Rating Report

FT RMBS Santander 5

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Insight beyond the rating.

Ratings and Issuer's Assets and Liabilities

Debt	Par Amount 1	Initial Subordination 2	Coupon	Rating	Rating Action
Series A	€1,013,600,000	25.5%	3-month Euribor + 0.60%	A (low) (sf)	Provisional Rating - Finalised
Series B	€261,400,000	5.0%	3-month Euribor + 0.63%	CCC (sf)	Provisional Rating - Finalised
Series C	€63,700,000	0.0%	3-month Euribor + 0.65%	C (sf)	Provisional Rating - Finalised

Notes:
1 As at the issue date.
2 Subordination is expressed in terms of portfolio size and includes the Reserve Fund for the Series A and Series B notes.
3 The Reserve Fund will be fully funded through the issuance of the Series C notes on the issue date.

	Initial Amount (€)	Size
Asset Portfolio	€1,275,000,000	100.00%
Reserve Fund 3	€63,700,000	5.00%

DBRS Ratings Limited (DBRS) has finalised its provisional ratings assigned to the notes issued by FT RMBS Santander 5 (Santander 5 or the Issuer), a securitisation fund issued on 15 December 2015 under Spanish Securitisation law. The Series A and Series B bonds were issued at closing to finance the purchase of a portfolio of first-lien mortgages, secured over properties located in Spain, while the Series C bonds were issued to fund the Reserve Fund. The transaction is managed by Santander de Titulización, SGFT (the Management Company). Santander will be the servicer of the portfolio.

Portfolio Summary (23 November 2015)

Portfolio Balance	€1,275,000,037	Asset Class	RMBS
Average Balance per Borrower	€144,099	Governing Jurisdiction	Kingdom of Spain
Weighted Average Seasoning	77.8 months	Sovereign Rating	A (low)
Current Combined LTV	72.8% [1]		

Transaction Overview

Transaction Parties

Role(s)	Counterparty	Rating
Issuer	FT RMBS Santander 5	NR
Originator	Banco Santander SA (including Banesto & Banif)	'A' Stable Trend / R-1 (low) Stable Trend (Banesto and Banif NR)
Seller	Banco Santander SA	'A' Stable Trend / R-1 (low) Stable Trend
Servicer	Banco Santander SA	'A' Stable Trend / R-1 (low) Stable Trend
Subordinated Loan Provider (Reserve Fund and Initial expenses)	Banco Santander SA	'A' Stable Trend / R-1 (low) Stable Trend
Treasury Account Bank	Banco Santander, SA	'A' Stable Trend / R-1 (low) Stable Trend
Paying Agent	Banco Santander, SA	'A' Stable Trend / R-1 (low) Stable Trend
Arranger and Management Company	Santander de Titulización SGFT	NR

1. DBRS Calculation.

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Relevant Dates

Issue Date	15 December 2015
First Payment Date	18 April 2016
Payment Dates	Quarterly on the 17th of January, April, July and November each year
Collection Period	Each day of any calendar month
Final Maturity Date	1 August 2061
Legal Final Maturity Date	17 October 2065

Rating Considerations

- Macroeconomic conditions in Spain moderately improved in 2015. However, real GDP is yet to return to 2011 levels. On the positive side, real GDP in 2014 grew 1.4% versus 2013 and increased 3.4% through Q3 2015, according to the Office of National Statistics (Instituto Nacional de Estadística (INE)). Unemployment figures continue to improve and were down to 21.2% through Q3 2015 from the peak of 26.9% at the beginning of 2013. On the other hand, the Spanish economy was supported by a combination of external factors such as the European Central Bank's bond purchase policy, low interest rates as well as lower oil and energy prices. The economy has still to prove how the long-term structural reforms and potential political transition risks will influence future growth.
- Property values showed moderate signs of improvement in 2015. Home prices reached a recent trough on a national level at the beginning of 2014, according to INE. Peak-to-trough declines were -37.3% on the national level. Regional declines ranged between -29.7% in Andalusia and -47.3% in Navarre. Through Q3 2015, national home prices increased 6.5% since bottoming out.
- Of the securitised loans, 26.8% were part of Santander's forbearance portfolio, which in previous transactions (Santander RMBS 1, 2, 3 and 4) DBRS classified as modified or high risk loans. These borrowers have experienced previous difficulties paying the contractual instalments of their mortgages or other loan products they might have with Santander. Of the remaining loans in the portfolio, 1.5% have been further classified as high risk under the DBRS approach, as they combine other negative characteristics. DBRS considers these higher risk, which is reflected in the higher default assumptions.

Strengths

- **Seasoning:** The mortgage portfolio has a weighted-average seasoning of 6.5 years.
- **Diversified Portfolio:** The portfolio has a very granular distribution, with 8,856 loans to 8,842 different borrowers and with the three largest Spanish autonomous regions being Madrid (25.9%), Andalusia (17.7%) and Cataluña (13.4%).
- **Sequential Amortisation:** The Series A notes will benefit from full sequential amortisation. Principal amortisation includes a provision mechanism for defaults (loans more than 18 months in arrears) through the utilisation of excess spread in the transaction waterfall. Furthermore, in high default scenarios, the scheduled interest of the subordinated Series B notes will be deferred, and the funds will instead be applied for the repayment of the Series A notes.
- **Reserve Fund:** The Reserve Fund provides liquidity and credit support to the Series A and B notes.

Rating Considerations (CONTINUED)

Challenges and Mitigating Factors

- **Loan modification:** Of the mortgage pool, 26.8% had a loan modification and 1.5% is considered to have a high risk borrower profile.

  Mitigants: Even though none of the loans had been more than three months in arrears, DBRS deems these loans to be riskier, thus additional stresses were applied to factor potential increases on defaults.
- **Foreign Borrowers**: 4.1% of loans were granted to foreign borrowers or borrowers without provided nationality.

  Mitigants: Foreign borrower loans were stressed by applying a default penalty of 1.2.
- **Self-Employed:** Self-employed borrowers represented 12.7% of the portfolio.

  Mitigants: Self-employed borrower loans were stressed by applying a default penalty of 1.15.
- **Principal Grace Periods:** Approximately 10.2% of loans have benefited from of a principal grace periods in the past.

  Mitigants: (1) DBRS has assumed loans with a grace period as Short-Term, Interest-Only loans to compute base case assumptions, (2) loans with a grace period were included within the high-risk sub-portfolio for the loss analysis and (3) the loans' grace periods were cash flow modelled.
- **Renegotiations:** Santander is able to renegotiate the loan maturity and margin on the loans subject to strict criteria.

  Mitigants: DBRS reflected this optionality in its cash flow modelling by extending for 10% of the portfolio the maturity to the longest possible date and compressing the spread of the loan margins to the applicable margin in line with the renegotiation criteria.
- **Basis Risk:** The basis risk in this transaction is unhedged.

  Mitigants: (1) Basis risk is limited, as the collateral mostly pays 12-month Euribor, with all of the loans paying monthly and having a reset period of 12 months, while the notes pay 3-Month Euribor; and (2) the Reserve Fund and subordination of Series B minimises the basis risk to the Series A notes.

Transaction Structure

Transaction summary

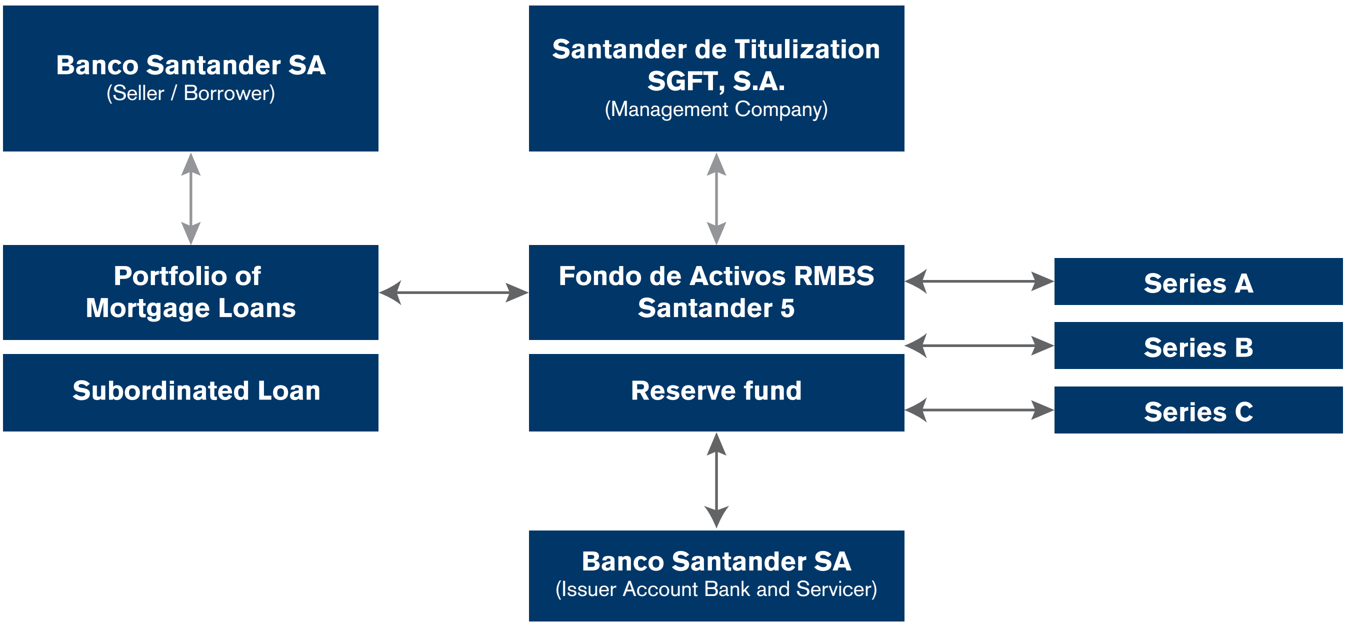
Currencies	Issuer's assets and liabilities are denominated in euro (€)
Relevant Legal Jurisdictions	Mortgage loans are assigned to the Issuer as a true sale pursuant to Spanish securitisation laws. The issuer is a securitisation fund incorporated under Spanish securitisation law.
Interest Rate Hedging	none
Basis Risk Hedging	none
Cash Reserve	Provides liquidity support and credit support to cover shortfalls on the payment of senior fees, interest and principal shortfalls on the Series A and Series B notes.

Initial Amount:	€63,700,000 - 5.0% of the initial balance of the rated notes (Series A and B)
Target Amount	10.0% of the principal outstanding amount of the Series A and Series B notes.
Step-up	N. A
Amortisation	Reduces to zero after full repayment of the rated notes

Commingling Reserve	none

Transaction Structure (CONTINUED)

The transaction structure is summarised below.



Source: DBRS graphic.

Counterparty Assessment

Account Bank

Banco Santander, SA (Santander) is the Account Bank and Paying Agent for the transaction. DBRS publically rates Santander 'A' with a Stable trend and concluded that it meets DBRS's minimum criteria to act in such capacity. The transaction contains downgrade provisions relating to the Account Bank where, if downgraded below BBB (high), the Issuer will replace the Account Bank. The downgrade provision is consistent with DBRS's criteria for the initial rating of A (low) (sf) assigned to the Series A notes.

Servicing of the Portfolio and Collections

All mortgage borrower payments of the pool are collected by Santander under a direct debit scheme. Payments are transferred from the servicer account to the treasury account held at the Account Bank in the name of the fund no later than 48 hours after receipt of funds. In the event of insolvency of the Servicer, and until notification is delivered to the relevant borrowers to redirect their payments, payment collections may be commingled with other funds belonging to Servicer.

In case of termination of the servicing agreement with Santander, the Management Company is responsible for appointing a new servicer. In case of the servicer's DBRS rating being downgraded below BBB (low), the servicer would need to (1) find a replacement servicer, (2) find a back-up servicer or (3) fund a commingling reserve in line with DBRS criteria. DBRS believes that the Servicer's current financial condition together with the provisions mitigates the risk of a disruption in servicing following a servicer event of default, including insolvency.

The treasury account was established with the Account Bank at the close of the transaction to hold the following amount during the relevant collection period:

- Principal and interest collections.
- Any other amount derived from the collateral mortgage pool, such as the proceeds received from the sale of foreclosed properties.
- The Reserve Fund amount.
- Return on the amounts deposited in the bank account.

The treasury account bank will pay a rate of interest on the funds deposited in the account equal to the greater of 3-Month Euribor or zero. If the Account Bank's DBRS rating is downgraded below BBB (high), within 30 days, the Management Company on behalf of the fund would need to (1) find a guarantor with a minimum DBRS rating of BBB (high) who will guarantee unconditionally and irrevocably the obligations of the treasury account agreement or (2) find a replacement.

Transaction Structure (CONTINUED)

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

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.
2. Interest due on the Series A notes.
3. Interest due on the Series B notes unless its payment is deferred to the fifth place in the priority of payments according to the trigger condition detailed below.
4. Amounts paid to amortise the Series A and Series B notes in accordance with the transaction documentation.
5. Payment of interest due on the Series B notes when this payment is deferred from the third place in the priority of payments, as a result of the trigger condition.
6. Replenishment of the reserve fund to the target level.
7. Interest due on the Series C notes.
8. Amount required to amortise the Series C notes in accordance with the transaction documentation.
9. Interest due on the Subordinated Loan for initial expenses.
10. Amounts paid to amortise the Subordinated Loan.
11. Servicing Fee (if Santander is no longer the servicer).
12. Excess cash.

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.
2. Interest due on the Series A notes.
3. Amounts paid to amortise the Series A notes.
4. Interest due on the Series B notes.
5. Amounts paid to amortise the Series B notes.
6. Interest due on the Series C notes.
7. Amounts paid to amortise the Series C notes.
8. Interest due on the Subordinated Loan.
9. Principal due on the Subordinated Loan.
10. Administration fee (as long as Santander is the servicer).
11. Payment of the Extraordinary Payment of the Series C notes (any excess spread remaining after 1 to 10).

Principal Amortisation

Available funds to amortise principal are defined as the lower of (1) amortisation amounts for the Series A and Series B notes or (2) amounts available after payment of items 1 to 3 of the pre-enforcement waterfall. The amortisation of the Series A and Series B notes will equate to the positive difference between (1) the amount outstanding of the Series A and Series B notes on each interest payment date and (2) the outstanding balance of the non-defaulted portfolio. According to the transaction documents, defaulted loans are defined as loans more than 18 months in arrears. The Series A notes benefit from full sequential amortisation, with principal payments on the Series B notes starting once the Series A notes are redeemed in full. The Series C notes will amortise in line with the amortisation of the Reserve Fund. The amortisation of the Series C will equate to the positive difference between the principal amount outstanding of the Series C notes and the Reserve Fund Target Amount. The Series C notes can only amortise if the following events are met:

Transaction Structure (CONTINUED)

1. The Reserve Fund is replenished up to its target amount.
2. Loans in 90+ days arrears are below or equal to 1% of the performing collateral balance.
3. The seasoning of the notes is greater than three years.

Series B Notes Interest Deferral Triggers
Interest due on the Series B notes will be deferred to fifth place of the Pre-Enforcement waterfall if the cumulative outstanding amount of defaulted loans as a percentage of the original outstanding balance is above 15% and the Series A notes are still outstanding.

Origination and Servicing

DBRS conducted an updated operational review of Banco Santander's residential mortgage operations in June 2014. DBRS considers the originations and servicing practices of Santander to be consistent with those observed among other Spanish banks.

In addition to that for the Banesto-originated portion of the portfolio, DBRS received the policies and procedures of the underwriting and servicing process. The servicing process particular to Banesto might be less relevant in light of the integration of Banesto into Santander, and Santander's acting as the sole servicer in the transaction.

Santander was founded in 1857 and is based in Santander, Spain. Historically, Santander has had a strong presence abroad, beginning in 1947 with expansion into South America. Today, the bank is the largest banking group in Spain and is active in over 30 countries with around 187,000 employees, over 14,300 branches and over 100 million customers worldwide.

In December 2012, it was agreed by the board of Banco Santander to fully integrate Banesto into the Santander Group, with the finalisation of the process in May 2013. Since then, the operational integration has been undertaken.

As of end-June 2013, Santander's mortgage loan portfolio totalled €81.4 billion, equating to just over 8% of the total Spanish mortgage market. Santander plans to gradually increase its presence in the mortgage market over the next three years, aiming for a 15% market share by 2016.

1. Origination and Underwriting

Origination
All originations for Santander are internally sourced through their respective branch networks, with oversight and support from the regional or territory offices. Santander specialises in providing retail banking services to individuals, professionals, small- and medium-sized enterprises (SMEs) and large corporates. The branches are responsible for managing the relationship with the borrower as well as collecting data and the required documentation and inputting the information into the respective credit scoring system and rating model, where applicable.

Santander offers the standard mortgage loan products common in the Spanish market, including fixed- and variable-rate loans. Residential mortgage loans are typically capped at an 80% loan-to-value (LTV), although higher LTVs are possible with additional guarantees and approval outside the branch office. The LTV limit for loans backed by commercial properties has been lowered in recent years and ranges from 60% to 70%, depending on the asset type. The maximum lending amount for non-owner-occupied residential assets is typically below 80%. Variable-rate loans with an interest rate floor comprise the bulk of the mortgage portfolio, although fixed rate loans are available. As with other Spanish banks, the vast majority of loans are on monthly payment schedules, although quarterly and/or semi-annual payment options are available with head office approval.

Underwriting
The underwriting and loan approval process at Santander is generally consistent with the overall Spanish market and is performed at the local branch. As is consistent with the overall Spanish market, full income verification is conducted on all individual borrowers and includes collection of pay slips, review of bank accounts and tax returns, particularly for self-employed applicants. For SMEs and corporate clients, audited financial statements for the last two years, tax returns, acts of incorporation and lists of outstanding loans are reviewed.

Santander employs credit scoring and rating models that incorporate credit bureau data, sector data, financial statements and qualitative elements. The internal ratings apply mainly to SMEs and corporates and some self-employed borrowers. Ratings are

Origination and Servicing (CONTINUED)

based on a standard probability of default calculation and have been reviewed and approved by the Bank of Spain. The internal rating systems are also regularly back-tested and validated. The ratings (and credit scores for individual borrowers) are mainly used for assessing the borrower's creditworthiness and overall risk profile and are used as an ongoing monitoring tool, including some behavioural scoring functionality with monthly or quarterly updates of credit bureau data.

Santander's approval authority limits are generally consistent with other Spanish banks. Approval levels are set according to competency and size, particularly branch-level authority as well as the risk profile of the borrower and the loan type (secured or unsecured). DBRS also notes that the approval limits are based on the total borrower or economic group exposure and not to individual loans; such policy is consistent with the wider Spanish market and in compliance with regulatory guidelines.

If a loan is rejected by the system, the branch can only appeal the decision with additional supporting information and the approval of at least the branch manager before being reviewed by a risk analyst. Only 10% of system rejections can be appealed.

For Banesto, the process is conceptually very similar and might be only different in certain aspects, such as to the calibration of the scoring models and approval rates. These differences should be possible to observe in the vintage analysis.

Valuations

Santander has an internal appraisal department responsible for carrying out valuations of select properties based on internal guidelines, managing external valuers and reviewing all valuations conducted by external appraisers. All appraisals are performed according to Santander guidelines, and standard valuation templates are used. For loans less than €500,000, the valuation process is outsourced, and the values set for commercial assets are typically haircut by 10% to 15%.

All assets are revalued annually using statistical valuation data (indexation), although a full appraisal is conducted for assets more than €3 million, and a second appraisal may be order if a 15% variance exists from the previous valuation.

Again, similar processes are in place for Banesto, as the whole part of the business is exposed to the same rules and regulations.

Summary strengths

- Largest Spanish bank and top 20 global bank, with significant opportunities for growth within the Spanish mortgage market given low market share (~8%).
- Strong securitisation experience with numerous transactions covering all major asset classes issued since 2001.

Summary weaknesses

- Majority of loans approved at the branch level.

  Mitigant(s): Branch approval based on size and competency level of the respective management team and subject to policy rules. The risk profile of the borrower is also taken into account in setting approval limits. Lower limits for unsecured positions and good experience among the underwriting and credit risk team.

2. Servicing

Servicing activities at Santander are comparable to other Spanish banks, with some centralisation of administrative functions in the respective bank's head office and primary borrower contact, including collections and early arrears management activities managed at the local branches. Payments are primarily made through direct debit, as most of the borrowers have current accounts with the respective bank.

Santander's commercial management and risk management departments have a close relationship, and the Bank has different systems to manage the monitoring of risk.

Santander's alert system is based on monitoring the credit quality of the clients and their transactions. The clients are classified in the system as either 'Normal' or 'Special Surveillance'. Under the Special Surveillance category, the branch agent will determine the level of risk associated with specific clients.

The alerts are used to track the progression of a loan, anticipate credit issues and take early preventative measures to mitigate risk. This system is based fundamentally on the analysis of a set of variables relating to transactions and to customers in order to detect possible anomalous deviations in their behaviour and to be notified of situations such as:

Origination and Servicing (CONTINUED)

- A problem within a sector,
- Changes in the company structure or with the shareholders,
- High debts,
- Variations in the rating levels,
- Overruns,
- Overdrafts,
- A delinquency tracking data base (CIRBE, RAI, EXPERIAN, etc.).

The rating of the client is reviewed at least twice a year, but this review could be earlier, depending on the system alerts.

Up until 2009, the recovery process was handled in the risk division; however, since 2009, the recovery process at Santander is performed by a dedicated department in the commercial area. The team provides surveillance for all the flagged loans and follows a recovery plan for all irregular portfolio movements created by these flagged loans. Additionally, Santander branches are used within the recovery process to contact the borrowers and aid recoveries.

The recovery process is broken down into phases based on the number of days in arrears:

- Day 1 to Day 90: In this phase, different departments are involved (such as the branch staff, call centres, agents and analysts), depending on the type of the client (i.e., Estandarizado or Carterizado).
- Day 91 to Day 150: All internal agents of the Bank continue with their recovery activities along with the outsourced recovery companies.

Most probable solutions of the proceedings are that delinquent clients are able to refinance the debt or pay off the debt in part or full; however, this is not always possible, as the client may no longer be considered creditworthy. If a lawsuit is presented, the judicial process can extend for 11 to 15 months, generally resulting in foreclosure. Once this process is finished, Santander will try to sell the foreclosed assets.

The operational loan management department is responsible for all loan management and servicing activities. Primary borrower contact is managed at the branch level, including early arrears management activities.

Like most Spanish banks, payments are primarily made through direct debit, although borrowers can submit payments or pay directly at the branch. The majority of loans are on monthly payment schedules, although the portfolio does include some quarterly, semi-annual and annual schedules, which are in line with the overall Spanish market.

The bank follows standard collections and arrears management strategies, including compliance with regulatory guidelines surrounding delinquency, watch list and default definitions. Borrower contact is managed through the local branch. Automated, standard letters are generated through the servicing system and sent to the borrower around day 15 and day 30. The bank's internal rating system is used to monitor the loan, including updates to the rating, and helps to set the appropriate workout strategy. Legal proceedings are initiated generally after a loan is officially classified as a default and all previous attempts at an out-of-court resolution have been exhausted.

Throughout the process of collections, Santander may restructure loans by way of a payment holiday. Currently, the bank has €3 million of loans that have been granted a payment holiday, which can last for up to two to three years. For SME loans, the restructuring can also be completed via a new loan that lasts between seven and ten years to increase the overall term of the loan.

Summary strengths

- Centralised servicing operations, particularly for medium- and late-term arrears.
- Significant enhancements to arrears management practices, including increase in workforce, use of external collectors and additional focus on technology and system improvements.

Opinion on Back-Up Servicer: No backup servicer at closing of the current RMBS transaction. DBRS believes that Santander's current financial condition mitigates the risk of a potential disruption in servicing following a servicer event of default, including insolvency.

Collateral Summary

DBRS received a loan tape to conduct the credit analysis of the portfolio (as of 23 November 2015). The portfolio represents residential mortgages originated by Santander, Banesto and Banif through its branch and brokers.

The assets in the portfolio are primarily floating-rate, first-lien mortgages secured by properties located in Spain. The loans are primarily floating-rate loans indexed to 12-month Euribor (96.5%). Approximately 99.7% of the loans pay monthly, with a small percentage paying semi-annually (0.1%) and the remainder paying either quarterly or annually. All of the loans are fully amortising.

The main characteristics of the portfolio are summarised below. All calculations are based on the portfolio as of 23 November 2015. The representation and warranties per the prospectus include the following:

- None of the mortgage loans have a final maturity date after the 1 August 2061.
- At the closing date, none of the loans will be more than 30 days in arrears.
- Loans initially granted to Santander employees who stop working for Santander will change their current interest rate at 65% of 12-month to the current interest rate in the market at the time the borrowers finish their relationship with the bank and the renegotiation takes place.

The final portfolio sold to the issuer will be static. However, the Seller will be able to substitute any loans that are found to have breached the representation and warranties with loans of similar credit characteristics.

Table 1: Summary Statistics

Number of Mortgage Loans	8,856
Number of Borrowers	8,842
Total Original Balance (€)	1,470,065,689
Total Current Balance (€)	1,275,000,037
Average Original Balance per Borrower(€)	166,229
Average Current Balance per Borrower(€)	144,099
Maximum Original Balance (€)	2,900,000
Maximum Current Balance (€)	2,854,580
WA Original LTV	85.2%
% >=80% OLTV	48.8%
WA Current LTV	72.8%
% >=80% Current LTV	29.5%
WA Current Indexed LTV	102.4%
% >=100 Current Indexed LTV	36.0%
WA Seasoning (years)	6.5
WA Residual Term (years)	24.5
WA Interest Rate	1.3%
WA Margin	1.0%
Self-Employed	12.7%
Owner Occupied	96.1%
Purchase Loans	97.2%
Foreign Nationals	4.1%
Second Liens	0.0%

Source: Data tape FT Santander RMBS 5.

Collateral Summary (CONTINUED)

Margin and Interest Rate

The weighted-average margin of the portfolio is 1.0%, while the weighted-average interest rate of the portfolio is 1.3%. This is very similar to previous Santander RMBS transactions.

DBRS also takes potential reductions of interest margins into consideration as allowed per the transaction documents (e.g., the servicer is allowed to renegotiate margins on loans down to a level of 1%).

Origination Vintages

The portfolio is well seasoned at 6.5 years. Of the current balance, 57.4% was originated after 2007. The weighted-average unindexed current loan-to-value (CLTV) stands at 72.8%, and the indexed CLTV (INE Q2 2015) is 102.4%. Loans with an indexed CLTV higher than 100% represent 36.0% of the loan portfolio.

Table 2: Current LTV Distribution by Originator

Originator	CLTV Bucket	Non Modified Pool	Modified Subset	Entire Pool
Banif/Banesto	10-20%	0.10%	0.06%	0.09%
	20-30%	0.31%	0.15%	0.27%
	30-40%	0.27%	0.34%	0.29%
	40-50%	2.06%	1.28%	1.85%
	50-60%	7.02%	2.69%	5.85%
	60-70%	8.85%	5.89%	8.05%
	70-80%	5.12%	9.46%	6.29%
	80-90%	1.36%	6.32%	2.70%
	90-100%	0.91%	5.88%	2.25%
	>100%	2.15%	5.79%	3.13%
Santander	0-10%	0.03%	0.02%	0.03%
	10-20%	0.28%	0.13%	0.24%
	20-30%	0.81%	1.25%	0.93%
	30-40%	1.80%	2.43%	1.97%
	40-50%	8.06%	5.26%	7.30%
	50-60%	13.78%	8.73%	12.42%
	60-70%	15.70%	13.01%	14.97%
	70-80%	6.45%	12.73%	8.15%
	80-90%	10.73%	6.93%	9.71%
	90-100%	7.84%	4.04%	6.81%
	>100%	6.37%	7.62%	6.71%
Grand Total		100.00%	100.00%	100.00%

Source: FT Santander RMBS 5 loan tape.

Collateral Summary (CONTINUED)

Geographical Distribution

The pool is primarily concentrated in Madrid (25.9%), Cataluña (13.4%) and Andalucía (17.7%).

Table 3: Split by Region and Average Original and Current LTVs (CLTV and OLTV)

Region	Current balance	Average OLTV	Average CLTV
Andalucia	17.7%	80.3%	71.8%
Aragon	2.7%	81.6%	74.7%
Asturias	1.6%	83.5%	75.6%
Baleares	2.4%	76.0%	66.4%
Canarias	6.8%	82.8%	72.2%
Cantabria	2.5%	80.3%	67.3%
Castilla-La mancha	3.5%	83.4%	73.9%
Castilla-Leon	4.5%	78.6%	66.5%
Cataluña	13.4%	79.3%	71.0%
Ceuta	0.1%	82.1%	72.9%
Extremadura	1.6%	86.0%	75.3%
Galicia	3.0%	80.3%	69.1%
La Rioja	0.3%	77.9%	65.7%
Madrid	25.9%	79.5%	70.7%
Melilla	0.1%	85.6%	67.4%
Murcia	1.6%	77.7%	66.2%
Navarra	0.8%	84.4%	75.3%
Pais Vasco	3.0%	82.1%	72.6%
Valencia	8.3%	79.7%	69.4%
Grand Total	100.0%	80.4%	70.9%

Source: FT Santander RMBS 5 loan tape.

Forbearance portfolio

Santander provided loan-level information on loans for Santander, Banesto and Banif that form part of Santander's Forbearance, which Santander's risk management describes as an aggregation of transactions where either the client or Santander envisages difficulties for meeting payment obligations for the remaining term of the loan agreement[2].

Forbearance loans have never been more than three months in arrears, but might have been offered a principal grace period, maturity extension or consolidation with other non-mortgage-related debt to increase the borrower's affordability. DBRS classified these loans in previous Santander RMBS transactions as modified and high-risk loans given the imminent concerns around the borrower. It is also important to note that these forbearance measures are not considered as renegotiations and restructuring according to the representation and warranties in the loan documents.

The portfolio contains 28.3% of loans that had a loan modification or higher risk elements in the past, which is composed of 26.8% loans classified as under forbearance and 1.5% with other risk indicators. These risk indicators are (1) that there could have been any modification to the loan characteristics over the past two years without further specification of the amendment, and the borrower has been in arrears (even though technical arrears) in the past two years; or (2) that the loan has a principal payment holiday and is not classified as a forbearance loan.

DBRS compared certain parameters such as the LTV (Table 2) or Santander's internal scoring system between the forbearance and non-forbearance portfolio and concluded that the modified portion is significantly riskier than the non-modified, a conclusion already made in previous transactions.

In Table 4, Santander's one-year probability of default (PD) assumption for each borrower was mapped to DBRS's idealised default table to assess the relative risk between the modified and non-modified loans. There is clearly a worse selection of credit risk subject to Santander's risk model in the modified bucket, with 48.9% falling between CCC (high) and CCC (low) for the modified section and only 2.42% for the non-modified loans.

2. For a more detailed description, please refer to Santander's Annual Report 2014.

Collateral Summary (CONTINUED)

Table 4: Distribution per Risk and Rating Type

Ratings from PD	Entire Pool	Non Modified Subset	Modified Subset
AA (low)	12.58%	17.05%	0.52%
A (high)	0.06%	0.08%	0.00%
A	7.43%	10.09%	0.26%
A (low)	8.33%	11.32%	0.24%
BBB (high)	10.76%	14.63%	0.31%
BBB	12.34%	16.57%	0.91%
BBB (low)	11.86%	12.35%	10.55%
BB (high)	2.70%	3.42%	0.76%
BB	6.76%	3.69%	15.06%
BB (low)	4.91%	4.62%	5.71%
B (high)	2.91%	1.38%	7.06%
B	3.54%	2.38%	6.69%
B (low)	1.41%	0.61%	3.58%
CCC (high)	0.72%	0.71%	0.72%
CCC	13.67%	1.10%	47.64%

Source: Data tape FT RMBS Santander 5 and DBRS own calculations.

Rating Analysis

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

- The transaction's capital structure, form and sufficiency of available credit enhancement.
- The ability of the transaction to withstand stressed cash flow assumptions and repay investors according to terms under which they have invested.
- The transaction parties' capabilities with respect to originations, underwriting, servicing and financial strength.
- The credit quality of the collateral.
- A review of the legal structure, transaction documents and opinions.

Portfolio Performance Data

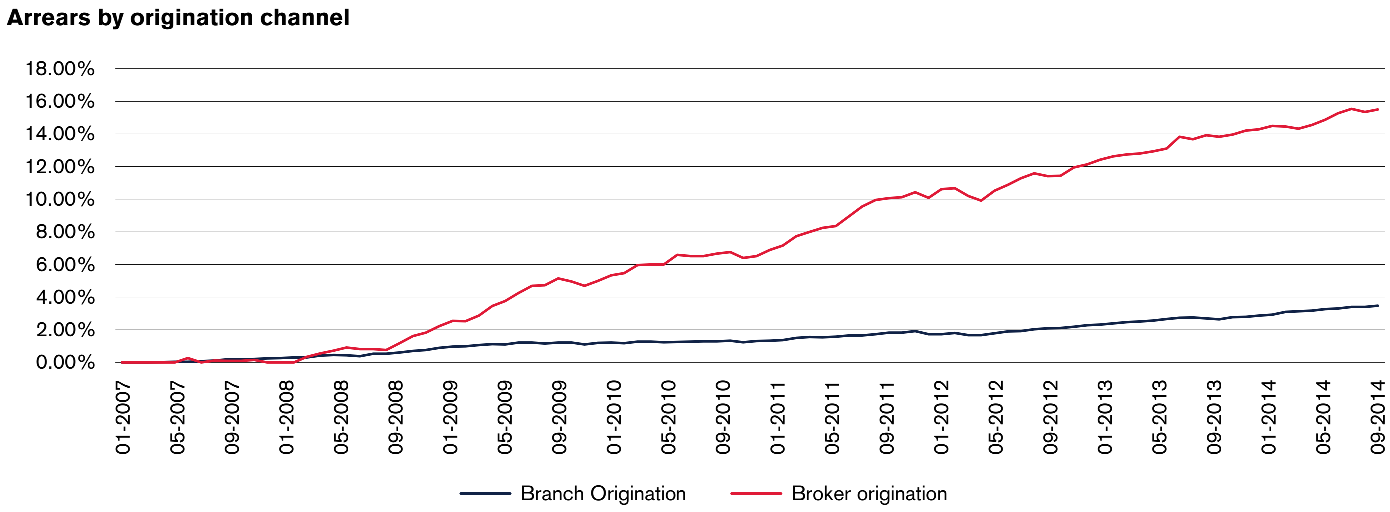
DBRS received the following set of data from the Management Company:

- Cumulative 90+ days arrears for the non-modified and modified portfolios split by channel of origination (branch and broker) for the entire Santander mortgage portfolio.
- The data covers both Santander and Banesto's originated loans; however, DBRS did not receive the data segregated between the two originators.

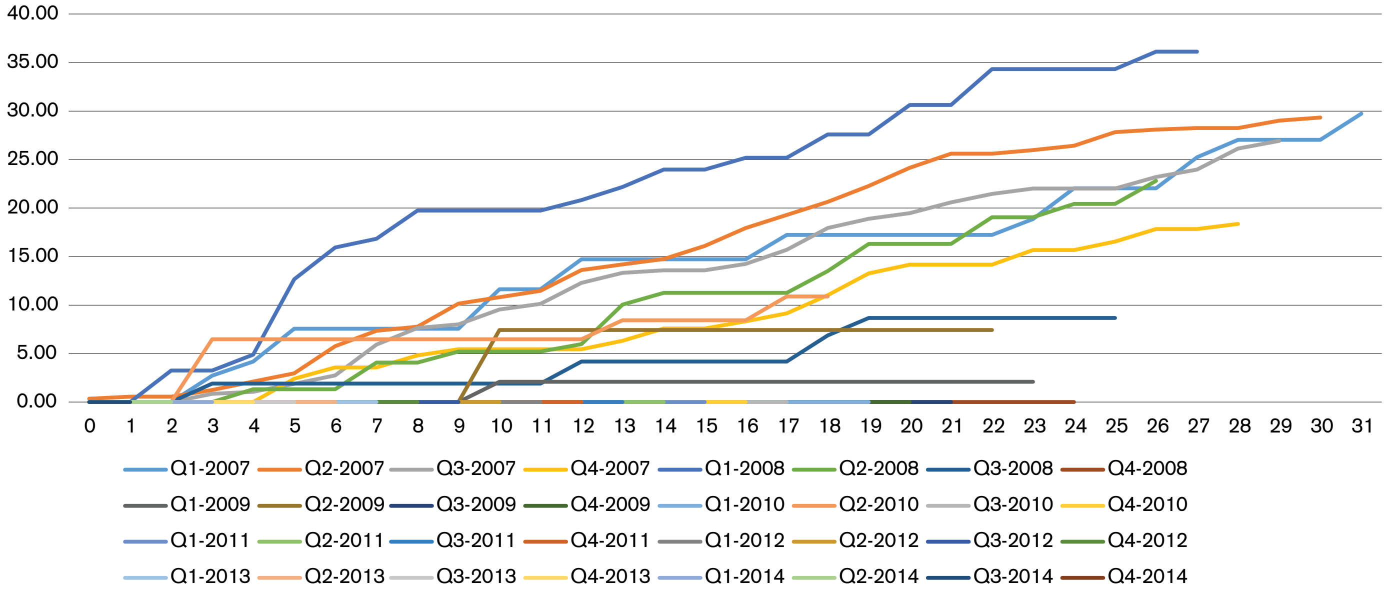
Collateral Summary (CONTINUED)

The originations covered the time period from Q1 2007 through Q4 2014.

90+ days in arrears by origination channel:
90+ days delinquencies % of current balance by origination channel

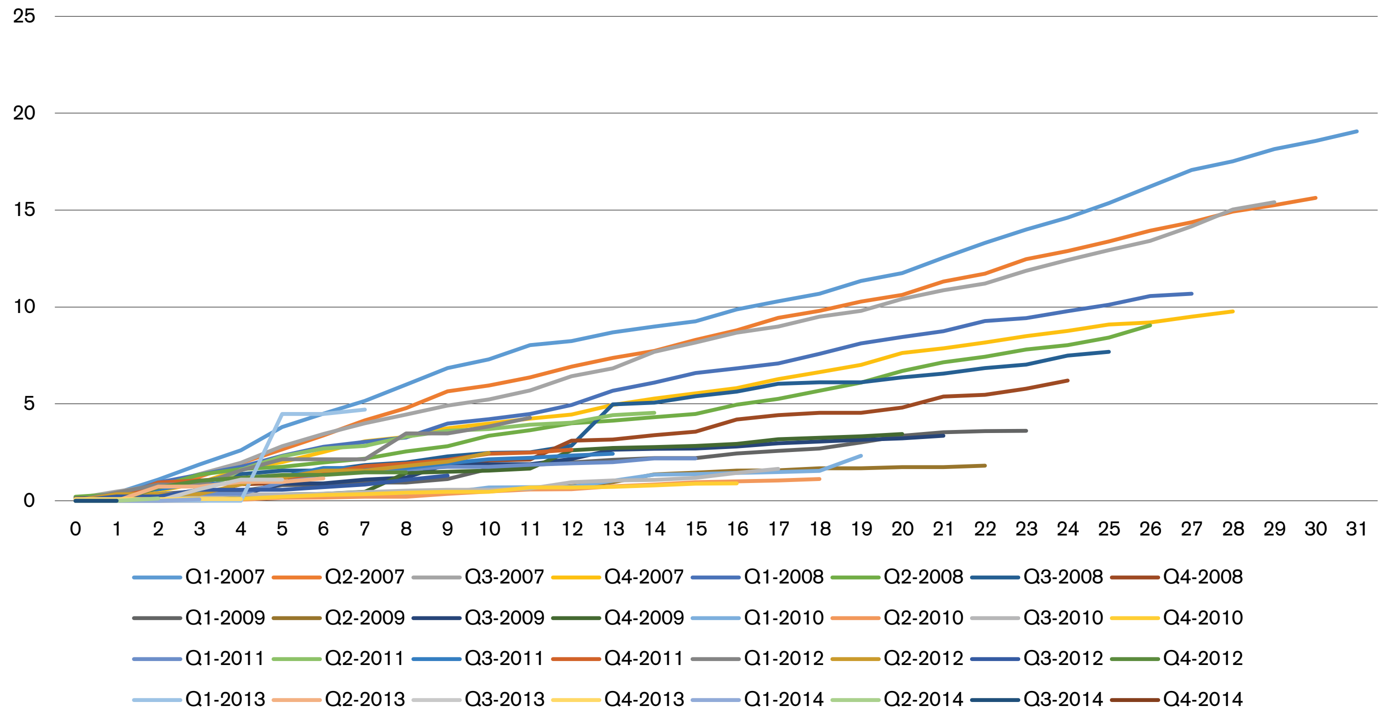


Cumulative 90+ days in arrears for non-modified loans:
Cumulative 90+days delinquencies % of Originated Loans quarters since origination - broker

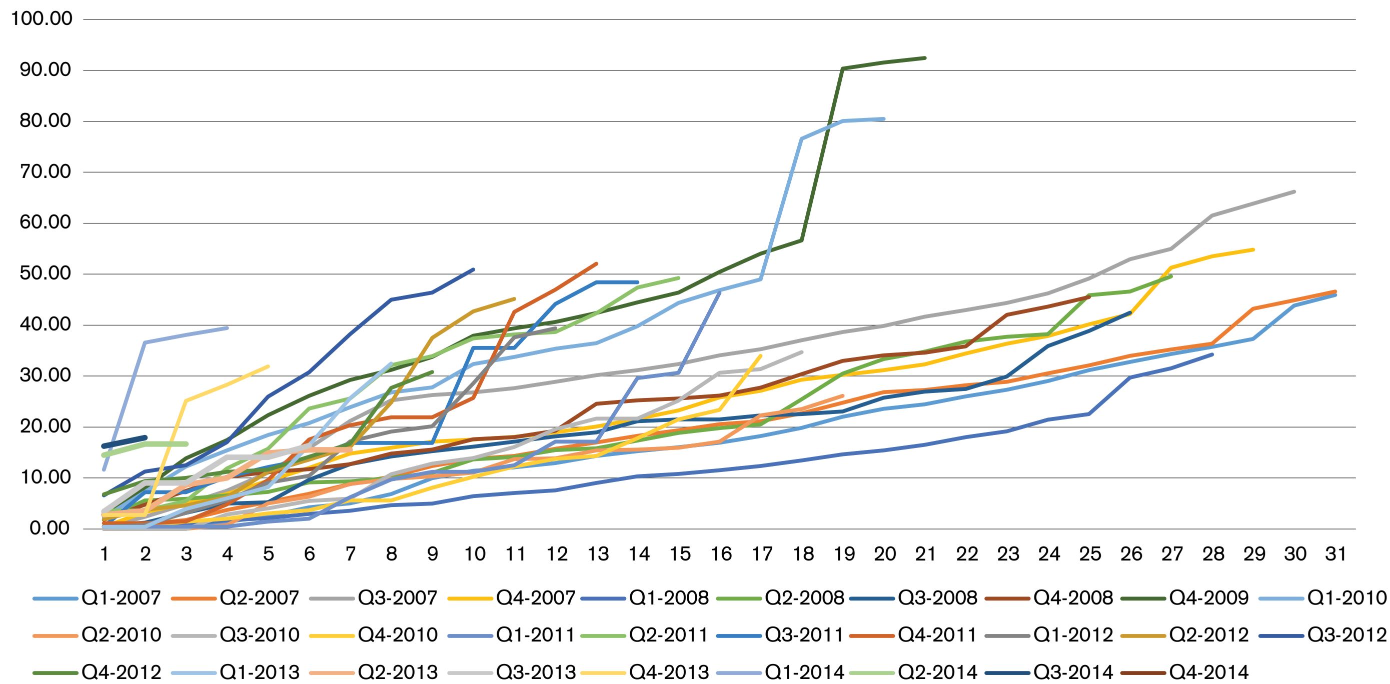


Collateral Summary (CONTINUED)

Cumulative 90+days delinquencies % of Originated Loans quarters since origination - branch

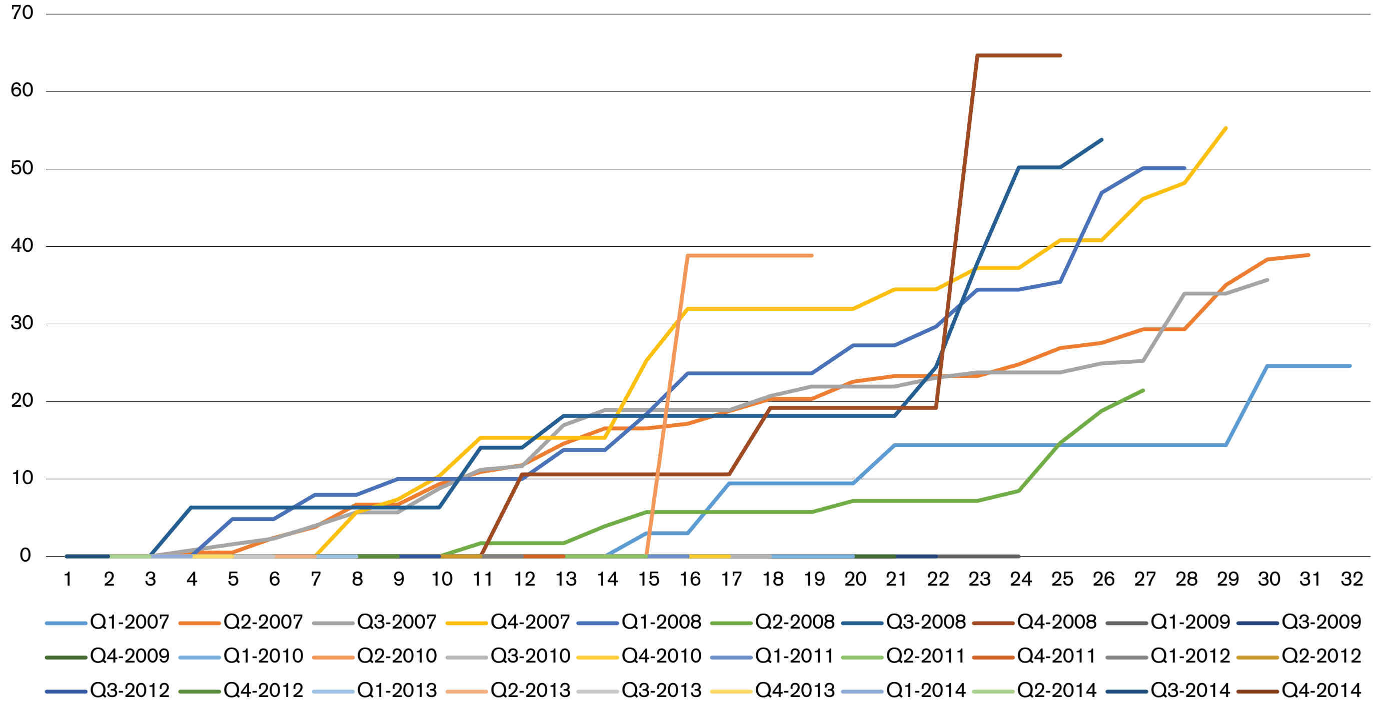


Cumulative 90+ days in arrears for modified loans:
Cumulative 90+days delinquencies % of Originated Loans quarters since origination - branch



Collateral Summary (CONTINUED)

Cumulative 90+days delinquencies % of Originated Loans quarters since origination - broker



The origination charts highlight the following key points:

- Improved performance of branch-originated, non-modified loans over time.
- Significantly worse performance of broker origination versus branch origination.
- Significantly worse performance of modified loans versus non-modified loans.

Because of these factors, the forbearance portfolio has been given a higher probability of default than the non-forbearance loans. The broker origination is less important for DBRS analysis because the portion of those loans in the pool represent less than 1%.

PD, LGD and EL

The lifetime PD, loss given default (LGD) and expected loss (EL) were estimated using the DBRS EU Credit Model.

DBRS segregated the portfolio into a normal and a high-risk portfolio (all modified loans plus certain exceptions. For more detail, please refer to the section about the collateral characteristics). The split between the two portfolios is 68.69% for the normal and 31.31% for the high risk portfolio (modified loans from Santander's forbearance portfolio and other loans with previous payment holidays).

The weighted-average two-year PD of the normal portfolio was estimated using the cumulative 90+ days delinquencies of the vintage data provided for each bank after two years, weighted by the current outstanding loan amount in the normal pool. For vintages with less than two years of 90+ arrears data, DBRS assumed the higher of the one-year PD assessment provided by Santander adjusted for a two-year PD assumption. The estimated 2-year PD of the normal portfolio is 2.1%. DBRS further stressed the 2-year PD to reflect the current sovereign risk of Spain. The adjusted 2-year PD is 2.8%.

For the high-risk portfolio, DBRS has assumed a single B default rate of approximately 50% because of (1) the performance observed in the vintage analysis and (2) the higher concentration of adverse credit characteristics for these loans. A 2-year PD of 10.5% was assumed to arrive at the stressed "B" default rate. The 2-year PD for the high risk portfolio does not include a sovereign stress, as the default levels expected for this portfolio exceed the sovereign stress.

The lifetime probability PD, LGD and EL were estimated using the DBRS EU Credit Model. The normal portfolio and high-risk portfolio were each analysed separately using the 2-year PDs explained above. The results of the model were used as the inputs

Collateral Summary (CONTINUED)

into the cash flow analysis of the structure. The results of the model for each sub-portfolio and the total portfolio at the A (low) rating scenario and base case are listed below:

Normal Loans

Rating Scenario	PD	LGD	EL
A (low)	32.69%	50.99%	16.67%
Base Case	14.68%	40.63%	5.96%

High Risk Loans

Rating Scenario	PD	LGD	EL
A (low)	74.01%	53.21%	39.38%
Base Case	49.43%	43.21%	21.36%

Total Portfolio

Rating Scenario	PD	LGD	EL
A (low)	45.96%	52.11%	23.95%
Base Case	25.71%	42.18%	10.84%

Cash Flow Scenarios

To assess the timely payment of interest on the notes and the ultimate payment of principal on the Series A, Series B and Series C notes, DBRS applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium and high conditional prepayment rate (CPR) assumptions) and interest rate stresses as per its unified interest rate methodology. Because of the low prepayment rates observed in the Spanish mortgage market, DBRS also applied a 0% CPR assumption.

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 table below).

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

Collateral Summary (CONTINUED)

Interest Rate Stresses
DBRS applied its standard interest rate stresses as detailed in its Unified Interest *Rate Model Methodology for European Securitisations.*

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 limit concentrations:

1. No further advances to the borrower.
2. No modification of the payment frequency of the instalments, except if compliant with (4).
3. No renegotiation of the interest rate margin over the interest index below 1%.
4. Extension of maturity if certain criteria are met, such as (a) the maximum outstanding amount of loans with maturity extension must not exceed 10% of the original pool balance as of closing, (b) the payment period between instalments must not be lowered and (c) the final maturity date of a loan must not exceed the final payment date of August 2059.

Additionally, if the servicer renegotiates a floating loan to a fixed interest rate, the fixed interest rate would be set at an average rate of 0.7%, approximately equal to the current portfolio margin.

DBRS extended the weighted-average maturity for 10% of the portfolio up to August 2059 and reduced the spreads of loans with a margin above 1% to that threshold in its cash flow analysis.

Timing of Defaults and Recovery Lag
DBRS applied front- and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis per the DBRS EU RMBS 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. The tables below illustrate the sensitivity of the rating to various changes in the base case PD and LGD assumptions in the respective rating scenarios:

Class A

		Increase in Default Rate %		
		0	25	50
Increase in LGD %	0	A (low)	BBB (low)	BB (high)
	25	BBB (low)	BB	B
	50	BB	B	B

Class B

		Increase in Default Rate %		
		0	25	50
Increase in LGD %	0	CCC	CCC	CCC
	25	CCC	CCC	CCC
	50	CCC	CCC	CCC

Collateral Summary (CONTINUED)

Class C

		Increase in Default Rate %		
		0	25	50
Increase in LGD %	0	C	C	C
	25	C	C	C
	50	C	C	C

Appendix

Methodologies Applied

The principal methodology applicable to assign ratings to the above-referenced transaction is *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda* (4 January 2016).

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions* (19 February 2016).
- *Unified Interest Rate Model Methodology for European Securitisations* (12 October 2015)
- *Operational Risk Assessment for European Structured Finance Servicers* (31 December 2015).
- *Operational Risk Assessment for European Structured Finance Originators* (15 December 2015).

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* (15 December 2015), and is available at www.dbrs.com under the heading Methodologies. Alternatively, please contact info@dbrs.com.

Notes:
All figures are euros unless otherwise noted.

This report is based on information as of 8 April 2016, unless otherwise noted. Subsequent information may result in material changes to the rating assigned herein and/or the contents of this report.

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