DBRS
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RMBS

FT RMBS Santander 4

Analysts

Sebastian Hoepfner
Vice President
+44 (0)20 7855 6663
shoepfner@dbrs.com

Maria Lopez
Vice President
+44 (0)20 7855 6612
mlopez@dbrs.com

Mark Wilder
Vice President
European Operational Risk
+44 (0)20 7855 6638
mwilder@dbrs.com

Keith Gorman
Senior Vice President
+44 (0)20 7855 6671
kgorman@dbrs.com

Ratings

Debt	Current Balance €	Size[1]	Credit Enhancement	Investor Coupon (p.a.)	Rating	Action
Series A Notes	2,360,000,000	80.0%	25.0%[2]	3m Euribor + 0.60%	A (high) (sf)	Provisional Rating – Finalised
Series B Notes	590,000,000	10.0%	5.0%[3]	3m Euribor +0.63%	CCC (sf)	Provisional Rating – Finalised
Series C[4] Notes	147,500,000			3m Euribor + 0.65% + extraordinary fee[5]	C (sf)	Provisional Rating – Finalised
Series A and B Total Initial Balance	2,950,000,000	100%				

Notes:
(1) Size is expressed as a percentage of the total Series A and Series B balances.
(2) Series A credit enhancement consists of subordinated Series B plus the Reserve Fund.
(3) Series B credit enhancement consists of the Reserve Fund.
(4) Series C note issuance proceeds will fund the Reserve Fund.
(5) Extraordinary fee relates to remaining excess spread after payments are made on the transaction waterfall.

Transaction Summary

This transaction is a securitisation of prime residential mortgage loans originated by Banco Santander, S.A. (Santander) and Banco de Crédito Español (Banesto). The portfolio will be sold at closing to the Issuer, FT RMBS Santander 4 (the Issuer or Santander 4), a securitisation fund under Spanish securitisation law. The Series A and B bonds will be issued to finance the purchase of a portfolio of prime mortgages, secured over first lien-ranking properties in Spain, while Series C will be issued to fund the Reserve Fund. The transaction is managed by Santander de Titulización, SGFT (the Management Company). The Portfolio will be serviced by Santander.

The EUR 2.36 billion Series A bonds benefit from 25% credit enhancement that consists of EUR 0.59 billion subordination of Series B and a EUR 147.5 million Reserve Fund. The Reserve Fund is available for paying senior fees, interest and principal of Series A and B.

The Series B bonds benefit from 5% credit enhancement of a EUR 147.5 million Reserve Fund. The Series B bonds interest can be deferred subject to certain triggers being breached.

The proceeds of the subscription of Series C bonds will be used to fund the EUR 147.5 million Reserve Fund. The Series C will amortise as the Reserve Fund amortises.

Notable Features:

- 44.6% of the portfolio was originated by Banesto and the remaining 55.4% by Santander. After the merger between Banesto and Santander in January 2013, Santander is the seller of the assets and will act as servicer.

- 20.6% of the securitised mortgage loans were part of Santander's forbearance portfolio, which in a previous transaction (Santander RMBS 1, 2 and 3 FTA), DBRS Ratings Limited (DBRS) classified as modified or high risk loans. Borrowers of these loans have experienced previous difficulties in paying the contractual instalments of their mortgage loan or other loan products they might have with Santander. 2.0% of the remaining portfolio have been further classified as riskier under DBRS approach as they combine a couple of negative credit characteristics, such as payment holidays or certain indication of payment difficulties, as specified in more detail in the collateral section of this report. DBRS considers these loans of higher risk, which is reflected in higher default assumptions.

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- Most of the loans have formed part of either Banesto's or Santander's covered bond programme, but after the re-evaluation of the property values the securitised assets have become non-eligible as the updated loan-to-value ratio exceeded the 80% threshold. As a result the weighted-average current indexed loan-to-value (WACILTV) on the updated valuation is 100.4% which compares to an original LTV of 80%.

- Macroeconomic conditions in Spain remain uncertain, as the economic recovery seems to be fragile. On the positive side, real GDP in 2014 is expected to have grown by 1.4% versus 2013 and the latest unemployment figures published by the Office of National Statistics (Instituto Nacional de Estadística INE) were down to 23.8% in Q1 2015 from 24.4% during 2014. 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 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 signs of stabilisation in the course of 2014. Peak-to-trough values as of Q4 2014 data published by the INE range between 29.7% in Andalusia and 47.3% in Navarre, with the national average being 37.2%. In the short term, given the situation of the Spanish economy and the subdue lending volumes, it seems to be unlikely that house prices will significantly increase in the medium term and will be able to have a negative impact on recovery rates on foreclosed properties.

- The Series A notes benefit from a fully sequential amortisation. The Series B notes will not amortise until Class A bonds are redeemed in full.

Strengths

- The mortgage portfolio is well-seasoned at 7.1 years. The level of seasoning is considered positive as historical data indicates the probability of borrower default is higher during the first five years of the mortgage loan.

- Portfolio is diversified granularly (20,255 loans) and geographically distributed among the largest autonomous communities in Spain. The top four regions where the property securing the loan is located and measured in outstanding portfolio balance are Andalusia (20.0%), Madrid (18.9%), Catalonia (15.1%) and Valencia (10.3%). Both the granularity and the geographic diversification are viewed as positive as the transaction has limited exposure to a small group of borrowers or house price fluctuations in a particular region.

- The Series A notes 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 monies will instead be applied for the repayment of the Series A notes.

- The Reserve Fund provides credit support to the Series A and Series B notes.

Challenges and Mitigating Factors

- 20.6% of the mortgage pool had a loan modification and2.0% is considered to have a riskier 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 increase on defaults.
- 4.9% 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.

- 13.5% of the portfolio was identified as self-employed borrowers. Typically, DBRS observed that the performance of these borrowers is more volatile due to nature of the business. As a result the expected payment performance of self-employed borrowers is expected to riskier**. Mitigants:** Self-employed borrower loans were stressed by applying a default penalty of 1.15.

- 9.6% of loans benefit of a principal grace periods that end between 2015 and 2020. **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 Risky Portfolio and (3) loans' grace periods were cash flow modelled.

- Santander is able to renegotiate the 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 and compressing the spread of the loan margins to 1% where applicable in line with the renegotiation criteria.

- The basis risk in this transaction is unhedged. **Mitigants:** (1) Basis risk is limited as the collateral pays 12-month Euribor with all the loans paying monthly and having a reset period of 12 months while the notes pay 3-Month Euribor. (2) The Reserve Fund and subordination of Class B help to mitigate this risk.

Rating Rationale

The rating of the Series A notes addresses the timely payment of interest and full payment of principal by the legal final maturity date in accordance with the terms and conditions of the Notes. The ratings of the Series B and Series C notes addresses the ultimate payment of interest and full payment of principal by the legal final maturity date in accordance with the terms and conditions of the Notes. DBRS has based the rating on:

- 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 in 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.

Sovereign Assessment

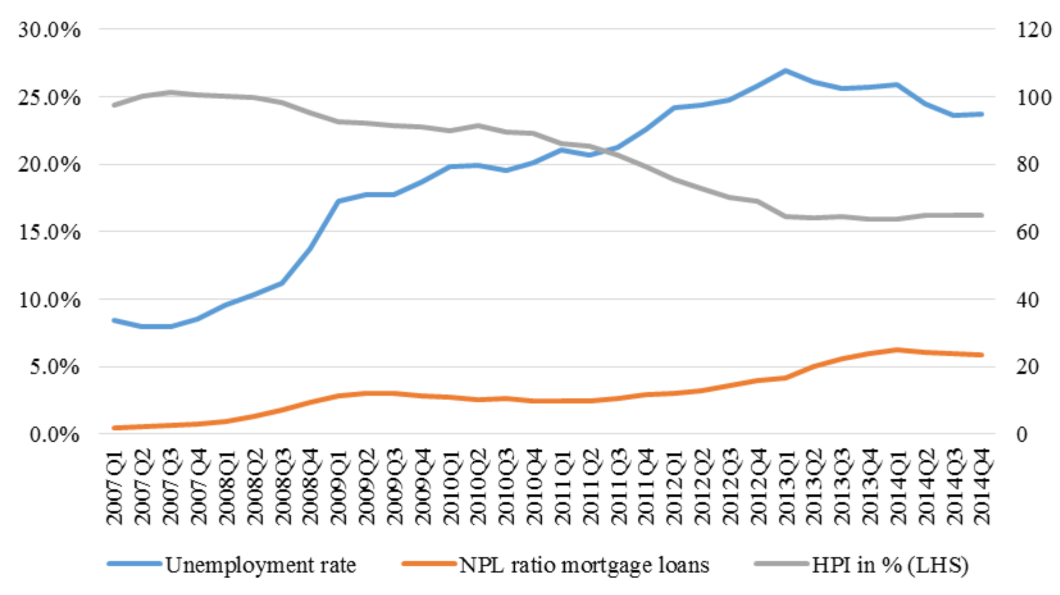
As of 14 April 2015, DBRS rates the Kingdom of Spain A (low) with a Stable trend. For more information, please refer to the most recent published press release by DBRS on www.dbrs.com.

Sector Analysis

The macroeconomic situation in Spain has slightly recovered with the unemployment rate reported by INE being at 23.8% as of Q1 2015 compared to 25.9% a year earlier. At the same time, doubtful loans as reported by the Bank of Spain on the outstanding amount of loans granted to borrowers with the purpose of purchasing a house have marginally decreased on a year-on-year basis to 5.85% from 5.96%.

Mortgage Market

Chart 1: Macro Performance Data in Spain

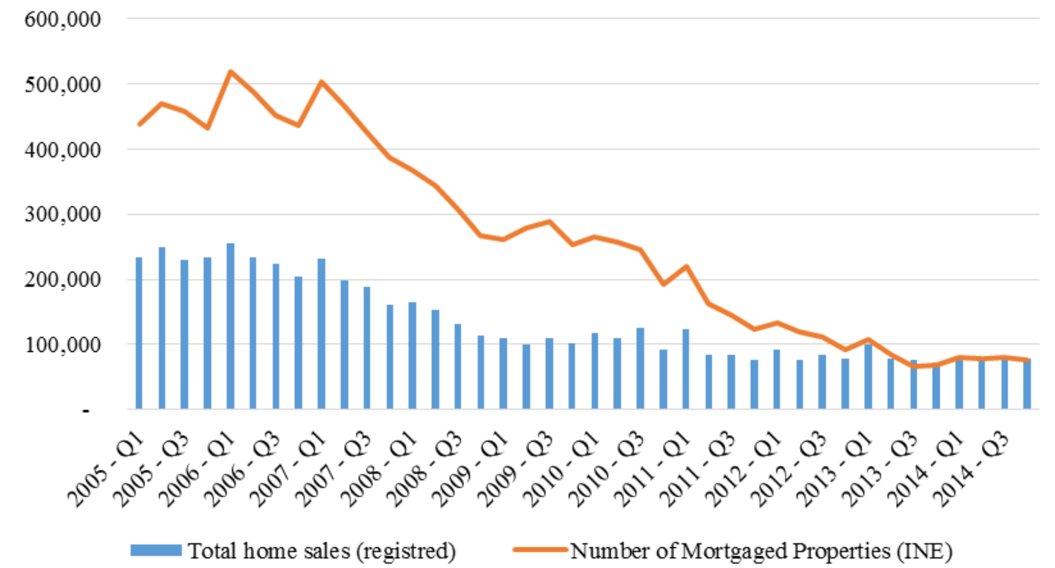


Source: Instituto Nacional de Estadistica (INE) and Bank of Spain.

Housing demand and credit supply remain constrained, resulting in further declining house prices. Nevertheless, factors driving demand and supply have stabilised in the course of 2014. A sign of this stabilisation can be seen in the number of registered property sales in 2014, which continued to decrease on a year-to-year basis by 3.1%, but the overall trend of the decline has flattened during 2013 and 2014. The supply of housing credit remained subdued on the overall market level, but the observed year-over-year decline was lower than the declines experienced before. Apart from the still elevated level of unemployment and the slack in the economy, one additional component behind a subdued demand has been the constraint of financing. As Chart 2 depicts, home sales track closely the number of residential mortgage loans.

The current performance trends and future expectations are also linked to the low interest rate environment. Among other factors this has been among one of the main reasons which allowed mortgage borrowers in Spain to remain current. The low interest rate environment is particularly relevant in Spain as mortgages are generally variable rate. Spanish mortgage loans are typically referenced to three-month, six-month or 12-month Euribor/Mibor. Spanish borrowers have benefited from an approximately 44% decrease on their monthly instalments since Q3 2008 (assuming: mortgage loan= EUR 125,000, term=25 years, 12-month Euribor = 5.37% in Q3 2008 versus 0.57% in Q2 2014).

Chart 2: Evolution of Total Home Sales and Mortgaged Properties

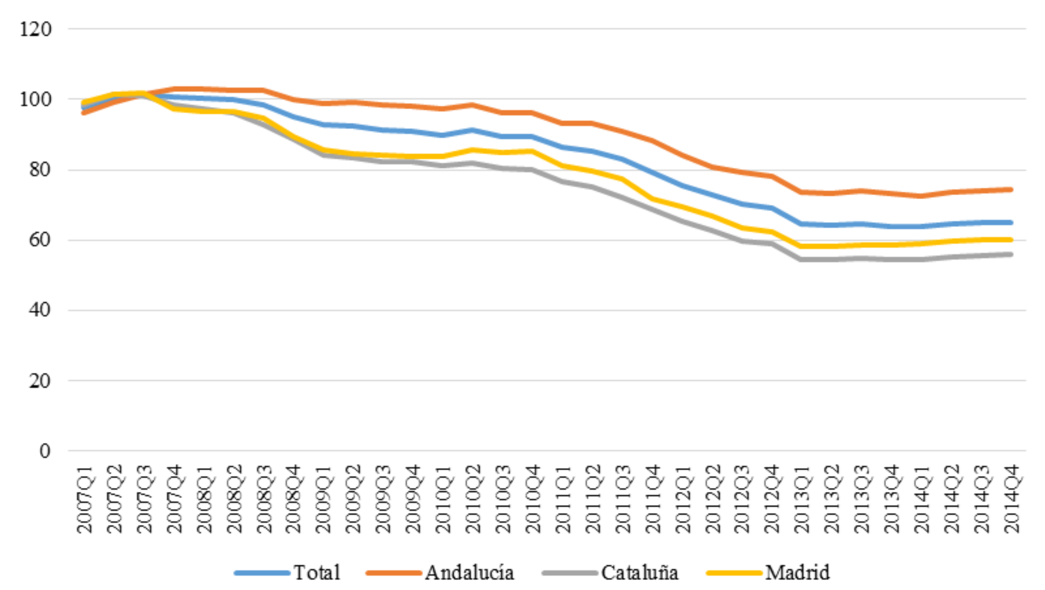


Source: INE, Registradores de España and Haver Analytics.

Housing Market

Following the bursting of the housing bubble, Spanish house prices declined on a national level by 37.2% from their peak values as of Q1 2015. The rate at which house prices are declining has slowed and according to the index published by INE there are some mild signs of bottoming. It should be noted that housing price declines are not homogeneous across Spain. As the chart below illustrates declines were greater in Catalonia (46.3%) and less in Andalusia (29.7%) than in the rest of Spain.

Chart 3: House Price Index Evolution and Disparity for Selected Spanish Regions



Source: INE.

The total number of properties in Spain is 25.21 million,[1] of which second homes are 3.68 million and empty properties 3.4 million. Empty properties are deemed to be properties available for sale, rent or abandoned. Due to low housing demand and the limited supply of finance, it is expected the oversupply of properties will remain high and consequently prevent recovery of house prices in the near future.

Transaction Parties and Relevant Dates

Transaction Parties

Type	Name	Rating
Issuer	FT RMBS Santander 4	N/A
Originator	Banco Santander SA & Banesto	A / Stable/R-1L/Stable Trend &NR
Seller	Banco Santander SA	
Servicer	Banco Santander SA	A / Stable /R-1L/Stable Trend
Treasury Account Bank	Banco Santander SA	A / Stable /R-1L/Stable Trend
Paying Agent	Banco Santander SA.	A / Stable /R-1L/Stable Trend
Subordinated Loan Provider	Banco Santander SA	A / Stable /R-1L/Stable Trend
Arranger and Management Company	Santander de Titulización S.G.F.T.	NR

Relevant Dates

Type	Date
Closing Date	26 June 2015
First Interest Payment Date	15 September 2015
Payment Frequency	Quarterly
Payment Dates	15th of September, December, March and April
Collection Period	Each day of any calendar month
Final Maturity Date	1 August 2059
Legal Final Maturity Date	15 September 2063

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. For the loan portion originated by Banesto pre-merger, DBRS analysed the relevant policies and procedures of Banesto's underwriting and servicing processes in place at origination of the securitised assets.

Santander was founded in 1857 and it 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] 2011 Census of population and properties published by INE on April 2013.

Santander's senior unsecured long-term debt rating as at August 2013 is "A" with a negative trend. More information on Santander's ratings can be found at www.dbrs.com.

(1) Origination & 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, SMEs and large corporates although 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% 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 60-70% 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 performed at the local branch. As consistent with the overall Spanish market, full income verification is conducted on all individual borrowers including collection of pay stubs, review of bank accounts and tax returns particularly for self-employed applicants. For SME and corporate clients, the last two years' audited financial statements, 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 based on a standard probability of default (PD) 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 and 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, as it is also consistent with the overall Spanish market. Differences can be found in more specific aspects, such as the calibration of the scoring models and the resulting approval rates. These differences can be seen 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 10-15%.

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 ordered if a 15% variance exists from the previous valuation. Again, similar processes are in place for Banesto as the whole of the business is exposed to the same rules and regulations.

Summary Strengths

- All loan activity is sourced internally with no use of brokers.
- 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 with the local branches. Payments are primarily made through direct debit as most of the borrowers have current accounts with the respective *caja*.

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 customers in order to detect possible anomalous deviations in their behaviour and to be notified of situations such as:

- 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, 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. Generally, legal proceedings are initiated 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 collection, 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.

FT RMBS Santander 4

Report Date:
29 June 2015

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.

Summary Weaknesses

- N/A.

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 Analysis Details

Data Quality

DBRS was provided with historical static vintage delinquency data. The data represent the performance of Santander's relevant mortgage book originated with an updated LTV of 80%. The historical data ranges from Q1 2007 to Q4 2014 and is segregated into branch and broker-originated loans as well as under forbearance or not (modified versus non-modified). In addition, DBRS was provided with loan-by-loan data related to the securitised portfolio.

DBRS performed certain data verification and validation checks on the data tape and considered the quality of the data as satisfactory and was able to assess the benchmark Two-Year Probability of Default (2YR PD) for the mortgage portfolio.

Collateral Analysis

The Portfolio represents residential mortgages originated by Santander or Banesto through its branch network and brokers. All calculation in this report are based on the portfolio dated 29 May 2015. Before closing the collateral balance will be reduced to match the bond balance.

Table 1: Portfolio High Level Summary

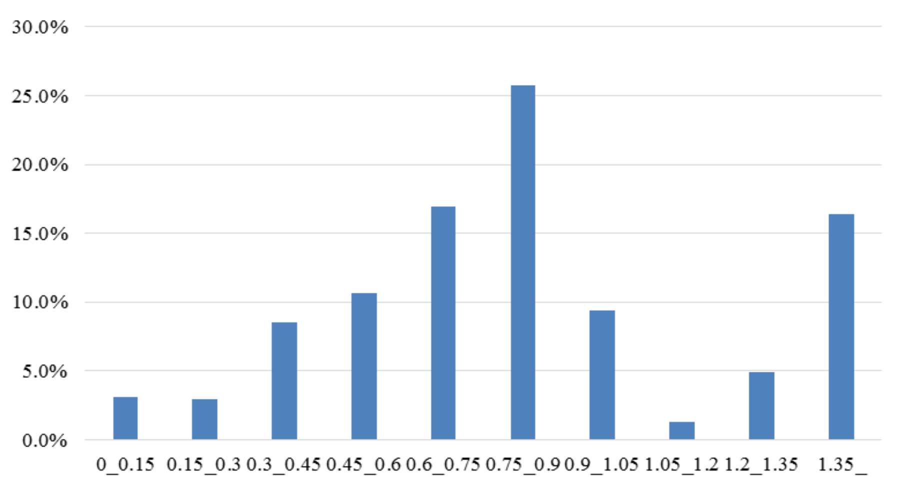
Agg Current Balance (€)	3,011,072,508
Agg Original Balance (€)	3,465,138,673
Number of Borrowers	20,200
Number of Loan Parts	20,255
WA Interest Rate	1.6%
WA Margin	0.7%
WA Seasoning in months	84.60
% Total Arrears	5.7%
% Loans Restructured	22.6%
Avg Current Loan Part	148,658
Max Current Loan Part	961,960
Min Current Loan Part	8,287
Orig LTV	79.5%
% >=80% OLTV	37.6%
Current LTV (Indexed)	100.4%
Current Balance LTV (not indexed)	69.6%

Source: Data tape FT RMBS Santander 4.

Distribution by balance, margin and coupon

The weighted-average margin in Chart 4 of the portfolio stands at 0.9% over 12 Month Euribor and 1.6% of the weighted-average coupon (WAC), which is very similar to previous Santander RMBS transactions. The pool is very granular with 20,255 loans and an average loan size of EUR 148,658.

Chart 4: Portfolio Distribution by Interest Rate Margin at Outstanding Balance



Source: Data tape FT RMBS Santander 4.

After deduction of the weighted-average spread of the coupon of approximately 0.6%, there is 0.3% spread left to cover senior expenses and defaults (loans more than 18 months in arrears or declared by the servicer as defaulted). 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%. Over 20% of the portfolio balance could benefit from such renegotiations, which DBRS accounted for in its cash flow modelling.

Distribution by vintage of origination and current/indexed LTV

The portfolio is well-seasoned at seven years. The weighted average unindexed current loan-to-value ratio (CLTV) stands at 69.6% and indexed CLTV at 100.4% (INE Q2 2015). Loans with an indexed CLTV higher than 100% are 45.6% of the loan portfolio.

Table 2: Updated Indexed Current LTV Distribution by Originator

	Banesto			Santander			Grand Total
LTV bucket	Mod_pool	Per_pool	Total	Mod_pool	Per_pool	Total	
0_0.5	0.0%	0.1%	0.1%	0.1%	0.7%	0.9%	1.0%
0.5_0.75	0.4%	2.7%	3.2%	0.9%	3.9%	4.8%	8.0%
0.75_1	2.0%	18.5%	20.5%	3.0%	21.9%	24.9%	45.4%
1_1.1	1.3%	6.2%	7.5%	2.0%	7.9%	9.9%	17.4%
1.1_1.15	0.6%	2.3%	2.8%	1.1%	2.4%	3.5%	6.3%
1.15_1.2	0.5%	1.4%	2.0%	1.1%	1.3%	2.4%	4.3%
1.2_1.25	0.5%	1.3%	1.8%	1.0%	1.0%	2.0%	3.8%
1.25_1.3	0.5%	1.0%	1.4%	0.9%	0.9%	1.9%	3.3%
1.3_	1.8%	3.6%	5.4%	3.8%	1.3%	5.1%	10.6%
Grand Total	**7.7%**	**37.0%**	**44.6%**	**13.9%**	**41.4%**	**55.4%**	**100.0%**

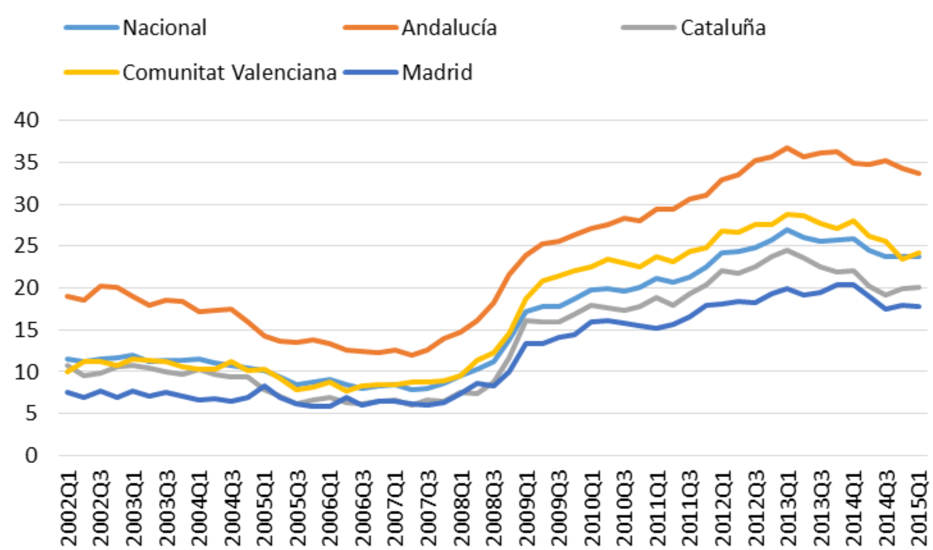
Source: Data tape FT RMBS Santander 4 and own indexation based on INE data.

Mitigants: Spanish market value declines (MVDs) were stressed to reflect DBRS's outlook of Spanish house prices

Geographical Distribution and Unemployment

The portfolio is concentrated in Andalusia, Madrid, Catalonia and Valencia which contribute 64.4% to the total outstanding loan balance. As can be seen per the graph below, the unemployment rate is slowly decreasing on a national level and even faster in Madrid and Catalonia. Nevertheless, it seems to be that there is a different speed between regions, as e.g. Andalusia has not experienced a significant reduction in unemployment yet.

Chart 5: Evolution of unemployment rates top three regions



Source: Data tape FT RMBS Santander 4.

Due to the high home-ownership rate in Spain a stabilising housing market, supporting loan-to-value levels, will provide borrowers more security and certainty around their current wealth level. However, house price indices, such as those provided by INE are still significantly down peak-to-trough mainly. The price stabilisation mainly lifted LTV values to or below 100%, reflecting as well a high seasoning and deleveraging.

Table 3: Split by Region and Average Current and Indexed LTVs (CLTV and ICLTV)

Region	% of CB	Average CLTV	Average Indexed CLTV
Andalusia	20.0%	68.9%	97.8%
Madrid	18.9%	68.8%	95.6%
Catalonia	15.1%	68.5%	105.4%
Valencia	10.3%	68.2%	97.9%
Canarias	5.8%	70.5%	100.3%
Castilla-Leon	4.9%	66.9%	97.7%
Galicia	4.4%	67.0%	97.0%
Castilla-La Mancha	3.8%	69.2%	101.4%
Balearics	3.0%	69.6%	99.0%

Basque Country	2.9%	69.7%	106.9%
Aragon	2.3%	69.5%	99.7%
Asturias	1.9%	68.0%	101.5%
Murcia	1.8%	68.4%	99.8%
Cantabria	1.7%	68.9%	99.2%
Extremadura	1.5%	69.5%	99.5%
Navarre	0.7%	69.2%	102.1%
La Rioja	0.5%	68.3%	101.9%
Melilla	0.2%	65.9%	99.3%
Ceuta	0.1%	66.1%	93.6%
Grand Total	100.00%	68.7%	99.2%

Source: Data tape FT RMBS Santander 4.

Mitigant: DBRS's MVD assumption at the respective rating level considers a house price stress that is in line with the historic experience observed recently in Spain.

Non-nationals

4.9% of the portfolio are foreign borrowers resident in Spain. **Mitigants:** DBRS has stressed foreign borrowers by applying a default multiple of 1.2.

Forbearance portfolio

Santander provided loan-level information on loans for both Santander and Banesto 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 21.6% loans which had a loan modification or higher risk elements in the past which is composed of 20.6% loans classified as under forbearance and 1.0% with other risk indicators. These risk indicators are (1) 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) the loan has a principal payment holiday and is not classified as a forbearance loan.

DBRS compared certain parameters such as available income data as of loan origination date, 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.

Table 4: Modified and Non-Modified Loans By Income Bucket

Income in EUR	Non-Modified	Modified	Grand Total

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

0_5000	28.7%	61.8%	36.2%
5000_10000	10.2%	10.9%	10.4%
10000_15000	14.4%	8.2%	13.0%
15000_20000	13.8%	4.9%	11.8%
20000_25000	9.6%	2.3%	7.9%
25000_30000	5.9%	1.0%	4.8%
30000_35000	4.1%	0.5%	3.3%
35000_40000	2.6%	0.4%	2.1%
40000_45000	8.7%	1.7%	7.1%
45000_	2.0%	8.2%	3.4%
Grand Total	100.0%	100.0%	100.0%

Source: Data tape FT RMBS Santander 4.

Table 4 highlights the difference in available net income information, where 80.9% of borrowers in the modified portfolio had reported income up to EUR 15,000.[3]

In Table 5 Santander's one-year PD assumption for each borrower was mapped in DBRS's rating scale. There is clearly a worse selection of credit risk subject to Santander's risk model in the modified bucket with a weighted-average rating of B (low) versus BB (high) for the non-modified pool.

Table 5: Distribution Per Risk and Rating Type

Rating Bucket	Non-Modified	Modified	Grand Total
AA (low)	22.6%	0.5%	17.6%
A	9.4%	0.3%	7.3%
A (low)	14.3%	0.3%	11.1%
BBB (high)	7.9%	0.4%	6.2%
BBB	17.4%	1.3%	13.8%
BBB (low)	12.2%	17.5%	13.4%
BB (high)	3.0%	0.3%	2.4%
BB	4.3%	26.0%	9.2%
BB (low)	2.7%	8.2%	3.9%
B (high)	1.3%	8.2%	2.9%
B	2.2%	11.1%	4.2%
B (low)	0.9%	5.8%	2.0%
CCC (high)	0.9%	0.8%	0.8%
CCC	1.0%	19.4%	5.1%
Grand Total	100.0%	100.0%	100.0%

Source: Data tape FT RMBS Santander 4 and DBRS own calculations.

[3] If a borrower's data does indicate 0 income this does not mean that the income is actually 0, but rather that the verified income was not available for the data extraction. This is often the reason if the borrower is (1) self-employed or (2) not a regular client with the bank. DBRS assumed the income to be zero in these cases. In some cases the data tape indicated that the loan is backed by two borrowers, but only one income data points was provided. In these instances DBRS assumed the income to be equally split between the parties and though reducing the penalty in the default model.

To conclude, the credit quality and characteristics of the modified loans appear to be significantly worse than for the non-modified portion.

Mitigants: DBRS has considered a cumulative default rate of these loans of 50%, which mainly reflects historic default performance of this sub-portfolio.

Permitted variations:

Santander has adhered to the code of good practice (*Código de Buenas Prácticas*) launched in March 2012 by the Government of Spain to help borrowers in difficult economic situations. Financial institutions adhering to the code of good practice will agree to help borrowers to continue to pay their mortgages or accept the property as a payment for any amounts due.

Restructuring:

- Interest-only period of up to five years. Unpaid principal may be deferred as a bullet payment at maturity or paid pro-rata after the interest-only period.
- Maturity extension up to 40 years since the loan origination date.
- 25 bps margin reduction for a period of five years.

Additional support:

(1) If the restructuring of the loan does not avoid the borrower failing to pay the loan, then borrowers may have the option to apply for a partial debt forgiveness of the mortgage loan.
(2) Debt forgiveness amount may be (a) 25% debt reduction, (b) a reduction equal to the principal amortised as of today or (c) an amount equal to the difference between the appraisal value of the property as of loan origination and the current valuation of the property.

Alternative measures to repossession:

- 12 months after the restructuring of a loan, borrowers falling under (1) above may be eligible to repay in full their debt with the property (*Dación en Pago*). The borrower will have the right to live in the property for two years paying a social annual rent of 3% the outstanding debt amount of the date of the *Dación en Pago*.

Eligible borrowers for restructuring:

(1) Household income lower than three times the Public Income Index (*Indicador Público de Renta de Efectos Multiples*) which stands at EUR 6,390 (approximately EUR 19,170) as of 2014.
(2) Affordability of the household has been reduced by 1.5 times in the last four years. Affordability measured as mortgage payment versus household income.
Any other household with:
  - Family households with three or more children
  - Single parents with at least two children
  - Family households where a family member is disabled (33%)
  - Households with a family member younger than three years old
(3) Family households where their monthly mortgage instalment is 50% higher than the household's net income

Eligible borrowers for payment in lieu must comply with the aforementioned requirement and the following items:

- Family members of the household do not have any additional guarantees or goods to repay the debt
- The loan is a first lien mortgage backed by the property of the family household.
- Loan without any additional guarantees
- In case of additional borrowers acting as guarantor, they must comply with 1), 2) and 3) above.

The Management Company authorises the Seller to apply the code of good practice to eligible borrowers of the portfolio. The Sellers will inform the Management Company of any loan modification under the code of good practice.

Mitigants: (1) Low number of borrowers approved since the code of good practice law was passed in March 2013. The number of applications received by the 45 financial institutions adhering to the code of good practice as of Q3 2013 is 14,368 of which 3,833 were approved. 2,827 loans were restructured and 1,006 were *Dación en Pago*. Debt forgiveness was not applied to any of the applications approved. (2) Re-structured loans may help borrowers to continue paying their mortgage and mitigate defaults.

Beside modifications under the code of good practice, the servicer will be able to conduct permitted variations within the mortgage portfolio. These modifications can be made without the Management Company 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.

It is worth mentioning that if the servicer was to renegotiate a floating to a fixed interest rate, the fixed-interest rate would be set at margin which would represent an average margin of 0.7%, approximately in line with the current portfolio margin.

Mitigants: Weighted-average maturity was extended for 10% of the pool up to August 2059 and all spreads above 1% capped at that level.

Historical Performance

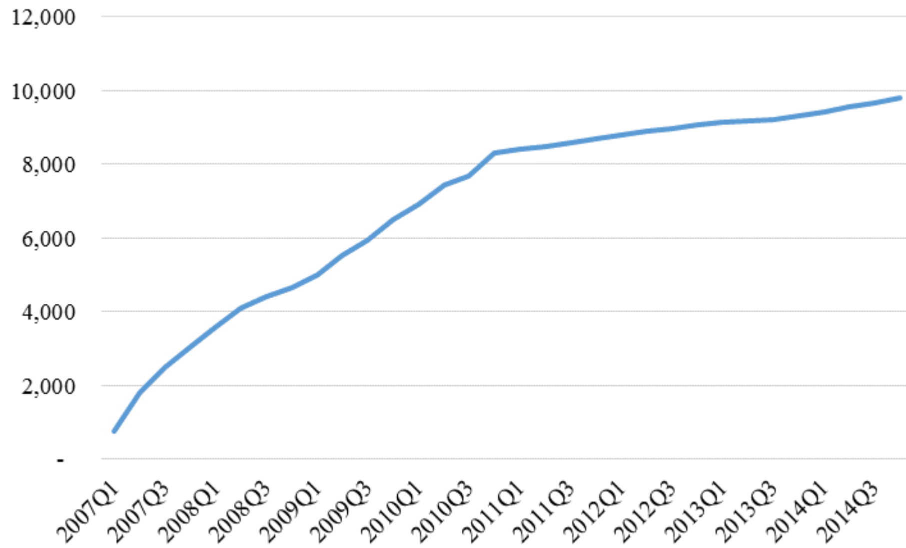
The Management Company provided historical information on static vintage delinquency cohorts on the non-modified and the modified portfolio. The data represents performance on the entire mortgage book of Santander comparable to the securitised mortgage loans. The historical data cover the observation period between Q1 2007 and Q4 2014 split by channel of origination branch and broker. The information covers both Santander and Banesto originated loans, but DBRS could not get a data split between the two originators. For the reasons explained above, the portfolio was split into a Risky and Clean portfolio.

As of Q4 2014, Santander's outstanding loan amount of loans with similar characteristics to those included in the transaction's portfolio, e.g. updated indexed current LTV > 80%, loan maturity > 30 years or part of the forbearance portfolio, stood at EUR 9.8 billion.

FT RMBS Santander 4

Report Date:
29 June 2015

Chart 6: Total Volume Originated by Santander in EUR millions

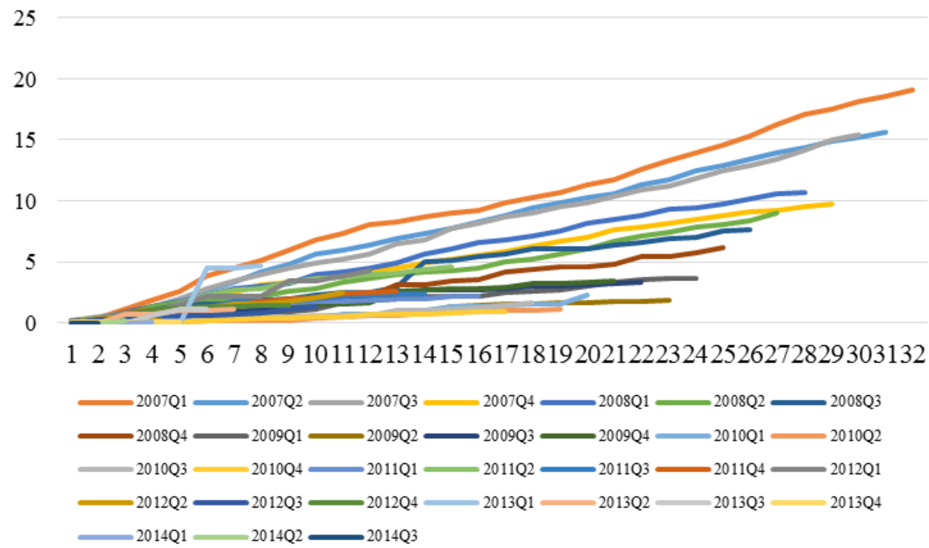


Source: Information provided by the Management Company and Santander.

As of Q4 2014, 75% of those loans are non-modified and branch originated versus 22.5% modified loans which were also branch originated. The remaining 2.5% of outstanding loan volumes were originated through brokers, where 60% was non-modified and 40% modified.

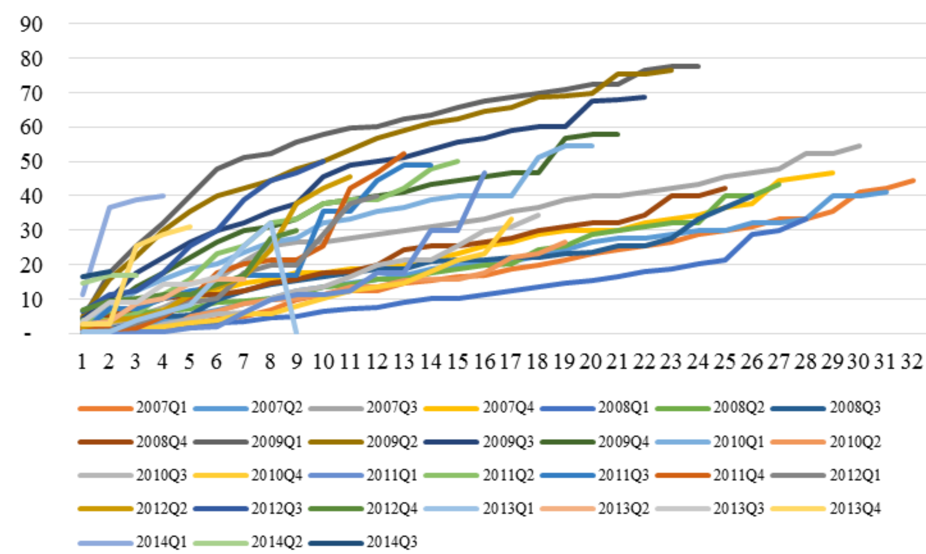
Cumulative 90+ in arrears for branch originated loans:

Chart 7: Cumulative 90+ days delinquencies % of Originated Loans quarters since origination – Non-Modified



Source: Information provided by the Management Company and Santander.

Chart 8: Cumulative 90+ days delinquencies % of Originated Loans quarters since origination – Modified

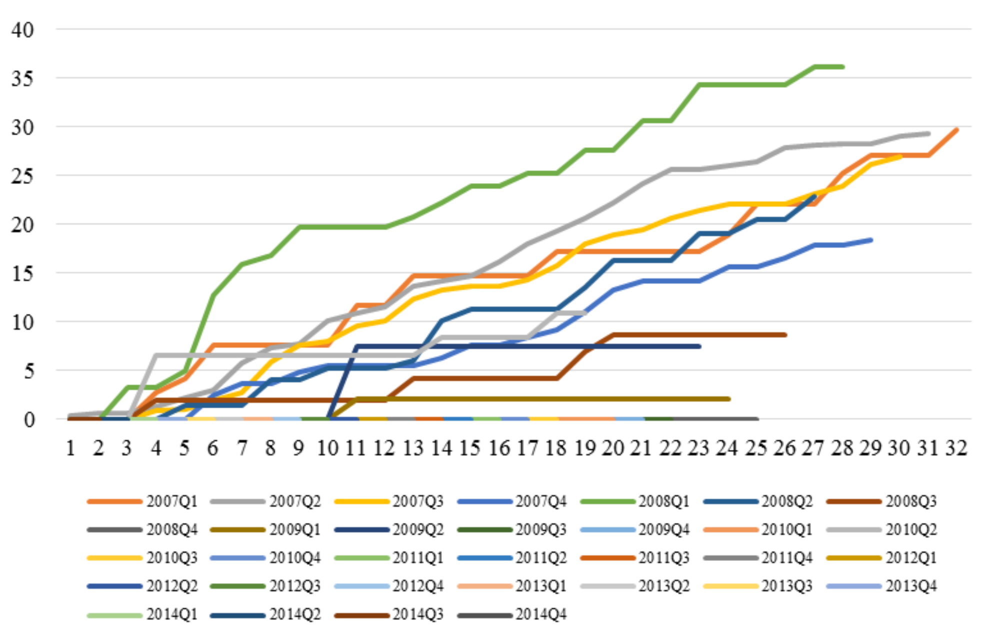


Source: Information provided by the Management Company and Santander.

There is a significant difference in default curves between modified and non-modified loans. Whereas the non-modified vintages show the worst performance for the year 2007 and constantly improving trends in younger vintages, the modified portfolio shows bad performance in younger vintages as well.

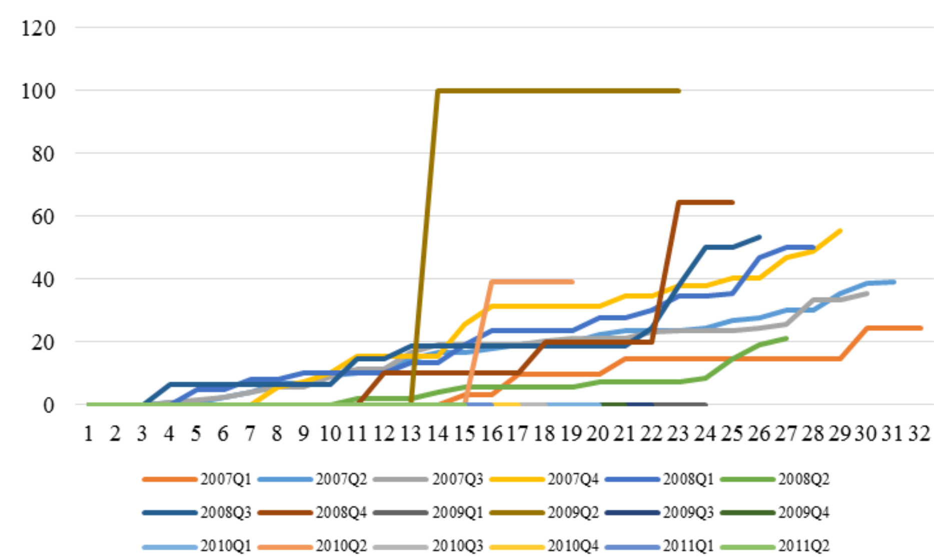
Cumulative 90+ in arrears for non-modified loans:

Chart 9: Cumulative 90+ days delinquencies % of Originated Loans quarters since origination – Branches



Source: Information provided by the Management Company and Santander.

Chart 10: Cumulative 90+ days delinquencies % of Originated Loans quarters since origination – Brokers

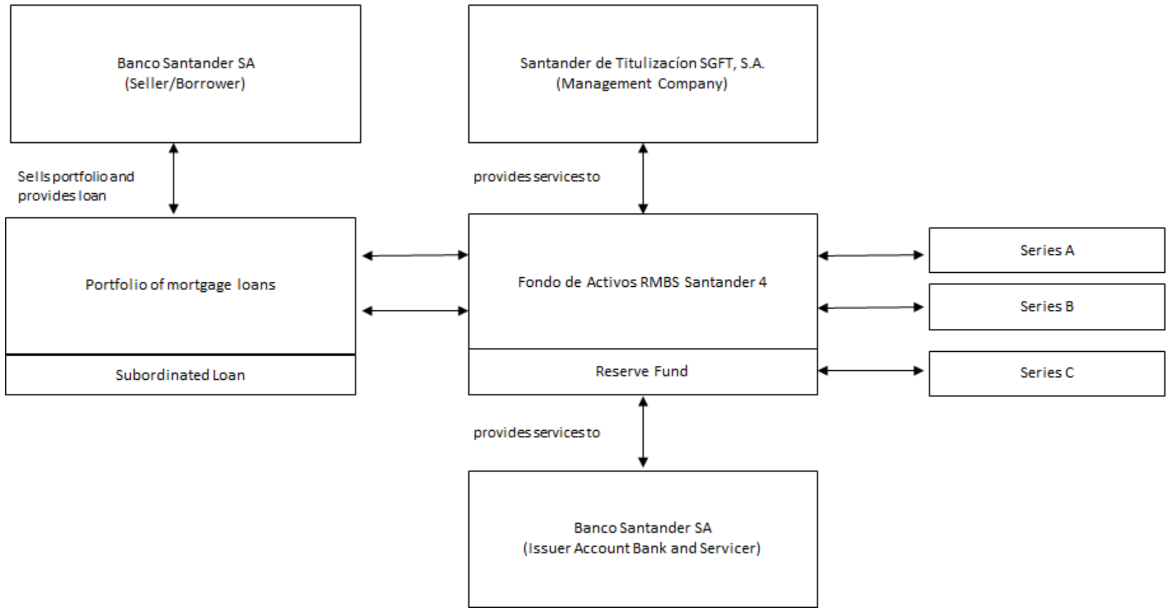


Source: Information provided by the Management Company and Santander.

The distinction between broker and branch-originated loans seems to be less important in DBRS analysis. Firstly, the portion of broker-originated loans is 1% in the mortgage loan portfolio, and second apart from the non-modified loans there is no clear difference in performance.

Transaction Structure

Transaction Diagram



Source: DBRS's simplified illustration.

Structural Features

Transaction Overview
At closing, the Series A and Series B notes were issued to fund the purchase of the mortgage portfolio. The proceeds from the issuance of the Series C notes were used to fund the Reserve Fund.

Available Funds
The transaction has a combined waterfall, where the available funds are summarised as:

- Principal collections received from the mortgage loans
- Interest collection received from the mortgage loans
- The Reserve Fund
- Return on amounts deposited in the bank account
- Any amount derived from the collateral mortgage pool, such as the proceeds received from the sales on foreclosed properties

Credit Enhancement

The Series A notes benefit from 25.0% credit enhancement consisting of the subordinated Series B notes and the Reserve Fund equal to EUR 147.5 million. The Series B notes benefit from 5.0% credit enhancement consisting of the subordinated Series C notes funded by the Reserve Fund. The Reserve Fund is available to meet payments on the senior fees, interest on the Series A and Series B notes, and principal on Series A and Series B notes.

Pre-Enforcement Waterfall

The available funds are distributed through the following combined waterfall:

(1) Ordinary and extraordinary expenses and the administration fee. If Santander ceases to be the servicer and/or the paying agent, the replacement entities will charge an additional fee;
(2) Interest due on the Series A notes;
(3) Interest due on Series B notes unless the payment is deferred to fifth place in the priority of payments based on the trigger condition defined below;
(4) Amounts retained to amortise Series A and Series B notes in accordance with the transaction documentation;
(5) Interest due on the Series B notes (Deferred from third place due to breach of trigger condition);
(6) Replenishment of the Reserve Fund;
(7) Interest due on the Series C notes;
(8) Amount required to amortise Series C notes in accordance with the transaction documentation;
(9) Interest due on the Subordinated Loan;
(10) Principal due on the Subordinated Loan;
(11) Administration fee (with Santander as the servicer);
(12) Payment to Series C notes using excess spread remaining after steps 1 to 11 above.

Upon liquidation of the Fund at the legal final maturity date or early termination of the Fund, the following items will be distributed through the Post-Enforcement Waterfall:

- The Available Funds.
- Amount received by the Fund after the sale of the remaining mortgage portfolio.

Post-Enforcement Waterfall

(1) Ordinary and extraordinary expenses and the administration fee. If Santander ceases to be the servicer and/or paying agent, the replacement entities will charge an additional fee;
(2) Interest due on the Series A notes;
(3) Principal due on Series A notes;
(4) Interest due on Series B notes;
(5) Principal due on Series B notes;
(6) Interest due on the Series B notes;
(7) Principal due on 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 and (2) amounts available after payment of items 1 to 3 of the pre-enforcement waterfall.

The amortisation of Series A and Series B notes will equate to the positive difference between (1) the amount outstanding of 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 notes 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:

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

Series B Notes Interest Deferral Trigger

Interest due on the Series B notes interest will be deferred to item 5 of the Pre-Enforcement waterfall if the cumulative outstanding amount of defaulted loans as a percentage of the original outstanding balance of the mortgage portfolio is above 10%.

Reserve Fund

The transaction benefits from a EUR 147.5 million Reserve Fund which will be funded at closing through proceeds of the Series C notes issuance. The Reserve Fund is available to cover shortfalls on the payment of senior fees, Interest and principal shortfalls on the Series A and Series B notes.

Once the notes are paid down in an amount which results in the Reserve Fund amount equalling 10% of the principal outstanding amount of the Series A and Series B notes, the Reserve Fund is able to amortise quarterly on each interest payment date, in an amount which maintains the 10% ratio between the Reserve Fund and the Series A and Series B notes. The Reserve Fund has a floor which equals 2.5% the Initial principal outstanding amount of the Series A and Series B notes or EUR 73.75 million. At legal final maturity the Reserve Fund Target Amount will equal zero.

The Reserve Fund will only amortise if:

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

Definitions
Defaulted loans: 18+ months in arrears
Delinquent loans: 90+ days in arrears

Transaction Accounts

Cash Collection

At closing the Management Company on behalf of the fund will establish a treasury account at Santander (A /Stb. / R-1(low)/Stb.). The account will hold the following amounts, among others:

- Principal and interest collections.
- Any 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 guaranteed interest on the funds deposited in the account equal to the greater of 3 Month Euribor or zero. If the Treasury Account Bank's DBRS rating was downgraded below BBB (high), the Management Company on behalf of the fund within 30 days would need to (1) find a guarantor with the minimum DBRS rating of BBB (high) who will guarantee unconditionally and irrevocably the obligations of the treasury account agreement or (2) find a replacement. Should Santander's DBRS rating at some future date go at or above the BBB (high) rating it would resume its role as Treasury Account Bank.

Moreover, the Management Company on behalf of the fund will enter into a paying agency agreement with Santander, which will have the same replacement triggers at BB as the Treasury Account Bank agreement. The paying agent is performing the calculation of the amounts due and payable and instructs the account bank to make the payments.

Commingling

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 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 payment, 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. If the servicer's DBRS rating was 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 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.

Set-Off Risk

All the borrowers have bank accounts at Santander. Set-off in this transaction is very limited as only unpaid instalments that are viewed as fully due and payable prior to the declaration of insolvency might be offset against the deposits held by the originators.

Basis Risk

The interest rate risk in the transaction arises from the floating-interest rate due on the notes (3-month Euribor) and the mainly floating rate payable by the mortgage pool or 94.4% (12-month Euribor), with a remaining fixed-rate pool of 5.6% (IRPH 6.1% and fixed 0.3%), which is unhedged.

DBRS accounted for the very limited fixed-floating and basis risk by testing the impact to potential mismatches in its cash flow model. The main mitigants, however, have been the available credit enhancement and the liquidity provided by the transactions Reserve Fund.

Cash Flow Analysis

Summary of Cash Flow Analysis
The DBRS cash flow model assumptions focus on the amount and timing of defaults and recoveries, prepayment speeds and interest rates. 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	Prepayments	Default Timing	Interest Rate
1	0%	Front	Upwards
2	0%	Front	Flat/Down
3	0%	Back	Upwards
4	0%	Back	Flat/Down
5	5%	Front	Upwards
6	5%	Front	Flat/Down
7	5%	Back	Upwards
8	5%	Back	Flat/Down
9	10%	Front	Upwards
10	10%	Front	Flat/Down
11	10%	Back	Upwards
12	10%	Back	Flat/Down
13	20%	Front	Upwards
14	20%	Front	Flat/Down
15	20%	Back	Upwards
16	20%	Back	Flat/Down

Asset Analysis Results

As explained above, DBRS segregated the portfolio into a normal and a riskier 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 77.4% for the normal and 22.6% for the riskier portfolio,

For the calculation of the weighted-average two-year (WA 2YPD) of the normal portfolio, DBRS took the maximum of (1) the PD assessment provided by Santander in the data tape and (2) the cumulative 90+ delinquencies of the vintage data provided for each bank after two years was weighted by the current outstanding loan amount in the deal. For vintages without cumulative default data, DBRS applied only the one-year PD assessment provided by Santander in the data tape, adjusting it to a comparable two-year PD.

DBRS further stressed the WA 2YPD to reflect the current risk of the sovereign of Spain (A (low)). The adjustment is based on the worst case WA 2YPD experienced from all the issuers in Spain and the 10 year PD value from DBRS's Idealised Default table. As a result of this, the adjusted WA 2YPD is 3.1%.

WA 2PD	**2.4%**
WA 2PD Sov. Adj.	**3.1%**

For the riskier portfolio, DBRS has assumed a single "B" default rate at 50% due to (1) the performance observed in the vintage analysis and (2) the higher concentration of adverse credit characteristics for these loans. Translating this into a 2YRPD would lead to 14.5%. The 2YRPD for the modified loan portfolio does not include a sovereign stress as the default levels expected for this portfolio exceed the sovereign stress.

Combined PD assumptions

The assumed weighted-average 2YRPD for the two sub-portfolios has been 5.6% which resulted in a single B default rate of 18.1%, a LGD of 40.3% and an expected loss of 7.3%.

	Default Rate	LGD	Expected Loss	MVD
AAA	44.2%	64.4%	28.5%	70.7%
AA	38.8%	56.0%	21.7%	64.0%
A	35.0%	51.8%	18.1%	60.5%
BBB	30.6%	47.6%	14.6%	57.0%
BB	24.4%	43.3%	10.6%	53.3%
B	18.1%	40.3%	7.3%	50.7%
A (high)	35.9%	53.1%	19.0%	61.6%

Prepayment Speeds
The four prepayment stresses applied are 0%, 5%, 10% and 20% CPR. The 0% CPR assumption was applied following the low prepayment rates observed in the Spanish market.

Timing of Defaults and Recoveries
DBRS applied a front- and back-loaded default timing curve.

DBRS assumed recovery proceeds will not be available for the deal until 48 months from the date a loan becomes 90 days past due.

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

Legal Structure

Law(s) Impacting Transaction

Transaction Basis:

True sale pursuant to Spanish securitisation laws

Laws impacting the transaction:

The mortgage loans comprising the Portfolio have been assigned to the Issuer pursuant to the *Escritura de Constitución* (Issuer Deed of Incorporation Formation) in a True Sale transaction in accordance with Spanish securitisation regulations, Law 5/2015. In order to avoid re-registering the mortgage loans in the name of the Issuer and incurring a stamp tax, the loans are conveyed by way of *Certificados de Transmisión de Hipoteca* (CTH) or "Mortgage Transfer Certificates" and *Participaciones Hipotecarias* (PH) "Participation Certificates". The CTH and PH represent an undivided interest in the underlying mortgage loans and convey to the Issuer all ownership rights as if the mortgage loans were re-registered in the Issuer's name, in accordance with Law 2/1981 and Royal Decree 716/2009. The Noteholders are unsecured creditors of the Issuer. In Spain there is no nationwide registry where creditors can record their security interest in assets other than in the Land Registry (*Registro de la Propiedad*) for real estate assets property and the Registry on Movable Property (*Registro de Bienes Muebles*) for among others, vehicles/equipment, certain credit rights and other type of assets. Thus, a security interest in favour of the Note holders is not possible. In any event, given the limitation on the Issuer's activities, the lack of a security interest in the Portfolio is not a concern.

The Originator's counsel rendered an opinion with respect to (1) corporate good standing of Originator, Issuer and Management Company, (2) enforceability of documents against Originator and Issuer, (3) "True Sale" of assets from Originator to Issuer and (4) tax regime of the Issuer and the Notes.

Transaction Counterparty Risk

Santander is both the originator and servicer for the transaction. In addition, Santander also acts as treasury account bank and paying agent. Santander may be replaced in its roles at request by the Management Company, insolvency of servicer and/or Bank of Spain intervention.

Furthermore, the transaction benefits from rating triggers which at loss of a rating of BBB (high) would require the current account bank to (1) search for an eligible replacement counterparty or (2) find an eligible guarantor issuing an absolute, direct, unconditional and irrevocable guarantee. Eligible counterparties are compliant with the rating triggers defined in the documents.

Methodologies Applied

The following are the primary methodologies DBRS applied to assign a rating to the above referenced transaction, which can be found on www.dbrs.com under the heading Methodologies. Alternatively, please contact info@dbrs.com, or contact the primary analysts whose information is listed in this report:

- *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*
- *Legal Criteria for European Structured Finance Transactions*
- *Operational Risk Methodology for EU Structured Finance Servicers*
- *Unified Interest Rate Model Methodology for European Securitisations*

Monitoring and Surveillance

The transaction will be monitored in accordance with the *Master European Structured Finance Surveillance Methodology*, available at www.dbrs.com.

Note:
All figures are in euros unless otherwise noted.