FT RMBS Prado IX
RMBS – Spain

Ratings

Series	Rating	Notional (EUR m)	Notional (% assets)	CE* (% assets)	Coupon**	Final maturity
A	(P)AAA$_{SF}$	424.6	87.0%	15.0%	3M Euribor + [0.7%]	June 2055
B	(P)A-$_{SF}$	24.4	5.0%	10.0%	3M Euribor + [0.8%]	June 2055
C	NR	39.0	8.0%	2.0%	3M Euribor + [0.9%]	June 2055
Total		**488.0**				

* Credit enhancement considers both subordination and a 2% cash reserve at closing.

**At the step-up date (September 2026): the class A coupon rate will step up to three-month Euribor capped at 2.5% plus a 1.2% margin. Class B and C notes three-month Euribor since closing date will be capped at 2.5%.

Scope's Structured Finance Ratings constitute an opinion about relative credit risks and reflect the expected loss associated with the payments contractually promised by an instrument on a particular payment date or by its legal maturity. See Scope's website for the SF Rating Definitions.

Scope's analysis is based on the portfolio dated 20 September 2021 provided by the originator. The provisional ratings rely on information available to Scope up to 29 September 2021. Final ratings will be conditional on the review of final versions of all transaction documents and legal opinions. Final ratings may deviate from provisional ratings.

Transaction details

Purpose	Funding
Issuer	FT RMBS Prado IX
Originator/Servicer	Unión de Créditos Inmobiliarios, S.A., Establecimiento Financiero de Crédito (UCI)
Closing date	[21] October 2021
Payment frequency	Quarterly (15 March, June, September, December of each year)

The transaction is a static cash securitisation of a portfolio of first-lien mortgages on Spanish owner-occupied residential properties. The loans were granted by UCI in its ordinary course of business. The portfolio as of 20 September 2021 comprises 3,537 loans granted to borrowers that are resident in Spain. Some loans have more than one borrower.

Rating rationale (summary)

The ratings reflect i) the legal and financial structure of the transaction; ii) the quality of the underlying collateral; iii) the experience and incentives of UCI as the transaction's originator and mortgage manager; iv) and the exposure to the other transaction counterparties.

Credit enhancement of the rated notes stems from their respective subordination levels as well as a 2% cash reserve fully funded at closing, which will amortise to 2% of the portfolio's outstanding balance, with a floor at 0.25% of the initial pool balance. The class A, B and C notes will amortise sequentially and the structure benefits from an interest rate swap hedging and the transaction's structural caps on the class A, B and C notes partially mitigating fixed-floating interest rate risk.

Performance assumptions on underlying collateral mainly reflect i) the analysis of historical defaults and recoveries vintage data provided by UCI that incorporate changes in underwriting criteria and economic conditions across the historical period; ii) the analysis of the performance of previous securitisations sponsored by UCI; and iii) the credit quality of the underlying portfolio in the context of current macroeconomic conditions in Spain.

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Related Methodologies

General Structured Finance Rating Methodology, December 2020

Methodology for Counterparty Risk in Structured Finance, July 2021

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Bloomberg: RESP SCOP

UCI will be the transaction servicer and Santander de Titutlización S.G.F.T., S.A will be the cash manager. No back-up servicer will be appointed at closing, but Banco Santander S.A. (Banco Santander) will act as back-up servicer facilitator.

Rating drivers

Positive rating drivers	Negative rating drivers
Positive portfolio selection. All loans are first-lien mortgages granted to individuals to purchase their main residence. Loans that have special features or that were previously restructured after 31 August 2017 or under active moratorium have been excluded from the securitised portfolio. In addition, none of the loans have ever been in arrears. **Portfolio characteristics.** The proportion of floating-rate loans for life in the pool (35.6%), the original loan-to-value ratio (73%), the current loan-to value (69%) and the current debt-to-income ratio (26%) are lower than the Spanish average. All underlying mortgaged assets are owner-occupied. The portfolio is well seasoned with a weighted average seasoning of 43 months. The top two regions (Catalonia and Madrid), with 62% of the portfolio, are among Spain's wealthiest. **Simple structure.** The transaction is static and the notes will amortise fully sequentially. In addition, a turbo amortisation mechanism and a class B interest subordination trigger protect most senior noteholders from potential portfolio performance deterioration. **Liquidity protection.** A cash reserve mitigates liquidity risk in the event of a servicer disruption. Additionally, the transaction benefits from a combined principal and interest waterfall, under which mortgage principal collections can be used to pay interest and senior costs.	**Historical performance.** The historical performance of UCI differs from the average for Spanish mortgage pools originated by banks, with large disparities between vintages. Performance has improved for post-2008 vintages, due to a strengthening in underwriting criteria and in the Spanish economy. UCI's total book performance has not deteriorated since the pandemic broke out and 95% of the pool has been originated post-2008. **Third-party origination.** UCI's origination relies mostly on a network of external financial consultants. However, the risk analysis of potential debtors is done only by UCI teams. **Limited excess spread.** The transaction's excess spread is low, thus increasing its sensitivity to changes in interest rates. We have run stress scenarios to test the impact of this sensitivity. **Interest rate mismatch.** Class A, B and C notes pay a floating rate while a portion of the portfolio pays a fixed-rate, either for the transaction's life or for a pre-defined period before switching into floating rate. This creates a mismatch between interest flows, a risk heightened by the transaction's low excess spread. An interest rate swap hedging agreement combined with the transaction's structural caps for the class A, B and C notes will partially hedge this risk. Basis risk will remain unhedged but is considered limited. We have run different stress scenarios related to a possible abrupt increase in the notes' index to test both the transaction's exposure to fixed-floating interest rate risk and the effectiveness of the hedging strategy.

Upside rating-change drivers	Downside rating-change drivers
Significantly better performance than expected, e.g. significantly lower defaults or significantly higher recoveries than expected fuelled by strong macroeconomic conditions, could lead to an upgrade of the notes.	**Spanish macroeconomic uncertainty in relation to the global slowdown.** Covid-19 impacts may weigh negatively on collateral pool performance, as higher unemployment may affect the capacity of borrowers to repay and could push default rates significantly higher than expected.

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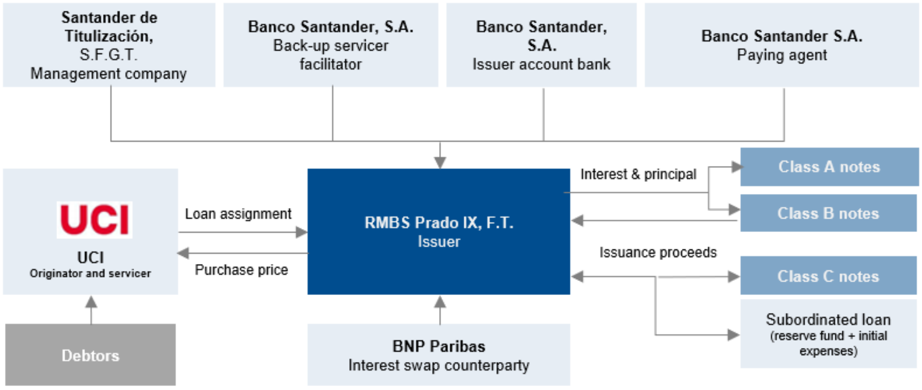
1. Transaction summary

Fondo de Titulización RMBS Prado IX is a static cash securitisation consisting of prime residential mortgage loans originated by UCI and extended to individual borrowers that are resident in Spain.

The mortgages in the portfolio are provided to borrowers' resident in Spain. The current pool's balance as of 20 September 2021 is around EUR 493m with a weighted average current loan-to-value ratio of 69%.

Figure 1: Simplified transaction diagram



Source: Transaction documents

2. Originator and servicer

UCI is a Spanish financial institution supervised by the Bank of Spain and owned equally by BNP Paribas Group and Banco Santander since 1989.

UCI has been originating mortgage loans for more than 30 years and specialises in the residential sector. The institution first tapped the securitisation market in 1994. Its business model is based on third-party origination.

2.1. Sanctioning and underwriting

UCI's main origination channel is with real estate agents, mainly major franchising networks (e.g. Tecnocasa, Idealista, Redpiso, Engel & Volkers, Remax and Comprarcasa), which represented 67% of new origination in 2020. Mortgage loans are also originated online (14% in 2020) and to a lesser extent through brokers and UCI's branches. All intermediaries are trained and monitored by UCI on an ongoing basis.

Sales and underwriting functions are independent, and the underwriting process is entirely performed by UCI. The risk team is composed of 46 professionals with an average experience of more than 15 years.

A large portion of the mortgages extended by UCI (around 40% in 2020) have a loan-to-value of above 80% (consequence of down-payment); however, their average debt-to-income ratio is around 28.6%. In some instances, collateral also includes a second property, increasing guarantee coverage.

Underwriting decisions are mainly based on the client's risk profile, the quality of the property, the type of loan and the upfront down-payment.

UCI also focuses on responsible lending practices and has developed specific policies for financing 'green' housing.

2.2. Collateral appraisals

Third-party property valuations used for sanctioning

Collateral appraisals are conducted by independent third parties authorised by the Bank of Spain, consistent with Spanish market standards. An internal department in UCI monitors and audits property valuations performed by external appraisers. UCI also performs land inquires through a network of external law firms.

2.3. Servicing and recovery

The team in UCI tasked with collection, pre-trial and litigation processes comprises 150 professionals, who are trained on an ongoing basis. External lawyers and bailiffs working with UCI are paid based on their performance.

UCI's recovery strategy is to manage the client relationship and explore all possible workout solutions, rather than to accelerate recovery.

The recovery process begins once an unpaid amount is confirmed, mainly via friendly notifications by letter, SMS, and weekly calls. The borrower is offered several options to cure the arrears, with restructuring preferred by UCI. If the arrears amount is not cured, UCI starts the litigation process to repossess the property, either through a payment in kind or the judicial process. The real estate department will then manage the repossessed properties and market them.

3. Financial structure

3.1. Capital structure

Three classes of notes will be issued: A, B and C. The issuance proceeds will be used to purchase the portfolio of assets at par value. Notes will amortise sequentially.

3.2. Cash reserve

Cash reserve provides liquidity protection

A cash reserve equal to 2% of the initial portfolio balance will be funded with a subordinated loan provided by UCI. The reserve will amortise during the life of the transaction to 2% of the outstanding portfolio balance, with a floor of 0.25% of the initial pool balance.

The cash reserve will be available to cover any shortfalls on class A and B interest and any payments senior to them, as well as any shortfalls on all three classes of notes' principal at the end of the transaction's life. We estimate that the reserve can cover costs and the rated notes' interest for around five quarterly payment dates, depending on the interest rate.

3.3. Priority of payments

Senior noteholders benefit from sequential amortisation

The structure features a combined priority of payments. The waterfall includes a turbo feature during the amortisation period that prevents leakage to the class C notes. In addition, collections from the assets can be used to cover unpaid costs and senior interest.

Figure 2: Simplified available funds and priority of payments

	Simplified priority of payments
Available funds	
	Interest and principal collections
	Interest earned from issuer account and eligible investments
	Cash reserve
	Interest rate swap hedge payments
Pre-enforcement	
i	Senior fees, expenses and taxes
ii	Amounts due under the interest rate swap hedge agreement
iii	Interest due on class A
iv	Interest due on class B, unless a class B interest deferral trigger event has occurred
v	Cash reserve replenishment up to target level
vi	Class A target amortisation amount (if no turbo event has taken place); all remaining available funds to repay outstanding class A principal if a turbo event has taken place
vii	Interest due on class B if the class B interest deferral trigger event has occurred
viii	Upon full amortisation of class A, class B target amortisation amount (if no turbo event has taken place); all remaining available funds to repay outstanding class B principal if a turbo event has taken place
ix	Interest due on class C
x	Upon full amortization of classes A and B, class C target amortisation amount (if no turbo event has taken place); all remaining available funds to repay outstanding class C principal if a turbo event has taken place
xi	Subordinated payments, including servicing fees, unless servicer is replaced, in which case fees are paid under item (i)
Post-enforcement	
i	Senior fees, expenses and taxes
ii	Amounts due under the interest rate swap hedge agreement
iii	Interest due on class A
iv	All remaining available funds to repay outstanding class A principal
v	Interest due on class B
vi	All remaining available funds to repay outstanding class B principal
vii	Interest due on class C and all remaining available funds to repay outstanding class C principal
viii	Subordinated payments, including servicing fees unless servicer is replaced, in which case fees are paid under item (i)

Class A target amortisation amount: equal to the outstanding balance of class A, B and C notes minus the aggregated outstanding principal of all non-defaulted receivables.

Defaulted receivables: receivables over 12 months in arrears or deemed not recoverable by the servicer.

Class B target amortisation amount: once class A notes have been fully redeemed, this is equal to the outstanding balance of class B and C notes minus the aggregated outstanding principal of all non-defaulted receivables.

Class C target amortisation amount: once class A and B notes have been fully redeemed, this is equal to the outstanding balance of class C notes minus the aggregated outstanding principal of all non-defaulted receivables.

Turbo amortisation event: This event occurs if cumulative defaults are equal to or exceed 1%, 2%, 3%, 4% or 5% of the initial portfolio balance in the first five years of the transaction, respectively. It will also occur from the step-up date of 15 September 2026, regardless of the level of portfolio cumulative defaults.

Upon a turbo amortisation event, all remaining funds after item (v) of the pre-enforcement waterfall will be used to redeem the most senior outstanding note until it is fully repaid.

Class B interest deferral trigger: If cumulative defaults are equal to or exceed 1.0%, 3.3%, 5.3%, 6.3%, or 8.3% of the initial portfolio balance during the first five years of the transaction, respectively, or 10.2% in the subsequent years, the interest payments on the class B notes will rank seventh in the pre-enforcement waterfall.

4. Asset analysis

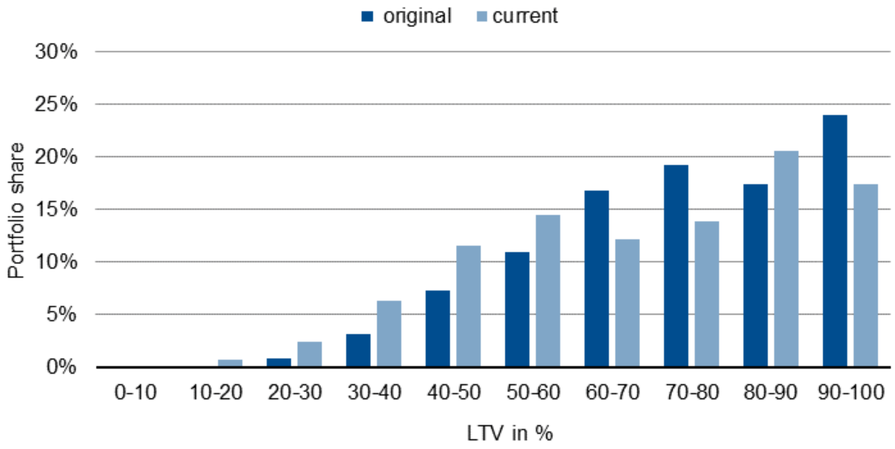
4.1. Initial portfolio

The Prado IX portfolio quality (in terms of selection criteria) is similar to predecessor Prado VIII.

The pool of mortgages is very standard, referencing only first-lien mortgages granted to individuals for the purchase of residences. Previously delinquent or restructured loans originated after 31 August 2017 have been excluded from the pool. Additionally, 10.6% of the outstanding balance have an additional third-party guarantee, and 35.7% have more than one mortgage securing the relevant loan including further residential properties, cellars, and garages.

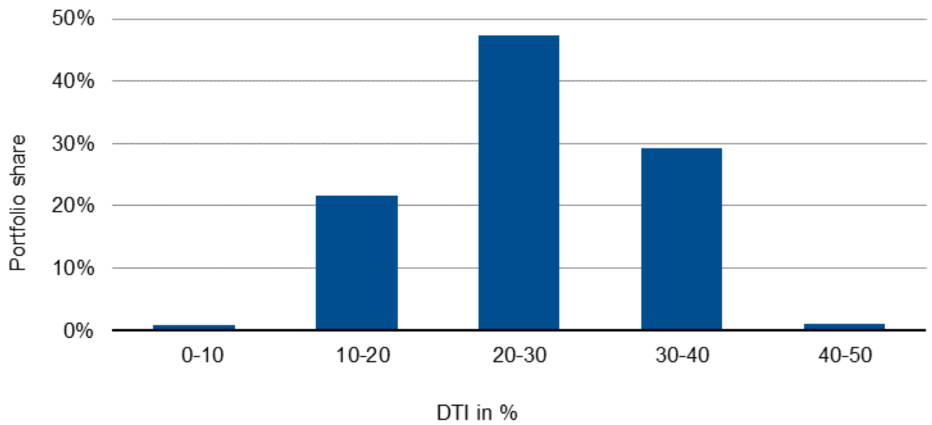
4.6% of the portfolio consists of released bridge loans (loans under which the old property has been sold and the associated loan has been dully redeemed); 24% are loans with original loan-to-value above 90%; and the proportion of fixed-rate loans is higher than the average in the Spanish mortgage market.

Figure 3: Loan to value



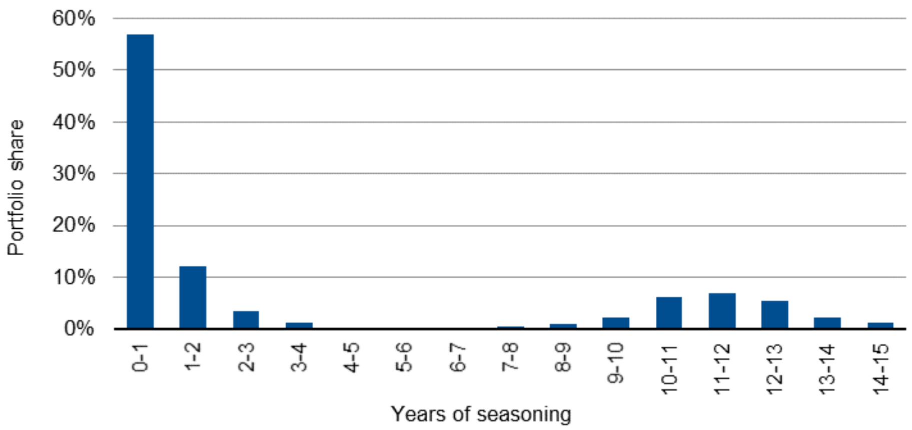
Source: UCI

Figure 4: Debt to income



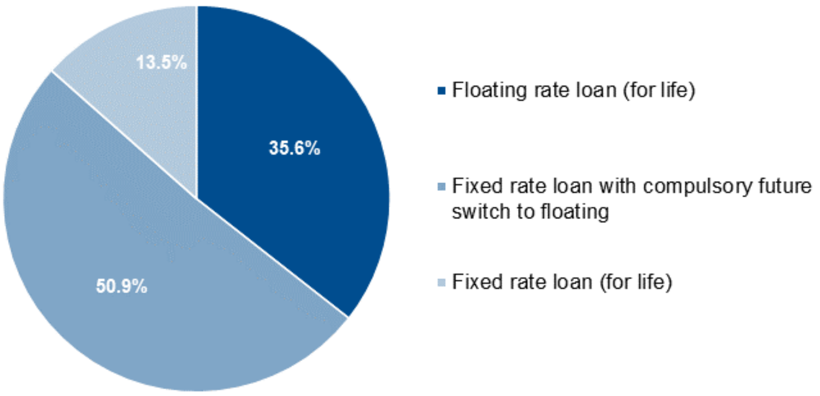
Source: UCI

Figure 5: Seasoning



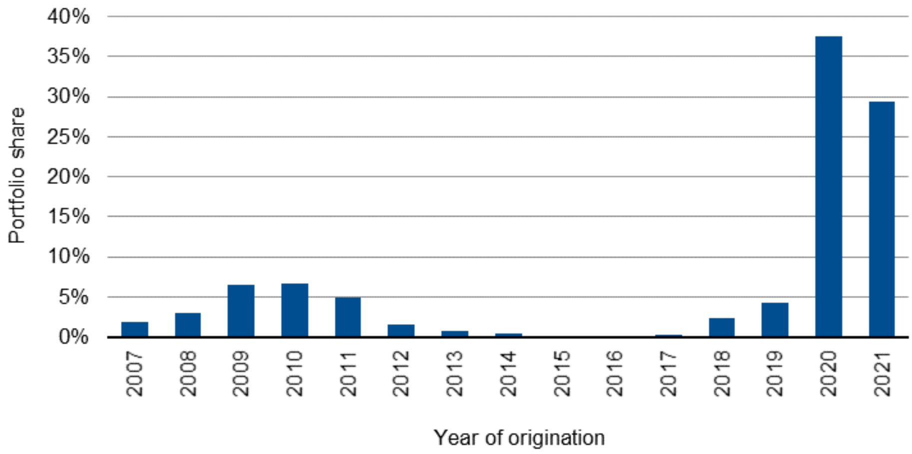
Source: UCI

Figure 6: Loan interest type



Source: UCI

Figure 7: Origination year



Source: UCI

4.2. Representations on portfolio provided by originator

At closing, UCI will provide the representations and warranties on the securitised portfolio. Some of these are listed below in simplified language:

- None of the loans have ever been in arrears or will be in arrears at closing.
- Each loan constitutes a legal, valid, binding and enforceable contractual obligation with full recourse to the relevant borrower.
- Loans can be freely transferred and are not subject to any encumbrances.
- All loans have been granted by the seller to individuals for the acquisition of primary, finished residences in Spain and are secured by these properties. None of the loans have been granted to real estate developers.
- All loans pay via direct debit.
- All loans are denominated in euros and governed by Spanish law.
- All loans have been completely disbursed and none are restructured receivables after 31 August 2017.

- All loans are monthly French amortising loans on which at least one instalment has been paid.
- No loans have an original loan-to-value ratio of more than 100%.
- All of the borrowers are individuals resident in Spain.
- No loans will be under any Covid-19 moratorium at closing.

4.3. Permitted loan renegotiations

The documentation allows the servicer to modify a loan's terms and conditions, subject to the following limitations:

- The outstanding balance of the loan may not increase.
- The frequency of repayments may not change.
- Reductions in borrower instalments are limited at [15%] of the portfolio's initial outstanding balance.
- If an interest rate changes from fixed to variable, the margin on the reference index may not fall below [0.75%] and the reference rate must be Euribor.
- If an interest rate changes from variable to fixed, the interest rate cannot be lower than [1.25%] and such terms shall last at least [15] years.
- An extension on a loan's maturity cannot exceed the notes' legal maturity.

The servicer must inform the management company of any loan amendments.

4.4. Portfolio modelling assumptions

We derived the expected portfolio default rate distribution based on i) vintage data provided by UCI, which covers a period from 2001 to June 2021; ii) our analysis of Spanish mortgage defaults; and iii) our expectations on the Spanish macroeconomic environment. We gave no credit to the loans' seasoning when calibrating defaults as the period covered by vintage data was shorter than the overall loan terms. We calibrated recovery rates based on expected property disposal proceeds without considering other forms of security or financial guarantees. Expected recovery rates consider vintage data covering the 2006-June 2021 period, line-by-line repossession data provided by UCI, and our expectations on the Spanish real estate market's dynamics. Recovery timing is based on workout times recorded by UCI on impaired loans closed during 2006-June 2021.

Figure 8: Portfolio modeling inputs

	Portfolio
Mean default rate	6%
Coefficient of variation	85%
Base case recovery rate	75%
AAA rating-conditional recovery rate	45%
Recovery timing	20% each year from years 5 to 9
Constant prepayment rate	5.0%

4.4.1. Default rate analysis of portfolio

Vintage data used to calibrate portfolio default

Our analysis of the historical performance of mortgages granted by UCI was instrumental in defining our assumptions for the portfolio's future default rate behaviour. The vintage data covers cohorts from 2001 until June 2021 and exhibits two distinct behaviours, with the worst origination years being between 2004-08 due to a combination of less strict underwriting criteria and the seasoning of the loans when the European sovereign crisis affected the Spanish economy (see Figure 12 in Appendix II). The default rate assumptions at 360 days were also benchmarked versus a top-down analysis based on both i) a macro view of a AAA default rate for Spain; and ii) the loan-by-loan characteristics of the UCI pool, which are better than those in the Prado transactions before Prado VII.

We summarised our default rate assumptions into a mean default rate of 6% and a coefficient of variation of 85%.

4.4.2. Recovery rate analysis

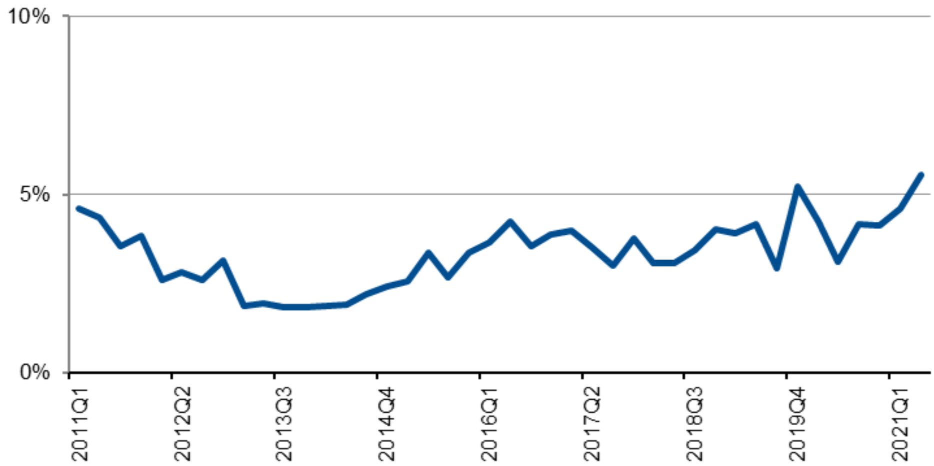
We were provided with historical performance data on recoveries, incorporating i) curing; ii) potential restructuring; and iii) repossession (see Figure 13 in Appendix II).

We defined our AAA recovery rate assumption based on the average recovery rate implied by the repossession as the base case rate.

4.4.3. Constant prepayment rate (CPR)

The base case CPR assumption was 5%, based on historical levels observed in UCI's mortgage book. The data shows a significant decrease in prepayments from 2008 (from the 10%-24% range to 2%-8%), mainly explained by the decrease in loan interest rates. Before 2008, debtors refinanced mortgage loans more frequently and sought lower interest rates. We also tested the structure considering a 15% high CPR and 0% low CPR.

Figure 9: Annualised CPR



Source: UCI

4.5. Interest rate risk and hedging structure

Cap agreement and caps on class A, B and C to hedge interest rate mismatch from fixed-rate assets

The portfolio is composed of 13.5% of fixed-rate loans, 50.9% of mixed-rate loans (i.e. loans with a fixed-rate during an initial period that then switches to a floating rate linked to 12-month Euribor), and 35.6% of floating-rate loans linked to 12-month Euribor or linked to IRPH. Interest due on the notes is linked to three-month Euribor.

A fixed-floating interest rate swap hedge agreement combined with the transaction's structural caps on the class A, B and C notes will mitigate interest rate risk on the fixed-rate loans. Under the interest rate swap agreement, the issuer will pay to the swap counterparty (BNP Paribas), on a quarterly basis, a fixed-rate of [-39bps] per annum and will receive in return the applicable three-month Euribor, based on a predefined notional balance. This notional balance corresponds to the expected share of fixed-rate assets including mixed-rate loans still on a fixed-rate period (under a 5% constant prepayment rate and assuming no defaults).

There are no structural mitigants for the basis risk arising from the mismatch between 12-month Euribor received from the portfolio and the three-month Euribor due on the notes. Our analysis considered this risk by applying a 30bps reduction on the margins of all floating-rate loans, including mixed-rate loans in their floating-rate period. We also applied an additional 20bps reduction on the margins to account for margin compression risk if highest-yielding loans either prepay, are renegotiated or default.

Euribor payable will be structurally capped at 2.5% for the class A after five years from closing and at 2.5% for classes B and C from closing.

5. Quantitative analysis

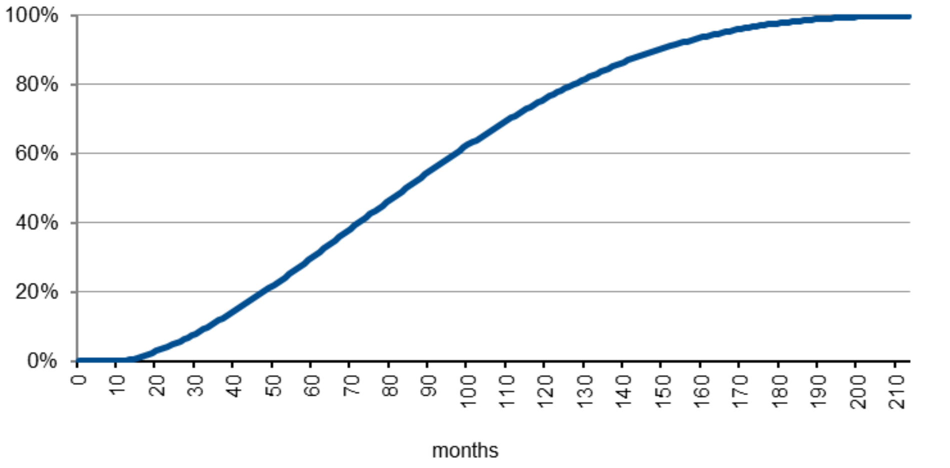
We used a cash flow tool to analyse the transaction and applied a large homogenous portfolio approximation approach when modelling the granular collateral pool. The key assumptions derived from the model were applied to the cash flow analysis of the transaction over the amortisation period.

The expected loss of each tranche was calculated based on an inverse Gaussian default distribution using a probability-weighted loss. The cash flow tool also produced the expected weighted average life for the rated notes.

Front-loaded default timing considered

We derived a front-loaded default timing term structure by leveraging the portfolio amortisation schedule. Back-loaded default scenarios are not as severe owing to credit enhancement build-up and the effect of seasoning on the portfolio. The cumulative default-timing assumptions are shown in Figure 10.

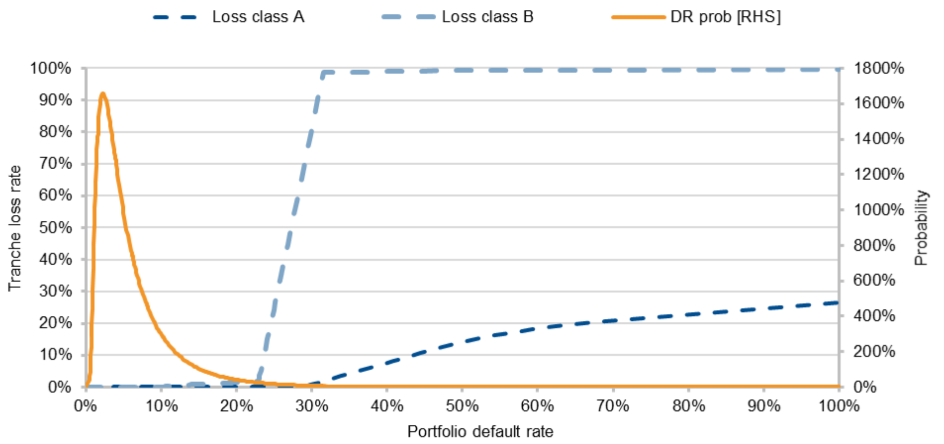
Figure 10: Default-timing assumptions for the portfolio



Source: Scope

Figure 11 shows the losses of the rated notes at all portfolio default rates. It shows how credit enhancement, structural features as well as recovery proceeds in the event of default will protect the rated notes.

Figure 11: Cash flow model results for base case mean default rate and coefficient of variation; rating case recovery rate



Source: Scope

Note: The probabilities displayed on the right-hand side axis must be seen in the context of the calculation of probability density

6. Rating stability

6.1. Rating sensitivity

We tested the resilience of the rating against deviations in the main input parameters: the portfolio mean default rate and the portfolio recovery rate. This analysis has the sole purpose of illustrating the sensitivity of the rating to input assumptions and is not indicative of expected or likely scenarios.

The following shows how the ratings would change if the portfolio's expected default rate increased by 50% and the portfolio's expected recovery rate reduced by 50%, respectively:

- Class A: sensitivity to probability of default, two notches; sensitivity to recovery rate, one notch
- Class B: sensitivity to probability of default, zero notches; sensitivity to recovery rate, zero notches

6.2. Break-even analysis

No losses for rated notes at break-even or lower portfolio default rates

The resilience of the ratings is shown through the break-even default rate analysis.

Class A would have no losses at portfolio lifetime default rates of: i) 16.9% or lower, assuming a 0% recovery rate; or ii) 28.6% or lower, assuming a 45% rating-conditional recovery rate.

Class B would have no losses at portfolio lifetime default rates of: i) 10.1% or lower, assuming a 0% recovery rate; or ii) 10.2% or lower, assuming a 51% rating-conditional recovery rate.

7. Sovereign risk

Sovereign risk does not limit the transaction's ratings

Sovereign risk does not limit any of the ratings. The risks of an institutional framework meltdown, legal insecurity, or currency convertibility problems due to Spain's hypothetical exit from the eurozone – a scenario which we still deem to be highly unlikely – are not material for the notes' ratings.

The rating analysis factors in the deteriorating economic outlook and the current macroeconomic uncertainty caused by the pandemic crisis. Spain's GDP during 2020 contracted by 11% and is expected to revert to growth once the pandemic ends. Unemployment is also expected to increase throughout 2021. However, the ultimate impact on Spanish consumers' financial performance remains unclear given the governmental support measures.

Moreover, a new wave of the pandemic in Spain followed by lockdown measures may exacerbate uncertainties and result in the crystallisation of this adverse scenario.

For more insight into our fundamental analysis of the Spanish economy, refer to our press release on the Kingdom of Spain, dated 16 July 2021 (Scope revises Outlook on Spain's A- rating to Stable).

8. Counterparty risk

The transaction's counterparty risk does not limit the ratings on the notes. We do not consider any of the counterparty exposures to be excessive.

8.1. Operational risk from servicer

Back-up servicer facilitator mitigates servicer disruption risk

Operational risk from the mortgage manager is well mitigated. Banco Santander will be appointed at closing as back-up servicer facilitator. Upon a servicer disruption event, the bank will assist the issuer in finding a servicer replacement within 60 days. In addition, the management company will act as an independent cash manager.

Commingling risk is immaterial

Comingling risk from the exposure to UCI as mortgage manager is immaterial for the ratings, based on the limited exposure and the short holding periods. UCI collects payments via direct debit in a general account under its name. Payments are deposited one day following receipt into an account also under the issuer's name, held at Banco Santander. In the event of the servicer's insolvency, the management company will ask the servicer to notify borrowers that their loans will be assigned to the issuer and to direct all subsequent payments to the issuer's account held with Banco Santander.

8.2. Counterparty risk from account bank and paying agent

Banco Santander will act as account bank provider, holding the cash reserve and collections from the assets until they are transferred to the paying agent one business day before each quarterly payment date.

Account bank risk is mitigated by Banco Santander's high financial strength as well as a replacement trigger upon loss of a BBB or S-2 rating by Scope.

Banco Santander will also act as paying agent. Counterparty risk is mitigated by the bank's high financial strength, the exposure being limited to one day cash-holding, as well as by rating replacement triggers.

8.3. Set-off risk from originator

Immaterial set-off risk

Set-off risk is limited in Spain as only liquid, due and payable credit rights prior to a declaration of insolvency can be set off against any deposits or credits against the originator. This risk is further mitigated by UCI not being a deposit-taking institution. Set-off risk is therefore considered immaterial for the ratings.

8.4. Exposure to the interest rate swap counterparty

Counterparty risk associated with the interest rate swap counterparty BNP Paribas is sufficiently remote owing to its high financial strength. Standard collateralisation and replacement triggers further mitigate this risk.

9. Legal structure

9.1. Legal framework

This securitisation is governed by Spanish law and represents a true sale of assets to a bankruptcy-remote vehicle without legal personality, represented by Santander de Titulizacion, SGFT, SA, the management company.

Changes to the documentation require formal approval by the Spanish stock market regulator (Comisión Nacional del Mercado de Valores).

9.2. Use of legal and tax opinions

We have reviewed a legal opinion, which supports our analytical assumptions on the transaction's legal and tax setup.

10. Monitoring

Scope analysts are available to discuss all the details surrounding the rating analysis

We will monitor this transaction based on performance reports from the management company as well as other available information. The ratings will be monitored on an ongoing basis.

Scope analysts are available to discuss all the details surrounding the rating analysis, the risks to which this transaction is exposed and the ongoing monitoring of the transaction.

11. Applied methodology and data adequacy

We have analysed this transaction using our General Structured Finance Rating Methodology, dated December 2020, and our Methodology for Counterparty Risk in Structured Finance, dated July 2021, both available on our website, www.scoperatings.com.

UCI provided default data, segmented by quarterly vintage of origination, using both a '90 days past due' and a '360 days past due' default definition, and covering a period from 2001 to June 2021. UCI also provided recovery data, segmented by quarterly vintage of default, using both a '90 days past due' and a '360 days past due' default definition, and covering a period from 2006 to June 2021. In addition, UCI provided line-by-line repossession data to complement the vintage analysis on historical recovery data, covering a period from 2006 to June 2021, as well as dynamic delinquency and prepayment information for the period 2001 to June 2021. The data provided was sufficiently granular.

I. Summary of portfolio characteristics

Key features	Portfolio as of 20 September 2021
Originator	UCI
Closing date	[21] October 2021
Portfolio balance (EUR m)	**493**
Number of assets	3,537
Average asset size (EUR)	139,259
Maximum asset size (EUR)	710,406
Minimum asset size (EUR)	8,432
Weighted average seasoning (years)	3.7
Weighted average remaining term (years)	26.2
Largest obligor*	0.1%
Top 10 obligors*	1.2%
Largest region (% of balance)	34.3% (Catalonia)
Top three regions	80.3% (Catalonia, Madrid and Andalusia)
Current weighted average nominal interest rate (loans with floating rates for transaction's entire life)	1.7% (1.4% for mortgage loans indexed to 12-month Euribor and 2.4% for mortgage loans indexed to IRPH**)
Current weighted average nominal interest rate (mixed-rate loans)	2.3%
Current weighted average nominal interest rate (loans with fixed-rate for transaction's entire life)	2.9%
Floating-rate loans indexed to 12-month Euribor or IRPH (% of balance)	35.6%
Mixed-rate loans (% of balance)	50.9%
Fixed-rate loans (% of balance)	13.5%
Current weighted average loan-to-value ratio	68.7%
Current weighted average debt-to-income ratio	25.9%
Amortising loans	100%

*Assuming only one debtor per loan

**reference rate for the determination of the applicable interest rate of mortgage loans with a maturity longer than three years, granted by the credit entities in Spain.

Source: Scope

II. Historical data provided by the originator

UCI provided historical vintage data and line-by-line repossession data on its mortgage book covering the 2001-June 2021 period for defaults and 2006-June 2021 for recoveries. There were no defaulted loans originated in 2020 and 2021. No recoveries have yet been registered for defaults that occurred in 2019 and 2020.

Figure 12: Defaults based on 360dpd

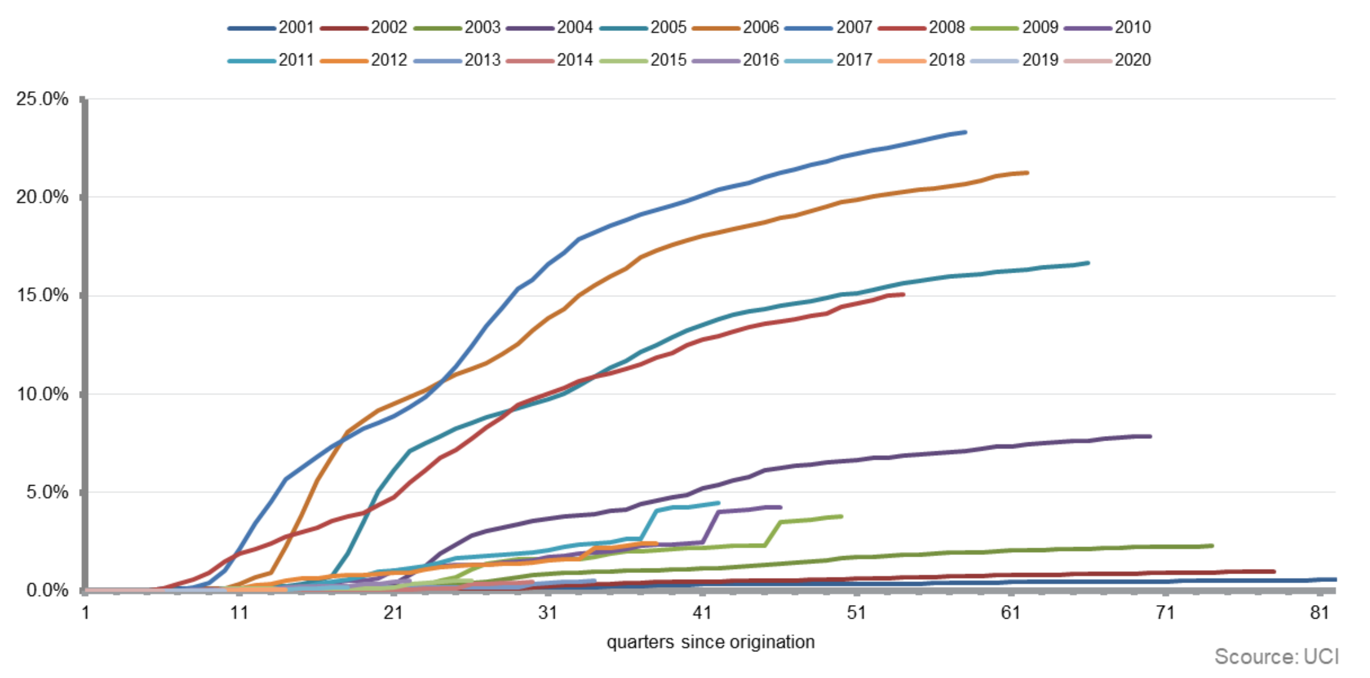


Figure 13: Recoveries

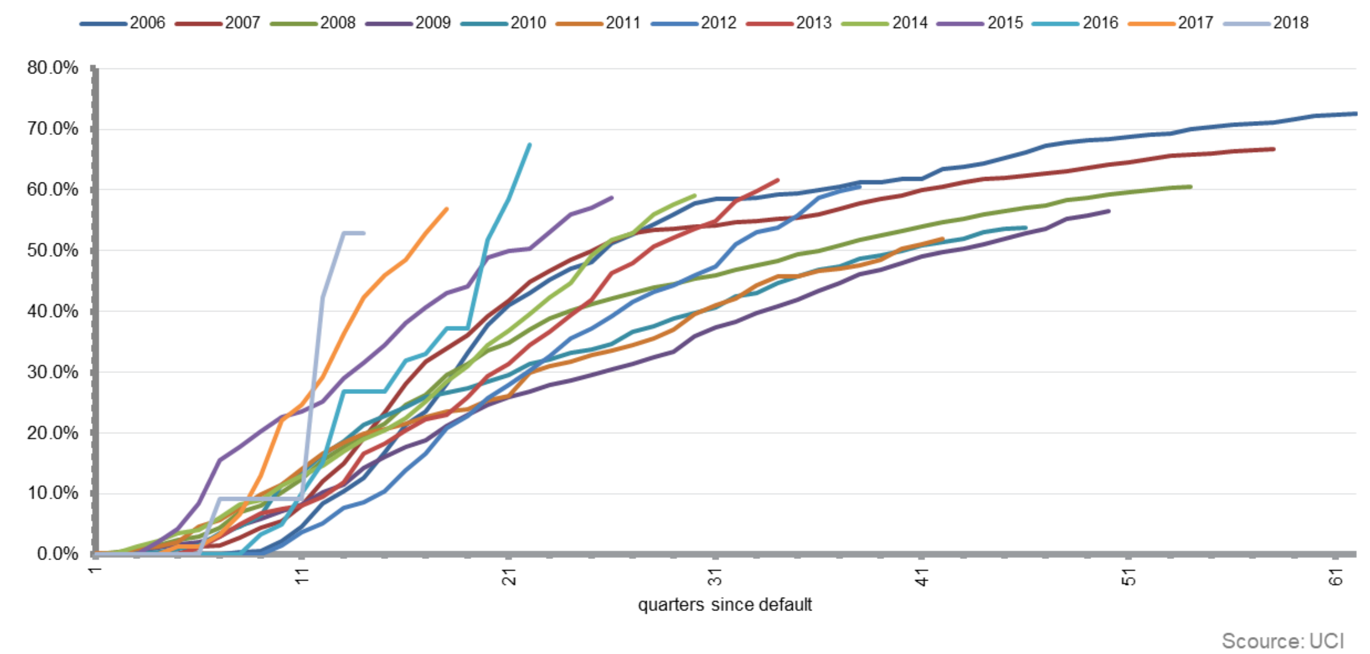
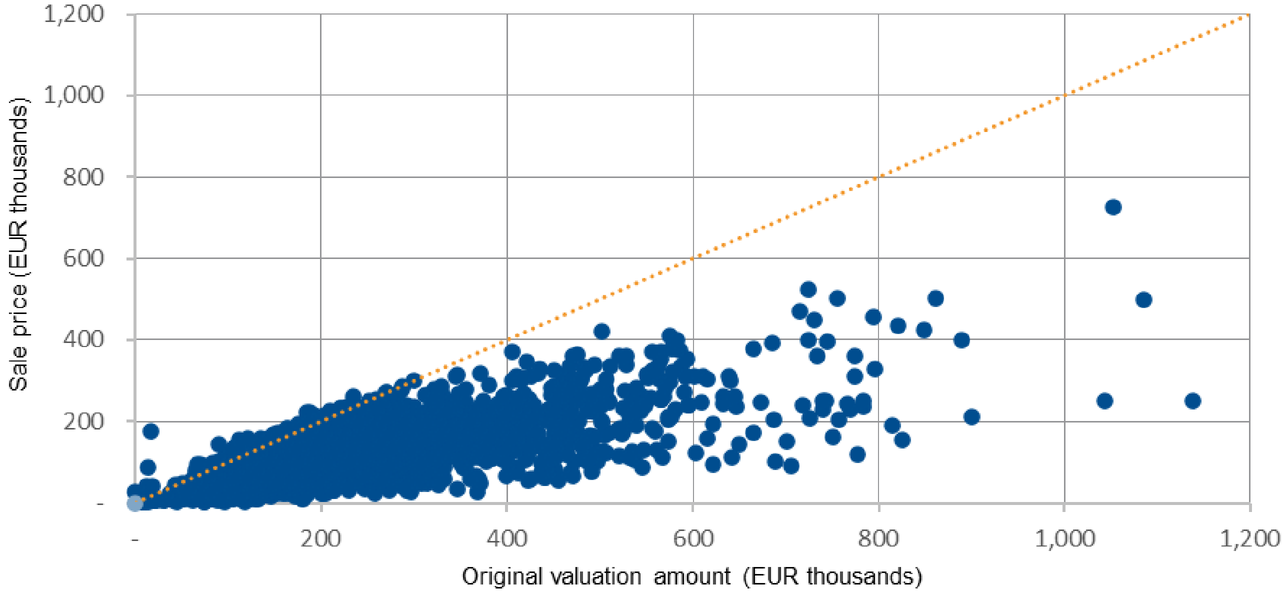


Figure 14: Repossession data: sales from 2007 to June 2021; 6,809 data points



Blue dots below the dashed yellow line represent observations under which the property sale price was below its original valuation amount
Source: UCI

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