DerivativeFitch

Structured Credit
Spain
Presale Report

Fondo de Titulización de Activos, Santander Empresas 4

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* Expected ratings do not reflect final ratings and are based on information provided by the arrangers as of 18 October 2007. Final ratings are contingent on final documents conforming to information already received as well as on satisfactory legal opinion. Ratings are not a recommendation to buy, sell or hold any security. The prospectus and other offering material should be reviewed prior to any purchase.

Related Research

For further information please refer to the following (available at www.derivativefitch.com):

- "*Pan-European SME CDO Performance Tracker*", dated 19 July 2007;
- "*European SME CDO Rating Criteria*", dated 27 March 2007;
- *Interest Rate Risk in Structured Finance Transactions – Euribor*", dated 1 November 2006;
- "*Global Rating Criteria for Collateralised Debt Obligations*", dated 4 October 2006.

Expected Ratings*

Class	Amount (EURm)	Legal Final Maturity	Rating	CE (%)
A1	830.2	July 2050	AAA	10.30
A2	1,763.6	July 2050	AAA	10.30
A3	622.3	July 2050	AAA	10.30
B	90.2	July 2050	AA-	7.90
C	97.4	July 2050	A	5.15
D	79.7	July 2050	BBB	2.80
E	56.6	July 2050	BB-	1.30
F[a]: Reserve Fund	46.0	July 2050	CC	n.a.

[a] Notes uncollateralised by SME loans will be issued to finance the creation of the reserve fund at closing

Summary

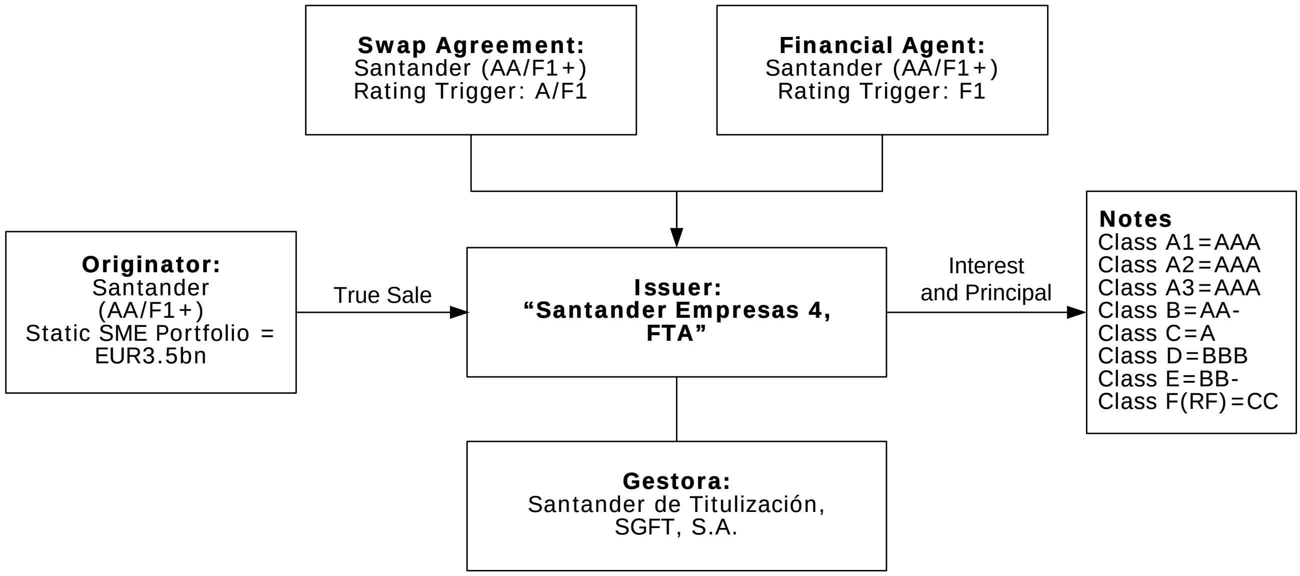
Fondo de Titulización de Activos, Santander Empresas 4 is a cash flow securitisation of a static pool of secured and unsecured loans (the collateral) to small- and medium-sized enterprises (SMEs), self-employed borrowers and larger companies in Spain for a total amount of EUR3.5bn granted by Banco Santander Central Hispano (SAN, or the originator, rated 'AA/F1+'). Fitch has assigned expected ratings to the floating-rate notes to be issued by FTA Santander Empresas 4 (the issuer or the fund) as indicated above.

SAN continues to be an active player in the Spanish securitisation arena. This is the fourth transaction under the Santander Empresas programme, which shares identical structural features and collateral characteristics to its predecessors "*Fondo de Titulizacion de Activos Santander Empresas 1*", "*Fondo de Titulizacion de Activos Santander Empresas 2*" and "*Fondo de Titulizacion de Activos Santander Empresas 3*", rated in November 2005, December 2006 and May 2007 respectively (see new issue reports under transaction's name at www.derivativefitch.com).

The issuer will be legally represented and managed by Santander de Titulización S.G.F.T., S.A. (the sociedad gestora), a limited liability company incorporated under the laws of Spain, whose activities are limited to the management of securitisation funds.

The expected ratings are based on the quality of the collateral, the available credit enhancement (CE), SAN's underwriting and servicing capabilities, the integrity of the transaction's legal and financial structure and the sociedad gestora's administrative capabilities. The expected ratings on the class A to F notes address payment of interest on the notes according to the terms and conditions of the documentation - subject to a deferral trigger on the class B, C, D and E notes - as well as the repayment of principal by legal final maturity for each note. The class F notes will be issued to finance the creation of the reserve fund (see *Reserve Fund*) at closing. Because the class F notes are ultimately likely to default, their expected rating is supported by the expected recovery rate: that is, the amounts investors are likely to receive during the life of the transaction as a proportion of their original investment (see *Class F Notes*).

Structure Diagram



Source: Transaction documents

Credit Committee Highlights

- Fitch has estimated a base case default probability on the collateral of 3.34% drawn from 180-day cumulative delinquency vintage data provided by SAN from a collateral sample similar to the one to be securitised and dating from Q1 2001. As vintage data was provided in terms of numbers of delinquent loans (as opposite to delinquent amounts), the estimated base case default probability allowed to accommodate an estimated loan-by-loan amortisation profile as input for the VECTOR SME simulation.
- The characteristics of the collateral are similar to the previous SAN transactions, as illustrated in the table below. While the collateral is geographically well distributed it does show industry concentration as the participation of the real estate and building and material sectors represent 43% of the portfolio in volume terms. The collateral is also exposed to obligor concentration since the top 1% of the obligors (top 168 out of 16863 obligors) represents around 38% of the total portfolio in volume terms. This risk has been accounted for within the VECTOR SME model by stressing upwards the base case default probability on these top obligors by 1.25x. As three of the top 11 obligors are publicly rated by Fitch, the loans concerned were assigned a Fitch rating instead of the base case default probability.
- A salient characteristic of the collateral is its low seasoning (with a weighted average (WA) of 10.6 months), as more than 80% of the portfolio was originated as from 2006. In light of this, and given that SAN was able to provide internal ratings for approximately 73% of the pool, as well as financial data for 21 of the top 100 obligors, Fitch was able to validate the results obtained from vintage analysis despite the low seasoning of the pool, after employing a specific quantitative model for Spain, which uses accounting ratios derived from financial statements in a regression framework to assign a PD to each borrower. Also, given that recent vintages tend to show deterioration in the evolution of delinquency rates, the agency has stressed upwards by 1.10x the base case default probability assumption for loans originated in or after 2006.
- Of the outstanding collateral, 1.1% refers to annual repayment frequencies, 0.3% to bullet payment loans and 20.1% to principal grace period loans. To address the additional credit risk on these loans, Fitch has stressed upwards the base case default

probability assumption for these loans within the VECTOR SME model by 1.25x, 1.5x and 1.15x, respectively.

- In connection with the unsecured loans, and taking into consideration SAN's historical recovery rate statistics on similar SME unsecured exposures, which were estimated as an average cumulated recovery rate in the range of 50.8% to 54.5%, the agency was able to assign a tiered recovery rate assumption for this specific component of the collateral ranging between 42.1% and 28.0% for the 'B' and 'AAA' stress scenarios respectively. These are higher than the senior unsecured recovery rate applied as standard assumptions to unsecured loans that range between 35% and 28%.
- Some 34% of the collateral by volume is linked to first-ranking mortgages on commercial real estate assets such as offices, industrial outlets, land and factories. Based on these types of collateral, Fitch's credit analysis for SME CDOs (when calculating loan-by-loan recoveries), combined elements of the CDO approach with elements of its CMBS framework. Around 52% of the real estate security was assumed to be linked to urban bare/undeveloped land. As no meaningful recovery data is available for this type of asset, conservative market value decline (MVD) assumptions were applied, ranging between 68.6% and 42.9% at the 'AAA' and 'BBB' rating scenarios respectively (see *Credit Analysis*).

Key Information

Provisional Collateral Portfolio Characteristics

Underlying Securities: 18,535 loans granted to SMEs, self-employed borrowers and larger companies in Spain

Total Amount: EUR3.9bn of which EUR3.5bn will be selected at closing

Structure

Issuer: Fondo de Titulización de Activos Santander Empresas 4

Total Issued Amount: EUR3,546m

Management Company: Santander de Titulización S.G.F.T., S.A.

Originator: Banco Santander Central Hispano (SAN, rated 'AA/F1+')

Paying Agent: SAN

Swap Counterparty: SAN

Treasury Account (GIC Account): SAN

Closing Date: 2 November 2007 (expected)

Scheduled Maturity Date: June 2047

Legal Maturity Date: July 2050

Santander Empresas 1, 2, 3 and 4 Deal Comparisons

(%)	SAN Empresas 4	SAN Empresas 3	SAN Empresas 2	SAN Empresas 1
No. of loans	18,535	25,882	21,198	18,313
Portfolio size (EURbn)	3.5	3.5	3.2	3.7
Largest obligor	1.1	1.3	1.1	2.7
Largest 10 obligors	8.0	9.7	9.5	13.1
Secured collateral on first-ranking real estate assets	34.7	42.2	18.8	28.3
WA seasoning (months)	11.0	22.2	18.1	21.3
WAL (0% CPR, years)	4.6	4.3	3.8	4.5
Base case default probability	3.34	2.30	2.85	2.85
Senior unsecured base case recovery rate	42.1	57.5	55.5	60.0

Source: Fitch

Structure

The issuer will be a limited-liability SPV incorporated under Spanish law, whose sole purpose will be to acquire credit rights from SAN as collateral for the issuance of fixed-income, amortising and quarterly paying securities based on three-month Euribor plus a margin. The first principal payment date on the notes will be January 2008.

The legal final maturity date for the notes will be three years after the maturity of the longest dated SME loan, this delay having been deemed adequate to ensure that collections from the loans are sufficient to redeem the obligations of the issuer in respect of any defaulted collateral.

The cash bond administration (CBA) function for this transaction will be carried out by the sociedad gestora, a company supervised by the Comisión Nacional del Mercado de Valores (CNMV) whose activities are limited to the management of securitisation funds. Santander de Titulización S.G.F.T., S.A., incorporated under the laws of Spain in 1993, has been actively involved in the pre-closing phase of the deal. After closing, the sociedad gestora will be responsible for cash reconciliation, waterfall calculations and their reporting, including the monitoring of applicable triggers. It will also be responsible for taking any action in the interest of the noteholders, such as the replacement of the servicer, account bank or swap counterparty.

SAN´s roles in the structure will be, among others, the servicer of the collateral, the account bank and the paying agent. However, for the protection of investors, if SAN is unable to continue to administer the collateral, the sociedad gestora must appoint a replacement administration company, in accordance with Spanish securitisation law.

Interest and principal collections are dealt with jointly through the combined priority of payments described below. A treasury account will be held in the name of the issuer at SAN in which all the funds received from the collateral will be deposited. The amounts credited to this account will receive a guaranteed interest rate of three-month Euribor.

With regard to this account, if SAN's Short-Term Rating is lowered below 'F1', the sociedad gestora will be required to take one of the following steps within 30 days:

1. find a third party rated at least 'F1' to guarantee SAN's obligations;
2. transfer the treasury account to another entity rated at least 'F1';
3. if unable to effect either of the above, provide a guarantee in the form of financial assets rated at least on a par with the Kingdom of Spain (rated 'AAA/F1+'); or
4. if unable to effect the above options, the sociedad gestora could also invest the balance of the treasury account temporarily until the next payment date in fixed-income assets issued by entities rated 'F1' or 'F1+', when the remaining time to maturity is 30 days or more.

Priority of Payments

On each quarterly payment date, commencing in January 2008, the combined ordinary priority of payments will be:

1. expenses, taxes and servicing fees;
2. payment under the swap agreement (if applicable);
3. class A1, A2 and A3 interest pari passu;
4. class B interest (if not deferred);
5. class C interest (if not deferred);
6. class D interest (if not deferred);
7. class E interest (if not deferred);
8. principal in order of seniority on the A to E notes (see *Amortisation of the Notes*);
9. class B interest if deferred, which will occur if the cumulative level of defaults, defined as loans in arrears over 12 months, exceeds 8.95% of the original collateral balance;
10. class C interest if deferred, when the cumulative level of defaults exceeds 6.50% of the original collateral balance;

11. class D interest if deferred, when the cumulative level of defaults exceeds 4.80% of the original collateral balance;
12. class E interest if deferred, when the cumulative level of defaults exceeds 3.90% of the original collateral balance;
13. reserve fund top-up if required (see *Reserve Fund*);
14. class F interest;
15. class F principal; and
16. subordinated amounts including reimbursement and remuneration of the subordinated loan to cover initial expenses.

The structure will meet ordinary and extraordinary expenses out of available excess spread. Initial expenses have been covered via a subordinated loan granted to the issuer by SAN at closing.

Amortisation of the Notes

Principal due on the notes on any payment date will be capped at the difference between the outstanding balance of the A to E notes and the balance of non-defaulted collateral. It will be paid, subject to the availability of funds, according to the priority of payments.

All classes of notes will amortise sequentially on a pass-through basis. The funds available for amortisation will initially be allocated to the redemption of the class A1 notes until fully amortised, and will subsequently be allocated to the class A2 notes and thereafter, to the other classes in order of seniority. Once the A1, A2 and A3 notes have been fully redeemed, all amounts available will be used to redeem the class B notes and so on. Nevertheless, when the ratio of loans that are 90 days in arrears or more divided by the outstanding balance of non-defaulted collateral is greater than 1.5%, the outstanding balances of the A1, A2 and A3 notes will amortise pro rata.

The class F notes' amortisation profile is structured to mirror the amortisation profile of the reserve fund (see *Reserve Fund*). Because the reserve fund is subject to an absolute floor of 1.0% of the original collateral balance, these funds will only be released to the class F investors at legal final maturity (or before, if the 10% clean-up call is exercised).

Call Option

All the notes are subject to a clean-up call option in favour of the sociedad gestora when the outstanding collateral balance is less than 10% of its original size. The clean-up call will only be executed if the then-outstanding balance of the class A to F notes is redeemed in full.

Reserve Fund

A reserve fund equivalent to 1.30% of the original balance of the class A to E notes will be funded at closing using the proceeds of the class F note issuance, and will be credited to the treasury account. The reserve fund will be permitted to amortise to the greater of 1.0% of the original collateral balance and 2.6% of the outstanding collateral balance, subject to the following conditions:

- the balance of loans more than 90 days in arrears is less than 1.0% of the outstanding non-defaulted collateral;
- the balance of defaulted loans is less than 1.0% of the original non-defaulted collateral;
- on the preceding payment date, the reserve fund was at its required amount;
- more than three years have lapsed since the closing date of the transaction.

Swap Agreement

The notes will benefit from a swap agreement between the issuer and SAN, under which the issuer will pay SAN an amount equivalent to the interest received on the portfolio, calculated on a notional defined as the balance of loans up to 90 days in arrears.

In return, the issuer will receive three-month Euribor plus the WA spread on the A to E notes, plus 60bp on a notional amount defined as the greater of:

- o the balance of loans up to 90 days in arrears; and
- o the lesser of:
  - – the outstanding balance of the collateral; or
  - – interest collections from the collateral during the last liquidation period divided by the WA margin on the notes plus 60bp.

(Note that under the swap agreement, SAN will also pay the fund the servicing fee for the collateral if SAN is replaced as servicer.)

This has the following main effects.

1. It hedges against an interest rate mismatch between the assets and liabilities arising from differences in the reference indices (for example, 12-month Euribor for the collateral versus three-month Euribor for the liabilities).
2. It produces a stable spread of 60bp over the life of the deal, thereby mitigating any compression in the WA margin on the loans and offsetting the increase in note funding costs over time.
3. All other things being equal, the swap is more favourable to the issuer if the credit quality of the collateral deteriorates as it reduces the possibilities under which a net payment would be payable to SAN, just as it increases those under which the net swap payment is zero.
4. It will cover the fees arising from the replacement of SAN as servicer of the collateral.

If the swap counterparty is downgraded below ‘A/F1’, it will, within 30 days, take one of the following steps:

- o find an entity rated at least ‘A/F1’ to guarantee its obligations under the swap agreement;
- o find a replacement counterparty with a Long/Short-Term Rating of at least ‘A/F1’;
- o cash- or security-collateralise its obligations in an amount sufficient to comply with existing Fitch criteria.

The collateral posted should be sufficient to ensure that the potential loss would be virtually zero if the swap counterparty defaulted. For details of the method used to calculate the collateral amount, see “*Counterparty Risk in Structured Finance Transactions: Hedge Criteria*”, dated 1 August 2007 and available at www.derivativefitch.com.

Collateral

At closing, the final portfolio will have an outstanding balance of EUR3.5bn and will consist of loans selected from a provisional portfolio of 18,535 loans. As of 25 September 2007, the provisional portfolio’s main characteristics, in volume terms, were:

1. the top obligor represented 1.1% and the top 10 obligors totalled 8.0%
2. the top 1% obligors (168 obligors) represented 38% of the loan pool, compared to 43% in “*Fondo de Titulizacion de Activos Santander Empresa*s *3*” (where number of the top 1% obligors was 246);
3. 34.7% was secured on first-ranking mortgages to commercial properties (no residential mortgages were included);
4. 74.8% was linked to SME borrowers, 13.6% to self-employed borrowers and 11.6% to larger companies;
5. 20.2% was located in the region of Madrid, 15.5% in Catalonia and 15.5% in Andalucia;
6. the WA seasoning was 10.6 months;
7. around 91% was paying a floating rate, of which most loans were linked to the three-, six- and 12-month Euribor rate;

8. the WA coupon was 4.95%; and
9. the earliest maturity was November 2007 and the latest was June 2047.

Credit Analysis

Fitch analysed this transaction in accordance its European SME criteria entitled, "*European SME CDO Rating Criteria*", published on 27 March 2007. It used its main quantitative tool, Fitch Default VECTOR SME model, and the agency's proprietary cash flow model.

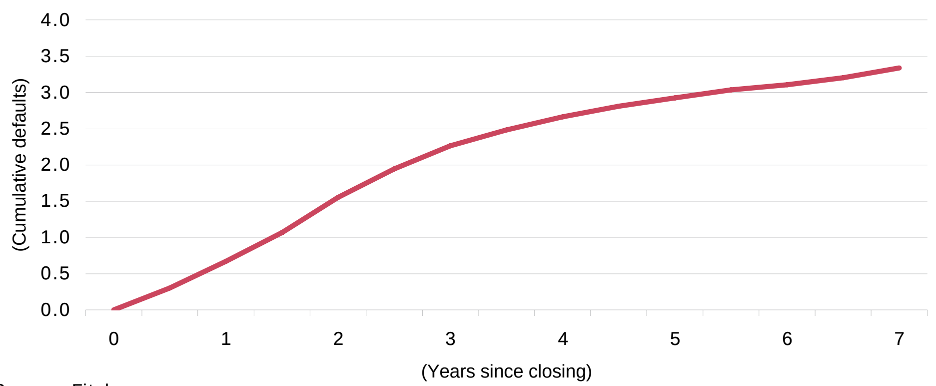
Default Probability

Using delinquency data provided by SAN that dated back to 2001, and extrapolating the series to a seven-year horizon based on the SME Tracker methodology, Fitch was able to derive a base case default probability of 3.34%. The fact that vintage data was provided in terms of number of delinquent loans (as opposite to delinquent loan balances) allowed to determine a base case default probability consistent with the use of a loan-by-loan amortisation profile within the VECTOR SME simulation.

Due to the low seasoning of the pool, a sensitivity analysis was conducted to determine whether historical trend analysis based on vintage data would be applicable in this case. As SAN was able to submit internal ratings for obligors representing 73% of the pool, as well as financial data for 21 of the top 100 obligors, the agency was able to validate the vintage data analysis as a basis for calculating the base case default probability for this portfolio, after employing a specific quantitative model for Spain, which uses accounting ratios derived from financial statements in a regression framework to assign a PD to each borrower. The PD is then used as an input into the VECTOR SME model. For a general presentation on this approach see the report entitled, "European SME CDO Rating Criteria", dated 27 March 2007, and for an illustrative description of the regression model mentioned above applicable to the Italian case see, "A Quantitative Credit Assessment of Italian SME PDs", dated 30 May 2007, both available at www.derivativefitch.com.

The collateral is exposed to obligor concentration, annual and bullet payment frequency, and principal grace period loans. To address credit risk on these loans, Fitch has stressed upwards the base case default probability assumption by 1.25x to account for annual payments, 1.5x for bullet payments, 1.15x for interest grace period loans and 1.25x for the top 1% obligors (which, as mentioned above, hold around 38% of the outstanding collateral balance). Additionally, since recent vintages show a slightly deteriorating trend, the base case default probability assumption for loans generated in or after 2006 has been stressed upwards by 1.10x to account for the risk that newly originated loans may tend to underperform with respect to recent history.

Santander Empresas 4, FTA



Source: Fitch

As three of the top 11 obligors are publicly rated by Fitch, the corresponding rating (in the range 'A/A-') was assigned to the loans concerned instead of the base case default probability as input for the VECTOR SME simulation.

Based on Fitch's Pan-European SME CDO Performance Tracker methodology (see report "*Pan-European SME CDO Performance Tracker*", dated 19 July 2007 and available at www.derivativefitch.com), the chart above illustrates the cumulative base-case defaults for this transaction.

Recovery Rate

Fitch's recovery model involves a loan-by-loan review that considers the type of security, the geographical location and the characteristics of the loan, which in turn influences recoveries. Key to the agency's analysis is the estimated stressed value of the assets under the different rating scenarios, which is determined by identifying MVD ratios for the different property types.

Mortgages on commercial property were dealt with using the analytical approach used for CMBS transactions, which uses rental value decline (RVD) ratios and income capitalisation rates for specific property types. RVDs are based on historical volatility observations for the real estate market in Europe: the greater the volatility of a particular property type, the lower the potential stressed rent achieved in the future and, therefore, the higher its RVD.

The income capitalisation rate of a property can be expressed as the yield generated in the market by properties with similar features and use (eg, hotels will normally generate a different yield from retail units). More information on Fitch's CMBS methodology can be found in the special report "*European Property Income Model – "The Logic"*", dated 9 June 2004 and available at www.fitchratings.com. The resulting MVDs were calibrated to reflect the geographical concentration of the collateral in this portfolio.

In connection with the security available on bare/undeveloped land assets, and as no historical evidence on MVD indicators is available for the analysis, Fitch adopted a conservative assumption by stressing the existing indicators normally assigned to traditional commercial real estate assets such as offices, retail outlets, hotels or warehouses. As a result, MVDs assigned to bare/undeveloped land assets ranged between 42.9% and 68.6% for 'BBB' and 'AAA' rating stresses, respectively.

For unsecured loans, Fitch calculated a base case recovery rate considering the historical recovery data presented by SAN for this particular type of exposure. This rate was tiered to the 'AAA' senior unsecured recovery assumptions defined by VECTOR 3.1 for Spanish exposures, resulting in a range between 28% and 42.1% for 'AAA' and 'B' scenarios, respectively (see "*Global Rating Criteria for Collateralised Debt Obligations*", dated 4 October 2006 and available at www.derivativefitch.com). The final WA recovery rates were calculated by blending the rates of the secured and unsecured sub-portfolios based on their respective sizes in volume terms, as detailed in the table below.

VECTOR SME

VECTOR SME was used to calculate the rating default rate (RDR), rating recovery rate (RRR) and the rating loss rate (RLR) for each rating category. Based on 150,000 scenario runs, the main outputs of the model are as follows:

VECTOR SME Results

Rating	RDR (%)	RRR (%)	RLR (%)	WA MVD (%)
AAA	9.45	31.99	6.43	59.12
AA-	7.19	37.81	4.47	52.22
A	5.78	40.49	3.44	46.69
BBB	4.07	44.62	2.26	41.17
BB-	3.22	49.27	1.63	37.03

Source: Fitch

Cash Flow Modelling

Fitch modelled the cash flow mechanics of this transaction using the default probabilities and recovery rates detailed above. The cash flow model assumed that defaults can occur in front- and back-loaded sequences. Based on the amortisation profile of the collateral, in this transaction a front-loaded sequence is more stressful, as around 66.0% of the defaults would occur in the first 24 months after closing. The analysis calculated the cost of carrying defaulted loans as the difference between the performing balance of the collateral and the notional note balance until all the recovery proceeds have been collected. Excess spread, the reserve fund and principal collections must be sufficient to cover the carrying cost until all recoveries have been received. Interest rates were stressed upwards over time as per the criteria definitions included in the report "*Interest Rate Risk in Structured Finance Transactions – Euribor*", dated 1 November 2006 and available at www.derivativefitch.com.

CE analysis also took into account the interest deferral mechanism in place for the class B, C, D and E notes, which will redirect funds away from the junior notes and towards the more senior notes if the size of the cumulative level of defaults exceeds the triggers defined for each class of notes. Should the triggers be hit, interest on the class B, C, D and E notes may not be received for a certain period, but will, in any case, be received prior to the maturity date.

In addition, the agency modelled prepayments, which can affect certain components of a transaction; primarily, they lower the absolute amount of excess spread, which is an important component of the structure's total CE. On the other hand, since the principal repayment is directed to the senior classes, those notes benefit from higher CE as a result of the increase in subordination. Fitch applied prepayment rates that range between 20% and 13% for 'AAA' and 'B' scenarios respectively. For the low prepayment stress, the agency applied an annual level of prepayments of 2.5%.

The agency's recovery calculation assumed foreclosure costs to be 10% of the outstanding loan amount; it also assumed a three-year lapse between the date of default and the recovery date.

Class F Notes

The class F notes are deeply subordinated within the priority of payments definition, and therefore are likely to default. Therefore, Fitch conducted a sensitivity analysis using its cash flow model to stress the variables that affect the cash available to pay down the class F notes and, in turn, to calculate their expected recovery rate based on the present value of interest and principal payments as a proportion of the original investment.

Because funds available for the amortisation of the class F notes will be limited to those released from the reserve fund (if any), the good performance of these notes will be highly dependent on favourable conditions for the collateral backing the class A to E notes. Fitch calculated an expected recovery rate for the class F notes after testing several cash flow scenarios commensurate with the speculative rating levels. In its sensitivity analysis, it tested several variables that affect the release of the reserve fund, and, consequently, the availability of funds for interest and principal payments on the class F notes. These are the key modelling factors:

- default and recovery rates in line with a base case scenario;
- alternative timing of default assumptions: back-loaded and front-loaded, as well as evenly spread defaults;
- alternative interest rates: increasing, low and constant interest rate scenarios;
- prepayment speeds: high, low and average historical prepayment rates;
- different WA margin compression rates on the mortgage loans: the agency modelled high- and low-margin compression rates assuming that the percentage of prepayments were allocated to the higher-margin loans in the portfolio; and
- exercise of the clean-up call by the sociedad gestora.

The ‘CC’ expected rating on the class F notes is supported by the expected recovery rates. As default on the class F notes appears probable, a distribution of possible recovery rates was obtained. The recovery rate has been calculated as the present value of the class F notes’ expected interest and principal payouts using an annual discount factor of 8.0%. Based on Fitch’s calculation, the expected recovery rate was in the range of 20% - 40% of the initial class F note balance.

Origination and Servicing

As part of the rating process, Fitch has reviewed and analysed SAN’s origination and servicing guidelines. In April 2007, it conducted several interviews with the respective originator and servicer managers responsible for the mortgage loan department.

SAN is the parent of Spain’s largest banking group (which was the fourth-largest banking group in Europe by equity and the 12th-largest by total assets at end-2006), with a strong retail banking franchises in its core markets of Spain, UK, Portugal and Latin America.

The bank uses a comprehensive proprietary ratings system, which was developed internally. This evaluates the following six main sections for every debtor: industry and marketplace, management and shareholding structure, access to credit, profitability, solvency and cash flow generation capacity. Each of these ratios is linked to a particular score within SAN’s rating scale, and each receives its own weighting factor. The final score is the WA of all the ratios. The ratings determine the default probability for each client and give an expected loss. The internal rating of an obligor is always assigned/updated when a new transaction is evaluated, with its financial history recorded for at least the previous three years.

If the loan is secured on mortgaged property, independent valuation companies approved by the Bank of Spain, together with the bank’s own valuers, will provide input to the credit analysis process. Prior to final loan approval, the bank’s systems will automatically carry out credit checks with external systems such as Central de Información de Riesgos del Banco de España (CIRBE) and Registro de Aceptaciones Impagadas (RAI), as well as the bank’s internal system.

With regard to servicing the SME loan books, delinquent borrowers are identified through a system of automatic alerts, which are delivered to branch managers and credit analysts on a regular basis and are included in a system called “FEVE”, which monitors obligors with special surveillance requirements. Each of the obligors included in this system is assigned a strategy to follow, which can be summarised as follows:

- continue as normal;
- review/reduce;
- improve the terms and conditions; or
- eliminate.

This system enables the risk department to remain a step ahead of arrears by starting the necessary procedures before a default actually occurs, and to protect its interests adequately in the event of default.

Loans in arrears are managed directly by branch personnel or relationship managers for the first days; if the position remains delinquent after 90 days, it will be transferred to the special recoveries team. Only when the bank can take no further action internally, or when the credit quality of the borrowers appears very low, will SAN initiate any legal action.

Overall, SAN’s underwriting, ongoing control and recovery procedures are well managed and have enabled the bank to enjoy low levels of default as well as fairly high recovery rates for its SME lending business.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events. Its structured finance performance analytics team ensures that the assigned ratings remain, in the agency's view, an appropriate reflection of the issued notes' credit risk. Fitch will report the performance of this transaction against the base case default curve outlined in the report "*Pan European SME CDO Performance Tracker*". Along with this tool, other details of the transaction's performance will be available to subscribers at www.derivativefitch.com.

The charts below illustrate the performance of the delinquencies for SAN SME CDOs previously issued. The delinquencies ratio represents all 90 and 180 days or more in arrears plus the outstanding default over the outstanding balance of the deals.

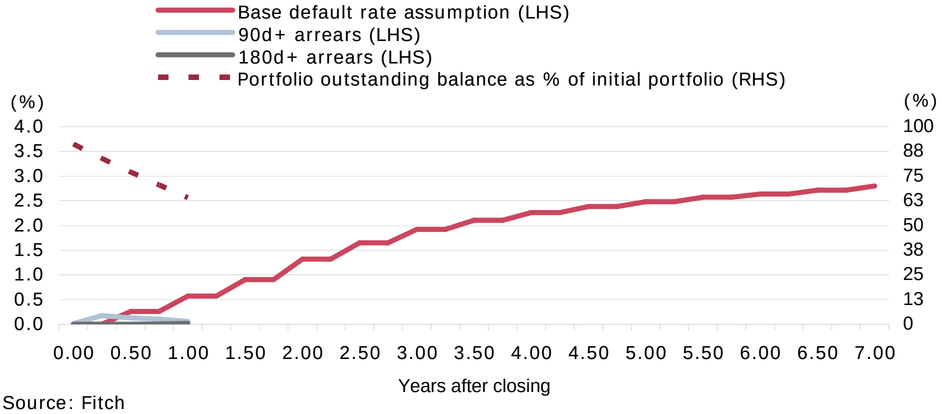
Along with this tool, other details of the transaction's performance will be available to subscribers at www.derivativefitch.com.

Please contact the Fitch analysts listed on the first page of this report with any queries regarding the initial analysis or the ongoing performance.

Issuer Report Grade

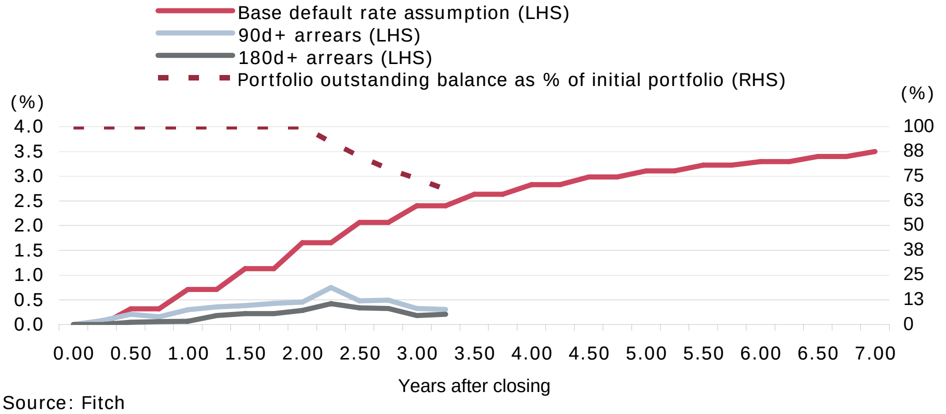
Fitch updates Issuer Report Grades as part of an ongoing effort to improve the transparency of transaction performance to investors. Transactions are scored on a system ranging from one star (meets basic requirements) to five stars (outstanding). For further information on the agency's Issuer Report Grades, please see the report "*Fitch Issuer Report Grades May 2007 Update*", dated 31May 2007, available at www.fitchratings.com.

Santander Empresas 1 – Performance Summary



Source: Fitch

FTpyme Santander 1 – Performance Summary



Source: Fitch

DerivativeFitch

FTA Santander Empresas 4 – Spain/CDO

Capital Structure

Class	Expected rating	Size (%)[a]	Size (EURm)	CE (%)	PMT freq	Expected legal maturity	Coupon
A1	AAA	23.45	830.2	10.30	Quarterly	July 2050	3M Euribor + spread
A2	AAA	49.82	1,763.6	10.30	Quarterly	July 2050	3M Euribor + spread
A3	AAA	17.58	622.3	10.30	Quarterly	July 2050	3M Euribor + spread
B	AA-	2.40	90.2	7.90	Quarterly	July 2050	3M Euribor + spread
C	A	2.75	97.4	5.15	Quarterly	July 2050	3M Euribor + spread
D	BBB	2.35	79.7	2.80	Quarterly	July 2050	3M Euribor + spread
E	BB-	1.50	56.6	1.30	Quarterly	July 2050	3M Euribor + spread
F[b]: Reserve fund	CC	1.30	46.0	n.a.	Quarterly	July 2050	3M Euribor + spread

[a] These percentages are expressed as a proportion of the original collateral balance
[b] Notes uncollateralised by SME loans will be issued to finance the creation of the reserve fund at closing
Source: Transaction documents, the seller and Fitch

Key Information

		Role	Party (trigger)
Closing date	2 November 2007 (expected)	**Originator**	Santander de Titulización S.G.F.T., S.A.
Country of assets	Spain	**Structurer**	SAN
Structure	Pass-through, sequential, pro rata under certain conditions	**Issuer**	F.T.A. Santander Empresas 4
Type of assets	SME, self-employed borrowers and larger companies loans	**Trustee**	Santander de Titulización S.G.F.T., S.A.
Currency of assets	EUR	**Originator/ servicer of the collateral**	SAN (‘F1’)
Currency of notes	EUR	**Financial agent**	SAN (‘F1’)
Primary analyst	gaston.wieder@derivativefitch.com	**Swap counterparty**	SAN (‘A/F1’)
Secondary analyst	carlos.terre@derivativefitch.com		
Performance analyst	christiane.kuti@derivativefitch.com		

Source: Transaction documents, the seller and Fitch

Collateral: Pool Characteristics as of 25 September 2007[a]

Current principal balance (EURm)	3,854.0	Largest region – Madrid (%)	20.2
Loans (No.)	18,535	Top five regions (%)	69.1
Current WAL (zero prepayments, years)	4.6	Linked to obligors in real estate and construction activities (%)	43.3
WA coupon (%)	5.0	Top four industry sectors (%)	61.4
WA spread (%)	0.68	Backed by first-ranking mortgages (%)	34.7
Fixed interest rate (%)	8.8	WA original LTV (for mortgages) (%)	84.8
Floating rate (%)	91.2	WA current LTV (for mortgages) (%)	82.0
Top one obligor (%)	1.1	Bullet payment loans (%)	0.3
Top 10 obligors (%)	8.0	Annual payment loans (%)	1.1
Obligors (No.)	16,863	Principal grace period loans (%)	20.1
WA seasoning (months)	10.6	Longest maturity	Jun 2047
WA remaining term (months)	97	Shortest maturity	Nov 2007

[a] All percentages as a proportion of the provisional collateral outstanding balance
Source: Transaction documents, the seller and Fitch