MOODY'S INVESTORS SERVICE

CREDIT OPINION
16 November 2017

New Issue

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Closing date

16 November 2017

Contacts

Alberto Barbáchano 34-91-768-8212
VP-Sr Credit Officer
alberto.barbachano@moodys.com

Juan Miguel Martin-Abde +34.91.768.8239
Analyst
juan.martin-abde@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

FT RMBS PRADO V

New Issue Report - Spanish prime RMBS deal

Capital structure

Exhibit 1

Definitive Ratings

Series	Rating	Amount (Million)	% Of Notes	Legal Final Maturity	Coupon Pre Step-up Date	Subordi-nation*	Reserve Fund**	Total Credit Enhance-ment***
Tranche A	Aa2 (sf)	€ 339.0	81.70%	March-2055	3mE+0.38%	18.30%	2.50%	20.80%
Tranche B	NR	€ 76.0	18.30%	March-2055	3mE+0.60%	0.00%	0.00%	0.00%
Total		€ 415.0	100.00%					

The definitive ratings address the expected loss posed to investors by the legal final maturity. In our opinion, the structure allows for timely payment of interest and ultimate payment of principal with respect to the Class A notes by the legal final maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.
* At close.
** As a % of total notes.
*** No benefit attributed to excess spread.
Source: Moody's Investors Service

Summary

Fondo de Titulización RMBS Prado V is a static cash securitisation largely consisting of seasoned performing residential mortgage loans extended to borrowers located in Spain, originated by Unión de Creditos Inmobiliarios, S.A. ("UCI"). The provisional portfolio consists of first lien mortgages on residential properties extended to 3,453 borrowers residents in Spain, and the current pool balance is approximately equal to €415.0 million with a weighted average current loan-to-value of 59.7%. Our credit opinion is the result of our analysis of a wide array of quantitative and qualitative factors, including the pool characteristics, and originator and servicer reviews. The credit opinion of the transaction also considers the structural features, such as credit enhancement and liquidity available for Class A notes and the mitigants to servicer disruption risk.

Credit strengths

The following factors were the strongest features of this transaction:

» ***Asset quality***:

– **Weighted–average current loan-to-value ("WA CLTV"):** WA CLTV ratio of 59.7% (calculated taking into account the original valuation of the property on which the real estate mortgage was granted) is lower than the average for Spanish transactions. WA CLTV indexed as per Moody's calculation is 68.5%.

– **Seasoning:** The portfolio is well seasoned, with a weighted average seasoning of 7.6 years.

– **Positive selection:** 98.4% of the mortgage loans has not been in arrears for more than thirty (30) days and, no more than 1.61% of the mortgage loans had a maximum of 90 days in arrears (with the most recent arrears having not occurred in the past 36 months), even if a large part of the portfolio has gone through a severe economic downturn;

– No exposure to payment holidays and exposure to non-Spanish nationals is only 2.7%, while non-owner occupied loans are around 2.5%.

» ***Credit enhancement provided by the reserve fund and the subordination:*** The transaction has a fully funded reserve fund of 2.5% of the pool balance and a sequential amortisation of the notes. The reserve fund will be available for shortfalls in Class A notes interest during the life of the transaction and for shortfalls in Class A notes principal at the legal final maturity of the deal.

» **Turbo amortisation of rated notes** upon the occurrence of certain events linked to the performance of the transaction or after the step-up occurs.

Credit challenges

The transaction contains the following challenges:

» ***Hedging arrangements:*** No interest rate swap is in place to cover interest rate risk. This risk has been taken into account when assessing the subordination levels as we applied a stress to the assets yield. Please see "Asset Analysis - Additional Analysis - Risk of Interest Rate Declines" and "Securitisation Structure Analysis - Additional Structural Analysis - Interest Rate Mismatch" sections for details and an explanation of how Moody's has stressed the yield.

» ***Asset quality:***

– 82.6% of the loans have been originated through third parties (includes developers, real estate agents, financial entities, insurance companies), 10.9% have been generated through UCI's website and 6.5% through Branch UCI.

– Bridge loans. 55.4% of the pool comprises bridge loans, corresponding to the products offered by UCI under the name "Hipoteca Cambio de Casa". These loans are aimed to finance the purchase of a new residential property before the borrower has completed the sale of the current residential property. Most of these bridge loans have been secured by two properties since origination (average seasoning 8.3 years). However, we do not have information on the occupancy type in one of the two properties. Some of the bridge loans (around 6.0% of the pool) have released one of the properties backing the loans.

- Limitation of instalments: As of the cutoff date, approximately 47.0% of the loans had the option to apply for a limit to the increase of the instalments for a period of time expiring before maturity. The instalments increase is limited to 200% of the CPI or 100% of the CPI, based on indexation resetting 6 – 12 months.
- Exposure (3.1%) to restructured loans. These loans have been previously restructured and now are re-performing loans (fully performing for 36 months at least).

» ***Historical Performance of previous UCI deals:*** Previous transactions display a weaker performance than the market. Additionally, historical information provided by UCI shows a cumulative +90 days arrears level above 20% in the vintages 2005-2009. For more details on performance of previous deals by this originator and static vintage data refer to Section “Securitisation Structure Analysis - Comparables - Performance of Prior Transactions of UCI and Other Originators” sections below for details.

» **Renegotiations**: the servicer can conduct renegotiations and modify the interest rates and maturity dates of the loans:

- Reduction of installments: UCI has the ability to reduce the installment amounts due on the loans. In mitigation UCI will be limited to renegotiate up to 20% of the original balance of the pool. Moody's considers this limit weaker than the standard in the Spanish market typically established at 10% the original balance of the pool.
- Interest rates renegotiation: The servicer may renegotiate the mortgage interest rate, provided a minimum margin of 0.4% is maintained for loans indexed to Euribor and a margin of -0.25% is maintained for loans indexed to IRPH. Renegotiation from floating rate to fixed rate is limited to 5% of the pool at closing. We have considered the minimum margin after renegotiation in our stresses of the yield of the assets.
- Maturity date modifications: UCI can renegotiate the maturity date of the loans. However, as a mitigant the maximum maturity date will be 3 years before the legal maturity date.

Key characteristics

Asset characteristics

Exhibit 2
Asset Characteristics
(Closing pool, cut-off date as of 06/11/2017)

Key Characteristics	Fondo de Titulización RMBS Prado V
Originator:	Union de Creditos Inmobiliarios, S.A., EFC (UCI) (Not Rated)
Servicer(s):	Union de Creditos Inmobiliarios, S.A., EFC (UCI) (Not Rated)
Receivables:	First-lien prime mortgage loans to individuals secured by property located in Spain.
Methodology Used:	» Moody’s Approach to Rating RMBS Using the MILAN Framework, September 2017
Total Amount:	€ 415,000,107
Number of Borrowers:	3,453
Borrower concentration:	Top 20 borrowers make up 2.59%
WA Remaining Term:	26.03 yrs
WA Seasoning:	7.6 yrs
Interest Basis:	60.6% 12 months EURIBOR, 25.8% IRPH and 13.6% Fixed
WA Current LTV:	59.70%
WA Original LTV:	69.40%
Moody’s calculated WA indexed	68.50%
Borrower credit profile:	Prime Borrowers
Delinquency Status:	No arrears at closing

Source: Moody’s Investors Service

Securitization structure characteristics

Exhibit 3
Structure Summary

Issuer:	Fondo de Titulización RMBS Prado V
Issuer Administrator / Corporate Service Provider:	Santander de Titulizacion S.G.F.T., S.A (NR)
Models Used:	MILAN (Spanish Settings) and ABSROM
Excess Spread at Closing:	The current weighted-average interest rate as of closing is around 1.71% (over the relevant base rate), with the notes paying a weighted-average coupon of 0.42% (over three-month Euribor) and actual senior fees of 0.05% plus € 6,000 per quarter
Length of Revolving Period:	NA
Back-up Servicer(s):	NA
Back-up Servicer Facilitator:	Banco Santander, S.A (A3 LT SA/A3 LT Bank Deposit Rating / A3(cr))
Cash Manager:	Santander de Titulizacion S.G.F.T., S.A (NR)
Back-up Calculation/Computational Agent:	NA
Currency Swap Counterparty:	NA
Rate Swap Counterparty:	NA
Issuer Account Bank:	Banco Santander, S.A (A3 LT SA/A3 LT Bank Deposit Rating / A3(cr))
Collection Account Bank:	Banco Santander, S.A (A3 LT SA/A3 LT Bank Deposit Rating / A3(cr))
Principal Paying Agent:	BNP Paribas Securities Services, Spanish Branch (Aa3/P-1 Bank Deposit ratings)
Management Company:	Santander de Titulizacion S.G.F.T., S.A (NR)
Arrangers:	Banco Santander, S.A and BNP Paribas London Branch
Joint Lead Managers:	Banco Santander, S.A and BNP Paribas London Branch
Credit Enhancements/Reserves:	Subordination and 2.5% (of initial pool balance) amortising reserve fund
Form of Liquidity:	Amortising reserve fund with a floor of 1% of initial balance of the loans
Number of Interest Payments Covered by Liquidity:	The transaction benefits from around 5 quarters of liquidity (assuming a stressed Euribor rate) as provided by the Reserve Fund.
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through in arrears on each payment date
Payment Dates:	15th of March, June, September and December
First Payment Date:	15th of March 2018
Hedging Arrangements:	NA

Source: Moody's Investors Service

Asset description

The portfolio consists of first lien mortgages on residential properties extended to 3,453 borrowers, and the current pool balance is approximately equal to €415.0 million with a WA CLTV of 59.7%. The portfolio is well seasoned, with weighted average seasoning of 7.6 years. 2.5% of the loans were granted for the financing of secondary homes. 12.6% of the initial balance of the loans are secured by a house guaranteed as Official Protection Housing (VPO). 55.4% of the pool are bridge loans, although some of these (6.0% of the pool) have released one of the properties backing the loans. These are aimed to finance the purchase of a new residential property before the borrower has completed the sale of the current residential property. Most of these bridge loans have been secured by two properties since origination (average seasoning 8.3 years). However, we do not have information on the occupancy type in one of the two properties. Approximately 47.0% of the loans had the option to apply for a limit to the increase of the instalments for a period of time expiring before maturity. The instalments increase is limited to 200% of the CPI or 100% of the CPI, based on the indexation resetting 6 – 12 months. The weighted average interest rate on assets is 1.71%.

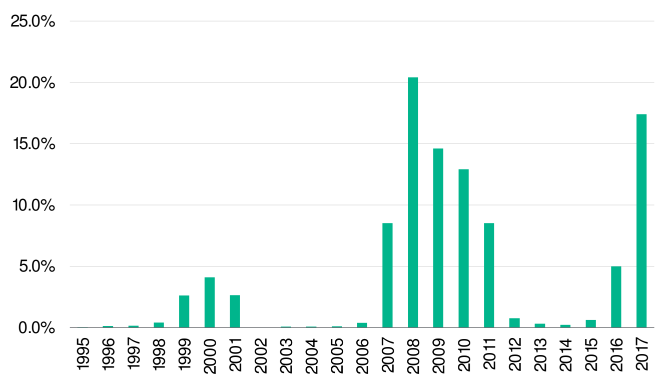
Asset description at the closing cut-off date

Closing pool cut-off date is 6 November 2017.

POOL CHARACTERISTICS

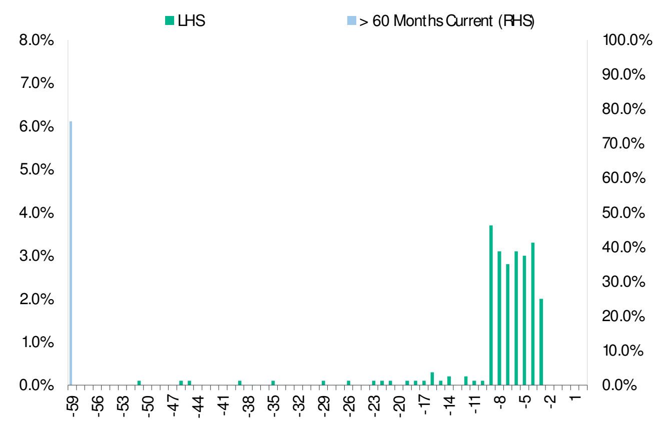
Exhibit 4 illustrates that most of the loans in the pool have been originated between 2007–2017, with more 20% of the loans in the pool having been originated in 2008. Exhibit 5 highlights that almost the entire pool has not been in arrears for more than 30 days while there are no loans in the pool currently in arrears. The WA CLTV in the pool is 59.7%, WA CLTV indexed as per Moody's calculation is 68.5% and Exhibit 6 shows that 10.7% of the pool has a CLTV above 80%. Around 23.7% of the loans are concentrated in the Catalonia region, as Exhibit 7 shows, and 23.5% of the pool is concentered in the Madrid region.

Exhibit 4
Portfolio Breakdown by Date of Origination



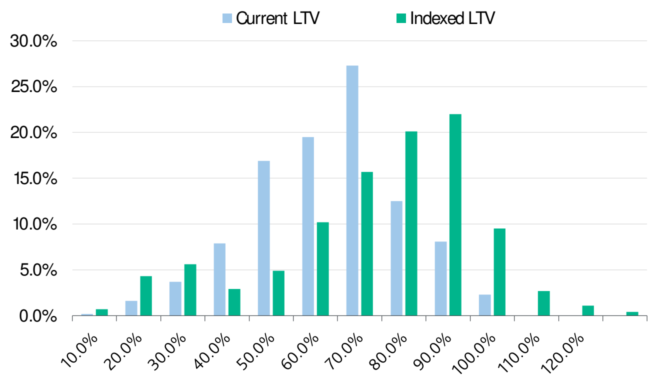
Source: UCI provided the MILAN file, through the arrangers, computations by Moody's

Exhibit 5
Portfolio Breakdown by Months Current
Months current (negative) and arrears (positive)



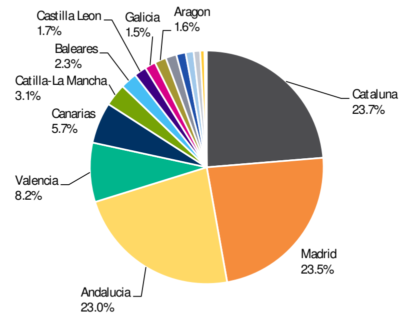
0.0% arrears at closing. Months current proportions include never in arrears loans with the given seasoning. Accordingly, 76.3% have been never in arrears with a seasoning higher than 60 months. Total never in arrears including seasoning lower than 60 months is 98.4%.
Source: UCI provided the MILAN file, through the arrangers, file computations by Moody's

Exhibit 6
Portfolio Breakdown by current/Moody's indexed LTV



Source: UCI provided the MILAN file, through the arrangers, computations by Moody's

Exhibit 7
Portfolio Breakdown by Geography



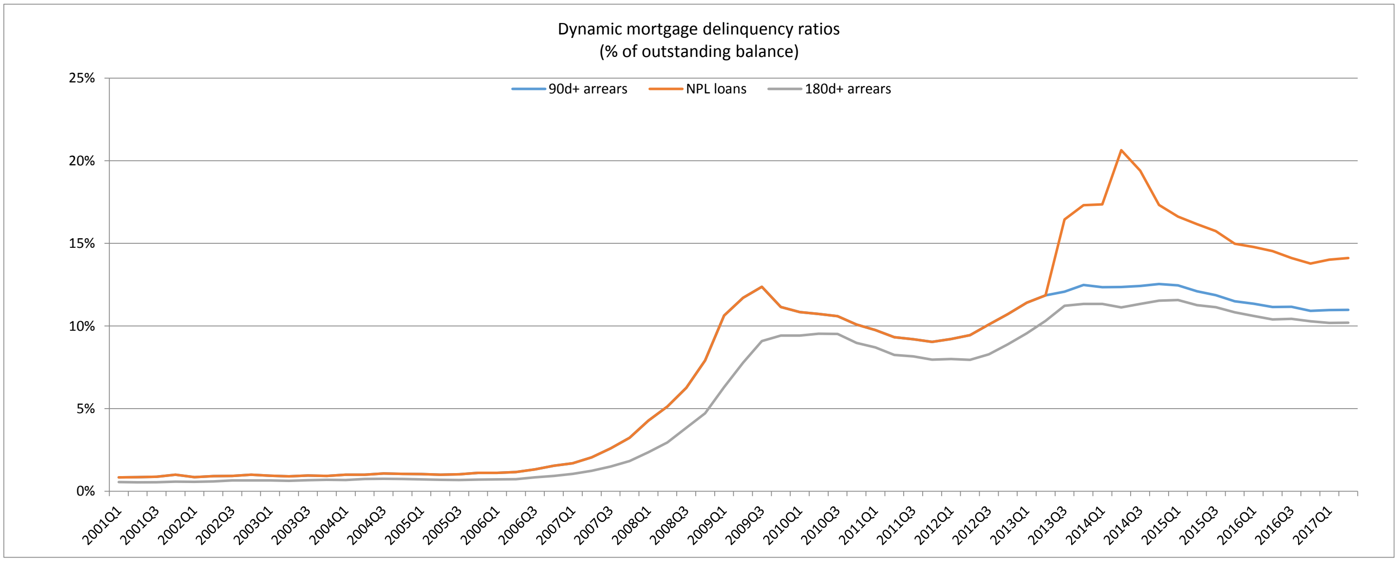
Source: UCI provided the MILAN file, through the arrangers, computations by Moody's

Originator
Mortgage loans have been originated by UCI, not rated.

UCI is one of the top ranking Spanish specialised mortgage lenders with more than 25 years of experience originating mortgage loans. Banco Santander holds 50% of its shares while BNP Paribas holds (either directly or indirectly) the remaining 50%.

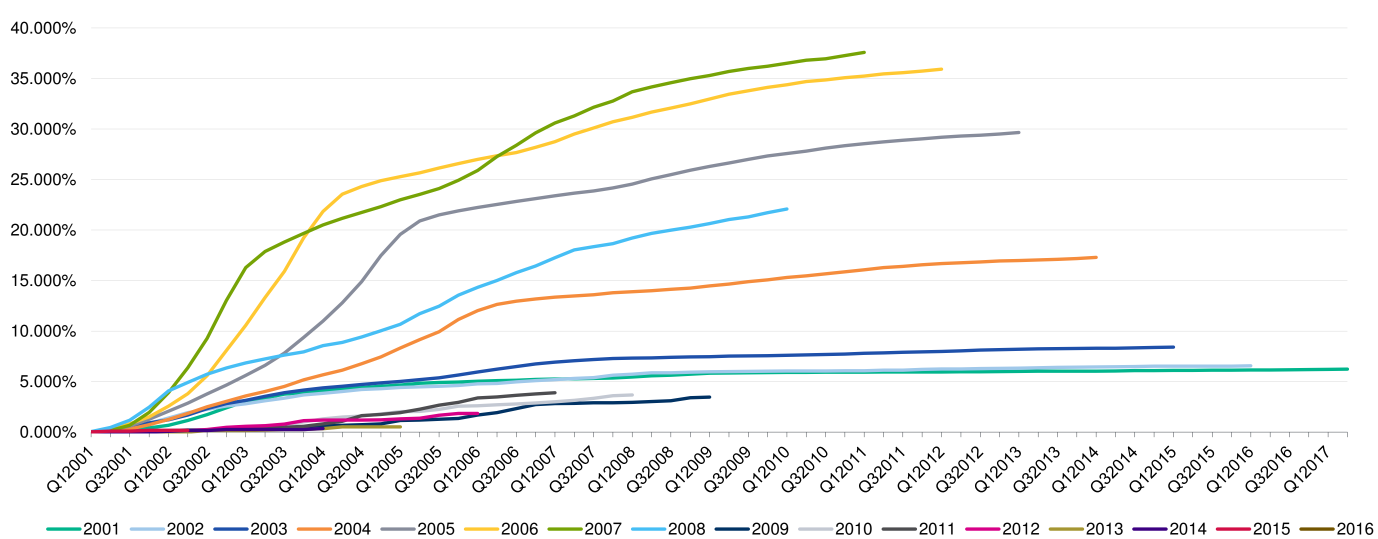
As can be seen in Exhibit 9 and 10, the 90+ and 180+ day arrears of UCI portfolio are higher than Moody's Spanish RMBS indices. The performance of the originator's precedent transactions in this sector are weaker than the average peer. One of the drivers for the weak performance of UCIs RMBS transactions has been the exposure to non-Spanish borrowers and loans originated via third party intermediaries. However, there is only 2.7% of loans to non-Spanish nationals in this pool.

Exhibit 8
Dynamic delinquencies for UCI mortgage book



Significant deterioration in 2013 is mostly due to the new classification rules of Bank of Spain.
Source:UCI

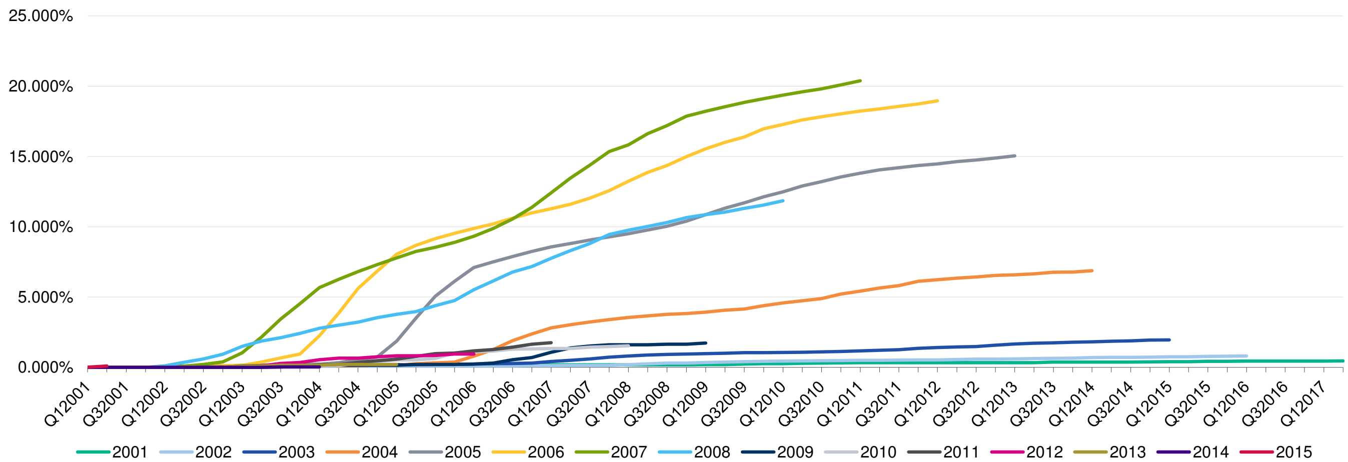
Exhibit 9
Cumulative 90+ arrears for UCI mortgage book



Source: UCI

Exhibit 10

Cumulative 360+ arrears for UCI mortgage book



Source:UCI

Servicer

The servicing will be undertaken by UCI on behalf of the fund.

Moody's has reviewed UCI's procedures and practices and found UCI acceptable in the role of servicer.

Changes to the asset pool after issuance

Although the pool is generally fixed, some changes can occur after issuance that affect pool composition.

Eligibility criteria

The key asset acquisition guidelines, which apply at issuance and after the closing date, are as follows:

» UCI is the sole owner of the mortgage loans, which are free of liens and encumbrances.

» At closing there will be no arrears greater than thirty (30) days.

» The mortgage loans exist, are valid, binding and enforceable in accordance with Spanish law.

» All the borrowers are natural persons residing in Spain.

» The mortgage loans are repaid by the obligors via direct debit.

» Each mortgage loan is denominated and payable exclusively in euros.

» Each borrower has made at least three scheduled payments under the relevant mortgage loan.

» All the mortgage loans have a maturity prior to three (3) years before the legal maturity date.

» The mortgage loan agreements are governed by Spanish law.

» The mortgage loans are secured by a first-priority real estate mortgage over the relevant properties (all of them over finished houses), with the exception of those which have been economically cancelled but in respect of which prior entry in the relevant registry is still pending cancellation.

Loan substitution

UCI is able to substitute or repurchase loans in breach of representations and warranties (R&Ws) (ineligible loans).

Loan renegotiation

The management company authorises UCI to renegotiate the interest rate on loans when requested to do so by a borrower and under UCI's policy. The renegotiation of the applicable interest rate cannot result in the interest rate being adjusted to a level or index other than the interest rates or indices used in loans provided by UCI. Interest rates may be renegotiated to change a given variable interest rate to another fixed rate of interest. However, renegotiations from variable to fixed interest rate cannot amount to more than 5% of the outstanding balance of the mortgage loans as of closing.

The powers of renegotiation given to UCI are subject to the following limitations:

» No increase in the amount of credit will be allowed.

» No modification in the frequency of repayments throughout the remaining term of the mortgage loans will be allowed.

» A reduction in the instalments agreed to through the Recovery Division or the commercial division will be allowed, with a limit of 20% of the outstanding balance of the mortgage loans as of closing.

» The margin on the reference index may not be renegotiated below 0.40% if the reference rate used is Euribor, or below a negative zero point twenty-five percent (-0.25%) if the reference rate used is the IRPH.

» The maturity date on a mortgage loan may be extended, provided that the new maturity date of such loan does not fall later than 3 years before the legal maturity date.

Asset analysis

Primary asset analysis

The first step in the analysis of the credit quality of the pool is to determine a loss distribution of the mortgages to be securitised. In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources: historical loss data and the MILAN loan-by-loan model.

Expected loss

Moody's used static historical information on the total mortgage book provided by UCI and benchmarking with comparable transactions in the Spanish market. In addition to other relevant data in order to extrapolate expected losses for the loan pool. Examples of data include market and sector wide performance data, the performance of other securitisations with similar loan characteristics, and other originators' data.[1]

The expected loss is 5.0%, which is higher than other Spanish RMBS transactions owing to: (i) cumulative defaults information reported by UCI in the past which show around 20% cumulative defaults; (ii) 90+ delinquency rate across most Spanish RMBS transactions stabilised in 2013; However, delinquencies in UCI deals continued to rise, with those in the UCI series among the highest in the Spanish RMBS market; (iii) and the c. 3.1% of restructured loans in the portfolio.

MILAN model

To obtain the volatility under “stressed” scenarios, Moody's takes into account historical data. However, historical volatility may not be significant (given insufficient data points, or incomplete data), and in addition may not be representative for the future as it is based on the previous economic environments experienced.

Consequently, Moody's determines a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aa2 under highly stressed conditions. This enhancement number (the MILAN CE number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics such as LTV or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The weighted-average benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

MILAN CE for this pool is 18.0%, which is higher than other Spanish RMBS transactions owing to: (i) the weighted average current loan-to-value (CLTV) of 59.7%, (ii) 3.1% of restructured loans in the portfolio (iii) high proportion of origination by third party intermediaries and (iv) high percentage of bridge loans.

This result in a loss distribution with higher probability of “fat tail” events with respect to the expected loss.

Lognormal distribution

The MILAN CE number and the expected loss number are based on rating committee discussions and are used to derive the lognormal distribution of the pool losses. Due to the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of a Aa2 tranche.

Comparables

UCI and other originators' transactions compared with Prado V

Exhibit 11 shows the collateral characteristics of this transaction (Prado V) and previous UCI transactions deals compared with those of its peers.

Exhibit 11

Benchmark table with other transactions by the same originator and comparable transactions

Deal name	RMBS Prado V	RMBS Prado I	SRF 2017-1	SRF 2016-1	FTA RMBS Santander 2	FTA RMBS Santander 1
Closing date	Nov-17	May-15	Mar-17	Oct-16	Jul-14	Jun-14
Information from	Closing pool	Preliminary pool	Preliminary pool	Final pool	Preliminary pool	Preliminary pool
Originator	UCI	UCI	Catalunya Caixa	Catalunya Caixa	Banco Santander	Banco Santander
Servicer	UCI	UCI	Anticipa	Anticipa	Banco Santander	Banco Santander
MILAN CE	18%	22%	32%	30%	32%	40%
Expected Loss	5%	7%	11%	10%	12%	13.50%
PORTFOLIO STRATIFICATION						
Avg. Current LTV	59.70%	53.76%	60.88%	55.29%	68.06%	73.48%
% Current LTV > 70%	24.60%	17.04%	32.09%	23.44%	34.06%	52.53%
% Current LTV > 80%	10.70%	0.00%	16.54%	8.49%	18.65%	32.97%
% Current LTV > 90%	2.40%	0.00%	6.52%	1.00%	10.64%	18.05%
Avg. Current LTV indexed*	68.50%	65.11%	75.53%	67.25%	90.18%	92.30%
% Self Employed	5.40%	5.20%	N/A	N/A	10.10%	13.32%
% Brokers	7.7% through brokers and 74.9% through other third parties	100%	[0]%	0%	2.30%	4.50%
% Non Spanish Nationals	2.70%	5%	8.10%	0%	3.50%	6.00%
% Non-owner Occupied (Includes: Partial Owner)	2.50%	4.40%	9.40%	6.60%	2.10%	1.80%
% Fixed interest	13.60%	0.00%	[0.50]%	0.30%	0.30%	0.00%
Max regional concentration	Catalonia (23.7%)	Andalusia (27.9%)	Catalonia (75.6%)	Catalonia (74.3%)	Madrid (21.7%)	Andalusia (21.8%)
% in arrears at closing	0.00%	0.00%	7.39%	6.96%	7%	11%
% Restructured loans	3.1%	0.00%	79.16%	75.03%	21.10%	35.80%
PORTFOLIO DATA						
Current Balance	€415.0 million	€464 million	€403.1 million	€265 million	€3,315 million	€1,353 million
Average Loan (Borrower)	€ 120,185	€ 122,477	€[121,892	€ 102,952	€ 153,822	€ 144,424
Borrower top 20 (as % of pool bal)	2.59%	1.43%	2.57%	3.59%	0.51%	1.21%
WA interest rate	1.71%	3.00%	1.47%	1.42%	1.20%	1.96%
Stabilised margin**	N/A	N/A	N/A	N/A	N/A	N/A
Average seasoning in years	7.6	4.45	9.25	9.08	6.8	5.5
Average time to maturity in years	26	28.92	2.14]	21.13	24.4	25.5
Maximum maturity date	Jan-52	Jun-51	Feb-59	Mar-60	Jan-54	Jan-54
Average House Price stress rate***	35.00%	35.00%	35.00%	35.00%	35.34%	35.35%
Average House Price change *	-8.09%	-17.95%	-11.78%	-11.75%	-23.02%	-19.20%

* As per Moody's calculation.
** Margin after all loans reset.
*** As per Moody's MILAN methodology for Aa2 scenario for a benchmark loan.
Source: Moody's Investors Service

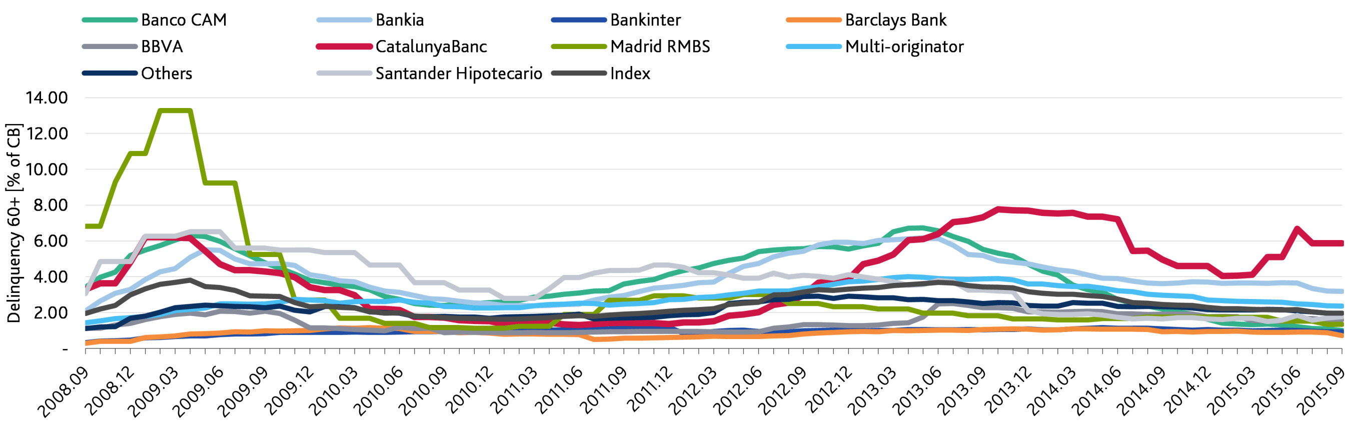
Performance of prior transactions of UCI and other originators

Delinquency and losses for UCI are higher than the average reported in the Spanish RMBS indices.

Exhibits 12 and 13 shows 60+ and 90+ days delinquencies for the Spanish RMBS Index.

Exhibit 12

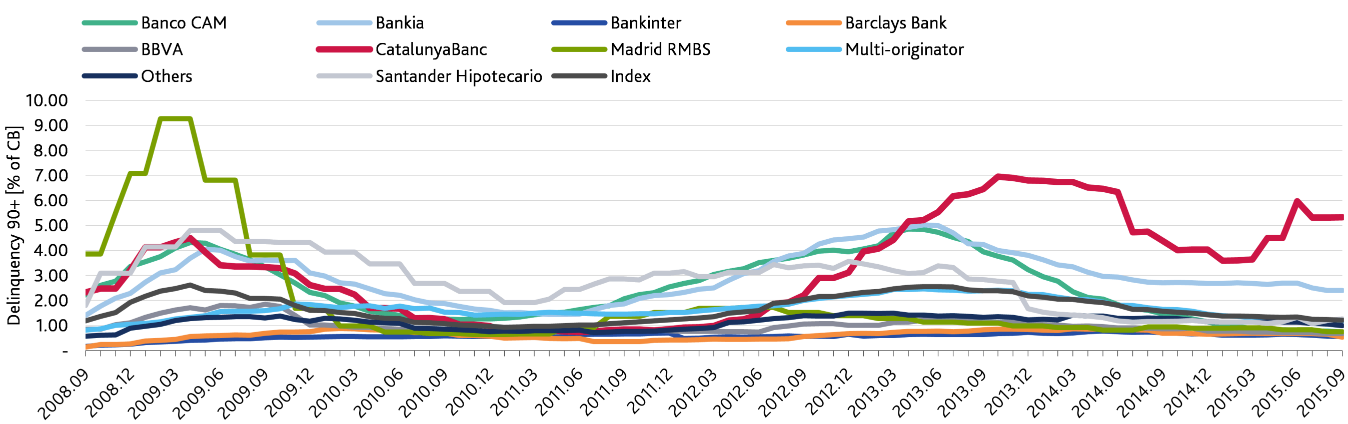
60+ days delinquency trend for the Spanish RMBS Index



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

Exhibit 13

90+ days delinquency trend for the Spanish RMBS Index



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

Additional analysis

Bridge loans

55.4% of the pool are bridge loans. One of the main products offered by UCI is the “Hipoteca Cambio de Casa”. There are aimed to finance the purchase of a new residential property before the borrower has completed the sale of the current residential property. Most of these bridge loans have been secured by two properties since origination (average seasoning 8.3 years). However, we do not have information on the occupancy type (second home, buy-to-let, etc…) in one of the two properties and Moody's has assumed that one of the properties is not owner-occupied and apply the penalty accordingly. Some of the bridge loans (around 6.0% of the pool) have released one of the properties backing the loans.

As the exposure to bridge loans is very relevant, we have considered in our analysis that the recourse to each property is limited to a certain percentage (the legal responsibility of each loan). In mitigation, UCI policies fix this legal responsibility at 192%, so that it does not only cover principal of the loan, but also ordinary interest, arrears interest, foreclosure costs, etc. UCI has also confirmed that their policy is to split the legal responsibility between the properties proportionally to the value of each of the properties.

Limitation of instalments

As of the cutoff date, approximately 47.0% of the loans had the option to apply for a limit to the increase of the instalments for a period of time expiring before maturity. The instalments increase is limited to 200% of the CPI or 100% of the CPI, based on indexation resetting 6 – 12 months.

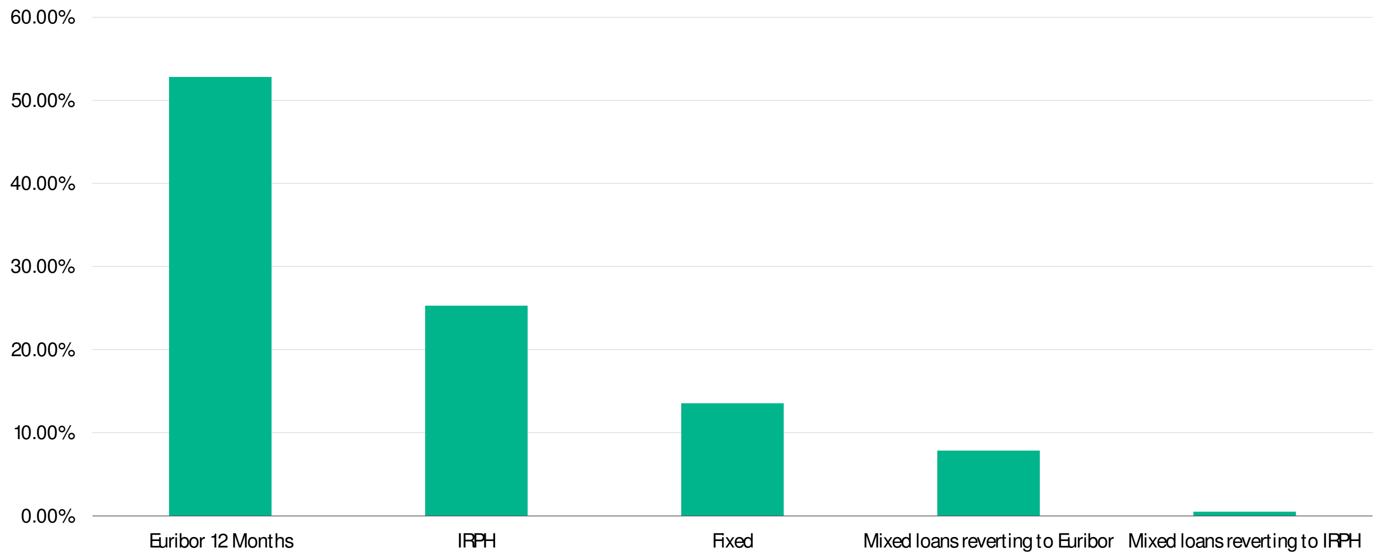
According to the historical information we have been provided with, the request to limit the instalments is extremely rare and the impact of the instalments on the cash flows is low. However, we have consider this in our analysis by applying a penalty to these loans.

Risk of interest rate declines

There is the risk of spread compression over time due to higher yielding loans prepaying, which would lead to the average margin on the loans decreasing over time in the absence of a swap. The current weighted-average interest rate as of closing is around 1.71% (over the relevant base rate), with the notes paying a weighted-average coupon of 0.42% (over three-month Euribor) and actual senior fees of 0.05% plus € 6,000 per quarter. The excess spread will be affected by the interest rate risk in the transaction, as well as the effect of prepayments, renegotiations, grace periods and natural amortisation. Negative spread resulting from all these factors has been taken into account in our analysis and no value is given to the excess spread in the deal.

Exhibit 14 gives the distribution of interest rate on the loans at close.

Exhibit 14
Distribution of interest rate at close



Source: UCI provided the MILAN file, through the arrangers, file computations by Moody

Data quantity and content

Moody's has received information on the performance of the book of mortgage loans originated by UCI. In Moody's view, the quantity and quality of data received is in line with transactions which have achieved high investment grade ratings in this sector.

Originator quality

Mortgage loans have been originated by Union de Creditos Inmobiliarios, S.A., EFC (UCI) (Not Rated). UCI is one of the top ranking Spanish specialised mortgage lenders with more than 25 years of experience originating mortgage loans. UCI was established in 1989 and is jointly owned by Banco Santander and BNP Paribas. Loans are mainly marketed through a network of real estate agencies, brokers, developers and internet. Mortgage servicing and risk decision-making is centralised in Madrid. Standard income verification procedures are in place. UCI´s clients can work with all the appraisers authorised and approved by Bank of Spain. However when they delegate this decision, the three companies with which UCI collaborates are Valtecnic, Tinsa and JLL. The risk analysts have delegated decision-making powers based on their experience, years of seniority in the post and the amount of the Mortgage Loan. Risk deparment check the risk records held by ASNEF, CIRBE and VEDACON are also consulted.

Servicer quality

The servicing will be undertaken by UCI on behalf of the fund. Moody´s has reviewed UCI's procedures and practices and found UCI acceptable in the role of servicer. Prevention department is the first stage of the Recovery Division and deals with customers not in default who are experiencing financial difficulties. This department adopts appropriate measures to prevent customers from defaulting and aggravating their financial situation with UCI. Between the second and eighth day of each month, the majority of missed payments are assigned to a team to notify the customer, which leads to an early recovery process. The tools used in assisting customers to pay are applied based on the individualised study of their economic/personal situation at all times and are as follows: restructuring, payment in kind, remortgage, novation and sales mandate.

Set-off

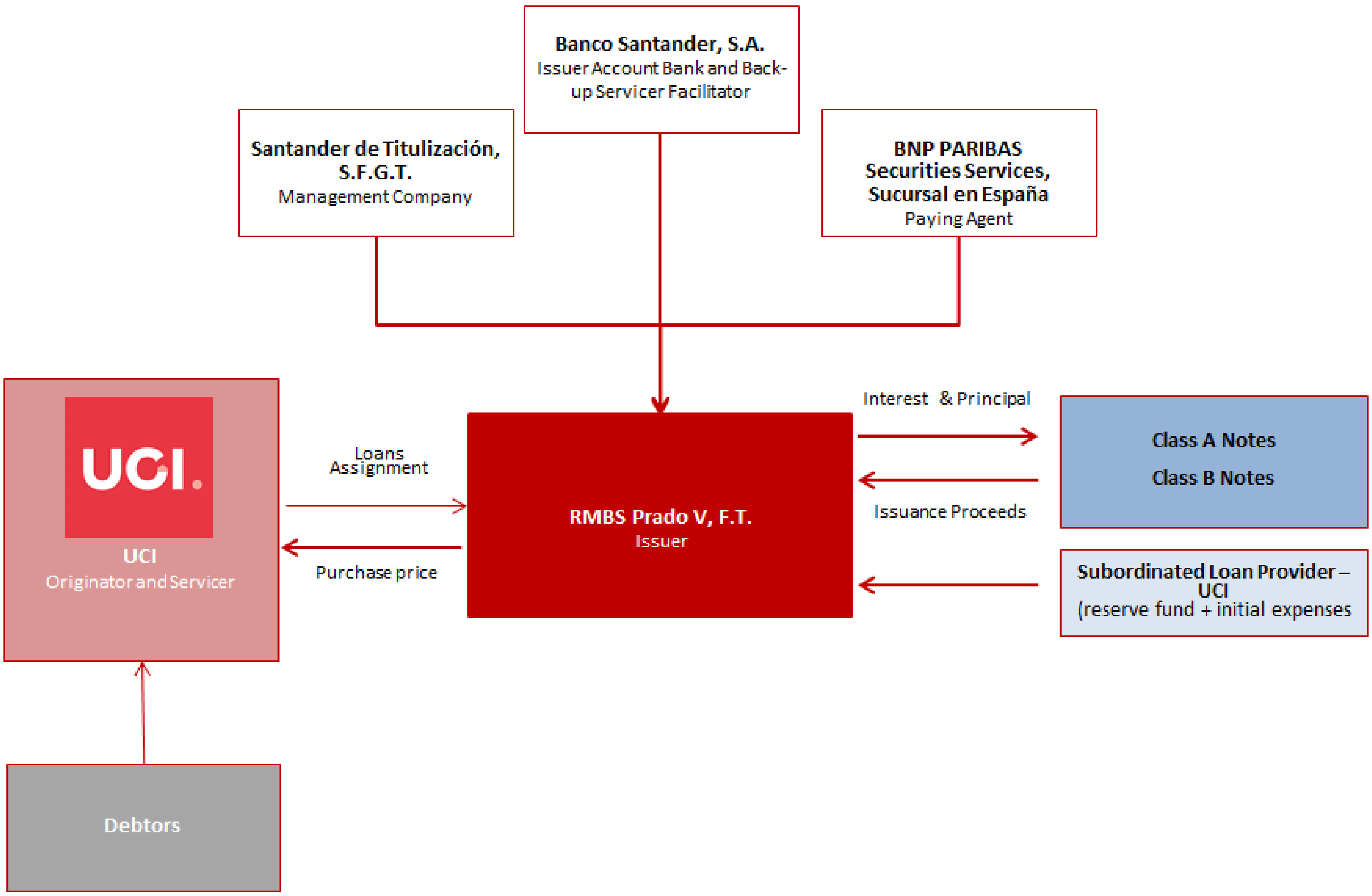
Set-off risk is very limited in Spain, as only unpaid installments that are considered as fully due and payable prior to the declaration of insolvency can be offset against the deposits held by the originator. Furthermore, UCI is not a deposit taking entity. Accordingly, set-off, as such, has not been modelled.

Securitization structure description

UCI is the originator of the mortgage loans. The servicing will be undertaken also by UCI. The Issuer will be a Spanish securitisation fund expected to be incorporated on November 2017 under the Spanish law.

Structural diagram

Exhibit 15



Source: Offering Circular

Detailed description of the transaction

Credit enhancement

Structurally, the transaction consists of one rated senior tranche and one unrated subordinated tranche: class A tranche for an amount equal to € 339.0 million, unrated class B tranche for an amount equal to € 76.0 million and an amortising reserve fund of 2.5% of the pool at closing (equal to € 10.4 million). The transaction is not protected from interest rate risk.

Flow of funds

Allocation of payments/pre-accelerated revenue waterfall:

On each quarterly payment date, the issuer's available funds (i.e. interest and principal amounts received from the portfolio, the reserve fund, and interest earned on the issuer's accounts, etc...) will be applied in the following simplified order of priority according to the target amortisation amount, except when any of the turbo amortisation events below occur:

1. Senior expenses (ordinary and extraordinary expenses);
2. Interest on Class A;

3. Reserve Replenishment;
4. Principal on Class A, by target amortisation amount;
5. Interest on Class B;
6. Principal on Class B, only after Class A being fully repaid;
7. Subordinated loan interest and principal payments;
8. Servicer fees; and
9. Payment to the Seller for the financial intermediation.

Amortisation of class A will switch to turbo (all available funds after payment of 1 to 4 above will be applied to amortisation of class A) if any of the below turbo amortisation events occur:

» any IPD in which the cumulative default ratio is equal to or higher than the following percentages:
  - In the first year after closing: 1%;
  - In the second year after closing: 2%;
  - In the third year after closing: 3%;
  - In the fourth year after closing: 4%;
  - In the fifth year after closing: 5%;

» any IPD after the step-up date.

Allocation of payments/PDL-like 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 rated notes' outstanding principal and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for 12 months or more, or one written off by the management company at their discretion.

Reserve fund

At close: 2.5% of the pool at closing, equal to €10.4 million. The reserve fund will be fully funded with a subordinated loan granted by UCI.

The Reserve Fund Required Amount will be, on each payment date, the lower of:

(A) the Initial Reserve Fund, and

(B) the higher of (i) 2.5% of the pool balance at the previous payment date and (ii) 1.0% of the pool balance on the closing date.

The Reserve Fund will be established as a credit enhancement mechanism for the purpose of providing liquidity to cover senior fees and interest on the Class A Notes for as long as these remain outstanding. Accordingly, on the payment date on which the Class A Notes are redeemed in full, the Reserve Fund Required Amount will be equal to zero.

Liquidity

Through the "Principal to pay interest" mechanism, principal is always available to pay interest on the rated notes. The reserve fund is a further source of liquidity. Given its senior position in the revenue waterfall, it is replenished just after interest payment on the Class A notes. Reserve fund will be available to pay principal of the Class A notes at the legal final maturity.

Asset transfer

True Sale: According to the Spanish law legal opinion received, the securitisation of assets will be carried out in compliance with the Spanish Securitisation Law.

Bankruptcy Remoteness: Under the Spanish securitisation law, a Spanish special-purpose vehicle (SPV) (Fondo de Titulización) is not subject to the Spanish insolvency law. It is only the management company, acting in the best interest of the noteholders, which can decide to liquidate the SPV.

Cash manager

Santander de Titulización, S.G.F.T., S.A is an unrated Spanish management company duly authorised to manage securitisations funds.

Its main responsibilities are:

» Complying with its formal, documentary and reporting duties to the Spanish stock market regulator (Comisión Nacional del Mercado de Valores or CNMV), the rating agencies and any other supervisory body.

» Complying with the calculation duties (including calculation of available funds, withholding obligations) provided for, and taking the actions laid down in the deed of incorporation of the issuer and the offering circular.

» Calculating and determining on each determination date the principal to be amortised and repaid on each of the tranches on the relevant payment date.

» Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions.

» The management company may extend or amend the agreements entered into on behalf of the issuer, and substitute, as the case may be, each of the issuer service providers on the terms provided for in each agreement.

Securitization structure analysis

Our ratings are based upon the quality of the asset pool, the levels of credit enhancement and liquidity furnished by the subordinated tranche and the reserve fund, and also the structural and legal integrity of the transaction. The ratings address the expected loss posed to investors by the legal final maturity. In our opinion, the structure allows for timely payment of interest and ultimate payment of principal with respect to Class A by the legal final maturity date. Our ratings address only the credit risks associated with the transaction.

Primary structural analysis

Moody's considers the probability of default under the notes as well as the estimated severity of loss when assigning a rating.

Tranching of the notes

Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the weighted-average lives for the notes are calculated as weighted averages based on the probabilities of the respective scenarios. The expected loss on each tranche together with the notes' weighted-average life determines the rating, which is consistent with our target losses for each rating category.

Spread compression

In our cash flow modeling, Moody's took into account the decline in the average coupon on the pool over time, described in "Asset Analysis - Additional Analysis - Risk of Interest Rate Declines" above.

Reserve fund

Moody's considers that the reserve fund amortisation mechanisms are in line with other comparable Spanish RMBS transactions. There are no performance triggers to stop the amortisation of the reserve fund. The reserve fund will be fully funded with a subordinated loan granted by UCI. The reserve fund will be available for shortfalls in Class A notes interest during the life of the transaction and for shortfalls in Class A notes principal at the legal final maturity of the deal.

Assumptions and definitions

Moody's uses the following main assumptions and definitions in our cash flow modeling:

» Assumptions:

- Stressed Fees are 0.30% p.a. + €100,000 fixed fees compared to actual Fees of €6,000 per quarter servicing fees and 0.05% cash management fees.
- Any interest on cash in GIC account is not available.
- Liabilities reset date: Step up date is March 2023.

» Definitions:

- A 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 rated notes' outstanding principal and the performing assets.
- Default Definition: any amount due but unpaid for 12 months or more.

Comparables

Exhibit 16 shows the main structural features of the current transaction compared with UCI and other peer transactions.

Exhibit 16
Benchmark Table for Structural Features

Deal name	Prado V	Prado I	SRF 2017-1	SRF 2016-1	FTA RMBS Santander 2	FTA RMBS Santander 1
Notes Payment Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Total Aaa size	81.7%	76.0%	62.0%	69.0%	84% (77% post restructuring)	74% (70% post restructuring)
RF at Closing*	2.5%	3.0%	2.5% (of Class A notes)	6.0%	15% (5% post restructuring)	15.0% (5% post restructuring)
RF Fully Funded at Closing?*	Yes	Yes	Yes	Yes	Yes	Yes
RF Floor*	1.0%	1.0%	1.75% (of Class A notes)	4.0%	7.5% (2.5% post restructuring)	7.5% (2.5% post restructuring)
Hedge in place?	N/A	Yes	N/A	N/A	N/A	N/A
Swap rate or guaranteed XS (if applicable)	N/A	No	N/A	N/A	N/A	N/A
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes

*Of original note balance.
Source: Moody's Investors Service

Additional structural analysis

Interest rate mismatch

78.1% of the portfolio has a floating interest rate (in particular 52.8% linked to 12-month Euribor and 25.3% linked to IRPH, most of them resetting semiannually. Additionally, 13.6% of the pool has a fixed interest rate and the remaining 8.35% are fixed interest rate loans which will revert to floating on the next reset date (7.85% to 12-month Euribor and 0.50% to IRPH). However, the notes are linked to three-month Euribor and reset every quarter on the determination dates. This leads to an interest rate mismatch in the transaction and no interest rate swap is in place to cover the interest rate risk. This risk has been taken into account when assessing the subordination levels and only partial value was given to the available spread.

For the floating rate loans, in the case of a mismatch between 12-month Euribor and 3-month Euribor, the adjustment to the gross margin on the 12-month Euribor-linked loans has been 50 bps. For the IRPH linked loans, as this index rate has been historically well above the 12-month Euribor, we have given some value to this in our analysis. Finally, in terms of the fixed interest rate loans, we have followed a stressed Euribor approach.

Commingling risk

All of the payments under the loans in this pool are collected by the servicer under a direct debit scheme and transferred to the issuer account opened at Banco Santander (A3/P-2 deposit rating).

Even if exposure is limited, as transfers are made daily, given that the servicer UCI is not rated we have modelled 1 month of commingling, considering a 45% recovery rate.

Mitigating servicing disruptions

UCI, not rated by Moody´s, is acting as servicer and there is no back-up servicer appointed at closing. However, the management company will act as back-up servicer facilitator and independent cash manager.

In addition, the transaction benefits from around 5 quarters of liquidity (with a 0.3% Euribor assumption) as provided by the Reserve Fund.

Methodology and monitoring

Overview

The principal methodology used in this rating was Moody's Approach to Rating RMBS Using the MILAN Framework, published in September 2017.

Moody's 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.

Servicing disruption: UCI (NR) is the servicer and there are no back-up servicing agreements.

However, due the fact that Santander de Titulización, S.G.F.T., S..A. is the back-up servicer facilitator and independent cash manager, this is compliant with Moody's recently published guidelines on operational risk.

Significant influences: In addition to the counterparty issues noted, further deterioration in the housing market beyond that modelled may have an impact on the subject transaction's ratings.

Factors which could lead to a downgrade

» Significant deterioration in creditworthiness of servicer.

» Significant deterioration in the Spanish economy and real estate market.

» Unforeseen legal or regulatory changes

» A change in Spain's sovereign risk may also result in subsequent rating actions on the notes.

Factors which could lead to an upgrade

» Significantly better-than-expected performance of the pool, combined with an increase in the notes' credit enhancement.

» A change in Spain's sovereign risk may also result in subsequent rating actions on the notes.

Monitoring triggers

For Issuer Account Bank Triggers:[2]

» Loss of Baa3 (deposit rating). Remedy is to replace/find a guarantor.

Eligible investments:[3]

» A2/P-1 (SUR)

Monitoring report

Data quality:

» Investor report format is expected to be the same as for preceding transactions where Santander de Titulización, S.G.F.T., S.A. is the management company and should contain all necessary information for Moody's to monitor the transaction.

» It is expected that loan substitution/repurchases will be reported in the investor reports.

Data availability:

» Report provided by Santander de Titulización.

» The timeline for investor reports is provided in the transaction documentation. The priority of payments section is published in the investor report.

» The completed report is published shortly after each payment date.

» The frequency of the publication of the investor report is quarterly, while the IPD is quarterly. Portfolio information is provided monthly.

The analysis that Moody's undertook at the initial assignment of a rating for an RMBS security may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see *Moody's Approach to Rating RMBS Using the MILAN Framework* for further information on our analysis at the initial rating assignment and the on-going surveillance in RMBS.

Parameter sensitivities

Parameter sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody's-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary.

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed 12 loss distributions derived from the combinations of MILAN CE: 18.0% (base case), 21.6% (base x 1.2), 25.2% (base x 1.4) and 28.8% (base x 1.6) and expected loss: 5.0% (base case), 6.25% (base x 1.25), 7.5% (base x 1.5) and 8.75% (base x 1.75). The 5.0% / 18.0% scenario would represent the base case assumptions used in the initial rating process.

Exhibit 17 below shows the parameter sensitivities for this transaction with respect to the Moody's rated tranche.

Exhibit 17

Class A

		MILAN CE Output			
		18.00%	21.60%	25.20%	28.80%
Median Expected Loss	5.00%	Aa2*	Aa3(1)	A1(2)	A1(2)
	6.25%	Aa2(0)	Aa3(1)	A1(2)	A2(3)
	7.50%	Aa2(0)	A1(2)	A1(2)	A2(3)
	8.75%	Aa3(1)	A1(2)	A2(3)	A3(4)

Notes: Results under base case assumptions indicated by asterisk '*'. Change in model-output (# of notches) is noted in parentheses.
Source: Moody's Investors Service

Moody's related publications

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Methodologies used:

» Moody's Approach to Rating RMBS Using the MILAN Framework, September 2017 (1073832)

» Moody's Approach to Assessing Counterparty Risk in Structured Finance, July 2017 (1038135)

New issue reports:

» FTA RMBS Prado I, June 2015 (SF409048)

Sector comments:

» Catalan independence, while unlikely, would have broadly negative credit impact, October 2017 (1094753)

» Housing Market Improvement Benefits Banks' Asset Quality and Structured Deal Performance, May 2017 (1070916)

» Mortgage Moratorium Extension in Spain Is Credit Negative for RMBS, March 2017 (SF449603)

» Slower, but Solid Economic Growth to Underpin Robust Spanish Securitisation and Covered Bond Performance in 2017, February 2017 (1053774)

» Recovery Rates Remain Within our Assumptions, Amid Weakened Repossessed Property Prices, February 2017 (1052711)

» Rulings on Spanish Mortgage Interest Floors Will Likely Have a Limited Negative Effect on RMBS Transactions, January 2017 (SF447048)

Index:

» Spanish Prime RMBS Indices - April 2017, July 2017 (SF455136)

To access any of these reports, click on the entry 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.

Appendix 1: Summary of originator and servicer reviews

Exhibit 18

Originator Review	Main Strengths and Challenges
Sales & Marketing Practices	1% Brokers, 25% Internet, 70% Real Estate Agents, 4% Other.
	For its MILAN framework Moody's has considered that all the loans were originated through third party originators.
Underwriting Policies & Procedures	Intermediaries are not and have never been responsible for customer identification checks, nor for entering data
	Intermediaries are monitored every time there is a relevant increase in their non performing portfolio, every time UCI signs n a new commercial agreement or every time they decide a new file using the "Calidad APA" document
	UCI holds information of intermediaries' performance history
	Fee structure for brokers/intermediaries sales channel: Fixed salary plus variable depending on performance
	Sales and underwriting functions are independent. There is control and continuous supervision of all workflow process by UCI's Risk Management team. However, in the past (2005-2008) some of the sales managers had a limited power in order to accept certain types of files.
Property Valuation Policies & Procedures	UCI uses an independent valuation company. They do not have internal valuers.
	If the purchase price of the property is lower than the valuation, UCI will take the lower of the two.
	UCI valuation reports includes at least 6 comparable properties
Closing Policies & Procedures	Before the funds are release the seller must meet the borrower in order to give him official information included in different laws and check and review the whole file.
	The underwriting department is also in charge of the funds control. At the end the notary plus UCI legal representative will check everything once again. That might be considered a weakness when compared with other market participants.
Credit Risk Management	UCI has a Risk Team comprised of by 46 professionals with an average experience of more than 15 years
Originator Stability	
Quality Control & Audit	UCI has standard internal controls. However this compares less favorably to the internal controls and the regulations that the banks in Spain are subject to.
	The pool to be securitised has been assessed via an AUP.
Management Strength & Staff Quality	Banco Santander performs an external complete audit to UCI
	UCI has a management with more than 15 years of experience.
Technology	UCI main software has been developed internally. Most of the critical processes are automated.
	Yearly annual disaster recovery plan test.

Exhibit 19

Servicer Review	Main Strengths and Challenges
Loan Administration	Centralised at head office
Early Arrears Management	The recovery of the early stage arrears is centralised at the head office.
	Up to 30 days in arrears the transaction UCI contact the delinquent borrower by email, letter, sms, and call. Until the monthly payment has been confirmed by the bank.
	From day 30 onwards, face to face contacts are included in the recovery strategy.
Loss Mitigation and Asset Management	If after 210 days the incident has not been solved (either repayment or renegotiation), UCI pass the file to the litigation department. Prior to the decision of passing the file to the litigation department UCI will try to reach an arrangement with the client.
	If a renegotiation arrangement is put in place this typically includes switching fixed rate mortgage and not capitalising missed payments.
Servicer Stability	
Management Strength & Staff Quality	Banco Santander performs an external complete audit of UCI on a yearly basis
	UCI has a management with more than 15 years of experience.
IT & Reporting	Regular testing, back-up and upgrade of the IT system
Quality control & Audit	There are 27 Agents + 3 Interview staff in the quality team. Additionally, the Internal Audit Direction is comprised by 8 Auditors (1 IT) and 1 Director
	There is a yearly audit for the servicer process.

Endnotes

1 The above mentioned historical information was analysed as described in *Historical Default Data Analysis for ABS Transactions in EMEA*, republished 20 December 2012.

2 See Moody's Approach to Assessing Counterparty Risk in Structured Finance, 26 July 2017.

3 See Moody's Approach to Assessing Counterparty Risk in Structured Finance, 26 July 2017.

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454