S&P Global
Ratings

Research

New Issue: Pony S.A., Compartment German Auto Loans 2025-1

Primary Credit Analyst:
Roberto Amato, Frankfurt + 49 69 3399 9161; roberto.amato@spglobal.com

Table Of Contents

Table Of Contents (cont.)

New Issue: Pony S.A., Compartment German Auto Loans 2025-1

Ratings Detail

Ratings

Class	Rating*	Amount (mil. €)	Overcollateralization and subordination (%)	Cash reserve (%)§	Available credit enhancement (%)†	Interest‡	Legal final maturity
A	AAA (sf)	511.5	7.0	0.9	7.9	1ME + 0.49%	December 2035
B	NR	38.5	0.0	0.9	0.9	1.00%	December 2035

*Our rating addresses timely payment of interest and ultimate principal. §Preliminary amount. †Includes subordination, overcollateralization, and a cash reserve (see the Transaction Key Features table). ‡Subject to a floor of zero. 1ME--One-month Euro Interbank Offered Rate. NR--Not rated. N/A--Not applicable. TBD--To be determined.

Supporting ratings

Institution/role	Ratings	Replacement trigger	Collateral posting trigger
The Bank of New York Mellon, as the parent company of the transaction accounts provider*	AA-/Stable/A-1+	A/A-1	N/A
DZ Bank AG, Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main as swap counterparty	A+/Stable/A-1+	A-	A-

*Based on the ratings on the parent company, The Bank of New York Mellon. N/A--Not applicable.

Transaction Summary

S&P Global Ratings has assigned its credit rating to Pony S.A., Compartment German Auto Loans 2025-1's (Pony 2025-1) class A notes. At closing, Pony 2025-1 also issued an unrated class of notes. Our rating addresses timely payment of interest and ultimate payment of principal on the class A notes.

Pony 2025-1's notes securitize a portfolio of German auto loan receivables, which Hyundai Capital Bank Europe GmbH (HCBE) originated to its German, commercial and private customer base in the ordinary course of its business. The loan receivables arise from fixed-term, level payment loan contracts, with payments due monthly.

The transaction features a nine-month revolving phase, and the notes will start to amortize immediately after the revolving period ends. The payment structure includes an amortizing cash reserve and the notes amortize strictly sequentially. If the transaction incurs defaults, it can use available excess spread to redeem principal through the principal deficiency ledger (PDL) mechanism.

Our analysis indicates that the credit enhancement available to the class A notes can withstand the credit and cash flow stresses we apply at the 'AAA' rating level.

The rating addresses not only the availability of funds for full payment of interest and principal, but also the timeliness of these payments in accordance with the terms of the rated securities.

The fixed-to-floating interest rate swap agreement with the DZ Bank AG is in line with our counterparty criteria (see Related Criteria"). This mitigates the risk of potential interest rate mismatches between the fixed-rate assets and floating-rate liabilities.

Commingling risk is mitigated through a commingling reserve. Upon a commingling trigger event, Santander Consumer Bank AG (SCB) or HCBE will post a reserve that covers for more than 1.5 months of collections. We consider this mechanism to fully mitigate this risk and we have therefore not stressed any commingling risk in our cash flow model.

Also, we deem setoff risk to be negligible and did not stress it in our cash flow model.

Our rating in this transaction is not constrained by our structured finance sovereign risk criteria (see "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019).

The final documentation adequately addresses any operational and legal risk in line with our criteria.

Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, And governance (ESG) credit factors. For the auto ABS sector, we view the exposure to environmental credit factors as above average, social credit factors as average, and governance credit factors as below average (see "ESG Industry Report Card: Auto Asset-Backed Securities," published on March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark. The transaction's above average exposure to environmental credit factors results from the collateral pool primarily comprising vehicles with internal combustion engines (ICE), which create emissions of pollutants including greenhouse gases. While the adoption of electric vehicles and future regulation could in time lower the value ICE vehicles, we believe that our current approach to evaluating recovery and residual values adequately account for vehicle values over the relatively short expected life of the transaction. In addition, the transaction is not exposed to direct market value risk. As a result, we have not separately identified this as a material ESG credit factor in our analysis.

The Credit Story

Strengths

- In our view, HCBE has a good market position among the captive car financing companies in the German market, with approximately 10 years' business experience.
- The pool is granular and diversified, comprising approximately 32,276 loan contracts. The largest single borrower concentration is 0.06%. The top 20 borrowers constitute just under 0.46% of the pool.
- The notes amortize sequentially from the first payment date after the end of the revolving period, using all principal collections to pay down the notes. If the transaction incurs defaults, it can use available excess spread to redeem

principal through the PDL mechanism. This leads to a quick build-up of credit enhancement for the class A notes.

- The structure benefits from an amortizing cash reserve, with a floor, which will be fully funded at closing. The reserve serves primarily as liquidity support to mitigate any potential cash shortfalls on the class A notes. Ultimately, it is available to repay the rated notes when the portfolio balance reduces to zero.
- The structure also benefits from a replacing servicing fee reserve (RSF reserve). The RSF reserve will be funded within 60 calendar days by SCB, or within 10 calendar days by HCBE according to the specific trigger event, at 1.00% of the outstanding performing collateral balance multiplied by the remaining weighted-average life of the transaction. The RSF reserve will be available to cover servicing fees and any costs related to the replacement of the servicer. If unused, amounts in the RSF reserve will be released outside of the priority of payments.

Concerns and mitigating factors

- The transaction is exposed to commingling risk. If SCB is no longer deemed eligible under our counterparty criteria or if HCBE is terminated under the servicing agreement, SCB will fund the reserve within 60 calendar days. If SCB ceases to own more than a 50% share of HCBE, HCBE will fund the reserve within 10 calendar days. In our view, the commingling reserve fully mitigates commingling risk exposure.
- An interest rate swap counterparty mitigates the interest rate risk between the fixed-rate assets and the floating rate of interest payable on the notes.
- The securitized pool comprises over 80% balloon loans, in terms of principal collateral balance. These loans have a final payment that is significantly higher than previous instalments. A balloon payment at maturity could result in a payment shock to the borrower, compared with equally amortizing loans. We have incorporated these considerations in our credit analysis and our cash flow model.

Asset Description

As of the cutoff date, the securitized collateral pool backing the notes comprised 32,276 contracts with a total principal balance of €550.00 million.

Table 1

Breakdown of the securitized pool	
Originator	Hyundai Capital Bank Europe GmbH
Country	Germany
Type of assets	Auto loans
Pool cutoff (date)	Feb. 28, 2025
Closing date	March 26, 2025
Pool characteristics	
Aggregate loan balance (mil. €)	550.0
Number of loan contracts	32,276
Average loan balance (€)	17,041
Weighted-average original term (months)	55.5
Weighted-average remaining term (months)	39.9
Weighted-average seasoning (months)	15.6

Table 1

Breakdown of the securitized pool (cont.)	
Pool distribution (% of total balance)	
Top 20 customers	0.5
Top region (North Rhine-Westphalia)	21.5
New vehicles	75.3
Used vehicles	24.7
Private customers	87.1
Commercial customers	12.9
Hyundai vehicles	59.7
KIA vehicles	33.0
Engine type	
Gasoline	60.2
Diesel	11.2
Hybrid	16.7
Electric	7.7

Originator/Seller

HCBE was founded in 2015 and since 2016 is a licensed bank in Germany and is therefore regulated by the European Central Bank and the German regulatory authority. Since 2019 HCBE has benefited from a joint venture with Santander Consumer Bank AG, which provides state-of-the-art servicing support in terms of IT structure, processes, and long expertise in the German consumer finance industry.

In our view, HCBE is an established German captive bank with a stable track record. We consider the quality of the HCBE-originated assets to be strong.

Servicing

We conducted an overview of HCBE's origination, underwriting, collections, and risk management practices. We consider these to be in line with general market practice and our criteria for assessing operational risk (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014 and "Methodology For Servicer Risk Assessment," published on May 28, 2009). In our operational risk analysis, we look at the risk that cash flows may be disrupted following an operational failure of the servicer.

The transaction does not have a back-up servicer. We rely on the general availability of servicing in the German market to mitigate the risk of servicing disruption and have applied a stressed servicing fee in our cash flow analysis, in line with market standards. Furthermore, the cash, replacement servicing and commingling reserves provide additional liquidity and mitigate servicer disruption risk.

Credit Analysis and Assumptions

We analyzed the transaction's credit risk under various stress scenarios by applying our global auto ABS criteria (see "Related Criteria").

Economic outlook

While the German economy experienced a slight recession with the country's GDP at -0.1 in 2024, in our base-case scenario for Germany we expect that Germany's economy will grow moderately by 0.9% in 2025 and 1.1% in both 2026 and 2027. We expect domestic demand to recover as wage growth and declining inflation will support consumption. The labor market remains resilient, and we expect unemployment will hardly move from its current near-record low levels. From 2025, we expect consumption to further strengthen coinciding with a recovery of investments as interest rates normalize. For 2025 and 2026, we expect an unemployment rate of 3.5% and 3.4%, respectively.

Table 2

Macroeconomic and sector outlook

	2023	2024e	2025f	2026f	2027f
Real GDP (y/y growth, %)	(0.1)	(0.1)	0.9	1.1	1.1
Unemployment rate (annual average, %)	3.0	3.4	3.5	3.4	3.3
CPI (%)	6.0	2.5	2.2	1.9	1.9

Sources: National statistics offices, OECD, Eurostat, European Central Bank, S&P Global Ratings. y/y--Year over year. CPI--Consumer price index. e--Estimate. f--Forecast.

Defaults

A defaulted loan receivable is one that HCBE has terminated and written off in its capacity as servicer under its customary accounting practice. The default definition used in the performance data is in line with the default definition used in the transaction documents.

Repossession before termination

Termination of loan contracts normally occurs between 120 to 180 days after the initially missed due date, subject to legal limitations. There may be cases where the repossession of the vehicle and its remarketing takes place before termination is even initiated. If the recovery rate achieved during remarketing is complete (i.e., at least 100% of the defaulted amount) before the loans are terminated, those loans are not classified as defaults, nor are the recoveries recorded as such in the historical data. Instead, they are categorized as prepayments. As a result, the historical default and recovery data may not provide a complete picture of how defaults are resolved. However, this occurs only in a relatively small percentage of cases, as approximately 7% of loans are fully recovered before termination. We have factored this into our credit and cash flow assumptions.

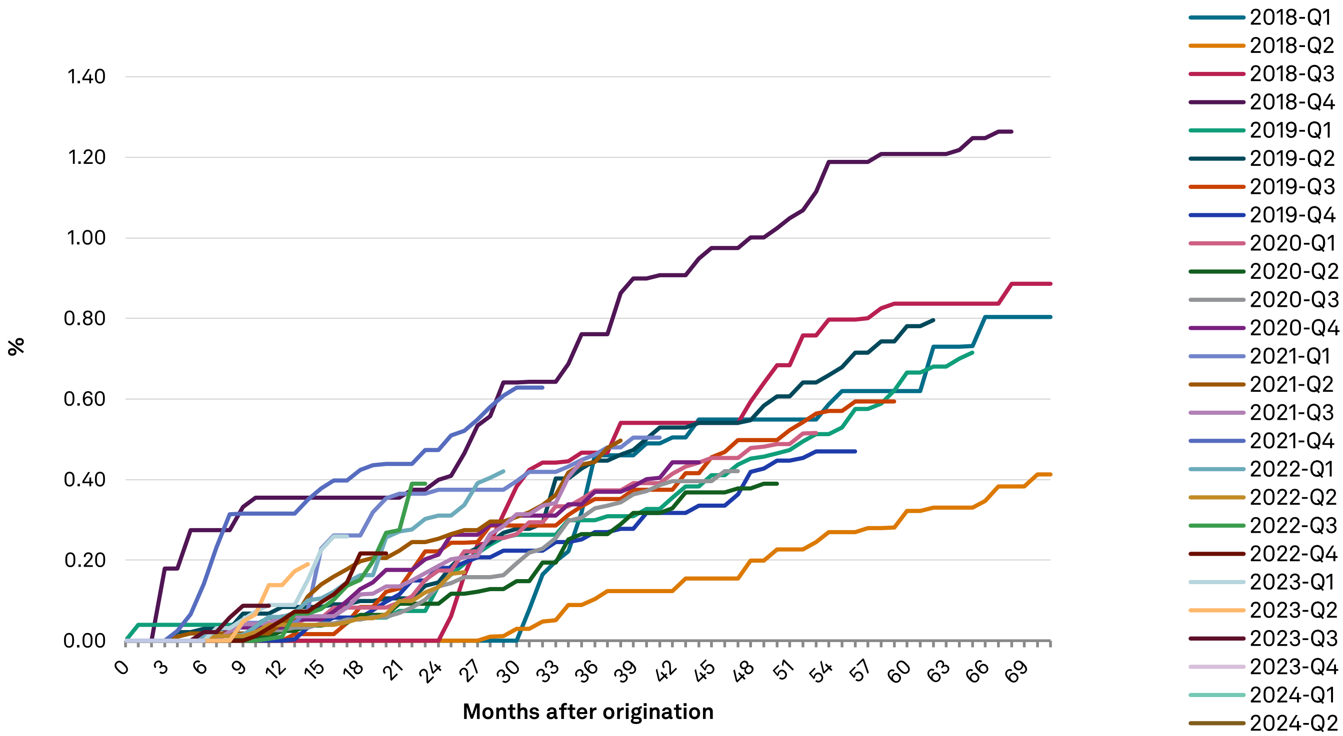
Cumulative gross losses (HCBE's own book)

We received monthly static gross loss data, showing cumulative gross and net losses as a percentage of HCBE's origination volume in its entire book. The data range is from the first quarter of 2018 to the third quarter of 2024.

We have also used the performance information available from the predecessor transactions. The quality of data provided is in line with our standards in relation to quality, timeliness, and reliability.

Chart 1

Cumulative gross losses (HCBE's own books)



Based on the historical performance of receivables originated by HCBE and of the Pony transactions outstanding, we sized an average gross loss of 1.3% on the total pool. At the 'AAA' level, we have applied a 4.9x multiple.

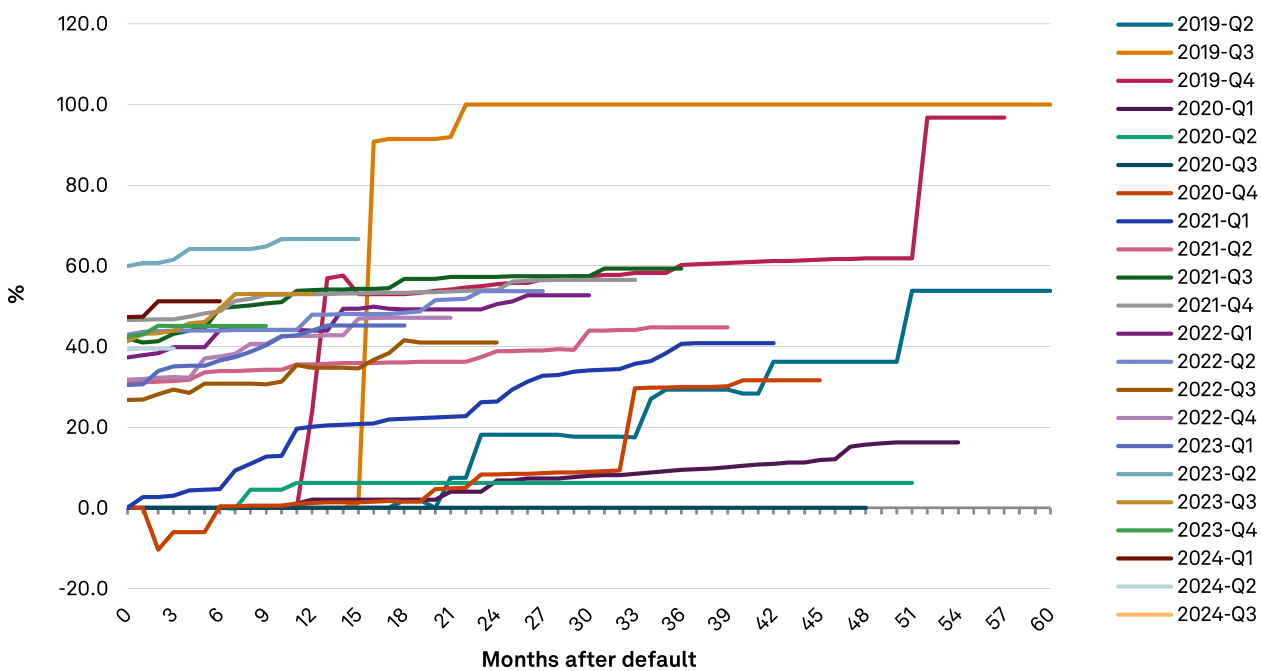
Additionally, based on our balloon risk analysis, we have determined a stressed balloon loss rate of 7.5% at the 'AAA' level. This translates to a gross loss add-on of approximately 4.3% at the 'AAA' level. In summary, we apply a total of 10.7% stressed gross losses for 'AAA' ratings.

Recoveries

The originator has also provided us with static recovery data. The data range is from the second quarter of 2019 to the third quarter of 2024. We also analyzed recovery data from existing transactions from the same originator.

Chart 2

Cumulative recoveries (HCBE's own books)



Under our auto ABS criteria, we apply rating dependent haircuts to our base-case recovery assumption. We establish recovery rate assumptions based primarily on an analysis of historical recovery rates for the originator and the market, the volatility of past performance, as well as credit, operational, or other factors that might affect the timing, amount, and sustainability of recovery rates. Typical recovery haircuts assumed at the 'AAA' level are in the 15% to 50% range.

We expect the performance to be in line with its peer auto loan originators in Germany, and we considered the portion of recoveries that are fully completed but are not displayed in the historical data as they take place quicker than termination. On this basis, and considering the historical data, we have assumed a base case of 55% and a haircut at the 'AAA' level of 45%. The resulting 'AAA' rating recovery rate is 30.3%.

Table 3

Credit assumption summary

Rating level	Gross loss base case (%)	Multiple	Balloon gross loss add-on (%)*	Stressed cumulative gross losses (%)	Stressed recovery rate (%)	Stressed cumulative net losses (%)
AAA (sf)	1.3	4.9	4.3	10.7	30.7	7.4

*This is an approximation. We apply our balloon loss on the non-defaulted non-prepaid portion of the collateral portfolio. The add-on displayed considers low prepayments rate scenario.

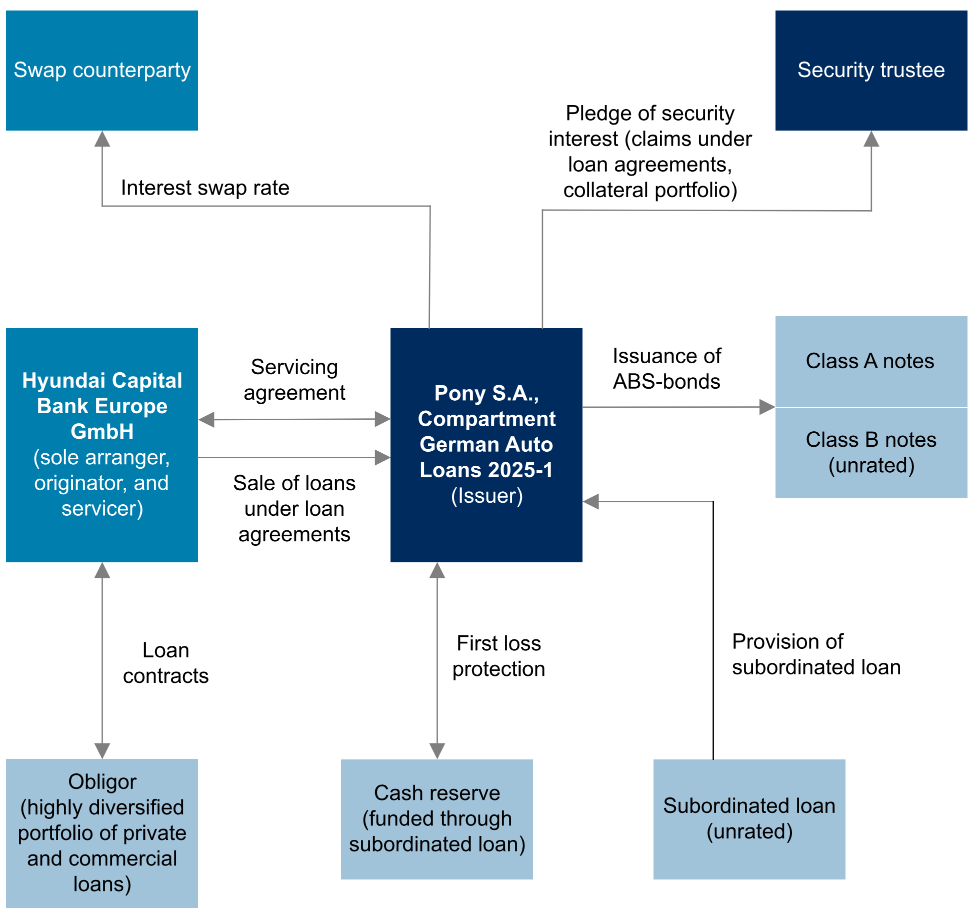
Transaction Structure

At closing, Pony 2025-1 issued the class A and B notes to finance the purchase price for a pool of auto loan receivables it purchased from the seller. All assets were purchased at par.

At the same time, the issuer used the proceeds from a subordinated loan it received from the seller to fund the cash reserve. It also entered a fixed-to-floating swap to hedge the risk between the fixed rate that the assets pay and the floating rate payable on the class A notes (see chart 2).

Chart 3

Pony S.A., Compartment German Auto Loans 2025-1



The issuer is a Luxembourgian special-purpose entity (SPE), which we consider to be bankruptcy remote under our legal criteria (see "Related Criteria"). Recent changes introduced to Luxembourgian law move liability for any Pillar II domestic top-up tax from an issuer (which is a securitization entity) to non-securitization entities located in Luxembourg, if any exist within the same Pillar II group as that issuer. In considering potential domestic top-up tax risk at the issuer level for the purposes of our legal criteria, we have taken into account information provided by the originator, including that there are non-securitization entities located in Luxembourg within the same Pillar II group as the issuer. Additionally, from an analytical perspective, we consider this top-up tax risk to be remote, as we believe the series of events required for it to occur over the life of the transaction is unlikely. The transaction legal opinion at closing confirms that the sale of the assets would survive the seller's insolvency.

Cash Flow Mechanics

Priority of payments

The class A notes pay interest on a designated date each month, at the Euro Interbank Offered Rate (EURIBOR) plus a respective margin. The first interest payment date (IPD) will be in April 2025, and the notes' legal final maturity will be in December 2035.

On each monthly IPD, the issuer will apply to the priority of payments any asset collections, net swap receipts, and amounts drawn from the cash reserve from the previous month, in the order outlined in table 4.

Table 4

Priority of payments (simplified)

	Interest	Principal
1	Issuer taxes.	Pay senior costs and interest on senior notes if interest available funds are not sufficient.
2	Second fees, costs, expenses, other remuneration, indemnity payments, and other amounts payable to the trustee.	During the replenishment phase, the purchase price for the additional receivables.
3	Administrative expenses.	During the replenishment phase, to allocate excess funds from the available replenishment amount into the designated account.
4	Servicer fee, but only if the funds in the RSF reserve are insufficient.	Class A notes' principal in full.
5	Swap net cash flows and swap termination payment except if the counterparty is the defaulting or affected party.	Class B notes' principal in full.
6	Interest on the class A notes.	Apply any remaining amounts to the interest waterfall.
7	Top up the cash reserve to its required amount.	
8	To credit the class A PDL.	
9	To credit the class B PDL.	
10	Interest on the class B notes.	
11	The termination cost of the swap if the counterparty is the defaulting party	
12	Interest on the subordinated loan.	
13	Repay the subordinated loan.	
14	If the RSF reserve has not been funded to its target level, to credit the necessary amount to achieve the target amount.	
15	Pay the excess to the seller.	

RSF--Replacing servicing fee. PDL--Principal deficiency ledger.

Repayment of the notes

At the end of the revolving phase, the issuer will redeem the notes strictly sequentially.

Cash reserve

At closing, Pony 2025-1 used the proceeds from the subordinated loan it received from the seller to fund the cash reserve up to its required amount of 1.0% of the initial outstanding class A notes' balance. The entire cash reserve is applied to the waterfall each month, where it is available to pay senior fees and the interest on the class A notes. The cash reserve amortizes and is floored at 0.5% of the closing balance of the class A notes.

Principal deficiency ledger

The transaction features a separate PDL for each class of notes that records principal deficiencies. Principal deficiencies may occur either because of defaults on receivables or the redirection of principal proceeds to make up for shortfalls in certain senior interest waterfall items that include the class A interest. Principal deficiencies are first debited to the class B notes' PDL until the cumulative debits exceed the class B notes' balance, then to the class A notes' PDL. Debits may subsequently be cleared through the interest waterfall starting with the class A notes' PDL debits and then the class B notes' PDL debits.

Interest rate mismatch-swap

At closing, the issuer also entered into fixed-to-floating interest rate swap agreements with the swap counterparty to hedge the risk between the assets' fixed-rate interest and the class A notes' floating-rate interest. Under the swap agreement, the issuer pays a fixed rate on the class A notes. The swap counterparty pays one-month EURIBOR. The notional is the class A notes' outstanding balance. The fixed-to-floating interest rate swap agreement with DZ Bank AG is in line with our counterparty criteria. This mitigates the risk of potential interest rate mismatches between the fixed-rate assets and floating-rate liabilities

RSF reserve

Upon a trigger event, Santander Consumer Bank AG or HCBE would fund an RSF reserve within 60 calendar days or 10 calendar days, respectively.

The RSF reserve target amount is the product of 1.0% and the remaining weighted-average life of the collateral portfolio at that specific payment date (assuming a 0% default rated and 0% prepayment rate) and the outstanding collateral principal amount. The RSF reserve is subject to a floor of €250,000. We believe the RSF reserve covers for any potential servicing fee charged by any replacement servicer.

RSF trigger event

The RSF reserve will be funded by SCB in the event of:

- Our long-term rating on SCB being below 'BBB+' (unless the seller has an S&P Global Ratings' long-term rating of at least 'BBB+'); or
- A servicer termination event.

The RSF reserve will be funded by HCBE if, in the absence of any of the above, SCB ceases to own, directly or indirectly, at least 50% of the share capital of HCBE.

Revolving period

During the revolving period, the issuer will use collections from the assets to purchase new receivables from the seller. The transaction will revolve for nine months ending in December 2025, as long as none of the early amortization events occur.

Early amortization events

Following any of the below revolving period termination events, there would be a normal amortization period. There are various triggers related to the originator that will stop the revolving:

- On three consecutive payment dates, the amounts in the replenishment account exceed 10% of the outstanding note principal balance.
- On any payment date, the cumulative net loss ratio is greater than 0.5%.
- A servicer termination event has occurred.
- An issuer event of default has occurred.
- On two consecutive payment dates the class B notes' PDL is greater than 0.
- An event of default or termination event as defined in the swap documentation.

We believe that according to the above early amortization events, the transaction is adequately protected against a performance deterioration during the revolving phase.

Mitigation Of Seller Risks

Commingling risk

If the servicer becomes insolvent, any collections in its collection accounts--plus collections that it receives directly afterward--may become commingled with the funds of the insolvent estate. We accounted for commingling risk, considering the transaction's monthly cash-sweeping mechanism and the obligor-notification process, which is triggered by servicer insolvency. To mitigate this risk, SCB or HCBE will fund an amortizing commingling reserve that covers 1.5 months of collections with a buffer of 1.75% of the outstanding collateral balance. Our analysis estimates the commingling risk is equivalent to 1.3 months of collections, and we determined that the commingling reserve fully mitigates this risk.

Commingling reserve trigger event

The commingling reserve will be posted according to the same mechanism that regulates the RSF reserve. It will be funded by SCB if:

- SCB is downgraded below 'BBB+' (unless the seller has an S&P Global Ratings' long-term rating of at least 'BBB+'); or
- A servicer termination event.

The commingling reserve will be funded by HCBE if, in the absence of any of the above, SCB ceases to own, directly or indirectly, at least 50% of the share capital of HCBE.

Setoff risk

HCBE will start accepting deposits from its customers in the course of 2025. As a result, if the seller becomes insolvent, the debtors with deposits with the bank may exercise their right to set off amounts they owe under the loan contract against amounts they deposited with the insolvent seller.

At closing the setoff risk will be zero. However, we cannot exclude that during the revolving period the issuer will purchase loans granted to borrowers who have a deposit with the originator. Under the transaction's eligibility criteria, obligors that have a deposit with HCBE are not excluded from the securitized pool.

In our opinion, the potential deposit-related setoff risk is mitigated in several ways. In Germany, a deposit protection scheme is available for deposits up to €100,000, or even to €500,000 if certain conditions are met. The interest rate charged on the loans is typically higher than the interest accruing on the deposit. There is no incentive for a borrower to deposit a large amount of money with the originator and at the same time pay a higher interest rate on the auto loan. This is confirmed from the historical data we have received from similar transactions. The transaction will also benefit from a deposit setoff reserve. Therefore, we have not sized any additional loss.

Cash Flow Assumptions

In our cash flow modeling of this transaction, we applied stressed losses equally for 29 months. We have also tested a back-loaded default curve in our cash flow model.

Table 5

Cash flow assumptions	
Recession start	At closing
Length of recession	WAL (29 months)
Cumulative gross loss curve 1	Equal and backloaded distribution over WAL
Delinquency	Two-thirds of credit losses recovered six months later*
Stressed servicing fees (%)	None
Fixed fees (€)	100,000
Prepayments (high/low)(%)	24.0/0.5
Interest rate	Stressed interest rate curve (up, down)
Initial WAC (%)	4.4
Compressed WAC (%)	3.4

*Calculations are according to S&P Global Ratings' methodology. WAL--Weighted-average life. WAC--Weighted-average coupon. N/A--Not applicable. TBD--To be determined.

Excess Spread

Excess spread is created through the difference between the asset's yield and the issuer's expenses. Table 6 outlines the initial excess spread estimate. The pool yield includes the adjusted interest rates effective March 2025.

Table 6

Initial excess spread (estimate)*	
	Pool (%)
Pool yield	4.3
Senior fees	0.0

Table 6

Initial excess spread (estimate)* (cont.)	
Fixed swap payments	1.8
Float swap receipts	2.3
Available excess spread before class A notes interest payment	4.7
Available excess spread after class A notes interest payment	2.0

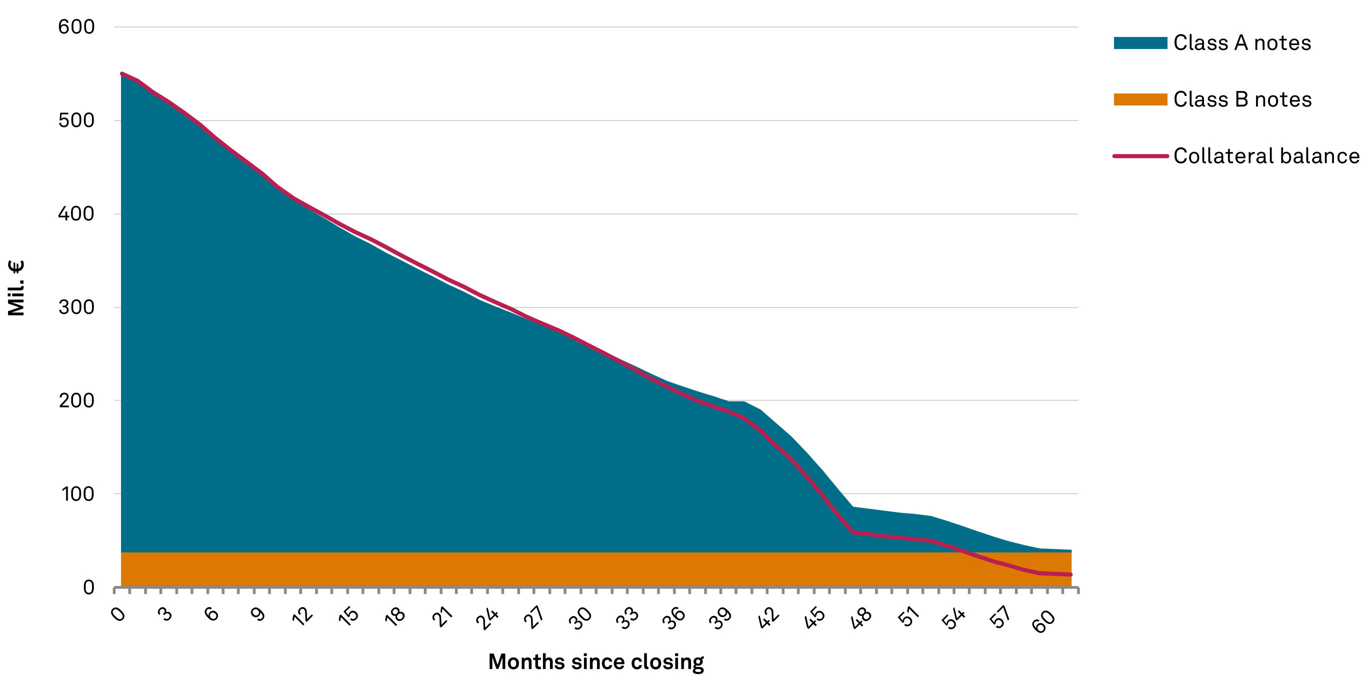
*Excess spread calculations are according to our methodology. 1-month Euribor of 2.6% assumed. Fixed and float swap payments are weighted for the collateral balance.

The ratings scenarios address not only the availability of funds for full payment of interest and principal, but also the timeliness of these payments in accordance with the terms of the rated securities.

Chart 4 shows the collateral and the note amortization profile under our most stressful scenario.

Chart 4

Collateral and note balances (end of period) in a 'AAA' rating scenario



Counterparty Risk

Our rating also reflects that the replacement mechanisms to be implemented in the transaction documents will adequately mitigate the counterparty risks to which the transaction is exposed.

Beyond the exposure to the bank account and the swap counterparty, which is in line with our criteria, we have also considered the exposure to SCB, because they may be posting both the commingling reserve and the RSF reserve. According to our analysis, the exposure to SCB as funder of these reserves is in line with our criteria's definition of nonderivative counterparty, and we deem the exposure to be minimal.

The final swap documentation and the presented remedy provisions at closing to adequately mitigate counterparty risk in line with our counterparty criteria.

Sovereign Risk

Our long-term unsolicited sovereign rating on Germany is 'AAA'. Therefore, our rating in this transaction is not constrained by structured finance sovereign risk.

Forward-Looking View

The transaction's resilience to additional stresses to some key variables, in particular defaults and recoveries, determines our forward-looking view.

In our view, borrowers' ability to repay their auto loans will be highly correlated to macroeconomic conditions, particularly the unemployment rate and, to a lesser extent, consumer price inflation and interest rates. Our unemployment rate forecasts for Germany are 3.5%, 3.4%, and 3.3% for 2025, 2026, and 2027 respectively. Our forecast for inflation in Germany is 2.2% in 2025 and we expect this to decline to 1.9% in both 2026 and 2027.

Furthermore, a decline in second-hand car values typically affects the level of realized recoveries. Although used car prices may decline moderately in Germany in 2025, we do not expect them to fall significantly.

Given our current macroeconomic forecast and forward-looking view of Germany's auto market, our sensitivity scenarios consider, all else being equal, the hypothetical effect on our credit ratings of:

- An increased gross default base case of up to 30%; and
- A maximum haircut of 30% to the recovery rate base case.

We therefore ran eight scenarios with increased gross defaults and/or reduced expected recoveries, as shown in table 7.

Table 7

Sensitivity analysis

Class	Base case	1	2	3	4	5	6	7	8
Default rate base-case increase (%)	-	10	30	0	0	10	30	10	30
Recovery rate base-case decrease (%)	-	0	0	10	30	10	10	30	30
Gross default rate (%)	1.30	1.43	1.69	1.30	1.30	1.43	1.69	1.43	1.69
Recovery rate (%)	55.0	55.0	55.0	50	39	50	50	39	39

Class of notes	Initial rating	1	2	3	4	5	6	7	8
Class A	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA

No change

One-notch downgrade

Two-notch downgrade

Three-notch or more downgrade

Source: S&P Global Ratings.

The results of the above sensitivity analysis indicate a strong stability of the class A notes' rating, in line with the credit stability considerations in our rating definitions.

The transaction embeds some strengths that may offset an increase in defaults. The transaction has a short weighted-average life and rapidly gains additional credit enhancement as the transaction amortizes. The interest rate swap mitigates the effect on note coupon payments from rising interest rates on the one-month EURIBOR they are linked to. Additionally, the amortizing cash reserve provides additional credit enhancement. There is also positive excess spread in the transaction.

Monitoring And Surveillance

As part of our ongoing surveillance of this transaction, we will regularly assess:

- The performance of the underlying pool, including defaults, delinquencies, and prepayments;
- The supporting ratings in the transaction; and
- The servicer's operations and its ability to maintain minimum servicing standards.

Appendix

Transaction participants	
Seller and servicer	Hyundai Capital Bank Europe GmbH
Lead manager	Banco Santander, S.A.
Joint lead managers	BofA Securities Europe S.A., UniCredit Bank GmbH
Advisor to the seller	Santander Consumer Bank AG
Security trustee	BNY Mellon Corporate Trustee Services Ltd.
Bank account provider and cash administrator	The Bank of New York Mellon, Frankfurt Branch
Corporate administrator	Intertrust (Luxembourg) S.a r.l.
Principal paying agent, calculation agent, and interest determination agent	The Bank of New York Mellon, London Branch
Data protection trustee	The Bank of New York Mellon, Frankfurt Branch
Swap counterparties	DZ Bank AG Deutsche Zentral-Genossenschaftsbank

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European Auto ABS Index Report Q4 2024, Feb. 14, 2025

- European Structured Finance Outlook 2025: Up In The Air, Dec. 11, 2024
- S&P Global Ratings Definitions, Dec. 2, 2024
- Economic Outlook Eurozone Q1 2025: Next Year Will Be A Game Changer, Nov. 26, 2024
- S&P Global Ratings' Approach To GloBE Or Pillar II Tax Liabilities In European Structured Finance Transactions, April 19, 2024
- Germany 'AAA/A-1+' Ratings Affirmed; Outlook Stable, March 22, 2024
- ESG Industry Report Card: Auto Asset-Backed Securities, March 31, 2021
- How Much Is Enough? Information Quality Standards For The EMEA RMBS And ABS Rating Process, Jan. 8, 2019
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Scenario Analysis: Gross Default Rates And Excess Spread Hold The Answer To Future European Auto ABS Performance, May 12, 2009