

New Issue: Fondo de Titulizacion de Activos Santander Hipotecario 6

€1,050. 0 Million Mortgage-Backed Floating-Rate Notes And An Overissuance Of €210. 0 Million Floating-Rate Notes

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Ratings Detail

Class	Rating*	Amount (mil. €)	Available credit support† (%)	Interest	Step-up margin	Optional call date	Legal final maturity
A	AAA	871.5	37	Three-month EURIBOR plus 45 bps	N/A	N/A	Feb. 20, 2053
B	AA	63.0	31	Three-month EURIBOR plus 60 bps	N/A	N/A	Feb. 20, 2053
C	A	52.5	26	Three-month EURIBOR plus 80 bps	N/A	N/A	Feb. 20, 2053
D	BBB	42.0	22	Three-month EURIBOR plus 175 bps	N/A	N/A	Feb. 20, 2053
E	BB	21.0	20	Three-month EURIBOR plus 250 bps	N/A	N/A	Feb. 20, 2053
F	CCC-	210.0	N/A	Three-month EURIBOR plus 65 bps	N/A	N/A	Feb. 20, 2053

*Standard & Poor's ratings address timely interest and principal. †This credit support uses current figures. The credit support at closing is equal to 37% for the class A notes. NR—Not rated. N/A—Not applicable. EURIBOR—European interbank offered rate.

Transaction Participants

Originator	Banco Santander S.A.
Arranger	Santander de Titulización S.G.F.T., S.A.
Seller	Banco Santander S.A.
Mortgage administrator/servicer	Banco Santander S.A.
Special servicer and cash/bond administrator	N/A
Security trustee	Santander de Titulización S.G.F.T., S.A.
Interest swap counterparty	Banco Santander S.A.
GIC provider	Banco Santander S.A.
Transaction account provider	Banco Santander S.A.
Administrator	Banco Santander S.A.

GIC—Guaranteed investment contract. N/A—Not applicable.

Supporting Ratings

Institution/role	Ratings
Banco Santander S.A. as transaction account provider and swap provider	AA/Negative/A-1+

Transaction Key Features

Closing date	May 20, 2010
Collateral	First-lien mortgage loans backed by residential properties

Transaction Key Features (cont.)	
Principal outstanding of the provisional pool (mil. £ equivalent)	1,260.0
Principal outstanding (€)	1,260.0
Prefunding amount (€)	N/A
Prefunding period (months)	N/A
Country of origination	Spain
Concentration	Madrid 21%; Andalucía 17.22%; Catalonia 17.7%; and Canary Islands 7.11%
Property occupancy	2.24% second home
Weighted-average LTV ratio (%)	92.56
Average loan size balance (€)	185,145.21
Loan size range (€)	10,058.11–1, 674,701.72
Weighted-average seasoning (months)	28.3
Weighted-average asset life remaining (years)	30.14
Weighted-average mortgage interest rate (%)	2.50
Weighted-average margin at closing (%)	0.77
Weighted-average margin throughout transaction (%)	The swap guarantees the WAC plus 0.85% plus servicer fees
Arrears	At closing, there are no loans in arrears for more than 30 days
Redemption profile	100% of the loans are amortizing
Excess spread at closing (%)	0.85 guaranteed by the swap
Cash reserve	20%
Liquidity facility size	N/A
Substitution period	N/A
Mortgage priority	100% of the pool is first-lien
Maximum LTV ratio (%)	120
Principal deficiency ledger	N/A
Provision for further issuance	N/A
Number of jumbo loans (< €400,000)	243

LTV—Loan-to-value. N/A—Not applicable. WAC—Weighted-average coupon.

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to Fondo de Titulización de Activos Santander Hipotecario 6's €1,050 million mortgage-backed floating-rate notes. To fully fund the reserve fund, Santander Hipotecario 6 also issued an overissuance of €210 million floating-rate notes (the class F notes).

Santander Hipotecario 6 purchased mortgage transmission certificates from the participation issuer, Banco Santander S.A. (Santander; AA/Negative/A-1+) and issued six classes of floating-rate notes.

The class A to E notes are backed by a pool of first-ranking mortgages secured over residential properties in Spain and originated by Santander. The class F notes fund the reserve fund and will be repaid with excess spread.

The originator, Santander, is the largest banking group in Spain and among the 15 largest in Europe. It is also an experienced originator.

Notable Features

This is the 27th securitization originated by the Santander group over its residential mortgage portfolio.

As in the previous recent transactions, Santander Hipotecario 6 purchases high loan-to-value (LTV) ratio loans, 92.56% of which have LTV ratios above 80%. Santander reserves loans with LTV ratios lower than 80% for collateral of "cédulas hipotecarias" (Spanish covered bonds), and for securitization it uses collateral that is ineligible under the cédulas legal framework.

The swap agreement provides credit enhancement to the transaction by providing additional excess spread and adjusted notional.

The transaction indiscriminately uses the proceeds from the principal and interest on the loans to pay interest and principal on the notes. However, to protect the most senior notes, the priority of payments features a trigger based on the amount of loans that are more than 18 months past due. Under certain stress scenarios, this protects the most senior tranches.

The transaction also features an artificial write-off mechanism, whereby the outstanding balance of loans more than 18 months past due is added to the amortization amount of the notes, and therefore the notes pay at a faster pace. The notes pay sequentially unless the pro rata triggers are hit.

Strengths, Concerns, And Mitigating Factors

Strengths

- In our opinion, there is adequate credit enhancement for the target ratings. The cash reserve, which is fully funded at closing by the issuance proceeds of a subordinated loan, and the excess spread, are both available to cover any interest or principal shortfalls.
- Loans with arrears more than 18 months past due will amortize through the trapping of excess spread. This will accelerate the amortization of the notes.
- The swap structure provides support to the rated notes. We have given credit for this in our cash flow analysis (see "Interest swap agreement").
- This is Santander's 27th residential mortgage-backed securities (RMBS) transaction.

Concerns and mitigating factors

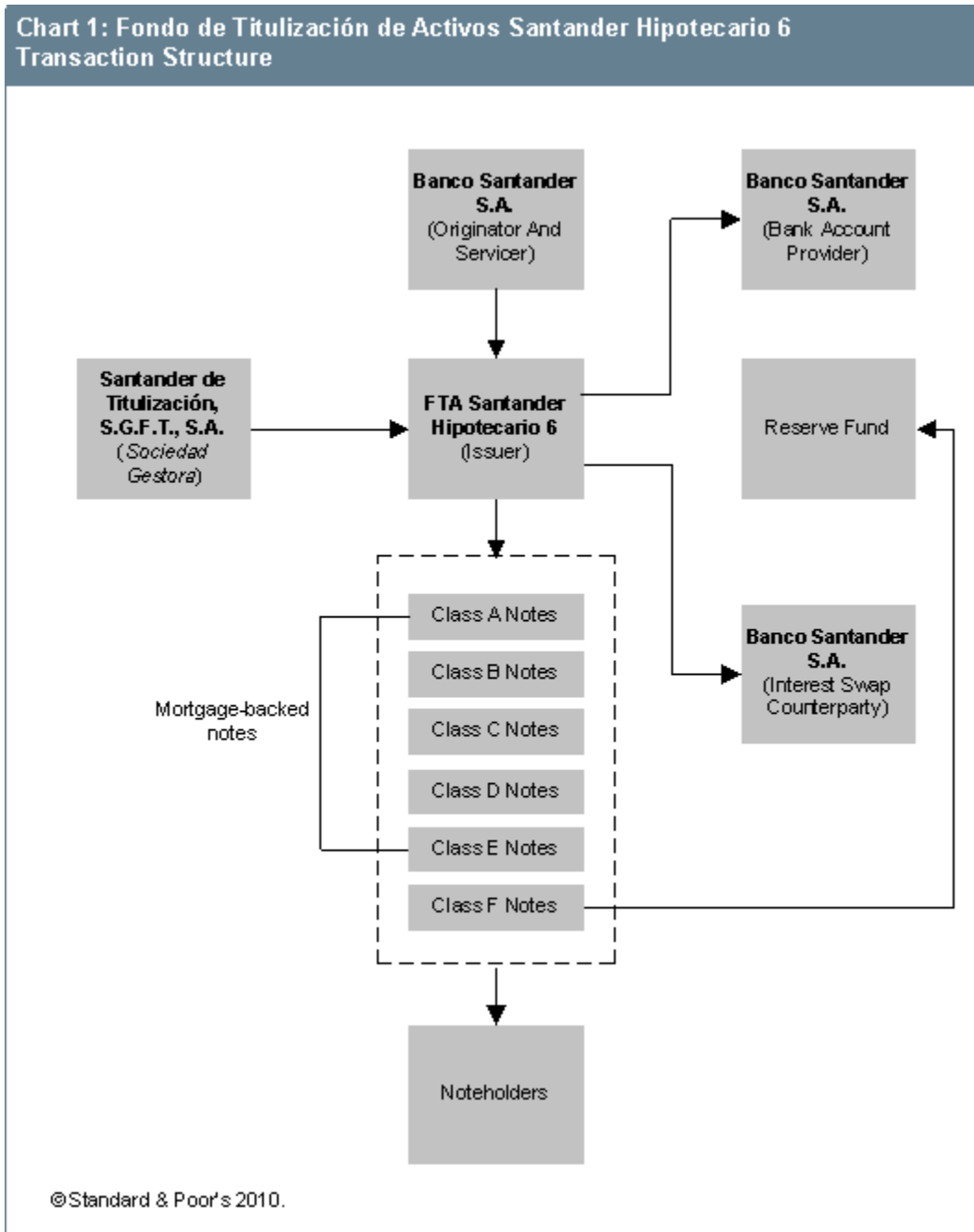
- The current weighted-average LTV ratio of the collateral is 92.56%, which is among the highest we have seen in Spanish RMBS transactions. Of the securitized loans, 22.12% have a current LTV ratio above 100%, so the borrowers for these loans have negative equity. We have considered this in our credit analysis, as the LTV ratio is a key factor in calculating the foreclosure frequency. For loans with LTV ratios higher than 100%, we apply the maximum penalty multiplier.
- Of the pool, 8.59% of the loans have been granted to non-Spanish residents. We consider this group of borrowers to have a higher probability of default and have taken this into consideration in our credit analysis.
- Of the pool, 12.04% of the loans have been granted by APIs (Agente de la Propiedad Inmobiliaria). We consider this group of borrowers to have a higher probability of default and have taken this into consideration in our credit analysis.
- Of the loans in the pool, 2.25% were granted to purchase a second home. Although this represents a small

percentage, we have considered this in our credit analysis.

- Although the pool is fairly diversified among the different Spanish regions, there is concentration in some of them: Madrid (21%), Andalucía (17.22%), Catalonia (17.7%), and the Canary Islands (7.11%) are the most representative. We took into account any regional concentrations in our analysis of the portfolio.
- In the pool, 5.59% of the loans represent loans granted to Banco Santander employees. We took this into consideration in our credit analysis by increasing the weighted-average foreclosure frequency (WAFF) and the weighted-average loss severity (WALS) for these loans.
- Of the pool, 12.21% of the loans have a balance over €400,000 (jumbo loans). Our credit analysis penalizes this type of loan with higher levels of WAFF, as we consider that large loan borrowers are more sensitive to changes in their financial situation.
- Of the pool, 15.25% of the borrowers have an average period of one and a half years that pays interest only. We consider that once that this period is over, these borrowers can find it difficult to afford the new installments. We have considered this in our analysis.

Transaction Structure

At closing, Santander issued mortgage certificates ("certificados de transmisión hipotecaria"; CTHs), which the trustee, Santander de Titulización, purchased on the issuer's behalf (see chart 1).



Each transmission certificate represents the securitized mortgage loan in equal amount and rate. The mortgage participations entitle Santander Hipotecario 6 to any right and proceeds due under the mortgage loans.

The total outstanding amount of the mortgage loans purchased is €1.260 billion.

To fund the purchase of collateral, Santander Hipotecario 6 issued five classes of collateralized floating-rate, quarterly-paying notes.

Santander services the collateral and collects the amounts due under the mortgage loans. The monthly payments into

the servicer's account mainly occur in the first days of each month. The servicer transfers those payments daily to the issuer's transaction account. The amounts held receive a guaranteed interest rate equal to three-month European interbank offered rate (EURIBOR).

The issuer enters into an interest swap agreement with Santander to counteract any basis risk due to the various indices of the pool and the reference interest rate on the notes. The swap agreement pays the coupon on the notes plus an additional spread of 85 basis points (bps), as well as the servicer fee (on servicer substitution) (see "Interest Swap Agreement").

On each quarterly interest payment date (IPD), the issuer pays in arrears the interest due to the noteholders. As available funds for these payments, the issuer can use the proceeds of the interest swap, interest earned on the guaranteed investment contract, the reserve fund, and, if necessary, principal received under the mortgage loans and any other proceeds received in connection with the mortgage loans.

In this structure, the issuer can mix all interest and principal received to pay principal and interest due under the notes. As a result, a trigger is implemented so that in a stressful economic environment the senior notes will amortize before the payment of the interest on the class B, C, D, and E notes (see "Priority Of Payments").

Banco Santander S.A.—Originator And Servicer

The ratings on Santander are supported by the Spanish bank's clear strategic focus and strong management capabilities. Santander has achieved a well-diversified geographic and business profile, with leading positions in most segments of Spanish banking and strong market shares in the main Latin American financial systems. The bank is successfully pursuing profitable growth in commercial banking in Portugal and in consumer finance in various European countries. Through Abbey National PLC (now renamed Santander; AA/Negative/A-1+), the group also has an important position in the U.K. savings and residential mortgage markets, and a large customer base for further product expansion.

Santander's credit risk management capabilities are strong, and we believe asset-quality indicators are healthy overall. Nonperforming loan ratios are quite low, and loan loss reserves are high as a result of compulsory regulatory provisions.

Accounting for about 11% of total credit exposure, Latin American subsidiaries raise the group's credit risk profile, in our view. Nevertheless, improving macroeconomic fundamentals across major Latin American economies, as well as Santander's good risk diversification and demonstrated ability to turn around and integrate acquired institutions, translate into healthy asset-quality indicators.

Santander's operating profitability is strong in all business units.

In our view, Santander tightly manages its capital. Although its long-term objective is to keep its core capital ratio (Tier 1 minus preferred stock) at least at 6%, in the past it has frequently accepted a temporary weakening of its capital position to take advantage of acquisition opportunities. Capital management is strengthened by the bank's demonstrated significant financial flexibility and substantial accumulation of general loan loss reserves.

The pool to be securitized

As of April 19, 2008, the pool comprised 5,977 amortizing mortgage loans secured on first-ranking mortgages over residential owner-occupied and second-home properties, in Spain.

Other characteristics of the mortgage credits

Other features of the mortgage pool include:

- Of the pool, 66.99% is concentrated in Madrid, Andalucía, Madrid, Catalonia, Valencia, and the Canary Islands (see chart 2).
- The pool was originated between 1996 and 2009. The weighted-average seasoning is 28.3 months, with 65.35% of the pool being originated more than 12 months ago (see chart 3).
- The weighted-average LTV ratio is 92.56%, with a minimum of 20% and a maximum of 120% (see chart 4).
- The pool comprises 0.26% fixed-rate and 99.74% floating-rate mortgage loans that are indexed to one-year EURIBOR, six-month EURIBOR, Madrid interbank offered rate (MIBOR) and Total Entidades Referencia Hipotecaria (TRH). Mortgages in the pool have a weighted-average margin over the floating rate of 76 bps. The weighted-average interest rate is 2.50%.

Chart 2

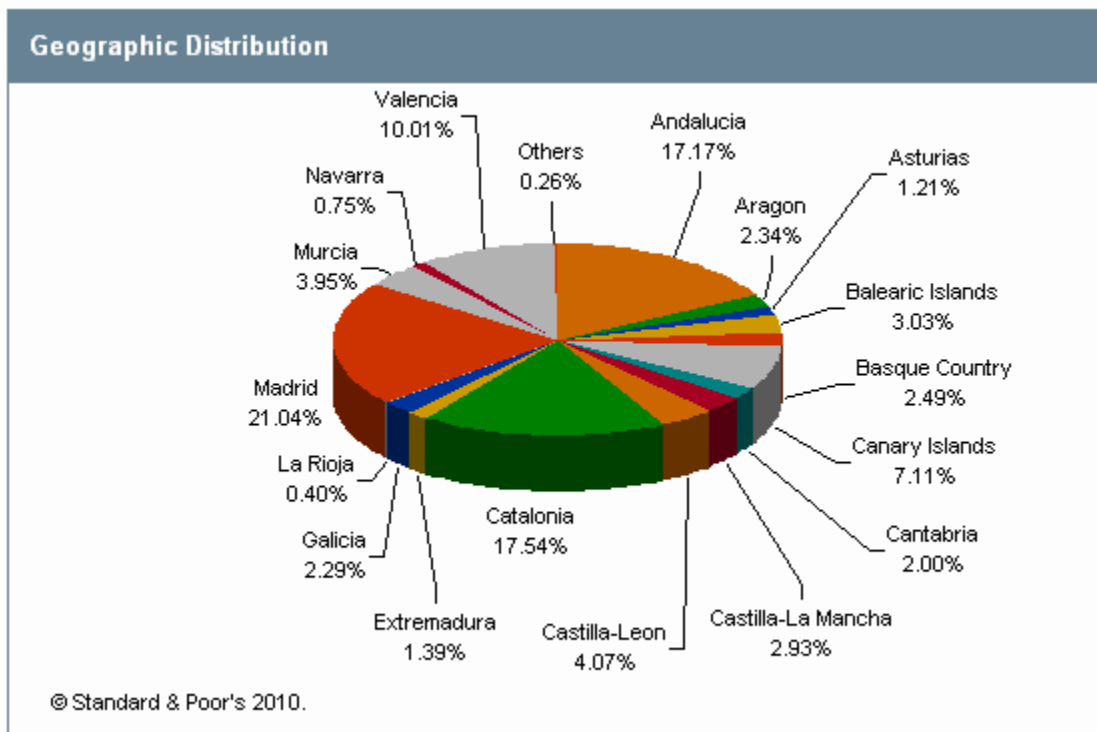


Chart 3

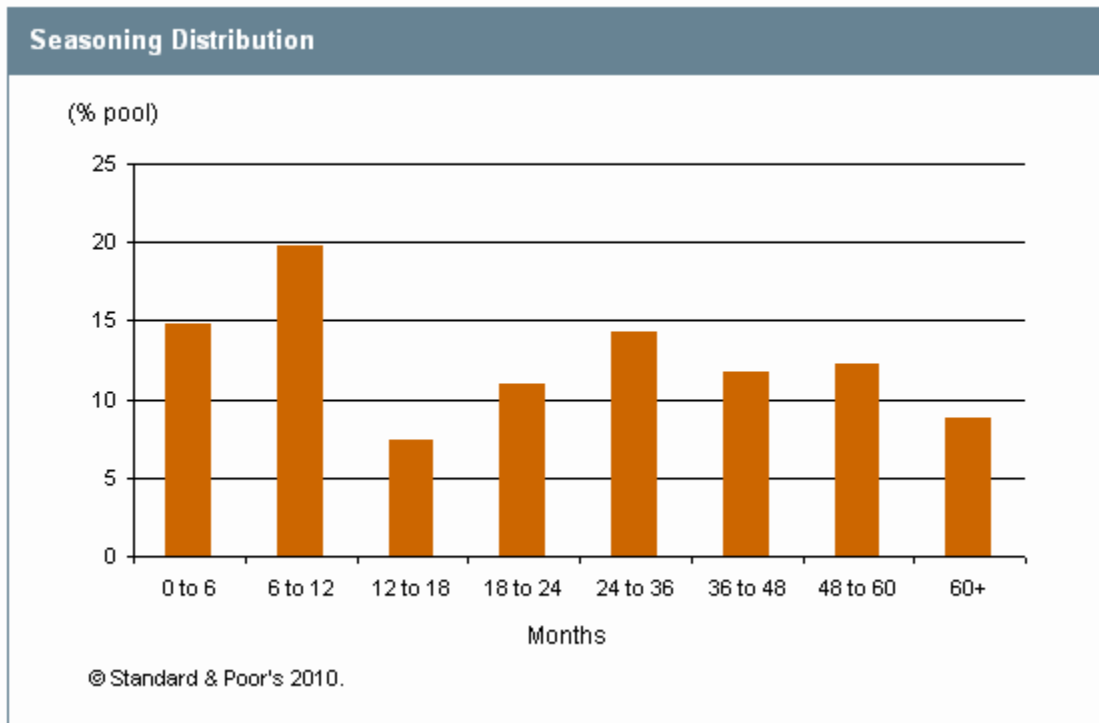
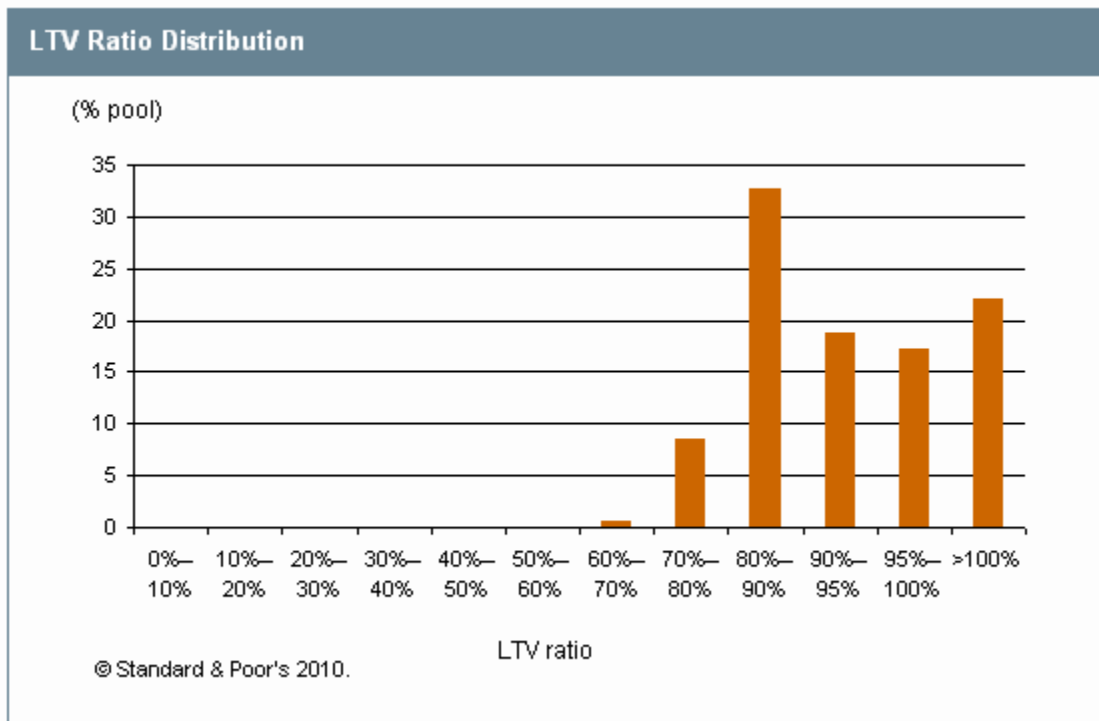


Chart 4



Credit Structure

Credit support for the notes comes from a combination of subordination, the reserve fund, and excess spread on the mortgages (see table 1).

Table 1

Credit Support For The Notes						
Class	Rating	Size of class (%)	Mil. € (equivalent)	Subordination (%)	Reserve fund (%)	Credit enhancement (%)
A	AAA	83	871.5	17	20	37
B	AA	6	63.0	11	20	31
C	A	5	52.5	6	20	26
D	BBB	4	42.0	2	20	22
E	BB	2	21.0	N/A	20	20
F	CCC-	20	210.0	N/A	N/A	N/A

N/A—Not applicable.

Cash collection arrangements and transaction account

All borrowers make payments into the seller's collection account. The servicer collects principal, interest, and any penalties or prepayments in this account. Payment settlements under the mortgage loans are paid via direct debit into a Santander account. The servicer transfers the collection amounts daily to the issuer's account.

According to Standard & Poor's "Revised Framework For Applying Counterparty And Supporting Party Criteria" (see "Related Criteria And Research"), if the bank account provider is downgraded below 'A-1' it has 60 days until it becomes an ineligible counterparty and it must:

- Find a replacement with a short-term rating of at least 'A-1'; or
- Find an adequate guarantor with a short-term rating of at least 'A-1'.

Under the transaction documents, any counterparty replacement or guarantee is subject to rating confirmation. The downgraded counterparty will bear all the costs of these remedies.

Reserve funds

The structure benefits from a cash reserve fund, which was fully funded at closing by the issuance of class F notes. The reserve fund is fixed for the first three years and on each payment date will pay the different items of the priority of payments described below.

Under the transaction documents, the reserve fund required on each IPD will be the minimum of:

- 20% of the initial balance of the notes (excluding the class F notes); or
- The higher of: (i) 40% of the outstanding principal balance of the notes (excluding the class F notes), and (ii) 10% of the initial balance of notes.

After the third anniversary of the closing date and on each subsequent IPD, the cash reserve account will amortize if the following conditions are met:

- The outstanding balance of the loans in the pool with any payment more than 90 days in arrears is higher than 1% of the outstanding balance of the nondoubtful loans in the pool (doubtful loans are considered in the

transaction documentation as loans in arrears for more than 90 days); or

- The reserve fund is below its required level.

Amortization of the notes

Unless redeemed earlier, the notes will redeem at their legal final maturity on Feb. 20, 2053, which is after the maturity of the longest-term mortgage loan in the pool.

On any payment date, the amount of principal due under the notes (the amortization amount) is calculated as the difference between the outstanding balance of the notes and the outstanding balance of the assets (excluding the loans that are more than 18 months past due).

Amortization will occur for the:

- Class A notes, from the first payment date until fully redeemed;
- Class B notes, once the class A notes are fully redeemed;
- Class C notes, once the class A and B notes are fully redeemed;
- Class D notes, once the class A, B, and C notes are fully redeemed; and
- Class E notes, once the class A, B, C, and D notes are fully redeemed.

Priority of payments—pre-enforcement interest payments

On each quarterly IPD, the issuer will pay in arrears the interest due to the noteholders. To make the payments, the issuer's available funds will include the interest swap proceeds, the reserve fund, and, if necessary, principal received under the loans, as well as any other proceeds received in connection with the loans.

The issuer can mix all interest and principal received to pay principal and interest due under the notes in the following order:

- Ordinary and extraordinary expenses of the fund;
- Net payments under the swap agreement (other than swap termination payments due to a default or breach of contract by the swap counterparty);
- Interest on the class A notes;
- Interest on the class B notes (if not deferred);
- Interest on the class C notes (if not deferred);
- Interest on the class D notes (if not deferred);
- Interest on the class E notes (if not deferred);
- Principal on the class A notes;
- Principal on the class B notes;
- Principal on the class C notes;
- Principal on the class D notes;
- Principal on the class E notes;
- Interest on the class B notes if deferred;
- Interest on the class C notes if deferred;
- Interest on the class D notes if deferred;
- Interest on the class E notes if deferred;
- Reserve fund replenishment;
- Interest on the class F (reserve fund);

- Principal on the class F (reserve fund);
- Swap termination payments due to a default or breach of contract by the swap counterparty;
- Interest on the start-up loan;
- Amortization of the start-up loan;
- Payment of the administration fee; and
- Payment of the extraordinary part of class F notes.

Interest deferral triggers

A trigger aims to ensure that in a stressful economic environment, the more senior notes amortize before interest on the subordinated classes of notes is paid, as follows:

- Interest on the class B notes will be deferred if the cumulative gross default rate (defined as loans in arrears for more than 12 months) as a percentage over the initial balance of the pool exceeds 38.40%;
- Interest on the class C notes will be deferred if the cumulative gross default rate as a percentage over the initial balance of the pool exceeds 31.59%;
- Interest on the class D notes will be deferred if the cumulative gross default rate as a percentage over the initial balance of the pool exceeds 25.27%; and
- Interest on the class E notes will be deferred if the cumulative gross default rate as a percentage over the initial balance of the pool exceeds 19.85%.

Hedging

Interest swap agreement

On Santander Hipotecario 6's behalf, the trustee entered into a swap agreement with Santander. This swap provides protection against adverse interest rate resetting and movements.

The issuer pays the swap counterparty the total of interest accrued on the performing loans, i.e., those under three months past due.

The issuer receives three-month EURIBOR, the weighted-average margin of the notes (excluding the class F notes), a spread of 85 bps over an adjustable notional, and the servicer fees in case of replacement.

The adjustable notional is equal to the maximum of:

- The performing balance of the assets; and
- The minimum of (i) the sum of collected interest during the period divided by the interest rate of the swap counterparty multiplied by 360 days; and (ii) the outstanding balance of the assets at the last payment period.

The adjustable notional adapts to the performance of the pool. If the pool is performing well, the notional is the performing balance of assets. As soon as delinquencies materialize, the notional described in (i) above will prevail. In this case, the counterparty would pay the issuer the exact amount of interest that the issuer has received during the current period.

Finally, if the notional described in (ii) above is the adjusted notional of the payment period, this means that interest risk has materialized. The net payment of the swap in this case would be positive for the issuer.

This type of swap not only provides a hedge for the interest rate risk, but also provides credit support to the

transaction, given that it covers the substitute servicing fee, the weighted-average coupon on the notes, and also guarantees a spread of 65 bps in the transaction. The transaction documentation provides that if the swap provider is downgraded below 'A-1', it would become an ineligible counterparty and within 10 working days must collateralize 125% of the contract's mark-to-market to comply with our requirements (see "Revised Framework For Applying Counterparty And Supporting Party Criteria," published on May 8, 2007). The downgraded swap provider would then within 60 days have to find:

- A replacement with a short-term rating of at least 'A-1'; or
- A guarantor with a short-term rating of at least 'A-1'.

If an ineligible counterparty is not replaced within the remedy period, we may lower the ratings on the notes to levels that could be supported by the counterparty's then-current rating. We will take the amount of collateral into consideration when analyzing the transaction after the downgrade of the counterparty. Our analysis assumes that a replacement of the ineligible counterparty will occur; however, given the bespoke nature of this swap, it may be more difficult than usual to find a replacement. Therefore, the market should understand and consider the risk of downgrade to the transaction if a replacement is not found.

Under the transaction documents, any counterparty replacement or guarantee is subject to rating confirmation. The downgraded counterparty would bear all the costs of the remedies.

Credit Analysis

We stressed the transaction cash flows to test both the credit and liquidity support provided by the assets, subordinated tranches, cash reserve, and any external sources (such as a liquidity facility). We implemented these stresses to the cash flows at all relevant rating levels.

For example, we subject a transaction that incorporates 'AAA', 'A', and 'BBB' rated tranches of notes to three separate sets of cash flow stresses. For the 'AAA' stresses, all 'AAA' notes must pay full and timely principal and interest, but this is not necessarily the case for the 'A' or 'BBB' rated tranches, as they are subordinated in the priority of payments. In the 'A' scenario, all 'AAA' and 'A' rated notes must receive full and timely principal and interest, but not necessarily the 'BBB' rated tranche, as it is subordinated to both 'AAA' and 'A'.

Amount of defaults and recoveries

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

The WAFF and WALs estimates increase as the required rating level increases, because the higher the rating required on the notes, the higher the level of mortgage default and loss severity they should be able to withstand. This credit analysis is based on the characteristics of the loans and the associated borrowers. We have applied market-specific criteria in our assessment of the WAFF and the WALs for this portfolio, which are shown in table 2.

Table 2

Portfolio WAFF And WALs		
Rating level	WAFF (%)	WALS (%)
AAA	47.57	42.95
AA	37.51	37.77
A	30.79	33.63
BBB	24.37	29.51
BB	19.25	27.46

Timing of defaults

The WAFF at each rating level specifies the total balance of the mortgage loans we assume to default over the life of the transaction. We assume that these defaults occur over a three-year recession. Further, we assess the impact of the timing of this recession on the ability to repay the liabilities, and choose the recession start period based on this assessment.

Although the recession normally starts in the first month of the transaction, the 'AAA' recession is usually delayed by 12 months. We apply the WAFF to the principal balance outstanding at the start of the recession (e.g., in a 'AAA' scenario, we apply the WAFF to the balance at the beginning of month 13). We assume defaults occur periodically in amounts calculated as a percentage of the WAFF. The timing of defaults generally follows two paths, referred to here as fast and slow defaults. These timings are shown in table 3.

Table 3

Default Timings For Fast And Slow Default Curves	
Recession month	Fast default (percentage of WAFF)
1	30
6	30
12	20
18	10
24	5
30	5
36	0

Timing of recoveries

We assumed that the issuer would regain any recoveries 30 months after a payment default in Spanish transactions. The value of recoveries at the 'AAA' level is 57.05%.

Note that the WALs used in a cash flow model is always based on principal loss, including costs. We assumed no recovery of any interest accrued on the mortgage loans during the foreclosure period. After the WAFF is applied to the balance of the mortgages, the asset balance is likely to be lower than that on the liabilities (a notable exception is when a transaction relies on overcollateralization). The interest reduction created by the defaulted mortgages during the foreclosure period will need to be covered by other structural mechanisms in the transaction.

Delinquencies

We model the liquidity stress that results from short-term delinquencies, i.e., those mortgages that cease to pay for a period of time but then recover and become current with respect to both interest and principal. To simulate the effect of delinquencies, we assume a proportion of interest receipts equal to one-third of the WAFF to be delayed.

We apply this in each month of the recession and assume that full recovery of delinquent interest will occur 18 months after it is removed from the transaction. Thus, if in month five of the recession the total collateral interest expected to be received is £1 million and the WAFF is 30%, £100,000 of interest (one-third of the WAFF) will be delayed until month 23.

Interest and prepayment rates

We modeled three different interest rate scenarios—rising, falling, and stable—using both high and low prepayment assumptions. Interest rates were 1% at the time of modeling and we modeled them to rise or fall by 2% a month to a high of 12% for EURIBOR amounts or a low of 0%. For stable interest rates, we held the interest rate at the current rate throughout the life of the transaction. In the 'AAA' scenario, we modeled the interest rate increase not to begin until month 13. Also note that we will revise interest rate scenarios if there is sufficient evidence to warrant it.

We stress transactions according to two prepayment assumptions—high (24.0%) and low (0.5%). In a 'AAA' scenario, we model a prepayment rate of 6% before the recession for the first year of the transaction for both the high and low prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13, when we assume the recession to start in the 'AAA' scenario.

We assume prepayment rates to be static throughout the life of the transaction and apply them monthly to the decreasing mortgage balance. We reserve the right to increase the high prepayment assumption if historical prepayment rates are at high levels, or if the transaction is particularly sensitive to high prepayments (e.g., if the transaction relies heavily on excess spread).

In a 'AAA' scenario, we model an expected prepayment rate of approximately 15% before the recession for the first year of the transaction. We apply this for both the low and high prepayment scenarios, to ensure that the WAFF is applied to a consistent asset balance in month 13 (the 'AAA' scenario recession start month).

In combination, the default timings, interest rates, and prepayment rates described above give rise to 12 different scenarios (see table 4). The ratings we have assigned mean that the notes have all paid timely interest and ultimate principal under each of the 12 scenarios at the proposed rating level.

Table 4

RMBS Stress Scenarios			
Scenario	Prepayment rate	Interest rate	Default timing
1	Low	Flat	Fast
2	Low	Up	Fast
3	Low	Down	Fast
4	Low	Flat	Slow
5	Low	Up	Slow
6	Low	Down	Slow
7	High	Flat	Fast
8	High	Up	Fast
9	High	Down	Fast
10	High	Flat	Slow
11	High	Up	Slow
12	High	Down	Slow

Rating Stability

The purpose of this analysis is to address rating stability in the context of RMBS transactions. The rating stability concept is explained in "Criteria Updates: The Ongoing Response To Deteriorating Credit Conditions" in "Related Criteria And Research." For this specific transaction, we ran an additional scenario where we applied a 10% haircut on the valuations of the properties. The WALs increased to the levels shown in table 5.

Table 5

Portfolio WALs	
Rating level	WALS (%)
AAA	48.65
AA	43.96
A	40.22
BBB	36.49
BB	34.64

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential effect of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Criteria And Research").

This scenario analysis incorporates two aspects:

- A house price decline analysis; and
- A sensitivity analysis.

House price decline analysis

Various factors could cause downgrades of rated RMBS notes, such as increasing foreclosure rates in the securitized pools, house price declines, and changes in the pool composition. We have chosen to analyze the effect of house price declines by testing the sensitivity of the transaction to two different levels of movements.

Declining house prices generally lead to increasing LTV ratios and more borrowers entering negative equity. This may increase the default probability of a securitized pool and its associated loss severity. Consequently, depending on its effect, declining house prices could be a contributing factor in the downgrade of rated notes.

In our analysis, assumptions for house price declines are reflected in the calculation of both the WAFF and WALs. The house price decline analysis assumes house price declines that are specific to a jurisdiction—rather than being uniform across all European transactions. The levels do not reflect any views of whether these house price declines will materialize in the future. So, for example, the additional haircuts we assume for a country that has experienced significant house price growth over the past few years may be different from those we assume for a country that has experienced stable house prices.

We perform our analysis on a loan-by-loan basis. Hence, the effect of applying different levels of house price declines differs between transactions, given the different concentrations in LTV ratio bands. Note that even in these

house price decline scenarios, structural features in securitizations might mitigate these declines.

Further house price declines of 10% and 15%

Before closing, we calculated the 'AAA' WAFF for the pool as 47.57% and the WALs at the 'AAA' level as 42.95%.

We have already based these calculations on a market value decline assumption of 37% for properties at a 'AAA' rating level.

In the first scenario, in addition to the different stress assumptions, we apply a further 10% decrease in house prices. All else being equal, this would cause the 'AAA' WAFF to increase to 60.37% and the WALs to increase to 49.23%. In this scenario, the 'AA-' rating on the notes in the transaction would withstand the effect of the further 10% house price decline with no adverse rating effect.

In the second scenario, we apply a further 15% decrease in house prices. All else being equal, this would cause the 'AAA' WAFF to increase to 65.49% and the WALs to increase to 58.18%. In this scenario, the 'A' rating on the notes in the transaction would withstand the effect of the further 15% house price decline with no adverse rating effect.

We based the analysis above on a simplified assumption, i.e., that the 10% or 15% house price decline materializes immediately on the day after closing. In reality, house price declines materialize over time. Therefore, other factors, such as seasoning or scheduled repayments under the loans, could mitigate the effect of the house price decline.

We ran the same analysis for the rest of the series (see table 6).

Table 6

Results Of The House Price Decline Analysis			
House price environment	WAFF (%)	WALS (%)	Rating on the notes
Series A			
'AAA' market value decline of 37% (standard run)	47.57	42.95	AAA
'AAA' market value decline of 37% (stability run)	47.57	48.65	AAA
Additional 10% house price decline (10% haircut on valuations)	60.37	49.23	AA-
Additional 15% house price decline (15% haircut on valuations)	65.49	68.18	A
Series B			
'AAA' market value decline of 37% (standard run)	37.51	37.77	AA
'AAA' market value decline of 37% (stability run)	37.51	43.96	AA
Additional 10% house price decline (10% haircut on valuations)	47.07	44.57	A
Additional 15% house price decline (15% haircut on valuations)	50.88	54.32	A-
Series C			
'AAA' market value decline of 37% (standard run)	30.79	33.63	A
'AAA' market value decline of 37% (stability run)	30.79	40.22	A
Additional 10% house price decline (10% haircut on valuations)	38.13	40.84	BBB
Additional 15% house price decline (15% haircut on valuations)	41.04	51.23	BBB
Series D			
'AAA' market value decline of 37% (standard run)	24.57	29.51	BBB
'AAA' market value decline of 37% (stability run)	24.57	36.49	BBB
Additional 10% house price decline (10% haircut on valuations)	29.48	37.12	BB

Table 6

Results Of The House Price Decline Analysis (cont.)			
Additional 15% house price decline (15% haircut on valuations)	31.43	48.13	BB
Series E			
'AAA' market value decline of 37% (standard run)	19.25	27.46	BB
'AAA' market value decline of 37% (stability run)	19.25	34.64	BB
Additional 10% house price decline (10% haircut on valuations)	21.71	35.26	BB-
Additional 15% house price decline (15% haircut on valuations)	22.69	46.59	BB-

Sensitivity analysis

As house price movements are only one factor that may affect a transaction's foreclosure rate and loss severity, in this section we assess whether the rated notes would continue to pay timely interest and repay full principal by the legal final maturity of the rated bonds, under different combinations of WAFF and WALs and prepayment rates. We have constructed the various sensitivities in such a way as to test the transaction's sensitivity to different combinations that may be more or less severe than the 'AAA' stress assumptions. As a number of reasons may lead to an increase in WAFF or WALs, we attempt to show the sensitivity of the 'AAA' rating to movements in these factors.

If the notes fail any of these scenarios, we examine the level of interest and principal shortfalls and calculate the present value of the cash flows (after taking into consideration any shortfalls that may arise) using the cost of the rated notes as the discount factor and a combination of other different discount factors, i.e., the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

We further provide the expected weighted-average life for each note in these scenarios. Note that in this part of the analysis, the stresses we apply are hypothetical and may differ from future default rates, loss probabilities, or prepayment rates in the pool.

The scenarios in our sensitivity analysis

In this sensitivity analysis, we provide different combinations of WAFF and WALs for the different series (see table 7). The results obtained from the different combinations may also be affected by some features included in the structure, like the deferral of interest based on cumulative default triggers, which may produce temporary shortfalls if certain levels of defaults are hit.

Table 7

WAFF And WALs By Series			
Series A	SET 1	SET2	SET3
WAFF (%)	60	55	47.50
WALS (%)	55	50	43.00
Series B			
WAFF	55	45	37.50
WALS	55	45	37.77
Series C			
WAFF (%)	40	35	30.80
WALS (%)	45	40	33.60

Table 7

WAFF And WALs By Series (cont.)			
Series D			
WAFF	35	30	24.50
WALS	45	35	29.50
Series E			
WAFF (%)	30	25	19.25
WALS (%)	45	35	27.46

We further assume two constant prepayment rate levels: 20% and 10%. Lastly, these tests assume a forward interest rate curve and we present sensitivities assuming four different discount factors, i.e., the cost of the rated notes, the cost of the rated notes plus 100 bps, the cost of the rated notes plus 200 bps, and the cost of the rated notes plus 300 bps.

Table 8

Sensitivity Analysis							
Parameter 1: WAFF/WALS	Parameter 2: Prepayment levels (%)	Parameter 3: Interest rate levels	WAL (years)	PV of cash flows (%)*	PV of cash flows (%)†	PV of cash flows (%)§	PV of cash flows (%)**
Class A							
47%/43%	10	Forward interest rate	2.875	100.11	97.46	94.92	92.48
47%/43%	20	Forward interest rate	1.946	100.00	98.22	96.43	94.69
55%/50%	10	Forward interest rate	2.928	100.11	97.42	94.84	92.37
55%/50%	20	Forward interest rate	2.011	100.07	98.17	96.33	94.54
60%/65%	10	Forward interest rate	3.240	100.13	97.22	94.45	91.82
60%/65%	20	Forward interest rate	2.076	100.07	98.12	96.23	94.40
Class B							
37%/37%	10	Forward interest rate	13.072	100.62	90.88	82.23	74.54
37%/37%	20	Forward interest rate	5.507	100.25	100.08	99.83	94.38
45%/45%	10	Forward interest rate	11.478	100.08	99.83	94.38	99.57
45%/45%	20	Forward interest rate	4.905	99.83	95.29	90.98	86.88
55%/55%	10	Forward interest rate	14.276	94.38	83.35	73.71	65.27
55%/55%	20	Forward interest rate	7.726	99.57	92.90	86.74	81.03
Class C							
30%/33%	10	Forward interest rate	18.902	100.86	88.83	78.57	69.79
30%/33%	20	Forward interest rate	8.582	100.43	93.33	86.80	80.78
35%/40%	10	Forward interest rate	18.165	100.65	88.85	78.72	70.02
35%/40%	20	Forward interest rate	8.078	100.22	93.41	87.13	81.31
40%/45%	10	Forward interest rate	17.201	100.34	88.83	78.90	70.31
40%/45%	20	Forward interest rate	7.395	99.90	93.51	87.57	82.04
Class D							
24%/29%	10	Forward interest rate	26.872	101.15	88.23	77.57	68.72
24%/29%	20	Forward interest rate	12.710	100.72	91.77	83.76	76.60
30%/35%	10	Forward interest rate	26.053	100.69	87.83	77.19	68.31

Table 8

Sensitivity Analysis (cont.)							
30%/35%	20	Forward interest rate	12.138	100.25	91.48	83.61	76.55
35%/45%	10	Forward interest rate	25.204	100.42	87.68	77.09	68.23
35%/45%	20	Forward interest rate	11.545	99.97	91.45	83.77	76.85
Class E							
19%/27%	10	Forward interest rate	31.710	101.29	88.65	78.31	69.79
19%/27%	20	Forward interest rate	20.302	101.06	90.22	80.94	72.97
25%/35%	10	Forward interest rate	31.698	101.12	88.46	78.10	69.56
25%/35%	20	Forward interest rate	19.788	100.88	90.14	80.93	72.98
30%/45%	10	Forward interest rate	31.688	100.70	87.98	77.58	68.99
30%/45%	20	Forward interest rate	19.283	100.44	89.78	80.60	72.66

*Discounted with the cost of the notes. †Discounted with the cost of the notes plus 100 bps. ‡Discounted with the cost of the notes plus 200 bps. **Discounted with the cost of the notes plus 300 bps. WAL—Weighted-average life. PV—Present value.

In all these scenarios, the analysis would imply that the notes would be able to pay timely interest and repay full principal on or before the notes' legal final maturity date if the present value of cash flows discounted with the cost of the notes is 100%. Nevertheless, if this ratio is below 100% and there are no principal or interest losses, this means that there are some temporary shortfalls that are cured on the subsequent payment dates.

In reality, where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee may call an event of default. This could lead to multiple events, such as the senior fees of the transaction stepping up, the swap terminating (where the issuer would need to make termination payments), and the post-enforcement priority of payments being applied. All of these events may affect the transaction cash flows.

For the purposes of our analysis above, we made a simplified assumption that the trustee would not call an event of default and that the swap would not terminate. As we continue to refine our scenario analysis, we will provide further analysis to assess the sensitivity of other risk factors that may affect our ratings on RMBS transactions.

Sectoral Credit Highlights

There are early indications that the fall in the Spanish housing market is nearing an end. The pace of price declines has slowed. According to official figures, house prices were down 6.1% year on year in the final quarter of last year (-7.8% the previous quarter). Tinsa, one of the largest property valuation firms in Spain, which publishes monthly price series, estimates that prices were down 5.3% in the 12 months to March 2010, from -6.6% in December 2009.

But those signs of stabilization remain fragile. According to Tinsa, house prices dropped 16% from peak to trough, much less than in the U.K. or Ireland. The massive overhang of dwelling supply would have suggested a steeper fall in prices: According to the Spanish Ministry of Housing, housing starts averaged 250,000 per year in the 1990s and then shot up to 500,000 in 2003-2005 to peak at 760,000 in 2006 (see chart 6)—more than the housing starts of Germany, Italy, France, and the U.K. combined for that year.

With the collapse of demand, there were about 600,000 unsold homes by the end of 2008, according to the Spanish Association of Promoters and Developers. Other estimates point to an even bleaker picture: BBVA, a Spanish bank, calculated that the excess supply was about one million dwellings at the beginning of 2009. With the annual change in new households down to about 300,000 currently, it will take several years to absorb the glut.

Overall, the adjustment of the housing market should continue for at least another year, in our opinion. We expect the Spanish economy to still be in recession this year (with real GDP declining 0.6%) before picking up gradually next year (with 0.8% growth). We believe the pace of decline in house prices will continue to slow but that it will take at least another year before there is a sustainable stabilization of the market.

Surveillance

The key performance indicators in the surveillance of this transaction are:

- Total and 90-day delinquencies;
- Cumulative realized losses;
- LTV ratios and seasoning;
- Constant prepayment rates;
- Supporting parties' credit risk evolution; and
- Increases in credit enhancement for the notes.

Prepayments and severe delinquencies for Santander transactions are at the same level as the Spanish RMBS index (see charts 5 and 6).

Chart 5

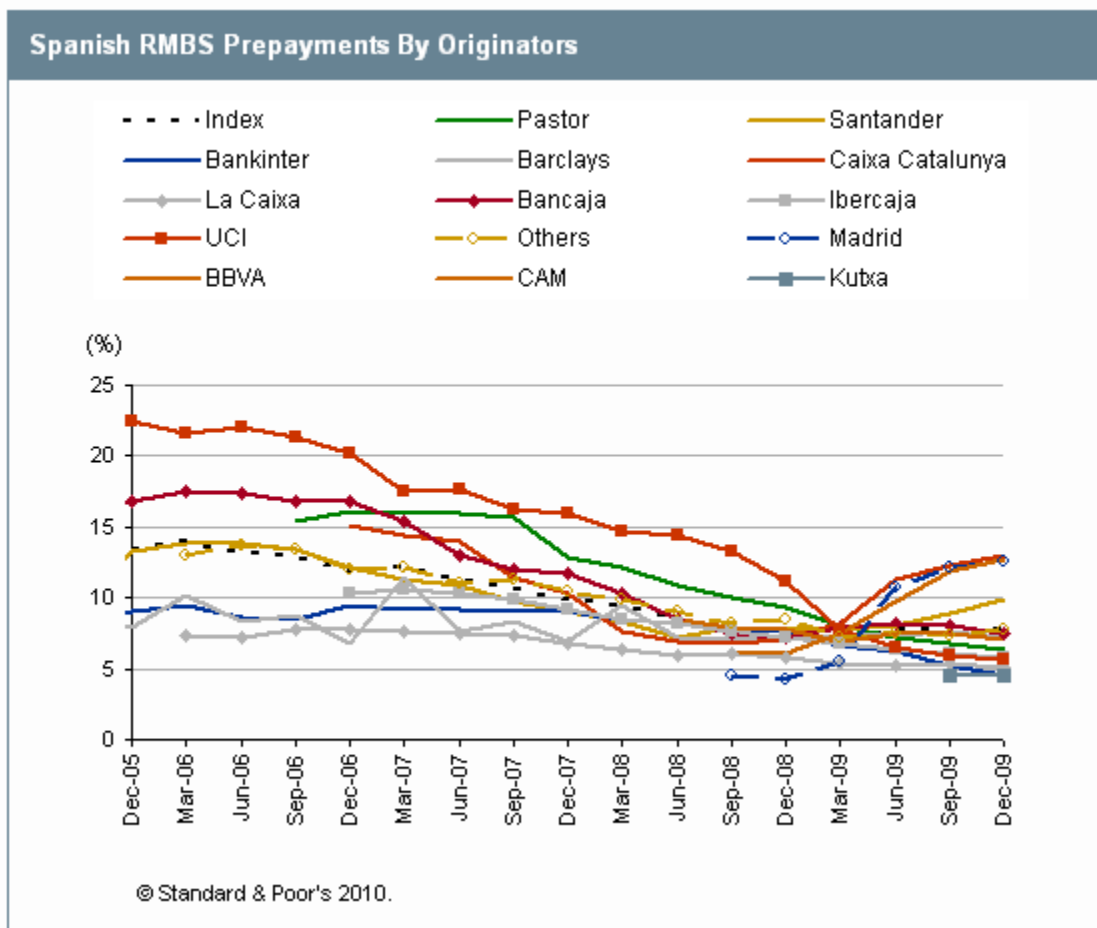


Chart 6

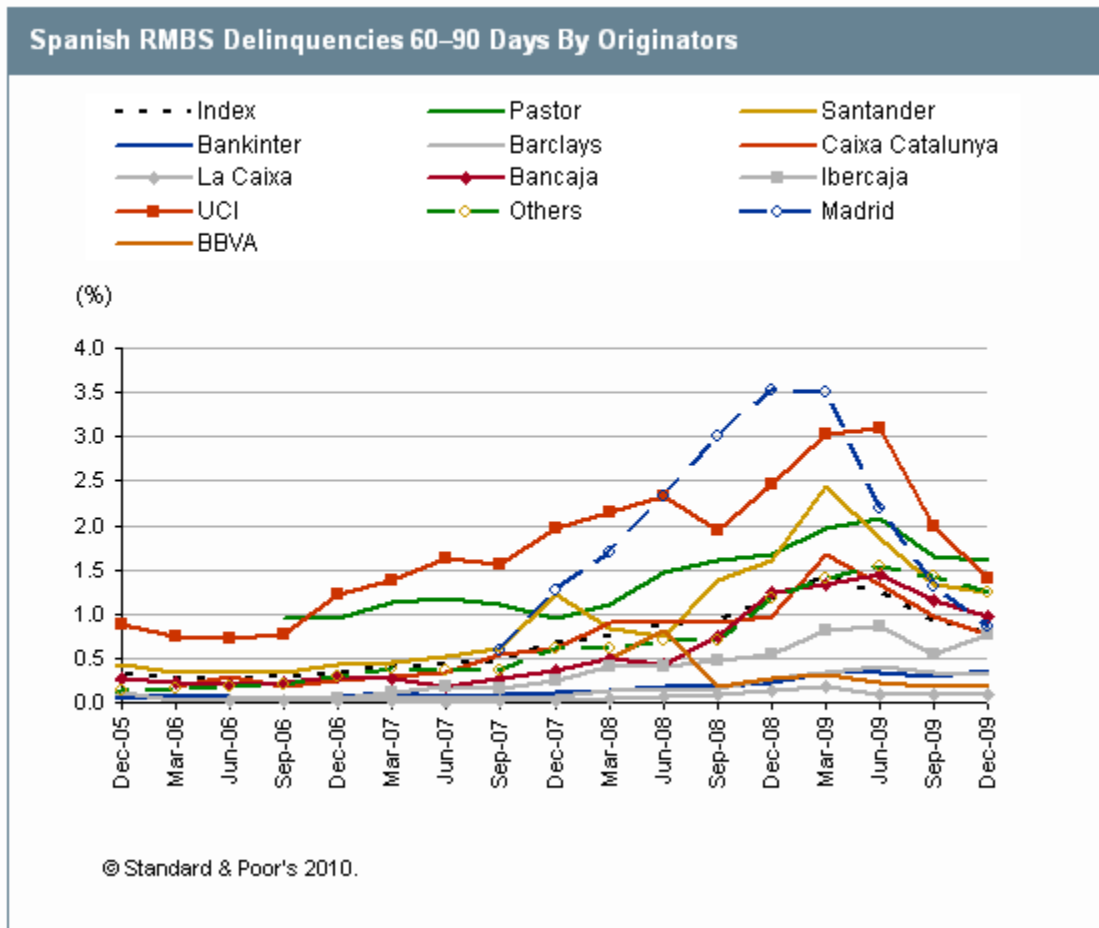


Table 9

Transaction Key Features		
	Santander Hipotecario 6	Santander Hipotecario 5
Pool features		
Principal outstanding (€)	1,106,612,930	1,473,941,571.33
Weighted-average seasoning	28.3	16.4
Weighted-average LTV ratio	92.56	89.59
Percentage with LTV ratios below 50%	0.06	0.04
Percentage with LTV ratios above 80%	90.76	95.87
Number of loans	5,977	7,632
Largest (€)	1,674,702	1,782,000
Average (€)	185,145	195,994
Weighted-average margin on the floating portfolio*	0.76	0.74
Percentage of commercial loans	—	—
Percentage of residential loans	100	100
Second home	2.25	1.54
Self-employed	—	8.32

Table 9

Transaction Key Features (cont.)		
Jumbo	12.21	9.31
Interest-only loans	15.25	—
Employees	5.59	1.07
Non-Spanish resident	8.59	15.51
Loans granted by API (Agente de la Propiedad Inmobiliaria)	12.04	
Percentage of floating-rate loans	99.74	99.95
Percentage of fixed-rate loans	0.26	0.05
Weighted-average foreclosure period	30	30
Geographic distribution		
Andalucía	17.17	20.76
Aragon	2.34	2.71
Asturias	1.21	1.25
Balearic Islands	3.03	3.49
Basque Country	2.49	4.51
Canary Islands	7.11	9.37
Cantabria	2.00	2.19
Castilla-La Mancha	2.93	3.56
Castilla-Leon	4.07	3.51
Catalonia	17.54	14.07
Extremadura	1.39	1.05
Galicia	2.29	2.21
La Rioja	0.40	0.31
Madrid	21.04	16.87
Murcia	3.95	2.96
Navarra	0.75	0.77
Valencia	10.01	10.25
Others	0.26	0.16
Structural features (%)		
AAA	83.0	88.5
AA	6.0	2.5
A	5.0	2.5
BBB	4.0	2.5
BB	2.0	4.0
Cash reserve (%)	20.0	1.8

*Includes the optional loans that currently pay floating interest rates.

Related Criteria And Research

- Preliminary Ratings Assigned In Banco Santander's Latest Spanish RMBS Transaction, May 19, 2010
- Update To The Cash Flow Criteria For European RMBS Transactions, Jan. 6, 2009
- Update To The Criteria For Rating Spanish Residential Mortgage-Backed Securities, Jan. 6, 2009
- Methodology: Updated Counterparty Criteria For Derivatives: Eligibility of 'A-2' Counterparties Removed in

'AAA' Transactions, Oct. 22, 2008

- Revised Framework For Applying Counterparty And Supporting Party Criteria, May 8, 2007
- Preliminary Ratings Assigned In BBVA RMBS 9 FTA, Spanish RMBS Deal, April 13, 2010
- New Issue: BBVA RMBS 5 Fondo de Titulizacion de Activos, June 16, 2008
- Spanish RMBS Index Reports (published quarterly)

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