MOODY'S
INVESTORS SERVICE

CREDIT OPINION
17 December 2018

New Issue

Closing Date
28 November 2018

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FONDO DE TITULIZACIÓN PYMES SANTANDER 14

New Issue Report

Capital Structure

Exhibit 1
Capital Structure

Series	Original Rating	Amount (€ Million)	% of Notes	Legal Final Maturity	Coupon ***	Subordination*	Reserve Fund*	Total Credit Enhancement**
Series A	A2 (sf)	1,941.50	88.25%	Nov-57	3mEurib+0.30%	11.75%	5.00%	16.75%
Series B	B1 (sf)	258.50	11.75%	Nov-57	3mEurib+0.50%	0%	5.00%	5.00%
Series C	Caa3 (sf)	110.00	5.00%	Nov-57	3mEurib+0.65%			
Total		**2,310.00**	**100.00%**					

* As percentage of the initial pool of assets
** As percentage of the initial pool of assets. No benefit attributed to excess spread for this calculation
*** Floored at 0%
Source: Moody's Investors Service

Summary

The subject transaction is a cash securitisation of mainly small- and medium-sized enterprise (SME) and self-employed individual loans extended to borrowers located in Spain by Banco Santander S.A. (Spain) ("Santander", Long Term Deposit Rating: A2 Not on Watch / Short Term Deposit Rating: P-1 Not on Watch), and is a pseudo-static structure (i.e. daily acquisition of new draw-downs of the securitised credit lines until their maturity date). The portfolio consists of credit lines and standard loans, some secured by real estate and some unsecured, used mainly to fund general working capital and long-term business expansion. Our quantitative, structural and legal analysis of this transaction supports the ratings assigned to the notes.

Credit Strengths

» **Portfolio characteristics** (see section Asset Description)**:**

– *Granular portfolio:* The effective number of obligors (in terms of groups) is over 1,000.

– *Short Weighted Average Life*: The pool has a relatively short weighted average life (less than two years) for SME deals. This implies a lower degree of uncertainty regarding Moody's quantitative assumptions.

– *Diversified Pool*: The debtors are located throughout Spain, with no single region exposure exceeding 17%. The largest regions are Madrid, Catalonia and Andalusia with a weight of 16.7%, 15.8% and 13.6%, respectively.

- *Portfolio Arrears*: At closing assets more than 30 days in arrears were excluded from the definitive portfolio.
- *Restructured loans and credit lines:* excluded in this deal of the series.

Credit Challenges

» **Portfolio characteristics** (see section Primary Asset Analysis)**:**

- *Exposure to the real estate sector:* Around 15.8% of the pool balance is exposed to the Construction and Building sector (according to our industry classification), which includes 7.8% corresponding to loans granted to real estate developers.
- *Bullet credits*: 2.22% of the portfolio are bullet loans (plus 29.9% that corresponds to LoC).

» **Transaction structure** (see section Additional Structural Analysis)**:**

- *High degree of linkage to the originator*: Besides acting as servicer, Santander holds the accounts receiving the pool collections and holding the reserve fund (commingling risk). It is also the liquidity line provider. Different triggers have been put in place in the deal to protect it against the different risks derived from this strong linkage.
- *Complex Structure*: The daily acquisition of new draw-downs of the securitised credit lines (until their maturity date) increase the structural complexity of the transaction.
- *Interest rate risk*: 72.43% of the pool balance consist of floating rate loans and 27.57% fixed rate loans, whereas the notes are floating liabilities. Therefore, the structure is exposed to interest rate and basis risk as the transaction is not protected by an interest rate swap.

Key Characteristics

Exhibit 2

Asset Summary (based on audited pool as of 15 October 2018*) and Related Key Party Characteristics

Asset Characteristics	
Receivables	Loans and Lines of Credit (LoCs) extended mainly to small and medium-sized enterprises (SMEs) and self-employed individuals located in Spain
Total Amount (EUR)	2,518 million
Number of Borrowers	n.a
Number of Borrower Groups	36,148
Number of Assets	40,827
Effective Number	1,262
WA Remaining Term (in years)	4.36 years (loans) and 0.6 yrs (LoC); WA term = 3.24 yrs
WA Seasoning (in years)	2.23 years (loans) and 0.55 yrs (LoC); WA seasoning = 1.73 yrs
WAL of the Portfolio (in years)	1.88 (with 0% CPR)
Interest Basis	27.57% fixed rate loans, 72.43% floating rate loans
WA Interest Rate (total pool)	2.05%
% collateralised by first lien mortgage	6.56%
WALTV	51%
Delinquency Status	0% of pool balance relates to contracts that are delinquent for more than 31 days
Transaction Parties	
Seller/Originator:	Banco Santander S.A. ("Santander", Long Term Deposit Rating: A2 Not on Watch /Short Term Deposit Rating: P-1 Not on Watch) A small part of the pool was originated by Banesto (1.25%) and Banif (0.8%) before these entities where absorbed by Banco Santander in 2013 and the processes consolidated.
Servicer	Banco Santander S.A.
Back-Up Servicer	N/A
Back-Up Servicer Facilitator	Santander de Titulización S.G.F.T; S.A. (Not Rated) plays this role (as well as other roles) as part of its functions as Management Company

* Our analysis is based on a subpool amouting to EUR 2,518 million, which the seller indicated as representative of the final pool to be securitised (the final pool at closing amounted to EUR 2,200 million)

Source: Banco Santander, Moody's Investors Service

Exhibit 3

Securitization Structural Features and Related Key Party Characteristics

Structural Characteristics	
Excess Spread at Closing:	The transaction has no hedging mechanism. At closing the difference between WA interest on the pool and WA interest on the notes is 2.0% approx.
Credit Enhancement/Reserves:	Subordination of the notes and excess spread *Reserve fund:* 5.00% (as percentage of the initial pool of assets)
Form of Liquidity:	Reserve fund, principal to pay interest and excess spread
Number of Interest Payments Covered by Liquidity:	As per the amount funded at closing, the reserve fund would cover more than four quarterly payments of interest and senior fees, even considering three-month EURIBOR equal to 4% and 0.5% of stressed senior fees
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	15 January, 15 April, 15 July and 15 October First payment date: 15 April 2019;
Hedging Arrangements:	None
Transaction Parties	
Issuer:	FONDO DE TITULIZACIÓN PYMES SANTANDER 14
Computational agent:	Santander de Titulización S.G.F.T; S.A
Back-up Calculation/ Computational Agent:	N/A
Swap Counterparty:	N/A
Issuer Account Bank:	Banco Santander, S.A.
Collection Account Bank:	Banco Santander, S.A.
Paying Agent:	Banco Santander, S.A.
Corporate Service Provider:	N/A
Representative of the Noteholders:	Santander de Titulización S.G.F.T; S.A
Arranger/Lead Manager:	Santander de Titulización S.G.F.T; S.A
Cash Manager:	Santander de Titulización S.G.F.T; S.A
Back-Up Cash Manager:	N/A

Source: Moody's Investors Service based on transaction documents

Asset Description

The audited provisional portfolio consists of standard loans and credit lines extended to Spanish companies and self-employed individuals to fund general working capital and/or long-term business expansion. Some loans are secured by real estate (6.56%) but most are unsecured (63.55%). The remaining 29.89% corresponds to unsecured credit lines.

The portfolio breakdown by company size is: 23.26 % micro-enterprises (turnover less than €2 million), 54.67% SMEs (turnover between €2 million and €50 million), 9.48% corporates (turnover over €50 million) and 12.6% self-employed individuals. The loans and credit lines were originated mainly between 2014 and 2018, with a weighted average seasoning of 1.73 years and a weighted average remaining term of almost 3.24 years. The longest loan matures in November 2054. Geographically, the pool is concentrated in Madrid (16.7%), Catalonia (15.8%) and Andalusia (13.6%). Loans are either subject to French or Linear amortisation (almost 68% of the loans subpool) or bullet amortisation (32% which includes the LoC subpool). Credit lines are bullet by product nature.

Around 7.8% of the loans portfolio corresponds to loans currently in an initial principal grace period expected to end in 6 months on a weighted average basis.

In terms of debtor concentration, the pool includes exposures up to 0.6% of the total portfolio. Around 15.8% of the portfolio is concentrated in the "Construction and Building" sector according to Moody's industry classification. The Real Estate Developer sector represents 7.8% of the total pool.

Credit lines: A credit limit is set for each line; the client can make use of this credit line during a certain period (usually between 12-24 months). The main characteristics of the credit lines sub-pool are:

» As of the cut-off date, the simple average utilization rate of the credit lines was 97.3%.

» The evolution of the average drawn percentage in the pool can change significantly over time.

» None of the lines in the pool can be renewed automatically (i.e. according to Santander the underwriting criteria applied is as tight as for first-time origination). Nonetheless, once a line has matured, it will be removed from the pool even if renewed.

» All lines are unsecured.

Looking in detail at the credit lines product, some interesting characteristics to highlight are:

» Santander can request additional real guarantees from the debtor if its credit quality deteriorates over time, to be provided in less than 30 days.

» If the average drawn amount, over a three-month period, is lower than 50% of the credit limit established, the limit could be reduced to comply with this rule.

» The debtor can request cancellation of the credit line.

» In case of any termination event, the limit would be reduced automatically to the drawn amount at that moment in time. Additionally, Santander could request an early amortisation on the contract.

» The credit limit could be exceeded if approved at branch level (procedure known as "Excedidos"). Typically, the limit is not exceeded by more than 5%, and the interest to be paid on the "extra" amounts is quite high compared to the standard interest. Santander will repurchase any credit line that exceeds 5% of the limit (unless it is more than 90 days in arrears).

» The standard process to pay interest periodically on the credit lines is to automatically drawn from the line itself. If the credit limit is exceeded due to this capitalisation, it is considered in arrears, but the interest will continue to be paid using the same mechanism until approximately day 150.

POOL CHARACTERISTICS

The below table and exhibits show some basic characteristics of the pool of assets.

Exhibit 4

Pool Details (based on audited pool)

Pool Details	
Type of Assets	Loans and lines of credit
Total Amount (EUR)	2,518 million
Average Loan Balance (EUR)	Loans and Lines of Credit (LoCs) extended mainly to small and medium-sized enterprises (SMEs) and self-employed individuals located in Spain
Number of Assets	40,827
Number of Borrowers	n.a
Number of Borrower Groups	36,148
Effective Number	1,262
WA Seasoning (in years)	2.23 years (loans) and 0.55 yrs (LoC); WA seasoning = 1.73 yrs
WA Remaining Term (in years)	4.36 years (loans) and 0.6 yrs (LoC); WA term = 3.24 yrs
WAL of the Portfolio (in years)	1.88 (with 0% CPR)
Minimum Maturity	December 2018
Maximum Maturity	November 2054
Interest Basis	27.57% fixed rate loans, 72.43% floating rate loans
WA Interest Rate (total pool)	2.05%
Contract Amortisation Type	Most loans are either subject to French or Linear amortisation (68% of the loans subpool). Credit lines are bullet by product nature.
% Bullet	2.22% of the portfolio are bullet loans (plus 29.9% that corresponds to LoC)
% Large Corporates	9.48%
% Real Estate Developers*	7.8%
WA Internal Rating	Ba1/Ba2
% collateralised by first lien mortgage	6.56%
WALTV	51%
Delinquency Status	0% of pool balance relates to contracts that are delinquent for more than 31 days

* Real Estate Developers include NACE codes 41.10, 68.10 and 68.20

Source: Banco Santander, Moody's Investors Service

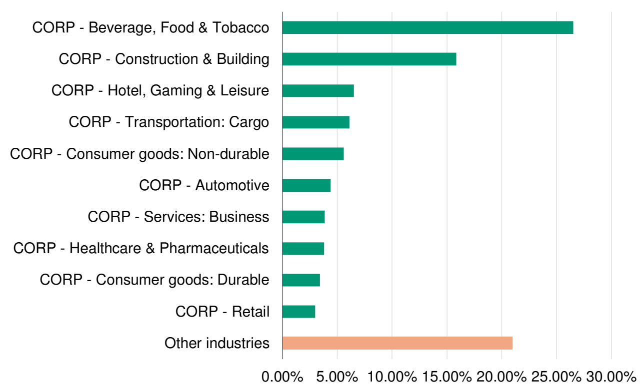
The following exhibits show portfolio concentrations according to obligor size, industry and region.

Exhibit 5
Pool Concentration Levels

Pool Details	
Top Debtor Concentration	0.64%
Top 5 Debtors	2.69%
Top 10 Debtors	4.83%
Top 20 Debtors	8.29%
Effective Number	1,262
Name 1st largest industry	Beverage, Food & Tobacco
Size % 1st largest industry	26.5%
Name 1st largest region	Madrid
Size % 1st largest region	16.7%

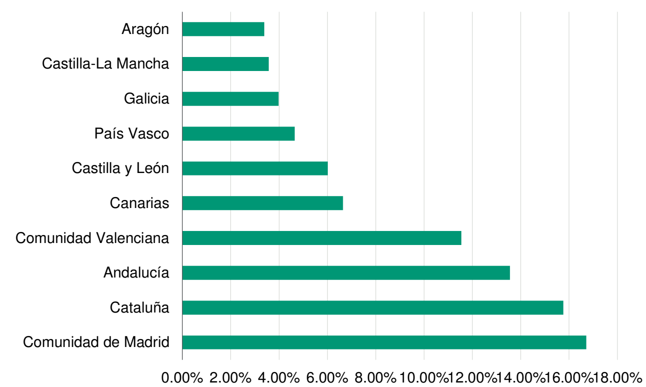
Source: Banco Santander, Moody's Investors Service

Exhibit 6
Industry Concentrations



Source: Banco Santander, Moody's Investors Service

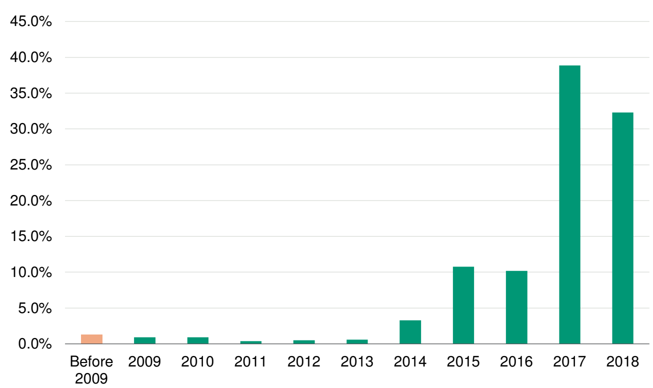
Exhibit 7
Region Concentrations



Source: Banco Santander, Moody's Investors Service

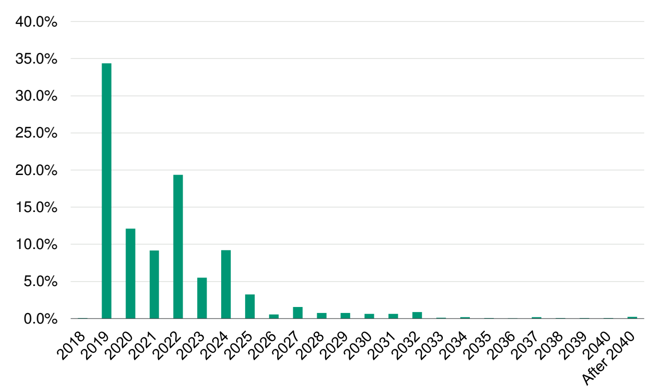
The charts below show the portfolio concentrations by year of origination and maturity date.

Exhibit 8
Year of Origination



Source: Banco Santander, Moody's Investors Service

Exhibit 9
Year of Maturity

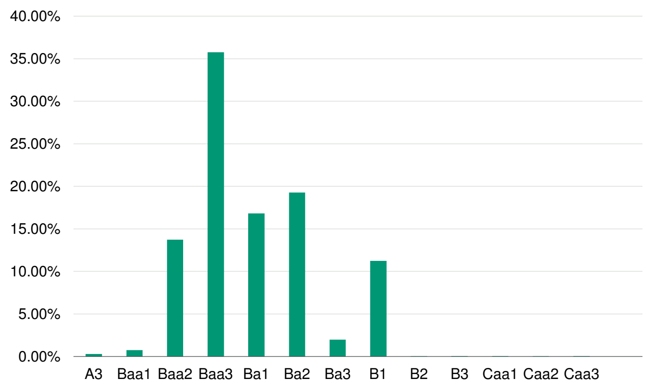


Source: Banco Santander, Moody's Investors Service

The charts below show portfolio concentration by rating and interest rate basis.

Exhibit 10

Borrower Credit Quality by Moody's Equivalent Rating*

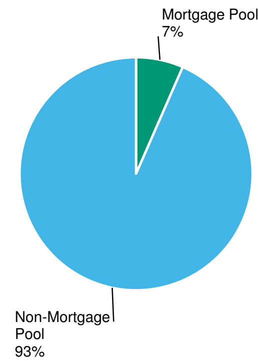


* Moody's Equivalent Ratings are based on internal PDs provided by Banco Santander

Source: Banco Santander, Moody's Investors Service

Exhibit 11

Type of Collateral



Source: Banco Santander, Moody's Investors Service

ORIGINATOR AND SERVICER

The originators of the loans and LoCs are Banco Santander as well as banks which are now part of Banco Santander group. Banco Santander is the servicer. The table below provides details about Banco Santander (for more information on Banco Santander please see Appendix 1).

Exhibit 12

Originator and Servicer Background: Banco Santander, S.A.

Originator and Servicer Background	
Rating:	Banco Santander S.A. (Long Term Deposit Rating: A2 Not on Watch /Short Term Deposit Rating: P-1 Not on Watch: Long Term Counterparty Risk Assessment: A3(cr) Not on Watch/Short Term Counterparty Risk Assessment: P-2(cr) Not on Watch: Outlook: Stable)
Financial Institution Group Outlook for Sector:	Positive
Ownership Structure:	Listed Company
Asset Size:	With total assets of around €1.4 trillion as of the end of June 2018, Santander is Spain's largest banking group and ranks among the 15 largest banking groups in Europe.
% of Total Book Securitised:	n.a.
Transaction as % of Total Book:	n.a.
% of Transaction Retained:	100%

Source: Banco Santander, Moody's Investors Service

The table below shows our assessment of Banco Santander as an originator and servicer as a result of the analysis of the information provided by the bank, data on performance of past similar transactions originated by Banco Santander and the operations review carried out in 4Q 2013 (for more information on Banco Santander please see Appendix 1).

Exhibit 13

Originator and Servicer Quality

Originator and Servicer Quality	
Date of Operations Review	4Q 2013
Originator Average Quality	Below Average
Servicer Average Quality	Average

Source: Moody's Investors Service

ELIGIBILITY CRITERIA

Banco Santander's Representations and Warranties regarding the assets define which assets the SPV can purchase. See the Appendix 2 for a list of the transaction's key eligibility criteria.

REVOLVING PERIOD

The securitization does not include a revolving period during which the SPV could purchase additional assets. However, the Fondo will purchase the additional draw-downs under the securitised credit lines (i.e. debtors do not change, just their relative exposure) on a daily basis until their maturity, using the cash generated from principal repayment and prepayments (swept to the fund accounts every 48 hours) from the loans and the other credit lines. According to Santander, the average utilization level in the credit lines sub-pool will normally be around 70-80%. If there is not enough cash in the treasury account, the fund will make use of a liquidity line.

Every month, Santander will generate a public document with the list of additional draw-downs purchased by the Fondo and send it to the Spanish Securities and Exchange Commission (CNMV).

Assets Analysis

Primary Asset Analysis

We based our analysis of the transaction assets on factors including historical performance data, originator and servicer quality and pool characteristics.

PROBABILITY OF DEFAULT

Derivation of default rate assumption: We analysed the available historical performance data Banco Santander provided and the performance of previous similar transactions originated by Banco Santander. We complemented the above analysis with a top-down approach, as we typically apply when rating SME loan transactions, and as described in more detail in our methodology report, Moody's Global Approach to Rating SME Balance Sheet Securitizations, August 2017. Starting from a base rating proxy of Ba2 for a SME based in Spain (Baa1), we evaluate the portfolio based on several features, including:

1. The size of the companies (we assume one notch penalty for micro-SMEs and self-employed individuals.
2. The borrowers' sector of activity. For example, we applied a one notch penalty to loans whose underlying borrower was active in the construction sector.
3. The type of product (we assume one notch benefit for LoCs).
4. For bullet loans the PD was increased considering an additional one year exposure to default at the time of refinancing.

We also adjusted our assumption to take into account the current economic environment and its potential impact on the portfolio's future performance (zero notch penalty), as well as industry outlooks or past observed cyclicality of sector-specific delinquency and default rates. We also evaluated and benchmarked Banco Santander's underwriting capabilities against other Spanish originators (half notch penalty).

In addition to the adjustments described above, the PD assumption for the credit lines sub-pool was also stressed to account for a potential deterioration of its credit quality given its dynamic nature.

As a result, we expect an average portfolio credit quality equivalent to a probability of default corresponding to a Ba3/B1 proxy rating for an average life of approximately two years for the portfolio. This translates into a gross cumulative default rate of 6.15%.

SEVERITY

Derivation of recovery rate assumption: assumptions for recoveries were mainly made on the basis of (i) historical recovery information available from previous deals of Banco Santander; (ii) statistical information on the Spanish SME market; and (iii) collateral-specific loan-by-loan portfolio information. Based on this analysis we assumed a stochastic mean recovery rate of 36% and a standard deviation of 20%. We assumed the base case recovery timing as follows: 50% in second year after default and 50% in third year after default.

DEFAULT DISTRIBUTION

Owing to the high granularity of the pool, we used a normal inverse default distribution. Two basic parameters needed to be assessed as main inputs to generate the default distribution:

» The mean default probability for the portfolio (6.15% over an average life of approximately two years, as explained above), and

» The standard deviation of the normal inverse distribution.

Standard deviation: To define the standard deviation for the normal inverse default distribution, we ran a Monte Carlo simulation (using the Moody's CDOROM™) based on the securitised portfolio's actual loan-by-loan information to capture the pool concentrations in terms of single obligors and industry segments. We used, inter alia, the loan-by-loan default probabilities (i.e. outcome of the analysis carried out in section Primary Asset Analysis), the borrower industry sectors, the weighted average life and a probabilistic correlation framework. Finally, we performed a benchmark analysis against other recent Spanish SME deals and took into account the Aa1 country's local currency country risk ceiling (LCC) to calibrate the curve.

As a result, we assume a normal inverse default distribution with a coefficient of variation (ratio between standard deviation and mean default rate) of 59.4%, resulting in a Porfolio Credit Enhancement (PCE) of 23%, that takes into account sovereign risk as well.

Timing of default: We assumed a flat default timing curve as base case, spread over the portfolio's WAL starting after the default definition.

PREPAYMENTS

Based on the performance of previous deals originated by Banco Santander and the benchmark analysis against recent similar transactions we assumed a CPR at a level of 10% per annum.

DATA QUALITY

The quantity and quality of Banco Santander's historical performance data available is in line with other transactions which have achieved investment grade ratings in this sector.

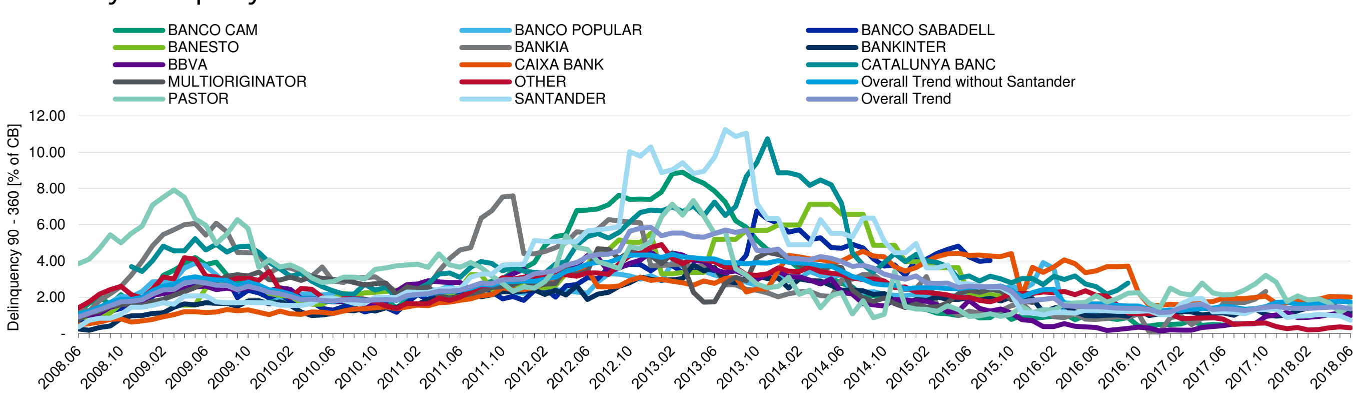
Comparables

PRIOR TRANSACTIONS OF THE SPONSOR

Banco Santander is one of the most active originators in the securitisation of SME loans in Spain. The performance of the originator's precedent transactions shows a worse performance than average in the market (see details in exhibits below).

Exhibit 14

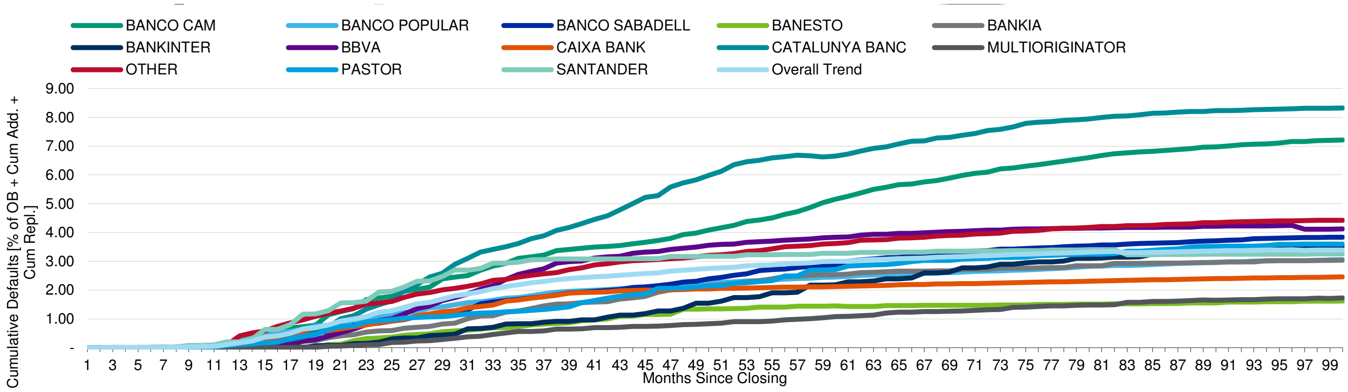
90-360 Days Delinquency



Source: Moody's Investors Service, Moody's Performance Data Service, periodic investor/servicer reports

Exhibit 15

Cumulative Defaults



Source: Moody's Investors Service, Moody's Performance Data Service, periodic investor/servicer reports

TRANSACTIONS OF OTHER SPONSORS

Exhibit 16
Benchmark Table

Deal Name	FT PYMES SANTANDER 14	FT PYMES SANTANDER 13	IM SABADELL PYME 11, FT	CAIXABANK PYMES 9, FT
Country	Spain	Spain	Spain	Spain
Closing Date	Nov-18	Jan-18	Dec-17	Nov-17
Currency of Rated Issuance	Euro	Euro	Euro	Euro
Rated Notes Volume (excluding NR and Equity) - EUR	2,200,000,000	2,700,000,000	1,900,000,000	1,850,000,000
Originator	Banco Santander and entities part of Banco Santander Group	Banco Santander and entities part of Banco Santander Group	Banco Sabadell and entities part of Banco Sabadell Group	Caixabank
Long-term Rating (*)	Banco Santander: Long Term Deposit Rating: A2 (Not on Watch)	Banco Santander: Long Term Deposit Rating: A2 (Not on Watch)	Banco Sabadell: Long Term Deposit Rating: Baa2 (Not on Watch)	Long Term Deposit Rating: Baa1 (Not on Watch)
Short-term Rating (*)	Banco Santander: Short Term Deposit Rating: P-1 (Not on Watch)	Banco Santander: Short Term Deposit Rating: P-1 (Not on Watch)	Banco Sabadell: Short Term Deposit Rating: P-2 (Not on Watch)	Short Term Deposit Rating: P-2 (Not on Watch)
Servicer (*)	Banco Santander	Banco Santander	Banco Sabadell	Caixabank
Long-term Rating (*)	Banco Santander: Long Term Deposit Rating: A2 (Not on Watch)	Banco Santander: Long Term Deposit Rating: A2 (Not on Watch)	Banco Sabadell: Long Term Deposit Rating: Baa2 (Not on Watch)	Long Term Deposit Rating: Baa1 (Not on Watch)
Short-term Rating (*)	Banco Santander: Short Term Deposit Rating: P-1 (Not on Watch)	Banco Santander: Short Term Deposit Rating: P-1 (Not on Watch)	Banco Sabadell: Short Term Deposit Rating: P-2 (Not on Watch)	Short Term Deposit Rating: P-2 (Not on Watch)
Contract Information (as % Total Pool)				
(Fully) amortising contracts %	68.0%	79.7%	94.7%	96.80%
Bullet / balloon contracts %	32.0%	20.3%	0.053	3.2% of bullet loans
Method of payment - Direct Debit (minimum payment)	100%	100%	100%	100%
Floating rate contracts %	72.4%	79.3%	34.8%	58.7%
Fixed rate contracts %	27.6%	20.7%	62.2%	41.3%
WA initial yield (Total Pool)	2.1%	2.5%	2.8%	2.4%
WAL of Total Pool (in years)	1.88 (0%CPR)	2.0 (0%CPR)	3.5 (0%CPR)	3.7 (0% CPR)
WA seasoning (in years)	1.73	2.8	2.1	0.9
WA remaining term (in years)	3.2	4.0	5.7	7.6
Portfolio share in arrears > 30 days %	0.0%	0.0%	1%	0%
No. of contracts	40,827	61,983	32,282	36,785

(*) as of the date of assigning the rating to the transaction
Source: Moody's Investors Service.

Deal Name	FT PYMES SANTANDER 14	FT PYMES SANTANDER 13	IM SABADELL PYME 11, FT	CAIXABANK PYMES 9, FT
Obligor Information (as % Total Pool)				
No. of obligors	36,148	54,053	29,560	32,901
Name 1st largest industry	Beverage, Food & Tobacco	Construction & Building	Beverage, Food & Tobacco	Beverage, Food & Tobacco
2nd largest industry	Construction & Building	Beverage, Food & Tobacco	Construction & Building	Construction & Building
3rd largest industry	Hotel, Gaming & Leisure	Hotel, Gaming & Leisure	Hotel, Gaming & Leisure	Hotel, Gaming & Leisure
Size % 1st largest industry	26.5%	21.1%	18.5%	25.0%
2nd largest industry	15.9%	20.3%	15.1%	17.2%
3rd largest industry	6.5%	10.0%	14.3%	10.6%
Effective Number	1262	1251	807	1,147
Single obligor concentration %	0.6%	0.9%	1.0%	1.7%
Top 10 obligor concentration %	4.8%	4.6%	6.3%	5.5%
Collateral Information (as % Total Pool)				
WA LTV	51.0%	35.3%	70.4%	60.1%
Collateralised by first lien mortgage	6.56%	23.25%	16.2%	11.2%
Geographical Stratification (as % Total Pool)				
Name 1st largest region	Madrid	Madrid	Catalonia	Catalonia
2nd largest region	Catalonia	Catalonia	Valencia	Valencia
Size % 1st largest region	16.7%	21.9%	33.2%	26.2%
2nd largest region	15.8%	18.0%	12.6%	13.7%
Asset Assumptions				
Gross default / Net loss definition in this deal	12 months	12 months	12 months	12 months
Type of default / loss distribution	Inverse Normal	Inverse Normal	Inverse Normal	Inverse Normal
Mean gross default rate - initial pool	6.15%	8.80%	14.8%	9.4%
Stdev.				4.3%
CoV	59.40%	56.00%	30.7%	45.3%
Stochastic Recoveries modelled?	Yes	Yes	Yes	Yes
Mean recovery rate	36.0%	43%	40.00%	38.00%
Stdev. recovery rate (if any)	20.00%	20.00%	20.00%	20.00%
Correlation severity / default	10.00%	10.00%	10.00%	10.00%
Correlation severity	10.00%	10.00%	10.00%	10.00%
Prepayment Rate(s)	10.00%	15.00%	10.00%	10.00%
Capital structure (as % Total Pool) (*)				
Size of Aaa-rated class				
Aa-rated class			82.5% (Aa3)	
A-rated class	88,25% (A2)	83,5% (A1)		88% (A1)
Baa-rated class				
Ba-rated class				
B-rated class or below	11,75% (B1)	16.5% (B2)	17.5% (Caa3)	12% (Caa3)
Equity				
Reserve fund	5.00%	5.00%	4.90%	4.55%

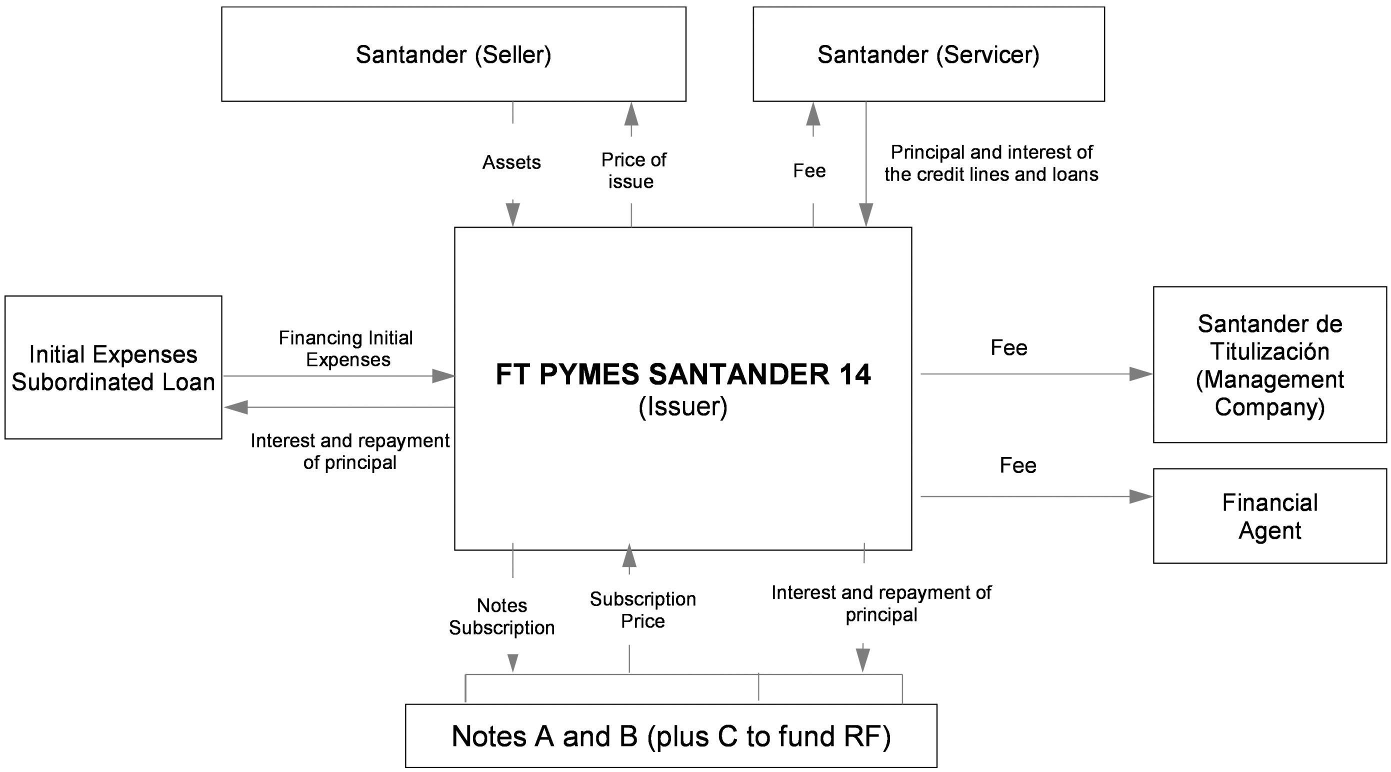
Securitization Structure Description

The proceeds of the notes will be used to finance the acquisition of the portfolio, the original amount of which equals EUR 2,200 million (as of closing). The interest and principal priorities of payment are combined in a single waterfall. The amortization period will start on the first interest payment date.

Structural Diagram

Exhibit 17

Structural Diagram



Source: Moody's Investors Service based on transaction documents

Detailed Description of the Structure

CREDIT ENHANCEMENT

The main sources of credit enhancement are subordination (11.75% in the case of Class A notes, as a percentage of the initial pool of assets) and excess spread.

Reserve fund: The reserve fund has been funded up front, with the proceeds from the issuance of Series C, for an amount equal to 5% of the Series A and B notes. It provides both credit and liquidity protection to the notes.

After the first two years of the transaction, the reserve fund may amortise over the life of the transaction so that it amounts to the lower of the following:

» 5% of the initial balance of Series A and B notes

» The higher of:

  – 10% of the outstanding balance of Series A and B notes

  – 2.5% of the initial balance of Series A and B notes

The reserve fund will be used to cover potential shortfalls on interest or principal on an ongoing basis.

LIQUIDITY

The single waterfall means principal is also available to make interest payments. The reserve fund is a further source of liquidity; it covers more than four quarterly coupon payments on the Class A and B notes and senior fees even assuming a stressed 3 month EURIBOR of 4% and stressed fees.

Liquidity Line: The Fondo will purchase the additional draw-downs under the securitised credit lines on a daily basis until their maturity using the cash generated from principal repayment and prepayments from the loans and the other credit lines. In case such available cash is not enough to purchase all the additional draw-downs, there is a liquidity line in place provided by Santander.

The liquidity line is linked to the treasury account (i.e. a negative balance in this account means the line has been drawn by that amount). A commission will only be charged for the drawn amounts. The size of the liquidity line will be equal to approx. 5% of the outstanding balance of Series A. However, this amount does not cover the worst case scenario (i.e. all the lines are drawn to 105% of their limits) so, in case a higher amount was needed, a new limit will be automatically established equal to the difference between 105% of the maximum balance of the credit lines if fully drawn and its total current balance as of that date. Under these circumstances, the deal will be liquidated in the next payment date.

Meanwhile a daily repurchase mechanism is in place, any amount drawn from the liquidity line will be reimbursed on a daily basis, if possible, as new cash from principal payments are deposited in the treasury account.

A trigger is in place to protect the liquidity line from a possible downgrade of the short-term rating of the treasury account/liquidity line provider. If Santander's long-term or short-term rating falls below Baa3 or P-3 respectively, it will have to deposit an amount sufficient to cover the worst case scenario with an entity rated at least Baa3 or P-3.

WATERFALL

On each quarterly payment date, the Fondo's available funds (i.e. amounts received from the portfolio, the reserve fund and interest earned on the transaction's accounts) will be applied in the following simplified order of priority shown in Appendix 2.

PDL MECHANISM

A principal deficiency ledger (PDL) is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal (taking into account any amount withdrawn from the liquidity line for principal payments) and the performing assets. A non-performing asset is defined as (i) an asset with any amount due but unpaid for more than 12 months of the loans and six months for the credit lines, (ii) assets classified as such by the originator, or (iii) assets that have been written off according to management's discretion.

TRIGGERS

Exhibit 18
Triggers

Originator, Servicer, Cash Manager and Counterparty Triggers	
Key Servicer Termination Events:	» Insolvency; » Breach of service obligation resulting in being substituted as servicer; or » At the request of the management company (acting in the best interest of the noteholders)
Appointment of Back-up Servicer Upon:	N/A
Key Cash Manager Termination Events:	Insolvency
Notification of Obligors of True Sale:	Following the termination of the appointment of the Servicer
Conversion to Daily Sweep (if original sweep is not daily):	Not applicable (every two days sweeping since closing).
Notification of Redirection of Payments to SPVs Account:	Following the termination of the appointment of the Servicer
Accumulation of Set Off Reserve:	N/A
Accumulation of Liquidity Reserve :	N/A
Issuer Account Bank/Paying Agent Replacement:	No replacement trigger in place

Performance Triggers		
Trigger	**Conditions**	**Consequence**
Interest deferral	The cumulative (since closing) amount of written-off loans level exceeds 5%	Interest payments on series B will be brought to a more junior position (until the series senior to it is fully redeemed) and will be paid after the principal repayment.
Termination of Reserve Fund Amortisation	The arrears level exceeds 2.5%; or The reserve fund not funded at its required level on the previous payment date; or less than two years have elapsed since closing.	The target amount of the reserve fund will not be reduced on any payment date on which these occur.

Source: Moody's Investors Service based on transaction documents

CASH COMMINGLING

Commingling risk generally arises when cash belonging to the SPV is deposited in an account held in the name of a third party, specifically the servicer. The servicer collects all of the payments under the loans and LoCs in its portfolio under a direct debit scheme into its account and transfers them every two days to a treasury account in the name of the SPV.

As a result, in the event of insolvency of the Servicer, and until notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the Servicer and may be commingled with other funds belonging to the Servicer.

This feature has been taken into account in our quantitative analysis as described in section Additional Structural Analysis.

CLAW-BACK RISK

As per the Spanish legal framework, in the case of the transfer of credit rights claw-back risk is limited to those activities performed during a period of two years prior to the declaration of the bankruptcy state and only in the event of fraud.

SET-OFF

100% of obligors have accounts with Banco Santander. According to the Spanish Law, set-off is very limited because only unpaid installments prior to the declaration of insolvency might be offset against the deposits held by the debtors (considered as fully due and payable prior to the insolvency).

TRUE SALE

According to the legal opinion received, the sale of credit rights has been carried out in compliance with Spanish securitisation law.

BANKRUPTCY REMOTENESS

Bankruptcy remoteness: Under Spanish securitisation law, a Spanish SPV (Fondo de Titulización) is not subject to the Spanish Insolvency Act. Only the Management Company, acting in the best interest of the noteholders, can decide to liquidate the SPV.

RENEGOTIATIONS

Although the servicer can renegotiate the terms of the loans, its ability to do so is limited.

MANAGEMENT COMPANY

Santander de Titulización S.G.F.T., S.A. is the transaction's Management Company, which, according to the Spanish Law and the transaction legal documentation, is responsible for the organisation, management and legal representation of the SPV and is also responsible for the representation and defence of the interests of the noteholders.

The Management Company main responsibilities are described in Appendix 3.

Securitization Structure Analysis

We modeled the bond structure and cash flow waterfall to assess the amount of credit enhancement supporting the rated securities. We also analyzed the allocation of payment, bankruptcy remoteness and other structural issues.

Primary Structure Analysis

EXPECTED LOSS

We determine expected losses for each tranche based on a number of assumptions, which are listed in the exhibit below.

Exhibit 19

Expected Loss Assumptions

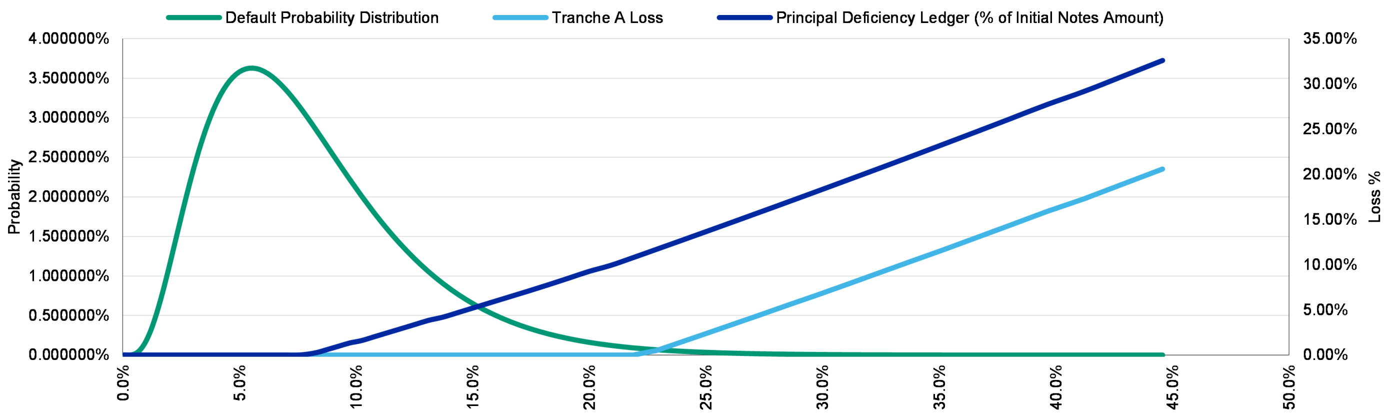
Expected Loss Assumptions	
Default Distribution	Inverse Normal
Default Rate	6.15% over a WAL of 2.0 years (equivalent to the DP of a Ba3/B1 rating)
Default Definition	12 months
COV (Standard Deviation/Mean)	59.4%
Portfolio Credit enhancement (PCE)	23.0%
Timing of Default	Flat over portfolio WAL
Recovery mean	36.00%
Recovery Cov	20.00%
Recovery Lag	50% in second year after default and 50% in third year
Correlation Defaults/Recoveries	10.0%
Conditional Prepayment Rate (CPR)	10.0%
Amortisation Profile	Vector generated based on the information provided by the Originator
Portfolio yield vector	Calculated from the loan-by-loan information
Fees (as modeled)	0.25%
Euribor/Swap Rate	4.0%
PDL Definition	On default

Source: Moody's Investors Service

TRANCHING OF THE NOTES

To derive the level of losses on the notes, we applied the default distribution and the stochastic recovery distribution explained in Section Primary Asset Analysis to numerous default scenarios on the asset side. The exhibit below shows the default distribution we used to model the transaction's cash flows.

Exhibit 20
Loss Probability Distribution



Source: Moody's Investors Service

We have considered how the cash flows generated by the collateral are allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk.

To determine the rating assigned to the notes, we used an expected loss methodology that reflects the probability of default for each series of notes times the severity of the loss expected for the notes. To allocate losses to the notes in accordance with their priority of payment and relative size, we used a cash-flow model (ABSROM) that reproduces many deal-specific characteristics such as the main input parameters of the model described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, we calculated the expected loss level for each series of notes as well as the expected average life. We then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings assigned to each series of notes.

The "Tranche A Loss" line in the exhibit above represents the loss suffered by the Class A notes (in our modeling) for each default scenario on the default distribution curve. For default scenarios up to 23%, the line is flat at zero, hence the Class A notes are not suffering any loss. The steepness of the curve then indicates the speed of the increase of losses suffered by the Class A noteholders.

Additional Structural Analysis

MARGIN COMPRESSION DUE TO PREPAYMENTS

By assuming 50% margin compression (i.e. 50% of CPR applied to highest interest rate paying assets), we stressed the yield vector derived from the loan-by-loan information haircutting 0.5% from the fixed-rate vector and 0.2% from the floating-rate margin vector.

INTEREST RATE MISMATCH

72.43% of the pool balance consist of floating rate loans (mainly linked to three-month, six-month and twelve-month EURIBOR) and 27.57% consist of fixed rate loans , whereas the notes will be floating liabilities (three-month EURIBOR).

As a result, the issuer is subject to (1) base rate mismatches on the floating portion of the portfolio (i.e. the risk that (i) the reference rate used to compute the interest amount payable on the notes will differ from the reference rate used on the underlying receivables; and (ii) the interest rate payable on the notes is determined on a different date than the rate to be paid on the underlying receivables); and (2) fixed/floating mismatch (i.e. the risk that the interest rate on the notes will differ from the interest rate payable on the fixed portion of the portfolio), given that the transaction is not hedged.

Floating portion of the portfolio: Our analysis takes into account the potential interest rate exposure and is based on the observed historical volatility between the interest rate payable on the notes and the respective interest rates payable by the assets. The resulting adjustment to the gross margin on the loans would currently be in the range of 50bps.

Fixed portion of the portfolio: The fixed-floating risk is quantified by making stressed assumptions on the evolution of the three-month EURIBOR over the life of the fixed-rate sub-pool.

COMMINGLING RISK

All borrowers pay by direct debit mechanism into the dedicated collection account in the name of the Banco Santander. Funds are then swept every two days into the issuer's collection account, which is also held at Banco Santander. In its analysis Moody's has not modelled commingling, given Santander's rating and the very limited exposure, as per Moody's counterparty methodology (see "Moody's Approach to Assessing Counterparty Risks in Structured Finance", published in Nov 2018).

Methodology and Monitoring

Methodology

» Moody's Global Approach to Rating SME Balance Sheet Securitizations, August 2017

To access the reports, click on the entries above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Monitoring

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

The following factors may have a significant impact on the subject transaction's rating: the performance of the underlying portfolio (which in turn depends on economic and credit conditions that may change), the evolution of the associated counterparties risk, the level of credit enhancement and Spain's country risk.

Monitoring report:

Data Quality:

» The Investor report includes all necessary information for Moody's to monitor the transaction

» An updated pool cut will be made available on a periodical basis

Data Availability:

» The frequency of the publication of the investor report is quarterly

» Investor reports publicly available on the Management Company website

» The Management Company will provide Moody's with periodic information on the status of the SPV and the performance of the loans

Appendix 1: Originator and Servicer Detail

Exhibit 21
Originator and Servicer Detail

Originator Ability:	
Originator Overview	With total assets of around €1.4 trillion as of the end of June 2018, Santander is Spain's largest banking group and ranks among the 15 largest banking groups in Europe. The group has ample geographical diversification, with only 13% of its net profit generated in Spain and around 50% in developing markets (excluding the corporate centre) as of the end of June 2018. Commercial banking accounts for around three-quarters of the group's profit.
Sales and Marketing Practices:	Santander provides services to its customers through a multi-channel distribution:
	Branch network in Spain: N/A
	Employees in Spain: N/A
Underwriting Policies and Procedures:	Banco Santander has established two different approaches when sanctioning a new transaction, which can be broadly summarised as:
	- “Individualised”: For customers with annual turnover over €2 million and for whom the bank’s exposure is €60,000 or above, a risk analyst is assigned to the transaction.
	- “Standardised”: For the rest of customers (typically self-employed individuals and micro companies) a more automated process is applied, mainly based on a scoring system.
	In the “Standardised” approach, most of the origination is performed at the branch level. The branch is responsible for collecting all the information related to the obligor’s credit quality, which comprises a variety of data sources including financial and tax reports, as well as checks with credit bureaus such as RAI, Experian and CIRBE for adverse credit. When all data is gathered, the branch creates an electronic file. The basis of the approval system is an automated scoring system, although the branch can reject applications deemed not viable.
	In the “Individualised” approach, following the identification of the customer’s financing needs a credit analyst is assigned from the beginning to the end of the approval process. The process includes regular visits to the customer as well as the usual data and documentation gathering. Obligors are assigned a rating, and the system also assigns an expected loss specific to the type of exposure.
	Several internal rating and credit scoring systems are in place which play a key role in Santander’s underwriting process. The entity has four different models: three for SMEs according to size, and one for large corporates. The internal rating system for corporate assesses six quantitative and qualitative aspects of the obligor. Ratings are updated annually (when the financial statements are published) or more often if an alert is triggered. The scoring system for self-employed individuals is a very efficient tool, with scores updated monthly. The standardised and individualised approaches have already been certified by the Bank of Spain (therefore the size of regulatory capital needed is estimated with them).
	Loan applications are approved at different levels, whereby the required authority depends on the amount, maturity and guarantees of the transaction. The highest approval level is the Executive Risk Management Board.
	Business segment: Risk metrics in the approval process:
	- Ratings: essential element in the analysis. Controls are set up to ensure that the ratings are used in analysing the risk of each loan. If the rating has not been updated the system rejects the operation.
	- System of risk adjusted prices. This complements the assessment of risk adjusted return at customer level, calculated monthly as benchmark spread (risk cost) versus margin on risk (customer level margin).
Collateral Valuation Policies and Procedures:	Banco Santander uses 17 approved independent valuation companies.
	The valuator for each transaction is selected in a centralised manner by SIBASA (part of the group), which is in charge of supervising the whole valuation process (also for broker originated loans), including the quality control of the valuators.
	It is worth mentioning that if the purchase price of the property is lower than the valuation, Banco Santander will take the lower of the two.
	Quality of valuations in Spain is standardised by the Bank of Spain, which certifies valuators or *Sociedades de Tasacion*.
Closing Policies and Procedures:	Random internal audits are carried out to double-check the inputs fed into the system.
	At closing all the documentation is scanned and a digital file is created.
	Banco Santander is in line with the Spanish standards.
Credit Risk Management:	Banco Santander presents 17 regional units (one per region in Spain) with an average of 43 staff in each unit.
Originator Stability:	
Originator rating:	Banco Santander S.A. (Long Term Deposit Rating: A2 Not on Watch /Short Term Deposit Rating: P-1 Not on Watch; Long Term Counterparty Risk Assessment: A3(cr) Not on Watch /Short Term Counterparty Risk Assessment: P-2(cr) Not on Watch; Outlook: Stable).
Quality Controls and Audits:	Santander is regulated by the Bank of Spain and carries out annual external audits
	The pool to be securitised has been audited.
Regulated by:	BCE / Bank of Spain
Management Strength and Staff Quality	Banco Santander is a well established originator with a high level of sophistication.

Arrears Management:	
Number of Receivables per Collector:	Not Available.
Staff Description:	Banco Santander branches are divided into three different categories depending on their arrears levels, and up to 95% of branch staff incentives are linked to arrears management. The bank combines the strength of its internal resources with the support of some external entities.
	In addition to the branch, and these external companies, Banco Santander allocates 84 staff (internally) for transactions less than 90 days in arrears, 26 staff for transactions between 91 and 150 days in arrears, and 79 staff for transactions above 151 days in arrears.
Early Stage Arrears Practices:	Transactions up to 30 days in arrears are monitored by the branch, although from day 10 external contact centres might also be utilised.
	From day 30 onwards, the transaction could be monitored by the branch as well as experts from the correspondent regional unit.
	From day 91 to day 150, the recovery of transactions below €30,000 are outsourced externally.
	Obligors under the "Individualised" approach (i.e. those with total exposure of €500,000 or above) are managed by the specific analyst originally assigned to cover these assets in arrears .
Late Stage Arrears Practices:	If after 151 days the arrears have not been resolved (either repayment or renegotiation), the bank prepares for the commencement of litigation procedures. Transactions below €30,000 are outsourced to external lawyers (Banco Santander works with 156 different law firms throughout Spain).
	The auction usually takes place no less than 18 months from the moment the claim is submitted
Average Time to Repossess:	Not Available
Loan Modifications:	Not Available

Source: Moody's Investors Service, based on the data from Banco Santander

Appendix 2: Eligibility Criteria and Waterfall

Eligibility Criteria

The key eligibility criteria are as follows:

» All loans granted to SMEs according to definition in 2003/361/CE and self-employed individuals

» The pool will not include lease contracts or syndicated loans

» The mortgaged real estate properties have been built and they are located in Spain

» All the loans are euro-denominated and pay by direct debit

» No loan is the result of a delinquent loan renegotiation

» No loan is the result of refinancing or restructuring of a previous debt

» No loans more than 30 days in arrears included at closing.

» All assets denominated in EUR

» No loan subject to interest cap or floor

» All loans paid by direct debit

» All loans formalised through public deed

» All loans completely disbursed

» No obligor has filed for insolvency

» All mortgages are first rank

» Mortgages constituted over properties in Spain

» All mortgaged properties are finished buildings

Waterfall

On each quarterly payment date, the Fondo's available funds (i.e. amounts received from the portfolio, the reserve fund and interest earned on the transaction's accounts) will be applied in the following simplified order of priority:

1. Senior expenses
2. Interest on Series A and liquidity line (pro-rata)
3. Interest on Series B (if not deferred)
4. Principal repayment on Series A and B (sequential)
5. Interest on Series B (if deferred)
6. Reserve fund replenishment
7. Interest on Series C
8. Principal repayment on Series C
9. Junior costs

Appendix 3: Management Company main responsibilities

The main responsibilities of the Management Company are the following:

» Handling the accounting of the SPV with due separation from that of the Management Company

» Complying with its formal, documentary and reporting duties to the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores or CNMV), the rating agencies and any other supervisory bodies

» Appointing and, if necessary, replacing and dismissing the auditor responsible for reviewing and audit the SPV's annual accounts

» Validating and controlling the information it receives from the Servicer regarding the loans

» Complying with the calculation duties provided for and taking the actions laid down in the Deed of Constitution and in the Prospectus

» Checking that the amounts actually paid to the SPV match the amounts that must be received by the SPV

» Calculating and determining on each determination date the principal to be amortised and repaid on each bond series on the relevant payment date

» Verifying that the amounts credited to the treasury account return the yield set in the agreement

» Instructing the transfer of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions, including those allocated to servicing the bonds

» Calculating the available funds, the available funds for the notes amortisation, the liquidation available funds and the payment or withholding obligations to be complied with, and applying the same in the priority of payments or, as the case may be, in the liquidation priority of payments

» The management company may extend or amend the agreements entered into on behalf of the SPV, and substitute, as necessary, each of the SPV's service providers on the terms provided for in each agreement

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