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Presale:

Fondo de Titulizacion RMBS Prado II

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€540 Million Residential Mortgage-Backed Floating-Rate Notes Including A €119 Million Subordinated Loan

This presale report is based on information as of March 1, 2016. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

Preliminary Ratings As Of March 1, 2016

Class	Prelim. rating*	Prelim. amount (mil. €)	Available credit enhancement (%)§	Interest†	Legal final maturity
A	AA+ (sf)	421.0	22.0	Three-month EURIBOR plus a margin	March 17, 2056
Subordinated loan 1	NR	119.0	N/A	Three-month EURIBOR plus a margin	March 17, 2056

*The rating on each class of securities is preliminary as of March 1, 2016, and subject to change at any time. We expect to assign final credit ratings on the closing date, subject to a satisfactory review of the transaction documents and legal opinions, and receipt of a third-party audit. §Credit enhancement does not include the reserve fund amount. †After the step-up date in 2021, interest switches to three-month EURIBOR plus twice the initial margin. EURIBOR--Euro Interbank Offered Rate. NR--Not rated.

Transaction Participants

Issuer	Fondo de Titulización RMBS Prado II
Originator and servicer	Unión de Créditos Inmobiliarios S.A., Establecimiento Financiero de Crédito
Arrangers	Banco Santander S.A. and BNP Paribas, London branch
Trustee (Gestora)	Santander de Titulización, S.G.F.T. S.A.
Guaranteed investment contract provider and paying agent	BNP Paribas Securities Services, Madrid branch

Supporting Ratings

Institution/role	Ratings
Unión de Créditos Inmobiliarios S.A., Establecimiento Financiero de Crédito (UCI) as the servicer	NR
BNP Paribas Securities Services, Madrid branch as the GIC account provider	A+/Watch Neg/A-1

NR--Not rated. GIC--Guaranteed investment contract.

Transaction Key Features (As of Feb. 10, 2016)

Expected closing date	March 2016
Collateral as of closing (mil. €)	540.0
Description	Residential mortgage loans that Unión de Créditos Inmobiliarios originated and granted to acquire Spanish residential properties
Country of origination	Spain
Synthetic/cash	Cash
Revolving/static	Static
Concentration (percentage of principal balance; %)	Andalucia (20.79), Madrid (28.09), and Catalonia (23.27)

Transaction Key Features (As of Feb. 10, 2016) (cont.)	
Average loan size by balance (€)	101,816.00
Weighted-average asset seasoning (months)	74.44
Weighted-average asset remaining term (months)	316.54
Weighted-average interest rate on the fixed portfolio (%)	4.62
Weighted-average interest rate on the floating portfolio including IRPH (%)	1.73
Number of loans	5,339
Weighted-average original loan-to-value ratio (%)	59.71
Weighted-average current loan-to-value ratio (indexed) (%)	64.83
Loans granted for second homes (%)	0.00
Broker/agent originated loans (%)	88.08
Fixed to floating loans (%)	17.26
Loans backed by several properties (%)	45.61
Bridge loans, today amortizing loans (%)	17.80
Easy installment loans (%)	17.26

IRPH--Indices de referencia de préstamos hipotecarios.

Transaction Summary

Standard & Poor's Ratings Services has assigned its preliminary 'AA+ (sf)' credit rating to Fondo de Titulizacion RMBS Prado II's class A notes. At closing, the issuer will also issue an unrated subordinated loan.

RMBS Prado II will be a securitization of a pool of approximately 74.44 months seasoned first-lien Spanish residential mortgage loans, which Unión de Créditos Inmobiliarios S.A., Establecimiento Financiero de Crédito (UCI) originated. The pool comprises mortgage loans granted solely for the acquisition of residential properties. Of the pool, 17.80% comprises bridge loans--granted to individuals who had not yet sold their previous home, but were seeking to purchase a new one when the loan was originated--whose bridge phase has finished and are now standard amortizing loans. Approximately 45.61% of the pool comprises loans backed by several properties that have followed the same full process of valuation. We believe that the profiles of the loans in this transaction are stronger than those of standard residential mortgage-backed securities (RMBS) borrowers, due to the seasoning, the lower loan-to-value (LTV) ratios, and the fact that they have never been in arrears despite the years of origination. We have considered these factors in our analysis.

RMBS Prado II will issue one class of residential mortgage-backed floating-rate notes. The transaction combines interest and principal into a single priority of payments. It features a fully funded amortizing reserve, representing 3% of the initial principal balance of the assets, that covers interest shortfalls until the class A notes have fully amortized.

The portfolio will be static, as the issuer will not purchase new loans during the transaction's life.

At present, the loans have a seasoning of 74.44 months and an original LTV ratio of 59.71%.

Rating Rationale

In our credit analysis, we considered the borrowers' credit characteristics. We have calculated our default and recovery rate expectations for the portfolio by determining our weighted-average foreclosure frequency (WAFF) and weighted-average loss severity (WALS) assumptions by applying our Spanish RMBS criteria (see "Italy And Spain RMBS Methodology And Assumptions," published on Sept. 18, 2014). We have yet to receive a third-party audit for the pool and the final ratings are subject to the receipt and outcome of the audit.

We have also considered our outlook for the Spanish economy and real estate sector by projecting arrears in our default calculations. In our opinion, the outlook for the Spanish residential mortgage and real estate market is not benign and we have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our Spanish RMBS criteria, to reflect this view (see "Outlook Assumptions For The Spanish Residential Mortgage Market," published on Sept. 18, 2014). We base these assumptions on our expectation of modest economic growth, continuing high unemployment, and house prices leveling off in 2016.

We have assessed the transaction's documented structural features by applying our RMBS criteria. Our preliminary rating reflects the available credit enhancement (provided through the notes' subordination features), the notes' amortization features, and the reserve fund's amortization mechanism. Our analysis indicates that the available credit enhancement for the class A notes is sufficient to mitigate their exposure to credit and cash flow risks at the 'AAA' rating level under our RMBS criteria.

Under our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so pay timely interest and repay principal by legal final maturity (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015).

Our RAS criteria designate the country risk sensitivity for RMBS as moderate. Under our RAS criteria, transactions could be rated up to four notches above the sovereign rating, if they have sufficient credit enhancement to pass a minimum of a severe stress and up to six notches (two additional notches) if they have sufficient credit enhancement to pass an extreme stress and the pool is seasoned (see "Understanding Standard & Poor's Rating Definitions," published on June 3, 2009).

As our long-term sovereign rating on Spain is 'BBB+', our RAS criteria cap at 'AA+ (sf)' the maximum potential rating in this transaction.

Under our RAS criteria, the class A notes have sufficient credit enhancement to withstand the extreme stress scenario up to 'AA+ (sf)', which is six notches above the rating on the sovereign. Moreover, the pool's seasoning in this transaction is 74.44 months. Our RAS criteria therefore cap at 'AA+ (sf)' our rating on the class A notes.

Following the application of our RAS criteria and our RMBS criteria, we have determined that our rating on the class A notes should be the lower of (i) the rating as capped by our RAS criteria, and (ii) the rating that the class of notes can attain under our RMBS criteria. In this transaction, our RAS criteria constrain our rating on the class A notes at 'AA+ (sf)'.

The transaction is exposed to counterparty risk through UCI as loan servicer and BNP Paribas Securities Services (Madrid branch) as the guaranteed investment contract (GIC) provider and paying agent. Under our current counterparty criteria, the exposure to the GIC provider is documented in the transaction's rating requirements (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). The replacement mechanisms in place adequately mitigate the counterparty exposure at the 'AA+' rating level.

There is no swap mechanism proposed for this transaction. Therefore we have applied a basis stress in our cash flow analysis to account for the potential basis and reset mismatch between the referenced indices for the assets and notes.

Applying a commingling stress in our cash flow assumptions mitigates commingling risk arising from the transaction's exposure to UCI as the servicer.

Legal risk is mitigated in this transaction. We consider the issuer to be a bankruptcy remote entity, in line with our European legal criteria, and the assets will be transferred to the issuer by a true sale at closing (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013).

Strengths, Concerns, And Mitigating Factors

Strengths

- The notes are secured on first-ranking Spanish residential mortgage loans.
- The pool comprises seasoned loans which have never been in arrears before.
- The class A notes' available credit enhancement arises from the subordinated loan 1's subordination and potential excess spread.
- The class A notes have a turbo amortization mechanism. The notes are redeemed with the available funds.
- UCI's centralized underwriting criteria and the pool's characteristics aim to ensure that the collateral's credit quality is good credit.
- UCI is an experienced servicer having issued 19 RMBS transactions.

Concerns and mitigating factors

- Available excess spread for the issuer may decrease as a result of different factors affecting the collateral. In our cash flow model, we have stressed coupon and margin compression in the collateral.
- The reserve fund will start to amortize on Day 1 and can only be used to pay the senior fees and interest on the notes. It has a floor of 1% of the issuance amount and will be fully redeemed when the class A notes fully amortize. The reserve fund can be used to pay principal on the class A notes only if the fund is liquidated (see "Cash reserve").

Transaction Structure

At closing, the originator will sell a €540 million pool of residential mortgage loans to the issuer. The originator granted these loans to individuals to finance residential properties in Spain between 2003 and 2015.

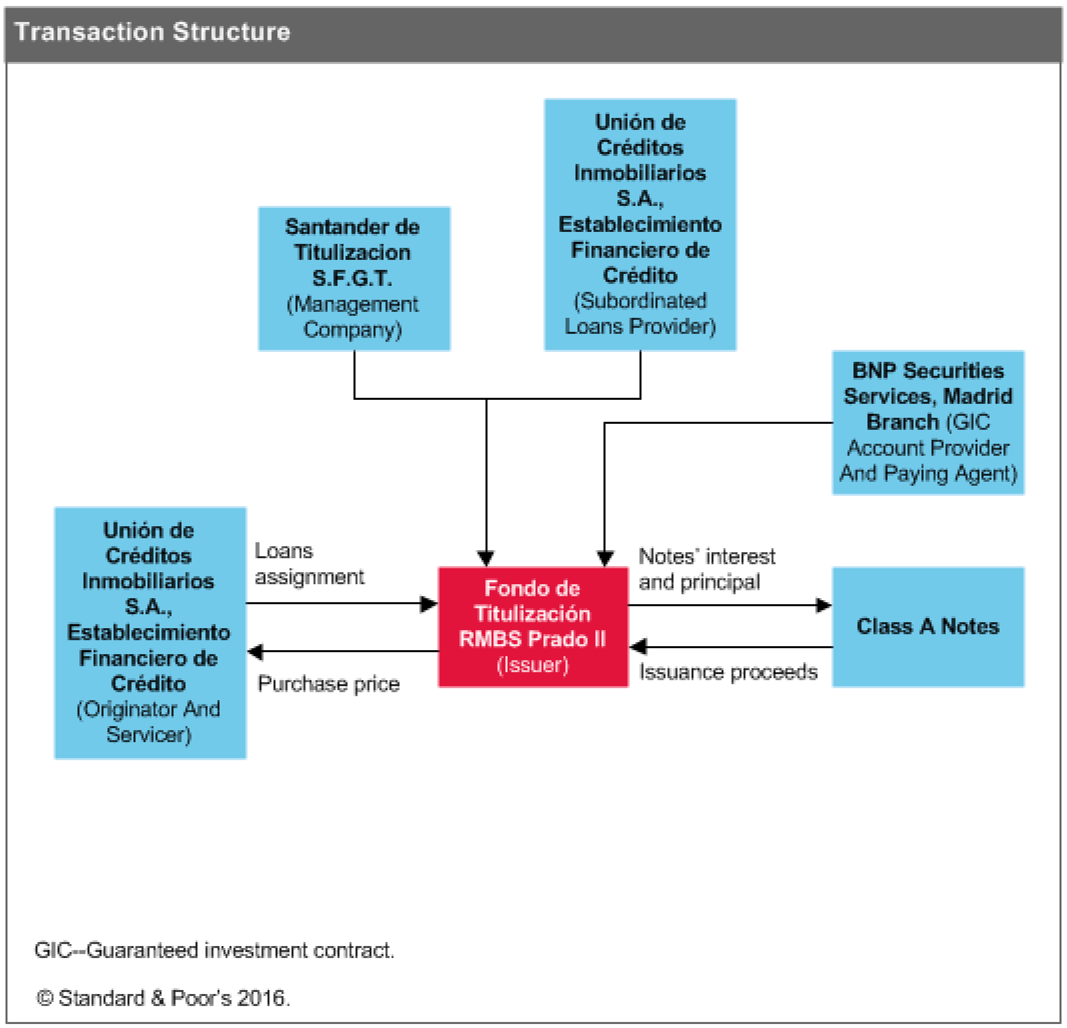
Spanish mortgage securitization law requires the notes to be issued by a "fondo". The transaction's manager is

Santander de Titulización, S.G.F.T., S.A., an independent management company authorized by the Ministry of Economy and Treasury. The fund manager represents and defends the noteholders' interests and enters into various contracts for the issuer.

RMBS Prado II's only functions are to buy the mortgage participations and credit rights, issue the notes, and conduct related activities. As servicer, UCI is responsible for the day-to-day administration and ongoing servicing of the underlying loan portfolio. Santander de Titulización, S.G.F.T., is responsible for producing all reports and accounts for the fund in connection with the performance of the mortgages.

Borrowers pay into the collection account, which is held with the originator. The collection account provider transfers any funds from the collection account to the bank account in the fund's name daily, which is held with BNP Paribas Securities Services (Madrid branch).

Chart 1



Payment Structure And Cash Flow Analysis

Priority of payments

Provided that an enforcement notice has not occurred, RMBS Prado II distributes the available funds in the following order:

- Taxes (if any), senior fees, and expenses;
- The servicer's fee, if UCI is replaced as the servicer;
- The class A notes' interest;
- The cash reserve's replenishment to its required balance under the transaction documents;
- The class A notes' principal;
- The subordinated loan 1's interest;
- The subordinated loan 1's principal;
- The subordinated loan 2's interest;
- The subordinated loan 2's principal;
- The servicer's fee; and
- Financial margin.

Amortization amount

The amount of principal due under the notes is the amount available in the priority of payments after paying the senior amounts.

Cash reserve

At closing, the account provider will hold the cash reserve account in the issuer's name. The cash reserve's initial amount is €16.2 million, funded through a subordinated loan 2 and represents 3% of the issuance amount. The reserve fund will begin to amortize on Day 1, with a minimum floor of 1% of the initial principal balance of the assets, and will be fully drawn once the class A notes have amortized. The reserve fund can be used to pay principal on the class A notes only if the fund is liquidated.

Collateral Description

The pool comprises Spanish residential mortgage loans, which UCI granted to Spanish residents to purchase mainly first residential properties in Spain. The transaction documents require all loans and borrowers in the securitized pool to comply with the documented criteria. The assets' main representations are as follows:

- Of the borrowers, 97.14% are Spanish nationals and all are Spanish residents.
- The borrowers are not employed by the originator.
- The underlying properties are not in construction, are located in Spain, and are appraised in line with mortgage market legislation.
- Borrowers pay installments by direct debit.
- The loans are fully payable by February 2052.
- The loans are all euro-denominated and the originator has fully disbursed the capital.
- At closing, at least two interest installments will have been paid on each loan.
- The loans are not an extension, or restructuring, of previous loans in arrears. None of the loans at closing will have

unpaid amounts for more than one month.

Currently, the portfolio amounts to €543,598,065 with 5,339 loans. The aggregated weighted-average original LTV ratio is 59.71%, and the loans' weighted-average seasoning is 74.44 months. The transaction's average loan size is €101,816.00.

Chart 2

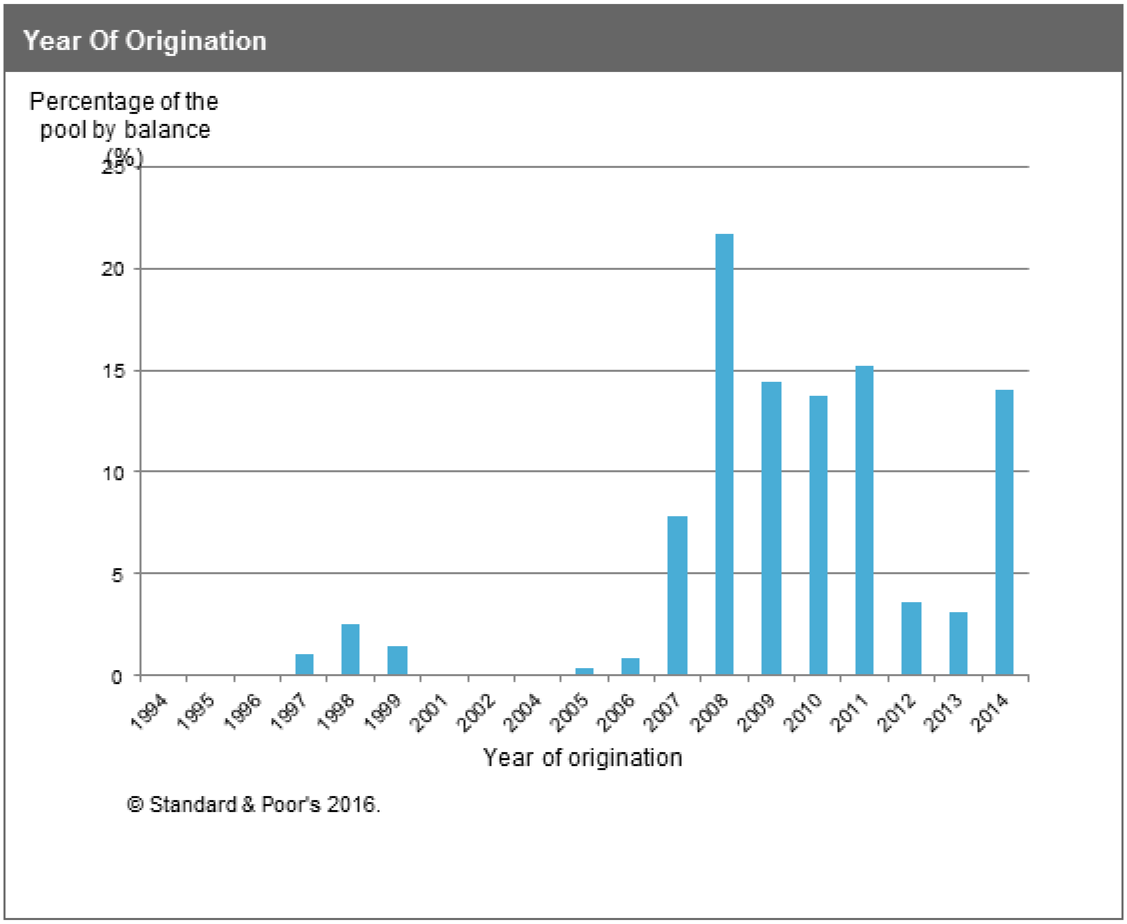


Chart 3

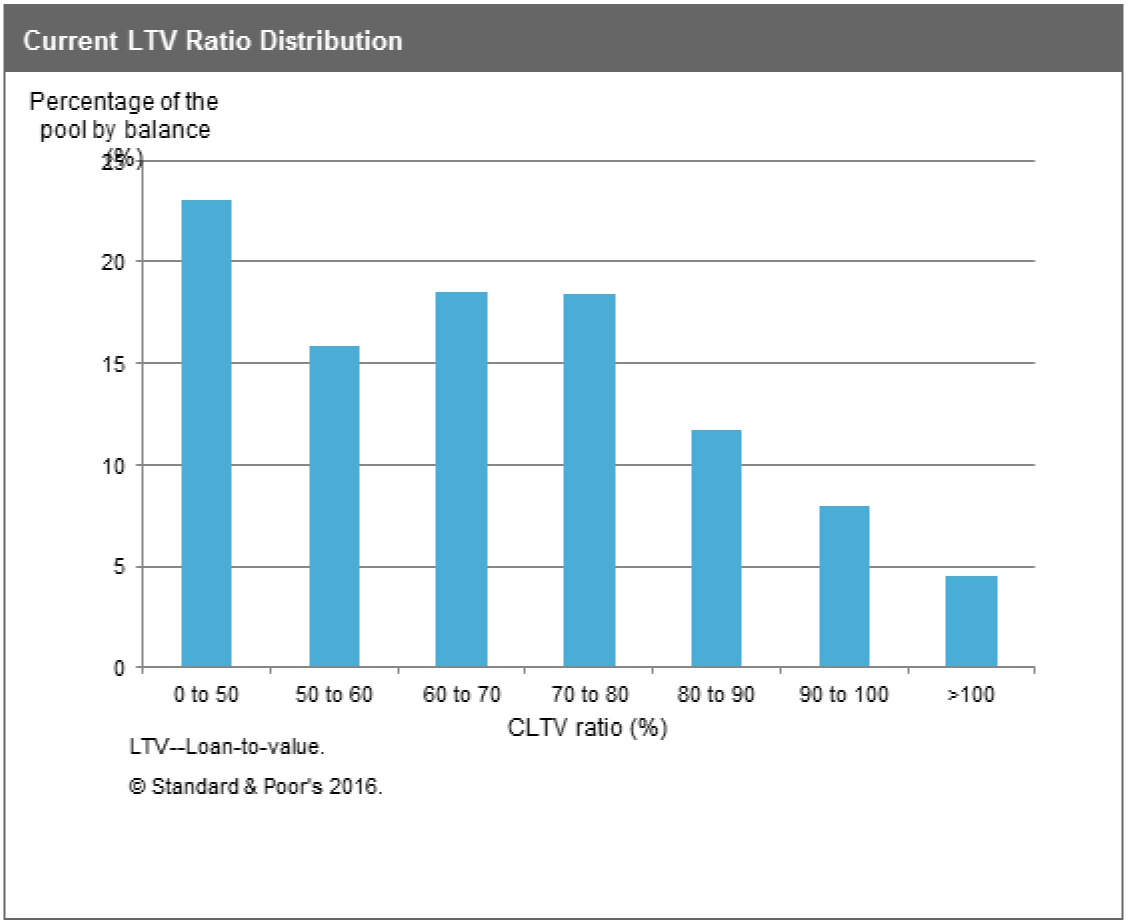

Current LTV Ratio Distribution
Percentage of the pool by balance (%)
25
20
15
10
5
0
0 to 50
50 to 60
60 to 70
70 to 80
80 to 90
90 to 100
>100
CLTV ratio (%)
LTV--Loan-to-value.
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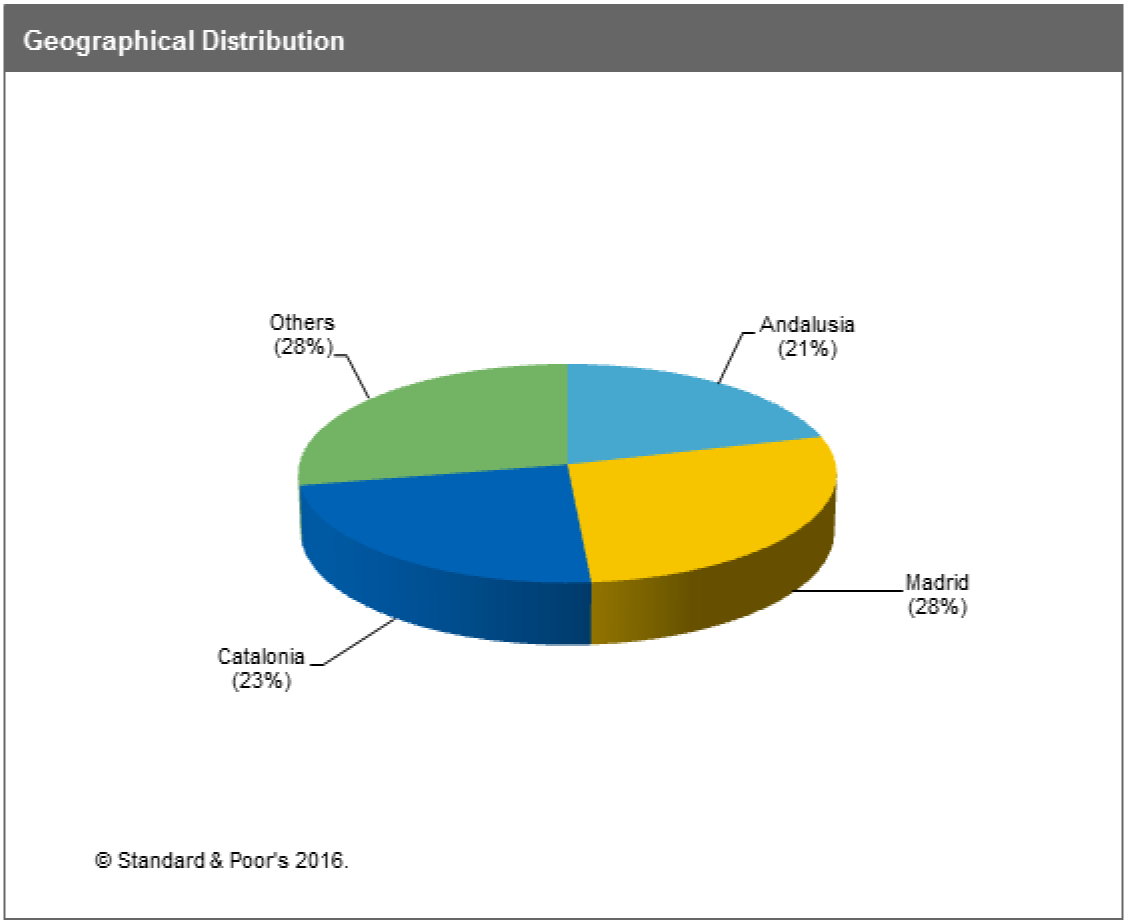
Chart 4



Credit Analysis

Collateral risk assessment

We took into account the assets' and borrowers' features in our credit analysis of the portfolio. We have determined our default and recovery rate expectations for the portfolio, based on our WAFF and WALS assumptions by applying our Spanish RMBS criteria. We have also taken into account our economic outlook for Spain by projecting arrears in our portfolio default calculation.

Amount of defaults and recoveries

For each loan in the pool, we estimate the likelihood that the borrower will default on their mortgage payments (the foreclosure frequency) and the loss amount on the subsequent sale of the property (the loss severity, expressed as a percentage of the outstanding loan). We assume the total mortgage balance likely to default and then determine the total amount of this defaulted balance that is not recovered for the entire pool by calculating our WAFF and WALS assumptions.

The WAFF and WALS estimates increase as the required rating level increases. This is because the higher the rating required on the notes, the higher the level of mortgage default and loss severity the borrower should be able to withstand. We base our credit analysis on the characteristics of the loans and the associated borrowers. We may apply an arrears projection or a pool level adjustment based on the historical performance of the pool, the results of an audit report, or our view of the originator. Table 1 shows our WAFF and WALS assumptions for this transaction.

Table 1

Portfolio WAFF And WALS Assumptions

Rating level	WAFF (%)	WALS (%)
AAA	29.42	26.77
AA	24.20	23.07
A	20.93	16.45
BBB	17.46	13.22
BB	13.19	11.10

Cash flow analysis

We ran our credit analysis results and applied additional transaction-specific stresses in our cash flow model, to reflect the capital structure. We conducted our cash flow analysis by applying standard stresses in line with our RMBS criteria.

Our analysis indicates that the available 22% credit enhancement for the class A notes is sufficient to mitigate their exposure to credit and cash flow risks at the 'AAA' rating level.

Default patterns and timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans that we assume to default during the transaction's life. Our RMBS criteria assume that defaults occur periodically to match the payment profile of the mortgage loans. The timing of defaults follows two paths, referred to as "front-loaded" (i.e., concentrated toward the earlier stage of a transaction) and "back-loaded" (i.e., concentrated toward the later stage of a transaction), with the defaults occurring over a three-year recession period.

To simulate the effects of varying recession timings, the criteria envisage two different starting points for the recession period (as shown in the first column of table 2): (i) at inception, and (ii) at the end of the third year.

Table 2

Default Timing For Front-Loaded And Back-Loaded Default Curves

Recession periods (months)	Front-loaded defaults (percentage of WAFF applied in each month)	Back-loaded default (percentage of WAFF applied in each month)
1 to 6	5.0	0.8
7 to 12	5.0	0.8
13 to 18	3.3	1.7
19 to 24	1.7	3.3
25 to 30	0.8	5.0
31 to 36	0.8	5.0

WAFF--Weighted-average foreclosure frequency.

Recovery timing

We have assumed that the issuer regains any recoveries 42 months after a payment default in Spanish RMBS transactions.

We always base the WALS that we use in a cash flow model on principal loss, including costs. We assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After we apply the WAFF to the balance of the mortgages, the asset balance is likely to be lower than that of the liabilities (a notable exception is when a transaction relies on overcollateralization). Other structural mechanisms in the transaction address the interest reduction created by the defaulted mortgages during the foreclosure period.

Delinquencies

To model the liquidity stress that results from short-term delinquencies, the criteria include a hypothetical delay of a proportion of scheduled interest and principal receipts equal to one-third of the WAFF. Modeling applies this delay in each month of the first 18 months of a hypothetical recession and sets full recovery of the arrears to take place 36 months after the delinquency occurs. The cash flow stress for delinquencies is independent of the arrears adjustment to the WAFF.

Interest, basis risk, and prepayment rates

Our RMBS criteria apply a wide range of different interest rate curves, and our modeling uses five different interest rate paths: up, down, up/down, down/up, and forward. These curves vary by stress scenario.

We assume prepayment rates in accordance with our RMBS criteria.

The combination of default timings, interest rates, and prepayment rates described above gives rise to different scenarios. Our ratings reflect the notes' timely payment of interest and ultimate principal under each of these scenarios at the assigned rating level.

Commingling stress

If the servicer becomes insolvent, commingling risk could arise. There is one month's exposure to the originator. In Spanish RMBS transactions, we address this risk through a loss stress of one month of interest, principal, and prepayment collections. We have considered the transaction's commingling risk exposure as one month of interest and principal loss on day 1 in our cash flow analysis.

Minimum servicing fee

We modeled a minimum servicing fee of 50 bps because, if the servicer were to default or cease to perform its obligations, we assume that the issuer would need to replace the servicer and pay the back-up servicer at a standard market rate.

Yield compression

We have considered default risk for some of the highest paying loans in the portfolio due to the vast range of spread levels that the securitized assets pay. This asset spread distribution could affect the issuer's ability to service the rated notes over time, as it could lead to a yield decrease if the highest-yielding assets were to default first. We therefore tested these scenarios with asset yield compression over time.

Basis and reset risk

There is no swap to mitigates basis and reset risk.

The portfolio loans are linked to either 12-, six- or three-month EURIBOR, or índices de referencia de préstamos hipotecarios (IRPH). The notes pay a margin above three-month EURIBOR. Consequently, we have addressed this by stressing the assets' cash flows. We have taken the historical difference between the indices paid on the assets and that paid on the liabilities. Our analysis then takes the percentiles of the resulting distribution according to table 15 of our Italian and Spanish RMBS criteria. .

Sovereign Risk

Under our RAS criteria, we applied a hypothetical sovereign default stress test to determine whether a tranche has sufficient credit and structural support to withstand a sovereign default and so pay timely interest and repay principal by legal final maturity.

As our long-term rating on Spain is 'BBB+', our RAS criteria cap at 'AA+ (sf)' the maximum potential rating in this transaction.

Under our RAS criteria, the class A notes have sufficient credit enhancement to withstand, in our cash flow analysis, the extreme stress scenario up to 'AA+ (sf)' which is up to six notches above the rating on the sovereign and the pool has a seasoning of 74.44 months. Our RAS criteria therefore cap at 'AA+ (sf)' our rating on the class A notes.

Monitoring And Surveillance

We will surveil the transaction periodically until the rated notes mature or are otherwise retired. To do this, we will review servicer reports detailing the performance of the underlying collateral pool and evolution of the structural features of the transaction, monitor supporting ratings, and make regular contact with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Related Criteria And Research

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Italy And Spain RMBS Methodology And Assumptions, Sept. 18, 2014
- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012

- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Standard & Poor's Ratings Definitions, Feb. 1, 2016
- The Consumer-Led Eurozone Upswing Is Resisting Routs Abroad, Jan. 15, 2016
- Credit Conditions: Growth In Europe Is On Track, But Geopolitical Risks Have Risen, Dec. 2, 2015
- Kingdom of Spain Upgraded To 'BBB+' On Reforms; Outlook Stable, Oct. 2, 2015
- Spanish RMBS Index Report Q2 2015: Index Composition Boosts Collateral Performance Slightly, Sept. 11, 2015
- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Outlook Assumptions For The Spanish Residential Mortgage Market, Sept. 18, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

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