Fondo de Titulización de Activos, Santander Financiación 4

ABS/Consumer Loans / Spain

Estimated Closing Date
[September 2009]

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Provisional (P) Ratings

Series	Rating	Amount (million)	% of Portfolio	Legal Final Maturity	Coupon	Subordi-nation	Reserve fund	Total Credit Enhance-ment*
A	(P)**Aaa**	€1,113.8	74.25%	July 2022	Euribor+0.5%	25.75%	13.0%	38.75%
B	(P)**Aa2**	€75.0	5.00%	July 2022	Euribor+0.7%	20.75%	13.0%	33.75%
C	(P)**A2**	€75.0	5.00%	July 2022	Euribor+1.0%	15.75%	13.0%	28.75%
D	(P)**Baa2**	€60.0	4.00%	July 2022	Euribor+2.0%	11.75%	13.0%	24.75%
E	(P)**B3**	€176.2	11.75%	July 2022	Euribor+3.0%	0.00%	13.0%	13.00%
F	(P)**Ca**	€195.0	13.00%	July 2022	Euribor+0.65%			
Total		€1,695.0	113.00%					

The ratings address the expected loss posed to investors by the legal final maturity.[In Moody's opinion the structure allows for timely payment of interest and ultimate payment of principal at par on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.
**   No benefit attributed to excess spread.*

V score for the sector:	*Medium*
V score for the subject transaction:	*Medium*

The subject transaction is a cash securitisation of consumer loans extended to borrowers resident in Spain and is a static structure. The portfolio consists of unsecured consumer loans used for several purposes, such as car or home acquisition, property improvement, other undefined purposes.

Asset Summary

Seller/Originator:	Banco Santander S.A.("Santander") **(Aa2/P-1; negative outlook)**
Servicer:	Banco Santander S.A.
Receivables:	Loans granted to individuals resident in Spain to finance the purchase of consumer goods and services
Methodology Used:	The Lognormal Method Applied to ABS Analysis, June 2000
Model Used:	ABSROM™
Total Amount:	€1.8 billion (provisional pool)
Length of Revolving Period:	Static
Number of Borrowers:	169,818
Number of Groups:	Not applicable as borrowers are individuals
Effective Number:	Around 11,000 (by obligor)
WA Remaining Term:	4.7 years
WA Seasoning:	1.2 years
WAL Years:	2.7 years
Interest Basis:	69.9% fixed-rate loans and 30.1% floating-rate loans

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of August 2008. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Note a table of contents for this report appears on its final page.

WA Current LTV:	Not applicable as loans are unsecured
Delinquency Status:	No loans in arrears for more than 30 days will be included in the final portfolio
Default Rate Observed:	11.5% (23.4% taking data from 2006 onwards)
Coefficient of Variation:	35% (27% taking data from 2006 onwards)
Recovery Rate Observed:	65% after 2 years

Liabilities, Credit Enhancement and Liquidity

Excess Spread Range:	2.75% guaranteed by the swap agreement
Credit Enhancement/Reserves:	2.75% excess spread 13% reserve fund Subordination of the notes
Form of Liquidity:	Cash Reserve and principal to pay interest
Number of Interest Payments Covered by Liquidity:	No liquidity line. However, at closing cash reserve covers approximately 2.4 years of interest and senior fees (considering Euribor equal to 4%, weighted average margin at closing and 0.5% of stressed senior fees)
% of Reserve Fund Dedicated to Liquidity:	None. Cash reserve does not have a liquidity ledger
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	15 January, 15 April, 15 July, 20 October First payment date: 15 January 2010
Hedging Arrangements:	Fondo de Titulización de Activos, Santander Financiación 4 (the Fondo) will pay collections received and the swap counterparty will pay interest on the notes plus 2.75% on the portfolio net of loans in arrears for more than 90 days.

Counterparties

Issuer:	Fondo de Titulización de Activos, Santander Financiación 4
Seller/Originator:	Santander
Servicer:	Santander
Back-up Servicer:	A back-up servicer will be appointed if Santander is downgraded below Baa3
Back-up Servicer Facilitator:	None
Cash Manager:	Santander de Titulizacion S.G.F.T. S.A. (“SdT”) (Not Rated) owned by Banco Santander S.A (Aa2/P-1; negative outlook)
Back-up Cash Manager:	None
Interest Rate Swap Counterparty:	Santander
F/X Swap Counterparty:	Not applicable
Basis Counterparty:	Not applicable
Issuer Account Bank:	Santander
Collection Account Bank:	Santander
Paying Agent:	Santander
Note Trustee (Management Company):	SdT
Issuer Administrator:	SdT
Arranger:	SdT
Lead Managers:	
Other Parties:	

Moody’s View

Outlook for the Sector:	Negative
Unique Feature:	Asset type and structure previously seen in the market
Degree of Linkage to Originator:	Santander will act as servicer (a back-up servicer will be appointed if Santander is downgraded below Baa3), interest rate swap counterparty (replacement triggers are in line with Moody’s swap guidelines), issuer account bank (replacement eligible entity or a eligible guarantor will need to be found if Santander is downgraded below P-1), and paying agent (replacement eligible entity or a eligible guarantor will need to be found if Santander is downgraded below P-1).
Originator’s Securitisation History:	
Number of Precedent Transactions in Sector:	Four (three rated by Moody’s)
% of Book Securitised:	94% (including the present transaction)
Behaviour of Precedent Transactions:	Notes of Santander Financiación 1, FTA, and Santander Financiación 3, FTA are currently on review for possible downgrade due to concerns about performance, which is below expectations, and the weak macro-economic environment in Spain, in particular the increasing unemployment rate, expected to rise to a minimum of 20% in 2010.
Key Differences between Subject and Precedent Transactions:	Present transaction is similar, both in terms of portfolio and structure, to FTA Santander Financiacion 3, although this portfolio is slightly more granular.

Portfolio Relative Performance:

Default Rate Assumed/Ranking:	19.25%/Higher than peer group
Coefficient of Variation Assumed on Default Rate/Ranking:	25%/Slightly less volatility than peer group
Recovery Rate Assumed/Ranking:	27%/In line with peer group
Delinquencies Observed in Portfolio:	No information was provided to Moody's

Comment

Potential Rating Sensitivity:

Chart Interpretation: At the time the rating was assigned, the model output indicated that Class A would have achieved a “Aa range” rating even if the cumulative mean default probability (DP) was as high as 21% and even assuming a recovery rate as low as 22%, whilst the Class B, Class C, Class D, and Class E would have been A2 and Baa2, Ba1, and Caa1 respectively, in the same scenario.

Factors Which Could Lead to a Downgrade: In addition to the counterparty linkage, the following factor may have a significant impact on the subject transaction’s ratings: further increase in the unemployment rate as a result of a deterioration of the Spanish economy (beyond the recovery lag and stress that was modelled).

Chart 1:

		Recovery rate		
	Mean default	27%	22%	17%
CLASS A	19.50%	Aaa*	Aa1 (1)	Aa2 (2)
	21.00%	Aa1 (1)	Aa2 (2)	Aa3 (3)
	22.50%	Aa2 (2)	Aa3 (3)	A1 (4)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS B	19.50%	Aa2*	Aa3 (1)	A1 (2)
	21.00%	Aa3 (1)	A2 (3)	A3 (4)
	22.50%	A2 (3)	A3 (4)	Baa2 (6)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS C	19.50%	A2*	A3 (1)	Baa1 (2)
	21.00%	Baa1 (2)	Baa2 (3)	Baa3 (4)
	22.50%	Baa2 (3)	Baa3 (4)	Ba1 (5)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS D	19.50%	Baa2*	Baa3 (1)	Ba1 (2)
	21.00%	Baa3 (1)	Ba1 (2)	Ba2 (3)
	22.50%	Ba1 (2)	Ba2 (3)	Ba3 (4)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS E	19.50%	B3*	B3 (0)	Caa1 (1)
	21.00%	Caa1 (1)	Caa1 (1)	Caa2 (2)
	22.50%	Caa2 (2)	Caa2 (2)	Caa3 (3)

1) Results are model-indicated ratings, which are one of the many inputs considered by rating committees, which take quantitative and qualitative factors into account in determining actual ratings. The analysis assumes that the deal has not aged. The model does not intend to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might have differed if key rating input parameters were varied.
2) Results under base case assumptions indicated by ‘ * ‘. Change in model-indicated rating (number of notches) is noted in parentheses.

Composite V Score

Breakdown of the V Scores Assigned to	Sector	Transaction	Remarks
Composite Score: Low (L), Medium (M) or High (H)	**M**	**M**	
1 Sector Historical Data Adequacy and Performance Variability	**M/H**	**M/H**	
1.1 Quality of Historical Data for the Sector	M/H	M/H	- Same as sector score
1.2 Sector’s Historical Performance Variability	M/H	M/H	- Same as sector score
1.3 Sector’s Historical Downgrade Rate	M/H	M/H	- Same as sector score
2 Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure	**M/H**	**M/H**	
2.1 Quality of Historical Data for the Issuer/Sponsor/ Originator	M/H	M/H	- Same as sector score - The historical information is limited, as historical information available does not cover a severe stress scenario (uncertainty whether past performance adequately reflects future performance). - Seven years of data provided (2002-2008), last observation points includes a severe stressed economic environment.

	2.2	Issuer/Sponsor/Originator's Historical Performance Variability	M/H	H	2006 Vintages onwards show a much higher default rate than previous vintages. Latest vintage curves are nearly vertical, and it is difficult to predict the ultimate default rate for the vintage. For existing transaction, Santander's transactions are underperforming (e.g. 90+ past due for Santander Financiacion 3, closed in May 2008, after 12 months is 5.7% – however, it should be taken into account that this is one of the newest transactions, clearly more affected by the current crises – 90+ past due for Santander Financiacion 1, closed in November 2006, is 2.5%)
	2.3	Disclosure of Securitisation Collateral Pool Characteristics	L/M	M	Santander has not provided internal scoring system information. In addition, we have received a line by line database on the portfolio, but the quantity and quality of the data included is below average as compared to transactions which have achieved high investment grade ratings in this sector (there are missing fields, such as loan purpose, internal credit scoring, probability of default (PD), amortisation type). We did receive complete stratification tables.
	2.4	Disclosure of Securitisation Performance	M	M/H	Poor performance disclosure for previous Santander transactions. However, the management company agreed to increase the quality of reporting for this transaction. Please see "Monitoring" section on page 18
3	**Complexity and Market Value Sensitivity**		**L/M**	**L/M**	Current transaction has the standard structure for the Spanish market
	3.1	Transaction Complexity	L/M	L/M	- Same as sector score
	3.2	Analytic Complexity	L/M	L/M	- Same as sector score
	3.3	Market Value Sensitivity	L	L	- Same as sector score
4	**Governance**		**L/M**	**L/M**	
	4.1	Experience of, Arrangements Among and Oversight of Transaction Parties	L/M	L/M	- Same as sector score
	4.2	Back-up Servicer Arrangement	L	L	- Same as sector score: investment grade servicer – will appoint a new back up servicer if its long term rating falls below Baa3.
	4.3	Alignment of Interests	L/M	L/M	- Same as sector score
	4.4	Legal, Regulatory, or Other Uncertainty	L/M	L/M	- Same as sector score

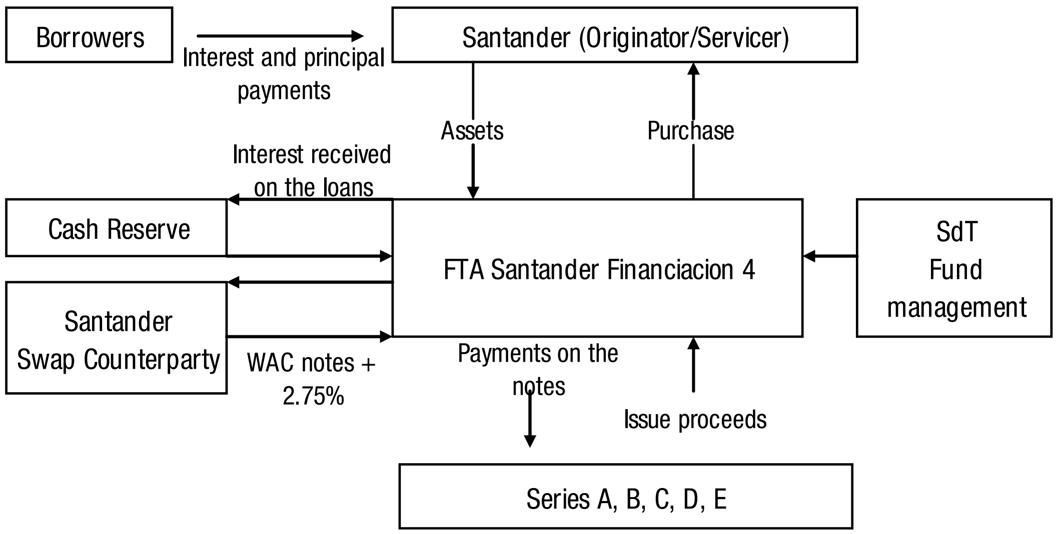
Strengths:

- **Hedged Interest Rates:** An interest swap agreement will guarantee the weighted-average margin on the notes plus an excess spread of 2.75%.
- **Static Structure:** There will be no revolving period during which additional assets are sold to the Fondo. This limits portfolio volatility performance caused by additional portfolio purchases
- **Back-up Servicing arrangements:** There is a low probability of a servicer disruption, given Santander's current rating (Aa2/P-1; negative outlook). In addition, Santander will identify a back-up servicer if it is downgraded below **Baa3**. At this stage, the back-up will only step in at the discretion of the management company in accordance with the back-up servicer arrangement.
- **Experienced servicer:** Santander has a wide experience in servicing consumer loans, and has a background in securitisation, this transaction being its fifth consumer loan transaction.

Concerns and Mitigants:

- Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:
- **Performance of past transactions:** A weak and deteriorating performance is observed for the previous consumer loan transactions launched by Santander, in particular, Santander Financiación 1, FTA, and Santander Financiación 3, FTA transactions, which have been placed on review for possible downgrade. Moody's has taken this into consideration when deriving the modelling assumptions.
- **Concentrated Portfolio:** The portfolio is slightly more concentrated than the typical consumer loan transaction portfolio, with the largest and the 20 largest equal to 0.13% and 2.3% of total notes issuance, respectively, whereas the largest debtor for a typical consumer loan portfolio usually represents less than 0.05% of the notes. However, the provisional portfolio's effective number is around 11,000; therefore, the portfolio is still granular. In addition, Moody's does not expect that the selection of the definitive portfolio will have a significant impact on the granularity of the portfolio.
- **Limited information:** Historical performance data provided by Santander does not cover a full economic cycle. In addition, the bank has not made available information on its internal scoring system. Moody's has factored this when deriving the modelling assumptions.
- **Deferral of interest:** The deferral of interest payments on each of series B, C, D and E benefits the repayment of the series senior to each of them, but increases the expected loss on series B, C, D and E. The size of the reserve fund and the subordination take into account this deterioration on the expected loss.

Chart 2:
Structure Chart



Allocation of Payments/Waterfall: On each quarterly payment date, the Fondo's available funds (i.e. amounts received from the portfolio, the reserve fund, amounts received under the swap agreement, and interest earned on the treasury account) will be applied in the following simplified order of priority:

1. Senior expenses;
2. Payments to swap counterparty including swap termination payments if the Fondo is the defaulting party;
3. Interest on Class A; interest on Class B; interest on Class C; interest on Class D; interest on Class E (if not deferred)
4. Principal on Class A; principal on Class B; principal on Class C; principal on Class D; principal on Class E
5. Interest on Class B; interest on Class C; interest on Class D; interest on Class E (if deferred)
6. Replenishment of the cash reserve
7. Junior payments

Allocation of Payments/Principal Deficiency Ledger (PDL) like mechanism: A PDL is defined as the negative difference between the principal available funds and a target principal amount. A target principal amount is the difference between the notes' outstanding principal and the performing assets. A non-performing asset is defined as one with any amount due but unpaid for more than 12 months or one written off according to management's discretion.

The notes will be fully amortised sequentially

Performance Triggers:

Trigger	Conditions	Remedies/Cure
Interest deferral trigger	– The PDL exceeds the sum of (i) 50% of the outstanding amount of the relevant series and (ii) 100% of the outstanding amount of the series subordinated to it – The series senior to it is/are not fully redeemed	Interest payments on Series B, C, D and/or E notes will be brought to a more junior position in the waterfall and will be paid after the more senior series' principal is paid, until the series senior to it is fully redeemed
Reserve Fund Amortisation	– The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.5% or – The reserve fund is not funded at its required level on the previous payment date – Less than three years have elapsed since closing	The target amount of the reserve fund will not be reduced on any payment date on which these events occur

Liquidity: The reserve fund will be funded up front with the issuance of class F notes, for an amount equal to 13% of the notes. This reserve will provide both credit and liquidity protection to the notes.

After the first three years from closing, the reserve fund may amortise over the life of the transaction to the higher of the following amounts subject to the reserve fund trigger above:

– 26% of the outstanding balance of the series A, B, C, D and E notes

– 6.5% of the initial balance of the series A, B, C, D and E notes.

A principal to pay interest mechanism will also provide liquidity to the structure

Subordination of interest: The payment of interest on Series B, C, D and E will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

– The PDL exceeds the sum of (i) 50% of the outstanding amount of the relevant series and (ii) 100% of the outstanding amount of the series subordinated to it

– The series senior to it is/are not fully redeemed.

Assets:

Asset transfer:

True Sale: According to the legal opinion received, a true sale securitisation of assets will be carried out in compliance with the Spanish securitisation law.

Bankruptcy Remoteness: Under the Spanish Securitisation Law, a Spanish SPV (FTA/FTH) is not subject to the Spanish Insolvency Law. It is only the management company, acting in the best interest of the noteholders, who can decide to liquidate the Fondo.

Interest rate mismatch: 69.9% of the portfolio corresponds to fixed-rate loans and 30.1% to floating-rate loans, whereas the notes are floating liabilities. As a result the Fondo will be subject to, on the one hand, base rate mismatch risk on the floating portion of the portfolio (i.e. the risk that the reference rate used to compute the interest amount payable on the notes will differ from the interest rate payable on the underlying consumer loans; and on the other hand, fixed-floating risk (i.e. the risk that the reference rate of the notes will differ from the interest rates payable on this portion of the portfolio).

Mitigant: The Fondo will enter into a swap agreement with Santander to mitigate these risks and to obtain a minimum level of excess spread guaranteed. Under the swap agreement:

– The Fondo will pay the interest received from the loans since the previous payment date.

– The swap counterparty will pay the sum of the weighted-average coupon on the series A, B, C, D and E notes plus 2.75%, over a notional calculated as the daily average outstanding amount of the loans that are not in arrears for more than 90 days during the quarter.

The excess spread provided by the swap constitutes the first layer of protection for investors.

[The swap documentation complies with Moody's swap criteria.]

Cash Commingling: All the payments received from the securitised loans are made through direct debit and deposited into an account in the name of the servicer. As a result, in the event of insolvency of Santander – and until 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 Santander.

Mitigants:

- Payments are transferred on a daily basis to the treasury account in the name of the SPV held by Santander.

If the short-term rating of the treasury account provider falls below P-1, the management company will within 30 business days:

- Find a suitably rated guarantor or substitute; or
- Collateralise the payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes;

- In the event of insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable, the management company may demand that the servicer notifies obligors of the portfolio's transfer to the Fondo and advises obligors that payments on their loans will only be effective as a discharge if made into the treasury account in the name of the issuer. The management company also has the ability to carry out the notification.

Set off: 100% of obligors have accounts with the seller.

Mitigant: Set off is very limited because, according to a legal opinion received by Moody's, only unpaid instalments prior to the declaration of insolvency might be offset against the deposits hold by the debtors (such instalments must be considered as fully due and payable prior to the insolvency).

Originator Profile, Servicer Profile and Operating Risks

Date of Operations Review:	Full operational review: 2007. Call with Santander: July 2009

Originator Background:

Rating:	Aa2/P-1; negative outlook
Financial Institution Group Outlook for Sector:	Negative
Ownership Structure:	100% Santander Group
Asset Size:	€1.8 billion
% of Total Book Securitised:	94%
Transaction as % of Total Book:	44%
% of Transaction Retained:	100% (Aaa tranche might be used for repo with ECB)

Servicer & Back-Up Servicer Background:

Servicer and Its Rating:	Santander (Aa2/P-1; negative outlook)
Total Number of Receivables Serviced:	
Number of Staff:	
Servicer Assessment:	Strengths - Experienced servicer - One of the top banks in Spain by asset size - Scoring systems validated by Bank of Spain - Recently reorganised the servicing activities to tackle the increase in delinquencies in the Spanish market Weaknesses - Poor monitoring information provided - Due to the bank's large size, it cannot achieve deep knowledge of each client as would a smaller entity
Strength of Back-up Servicer Arrangement:	A back-up servicer will be appointed if Santander is downgraded below Baa3. This is standard practice in the Spanish market.
Back-up Servicer and Its Rating:	None appointed
Ownership Structure:	Not applicable
Regulated by:	Not applicable
Total Number of Receivables Serviced:	Not applicable
Number of Staff:	Not applicable

Originator Related Triggers

Key Servicer Termination Events:	- Breach of obligations under the servicing agreement - Insolvency In any case, replacement will always be at discretion of the management company
Downgrade of Original Servicer's Rating to Certain Level	
Appointment of Back-up Servicer Upon:	Servicer's loss of Baa3 rating
Key Cash Manager Termination Events:	Insolvency
Notification of Obligors of True Sale	Insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Conversion to Daily Sweep	None (sweep is performed daily)
Notification of Redirection of Payments to SPV's Account	Insolvency, administration by the Bank of Spain, liquidation or substitution of the servicer, or because the management company deems it reasonable (always at discretion of the management company)
Accumulation of Set Off Reserve	N/A

Receivable Administration:

Method of Payment:	100% by direct debit
% of Obligors with Account at Originator:	92.6%
Distribution of Payment Dates:	Spread over the month (set at the day of origination)

Cash Manager:

Cash Manager and Its Rating:	SdT (Not Rated)
Main Responsibilities:	Preparation of investor report Obligation to make payments in accordance with waterfall Draw on source of liquidity
Calculation Timeline:	Calculation date, interest payment date (IPD), End of grace period swap, event of default (EOD)
Back-up Cash Manager and Its Rating:	None
Main Responsibilities of Back-up Cash Manager:	Not applicable

Collateral Description (as of August 2009)

Chart 3:
Portfolio Breakdown by Year of Origination

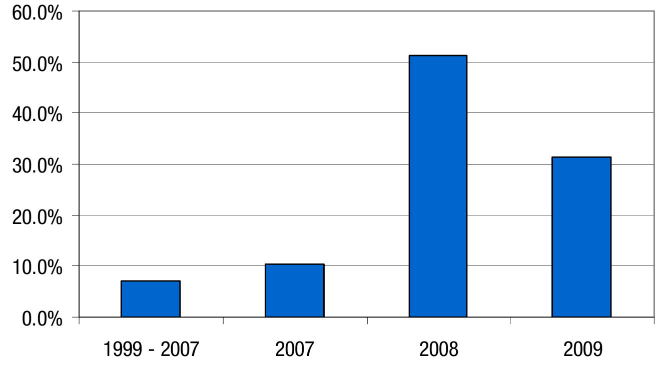


Chart 4:
Portfolio Breakdown by Year of Maturity

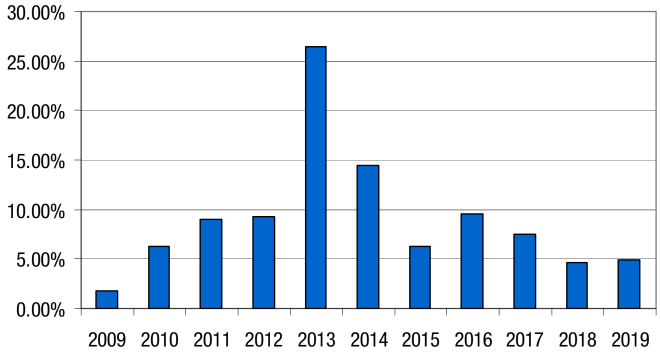


Chart 5:
Portfolio Breakdown by loan purpose

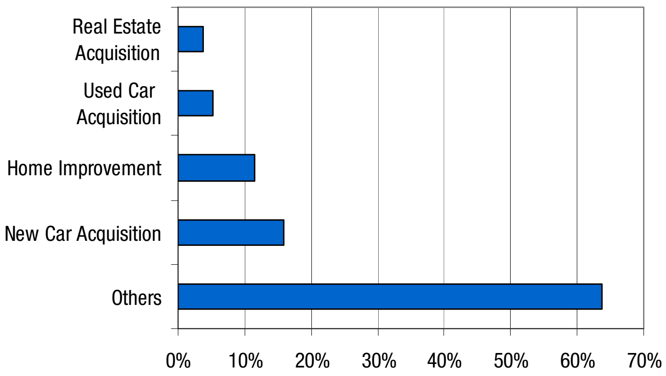
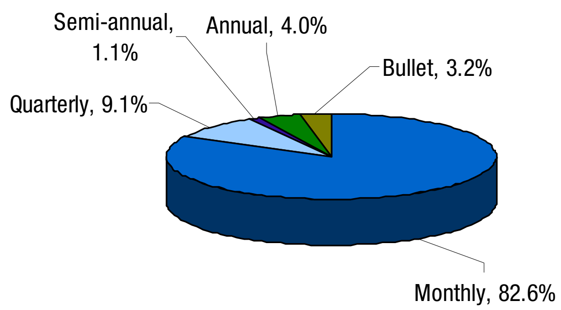


Chart 6:
Portfolio Breakdown by Frequency of Payments



Audits: Performed by Deloitte S.L., in compliance with the Spanish regulatory framework.

Product Description: The portfolio consists of unsecured consumer loans extended to individuals resident in Spain, to finance the acquisition of consumer goods and services, as well as for home improvements or home purchase (with no mortgage guarantee). The tenor of the products varies (from 6 months to 30 years) depending on the purpose of the loans, and the portfolio securitised includes fixed- and floating-rate loans. Loans are either bullet (around 2.9% of the portfolio) or standard amortising loans (French amortisation).

Eligibility Criteria:

The key eligibility criteria are as follows:

- Loans with a personal guarantee granted to individuals resident in Spain
- Fully drawn down loans
- Direct debit loans
- Loans with payment holidays are excluded
- Not more than 30 days past due

Additional Information on Borrowers:

Top Debtor Concentration:	0.14% of portfolio
Top 5 Debtors:	0.68% of portfolio
Top 10 Debtors:	1.30% of portfolio
Top 25 Debtors:	2.90% of portfolio
Geographic Diversity:	Madrid (18.7%), Andalusia (16.7%), Cataluña (11.0%)

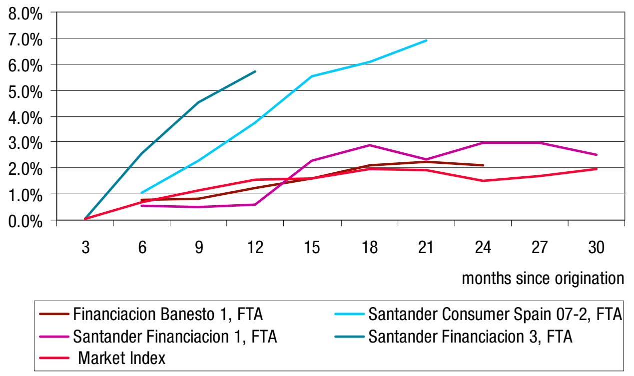
Additional Information on Portfolio:

Number of Contracts:	175,433
Type of Contracts:	100% term
Contract Amortisation Style:	French (96.8%) and bullet (3.2%)
% Bullet Loans:	3.2%
Loan purpose:	Used car (5.1%), new car (15.8%), home improvement (11.5%), real estate acquisition (3.7%), rest (63.9%)
WA Interest Rate:	9.11%
WA Internal Rating:	N/A
Guarantees:	100% personal guarantees
Origination channel	91% Santander, 8% point of sales, 1% auto dealers
Grace periods	3.3% of the portfolio with a weighted average remaining grace period of around 10 months.

Credit Analysis

Precedent Transactions' Performance: The performance of the originator's precedent transactions in this sector are below Moody's expectations. For this reason Moody's has recently placed Santander's outstanding consumer loan transactions (FTA, Santander Financiación 1, FTA and Santander Financiación 3, FTA) under review for possible downgrade. The rating review reflects Moody's concern about continued weakening of the Spanish auto loan and consumer loan portfolios, as well as Moody's negative sector outlook for Spanish consumer ABS. The negative outlook results from the weak macro-economic environment in Spain, in particular the increasing unemployment rate which expected to rise to a minimum of 20% in 2010.

Chart 7:
Delinquencies 90 - 360 days overdue on Current pool in Santander transactions



Default Definition: The definition of a defaulted asset in this transaction is one which is more than 12 months in arrears or where the obligor is declared bankrupt.

Data Quantity and Content: Moody's has received data from Q1 2002 to Q4 2008, reflecting gross default/recoveries by origination channel. In Moody's view, the quantity and quality of the historical data received is average compared to transactions which have achieved high investment grade ratings in this sector. However, Santander has not provided data on pre-payments, arrears roll rates or internal scoring system information. In addition, Moody's has received a line-by-line database on the portfolio, but the quantity and quality of this data is below average compared to transactions which have achieved high investment grade ratings in this sector (there are missing fields, such as loan purpose, internal credit scoring, PD, amortisation type.)

Assumptions: Note – other values within a range of the notional amount listed below may result in achieving the same ratings.

Note assumptions & actual amount

Conditional Prepayment Rate (CPR)	5% (actual = no data provided)
Distribution	Lognormal
Default rate:	19.5% (actual = 11.5% to 23.4%, taking data from 2006 onwards)
Standard deviation/ mean:	25% (actual = 35% to 27%, taking data from 2006 onwards)
Timing of default:	Sinus curve: first default at quarter 4, peak of default at quarter 11 and last default at quarter 20
Recoveries:	27% (no volatility modelled around this value)
Recovery lag:	Recoveries are evenly spread over 3.5 years to reflect that a significant portion of the recoveries result from loan restructuring/renegotiations mainly of loan tenor
Correlation Default/ Recoveries	Not applicable
Amortisation profile:	Actual pool amortisation
Fees:	0.5%
Fees floor:	€25,000
Euribor:	4%
PDL definition	12 months
Write-off:	12 months

Derivation of default rate assumption:

As regards the two default distribution parameters – the mean default and standard deviation – Moody's has based its analysis on the historical cohort performance provided by Santander for a portfolio that is representative of the actual portfolio being securitised. The historical analysis was complemented with (i) the general Spanish market trend (ii) the performance of previous Santander deals; and (iii) other qualitative considerations. Vintages prior to 2007 reflect positive economic conditions, with new vintages showing higher default rates which reflect a deterioration of the performance under the current stressed economic conditions. However, those vintages are still too young to allow a meaningful extrapolation analysis. Therefore, Moody's has stressed the results obtained from historical data provided (i) as this data does not cover a full economic cycle, and (ii) in light of the current stressed economic environment in Spain and the below-average performance of the previous Santander consumer loan transactions.

Chart 8:
Vintage Cumulative Default Curves

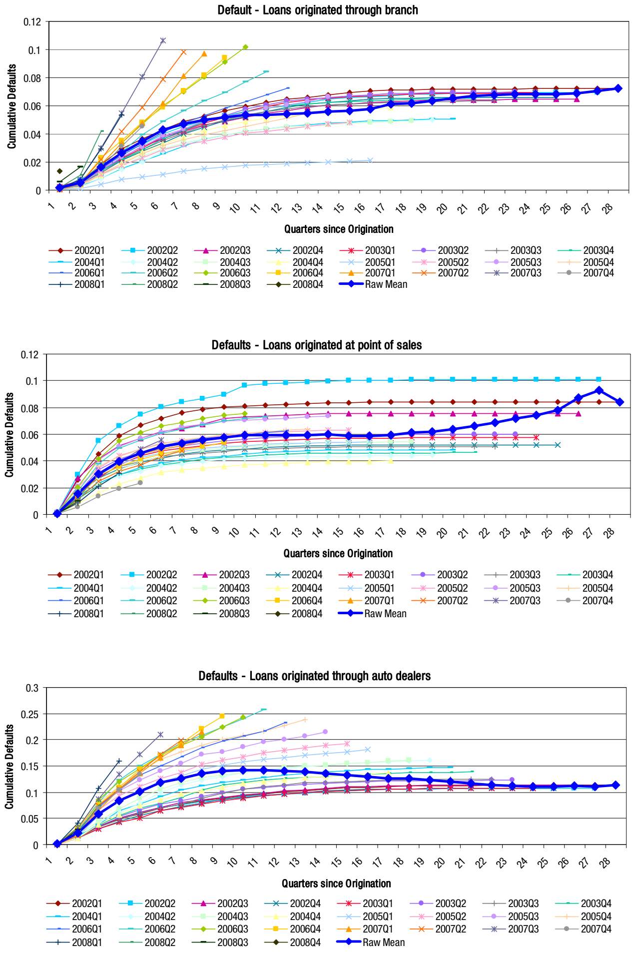
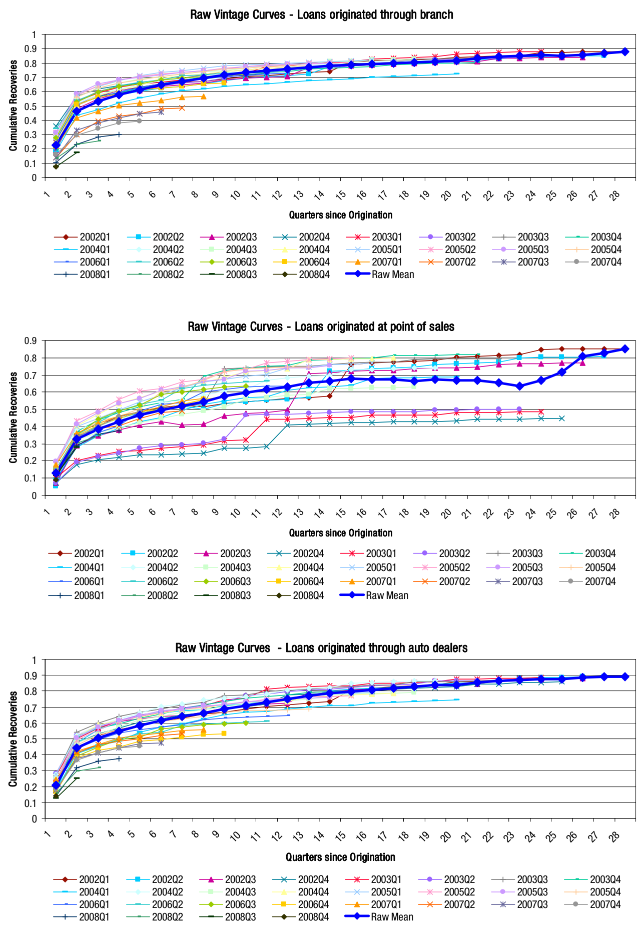
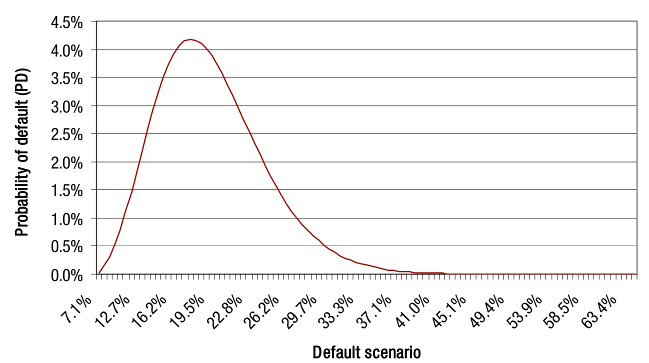


Chart 9:
Vintage Recovery Rates



Timing of defaults: Moody's tested different timings for the default curve to assess the robustness of the ratings. In the base case scenario, the timing of defaults curve assumed is sinus, with first default occurring with a 12-month lag (according to transaction definition), a peak at quarter 11 and last default at quarter 20.

Chart 10:
Default distribution



Derivation of Recovery Rate Assumption: Moody's considers that the recovery data was compiled during good economic cycles; therefore, observed data might overestimate recovery rates during a stressed economic environment. In addition, please note that if a loan returns to performing status, its recovery rate is recorded as 100%. Assumptions for recoveries were made on the basis of (i) historical information received for this deal; (ii) statistical information on the Spanish consumer loan market; and (iii) other qualitative and pool-derived aspects.

Modelling Approach: Given the granularity of the portfolio, Moody's assumed that the default distribution of the portfolio follows a lognormal distribution, which is fully characterised by its mean default and standard deviation.

Moody's tested the credit enhancement levels by using a cash flow model, which has been adjusted to take into account a number of structural features.

The lognormal probability distribution (based on the values derived for the mean default and standard deviation) was applied to numerous default scenarios on the asset side to derive the level of losses on the notes.

Expected loss and average life levels relative to the ratings assigned to each tranche were computed, by weighting each scenario's severity and average life result on the notes, with its probability of occurrence. An example of the application of the lognormal distribution of defaults with their relative probability is detailed below.

Treatment of Concerns:

Performance of past transactions and limited information: Past Santander consumer loan transactions are currently under review for possible downgrade due to weaker-than-expected performance. In addition, as explained above, historical performance information provided does not cover a full economic cycle, therefore, it has limited value for the extrapolation exercise. Moody's has taken a conservative approach with regards to PD, stressing the PD from 11.5% (observed from historical data) to 19.5%, which is closer to the default rates observed for the vintages after 2006 (in the range of 20%) and also taking into consideration the current Spanish economic environment and the level of unemployment.

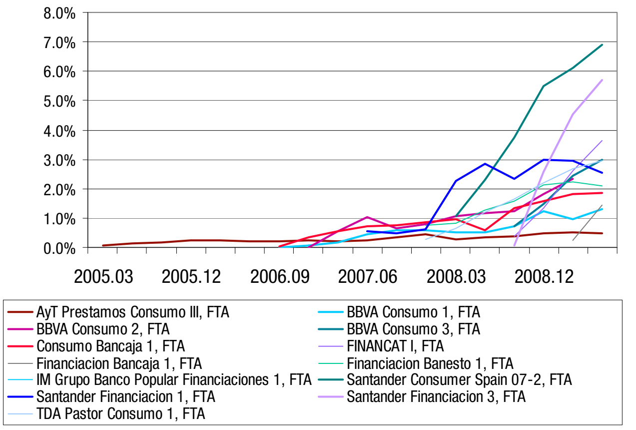
Benchmark Analysis

Performance Relative to Sector:

In Moody's view, the present transaction's historical performance data provided on gross defaults compares negatively with other recent transaction in this sector. Compared to its peer group of Spanish consumer loan transactions rated in 2008, the portfolio reflects slightly higher gross defaults, a lower volatility and a slightly higher average recovery rate.

Chart 11 shows the outstanding proportion of delinquencies in Moody's rated Spanish consumer loan transactions grouped by originator. Please note that performance shown is affected by several factors, such as the age of the transaction, the pool-specific characteristics, and the presence of a revolving period. Performance of Santander's transactions is weaker than the index.

Chart 11:
Spanish Consumer Loan 90+ days arrears
(by Originator)



Source: Moody's Investors Service, periodic investor reports

Benchmark Table – Best practice:

Deal name	FTA Santander Financiacion 3	Financiacion Bancaja 1, FTA	CAMGE Consumo TDA CAM 1 FTA	FTA Santander Financiacion 4
Country		Spain	Spain	Spain
Other countries	No	No	No	No
Closing date	14/05/2008	24/12/2008	22/04/2009	September 2009
Originator	Banco Santander	Bancaja	CAMGE	Banco Santander
Originator's rating	Aa2/P-1; negative outlook	A3/P-2; negative outlook	Not rated	Aa2/P-1; negative outlook
% Fixed rate contracts	59.40%	55.30%	27.50%	69.94%
% monthly paying contracts	61.93%	98.00%	99.40%	82.62%
WA initial yield (total pool)	7.80%	7.90%	9.07%	9.11%
% auto loans	23.39%	37.00%	18.90%	20.97%
% property aquisition/home improvement	18.27%	20.00%	15.50%	15.33%
% other loans	58.34%	43.00%	65.60%	63.70%
Top obligor %	0.24%	0.04%	0.02%	0.14%
WAL (years)	2.7	2.7	2.5	2.7
Amount in arrears by more than 30 days	0% at closing	0% at closing	0% at closing (and less than 5% of arrears 1-30 days)	0% at closing
Spread guaranteed by the Swap	2.75%	No swap in place	No swap in place	2.75%
Mean default	6%	9%	13%	20%
Coefficient of variation (CoV)	35%	Spain	35%	25%
Recovery rate	25%-35%	25%	25%	27%
Loss given default (LGD)	3.6%-4.1%	7.0%	9.8%	14.2%

Parameter Sensitivities

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed nine scenarios derived from the combination of mean default: 19.5% (base case), 21% (base plus 1.5%), 22.5% (base plus 3%), and recovery rate: 27% (base case), 22% (base – 5%) and 17% (base – 10%). The 19.5% – 27% scenario would represent the base case assumptions used in the initial rating process.

The charts below show the parameter sensitivities for this transaction with respect to all Moody's-rated tranches*

		Recovery rate		
	Mean default	27%	22%	17%
CLASS A	19.50%	**Aaa***	Aa1 (1)	Aa2 (2)
	21.00%	Aa1 (1)	Aa2 (2)	Aa3 (3)
	22.50%	Aa2 (2)	Aa3 (3)	A1 (4)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS B	19.50%	**Aa2***	Aa3 (1)	A1 (2)
	21.00%	Aa3 (1)	A2 (3)	A3 (4)
	22.50%	A2 (3)	A3 (4)	Baa2 (6)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS C	19.50%	**A2***	A3 (1)	Baa1 (2)
	21.00%	Baa1 (2)	Baa2 (3)	Baa3 (4)
	22.50%	Baa2 (3)	Baa3 (4)	Ba1 (5)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS D	19.50%	**Baa2***	Baa3 (1)	Ba1 (2)
	21.00%	Baa3 (1)	Ba1 (2)	Ba2 (3)
	22.50%	Ba1 (2)	Ba2 (3)	Ba3 (4)

		Recovery rate		
	Mean default	27%	22%	17%
CLASS E	19.50%	**B3***	B3 (0)	Caa1 (1)
	21.00%	Caa1 (1)	Caa1 (1)	Caa2 (2)
	22.50%	Caa2 (2)	Caa2 (2)	Caa3 (3)

Worse case scenarios: At the time the rating was assigned, the model output indicated that Class A would have achieved a "Aa range" rating even if the cumulative mean DP was as high as 21% and even assuming a recovery rate as low as 22%, whilst the Class B, Class C, Class D, and Class E would have been A2 and Baa2, Ba1, and Caa1 respectively, in the same scenario.

Monitoring

Moody's 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 rating will be publicly announced and disseminated through Moody's Client Service Desk.

Originator Linkage: Santander will act as servicer (a back-up servicer will be appointed if Santander is downgraded below Baa3), interest rate swap counterparty (replacement triggers are in line with Moody's swap guidelines), issuer account bank (replacement eligible entity or a eligible guarantor will need to be found if Santander is downgraded below P-1), and paying agent (replacement eligible entity or an eligible guarantor will need to be found if Santander is downgraded below P-1). **Significant Influences:** In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings: further increase in the unemployment rate as a result of a deterioration of the Spanish economy (beyond the recovery lag and stress that was modelled).

Counterparty Rating Triggers	Condition	Remedies
Interest Rate Swap Counterparty	In accordance with Moody's swap guidelines*	
Issuer Account Bank	Loss of P-1	Replace/Eligible guarantor
Collection Account Bank	Loss of P-1	Replace/Eligible guarantor
Servicer	Baa3	Appointment of back up servicer

** See Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology, 15 May 2006*

Monitoring Report: Moody's has reviewed the template for the monitoring report. Santander has committed to provide the following important data:

- Cumulative 90+ days delinquencies: information on an aggregate level as well as line-by-line information of 90+ overdue and written off loans, including reason for default (this will help Moody's to assess whether the performance is in line with the initial assessment and other European transactions).
- Defaults/artificial-write-offs: Investor report will distinguish whether a write-offs relates to (i) the loan being declared as defaulted by the servicer as part of its general servicing policies and practices; or (ii) the loan having accumulated a 12 missed payments.
- Cumulative recovery rate and recovery timing: data on recoveries both from loans in arrears for more than 90 days and from written-off loans.
- Line-by-line information of loans that have been restructured (i.e. benefited from a modification in the interest rate or tenor of the loan)
- Stratification tables: portfolio distribution by geographical concentration, type of loan, and channel of origination.
- Waterfall table: information on available distribution amounts, the amount of prepaid principal, gross excess spread as well as the issuer and swap costs. Additionally, the reporting of principal deficiency ledgers.
- Explanation of triggers.

Related Research

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

Methodology Used:

– The Lognormal Method Applied to ABS Analysis, June 2000

Issuer Profile

– Banco Santander Central Hispano S.A., December 2005

Credit Opinion

– Banco Santander S.A., May 2009

Performance Overview

– Santander Consumer Spain 07-2, FTA, June 2009

– Santander Financiacion 3, FTA June 2009

– Santander Financiacion 1, FTA May 2009

Pre-Sale Report

– Santander Financiacion 3, FTA September 2008 (SF)

– Santander Consumer Spain 07-2, FTA October 2007 (SF)

– Santander Financiacion 1, FTA, December 2006 (SF87030)

Special Report

– EMEA Asset-Backed Securities and Residential Mortgage-Backed Securities: 2008 Review and 2009 Outlook, January 2009

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– EMEA Consumer Loan Q1 2009 Indice, May 2009

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: Originator's Underwriting and Collection Practices

Originator Ability:	
Sales and Marketing Practices:	– Number employees: Not made available – Origination channels (on average for total bank's portfolio): Brokers (12%), branch (88%) – Incentive-based compensation: Not made available
Underwriting Policies and Procedures:	– Automatic underwriting: 78.7% – % Approval rate: 77.4% – % loans manually underwritten: 21.3% – % of loans underwritten at branch level (as opposed to central office): 93% (out of total loans approved automatically) – % exceptions to underwriting policy: 2.8% – Income and credit history verification: Yes, applied to all borrowers – Internal credit scoring and use of external bureaus: Yes, applied to all borrowers
Collateral Valuation Policies and Procedures:	– Advance rate against purchase price: Not applicable, as all loans are unsecured – Valuation process: Not applicable, as all loans are unsecured
Closing Policies and Procedures:	– Reconciliation of data on system and origination files Yes
Credit Risk Management:	– Strategic target market and product type: loans to individuals resident in Spain originated through branch and point of sales. – Oversight to assess actual versus expected receivable performance: Yes. Performance is linked to the economic cycle; performance of new vintages have improved
Originator Stability:	
Quality Controls and Audits:	– Frequency of external and internal audits, particularly underwriting practices to policy and collection practices: Usual procedures adopted by Santander. Specific surveillance of model results and analysts decisions. – Fraud prevention process: Centralised circuit through which loans originated through point of sales are supervised (the bank controls on an ongoing basis the quality of the brokers, and assigns scores to them based on operational alerts and development of their activity.
Regulated by:	
Management Strength and Staff Quality	– Average tenure with company: Highly qualified analysts – average of 2 years; Management – average exceeds 10 years. – Average turnover of underwriting staff and length of tenor for head of credit risk management – turnover minimal (only due to internal promotions) – Compensation structure i.e. incentive for receivables growth: incentives based on efficiency, quality of risk, and quality of service.
Arrears Management:	
Number of Receivables per Collector:	
Staff Description:	– Average tenure with company: On average 15 years within Santander – Turnover: not made available. – Compensation structure i.e. incentive for collections achieved: based on interest and principal collected by the territorial branch.
Early Stage Arrears Practices:	– Automated dial centre? Yes – Exposure lower than €18,000 or direct debit from another institution: Letter sent day 10, 50, and 75 after first missed payment; calls made day 10, 31, and 61 after first missed payment – Exposure higher than €18,000 or direct debit from another institution: Letter sent day 20 after first missed payment; calls starts on day 10 after first missed payment, position managed by the branch after day 31 after first missed payment.
Late Stage Arrears Practices:	– Arrears passed to litigation team on day 150 after first missed payment. – Involvement of external collectors or law firms: Positions managed by external companies for loans in arrears between 90 and 150 days if exposure is lower than €15,000, and from 150 days if exposure is below €2,000. Law firms manage loans in arrears between 90 and 150 days if exposure is between €15,000 and €60,000, and from 150 days if exposure is higher than €2,000. – Sales of past due accounts: not made available
Average Time to Repossess:	
Loan Modifications:	– Definition of loan modification? Not made available. – Criteria for loan modification eligibility? Not made available. – Approval process for modifications? Not made available. – Income verification as part of modification? Not made available. – Performance of modified loans. Not made available.

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