holding others equal. The modelling process first uses the estimation and stress of base case assumptions to reflect asset performance in a stressed environment, and secondly, the structural protection was analysed in a customised proprietary cash flow model (see Financial Structure and Cash-Flow Modelling). The results below should only be considered as one potential outcome given that the transaction is exposed to multiple risk factors that are all dynamic variables.

Rating Sensitivity to Default Rates

The change in rating (ie ratings migration) resulting from a relative increase in the base case joint probability of default for each receivable is demonstrated below. For example, increasing

[1] These sensitivities only describe the model-implied impact of a change in one or more of the input variables. This is designed to provide information about the sensitivity of the rating to model assumptions. It should not be used as an indicator of possible future performance

the base case default rate by 15% may result in a one-notch downgrade of the class A notes, from 'Asf' to 'A−sf'.

Rating Sensitivity to Increased Defaults

	A	B	C	D
Original rating	Asf	BBBsf	BB+sf	BBsf
Increase default rate base case by 15%	A-sf	BBB-sf	BBsf	BB-sf
Increase default rate base case by 30%	BBB+sf	BB+sf	BBsf	B+sf
Increase default rate base case by 45%	BBBsf	BB+sf	BB-sf	Bsf

Source: Fitch

Rating Sensitivity to Recovery Rates

The change in rating if the base case recovery rates are adjusted is shown in the Rating Sensitivity to Reduced Recovery Rates table. The notes' rating is relatively insensitive to changes in the base case assumptions due to the relatively absolute level of recoveries, the five-year recovery time lag and the median haircuts assumed under stressed scenarios,

Rating Sensitivity to Reduced Recovery Rates

	A	B	C	D
Original rating	Asf	BBBsf	BB+sf	BBsf
Decrease recovery rate base case by 15%	A-sf	BBBsf	BB+sf	BB-sf
Decrease recovery rate base case by 30%	A-sf	BBBsf	BBsf	BB-sf
Decrease recovery rate base case by 45%	A-sf	BBB-sf	BBsf	B+sf

Source: Fitch

Rating Sensitivity to Shifts in Multiple Factors

The Rating Sensitivity to Increased Default and Reduced Recovery Rates table summarises the rating sensitivity to stressing multiple factors concurrently. Three scenarios are evaluated to demonstrate the sensitivity of the rating to varying degrees of stress, ie mild, moderate and severe changes to the expected level of defaults and recoveries

Rating Sensitivity to Multiple Factors

	A	B	C	D
Original rating	Asf	BBBsf	BB+sf	BBsf
Increase DR base case by 15%, reduce RR base case by 15%	BBB+sf	BBB-sf	BBsf	Bsf
Increase DR base case by 30%, reduce RR base case by 30%	BBBsf	BB+sf	BB-sf	Bsf
Increase DR base case by 45%, reduce RR base case by 45%	BBB-sf	BBsf	Bsf	CCC

Source: Fitch

Criteria Application, Model and Data Adequacy

Criteria Application

Fitch has analysed the transaction in accordance with its EMEA Consumer ABS Rating Criteria.

Model

Fitch used its proprietary cash flow model to analyse the defaults and recoveries and the respective timing assumptions on the issuer's ability to meet its debt service obligations under the rated notes.

Data Adequacy

In Fitch's view, the overall level of data available was adequate to support the rating analysis. Main information provided by Santander Consumer provided to support Fitch's analysis is showed in Figure 15.

Figure 15
Data Adequacy

Sub-pools	Vintages	Period	Frequency	Type
Delinquency (90d+)	2006-2013	7.5 years	Monthly	Dynamic
Defaults(90d+,180d+,360d+)	2003-2014	10.5 years	Monthly	Static
Recoveries (90d+,180d+)	2006-2014	7.5 years	Monthly	Static
Prepayments	2003-2014	10.5 years	Monthly	Dynamic

Source: Fitch

Fitch also reviewed an agreed-upon procedures (AUP) report regarding the data provided by the originator. An independent internationally recognised auditor conducted the AUP, which included the examination of 584 loan files from a provisional portfolio (cut-off date 20 October 2014) with a 99:1 level of confidence. The AUP only highlighted two immaterial deviations in one field (type of vehicle) and therefore Fitch made no specific adjustments in the rating analysis.

Counterparty Risk

Servicing

Santander Consumer, as seller, will continue acting as servicer of the collateral. If Santander Consumer is unable to continue servicing the collateral, the *gestora* would appoint a replacement servicer, in accordance with Spanish securitisation law.

Santander Consumer will receive all amounts paid by the borrowers and any other item assigned to the issuer as, for example, recovered amounts. The amounts received by Santander Consumer will be transferred to the issuer's treasury account, held by SCF, within 48 hours after collection.

The transaction documents stipulate that, if the seller becomes insolvent, or if the *gestora* considers it appropriate, the seller will be required to notify the obligors of the new payment instructions.

Account Bank

SCF as the SPV account bank will hold all principal and interest collections, the reserve fund, funds available for replenishing (the deal allows for a retention of up to 5% of classes A to D during the revolving phase if not sufficient eligible loans are available) and the liquidity and commingling reserve when appropriate. If the Long-Term or Short-Term Rating of the account bank, is lowered below 'BBB+/F2', the gestora will take one of the following actions within 30 calendar days: (i) obtain from a third-party entity rated at least 'BBB+/F2' an unconditional and irrevocable first demand guarantee that covers all the obligations under this contract; or (ii) transfer the treasury and principal account to another entity rated at least 'BBB+/F2'.

Commingling and Payment Interruption Risk

In the event of the servicer becoming insolvent, the asset collections and the cash sweep into the SPV's account are likely to be interrupted while alternative arrangements are made. In addition monies not yet transferred could be lost. To reduce the payment interruption and commingling risk, Santander Consumer will create a liquidity reserve and a commingling reserve. Fitch estimates that maximum commingling losses upon servicer insolvency would be around 1.3% of the initial balance.

The commingling and liquidity reserves would be activated in two cases: (i) if SCF is downgraded below 'BBB+/F2'; or (ii) if the equity stake of SCF in Santander Consumer falls below 95%. None of these reserves will be replenished in case that they are used.

The commingling reserve required amount equals to 1.15 times the last month principal collections while the liquidity reserve will equal 1.40% of the outstanding balance of the classes

A and B. Fitch estimates that the size of the liquidity reserve is sufficient to cover class A interest and senior expenses for at least 6 months.

Fitch believes the above mentioned structural arrangements sufficiently reduce payment interruption and / or commingling losses that could be faced by the transaction under a stress scenario commensurate with the ratings of the Class A notes.

No Set-Off

Fitch considers set off to be a non-material risk for the transaction. Fitch understands from the originator's legal counsel that under Spanish law no set-off could be exercised as a result of deposits in companies belonging to the Santander group or premiums paid due to insurance policies signed at the same time as the auto loans. Consequently, Fitch has not applied additional stresses to the transaction to account for this risk.

Swap Counterparty

The transaction is unhedged.

Performance Analytics

Fitch will monitor the performance of the collateral and any changes at the servicer, or with the structure, that may influence the ratings of the notes, throughout the life of the transaction.

Fitch will receive quarterly servicer reports detailing the performance of the portfolio. These will provide the basis for the agency’s surveillance of the performance of the transaction against base case expectations and the performance of the industry as a whole. Where appropriate, Fitch may ask for further data from Santander Consumer. The ratings on the transaction will be reviewed by a committee at least once every 12 months, or where considered appropriate (eg if there were a deterioration in performance, an industry-wide development, or a change at Santander Consumer that may influence the transaction), with any affirmation or change in the ratings disseminated publicly.

Fitch’s quantitative analysis will focus on monitoring the key performance parameters (delinquencies, defaults, recoveries and prepayments) against the base case assumptions.

The agency received and reviewed a file containing all the information that will be included in the investor reports. It includes, among other things information about collection, collateral pool performance (including delinquencies, defaults and losses), detailed portfolio stratifications, early amortization triggers, revolving period portfolio test, and permitted variations.

Fitch has published an updated Issuer Report Grades report as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (poor) to five stars (outstanding). Fitch has assigned an Issuer Report Grade (IRG) of three stars (satisfactory) to Santander Consumer Spain Auto 2014-1’s investor reports.

Appendix A: Transaction Overview

FTA Santander Consumer Spain Auto 2014-1 | Spain / ABS

Figure 16

Capital Structure

Class	Final ratings	Rating outlook	Size (%)	Size (EURm)	CE[a] (%)	Payment frequency	Final maturity	TT[b] (%)	TTLM[c] (x)	PLM[e] (x)
A	Asf	Stable	92.5	703.0	12.5	Quarterly	June 2032	92.5	25.7	3.5
B	BBBsf	Stable	3.6	27.4	8.9	Quarterly	June 2032	3.6	1.0	2.5
C	BB+sf	Stable	2.0	15.2	6.9	Quarterly	June 2032	2.0	0.6	1.9
D	BBsf	Stable	1.9	14.4	5.0	Quarterly	June 2032	1.9	0.5	1.4
E	CC		5.0	38.0	0.0	Quarterly	June 2032	5.0	1.4	-
Total									**PLE[d](%)**	3.6

Cash reserve	**Initial**	5.0	**Credit enhancement**	**Overcollateralization**	7.5 (Class A)
	Target	10.0		**Cash reserve**	5.0
	Floor	2.5		**Excess spread**	6.4
Scheduled revolving period		48 months	**Swaps**		n.a.

[a] Credit Enhancement (CE): The CE consists of overcollateralization based on a total asset pool of EUR760m and the amortising cash reserve of 5.0% of the initial portfolio balance. In addition, the structure benefits from initial excess spread of about 6.4% p.a.
[b] Tranche Thickness (TT): ratio of class size to collateral balance. See also *Structured Finance Tranche Thickness Metrics*
[c] Tranche Thickness Loss Multiple (TTLM): TT divided by PLE
[d] Portfolio Loss Expectation (PLE): Outstanding principal balance of the portfolio that Fitch expects will be lost over the life of the transaction. See also *Portfolio Loss Metrics*
[e] Portfolio Loss Multiple (PLM): CE divided by PLE
Source: Fitch

Key Information

Details		Parties	
Closing date	26 November 2014	**Seller/originator**	Santander Consumer E.F.C.
Country of assets and type	Spain/ABS	**Servicer**	Santander Consumer E.F.C
Country of SPV	Spain	**Paying agent**	Banco Santander
Analyst	Manuel Conthe, CFA	**Issuer**	FTA Santander Consumer Spain Auto 2014
	Eberhard Hackel	**Account bank r**	Santander Consumer Finance
		Guarantor	n.a.
Performance analyst	Manuel Conthe, CFA	**Security trustee**	Santander de Titulización, S.G.F.T, SA
		Swap counterparty	n.a.
		Frequency	Quarterly

Source: Fitch

Key Rating Drivers

Revolving Transaction: Fitch views that the transaction's 48-month revolving period allows for limited portfolio credit quality deterioration. The transfer of new eligible assets is subject to early amortisation events, as well as limits on important portfolio characteristics. Potential migration to a worst case (WC) portfolio composition during the revolving period is reflected in the rating analysis. The triggers are considered appropriate to stop revolving in a scenario of asset performance deterioration.

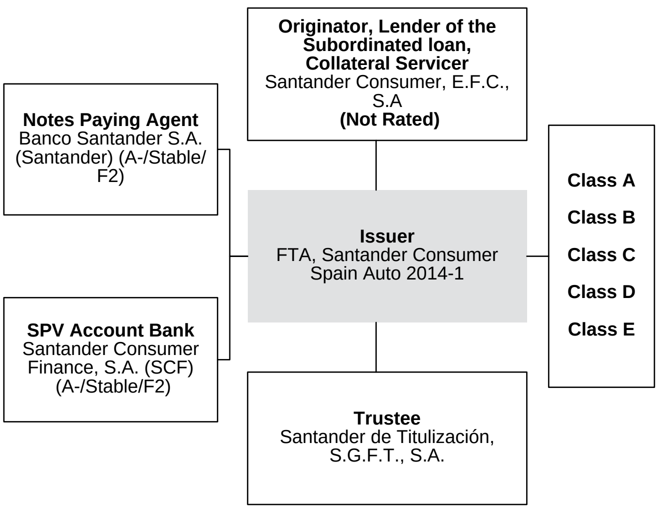
Long And Improving Track Record: This is the eleventh ABS deal originated by Santander Consumer in Spain. Fitch considered the long track record and the improving performance in recent deals. Deals originated since 2010 show very low delinquencies and defaults.

Reduced Loss Assumptions: Our base case default rates of 4.5% and 7.5% for new and used car loans combined with recovery expectations of 35% and 30% result in our expected lifetime loss rates of 2.9% and 5.3%. The weighted average loss rate is initially 3.4% and could increase to 3.6% if more risky used car loans are included up to the allowed maximum of 30%. To reflect improved performance the loss expectation was reduced below the 4.8% lifetime losses assumed in last year's transaction.

No Interest Rate Risk: The transaction is not exposed to interest rate risk since the notes and the collateral are both linked to fixed interest rates.

Source: Fitch

Simplified Summary of Transaction



Source: Transaction documents

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