Rating Report

Fondo de Titulización RMBS Prado IV

Insight beyond the rating.

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Ratings and Issuer's Assets and Liabilities

Debt	Amount	Size 1	Initial Subordination 2	Initial Coupon	Step-Up Coupon	Rating	Rating Action
Class A	EUR 305,000,000	78.21%	21.79%	3m Euribor + 0.46%	3m Euribor + 0.92%	AAA (sf)	Provisional Rating - Finalised
Class B	EUR 85,000,000	21.79%	0.00%	3m Euribor + 0.75%	3m Euribor + 1.50%	NR	NA

Notes:
1 Represented as a percentage of the portfolio balance.
2 Following the step-up date, the margin above three-month Euribor payable on the Notes increases.

	Initial Amount (€)	Size
Asset Portfolio (1 March 2017)	EUR 390,000,000	100.0%
Reserve Fund 3	EUR 9,750,000	2.5%

3 The Reserve Fund is funded to 2.5% of the initial note balance through a Subordinated Loan.

DBRS Ratings Limited (DBRS) has finalised the provisional rating of AAA (sf) on the Class A notes (the Rated Notes) issued by Fondo de Titulización RMBS Prado IV (the Issuer or Fund). The Class B is unrated. The rating on the Class A notes addresses timely payment of interest and ultimate payment of principal. Credit enhancement is provided in the form of subordination and the amortising reserve fund, which also provides liquidity support to the Class A notes.

The mortgage loans were originated by Unión de Créditos Inmobiliarios, S.A. E.F.C. (UCI or the company). Proceeds from the issuance of the Class A and the Class B notes was used to purchase a portfolio of first-lien mortgages secured over residential properties located in Spain.

Portfolio Summary (as of 30/03/2017)

Provisional Portfolio Balance	EUR 390,000,000	**Asset Class**	RMBS
Average Balance (per Borrower)	EUR 115,487	**Governing Jurisdiction**	Kingdom of Spain
Weighted Average Seasoning	54.9 months	**Sovereign Rating**	A (low)
Weighted Average Current Combined LTV	71.3%		

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Transaction Parties and Relevant Dates

Transaction Parties

Roles	Counterparty	Rating
Issuer	Fondo de Titulización RMBS Prado IV	NR
Originator, Seller, Servicer	UCI	NR
Retention holder and Subordinated Loan provider	UCI	NR
Treasury Account Bank and Paying Agent	Banco Santander S.A.	A - Stable / R-1 (low) – Stable COR: A (high) – Stable / R-1 (middle) - Stable
Joint Lead Manager, Joint Lead Arranger and Back-Up Servicer Facilitator	Banco Santander S.A.	A - Stable / R-1 (low) – Stable COR: A (high) – Stable / R-1 (middle) - Stable
Swap Counterparty	Banco Santander S.A.	A - Stable / R-1 (low) – Stable COR: A (high) – Stable / R-1 (middle) - Stable
Joint Lead Manager and Joint Lead Arranger	BNP Paribas, London Branch	NA
Management Company	Santander de Titulización, S.G.F.T., S.A.	NA

Relevant Dates

Issue Date	06 April 2017
Step-Up Date	15 June 2022
Optional Redemption Date	Any date from the Step-Up Date
First Payment Date	15 June 2017
Payment Dates	Quarterly on the 15th of March, June, September, December
Collection Period	Each calendar month
Final Maturity Date	1 January 2053
Legal Final Maturity Date	15 March 2056

Rating Considerations

- Macroeconomic conditions in Spain have improved in 2016, with GDP growth for Q4 2016 at 0.7%. Overall GDP growth has increased for 14 consecutive quarters (Q3 2013 to Q4 2016) at an average quarterly growth rate of 0.62%. Growth has been stable over the last four quarters at 0.7%. However, real GDP is yet to return to 2008 levels. Unemployment figures continue to show improvement with levels down to 18.6% (Q4 2016) from the peak of 26.9% at the beginning of 2013. Improvement in the Spanish economy is supported by a combination of the European Central Bank's bond purchase policy, low interest rates as well as lower energy prices. It is uncertain how the long-term structural reforms and potential political transition risks will influence future growth.
- Property values have shown signs of improvement. Home prices reached a trough on a national level at the beginning of 2014. Peak-to-trough declines were -37.3% on the national level. Regional declines ranged between -29.7% in Andalusia and -47.2% in Navarre. As of Q4 2016, national home prices have increased 11.2% since bottoming out.

Strengths

- **Seasoning:** The mortgage portfolio has a weighted-average (WA) seasoning of 54.9 months.
- **Loan Purpose:** All the loans in the pool are granted to individuals with the purpose of financing the acquisition of completed homes which are primary residences in Spain. None of the loans in the pool are granted for the purpose of renovation or construction of a new house and there are no loans to real estate developers.
- **No Interest Rate floor:** The loans in the pool are not subject to interest rate floors (cláusula suelo).
- **Diversified Portfolio:** The pool comprises 3,377 loans granted to 6,202 borrowers and co-borrowers. The loans are concentrated in the three largest autonomous regions are Madrid (25.2% of the pool by outstanding balance), Catalonia (23.2%) and Andalusia (21.6%).
- **Sequential Amortisation:** The Class B notes will amortise once the Class A notes have been repaid in full. Additionally, the Series A notes' principal payment is senior to the Series B interest payments in the waterfall. Principal amortisation includes a provision mechanism for defaults (loans more than 12 months in arrears) through the trapping of excess spread in the transaction waterfall. If a Class A turbo amortisation event occurs, then after payment of senior fees, net swap payments, Class A interest and replenishment of the Reserve Fund to the target level, all remaining available funds will be used to amortise the Class A notes.
- **Amortising Reserve Fund:** The Reserve Fund provides liquidity support to the Rated Notes. The initial balance of the Reserve Fund will be equal to 2.5% of the initial principal balance of the notes. The Reserve Fund can amortise to 2.5% of the outstanding balance of the notes with a floor at 1.0% of the initial principal balance of the notes.

Challenges and Mitigating Factors

- **Historical Performance of UCI:** Historical performance of UCI mortgage loans has been relatively weak. Cumulative arrears greater than three months reached 35.1% and 36.2% for the 2006 and 2007 vintages, respectively. More recent vintages (from 2009) have improved as a result of tighter underwriting guidelines and lower origination volumes.

  Mitigants: Loans in Prado IV have performed well with no borrowers entering into arrears for the last 36 months. As of the pool cut-off date, 0% of the mortgage pool is in arrears. In addition, the portfolio concentration for UCI's worst performance vintages (2005 to 2008) represents 35.7% of the portfolio (all having gone through the crisis without incidents and benefits from high seasoning). 64.1% was originated between 2009 and 2016. The remaining proportion was originated in 2004 or earlier.
- **Restructured Loans:** Loans that have been restructured represent 7.0% of the pool, and 2.7% of the portfolio has been in arrears in the past. No borrowers have gone into arrears in the last 36 months. In addition, from the loans that went into arrears in the past, none of them had more than three unpaid instalments.

  Mitigants: DBRS has assessed the historical performance of the mortgage loans and factored restructuring arrangements of the portfolio into its default analysis. Refer to the Collateral Analysis section for further details.
- **Current Loan-to-Value (CLTV):** The WA CLTV of the portfolio is 71.3% with 42.3% of the loans in the portfolio (by balance) having a CLTV greater than 80.0%. The indexed CLTV is 85.9% with 62.5% of the loans having a CLTV greater than 80.0%. This is in line with the average of other Spanish RMBS.

  Mitigants: Property values are indexed using the INE house price index (Q4 2015) consistent with DBRS's European RMBS Insight Model.

- **Foreign Borrowers:** Foreign borrowers with residence in Spain represent 8.1% of the portfolio. The remaining borrowers are Spanish. All borrowers are resident in Spain.

  Mitigants: Each loan in the portfolio was scored using the European RMBS Insight Model with parameters for the Spanish Mortgage Scoring Model measuring the risk of each loan.

- **Borrowers Not Employed:** Self-employed borrowers represent 5.0% of the portfolio and 1.9% of the portfolio are classified as pensioners. The remainder are employed borrowers (including civil servants that represent 11.2% of the portfolio).

  Mitigants: To score the loans under its European RMBS Insight Model, DBRS treats this 6.9% of the portfolio as unemployed borrowers. Each parameter of the Spanish Mortgage Scoring Model is considered to measure the relative risk of each loan.

- **CPI instalment loans:** Approximately 0.3% of the portfolio loans are Consumer Price Index (CPI) instalment loans by default and 11.2% of the portfolio has the option to exercise a CPI instalment loan in the future. This option allows the borrower to limit the annual growth of the instalments should interest rates rise to a maximum amount equal to 200% or 100% of the CPI based on the reset rate (six or 12 months, respectively). The effect of this limitation means a lower repayment of the loan for the amount limited in each instalment. This option is only applicable in a positive CPI environment (i.e., instalments cannot decrease).

  Mitigants: Since 2007, the exercise rate of these loans has been, on average, 0.1%. Moreover, in 2015, the instalment limitation option was only applied to less than 2.5% of obligors of the entire UCI portfolio. As of 2025, none of the mortgage loans will have the option to limit instalments based on CPI.

- **Wild-card Instalment (Cuota Comodín):** Approximately 1.0% of the portfolio has a "wild card" instalment option where during the first three years since the loan origination date the borrower may once per year capitalise the monthly payment. If a payment is capitalised, the borrower's monthly payment is re-calculated based on the capitalised principal balance.

  Mitigants: In order to exercise the "wild card" instalment, the borrower cannot be in arrears. Additionally, the borrower cannot exercise the option on two consecutive payment dates. All of the "wild card" options will expire in 2017.

- **Permitted Variations:** The servicer is able to renegotiate conditions of the loans with borrowers subject to certain conditions being met. The margin on the reference index may not be renegotiated below 0.5% if the reference rate used is Euribor, or below a negative -0.4% if the reference rate used is the Mortgage Loan Benchmark Index (Índice de Referencia de Préstamos Hipotecarios or IRPH). The maturity date on the loan may be extended, provided that the new maturity date of the loan is at least three years before the Legal Maturity Date of the Fund.

  Mitigants: DBRS assessed the optionality in its collateral and cash-flow analysis by extending the maturity of the loan to the longest possible date and compressing the spread of the loan margins to the applicable margin in line with the renegotiation criteria for 15% of the initial pool balance.

- **Interest Rate Risk:** The transaction is exposed to interest rate risk as 32.9% of the portfolio comprises fixed-rate loans for life and 15.3% of the portfolio comprises short-term fixed-rate loans. The remainder of the pool comprises floating-rate loans linked to either 12-month Euribor (16.3%) or IRPH (35.4%). The Rated Notes are linked to three-month Euribor.

  Mitigants: (1) To mitigate the interest rate mismatch between the fixed for life and short-term fixed-rate loans and the three-month Euribor to be paid to Noteholders, the issuer has entered into an interest rate swap with Santander. The issuer will pay 0.9% on a notional balance equal to the outstanding balance of performing fixed-rate loans and will receive three-month Euribor in return.

  (2) Cash flows have been stressed in accordance with the DBRS *Unified Interest Rate Model for European Securitisations* Methodology. The spread between the IRPH and 12-month Euribor has been stressed based on the observed historical spread. (3) In addition, there are structural mitigants in place such as the liquidity reserve to support timely payments of interest on the Class A notes.

Origination and Servicing

DBRS conducted an operational review of UCI's residential mortgage operations in February 2017 in Madrid, Spain. DBRS considers UCI's origination and servicing practices to be consistent with those observed across the Spanish mortgage market.

UCI was established in 1989 and is jointly owned by BNP Paribas and Santander which have owned the company equally since its inception. The company has lending operations in Portugal and Greece and has been active in those markets since 1999 and 2004, respectively, although there has been no lending in the Greek operation since 2011. In 1998, UCI created a real estate franchise, Comprar Casa, in commercial partnership with the Spanish Association of Real Estate Agents.

UCI is a frequent issuer of RMBS transactions and has issued over 20 deals with contribution loans representing around half of UCI's total loan portfolio of approximately EUR 11.2 billion as of end-December 2016. Approximately 88% of UCI's loan portfolio was in Spain and 99% classified as retail mortgage loans with personal unsecured loans comprising the remaining 1%. The company's Portuguese operation represents around 10% of UCI's business.

DBRS does not rate UCI.

Origination & Underwriting

Origination and Sourcing:

UCI's mortgage business is heavily focused on real estate agents who are responsible for approximately 70% of all new originations, which is down from 90% reported in 2011. The remaining business is sourced directly through UCI's web portal Hipotecas.com (25%) and from other sources primarily existing mortgage customers (5%). While UCI offered loans through real estate developers in the past, such activity ceased in 2009 and the developed sourced loans represent less than 1% of UCI's total mortgage portfolio. While real estate agents are paid commission by UCI, the commission is performance-based taking into account future loan performance and paid out over a three-year period.

New lending activity has decreased significantly since 2007 to around EUR 373 million in 2016 from approximately EUR 3.7 billion annually. 2016 has seen an increase of 33% over 2015's lending activity. Portugal accounted for approximately 31% of the total in 2016. The reduced lending activity has not affected UCI's market share which is currently 1.5%, averaging around 1% over the last ten years. The products, rate and payment types offered are consistent with the wider Spanish market although underwriting criteria was significantly tightened as a result of the economic crisis.

Underwriting:

Underwriting is performed centrally in Madrid. Account managers are responsible for managing a portfolio of real estate agents who are geographically based. As of December 2016, UCI had 23 branches across Spain which is down from 35 at its peak and up around 47% from several years ago. The agents provide the branch with all the basic information and documentation needed to begin the underwriting process, and the documents are subsequently scanned and fed into the company's proprietary workflow system by a UCI employee. Standard income verification procedures are in place including collection of pay slips and income statements, and the verification process extends to all guarantors associated with the loan. The company's underwriting models incorporate data from the national and third-party credit bureaus used for both Spanish and foreign nationals.

UCI underwriting guidelines have been tightened since 2008 beginning with a new scoring system in February 2008. Other changes included discontinuing certain mortgage products including those with initial grace periods, loans to non-residents and unsecured loans. The conditions for obtaining additional personal guarantees were increased and full justification and use of equity is required for second mortgage or equity release loans. Further changes included capping of debt-to-income at 40% and automatic rejection of loans with scores in the highest risk bucket.

All decision-making activities are centralised in UCI's Madrid headquarters and approval limits are set by the credit risk management team based on the experience and competency of the approver. The limits are periodically reviewed and adjusted when deemed necessary. Between 2005 and 2008 approval authority was decentralised and loan approval was possible across the branch network. Once the financial crisis hit in 2008, branch approvals were stopped and all approvals authority was made central again. Prior to 2005 and since 2008 all loans were underwritten and approved centrally in the risk department located in Madrid.

Valuations:
Full property valuations are conducted by one of three external appraisal companies authorised by the Bank of Spain. UCI has been working with one of the valuation firms for over 20 years. UCI conducts audits of any valuation with a 15% or more variance between the appraised amounts and the purchase price. A standard valuation form is provided by UCI to the appraisal along with the scope of work which requires valuation reports to include pictures, comparable sales and proof of land registry checks.

Summary Strengths

- Support through shareholders, BNP Paribas and Santander.
- Fairly conservative underwriting criteria.
- Centralised approval process for all loans.

Summary Weaknesses

- Heavy reliance on external sourcing channels representing 70% of new business.

  Mitigants: Limited number of exclusive agreements and network down to approximately 4,000 agents from 14,000 at peak driven by reduced lending and UCI's termination of arrangements with numerous brokers. Increased sourcing from web-based application and expected to continue.

Servicing

All servicing activities including day-to-day loan administration as well as collections and arrears management are centralised at UCI's headquarters in Madrid. Average experience among the servicing staff is consistent with the whole bank at over ten years. Most general loan administration is automated, including rate changes, and the majority of loans have monthly payment schedules (with only two payment date options) and pay via direct debit. Up to April 2015, all UCI mortgage customers were required to have a current account with Santander from which all mortgage payments are drafted. UCI uses SEPA payment transfers with all banks in Spain.

Arrears and default rates increased steadily since the start of the 'credit crunch' and continued their upward trend. As a result, UCI placed more focus on the management of delinquent loans and has seen arrears levels start to decrease. A new 'preventive team' with seven staff is responsible for conducting welcome calls with borrowers prior to their first payment to address any questions or potential problems regarding the borrower. A 30-strong centralised debt collection team manages loans up to three months in arrears and telephone contact with the borrower is attempted within the first week of a missed payment. Once an account reaches 90 days in arrears a UCI commercial agent will take over management of the account and assess the customer's situation. Automated letters and SMS messages are generated through the system and UCI complies with Bank of Spain guidelines surrounding defaulted loan management. Average recovery timelines are consistent with Spanish peers and have lengthened over the last several years.

Summary Strengths

- Centralised servicing operations in Madrid.
- High ratio of loans paying by direct debit and monthly payment schedules.
- Good collections and arrears management practices and increased attention as a result of rising defaults.

Summary Weaknesses

- Relatively high default rate near 10%.

  Mitigants: The default rate is lower than some peers and generally consistent with the Spanish market. UCI's arrears management practices are somewhat more robust than some Spanish peers although practices are generally limited to modification and forbearance schemes.

Opinion on Back-Up Servicer: Banco Santander S.A. (the company or Santander) is the named back-up servicer facilitator on the transaction. As of end-December 2016, Santander had total assets of EUR 1.34 trillion making it the largest bank in Spain and one of the largest in the Eurozone by total assets and market capitalisation. The bank has approximately 188,492 employees worldwide.

DBRS has rated several Santander transactions and is very familiar with the operations, management experience and existing portfolios it has under management.

Santander's considerable Spanish and European consumer servicing experience and large servicing portfolio as well as its working knowledge of the loans in the transaction are significant mitigating factors.

DBRS believes invocation of the back-up servicing agreement and subsequent servicing transfer would have very limited, if any, impact on Santander's operations. As a result, DBRS believes that Santander is adequately positioned to assume the servicing role from UCI should a transfer event occur.

DBRS's long-term rating of Santander was confirmed at "A" with a Stable trend in October 2016. More information on Santander's ratings can be found at www.dbrs.com.

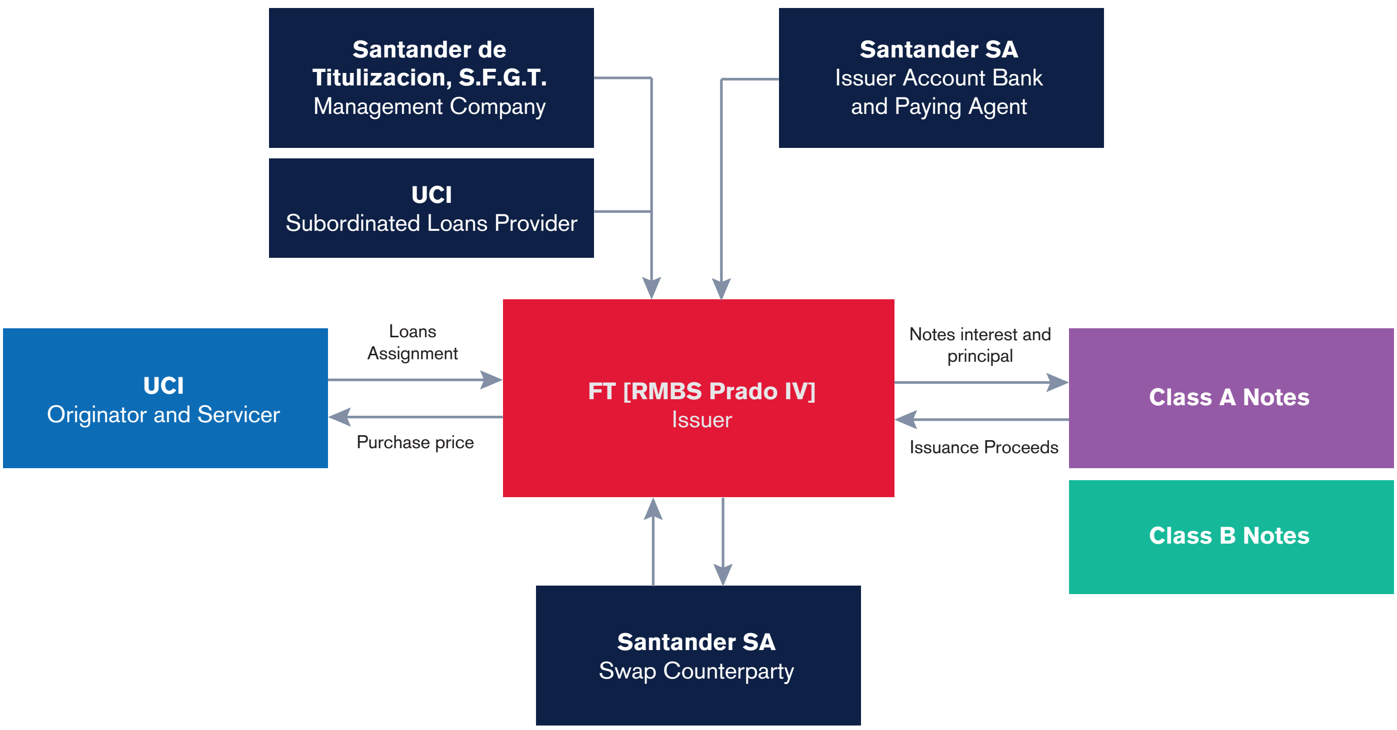
Transaction Structure

Transaction Summary

Currency	Issuer's assets and liabilities are denominated in euros (EUR)	
Relevant Legal Jurisdictions	The issuer is a securitisation fund incorporated under Spanish securitisation law. Mortgage loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation laws.	
Interest Rate Hedging	Yes	
Basis Risk Hedging	None	
Reserve Fund	Provides liquidity support to the Class A notes and is available to cover senior fees as well as expenses	
	Initial Amount:	2.5% of the initial principal balance of the notes
	Target Amount	2.5% of the outstanding balance of the notes
	Floor	1.0% of the initial principal balance of the notes
	Amortisation	Amortisation amounts form part of available funds.
Commingling Reserve	none	

The transaction structure is summarised below in Exhibit 1.

Exhibit 1: Transaction Structure



Counterparty Assessment

Servicing and Commingling

Payments are collected by UCI under a direct debit scheme and deposited in the cash flow account in the name of the Issuer with Banco Santander one day following receipt. In the event of insolvency of the servicer, the Management Company will request the servicer to notify the borrowers of assignment of the loans to the Issuer. Borrowers will be directed to make payments directly to the cash flow account held with Banco Santander.

In case of breach of the servicing contract or insolvency of the servicer, the Management Company will either replace the servicer or require the servicer to subcontract, delegate or be guaranteed the obligations by another suitable entity. In case of replacement of the servicer, the Back-Up Servicer facilitator will assume the responsibility to replace the servicer within 60 days. Commingling risk is mitigated by the direct deposit of collections by UCI to the cash flow account.

Issuer Account Bank

Banco Santander is the Account Bank and Paying Agent for the transaction. DBRS publicly rates Banco Santander and concluded that it meets DBRS's minimum criteria to act in such capacity. If the treasury account bank's DBRS rating is downgraded below "A", then within 30 days the Management Company on behalf of the fund would need to (1) find a guarantor with the minimum DBRS rating of "A" who will guarantee unconditionally and irrevocably the obligations of the treasury account agreement or (2) find a replacement.

The downgrade provision is consistent with DBRS's criteria for the initial rating of AAA (sf) assigned to the Class A notes.

Pursuant to the Guaranteed Reinvestment Agreement, Santander guarantees to the Issuer an annual yield variable quarterly on amounts deposited in the cash flow account in an amount equal to the reference rate of the notes (three-month Euribor) with a minimum rate of 0.0%. The yield of the Cash Flow Account may in no case be negative.

Moreover, the Management Company will enter into a paying agency agreement with Banco Santander on behalf of the fund. The paying agency agreement will have the replacement trigger set at "A". The paying agent is performing the calculation of the amounts due and payable and instructs the account bank to make the payments.

The temporary liquidity surpluses of the Cash Flow Account will be reinvested in Eligible Investments pursuant to the provisions set out in the Guaranteed Reinvestment Agreement. The criteria selected comply with DBRS's *Legal Criteria for European Structured Finance Transactions.*

Swap Counterparty

The initial portfolio is composed of: fixed-rate loans for life (32.9%), short-term fixed-rate loans (15.3%) and floating-rate loans for life (51.7%) indexed to 12-month Euribor (16.3%) or IRPH (35.4%).

The Issuer has entered into an interest rate swap with Banco Santander, S.A. to mitigate the interest rate mismatch between the fixed-rate loans and the three-month Euribor paid on the notes. The issuer will pay a fixed-rate of 0.9% on a notional balance linked to the outstanding balance of the performing fixed-rate loans to the swap counterparty and will receive three-month Euribor in return.

Banco Santander S.A., has a public DBRS rating and is an eligible swap counterparty. The transaction documents envisage language consistent with criteria DBRS's *Derivative Criteria for European Structured Finance Transactions* methodology.

Available Funds

The available funds of the issuer will consist of the following:

- Interest and principal payments corresponding to the mortgage loans.
- The net amounts received from the Swap Counterparty
- Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties.
- Return obtained on the amounts deposited in the cash flow account.
- Reserve Fund amount.
- Any income received from repayment and early cancellation fees.

Priority of Payments

Pre-Enforcement Priority of Payments

The available funds will be distributed through the following combined waterfall on each payment date:

1. Ordinary and extraordinary expenses and the administration fee (in case of replacement of UCI).
2. Amounts due to the Swap Counterparty.
3. Interest due on the Class A notes.
4. Replenish the Reserve Fund to the required amount.
5. Principal payment on the Class A notes by an amount equal to the target amortization amount unless a class A turbo amortisation event occurs, in which case, principal payment on the class A notes will be as detailed below.
6. Interest due on the Class B notes.
7. Principal payment on the Class B notes, only after class A is fully repaid.
8. Payment of the subordinated amount of the Swap Transaction in those circumstances where the termination of the Swap Transaction was due to the default of the Swap Counterparty.
9. Interest due on the Subordinated Loan for funding the Reserve Fund.
10. Principal payment on the Subordinated Loan for funding the Reserve Fund.
11. Payment of the administration fee to UCI.
12. Payment of the variable commission to the seller.

Principal Amortisation

The Class A target amortisation amount is equal to the positive difference between the outstanding principal balance of the notes and the outstanding principal balance of the non-defaulted collateral. However, if a Class A turbo amortisation event occurs then all collections will be paid to the Class A notes as principal until paid in full after the payment of the senior fees, the amounts due to the Swap Counterparty, the interest due on the Class A notes and the replenishment of the Reserve Fund. The Class A turbo amortisation event will occur when the cumulative default ratio is greater than or equal to the following percentages:

Cumulative default ratio is equal or higher than:	Period
1%	One year after the closing date
2%	Two years after the closing date
3%	Three years after the closing date
4%	Four years after the closing date
5%	Five years after the closing date

Post-Enforcement Priority of Payments

Upon liquidation of the Issuer at the legal final maturity date or early termination of the Issuer, the available funds and any amounts received by the Issuer after the sale of the remaining mortgage portfolio will be distributed through the Post-Enforcement Priority of Payments:

1. Ordinary and extraordinary expenses and the administration fee (in case of replacement of UCI).
2. Amounts due to the Swap Counterparty.
3. Interest payment on the Class A notes.
4. Principal repayment of the outstanding principal balance of the Class A notes.
5. Interest payment and principal outstanding on the Class B notes.
6. Interest payment and principal repayment on the Subordinated Loan for funding the Reserve Fund.
7. Payment of the administration fee to UCI.
8. Payment of the variable commission to the Seller.

Step-Up Payment and Optional Redemption of the Notes

On or after the Step-Up Date (15 June 2022), the Class A notes may be redeemed in whole (but not in part) at their Outstanding Principal Balance together with all accrued but unpaid interest thereon up to and including the relevant Payment Date. Any such redemption shall be effected provided that the Issuer will have the necessary funds to pay all outstanding amounts of the notes and amounts ranking prior. As of the step-up date, the interest on the Rated Notes increases.

Collateral Summary

Data Quality

DBRS received a loan tape to conduct the credit analysis of the portfolio (as of 30 March 2017), performance history information from March 2001 until December 2016, loan-level repossession data, dynamic arrears and dynamic prepayments. The sources of information used for this rating were provided by UCI and its representatives. DBRS also received an AuP report. DBRS considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

Representation and Warranties

The asset's main representations and warranties according to the transaction documents include the following:

- At the date of incorporation there will be no arrears greater than 30 days.
- All the obligors are natural persons residing in Spain.
- The mortgage loans have been provided by UCI to individuals (customers) to finance transactions involving the acquisition of finished primary houses in Spain. None of the Mortgage Loans have been granted to real estate developers and all of the Mortgage Loans are secured with finished houses.
- 96.9% of the mortgage loans have not been in arrears for more than 30 days, and no more than 3.1% of the Mortgage Loans had a maximum of two instalments in arrears (with the most recent arrears having not occurred in the past 36 months).
- All obligors pay via direct debit.
- None of the mortgage loans refinances existing mortgage loans or finances the acquisition of repossessions.

Portfolio Characteristics

The assets in the portfolio are first lien mortgage loans secured by residential properties located in Spain and originated by UCI. Furthermore, 15.3% of the portfolio comprises short-term fixed-rate loans. These are loans with a short-term fixed-rate period that consists of a fixed interest rate of three, five, seven or ten years from origination and that will switch to Euribor or IRPH once the fixed period expires. The fixed period has a WA interest rate of 2.7% for a residual 5.5 years on a weighted-average basis. Moreover, 31.9% of the pool comprises fixed for life loans with a WA interest rate of 2.9%. All the loans pay monthly instalments.

The main characteristics of the portfolio are summarised below. All calculations are based on the portfolio as of 30 March 2017. The final portfolio sold to the issuer is static. However, the Seller will be able to substitute any loans that are found to have breached the representations and warranties with loans of similar credit characteristics.

Summary Statistics (DBRS Calculations)

Number of Mortgage Loans	3,377
Number of Borrowers	6,202
Total Original Balance (EUR)	460,987,533
Total Current Balance (EUR)	390,000,000
Average Original Balance per loan (EUR)	136,508
Average Current Balance per loan (EUR)	115,487
Maximum Original Balance per Borrower (EUR)	1,232,000
Maximum Current Balance per Borrower (EUR)	526,558
WA Original LTV	79.4%
% >=80% OLTV	52.9%
WA Combined Current LTV	71.3%
% >=80% Combined Current LTV	42.1%
WA Combined Current Indexed LTV*	85.9%
% >=80 Combined Current Indexed LTV*	62.50%
WA Seasoning (years)	4.60
WA Residual Term (years)	27.20
WA Interest Rate	2.5%
WA Margin (Euribor trackers **only**)	1.4%

Source: UCI.
* Indexed LTV is calculated using INE data as of Q42015 consistent with DBRS's European RMBS Insight Model.

Summary Statistics (DBRS Calculations)

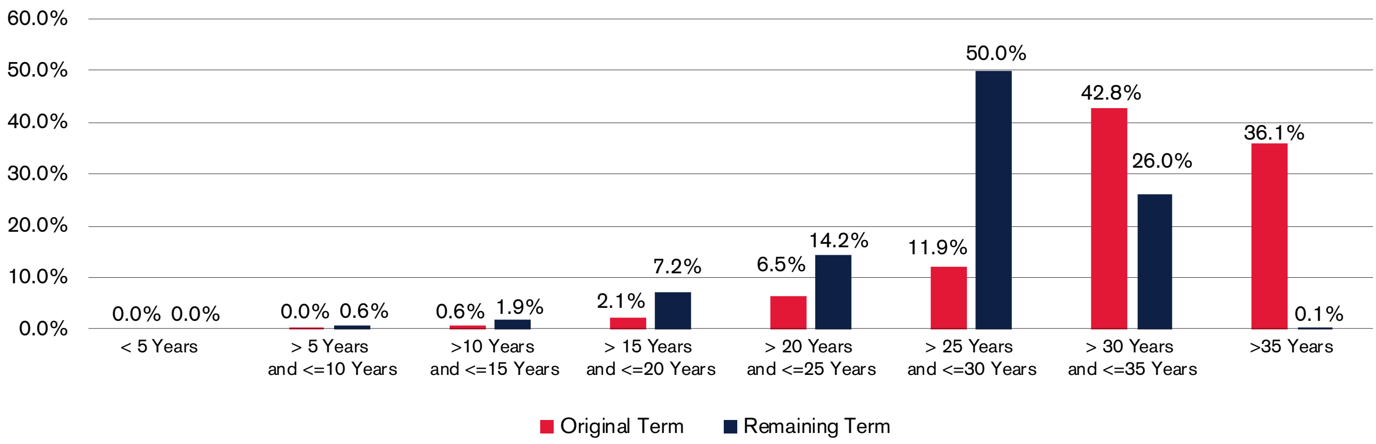
Self-employed and pensioners	6.9%
Second Homes	0.0%
Purchase Loans	95.6%
Foreign Nationals	8.1%
Second Liens	0.0%
Spanish Residents	100%
Fixed-rate loans for life	32.9%

Source: UCI.

Original Term vs Remaining Term

The original WA term of the portfolio was 31.9 years with 79.5% having an original term greater than 30 years and 36.7% having an original term greater than 35 years. The current WA remaining term of the portfolio is 27.2 years, with 25.3% of the portfolio having a remaining term greater than 30 years and 0.1% having a remaining term greater than 35 years.

Exhibit 2: Loan Term Distribution

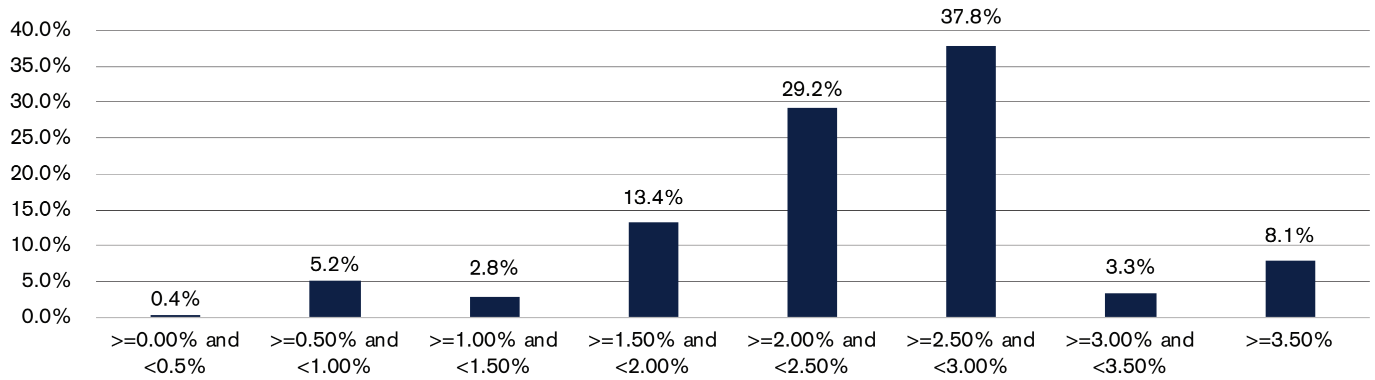


Source: UCI, DBRS, 30 March 2017.

Margin and Interest Rate

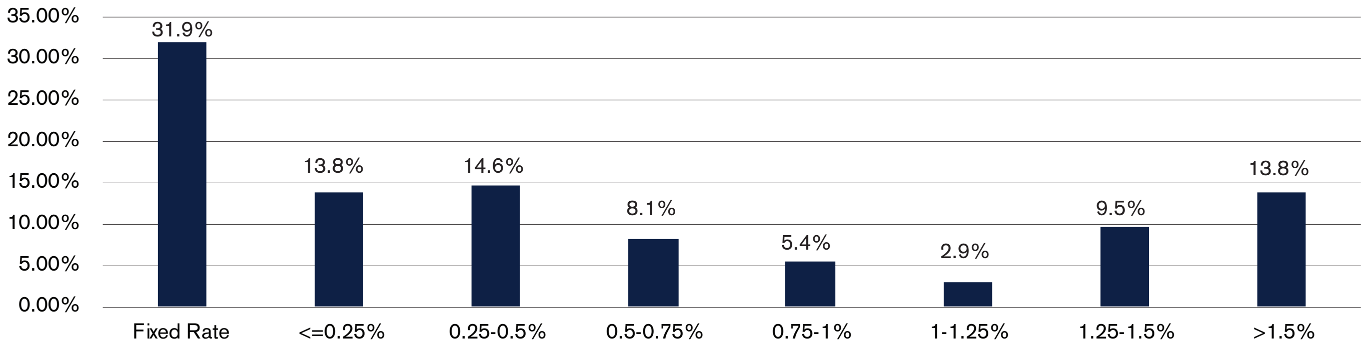
The WA interest rate of the portfolio is 2.5%, while the WA margin (of the Euribor tracking loans) is 1.4%. Approximately 92.5% of the portfolio has an interest rate below 3.5% given the combination of floating-rate loans and the current low interest rate environment.

Exhibit 3: Interest Rate Distribution (%)



Source: UCI, DBRS, 30 March 2017.

Exhibit 4: Interest Rate Margin (%)



Source: UCI, DBRS, 30 March 2017.

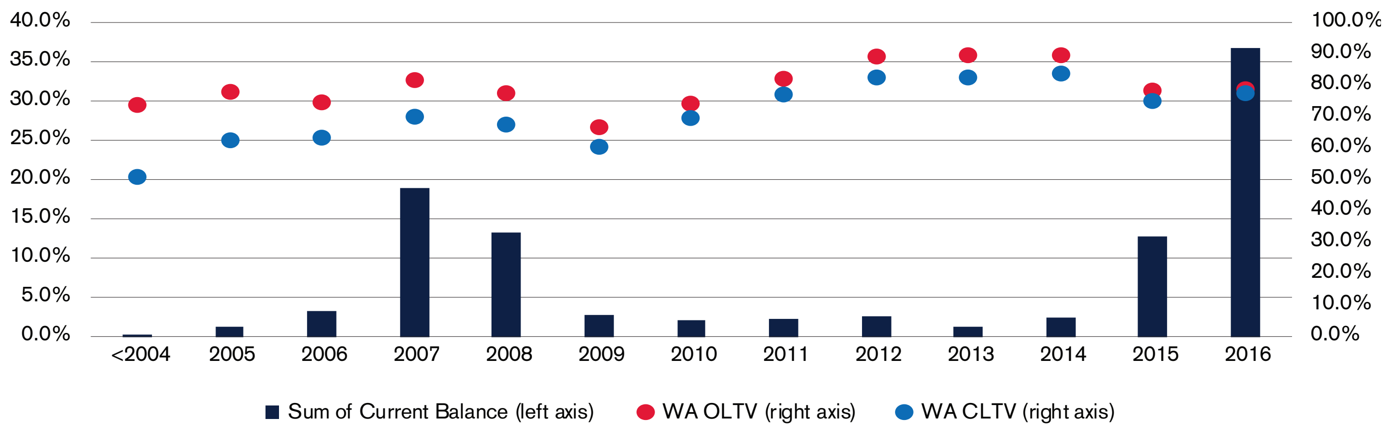
The loans in the pool consist of the following interest rate types:

- Approximately 15.3% of the pool are short-term fixed rate loans with fixed-rate periods of three, five, seven or ten years, with a current interest rate of 2.70%. The short-term fixed rate loans revert to Euribor or IRPH. The WA remaining term of these short-term fixed rate loans is 5.5 years.
- Following the end of the fixed-rate period for short-term fixed-rate loans, the interest rate index across the pool will be distributed as follows: 36.8% IRPH and 30.3% 12-month Euribor, with the remaining 32.9% being the fixed-rate loans. 95.9% of the floating-rate portfolio will have a semi-annual reset of its index
- Fixed-rate for life loans represent 32.9% of the pool with a WA interest rate of 2.89%.

Origination Vintages

Approximately half of the portfolio was originated in recent years (37.9% originated in 2016 and 13.1% in 2015) and about one-third was originated during the years 2007 and 2008 (18.9% originated in 2007 and 12.6% in 2008).

Exhibit 5: Origination Vintages/LTVs

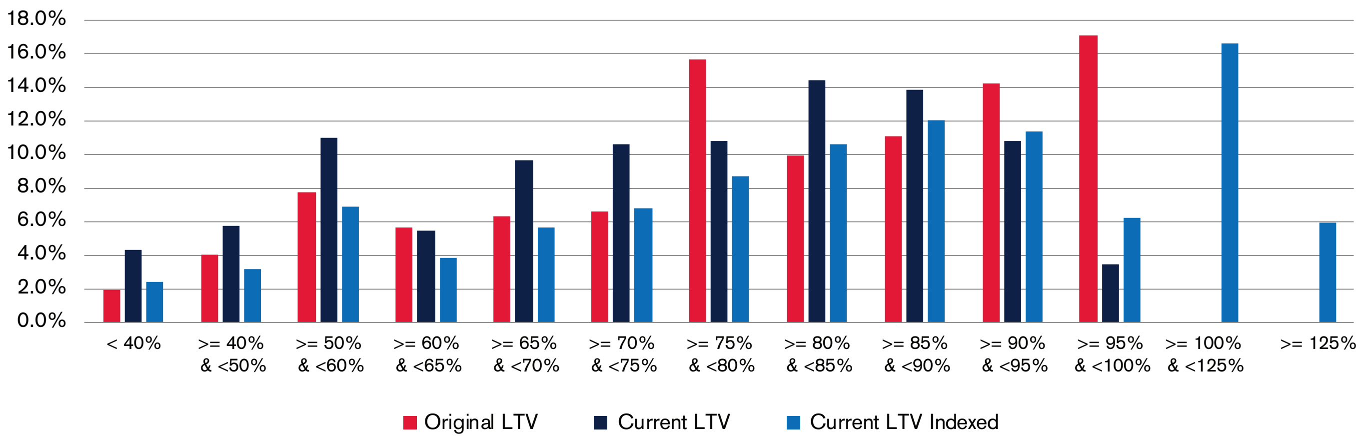


Source: UCI, DBRS, 30 March 2017.

LTV Distributions

The WA original LTV of the portfolio is 79.4% with 53.9% having an original loan-to-value (OLTV) greater than 80% and no borrowers having an OLTV greater than 100.0%. The WA current LTV of the portfolio is 71.3%, with 42.3% having a current LTV greater than 80.0% and less than 100.0%. As a result of severe house price declines since the peak origination vintages, the WA current indexed LTV (INE data Q42015) is 85.9%, with 62.5% having a current indexed LTV greater than 80.0% and 21.9% having a current indexed LTV greater than 100.0%.

Exhibit 6: Loan to Value Distribution

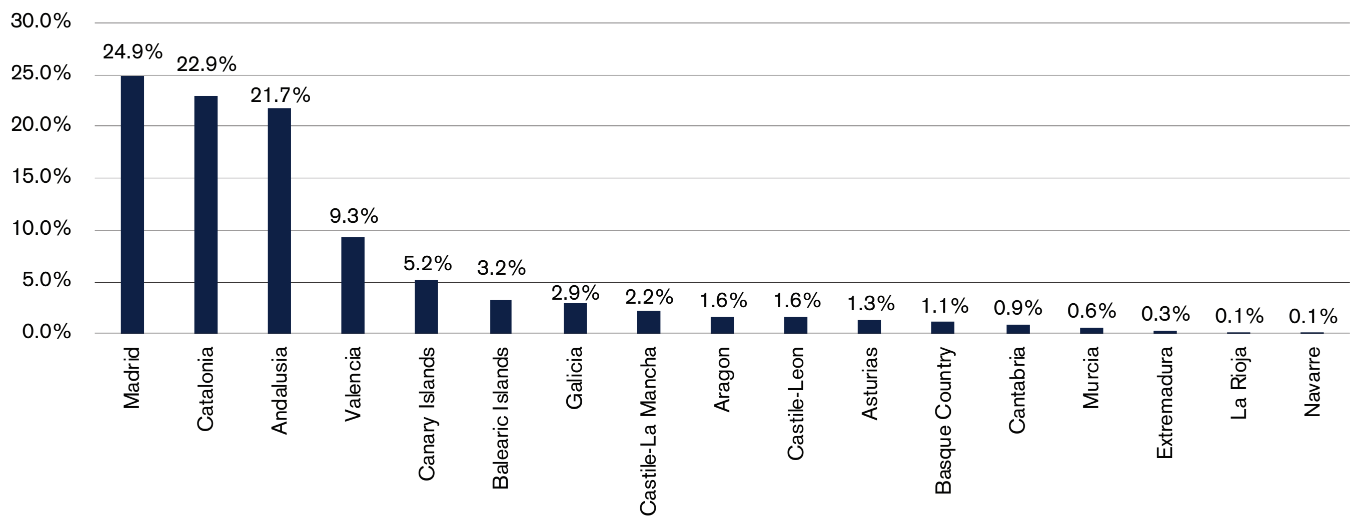


Source: UCI, DBRS, 30 March 2017.

Geographic Breakdown

The pool is concentrated primarily in Madrid (25.2%), Catalonia (23.2%) and Andalusia (21.6%). This is consistent with that of other Spanish RMBS transactions rated by DBRS.

Exhibit 7: Regional Distribution



Source: UCI, DBRS, 30 March 2017.

Spanish house prices have rebounded 11.2% on a national level since the first quarter of 2014, following the peak-to-trough drop of -37.3%. House price declines in the most populous regions of Spain (Madrid, Andalusia and Catalonia) were very severe during the crisis, with only Andalusia experiencing a peak-to-date decline (-29.7%) lower than the national average observed for Spain (-37.3%). However, these regions have had sharper rebounds, as seen in the table and chart below:

Region	Prado IV (pool composition)	Peak to Trough	Change from Q1 2014 to Q4 2016
National	100.0%	-37.2%	11.2%
Madrid	25.2%	-43.0%	19.0%
Catalonia	23.2%	-46.6%	16.9%
Andalusia	21.6%	-29.6%	8.0%

Source: UCI, INE

DBRS uses the Spanish House Price model to generate market value declines (MVDs) for each rating scenario. The Spanish MVDs are estimated at the national level and for 19 autonomous regions.

Rating Analysis

The ratings are based upon a review by DBRS of the following analytical considerations:

- Transaction capital structure and form and sufficiency of available credit enhancement.
- The credit quality of the mortgage loan portfolio and the ability of the servicer to perform collection activities. DBRS calculated probability of default (PD), loss given default (LGD) and expected loss outputs on the mortgage loan portfolio.
- The ability of the transaction to withstand stressed cash flow assumptions and repay the Class A notes according to the terms of the transaction documents. The transaction cash flows were modelled using portfolio default rates and loss given default outputs provided by the European RMBS Insight Methodology. Transaction cash flows were modelled using Intex.
- The sovereign rating of the Kingdom of Spain rated A (low)/Stable and R-1 (low)/Stable (as of the date of this report).
- The legal structure and presence of legal opinions addressing the assignment of the assets to the Issuer and the consistency with DBRS's *Legal Criteria for European Structured Finance Transactions* methodology.

Historical Performance Data

DBRS received the following set of data from UCI:

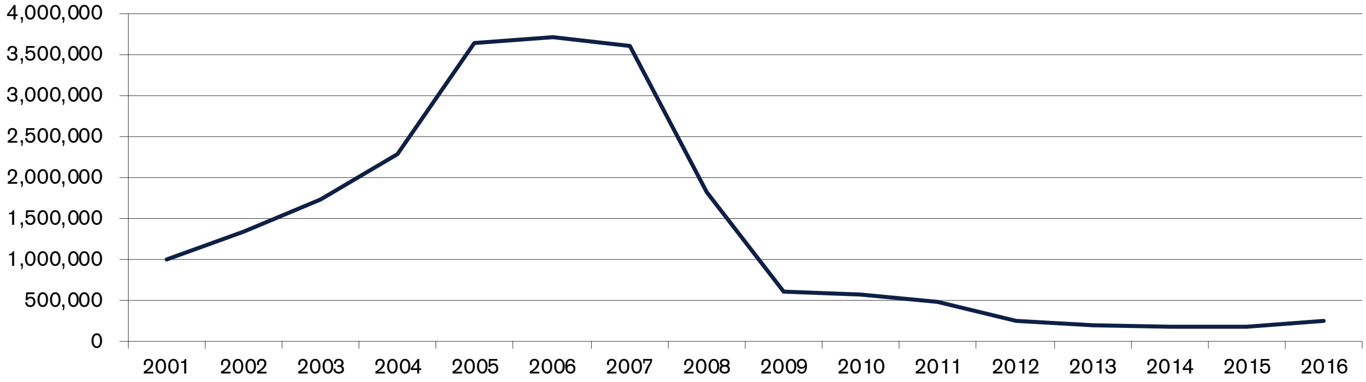
- Static cumulative 3+ months arrears, 3+ months arrears (including REO), 6+ months arrears and 12 months arrears.
- Cumulative recovery data 3+ months arrears
- Dynamic arrears and prepayments
- Loan-level repossession data
- Static origination volume

The originations covered the period Q1 2001 through Q4 2016.

UCI Originations:

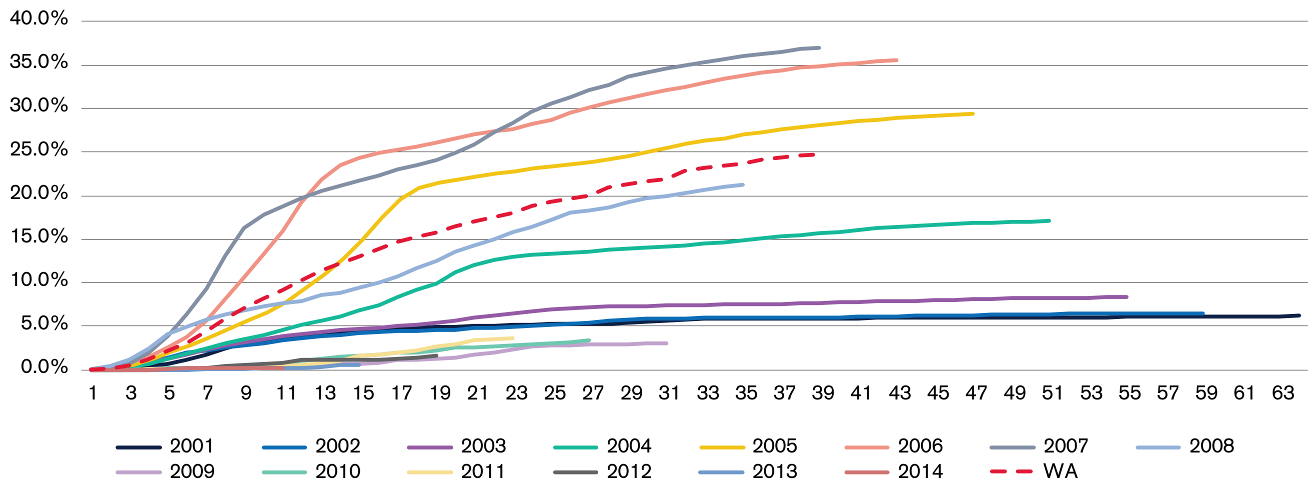
UCI originations have followed a similar trend to the overall Spanish market where volumes peaked in 2007 and dropped significantly through 2009. Annual UCI volumes peaked in 2006 at approximately EUR 3.7 billion. Volumes remained high in the following year at EUR 3.6 billion, but dropped steadily as lending volumes on a national level decreased. 2015 lending volumes for UCI were EUR 183 million in Spain, about 5% of the volumes lent in 2006. In 2016 UCI origination volumes increased by 38.7% to reach EUR 255 million in Spain.

Exhibit 8: UCI Lending Volumes (EUR Thousands)



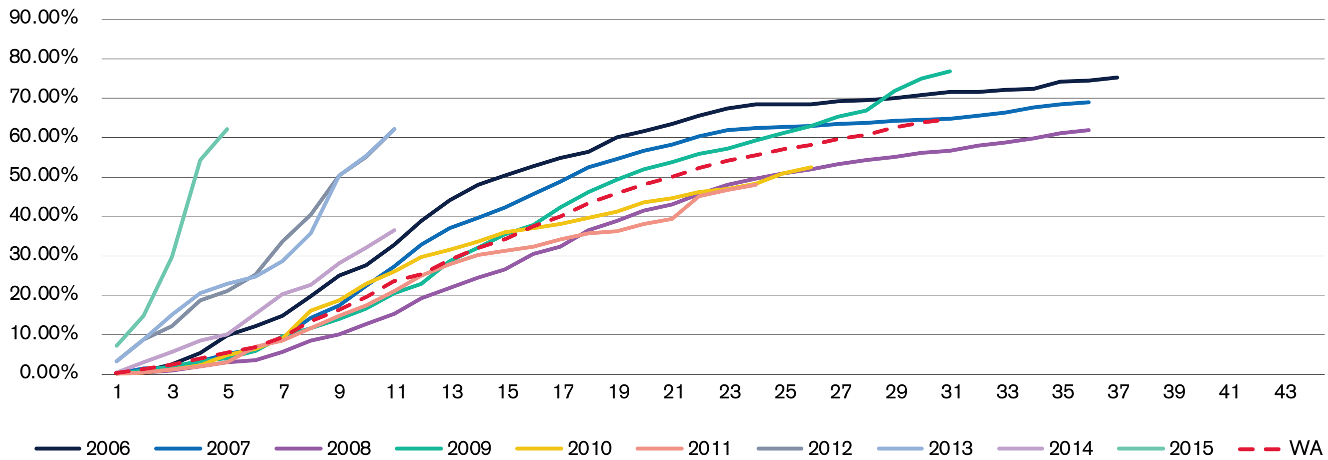
Source: UCI, DBRS, 30 March 2017.

Exhibit 9: Cumulative 3+ Months Arrears



Source: UCI, DBRS, 30 March 2017.

Exhibit 10: Cumulative 3+ Months Recoveries



Source: UCI, DBRS, 30 March 2017.

European RMBS Insight Analysis

The portfolio was analysed using the European RMBS Insight Model with the parameters for the Spanish Mortgage Scoring Model (MSM) used to score the credit risk of the loans and forecast portfolio default rate (PDR) and expected loss (EL) in the base case and stressed rating scenarios. The European RMBS Insight Model also takes into account the underwriting guidelines of the Issuer, product types, relative quality of historical performance, etc. by assigning an underwriting score to the portfolio.

For Prado IV, DBRS divided the portfolio into two different sub-pools: the first one includes 93.0% of the portfolio that has never been restructured, to which DBRS assigned a Spanish Underwriting Score of 4. The second sub-pool of 7.0% of the portfolio includes loans that were restructured in the past but have been performing on average for around three years. DBRS assigned a Spanish Underwriting Score of 6 to this sub-pool.

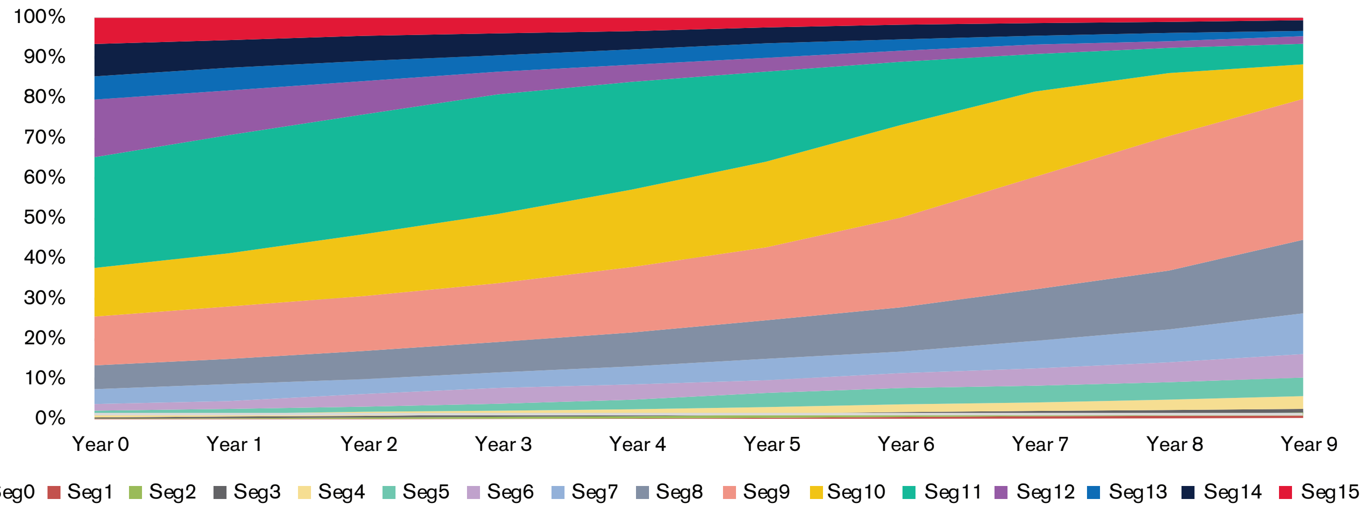
The first sub-portfolio was assigned a Spanish Underwriting Score of 4. The calculated weighted-average life (WAL) of the portfo-lio assuming a 2% conditional prepayment rate (CPR) is 8.9 years. 74.9% of the initial portfolio is scored in the risk segments be-tween 10 and 15 per the DBRS European RMBS Insight Model. In year 4, 62.5% is scored in the higher risk segments with 29.8% remaining in the higher risk segments by year 8. See below for further details on the risk segment migration of the portfolio over time.

The second sub-portfolio was assigned a Spanish Underwriting Score of 6. The calculated WAL of the portfolio assuming a 2% conditional prepayment rate (CPR) is 8.7 years. 67.1% of the initial portfolio are scored in the risk segments between 10 and 15 per the DBRS European RMBS Insight Model. In year 4, 52.1% are scored in the higher-risk segments with 39.4% remaining in the higher-risk segments by year 8. See below for further details on the risk segment migration of the portfolio over time.

DBRS criteria considers foreclosure costs when calculating loss-given defaults. In accordance with the criteria DBRS estimates foreclosure costs to be 8% of the outstanding loan balance and a fixed cost of EUR 5000.

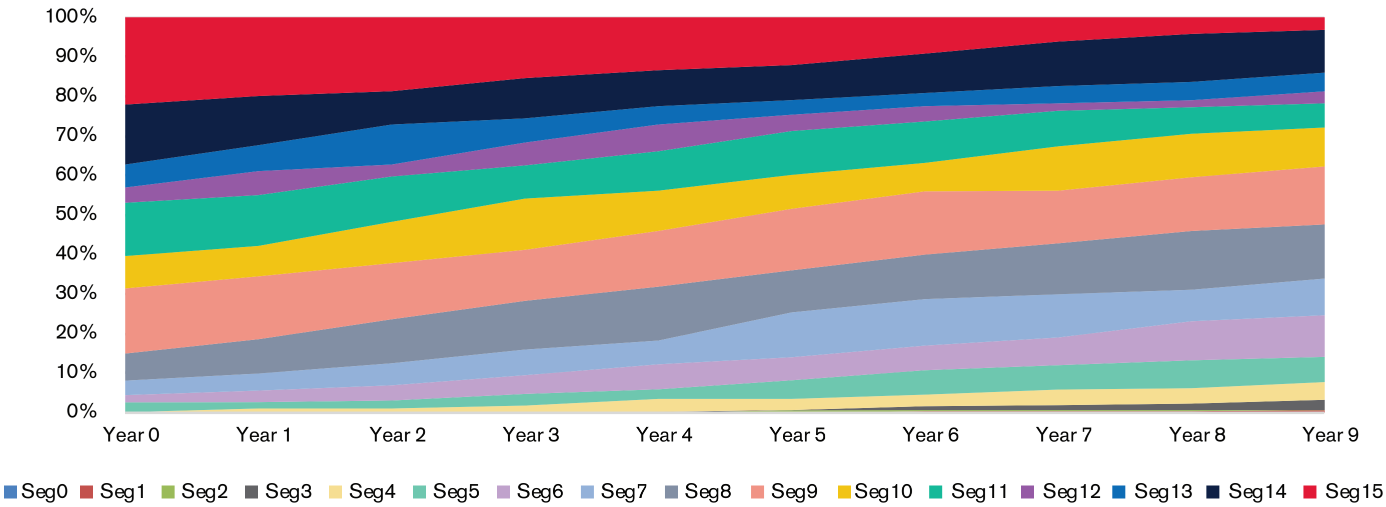
See Exhibit 11 and Exhibit 12 for further details on the risk segment migration of the portfolio over time.

Exhibit 11: Sub Portfolio 1 - Risk Segmentation Migration



Source: UCI, DBRS, 30 March 2017.

Exhibit 12: Sub Portfolio 2 - Risk Segmentation Migration



Source: UCI, DBRS, 30 March 2017.

The results of the model were used as the inputs into the cash flow analysis of the structure. The results of the model at the AAA (sf) rating scenario and base case are listed below:

Rating Scenario	PDR	LGD	EL
AAA (sf)	37.3%	52.4%	19.6%
Expected Base Case	9.7%	31.5%	3.1%

Cash Flow Scenarios

To assess the timely payment of interest on the notes and the ultimate payment of principal on the Class A notes, DBRS applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium and high CPR assumptions) and interest rate stresses as per its *Unified Interest Rate Model for European Securitisations* methodology. Because of the low prepayment rates observed in the Spanish mortgage market, DBRS also tested additional 0% CPR scenarios.

Based on a combination of these assumptions, a total of 16 cash flow scenarios were applied to test the performance of the rated notes (see Exhibit 13).

Exhibit 13

Scenario	Pre-payments	Default timing	Interest Rate
1	0%	Front	Upward
2	0%	Front	Downward
3	0%	Back	Upward
4	0%	Back	Downward
5	5%	Front	Upward
6	5%	Front	Downward
7	5%	Back	Upward
8	5%	Back	Downward
9	10%	Front	Upward
10	10%	Front	Downward
11	10%	Back	Upward
12	10%	Back	Downward
13	20%	Front	Upward
14	20%	Front	Downward

15	20%	Back	Upward
16	20%	Back	Downward

Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its *Unified Interest Rate Model Methodology for European Securitisations* methodology. DBRS also stressed the spread between IRPH and Euribor.

Loan Modifications

As per the servicing agreement the servicer is allowed to modify loans within the portfolio aside from the good servicing practices defined by the Bank of Spain. These modifications can be made without the Management Company's consent and are subject to the following requirements and limitations:

- No further advances to the borrowers.
- No modifications in the frequency of the instalments.
- No renegotiation of the interest rate margin over the interest index below 0.5% if the reference rate used is Euribor, or below -0.4% if the reference rate used is the Mortgage Loan Benchmark Index (Índice de Referencia de Préstamos Hipotecario or IRPH).
- Extension of maturity of the loan as long as the final maturity date is not extended beyond 36 months before the legal maturity date of the Fund.
- Interest rates may be renegotiated to change a given variable interest rate to another fixed rate of interest.

DBRS has stressed 15% of the portfolio to limit the margin to relevant levels and extend the maturity of the loans to the maximum date in its cash flow analysis.

Timing of Defaults and Recovery Lag

DBRS used ten-year front- and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis per the European RMBS Insight Methodology.

Risk Sensitivity

DBRS estimated the PD and LGD for each pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on credit ratings. Exhibit 14 illustrates the sensitivity of the rating to various changes in the base case PD and LGD assumptions in the respective rating scenarios:

Exhibit 14

Class A

Increase in LGD (%) \ Increase in Default Rate (%)	0	25	50
0	AAA	AA (low)	A
25	AA (high)	A (high)	BBB (high)
50	A (high)	A (low)	BBB

Appendix

Methodologies Applied

The principal methodologies applicable to assign ratings to the above referenced transaction are *European RMBS Insight Methodology and European RMBS Insight: Spanish Addendum.*

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions*
- *Unified Interest Rate Model Methodology for European Securitisations*
- *Operational Risk Assessment for European Structured Finance Servicers*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Derivative Criteria for European Structured Finance Transactions*

The rating methodologies and criteria used in the analysis of this transaction can be found at: http://www.dbrs.com/about/methodologies. Alternatively, please contact info@dbrs.com.

Surveillance Methodology

The transaction is monitored by DBRS in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at www.dbrs.com under the heading Methodologies; alternatively, please contact info@dbrs.com.

Note:
All figures are euros unless otherwise noted.