STANDARD & POOR'S RATINGS SERVICES
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Presale:

Fondo de Titulizacion de Activos PYMES SANTANDER 9

Primary Credit Analyst:
Rocio Romero, Madrid (34) 91-389-6968; rocio.romero@standardandpoors.com

Secondary Contact:
Virginie Couchet, Madrid (34) 91-389-6959; virginie.couchet@standardandpoors.com

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Presale:

Fondo de Titulizacion de Activos PYMES SANTANDER 9

€500 Million Asset-Backed Floating-Rate Notes

This presale report is based on information as of May 5, 2014. 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.

Class*	Prelim. rating	Prelim. amount (mil. €)	Description	Available credit enhancement (%)§	Interest	Legal final maturity
A	A (sf)	331.70	Asset-backed floating-rate securitization notes	53.66	Three-month EURIBOR plus 75 bps	Jan. 21, 2041
B	B- (sf)	168.30	Asset-backed floating-rate securitization notes	20	Three-month EURIBOR plus 80 bps	Jan. 21, 2041

*Our rating on each class of securities is preliminary as of May 5, 2014, and subject to change at any time. We expect to assign initial credit ratings on the closing date, subject to a satisfactory review of the transaction documents and legal opinion. Standard & Poor's ratings address timely payment of interest and ultimate principal.
§The credit enhancement figures include the reserve amount. N/A--Not applicable. EURIBOR--Euro Interbank Offered Rate. Bps--Basis points.

Transaction Participants

Issuer	Fondo de Titulización de Activos PYMES SANTANDER 9
Originator and servicer	Banco Santander S.A.
Trustee	Santander de Titulización, S.G.F.T., SA.
Bank account provider	Banco Santander S.A.
Collection bank account provider	Banco Santander S.A.
Paying agent	Banco Santander S.A.
Arranger	Santander de Titulización, S.G.F.T., SA.

Supporting Ratings

Institution/role	Rating
Banco Santander S.A. as bank account provider	BBB/Stable/A-2

Transaction Key Features

Expected closing date	May 2014
Collateral	A pool of secured and unsecured loans granted to small and midsize companies and self-employed originated by Santander
Preliminary principal outstanding	€581.181 million
Country of origination	Spain

Transaction Key Features (cont.)	
Synthetic/cash	Cash
Revolving/static	Static
Concentration (percentage of principal balance)	20.98 Andalucía; 15.11 Madrid 14.91 Catalonia;
Average loan size balance (€)*	168,360.80
Weighted-average asset seasoning (months)*	49.92
Weighted-average asset remaining term (months)*	121
Weighted-average interest rate on the fixed loan (%)*	4.75
Weighted-average margin on the floating loan (%)*	2.28
Substitution period	None--the pool is static
Mortgage priority*	Secured (79.59%) and unsecured (20.41%)
No. of loans*	3,452
No. of borrowers*	3,296
Borrower type (% principal balance)*	13.42 self-employed; 86.58 small and midsize enterprises (64.27 micro; 5.53 medium; 16.79 small)
Borrower group exposure*	0.86 largest group; 5.93 largest 10 groups; no group above 1.00 of the total pool
Redemption profile*	98.77% amortizing and 1.23% bullet payments

*Based on the preliminary portfolio.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to Fondo de Titulizacion de Activos PYMES SANTANDER 9's class A and B notes.

The issuer is a "fondo de titulización de activos" (a Spanish special-purpose entity [SPE] established to issue the notes), which we consider to be in line with our European legal criteria (see "Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on Sept. 13, 2013).

PYMES SANTANDER 9 securitizes a static portfolio of secured and unsecured receivables granted to the Spanish self-employed and small and midsize enterprises (SMEs) that Banco Santander S.A. originated.

At closing, the issuer will use the class A and B notes' issuance proceeds to buy Banco Santander's portfolio of secured and unsecured receivables. The class A and B notes will pay floating-rate interest quarterly (three-month Euro Interbank Offered Rate [EURIBOR] plus a 0.75% and 0.80% margin, respectively).

On the final legal maturity date, the issuer will redeem the notes at their outstanding principal amount unless they have amortized. The issuer will pay principal sequentially by redeeming the principal due on the class A notes, followed by the principal due on the class B notes.

The issuer will fund the initial reserve fund at closing with a subordinated loan from Banco Santander S.A. The issuer will also receive another subordinated loan from Banco Santander to pay upfront expenses.

Our preliminary ratings on the class A and B notes reflect our assessment of the transaction's credit and cash flow characteristics, as well as our analysis of the transaction's exposure to counterparty, legal, and operational risks. Our analysis indicates that the class A notes' available credit enhancement is sufficient to mitigate the transaction's exposure to credit and cash flow risks at a higher level than the assigned 'A' rating level. We consider that the class A notes can withstand all of our relevant cash flow stresses applicable at a 'AA+' rating level.

However, the transaction's exposure to counterparty risk caps at 'A (sf)' our preliminary rating on the class A notes under our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013).

Notable Features

- This is Santander's ninth securitization of SME receivables, under the PYMES SANTANDER series.
- The pool is concentrated in the regions of Andalucía, Madrid, and Cataluña, which make up 51% of the preliminary pool's balance. This feature is in line with previous Santander series;
- Borrowers are classified as: 13.42% self-employed people, 64.27% micro SMEs (annual turnover <€2 million), 5.53% medium SMEs (annual turnover <€10 million) and, 16.79% small SMEs (annual turnover <€50 million).
- Of the pool, only 1.01% is referenced to a fixed interest rate; 88.30% is linked to EURIBOR 12; 6.16% to EURIBOR 6; just 1.70% to EURIBOR 3 and the rest 6.58% to another index (related to the "Instituto de Crédito Oficial").
- The pool has no significant obligor concentration. The largest borrower represents 0.86%; the largest 10, 5.93%; and the largest 20, 9.81% of the outstanding balance.
- 1.23% of the pool has bullet payment characteristics; 10.17% has interest-only features for a fixed period of time.
- No swap contract will be in place to hedge the transaction's exposure to interest rate risk arising from the mismatch between the interest rate paid under the assets and the interest rate paid under the notes.
- The transaction will have a combined waterfall for both principal and interest payments.
- The transaction will have a reserve fund, which will provide credit enhancement for the class A and B notes. The issuer will use this reserve fund to cure defaults and address interest and principal shortfalls for the class A and B notes during the transaction's life. At closing, a subordinated loan will fully fund the reserve, which will have limited replenishment features during the transaction's life.
- The class B notes' amortization will be fully subordinated to the class A notes.
- The issuer would defer the class B notes' interest if cumulative defaults reach 5% of the initial collateral balance.
- Our current counterparty criteria cap our ratings in this transaction at 'A (sf)' due to the documentation's downgrade replacement provisions for the bank account provider.

Strengths, Concerns, And Mitigating Factors

Strengths

- In our opinion, the available credit enhancement for the class A and B notes is sufficient to mitigate credit and cash flow risks at 'AA+' and 'B-' rating levels. However, our current counterparty criteria constrain at 'A (sf)' our preliminary rating on the class A notes.
- At closing, a subordinated loan will fully fund the reserve fund. This will provide protection for the class A and B notes (see "Cash reserve"). The reserve fund's initial level will be 20% of the initial collateral balance. At closing, the trustee will deposit the fund in the treasury account held with Banco Santander and the trustee will use part of the collection proceeds to service the amounts due under the notes.

- The portfolio is static, bearing none of the risk inherent in revolving portfolios.
- The combination of a sequential payment structure and the class B notes' interest deferral triggers will ensure that funds are directed to class A notes' amortization if credit quality deteriorates.
- The pool is well-diversified across Spain. The major geographical concentrations are in Andalucia (20.98%), Madrid (15.11%), and Catalonia (14.91%).
- The pool is not concentrated at the obligor level. The largest borrower and largest 10 borrowers represent 0.86% and 5.93% of the pool balance, respectively. We have taken obligor concentration into account in our supplemental test analysis.
- Finally, we consider that Banco Santander has a strong position as a SME loan provider in Spain.

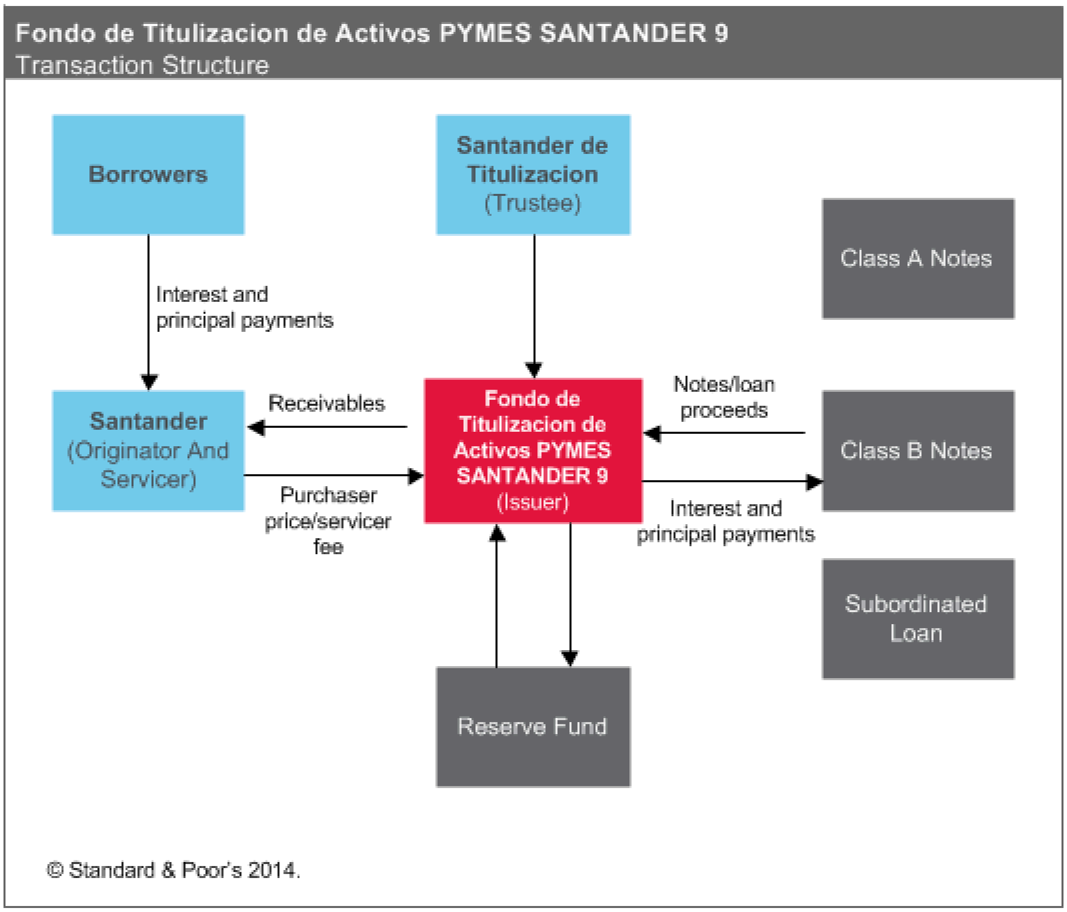
Concerns and mitigating factors

- Defaults under loans contracts are sensitive to the Spanish economy, which is undergoing prolonged structural adjustment. We forecast about 0.8% real GDP growth in 2014 and 1.4% in 2015 on the back of modest recovery for the Spanish economy, which still has high unemployment, high levels of household debt and still-weak consumption. We account for this risk in our credit analysis when determining our base-case default assumptions.
- Of the loans in the preliminary pool, 20.41% comprises unsecured loans (not secured by a mortgage guarantee). We have stressed this in our credit analysis by assuming a lower base-case recovery rate for unsecured assets compared with secured ones. We also took into account the housing market-related guarantee. The overall recovery timing that we apply to Spanish assets is 42 months in this transaction.
- Of the pool, 1.23% comprises bullet payment loans (which have a large final installment). We have stressed this feature when modeling the collateral in our cash flow analysis.
- The servicer will transfer collections every 48 hours into the transaction account under the issuer's name, held with an eligible institution under the transaction documents. There is a potential credit risk of these collections being lost if these funds were commingled with the servicer account, and/or the servicer were to become bankrupt before the funds were transferred to the issuer's accounts. To account for this risk, we stress a loss equal to one months' collection of interest and principal (including a certain amount of assumed prepayments) in our cash flow model.
- The mismatch between the interest rate paid under the loans and the interest rate paid under the notes will not be hedged, leaving the transaction exposed to interest-rate risk. To address this mismatch, we have stressed interest rate movements during the life of the rated notes in our cash flow analysis.

Transaction Structure

The issuer will be a "fondo de titulización de activos", a Spanish SPE, which securitizes assets from the notes' issuance proceeds. PYMES SANTANDER 9 used the notes' issuance proceeds and the subordinated loans proceeds to purchase the collateral pool, fund the reserve amount, and pay some of the transaction's initial expenses.

Chart 1



The notes

The issuer will use the class A and B notes' issuance proceeds to purchase the collateral pool at closing. At closing, Banco Santander will provide a subordinated loan to fund the reserve. The loan's proceeds will be deposited in the treasury account. The issuer will also receive another subordinated loan to pay for the transaction's initial expenses.

The notes are the issuer's limited recourse obligations. They won't be the obligations of, nor guaranteed by, any other entity.

The class A and B notes pay interest quarterly, equal to three-month EURIBOR plus 75 and 80 basis points (bps), respectively.

The class A and B notes redeem at their outstanding principal amount at legal final maturity, if they have not already been redeemed by that time.

The issuer

PYMES SANTANDER 9 will purchase the loans from Banco Santander, issue the notes (through the trustee), and carry out related activities. We consider that the assets would be insulated if Banco Santander or the trustee were to become insolvent, in accordance with our European legal criteria.

Santander de Titulización, S.G.F.T., S.A., as trustee, will enter into certain contracts on FTA PYMES SANTANDER 9's behalf, including the bank account and the servicing contracts.

In this transaction, Santander de Titulizacion's main responsibilities will be to create the SPE, issue the notes on PYMES SANTANDER 9's behalf, calculate the notes' interest, monitor the evolution of triggers and structural features, and notify noteholders/market participants of any relevant information that applies to the notes (including the performance-related report).

Servicer

Banco Santander, as servicer, will collect the amounts due under the loans, and transfers them within 48 hours to the treasury account held in the issuer's name.

We reviewed Banco Santander underwriting and servicing procedures and determined a qualitative adjustment that we factored into our credit analysis. In accordance with our European SME CLO criteria, we determined a qualitative assessment of "Moderate" for Banco Santander (see "European SME CLO Methodology And Assumptions," published on Jan. 10, 2013). In accordance with the servicing agreement, Santander will apply the same procedure as the ones applied for their owned portfolio.

Treasury account, reserve fund account, and commingling account

Banco Santander will hold the treasury account in the issuer's name. In addition to interest and principal collections from the loans for each collection period, this account will hold the reserve fund.

To mitigate the counterparty risk under this transaction, the transaction documents will include downgrade language for the treasury account and paying agent agreements. The minimum long-term rating on the account provider will be 'BBB'. Under the transaction documents—and in line with our current counterparty criteria—if the long-term rating on the counterparty falls below 'BBB', it will become an ineligible counterparty and it will have 60 calendar days to:

- Find a replacement with a long-term rating of at least 'BBB'; or
- Find an adequate guarantor with a long-term rating of at least 'BBB'.

Banco Santander will bear all the costs of the remedial actions.

The downgrade language reflected in the transaction documents is in line with our current counterparty criteria.

Cash reserve

The structure will benefit from a cash reserve fund. At closing, a subordinated loan will fully fund the cash reserve. On each payment date, the issuer will use the reserve fund to pay senior fees, as well as interest and principal on the class A and B notes.

Under the transaction documents, after two years have elapsed, the cash reserve account amortizes if the following transaction conditions are met:

- Loans in arrears for more than 90 days and less than 12 months account for less than 1% of the outstanding balance of nondefaulted loans in the pool; and
- The reserve fund is at its required level.

The reserve fund required on each payment date is the minimum of:

- €100 million; and
- The maximum of (i) 40% of the outstanding balance of the class A and B notes; and (ii) 10% of the initial balance of the class A and B notes.

In accordance with the priority of payments, the reserve fund can only be replenished if senior payments in the transaction's priority of payments have been made, particularly the notes' scheduled amortization. The reserve fund would not be replenished if credit enhancement and the notes' collateralization decrease.

Redemption of the notes

The notes will amortize sequentially, in the following order:

- The class A notes, from the first interest payment date (IPD) until they are fully redeemed; and
- The class B notes, once the class A notes are fully redeemed.

The amortization amount for class A and class B notes, on each payment date, will be the positive difference between:

- The class A and B notes' outstanding principal balance; and
- The outstanding principal balance of all outstanding nondefaulted loans (those less than 12 months in arrears).

Priority of payments

On each quarterly IPD, PYMES SANTANDER 9 will pay the interest due to the noteholders in arrears. To make the payments, the issuer's available funds will include: the outstanding reserve fund; interest and principal received under the loans; returns from the amounts standing in the treasury account, and any other proceeds received from the loans.

The issuer will apply all interest and principal received from the collateral to pay interest and principal due under the notes in the following order:

- Senior fees;
- Administration fees;
- The class A notes' interest;
- The class B notes' interest (if not deferred);
- The class A and B notes' principal amortization;
- The class B notes' interest (if deferred);
- Cash reserve replenishment;
- The subordinated loan's interest for the reserve fund;
- The subordinated loan's principal for the reserve fund;
- The subordinated loan's interest for initial expenses;
- The subordinated loan's principal for initial expenses;
- The servicer fee; and
- The financial margin to the originator.

In this transaction, if cumulative defaults are higher than 5% of the initial collateral balance, the class B notes' cash flow would be diverted toward the class A notes' principal payments.

Collateral Description

PYMES SANTANDER 9 securitizes a static portfolio of secured and unsecured receivables granted that Santander originated and granted to Spanish self-employed individuals and SMEs. As of March 4, 2014, the securitized loans' outstanding principal balance was €581.181 million, comprising 3,452 loans granted to 3,296 distinct industrial groups. Additionally:

- 1.01% pay fixed-rate interest and the remaining 98.99% pays floating-rate interest.
- The weighted-average seasoning is 49.92 months.
- The weighted-average remaining term to maturity is 121 months.
- The floating-rate interest paying loans' weighted-average margin is 2.28%.
- The fixed-rate interest paying loans' weighted-average margin is 4.75%.
- The current weighted-average interest rate is 3.03%.
- 88.61% pay fixed installments, 1.23% makes bullet payments, and 10.17% have interest-only features.
- No loans have caps or floors.
- Banco Santander originated the pool between 2002 and 2013.
- Of the portfolio, 12.43% comprises self-employed people, 64.27% micro SMEs (with annual turnover of less than €2 million), 5.53% medium SMEs (with annual turnover of less than €10 million) and, 16.79% small SMEs (with annual turnover of less than €50 million).
- It is well-diversified geographically. The major geographical concentrations are in Andalucia (20.98%), Madrid (15.11%), and Catalonia (14.91%). Together, they represent 51% of the preliminary pool balance. The level of concentration in these regions is in line with their contribution to the national GDP.
- It is not highly concentrated at the obligor level. The largest borrower and largest 10 borrowers represent 0.86% and 5.93% of the preliminary pool's balance, respectively. We consider that the available credit enhancement mitigates this concentration.
- Concentration in the real estate and construction sector represents 20.88% of the preliminary pool's balance. This is in line with industry concentration in other Spanish SME securitizations. Other significant concentrations are in the retail sector, which represents 19% of the preliminary pool's balance. We consider that the available credit enhancement mitigates this concentration.
- Under the transaction's eligibility criteria, none of the pool's receivables can be in arrears for more than 15 days.
- Secured receivables (which have a property backing the asset, with a first-ranking claim on the property) represent 79.59% of the pool.

Credit Analysis

Collateral risk assessment

We derived the portfolio's 'AAA' scenario default rate (SDR; equal to 76% in this transaction) by adjusting our average credit quality assessment to determine loan-level rating inputs, and applying the 'AAA' targeted portfolio default rates outlined in our European SME CLO criteria.

We consider the portfolio's average credit quality to have a 'b-' rating, which is two notches below the rating on the archetypical European SME pool's average credit quality, outlined in our European SME CLO criteria.

We then adjust this 'b-' rating after considering the following factors:

- The country where the assets were originated and our assessment of the quality of the originators' origination and underwriting processes;
- The comparison of the securitized portfolio's credit quality with the originator's overall loan book, to make a portfolio selection bias if the securitized pool's credit quality is poorer than the overall loan book. For the purpose of this transaction, we did not make a portfolio selection bias; and
- Finally, based on the final average portfolio assessment resulting from the above adjustments, we calculated the SDRs for each rating level using the 'AAA' target portfolio default rate as outlined in our European SME CLO criteria.

We derived the 'B' SDR (equal to 33.71% in this transaction) based primarily on our analysis of the originator's historical loan performance data and our forward-looking analysis, which includes the account for the increased uncertainty introduced if the sovereign rating moves towards default. We then interpolated the SDRs for rating levels between 'B' and 'AAA'.

We derived a recovery parameter of 33.69% at a 'AAA' rating level based on our corporate collateralized debt obligation (CDO) criteria, considering the liability rating, the asset type, its priority/seniority, and the country recovery grouping (see "Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs," published on Sept. 17, 2009). To derive this parameter, we have also considered the originator's historical experience of recoveries.

Cash Flow Analysis

We consider that the class A and B notes can withstand all of our relevant cash flow stresses applicable at the assigned rating level. In our analysis, we compared the break-even default rate (the maximum level of gross defaults that a tranche can withstand and still fully repay) with the SDRs generated under the credit analysis above.

Default patterns

In line with our European SME CLO criteria, we have modeled the portfolio's default patterns based on the transaction's weighted-average life. We also consider that defaults are more likely to be spread throughout a given year, than occur at one specific time. We have modeled the annual defaults to occur quarterly in this transaction based on the notes' payment frequency.

Interest rate and basis risk

In line with our European SME CLO criteria, we ran the following five interest rate scenarios:

- Index forward curve
- Index up;
- Index down;
- Index down-up; and
- Index up-down.

Recovery timing

We based the recovery timing on the country recovery grouping, in line with table 8 of our European SME CLO criteria. The length of time that we assume the recovery process will take is determined by the category we have placed the country's legal framework in. Under our European SME CLO criteria, the recovery timing of a country classified in group 3, such as Spain, is 24 months. We have additionally tested recoveries taking place after 42 months, in line with the observed recoveries in Spanish residential mortgage-backed securities (RMBS). This assumption has been recently captured in our request for comment on Italian and Spanish RMBS (see "Request for Comment: Italy and Spain RMBS Methodology and Assumptions," published on Oct. 28, 2013).

Commingling approach

The servicers hold the collection accounts, making transfers to the transaction accounts every 48 hours. We apply a commingling stress of one month's principal and interest collections starting on day one.

Minimum servicing fee

We modeled a minimum servicing fee of 50 bps for portfolios greater than or equal to €500 million. This is because our analysis assumes that, if the servicer were to default or cease to be the servicer, the issuer would need to pay the back-up servicer in line with market standards.

Yield compression

We have also considered default risk for some of the highest paying loans in the portfolio, which could affect the transaction's ability to service the rated notes over time. We tested these scenarios under our cash flow analysis, and the results were commensurate with 'A' and 'B-' rating levels.

Interest rate and basis risk

The transaction will not have an interest rate swap hedge. There will be a mismatch between the interest paid under the receivables and the interest paid under the notes. In our analysis, we consider the effect of fluctuating interest rates on the rated notes. Our ratings on the class A and B notes, respectively, reflect these stresses.

Supplemental Tests

Our European SME CLO criteria implement supplemental stress tests. We determine that the class A and B notes' maximum achievable rating is 'A (sf)' and 'B- (sf)'. Consequently, the largest industry and the largest region default tests are not applicable under our criteria. The transaction's current capital structure satisfies the largest obligor default test, which is the only stress test applicable under our criteria.

Potential Effects Of Proposed Criteria Changes

These preliminary ratings are based on our applicable criteria, including those set out in the criteria article "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published on June 14, 2011. However, please note that these criteria are under review (see "Request For Comment: Methodology And Assumptions For Ratings Above The Sovereign--Single Jurisdiction Structured Finance," published on Oct. 14, 2013).

As a result of this review, our future criteria applicable to ratings above the sovereign may differ from our current criteria. This potential criteria change may affect the ratings on all outstanding notes in this transaction. We will continue to rate and surveil these notes using our existing criteria (see "Related Criteria").

Surveillance

We will survey 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, originator specific performance data (including deliquencies, defaults, and recoveries data in the servicer's entire book) 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.

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities. The Rule applies to in-scope securities initially rated (including preliminary ratings) on or after Sept. 26, 2011.

If applicable, the Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at

http://standardandpoorsdisclosure-17g7.com/2431.pdf.

Related Criteria And Research

Related criteria

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- European SME CLO Methodology And Assumptions, Jan. 10, 2013
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, June 14, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Update To Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs, Sept. 17, 2009
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related research

- Sovereign Ratings And Country T&C Assessments, April 29, 2014
- Banking Industry Country Risk Assessment Update: November 2013, Nov. 7, 2013
- Methodology And Assumptions: Advance Notice Of Proposed Criteria Change: Ratings Above The Sovereign--Structured Finance, April 12, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com