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CREDIT OPINION
16 July 2020

New Issue

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TABLE OF CONTENTS
Capital structure 1
Summary 1
Credit strengths 2
Credit challenges 2
Key characteristics 3
Asset description 5
Asset analysis 10
Securitisation structure description 14
Securitisation structure analysis 18
Methodology and monitoring 20
Modelling assumptions 21
Moody's related publications 22
Appendix 1: Summary of originator's underwriting policies and procedures 23
Appendix 2: Summary of servicer's collection procedures 25
Appendix 3: Summary of originator and servicer reviews 27

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F.T. RMBS Santander 6

New Issue – Banco Santander S.A. issues new RMBS transaction in Spain

Capital structure

Exhibit 1
Definitive ratings

Series	Rating	Amount (million)	% of notes	Legal final maturity	Coupon	Subordination*	Reserve fund**	Total credit enhancement***
Class A	Aa3 (sf)	€ 3,780.00	84.00%	Oct-63	3mE + 0.05%	16.00%	5.00%	21.00%
Class B	Caa1 (sf)	€ 720.00	16.00%	Oct-63	3mE + 0.50%	0.00%	5.00%	5.00%
Class C	NR	€ 225.00	5.00%	Oct-63	3mE + 0.65%	0.00%	0.00%	0.00%
Total		€ 4,725.00	105.00%					

* At closing.
** As a percentage of the Class A and B notes.
*** No benefit is attributed to the excess spread.
Source: Moody's Investors Service

Summary

The subject transaction is a static cash securitisation of first-ranking prime mortgages extended to borrowers in Spain by Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)), Banco Español de Crédito, S.A. (Banesto) (NR) and Banco Popular S.A. (NR). Both Banco Español de Crédito, S.A. (Banesto) and Banco Popular S.A. were merged into Banco Santander S.A. The definitive portfolio consists of 32,875 loans extended to 31,068 prime borrowers, and the current pool balance is almost equal to €4,617.8 million as of the pool cut-off date (19 June 2020). The definitive portfolio consists of high Loan To Value (LTV) (more than 80%) mortgage loans secured by residential properties, including a percentage of restructured loans (13.4%).

Our credit opinion is the result of our analysis of a wide array of quantitative and qualitative factors, including the pool characteristics and the originator and servicer reviews. The credit opinion of the transaction also takes into consideration the structural features, such as the credit enhancement and liquidity available for the notes and the mitigants of servicer disruption risk.

Credit strengths

The following factors were the strongest features of this transaction:

» ***Strong default definition compared with other Spanish RMBS*:** The transaction structure benefits from an artificial write-off, which traps the available excess spread to cover any losses. The full amount of the loan will be artificially written off if it has been more than three months in arrears. (See "Securitisation structure description - Detailed description of the transaction - Allocation of payments/PDL-like mechanism")

» ***Asset quality*:** Particular strengths related to the portfolio include:

– Seasoned pool: The definitive portfolio is well seasoned, with a weighted average (WA) seasoning of 5.2 years.

» ***Credit enhancement*:** The reserve fund is fully funded upfront equal to 5.0% of the Class A and Class B notes to cover the potential shortfall in interest and principal. (See "Securitisation structure description - Detailed description of the transaction - Credit enhancement")

» ***Sequential amortisation of the notes*:** The amortisation of the Class B notes will not start until the Class A notes are fully redeemed. (See "Securitisation structure description - Detailed description of the transaction - Credit enhancement")

Credit challenges

The transaction contains the following challenges:

» ***Restructured loans*:** The initial terms of 13.4% of the loans have already been modified since they were granted. The restructured loans are more likely to default than those that have never been restructured. (See "Securitisation structure analysis - Additional structural analysis - Restructured loans")

» ***Loan characteristics*:** Particular challenges related to the portfolio include:

– High LTV nature of the definitive pool: The WA current LTV (CLTV) ratio is 82.5% and WA original LTV (OLTV) is 93.3% based on the original valuation when the loan was granted (96.0% CLTV and 112.0% OLTV based on updated valuations provided by Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)) (Santander). The CLTV is higher than the average for Spanish transactions.

– Payment Holiday because of the COVID-19 pandemic: Around 15.8% of the loans are in payment holiday (legal moratorium or sectorial moratorium) because of the COVID-19 moratorium, which poses potential payment shock risk.

– Loans to employees: 13.4% of the definitive portfolio corresponds to mortgage loans granted to Santander's employees. These loans benefit from more advantageous interest rate conditions, and in some cases, the interest rate is 0%.

– Months current data: 22.0% of the loans have previously been in arrears for more than 30 days. However, for loans originated by Banco Popular S.A. (NR) (Banco Popular), there is no payment history available before 1 January 2019.

– Borrower's nationality: 9.6% of the definitive portfolio corresponds to foreign residents.

– Occupancy type: 7.9% of the loans are backed by second homes, and for 5.8%, there is no data available.

– Employment type: 14.4% of the portfolio corresponds to self-employed loans. For the remaining part of the pool, there is no data available on employment type. (See "Asset Description - Pool Characteristics")

» ***Hedging arrangements*:** There is no interest rate swap in place to cover interest rate risk. This risk has been taken into account when assessing the subordination levels, and limited value was given to the available excess spread. (See "Securitisation structure analysis - Primary structural analysis - Interest rate mismatch")

» ***Tight excess spread*:** The spread could compress in the transaction because of (1) prepayments: higher-yielding loan prepayments could lead to the average spread decreasing over time, and (2) the absence of hedging between the interest rate payable on the loans and the interest rate payable on the notes. Additionally, the transaction allows permitted variations which include the reduction of loan margins. The limited spread resulting from all these factors has been taken into account in our analysis, and very limited value was given to the excess spread in the deal. (See "Securitisation structure analysis - Additional structural analysis - Risk of spread compression")

» ***Coronavirus pandemic*:** The rapid spread of the coronavirus pandemic, the government measures put in place to contain it and the deteriorating global economic outlook have created a severe and extensive credit shock across sectors, regions and markets. Our analysis has taken into consideration the effect on the performance of residential mortgages from the collapse in Spanish economic activity in the second quarter and a gradual recovery in the second half of the year. However, that outcome depends on whether governments can reopen their economies while also safeguarding public health and avoiding a further surge in infections. As a result, the degree of uncertainty around our forecasts is unusually high. We regard the coronavirus pandemic as a social risk under our environmental, social and governance framework, given the substantial implications for public health and safety.

Key characteristics

Exhibit 2
Asset characteristics
(Cut-off date as of 19 June 2020)

Key characteristics	F.T.A. RMBS Santander 6
Seller/originator:	Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)) (49.66% of the pool), Banco Español de Crédito, S.A. (Banesto) (5.64% of the pool) and Banco Popular S.A (44.70% of the pool)
Servicer(s):	Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr))
Receivables:	First ranking mortgage loans to individuals secured by properties located in Spain
Methodology used:	Moody's Approach to Rating RMBS Using the MILAN Framework, May 2020
Total amount:	€4,617,778,330
Number of borrowers:	31,068
Borrower concentration:	Top 20 borrowers make up 0.8% of the pool
WA remaining term:	28.5 yrs
WA seasoning:	5.2 yrs
Interest basis:	3.2% fixed rate, 96.8% floating
WA current LTV:	82.5%
WA original LTV:	93.3%
Moody's calculated WA indexed LTV:	83.1%
Borrower credit profile:	Prime borrowers
Delinquency status:	1.4% loans in arrears as of cut-off date

Sources: Moody's Investors Service and Santander de Titulización S.G.F.T.; S.A

Securitisation structure characteristics

Exhibit 3

Securitisation Structure characteristics

Issuer:	F.T.A. RMBS Santander 6
Models used:	MILAN Spanish Settings and ABSCore
Excess spread at closing:	The current weighted-average interest rate as of closing is around 0.93% with the notes paying a weighted-average coupon of 0.5% (over three-month Euribor) and actual senior fees of around 0.1%
Back-up servicer:	N/A
Back-up servicer facilitator:	Santander de Titulizacion S.G.F.T.; S.A (NR)
Cash manager:	Santander de Titulizacion S.G.F.T.; S.A (NR)
Interest Rate swap counterparty:	N/A
Issuer account bank:	Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr))
Principal paying agent:	Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr))
Management Company:	Santander de Titulizacion S.G.F.T.; S.A (NR)
Arranger:	Santander de Titulizacion S.G.F.T.; S.A (NR)
Credit enhancements/reserves:	5.0% amortising general reserve fund at closing Subordination of the junior notes Excess spread
Form of liquidity:	Principal to pay interest mechanism 5.0% amortising general reserve fund at closing Excess spread
Number of interest payments covered by liquidity:	30 months
Interest payments:	Quarterly in arrears on each payment date
Principal payments:	Pass-through on each payment date
Payment dates:	17th February, May, August and November
First payment date:	17th November 2020
Hedging arrangements:	N/A

Sources: Moody's Investors Service and Santander de Titulización S.G.F.T.; S.A

Asset description

The assets backing the notes are first-ranking prime mortgage loans originated by Banco Santander S.A. (Spain) (49.7%), Banco Español de Crédito, S.A. (Banesto) (5.6%) and Banco Popular S.A. (44.7%). All the loans in the definitive pool are secured on residential properties located in Spain. Exhibits 4-7 detail additional high-level information regarding the assets in the pool.

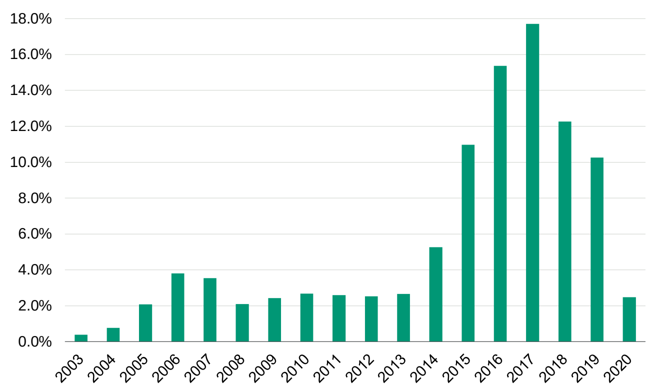
Assets as of 19 June 2020

The figures presented in this report refer to the definitive pool characteristics at the definitive cut-off date, 19 June 2020.

Pool characteristics

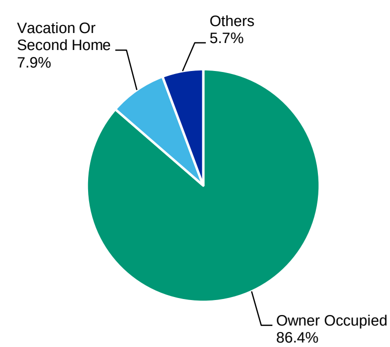
Exhibit 4 illustrates that the pool is well seasoned at 5.2 years, with around 56.3% of the loans in the pool having been originated between 2015 and 2018. Exhibit 5 summarises the loan purpose information and highlights that 86.4% of the loans correspond to owner-occupied properties. Exhibit 6 shows that the WA current LTV of the pool is 82.5% (based on the original valuation when the loan was granted), while our calculated WA indexed LTV is 83.1%. About 61.6% of the pool has a current LTV higher than 80%. However, the CLTV is 96.0% and the OLTV is 112.0%, based on updated valuations provided by Banco Santander. Exhibit 7 illustrates that around 28.3% of the loans are concentrated in the Madrid region. Also, 22.0% of the loans have previously been in arrears for more than 30 days. However, for loans originated by Banco Popular, there is no payment history available before 1 January 2019. The initial terms of 13.4% of the loans have already been modified since they were granted. Around 15.8% of the loans are in payment holiday (legal moratorium or sectorial moratorium) because of the COVID-19 moratorium, which poses potential payment shock risk.

Exhibit 4
Portfolio breakdown by year of origination



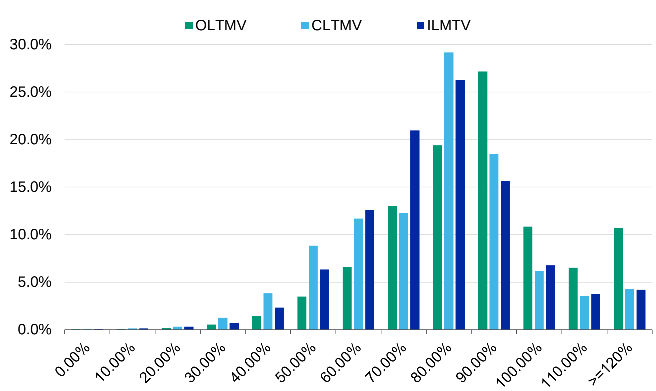
Source: Santander de Titulización S.G.F.T.; S.A

Exhibit 5
Occupancy Type



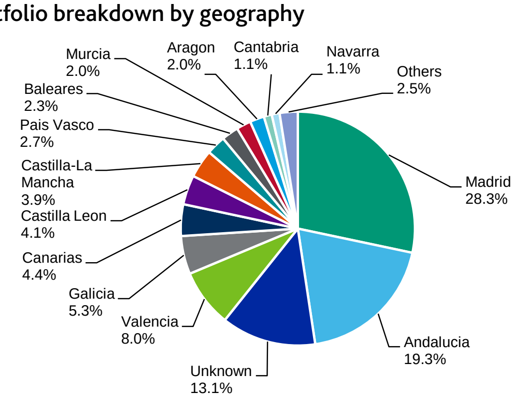
Source: Santander de Titulización S.G.F.T.; S.A

Exhibit 6
Portfolio breakdown by LTV (current, original and indexed)



Source: Santander de Titulización S.G.F.T.; S.A

Exhibit 7
Portfolio breakdown by geography



Source: Santander de Titulización S.G.F.T.; S.A

Originator and servicer

Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)) is the originator of 49.7% of the definitive pool, while Banco Popular S.A. originated 44.7% of the pool and Banco Español de Crédito, S.A. (Banesto) originated the remaining 5.6%. Both Banco Español de Crédito, S.A. (Banesto) and Banco Popular S.A. were merged into Banco Santander S.A. This is the sixth transaction under the RMBS Santander programme by Banco Santander S.A. (Spain), which will continue to act as a servicer for the entire pool of loans after they are sold to the issuer.

Santander has a full banking license under the Spanish regulatory framework. Santander's total consolidated assets were around €1.52 trillion as of September 2019. Santander Group had 145 million active customers, 11,952 branches and 196,419 employees as of September 2019. Santander is Spain's largest financial group, with market shares of 18% in loans and 19% in deposits as of September 2019. It has assets of around €194.49 billion and 29,713 employees.

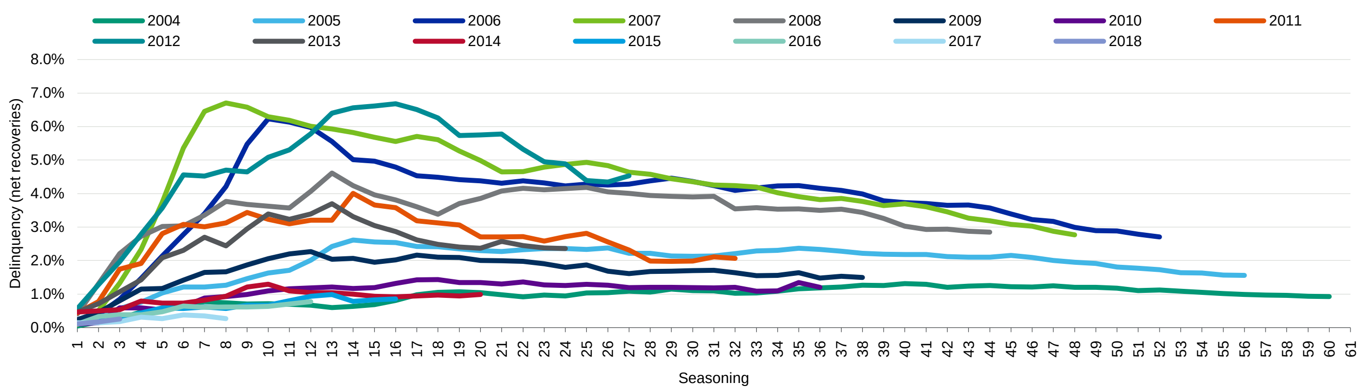
The underlying assets in this transaction are branch-originated residential mortgage loans extended to natural individuals residing in Spain. The underwriting process is mainly driven by an automated scoring system, which considers, among other things, credit bureau information, a household budget computation, the customer's debt history, behavioural banking activity and fraud information. The underwriting process is in line with the market standard.

Collection procedures rely mainly on direct debit, which accounts for 100% of the payments in this transaction.

Exhibit 8 summarises the 90+ Days Delinquency (net recoveries), in seasoning by vintage over the original balance, and indicates that delinquencies have been lower in the most recent vintages. Similarly, Exhibit 9 indicates the 90+ Days Delinquency (net recoveries), in trend by vintage over the original balance.

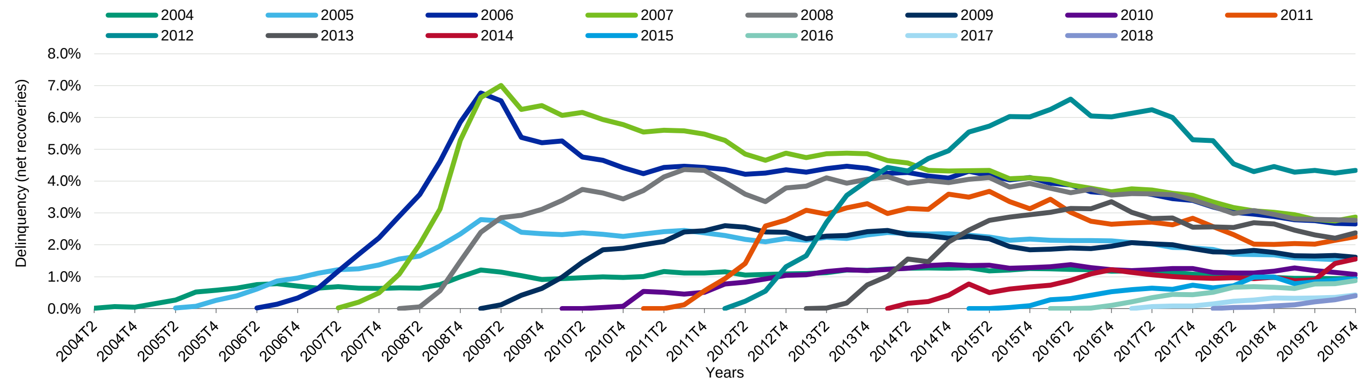
Exhibit 8

90+ Days Delinquency (net recoveries) - seasoning by Vintage / Original Balance



Source: Banco Santander S.A. (Spain)

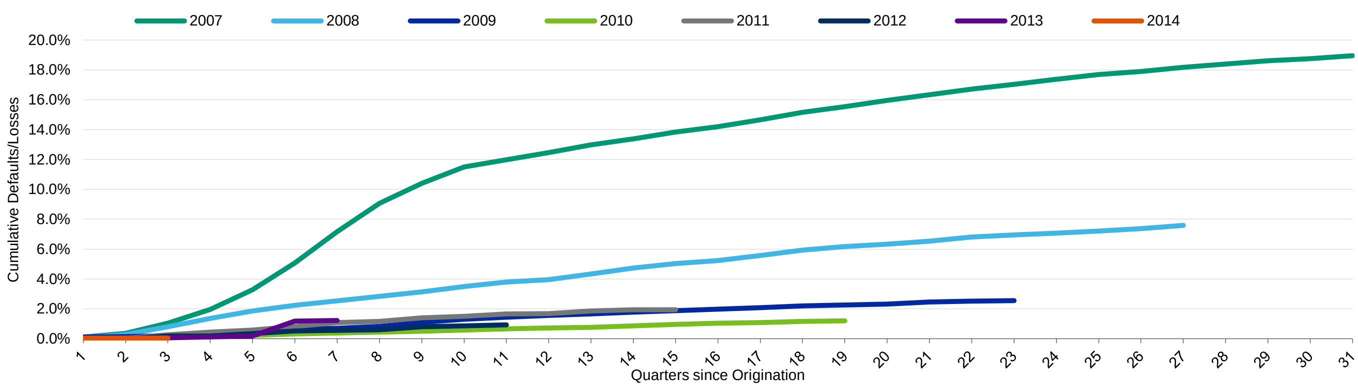
Exhibit 9
90+ Days Delinquency (net recoveries) - trend by Vintage / Original Balance



Source: Banco Santander S.A. (Spain)

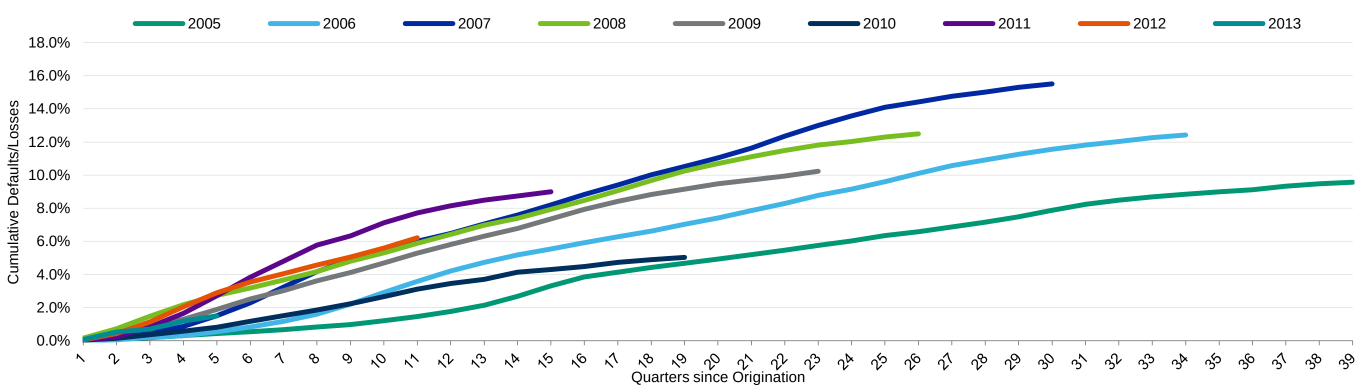
Exhibits 10 and 11 provide an overview of the performance of the Banco Santander S.A. and Banco Popular total loan book over time. Exhibits 10 and 11 show which proportion of the loan book has been more than 90 days in arrears, at least once since origination, as a percentage of the original balance and for each origination quarter cohort. This is a cumulative number and is not a measure of the current level of arrears for the originator's book, as it does not reflect loans that have cured or moved to lower delinquency buckets. Similarly, Exhibit 12 shows the recovery rates for the same loans at Banco Popular, which have been more than 90 days in arrears.

Exhibit 10
Cumulative 90+ days vintage data from Banco Santander S.A. (Spain)



Source: Banco Santander S.A. (Spain)

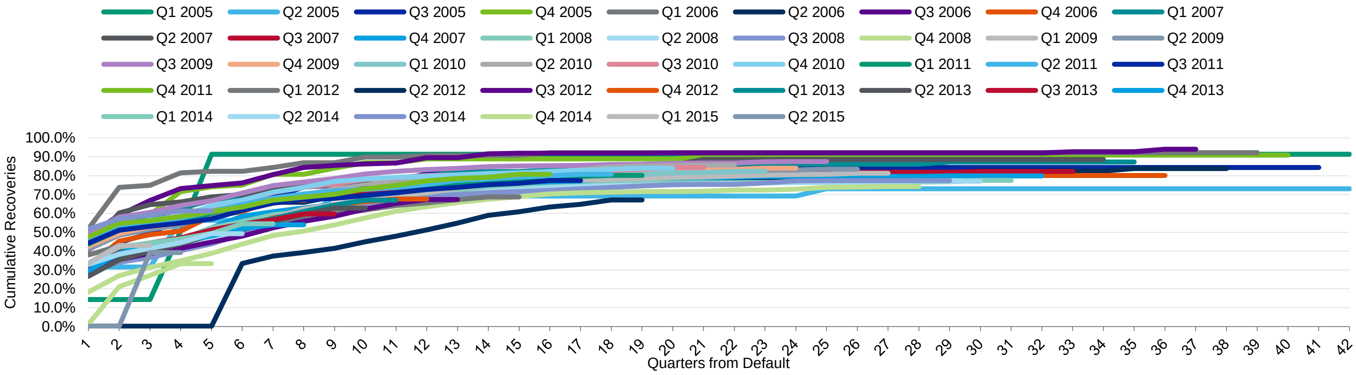
Exhibit 11
Cumulative 90+ days vintage data from Banco Popular



Source: Banco Popular S.A.

Exhibit 12

Cumulative 90+ days recovery rates from Banco Popular



Source: Banco Popular S.A.

Changes to the asset pool after issuance

Eligibility criteria

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

» The mortgage certificates exist and are valid and enforceable.

» The mortgage certificates are secured with a first-ranked real estate mortgage.

» The mortgage certificates are all denominated and payable exclusively in euros.

» The mortgaged properties are all completed and located in Spain and have been appraised by duly qualified institutions approved by the Bank of Spain.

» None of the mortgage certificates have any payments more than one month overdue at the date the mortgage certificate was issued.

» Each mortgage is originated according to the policies in force for granting credit at the time each mortgage certificate was granted.

» Each mortgage certificate must be registered in the relevant property registry and represent an economic or legal first-ranking claim on the corresponding property. No pending charges or prior ranks.

» All mortgages are granted to Spanish persons or residents.

» At least one instalment must be received.

Payment holidays

About 15.8% of the portfolio is in payment holiday (legal moratorium or sectorial moratorium) because of the COVID-19 moratorium. The maximum period for a payment holiday (principal only) is up to 12 months. From a credit standpoint, we view this as negative when the period is long because it delays the amortisation of the loan balance. The payment holiday roll rate has been applied for loans that are currently in payment holiday.

According to RDL 8/2020, modified by RDL 11/2020, debtors of mortgage loans, classified as vulnerable, who have provided evidence, as specified in RDL 11/2020, of the said vulnerability, may request the temporary suspension of any contractual obligations related to the loan or credit that is effective on the effective date of the RDL 8/2020 (legal moratorium).

Additionally, Santander has adhered to the moratoriums promoted by the associations of the Spanish banking sector (AEB and CECA) and consequently may grant additional moratoriums (sectorial moratorium), for a maximum period of 12 months to people who are not necessarily within the vulnerable category stipulated in the regulations.

Mitigant:

» The liquidity risk because of this optionality is mitigated by the reserve fund amount, as well as the principal-to-pay-interest mechanism in the structure.

Asset analysis

Primary asset analysis

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

Expected loss

We use performance data provided by the originator in addition to other relevant data to extrapolate the expected losses for the loan pool. Examples of data include marketwide and sectorwide performance data, the performance of other securitisations and other originators' data.

The key drivers for the portfolio's expected loss of 7.0% are the performance of the originators' preceding transactions, benchmarking with comparable transactions in the Spanish RMBS market, analysis of the static information on delinquencies and recoveries received from Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)) to rate RMBS Santander 5 and from Banco Popular to rate IM Grupo Banco Popular MBS 3, current amount of loans in payment holiday because of the COVID-19 moratorium, current economic environment in Spain and amount of restructured loans in the definitive pool. The factor that mainly influences the likelihood that a restructured mortgage loan will re-default is how long the loan has performed since its last modification. The longer a borrower has been current on a re-performing loan, the lower is the likelihood of re-default.

MILAN model

To obtain the volatility under stressed scenarios, we take into account the historical data. However, the historical volatility may not be significant — given the insufficient data points or incomplete data — and in addition may not be representative for the future as it is based on the previous economic environments experienced.

Consequently, we determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aa1 under highly stressed conditions. This enhancement number (the MILAN CE number) is produced using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics, such as the LTV or other identified drivers of risk, produces a benchmark CE number. This model considers stressed recovery rates (through a house price decline), the time to recovery, interest rates and costs to foreclosure. The WA benchmark CE number will then be adjusted according to the positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

The key drivers for the 24.0% MILAN CE number, which is higher than the average for Spanish RMBS, are the CLTV of 82.5%, calculated by taking into account the original full property valuations; the lack of available data on employment type; the fact that 9.6% of the borrowers in the pool are not Spanish nationals; the fact that 1.4% of the loans in the pool are in arrears; the amount of restructured loans in the pool; and the fact that 22.0% of the loans have previously been in arrears for more than 30 days and that there is no payment history available before 1 January 2019 for loans originated by Banco Popular.

The MILAN CE reflects other characteristics of the pool that are specific to restructured loans. In the pool, 13.4% of the loans have been restructured and are now paying under modified terms. If the loans are currently in arrears or the terms of the loans have been modified since closing, we do not consider the LTV as the only major driver for losses. Therefore, the MILAN CE number has been adjusted to account for a higher likelihood of re-default of the re-performing loans compared with loans that have never been restructured. This results in a loss distribution with a higher probability of fat-tail events with respect to the expected loss.

Lognormal distribution

The MILAN CE number and the expected loss number are based on Rating Committee discussions and are used to derive the lognormal distribution of the pool losses. Because of the large number of loans and supporting historical data, we use a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of an Aa1 tranche.

Risk of interest rate mismatch

The notes are linked to three-month Euribor and reset every quarter on the determination dates. This implies a basis risk with regard to 96.8% of the loans in the portfolio being floating-rate loans linked to 12-month Euribor and a fixed-floating risk with regard to the remaining 3.2% of loans that have a fixed rate for life.

Comparables

Other originators' transactions compared with Banco Santander's transactions

Exhibit 13 shows the collateral characteristics of Banco Santander S.A. (Spain)'s current transaction (F.T. RMBS Santander 6) and previous transactions compared with those of its peers that were considered by our Rating Committee.

Exhibit 13

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

Deal Name	FTA RMBS Santander 6	IM Banco Popular MBS 3	FTA RMBS Santander 5	FTA RMBS Santander 3	FTA RMBS Santander 2	BBVA RMBS 19 FONDO DE TITULIZACION	BBVA RMBS 18 FONDO DE TITULIZACION
Closing date	Jul-20	Dec-15	Dec-15	Nov-14	Jul-14	Nov-19	Nov-17
Cut-off date	19-Jun-20	09-Nov-15	23-Nov-15	18-Sep-14	27-May-14	06-Nov-19	20-Nov-19
Information from	Closing Pool	Provisional Pool	Provisional Pool	Provisional Pool	Provisional Pool	Closing Pool	Closing Pool
Originator(s)	Banco Santander (49.66%); Banesto (5.64%); Banco Popular (44.70%)	Banco Popular (92.8%) Banco Pastor (7.2%)	Banco Santander (68%) Banesto (29%) Banif (3%)	Banesto (67%) Banco Santander (23%)	Banco Santander	BBVA, CX, UNNIM	BBVA, CX, UNNIM
Servicer(s)	Banco Santander	Banco Popular and Banco Pastor	Banco Santander	Banco Santander	Banco Santander	BBVA	BBVA
MILAN CE	24.0%	31.0%	27.0%	33.0%	32.0%	10.0%	19.3%
Expected Loss	7.0%	8.0%	10.5%	13.0%	12.0%	2.8%	5.5%
Portfolio Stratification							
Avg. Current LTV	82.5%	93.8%	72.2%	69.6%	68.1%	71.0%	70.3%
Avg. Original LTV	93.3%	101.0%	81.8%	80.0%	68.1%	76.2%	80.5%
Avg. Current LTV indexed	83.1%	102.6%	85.4%	91.1%	90.2%	68.2%	83.2%
% Current LTV >= 70%	73.9%	90.9%	47.7%	43.3%	34.1%	60.4%	43.8%
% Current LTV >= 80%	61.6%	85.0%	33.0%	21.1%	18.7%	25.0%	18.8%
% Current LTV >= 90%	32.4%	61.0%	19.2%	7.0%	10.6%	4.8%	5.1%
% Self Employed	14.4%	29.6%	12.6%	13.4%	10.1%	14.4%	15.5%
% Non-Owner Occupied (Includes: Partial Owner, Vacation or Second Homes)	13.2%	17.6% second homes and 9.4% ND	3.6%	1.6%	2.1%	2.6%	5.6%
% Fixed interest	3.2%	0.0%	0.3%	1.5%	0.3%	41.6%	0.0%
Total arrears	1.4%	6.2%	5.7%	19.6%	7.0%	1.5%	2.3%
Max regional concentration	Madrid (28.3%)	Andalusia (21.3%)	Madrid (24.4%)	Andalusia (24.4%)	Madrid (21.7%)	Cataluna (30.65%)	Cataluna (49.37%)
% Brokers	0.0%	0.0%	1.2%	1.4%	2.3%	1.5%	6.5%
Portfolio Data							
Current Balance (€)	4,617.8 million	917.0 million	1,369.3 million	6,787.0 million	3,315.0 million	2,068.2 million	1,800.0 million
Avg. Loan per borrower (€)	148,634	152,130	146,232	150,274	153,822	121,800	149,203
Borrower top 20 (as % of pool bal)	0.8%	2.4%	2.5%	0.6%	0.5%	0.8%	0.7%
WA interest rate	43.1%	1.8%	1.4%	1.7%	1.2%	1.8%	1.0%
WA seasoning in years	5.2	3.2	6.3	6.5	6.8	3.3	7.0
WA time to maturity in years	28.5	29.2	25.3	25.2	24.4	27.8	27.4
Maximum maturity date	31/12/2059	01/04/1955	01/08/1961	01/11/1961	01/01/1954	31/01/2059	31/08/2060
Avg. House Price stress rate	35.4%	35.0%	35.0%	35.2%	35.3%	35.0%	35.0%
Avg. House Price change since origination	0.1%	-7.8%	-14.0%	-22.7%	-23.0%	5.2%	-14.7%

Source: Moody's Investors Service

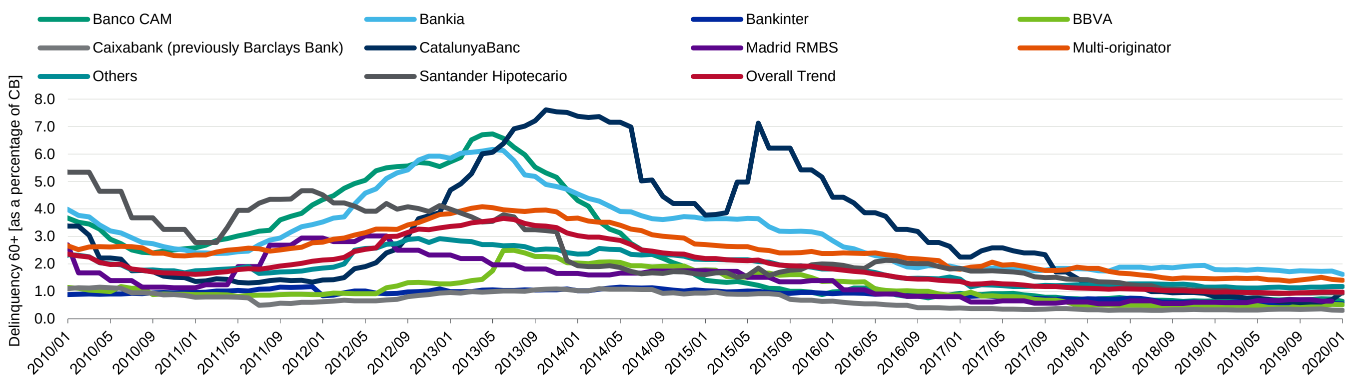
Performance of previous transactions of Banco Santander S.A. (Spain) and other originators

The delinquency for preceding transactions in the RMBS Santander programme is in line with our average reported performance update on the Spanish Prime RMBS overall trend. The cumulative default as of April for RMBS Santander 5 was 1.81% and for RMBS Santander 3 was 2.66%.

In particular, Exhibit 14 shows that the historical performance of 60+ delinquencies in Banco Santander S.A. transactions compares positively with other recent transactions in the Spanish RMBS market. Similarly, Exhibit 15 shows that previous Banco Santander S.A. transactions are also performing in line with the Spanish Prime RMBS overall trend in terms of 90+ days delinquencies.

Exhibit 14

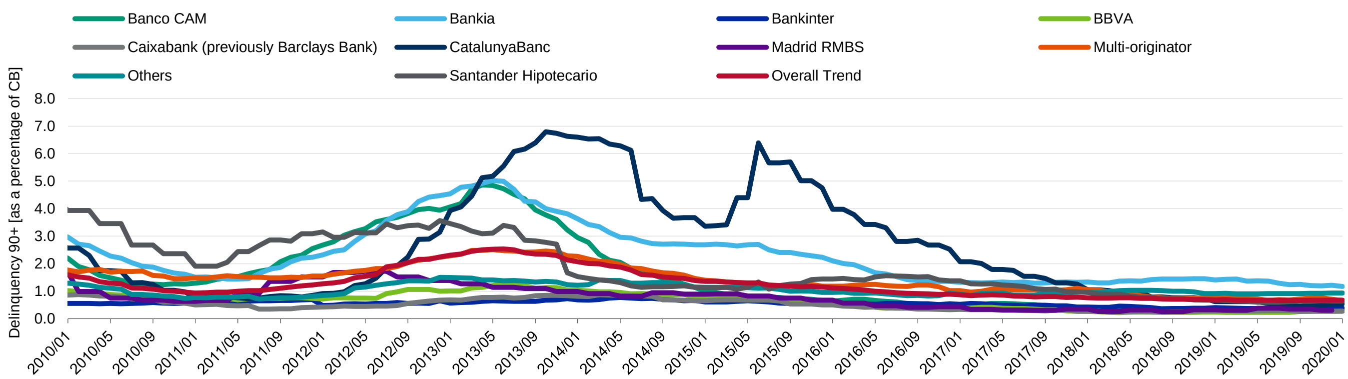
Spanish RMBS 60+ days delinquency trend by originator



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

Exhibit 15

Spanish RMBS 90+ days delinquency trend by originator



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

Additional asset analysis

Data quantity and content

Banco Santander S.A. has provided 90+ dynamic delinquencies net of recoveries from Q1 2004 to Q4 2018 with regards to the Banco Santander S.A. mortgage book. Banco Santander S.A. also provided static vintage data on the performance of its mortgage loan book to rate FTA RMBS Santander 5. In particular, we received quarterly data from Q1 2007 to Q1 2015 on cumulative arrears over 90 days and 180 days for Banco Santander S.A. (Spain)'s mortgage book split by branch origination, broker origination and restructured loans, which covers the worse part of the economic cycle in Spain.

We also received static vintage data on the performance of Banco Popular's mortgage loan book to rate IM Grupo Banco Popular MBS 3. In particular, we received data from Q1 2005 to Q4 2013 on arrears over 90 days for Banco Popular's book, which also covers the part of the cycle with less favourable economic conditions.

In our view, the quantity and quality of data received are in line with those of other transactions that have achieved high investment-grade ratings in this sector.

Originator quality

The originator of 49.7% of the pool, Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)), is from Spain and has a dominant position in the Spanish market.

Banco Santander S.A. (Spain) has adequate controls and procedures in place to generate high-quality loans, and according to our originator review, the overall origination ability and stability of Banco Santander S.A. have been classified as average. For more information, see Appendix 3, which contains a summary of the originator review.

Servicer quality

We reviewed Banco Santander S.A. (Spain)'s procedures and practices and found Banco Santander S.A. acceptable in the role as a servicer of the entire pool. According to our servicer review, its overall servicing ability and stability have been classified as average. For more information, see Appendix 3, which contains a summary of the servicer review.

Set-off

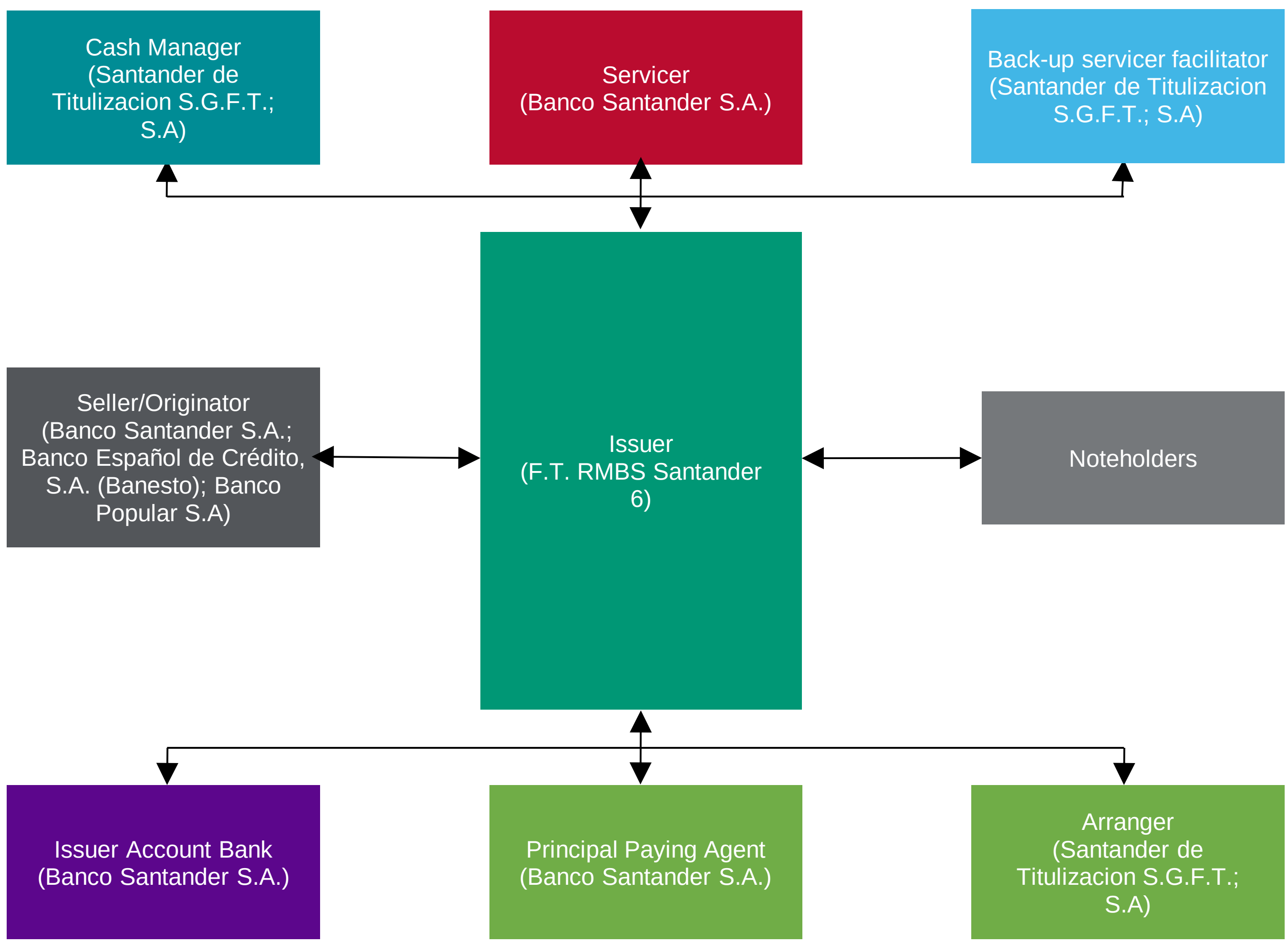
Of the obligors, 100% have accounts with the seller (Banco Santander S.A.). However, the set-off is very limited as only unpaid instalments that are considered fully due and payable before the declaration of insolvency might be offset against the deposits held by the originator. Therefore, we have not factored any incremental loss into our analysis.

Securitisation structure description

The seller, Banco Santander S.A. (Spain), sells a portfolio of residential mortgage loans to the issuer, F.T. RMBS Santander 6, which issues the RMBS notes to finance the purchase of the asset pool. The servicer, Banco Santander S.A. (Spain), will continue to service the assets sold to F.T. RMBS Santander 6. Exhibit 16 illustrates other parties and their respective roles.

Structural diagram

Exhibit 16
F.T. RMBS Santander 6 transaction structure



Source: F.T. RMBS Santander 6 programme memorandum

Detailed description of the structure

Credit enhancement

The transaction structure includes Class A, Class B and Class C notes and an amortising reserve fund, sized at 5.0% of the Class A and Class B initial balance at closing, which provides liquidity support and is sufficient to cover 10 quarters of interest payments and senior expenses. The reserve fund was funded by the issuance of the Class C notes. The amortisation of the principal of the Class A and Class B is fully sequential.

Flow of funds

Allocation of payments: On each quarterly payment date, the issuer's available funds (that is, amounts received from the portfolio, the reserve fund and the interest earned on the issuer's account) will be applied in the following simplified order of priority:

1. Cost and fees, including servicing fee

2. Interest payment to Class A

3. Interest payment to Class B (if not deferred)

4. Retention of an amount equal to the principal due under the notes to amortise Classes A and B

5. Interest payment to Class B notes (if deferred)

6. Replenishment of the reserve fund

7. Interest payment to Class C

8. Principal payment to Class C

9. Repayment of subordinated loans

10. Originator consideration

Allocation of payments/PDL-like mechanism

The definition of a defaulted loan receivable in this transaction is one that is more than three months in arrears or the servicer has determined that the owed amount is uncollectable. The shorter the definition of default, the more spread will be trapped in the structure. The transaction structure benefits from an artificial write-off, which traps the available excess spread to cover losses (if any), whereby the full amount of the loan will be artificially written off in the deal if the loans have been three months in arrears.

Triggers

» *Reserve fund amortisation*: The reserve fund will not amortise during the first three years of the life of the transaction. Thereafter, the reserve fund will amortise as long as none of the below trigger levels have been breached:

 – The amount of mortgage loans in arrears for more than three months is higher than 1.0% of the outstanding balance of non-defaulted mortgage loans

 – The reserve fund is not funded at its required level on the previous interest payment date (IPD)

 – Less than three years have elapsed since closing

Interest deferral trigger

Class B interest payments will be brought to a more junior position in the order of priority if the aggregate cumulative amount of loans in default represents more than 10% of the outstanding amount of the portfolio as of the cut-off date and if Class A notes have not been fully amortised on such a payment date.

Reserve fund

The reserve fund can be used to make payments of the principal and interest for the Class A and Class B. The reserve fund was funded by the issuance of the Class C. The reserve fund will be replenished after the principal repayment of the Class A and Class B.

After the first three years from closing, the reserve fund may amortise over the life of the transaction, subject to the reserve fund amortisation triggers.

» Three years after closing, the reserve fund will be the lesser of:

  – 5.0% of the initial balance of the Class A and Class B

  – The maximum of:

    › 10.0% of the outstanding balance of the notes

    › 2.5% of the initial balance of the notes

Liquidity

Through the principal-to-pay-interest mechanism, the principal is always available to pay interest on the notes. The reserve fund is a further source of liquidity. In higher default scenarios the reserve fund is only a limited source of liquidity. The reserve fund covers also principal losses. According to the early artificial write-offs in the transaction the reserve fund could be earlier depleted in higher default scenarios to cover these losses.

Asset transfer

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

Notification to borrowers of true sale: if the originator is subject to the resolution process provided in Law 11/2015, in the event of insolvency, liquidation, substitution of the servicer, or because the management company deems it reasonable.

Bankruptcy remoteness

Bankruptcy remoteness has been achieved in the structure, supported by the transaction documentation and legal opinion(s), because the issuer:

» is a special-purpose entity

» is subject to suitable restrictions on its activities

» is independently owned and managed

» has no realistic prospect of incurring secondary liabilities

» will not incur tax liabilities that it is unable to pay

» has no outstanding liabilities from previous activities

» has all the necessary licenses and authorisations

» benefits from non-petition covenants given by all parties, and the priority of payments is legally binding on all parties

» SPV directors may not be required or incentivised by applicable bankruptcy law to file for bankruptcy, that is, voluntary bankruptcy filing

Cash manager

The cash manager is Santander de Titulizacion S.G.F.T.; S.A (NR). Its main responsibilities are:

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

- complying with the calculation duties (including the calculation of available funds and withholding obligations) provided for and taking the actions laid down in the Deed of Constitution and the Prospectus.
- calculating and determining on each determination date the principal to be amortised and repaid on the notes on the relevant payment date
- instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions
- extending or amending the agreements entered into on behalf of the issuer, and substituting, as the case may be, each of the issuer service providers on the terms provided for in each agreement

Santander de Titulizacion S.G.F.T.; S.A also acts as a backup servicer facilitator and has committed to use its best efforts to appoint a backup servicer within 60 days if there is a breach of the servicer's obligations, the servicer's rating is downgraded or withdrawn, or the servicer's financial condition is affected in a manner that is detrimental or poses a risk to the issuer's financial condition or the noteholder's interests and rights.

Enforcement of reps and warranties

In the event of breaches of reps and warranties, if these are not remedied within 15 business days, the seller is required to either purchase the loans from the issuer or substitute an equivalent loan.

Securitisation structure analysis

Our ratings are based on the quality of the asset pool, levels of credit enhancement, liquidity provided by the reserve funds, and structural and legal integrity of the transaction.

Primary structural analysis

We consider the probability of default under the notes and the estimated severity of loss when assigning a rating.

Tranching of the notes

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

Interest rate mismatch

As the notes pay a floating rate, the transaction is subject to both a fixed-floating risk, related to 3.2% of the loans that pay a fixed interest rate, and a basis risk, related to the remaining 96.8% of loans linked to Euribor.

No interest rate swap is in place to cover the interest rate risk. This risk has been taken into account when assessing the subordination levels, and only partial value was given to the available spread. Our analysis takes into account the potential interest rate exposure to assess the ratings. Our analysis is based on the observation of historical volatility between the two rates during a given time interval, defined on the basis of the cash flow dynamics in the specific transaction. The exposure is then computed by applying a historical VAR approach with a 99% confidence interval. In the case of a mismatch between 12-month Euribor and three-month Euribor, the adjustment to the gross margin on the 12-month Euribor-linked loans would currently be 50 basis points (bps). Finally, in terms of fixed interest rate loans, we have followed a stressed Euribor approach, increasing the Euribor on the notes 25 bps on a quarterly basis up to 10%.

Reserve fund

We consider the reserve fund in this transaction in line with other comparable Spanish RMBS transactions.

Comparables

Exhibit 17 shows the main structural features of the current and previous Banco Santander S.A. (Spain) RMBS transactions compared with those of its peers.

Exhibit 17

Benchmark table for structural features

Deal Name	FTA RMBS Santander 6	IM Banco Popular MBS 3	FTA RMBS Santander 5	FTA RMBS Santander 3	FTA RMBS Santander 2	BBVA RMBS 19 FONDO DE TITULIZACION	BBVA RMBS 18 FONDO DE TITULIZACION
Structural Features							
Notes Payment Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Replenishment periods	No	No	No	No	No	No	No
Total senior note size	84.00%	78.00%	79.50%	83%(75% post restructuring)	84%(77% post restructuring)	90.00%	81.00%
Reserve Fund (Closing)	5% of A and B notes	3.00%	5.00%	15%(5% post restructuring)	15%(5% post restructuring)	5.00%	4.90%
Reserve Fund Fully Funded at Closing?	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Reserve Fund floor	2.5% of A and B notes	3.00%	2.50%	7.5%(2.5% post restructuring)	7.5%(2.5% post restructuring)	2.50%	2.45%
Hedge in place	No	No	No	No	No	Yes	No
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Moody's Investors Service

Additional structural analysis

Risk of spread compression

The spread could compress in the transaction because of (1) prepayments: higher-yielding loan prepayments could lead to the average spread decreasing over time, and (2) the absence of hedging between the interest rate payable on the loans and the interest rate payable on the notes. Additionally, the transaction allows permitted variations which include the reduction of loan margins. In addition, 13.4% of the definitive portfolio corresponds to mortgage loans granted to Santander's employees. These loans benefit from more advantageous interest rate conditions, and in some cases, the interest rate is 0%. The limited spread resulting from all these factors has been taken into account in our analysis, and very limited value was given to the excess spread in the deal.

For floating-rate loans, in the case of a mismatch between 12-month Euribor and three-month Euribor, the adjustment to the gross margin on the 12-month Euribor-linked loans is 50 bps. For the TRH Total Entidades linked loans, although this index rate has been historically well above the 12-month Euribor, we have not given any value to this in our analysis. Finally, in terms of fixed interest rate loans, we have followed a stressed Euribor approach, increasing the Euribor on the notes 25 bps on a quarterly basis up 10%.

Foreign residents

Banco Santander S.A. (Spain) has reported 9.6% of foreign residents in the portfolio. Obligors that have been residents in Spain, although only for a relatively short period, may also have a riskier profile than residents established in Spain for longer periods because of two primary reasons. Their credit history information may be relatively limited or less reliable. Also, these borrowers generally have less job stability because of their recent establishment in the country. Performance data provided by several Spanish banks indicates greater delinquency levels for this borrower category.

Restructured loans

In the definitive pool, 13.4% of the loans correspond to restructured or refinanced loans. Restructured loans are more likely to default than those that have never been restructured. To account for this risk, we have assumed an increased probability of default for loans that were restructured in the past in our MILAN analysis and expected loss analysis. The factor that most strongly influence the likelihood that a re-performing mortgage loan will re-default is how long the loan has performed since its last modification. The longer a borrower has been current on a re-performing loan, the lower is the likelihood of re-default.

Payment holiday

Around 15.8% of the definitive pool is in payment holiday (principal) because of the COVID-19 moratorium. The maximum period for a payment holiday is 12 months. From a credit standpoint, we view this as negative when the period is long because it delays the amortisation of the loan balance. The payment holiday roll rate has been applied for loans that are currently in payment holiday.

Cash commingling

All of the payments under the loans in this pool are collected by the servicer under a direct debit scheme and transferred to the issuer account bank. Consequently, in the event of the insolvency of Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)) and until a notification is delivered to the relevant debtors to redirect their payments, payments by the underlying debtors will continue to be collected by the servicer and may be commingled with other funds belonging to Banco Santander S.A.

Payments are transferred every 48 hours to the issuer account bank in the name of the issuer held by Banco Santander S.A. (Spain). The issuer account bank trigger is set at the loss of A3 (deposit rating); the remedy is to replace the issuer account bank or find a guarantor.

The commingling risk has not been modelled in our cash flow analysis, given the 48-hour sweep and the high CRA of Banco Santander S.A. (Spain) (A2/P-1; A3(cr)/P-2(cr)).

Mitigating servicing disruptions

Santander de Titulizacion S.G.F.T.; S.A (NR) acts as a backup servicer facilitator and has committed to use its best efforts to appoint a backup servicer should the service's rating be downgraded, intervened by the Bank of Spain, or the servicer's financial condition be affected in a manner that is detrimental or poses a risk to the issuer's financial condition or the noteholder's interests and rights.

Liquidity equal to about 10 quarters of interest payments and items senior thereto in the waterfall is provided by the reserve fund.

Santander de Titulizacion S.G.F.T.; S.A is also an independent cash manager.

Methodology and monitoring

Overview

The principal methodology used in this rating was Moody's Approach to Rating RMBS Using the MILAN Framework, published in May 2020.

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

Servicer disruption: Banco Santander S.A. (Spain) acts as an originator, a servicer, an issuer account bank and a paying agent. There is no backup servicing agreement, but there are triggers in place for both issuer account bank and paying agent functions.

However, because of the fact that there is a backup servicer facilitator and an independent cash manager (Santander de Titulizacion S.G.F.T.; S.A) and particularly because of the A level Counterparty Risk Assessment for Banco Santander S.A. (Spain) and the high transferability of the securitised assets, it is compliant with our recently published guidelines on operational risk.

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

Factors that could lead to a downgrade

» Worse-than-expected collateral performance, in terms of delinquency and loss rates

» Significant deterioration in Banco Santander S.A. (Spain)'s credit quality

» Sovereign risk, which could increase performance volatility

Monitoring triggers

Issuer account bank triggers:[1]

Moody's approach

» The remedy for the loss of A3 (deposit rating) is to replace the account bank or find a guarantor.

Monitoring report

Data quality:

» The investor report format is finalised and discussed with our analyst.

» The report includes all the necessary information for us to monitor the transaction.

» The loan modifications for arrear management are not specifically reported.

Data availability:

» The report is provided by Santander de Titulizacion S.G.F.T.; S.A.

» The timeline for the investor report is provided in the transaction documentation. The priority of payment section is published on the IPD.

» The completed report is published during the first 15 days of each month.

» The frequency of the publication of the investor report is quarterly.

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

Modelling assumptions

The sensitivity to variation in some of the modelling assumptions may have been considered in the analysis.

Exhibit 18
Modelling assumptions

Expected Loss:	7.00%
MILAN Credit Enhancement:	24.0%
Covariance (Cov):	44.0%
Timing of Defaults/Losses:	Sine(1-10-18)
Recovery rate:	40.0%
Recovery lag:	3.5 yrs
Conditional Prepayment Rate (CPR):	15.0%
Fees (as modelled):	0.5%, Minimun €100,000
PDL definition:	Three months
Amortization Profile:	Scheduled amortisation
Country Ceiling:	Aa1
Margin Compression:	50% of CPR applied to highest yielding loan
Basis Risk Adjustment - Lender Variable Rate:	N/A
Basis Risk Adjustment - Other Basis Mismatch:	N/A
Interest on Cash:	No
Commingling Risk Modelled?	No
Excess Spread (model output)*:	Negative

* The annualised excess spread in a zero default scenario is based on the first payment period value using our stressed asset yield and fees assumptions.
Source: Moody's Investors Service

Moody's related publications

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

Methodologies used:

» Moody's Approach to Rating RMBS Using the MILAN Framework, May 2020 (1179948)

Pre-Sale reports:

» IM Banco Popular MBS 3, December 2015 (SF422328)

» FT RMBS Santander 5, December 2015 (SF419894)

» FTA RMBS Santander 3, November 2014 (SF385729)

» FTA RMBS Santander 2, July 2014 (SF373291)

New Issue reports:

» BBVA RMBS 19 Fondo de Titulización, November 2019 (1200761)

» BBVA RMBS 18 Fondo de Titulización, November 2017 (1100661)

Special reports:

» Spain's first home price decline in four years is credit negative for its banks, covered bonds and RMBS, June 2020 (1231083)

» Structural features and portfolio characteristics will reduce the impact of arrears increase on securitisation notes, June 2020 (1225704)

» Spain adds new limits on residential evictions for delinquent mortgage borrowers, a credit negative, March 2020 (1218630)

» European court's ruling on IRPH risks tapering excess spread on some RMBS, a credit negative, March 2020 (1217538)

Prime RMBS Spain Performance Update:

» Prime RMBS Spain: Performance Update - March 2020 (1219222)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of originator's underwriting policies and procedures

Exhibit 19

Originator Ability	At Closing
Sales and Marketing Practices	
Origination channels:	
Underwriting Procedures	
Underwriting composition	
Ratio of loans underwritten per FTE* per day:	
Average experience in underwriting:	
Criteria for compensation of underwriters	
Approval rate:	
Percentage of exceptions to underwriting policies:	
Underwriting Policies	
Source of credit history checks:	
Methods used to assess borrowers' repayment capabilities:	
Income taken into account in affordability calculations:	
Other borrower's exposures (i.e. other debts) taken into account in affordability calculations:	
Is interest rate stressed to calculate affordability?	
Affordability for I/O/balloon loans:	See Appendix 3 below for part of the information the originator allowed Moody s to disclose
Method used for income verification:	
Criteria for non income verified:	
Max age at maturity:	
Maximum loan size:	
Valuation types used for purchase & LTV limits:	
Valuation types used for remortgage & LTV limits:	
Valuation types used for further advances & LTV limits:	
Valuation types & procedure for construction loans & LTV limits:	
Valuation types & procedure for new built properties & LTV limits:	
LTV limit for first-time-buyers:	
Collateral Valuation Policies and Procedures	
Value in the LTV calculation/ in the IT system:	
Type, qualification and appointment of valuers:	

* FTE = Full time equivalent.

Source: Banco Santander S.A. (Spain)

Exhibit 20

Originator Ability	At Closing
Closing Policies and Procedures	
Quality check before releasing funds:	
Credit Risk Management	
Reporting line of Chief Risk Officer :	
Track loan performance by loan characteristics?	
Quality Controls and Audits	
Responsibility of quality assurance:	See Appendix 3 below for part of the information the originator allowed Moody s to disclose
Number of files per underwriter per month being monitored:	
Management Strength and Staff Quality	
Training of new hires and existing staff:	
Technology	
Tools/infrastructure available:	
Frequency of disaster recovery plan test:	

Source: Banco Santander S.A. (Spain)

Appendix 2: Summary of servicer's collection procedures

Exhibit 21

Servicer Ability	At Closing
Loan Administration	
Entities involved in loan administration:	
Operating hours:	
Early Arrears Management	
Entities involved in early stage arrears:	
Ratio of loans per collector (FTE) in early arrears stage:	
Arrears strategy for 1-29 days delinquent	
Arrears strategy for 30 to 59 days delinquent	See Appendix 3 below for part of the information the originator allowed Moody s to disclose
Arrears strategy for 60 to 89 days delinquent	
Arrears strategy for 90 days and more delinquent to late stage	
Prioritisation rules for delinquent accounts:	
Use of updated information in the collection strategy:	
Loss Mitigation and Asset Management Practices:	
Transfer of a loan to the late stage arrears team/stage:	
Entities involved in late stage arrears:	
Ratio of loans per collector (FTE) in late arrears stage:	
Analysis performed to assess/propose loss mitigation solutions:	
Time from first default to litigation and from litigation to sale:	
Average recovery rate (including accrued interest & costs):	

Source: Banco Santander S.A. (Spain)

Exhibit 22

Servicer Stability	At Closing
Management and Staff	
Average experience in servicing or tenure with company:	
Training of new hires specific to the servicing function (i.e. excluding the company induction training)	
Quality control and audit	
Responsibility of quality assurance:	
Number of files (and calls) per agent per month being monitored:	See Appendix 3 below for part of the information the originator allowed Moody s to disclose
IT and Reporting	
Tools/infrastructure available:	
How frequently do you test and review the disaster and contingency plan?	
Automatic tracking and reporting of specific characteristics:	

Source: Banco Santander S.A. (Spain)

Appendix 3: Summary of originator and servicer reviews

Exhibit 23

Originator Assessment	Main Strengths (+) and Challenges(-)
Overall Assessment:	Average
Originator Ability	+/- With total assets of EUR1.134 trillion at year-end 2013, Santander is the largest banking group in Spain and among the 15 largest banking groups in Europe. Retail banking (including asset management and insurance), which accounts for around 75% of profits, is Santander's main source of earnings, a factor that has underpinned its solid performance during the global financial crisis. In our view, these profits tend to be more vulnerable to event risk, despite their retail nature. The bank is also facing very challenging operating conditions, which will continue to translate into higher credit costs (namely in Spain and Portugal), low business growth and costly access to market funds.
Sales & Marketing Practices	+ Banco Santander's market share in Spain is around 7.5% of the total market.
	+/- The originated volumes remained stable over the recent past.
	+/- Santander operates with 3 origination channels: – Branches: Around 80% of the origination as of 2012 – Subrogations from real estate developer loans: Stable around 19% – Brokers: less than 1% currently.
Underwriting Policies & Procedures	+/- Banco Santander has established two different approaches when underwriting a new loan which can be summarised as following: – Standardised: For loans below €500,000 a more automated process is established, mainly based on the scoring system. – Individualised: For loans above €500,000 a risk analyst is assigned to the transaction since the first moment and will follow up until the end.
	+/- The standardised approach covers around half of the total volume, but around 90% by number of transactions, which proves the efficiency of having automated centralised processes in place when underwriting high volumes. This is of course the system used for most of the residential mortgage book.
	+/- The branch is responsible for collecting all the information related to the credit quality of the final debtors. Required documentation includes identity card, the three most recent payslips, the most recent tax return and recent loan statement (if borrower has additional debt), among others. Banco Santander also checks credit bureaus such as RAI, Experian and CIRBE for adverse credit.
	+/- Loan applications are approved at different levels, whereby the required authority depends on the amount, maturity and guarantees of the transaction. The highest approval level is the Executive Risk Management Board.
	+/- The branch is then also responsible for creating an electronic file by feeding all the information gathered into the platform "Strategy Web". Once this is done the transaction will be pre-classified and an automatic scoring will be assigned.
	+/- There is a specific team (Santander Analytics) that is in charge of the periodical reviews and recalibrations of the models.
	+/- The credit-scoring model is approved by the Bank of Spain and provides various results: Approved, Doubtful and Denied. Doubtful transactions will be escalated to the risk analysts in the central services, and then approved or denied after further and more detailed evaluation. The scoring system for self-employed individuals is a very efficient tool, with scores updated monthly. The standardised and individualised approaches have already been certified by the Bank of Spain (therefore the size of regulatory capital needed is estimated with them).
	+/- The debt-to-income (DTI) is another input into the scoring system. DTI calculation uses net income, against financial debts as per the system. – Interest rates are currently stressed for the DTI calculation since 2013. However, stressed DTI for mortgage loans originated before 2013 was used into the scoring system, but they might be when the transaction is manually analysed. There is work in progress to unify the criteria and include stresses in the scoring system as well.
	+/- Loans granted to Santander employees do not follow the usual scoring system and are analysed individually. They are subject to human resources internal rules and the input to establish the price is mainly determined by the loan-to-income ratio.
	+/- Changes and new policies recently implemented are: – Renegotiation and refinancing have been segregated from the established/automated underwriting processes and there is a specific team to sanction and monitor these transactions
Property Valuation Policies & Procedures	+/- Banco Santander uses 17 approved independent valuation companies.
	+/- The valuator for each transaction is selected in a centralised manner by SIBASA (part of the group), which is in charge of supervising the whole valuation process (also for broker originated loans), including the quality control of the valuators.
	+/- If the purchase price of the property is lower than the valuation, Banco Santander will take the lowest of the two.
	+/- Following regulation by Bank of Spain, Banco Santander has revaluated the appraisal values of more than 90% of the properties backing mortgage loans since Q3 2013. This information has been provided for Moody's analysis.
	+/- Quality of valuations in Spain is standardised by the Bank of Spain, who certifies valuators or Sociedades de Tasacion.
Closing Policies & Procedures	+ Random internal audits are carried out to double check the inputs fed into the system.
	+/- At closing all the documentation is scanned and a digital file is created.
	+/- Banco Santander is in line with the Spanish standards.
Originator Stability	
Quality Control & Audit	+ Banco Santander is regulated by the Bank of Spain and carries out annual external audits.
	+/- The pool to be securitised has been assessed via an AUP.
Management Strength & Staff Quality	+ Banco Santander is a well-established originator with a high level of sophistication.
Technology	+ Banco Santander is also a leading entity in terms of IT resources.
	+ Back-up copies are made periodically and kept for a term according to its importance.

Source: Banco Santander S.A. (Spain)

Exhibit 24

Servicer Assessment:	Main Strengths and Challenges
Overall Assessment:	Average
Servicer Ability	
Loan Administration	+/- Banco Santander branches are divided in three different categories depending on their arrears levels.
Early Arrears Management	+/- Up to 30 days in arrears the transaction is under the surveillance of the branch, although from day 10 external contact centres might also be taken on board.
	+/- From day 30 onwards, it is not only the branch but also the experts from the correspondent regional unit looking at the transaction.
	+/- Every 30 days a new course of action is established depending on the risk profile, and a new cycle begins combining calls, SMS, letters, etc, but always using a call blending system in order to obtain a more efficient management of progress.
	+/- From day 91-150, transactions below €30,000 are externalised and transactions above €30,000 are kept in house.
Loss Mitigation and Asset Management	+/- If after 151 days the incident has not been solved (either repayment or renegotiation), they start to prepare the judicial procedure.
	+/- At this stage the €30,000 rule still applies, which leads to external lawyers as well (156 different law firms through Spain).
	+/- No less than 18 months elapsed from the moment the claim is submitted to the moment the auction takes place.
Servicer Stability	
Management Strength & Staff Quality	+ Banco Santander combines the strength of its internal resources with the support of some external entities.
	+ /- Besides the branch and these external companies, Banco Santander internally counts with 84 people for transactions less than 90 days in arrears, 26 people for transactions between 91-150 days in arrears, and 79 people for transactions above 151 days in arrears.
IT & Reporting	+ Regular testing, back-up and upgrade of the IT system
Quality control & Audit	+/- Regular external audits and loan book audits at the branch and central risk department levels. In each review, transactions are randomly selected and there is a review of scoring system inputs and supporting documentation.

Source: Banco Santander S.A. (Spain)

Endnotes

1 See Moody's Approach to Assessing Counterparty Risks in Structured Finance, published in June 2020.

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