

NEW ISSUE REPORT

Santander Hipotecario 7

Fondo de Titulización de Activos

RMBS/Prime/ Spain

Closing Date

26 July 2011

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Analyst Contacts

Olimpia da Silva
49.69.70730.787
Olimpia.daSilva@moodys.com

Antonio Tena
34.91.702.6681
Antonio.Tena@moodys.com

» contacts continued on the last page

ADDITIONAL CONTACTS:

Client Services Desks:
London: 44.20.7772.5454
clientservices.emea@moodys.com
Monitoring: Monitor.rmbs@moodys.com
Website: www.moodys.com

Definitive Ratings

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon	Subordination*	Reserve fund	Total Credit Enhancement**
A	Aaa (sf)	€ 1,440.0	80.0	Feb 2053	3mE+0.65%	20.0%	20.0%	40.0%
B	A3 (sf)	€ 360.0	20.0	Feb 2053	3mE+1.30%	00.0%	20.0%	20.0%
Total		€ 1,800.0	100.00					
C	C (sf)	€ 359.7	20.0	Feb 2053	3mE+0.65%			

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.

* At close.

** No benefit attributed to excess spread.

V Score for the sector: Medium

V Score for the subject transaction: Medium

The subject transaction is a static cash securitization of mortgages extended to obligors in Spain. The portfolio consists of high LTV mortgage loans secured by residential properties.

Asset Summary (Pool as of 15 June 2011)

Seller/Originator:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Servicer:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Receivables:	First lien prime mortgage loans to individuals secured by property located in Spain.
Methodology Used:	<p>Principal methodology used:</p> <ul style="list-style-type: none"> » Moody's Approach to Rating RMBS in Europe, Middle East and Africa, October 2009 (SF141262) <p>Secondary methodologies used:</p> <ul style="list-style-type: none"> » Cash Flow Analysis in EMEA RMBS: Testing Features with the MARCO Model (Moody's Analyser of Residential Cash Flows), January 2006 (SF58290) » Moody's Updated Methodology for Rating Spanish RMBS, October 2009 (SF133138) » V Scores and Parameter Sensitivities in the Major EMEA RMBS sectors (SF158654)
Model Used:	Milan (Spain settings) MARCO & ABSROM
Total Amount:	€ 1,894,138,438

Asset Summary (Continued)

Length of Revolving Period:	Static
Number of Borrowers:	9,793
Borrower concentration:	Top 20 borrowers make up 1.4% of the pool
WA Remaining Term:	30.6 years
WA Seasoning:	2.7 years
Interest Basis:	99.7% floating rate loans
WA Current LTV:	88.4%
WA Original LTV:	92.1%
Moody's calculated WA indexed LTV:	93.1%
Borrower credit profile:	Prime borrowers
Delinquency Status:	As of 15 June 2011, 4.2%
Geographical Concentration:	Andalusia (21.2%), Madrid (15.2%) and Castilla Leon (14.5%)

Liabilities, Credit Enhancement and Liquidity

Excess Spread At Closing:	80 bps per annum guaranteed via swap
Credit Enhancement/Reserves:	Excess Spread 20.0% amortising reserve fund Subordination of the notes
Form of Liquidity:	Excess spread guaranteed via swap, reserve fund, principal to pay interest mechanism
Number of Interest Payments Covered by Liquidity:	N/A
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	16 March, 16 June, 16 September, 16 December
Hedging Arrangements:	Interest rate swap to cover interest rate risk

Counterparties

Issuer:	Santander Hipotecario 7, FTA
Sellers/Originators:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Contractual Primary Servicer(s):	Banco Santander (Aa2, under review for possible downgrade /P-1)
Contractual Special Servicer(s):	N/A
Sub-Servicer(s):	N/A
Back-up Primary Servicer(s):	N/A
Back-up Special Servicer(s):	N/A
Back-up Servicer Facilitator:	N/A
Cash Manager:	Santander de Titulización S.G.F.T.; S.A ("SdT") (Not Rated)
Back-up Cash Manager:	N/A
Swap Counterparty:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Treasury Account Bank:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Principal Account Bank:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Paying Agent:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Note Trustee (Management Company):	Santander de Titulización S.G.F.T.; S.A ("SdT") (Not Rated)
Issuer Administrator/Corporate Service Provider:	N/A
Arranger:	Santander de Titulización S.G.F.T.; S.A ("SdT") (Not Rated)
Lead Managers:	Banco Santander (Aa2, under review for possible downgrade /P-1)
Issuer:	FTA Santander Hipotecario 7

Moody's View

Outlook for the Sector:	Negative
Unique Feature:	Asset type and structure previously seen in market
Degree of Linkage to Originator:	Banco Santander acts as servicer for its own portfolio. There is no back-up servicing agreement in place but at Banco Santander's loss of Baa3, a back-up servicer will be appointed. Banco Santander also acts as swap counterparty, issuer account holder and paying agent.
Originator's Securitisation History:	
# of Precedent Transactions in Sector:	6
% of Book Securitised:	N/A
Behaviour of Precedent Transactions:	Delinquencies reported on prior transactions of this issuer are worse than the average delinquency reported in the Spain index.
Key Differences between Subject and Precedent Transactions:	None. Precedent transactions were already focused on high LTVs.
Portfolio Relative Performance:	
Expected Loss/Ranking:	10% Higher than peer group due to weak performance of previous transactions.
Milan Aaa CE/Ranking:	30.0% Higher than peer group due to weak performance of previous transactions.
Weighted-Average Aaa Stress Rate For House Prices:	44.1%
Potential Rating Sensitivity:	
Chart Interpretation:	The model output indicated that class A would have achieved Aaa even if the expected loss was as high as 19.0% assuming MILAN Aaa CE at 33.0% and all other factors remained the same. The model output further indicated that class A would have achieved Aa3 with MILAN Aaa CE of 39.0% and an expected loss of 19.0%.
Factors Which Could Lead to a Downgrade:	<ul style="list-style-type: none"> » Worse than expected collateral performance in terms of delinquency and loss rates. » Further deterioration in the real estate market. » Severe deterioration of Banco Santander's credit quality.

TABLE 1*

Tranche A

		MILAN Aaa CE Output			
		30.0%	33.0%	36.0%	39.0%
Median Expected Loss	10.0%	Aaa*	Aaa (0)	Aa1 (1)	Aa1 (1)
	13.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa1 (1)
	16.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa2 (2)
	19.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa3 (3)

* Results under base case assumptions indicated by asterisk ' * '. Change in model-indicated rating (# of notches) is noted in parentheses.

Composite V Score

Breakdown of the V Scores Assigned to		Sector	Transaction	Remarks
Composite Score: Low (L), Low/Medium (L/M), Medium (M), Medium/High (M/H), or High (H). "Low" reflects lowest level of uncertainty in estimating credit risk relative to other Structured Finance instruments.		M	M	
1	Sector Historical Data Adequacy and Performance Variability	M	M	
1.1	Quality of Historical Data for the Sector	M	M	» Same as sector score
1.2	Sector's Historical Performance Variability	M	M	» Same as sector score
1.3	Sector's Historical Downgrade Rate	L/M	M	» HLTV pools have been severely downgraded following the economic downturn in Spain
2	Issuer/Sponsor/Originator Historical Data Adequacy, Performance Variability and Quality of Disclosure	M	M/H	
2.1	Quality of Historical Data for the Issuer/Sponsor/Originator	M	M	» Moody's received static historical information from 2001 to 2010 on 90+ and on 180+ delinquencies and recoveries for Banco Santander's total residential mortgage book » Performance data is available from outstanding transactions
2.2	Issuer/Sponsor/Originator's Historical Performance Variability	M	M/H	» High LTV (HLTV) pools have historically higher defaults and arrears than traditional mortgages pools » Delinquencies reported on prior transactions of this issuer are worse than the average delinquency reported in the Spain index
2.3	Disclosure of Securitisation Collateral Pool Characteristics	L/M	M	» Moody's has received information on all the key fields required in Moody's methodology » Unemployment information that was provided was as of origination and has not been updated » Debt-to-income and months current data was not provided on a loan by loan basis
2.4	Disclosure of Securitisation Performance	L/M	M	» No detailed information on recoveries has been provided to monitoring for previous Santander Hipotecario transactions. However, information on recoveries will be provided for this transaction » » Similarly to other lenders, no periodic loan level data is received for this transaction
3	Complexity and Market Value Sensitivity	L/M	M	
3.1	Transaction Complexity	L/M	M	» HLTV pools are more exposed to house price declines
3.2	Analytic Complexity	L/M	L/M	» Used standard MILAN and cash flow models
3.3	Market Value Sensitivity	L/M	L/M	» 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	» Originator and servicer has extensive securitisation experience
4.2	Back-up Servicer Arrangement	L	L	» Servicer is rated (Aa2, under review for possible downgrade /P-1) » At Banco Santander's loss of Baa3, a back-up servicer will be appointed
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 and Concerns

Strengths:

- » **Credit support:** Reserve fund fully funded upfront equal to 20.0% of the notes to cover potential shortfall in interest and principal.
- » **Hedging arrangements/excess margin:** An interest rate swap provided by Banco Santander is in place, swapping the interest on the assets to the interest on the notes. An excess spread margin of 0.80% is also provided by the swap.

Concerns and Mitigants:

Moody's committees particularly focused on the following factors, listed in order of those most likely to affect the ratings:

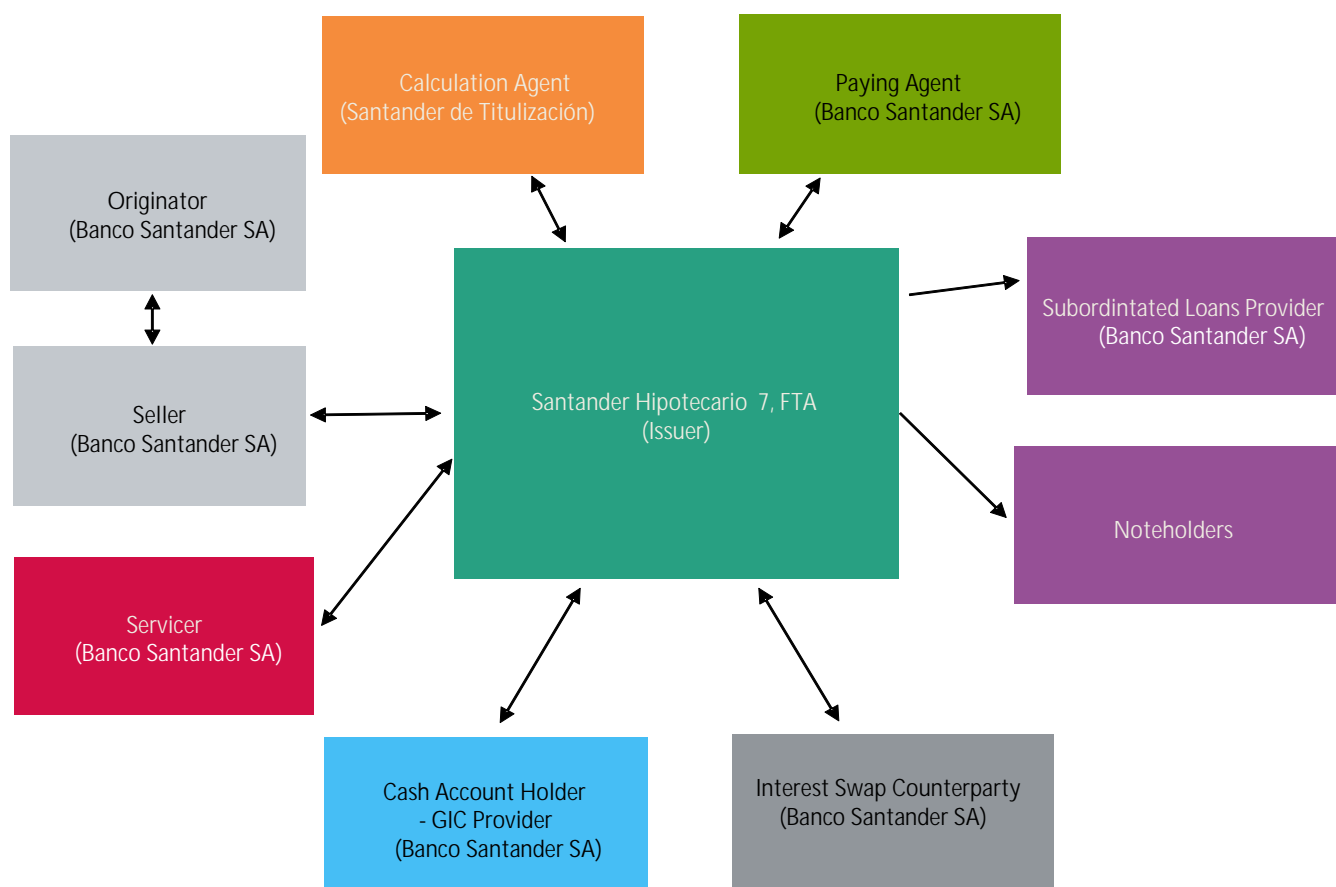
- » **Loan characteristics:**
 - **High LTV pool:** 95.3% of loans are above 80% LTV, 41.1% of loans above 90% LTV. However, no loans in the pool are from refinancing, renegotiation or debt consolidation.
 - **Historical information:** Previous transactions display a weak performance compared to the market.
 - **Borrower Residency:** 6.9% of the portfolio corresponds to non Spanish nationals.
 - **Origination channel:** 6.3% of the portfolio corresponds to broker originated loans.
 - **Grace periods:** 6.2% of the loans have an initial interest only period that exceeds 6 months which poses a potential risk of a payment shock.
 - **Occupancy Type:** 1.3% of the loans are backed by second homes.
- » **Liquidity of the swap:** In the event the counterparty is downgraded or defaults, the liquidity of the swap might be negatively impacted due to the requirement for an external verification of the adequate posting of collateral on a weekly basis, or more often.

These risks have been treated by Moody's in its analysis as further explained in the "Treatment of Concerns" section below.

Structure, Legal Aspects and Associated Risks

CHART 1

Structure Chart



Allocation of Payments/Pre accelerated revenue waterfall:

On each quarterly payment date, the issuer's available funds (i.e. amounts received from the portfolio, the reserve fund, interest earned on the issuer account and amounts received from the swap counterparty) will be applied in the following simplified order of priority:

- » Cost and fees, including servicing fee
- » Any amount due under the swap agreement (other than swap termination payments due to a default or breach of contract by the swap counterparty)
- » Interest payment to Class A
- » Interest payment to Class B (if not deferred)
- » Retention of an amount equal to the principal due under the notes to amortise Classes A and B
- » Interest payment to Class B notes (if deferred)

- » Replenishment of the reserve fund
- » Termination payment under the swap agreement (if the counterparty is the defaulting party)
- » Repayment of subordinated loans
- » Originator consideration

The amortisation is sequential.

Allocation of Payments/PDL like mechanism:

A principal deficiency ledger (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 18 months or one written off according to the management company's discretion.

Performance Triggers:

Trigger	Conditions	Remedies/Cure
Reserve Fund Amortisation	<ul style="list-style-type: none"> » 90+ days in arrears exceeds 1.00%; or » The reserve fund is not funded at its required level on the current payment date; or 	The target amount of the reserve fund will not be reduced on any payment date on which these occur. Curable.
Interest Deferral	<ul style="list-style-type: none"> » The cumulative level of loans in arrears for more than 18 months exceeds 38.4% for class B. 	Interest payment on class B will be postponed after principal payment of class A.

Reserve Fund:

At closing, the reserve fund will be 20.0% of the initial note balance. Three years from closing, subject to the amortisation trigger described in the table above, the reserve fund will amortise to the lower of the following amounts:

- » 20.0% of the initial balance of the notes
- » The higher of the following amounts:
 - 40.0 % of the outstanding balance of notes
 - 10.0% of the initial balance of notes

The reserve fund will be replenished after the principal payment of the subordinated notes. Through these mechanisms, Moody's considers that the reserve fund in this transaction is in line with other comparable Spanish RMBS transactions.

Liquidity:

- » Excess margin of 0.80% of the outstanding balance of the notes paid by the swap counterparty.
- » Principal to pay interest mechanism.
- » The reserve fund is a further source of liquidity.

Subordination of interest:

The payment of interest on Series B will be brought to a more junior position if, on any payment date, the conditions described under the interest deferral triggers are met.

In this transaction the interest deferral triggers are based on the cumulative level of loans in arrears for more than 18 months while for most transactions that have this trigger in the Spanish market, it is based on the cumulative level of written off loans. In practice, this would mean that loans written off before the 18 months threshold (i.e. early payments in kind) would not be accounted for in the interest deferral definition.

Assets:**Asset transfer:**

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

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, which can decide to liquidate the Fondo.

Interest rate mismatch:

Almost 100% of the portfolio corresponds to floating-rate loans linked to 12-month Euribor which reset annually; whereas the notes are linked to 3-month Euribor and reset every quarter on the determination dates. As a result the Fondo is subject to base rate mismatch risk.

Mitigant: The Fondo will enter into a swap agreement provided by Banco Santander to cover the interest risk and provide excess spread.

According to the swap agreement entered into between the Fondo and the swap counterparty, on each payment date:

- » The Fondo will pay an amount calculated by applying a rate equal to dividing (i) the sum of interest received on the loans, by (ii) the notional as defined below and multiplied by the result of dividing 360 by the number of days of the settlement period.
- » The swap counterparty will pay the index reference rate of the notes plus the weighted margin of the notes and a guaranteed margin of 80 bps over a notional defined as the daily average outstanding balance of the loans not in arrears for more than 90 days.

The swap documentation complies with Moody's swap criteria and has been articulated under ISDA.

Cash Commingling:

All of the payments under the loans are collected by the servicer under a direct debit scheme into the Issuer Account held at Banco Santander in the name of the issuer. In the event of insolvency of the originator and until notification is delivered to the relevant debtors to redirect payments, payments by the underlying debtors will continue to be collected by the servicer and may be commingled with other funds belonging to the originator.

Mitigants:

- » Collections will be transferred up to a maximum of 48 hours from reception to the Treasury Account which is held with Banco Santander.

- » If Banco Santander is downgraded below P-1, it needs within 30 days to i) find a P-1 rated guarantor or ii) find a replacement.

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

Mitigant: Set off is very limited since only unpaid installments that are considered as fully due and payable prior to the declaration of insolvency might be offset against deposits held by the originator.

Permitted variations: Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. The management company may authorize the originator to renegotiate the interest rate or maturity of the loans without requiring its approval.

Mitigant: Interests are exchanged under the swap agreement against the coupons due under the notes (retaining 0.80% of excess spread). Moreover, the renegotiation of the maturity of the loans is subject to various conditions which the following are the most significant:

- » The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
- » The frequency of payments cannot be decreased.
- » The amortisation profile cannot be modified.

Originator Profile, Servicer Profile and Operating Risks

Originator Background: Banco Santander

Originator Assessment	Main Strengths (+) and Challenges(-)
Overall Assessment:	Average
Originator Ability	
Sales & Marketing Practices	<ul style="list-style-type: none"> » Banco Santander's market share in Spain is around 6% of the total market, and around 18% among banks only. » The originated volumes remained stable over the recent past. » Santander operates with 3 origination channels: <ul style="list-style-type: none"> » Branches: 84% of the origination as of 2005, and accounting currently for around 90%. » Subrogations from real estate developer loans: Stable between 9% and 10%. » Brokers: Around 6% in 2005, and less than 1% at the moment.
Underwriting Policies & Procedures	<ul style="list-style-type: none"> » Banco Santander has established two different approaches when underwriting a new loan which can be summarized as following: <ul style="list-style-type: none"> » "Standardized": For loans below €500,000 a more automated process is established mainly based on the scoring system. » "Individualized": For loans above €500,000 a risk analyst is assigned to the transaction since the first moment and will follow up until the end. » The "standardized" approach covers around half of the total volume, but around 90% by number of transactions, which proves the efficiency of having automated centralized processes in place when underwriting high volumes. This is of course the system used for most of the residential mortgage book. » The branch is responsible for collecting all the information related to credit quality of the final debtors. Required documentation includes identity card, three most recent payslips, the most recent tax return and recent loan statement (if borrower has additional debt), among others. Banco Santander also checks credit bureaus such as RAI, Experian and CIRBE for adverse credit. » The branch is then also responsible for creating an electronic file by feeding all the information gathered into the platform "Strategy Web". Once this is done the transaction will be pre-classified and an automatic scoring will be assigned. » There is a specific team ("Santander Analytics") that is in charge of the periodical reviews and recalibrations of the models. » The credit-scoring model is approved by the Bank of Spain and provides various results: Approved, Doubtful and Denied. Doubtful transactions will be escalated to the risk analysts in the central services, and then approved or denied after further and more detailed evaluation. » The debt-to-income (DTI) is another input into the scoring system. DTI calculation uses net income, against financial debts as per the system. <ul style="list-style-type: none"> » Interest rates are not stressed for the DTI calculation used into the scoring system, but they might be when the transaction is manually analyzed. There is work in progress to unify the criteria and include stresses in the scoring system as well. » Loans granted to Santander employees do not follow the usual scoring system and are analyzed individually. They are subject to human resources internal rules and the input to establish the price is mainly determined by the loan to income. » Changes and new policies recently implemented are: <ul style="list-style-type: none"> » New specific models have been created for new residents and brokers » Renegotiation and refinancing have been segregated from the established/automated underwriting processes and there is a specific team to sanction and monitor these transactions.

Originator Assessment	Main Strengths (+) and Challenges(-)
Property Valuation Policies & Procedures	<ul style="list-style-type: none"> » Banco Santander uses 17 approved independent valuation companies. » The valuator for each transaction is selected in a centralised manner by SIBASA (part of the group), which is in charge of supervising the whole valuation process (also for broker originated loans), including the quality control of the valutors. » It is worth mentioning that if the purchase price of the property is lower than the valuation, Banco Santander will take the lowest of the two. » Quality of valuations in Spain is standardised by the Bank of Spain, who certifies valutors or Sociedades de Tasacion.
Closing Policies & Procedures	<ul style="list-style-type: none"> » Random internal audits are carried out to double check the inputs fed into the system. » At closing all the documentation is scanned and a digital file is created. » Banco Santander is in line with the Spanish standards.
Credit Risk Management	<ul style="list-style-type: none"> » Banco Santander presents 17 regional units (one per region in Spain) with an average of 43 people on each one.
Originator Stability	
Quality Control & Audit	<ul style="list-style-type: none"> » Banco Santander is regulated by the Bank of Spain and carries out annual external audits. » The pool to be securitised has been audited.
Management Strength & Staff Quality	<ul style="list-style-type: none"> » Banco Santander is a well established originator with a high level of sophistication.
Technology	<ul style="list-style-type: none"> » Banco Santander is also a leading entity in terms of IT resources. » Back-up copies are made periodically and kept for a term according to its importance.

Servicer Background: Banco Santander

Servicer and Its Rating:	» Banco Santander (Aa2, under review for possible downgrade /P-1)
Total Number of Mortgages Serviced:	» As of 31 December 2010, the residential mortgage book balance is €58 million.
Number of Staff:	» Not available

Servicer Assessment:	Main Strengths and Challenges
Overall Assessment:	Average
Servicer Ability	
Loan Administration	» Banco Santander branches are divided in three different categories depending on their arrears levels.
Early Arrears Management	<ul style="list-style-type: none"> » Up to 30 days in arrears the transaction is under the surveillance of the branch, although from day 10 external contact centres might also be taken on board. » From day 30 onwards, it is not only the branch but also the experts from the correspondent regional unit looking at the transaction. » Every 30 days a new course of action is established depending on the risk profile, and a new cycle begins combining calls, sms, letters, etc, but always using a call blending system in order to obtain a more efficient management of the progress. » From day 91 to day 150, transactions below €30,000 are externalized and transactions above €30,000 are kept in house.
Loss Mitigation and Asset Management	<ul style="list-style-type: none"> » If after 151 days the incident has not been solved (either repayment or renegotiation), they start to prepare the judicial procedure. » At this stage the €30,000 rule still applies, which leads to external lawyers as well (156 different law firms trough Spain). » No less than 18 months elapsed from the moment the claim is submitted to the moment the auction takes place.
Servicer Stability	
Management Strength & Staff Quality	<ul style="list-style-type: none"> » Banco Santander combines the strength of its internal resources with the support of some external entities. » Besides the branch and these external companies, Banco Santander internally counts with 84 people for transactions less than 90 days in arrears, 26 people for transactions between 91 and 150 days in arrears, and 79 people for transactions above 151 days in arrears.
IT, Reporting & Quality control, Audit	» Regular testing, back-up and upgrade of the IT system
Strength of Back-up Servicer Arrangement:	N/A

Back-up Servicer Background: N/A

Back-up Servicer and Its Rating:	There is no back-up servicing agreement in place.
Ownership Structure:	N/A
Regulated by:	N/A
Total Number of Receivables Serviced:	N/A
Number of Staff:	N/A

Originator/Servicer/Cash Manager Related Triggers

Key Servicer Termination Events:	Insolvency, administration by the Bank of Spain, breach of servicer's obligations, or servicer's financial condition being detrimental to the fund or noteholders' interests (always at discretion of the management company).
Downgrade of Original Servicer's Rating to Certain Level	
Appointment of Back-up Servicer Upon:	Insolvency, administration by the Bank of Spain, breach of servicer's obligations, or servicer's financial condition being detrimental to the Fund or noteholders' interests (always at discretion of the management company).
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 (if original sweep is not daily)	Original sweep is immediate upon reception and up to a maximum of 48 hours
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
Accumulation of Liquidity Reserve	N/A
Set up Liquidity Facility	N/A

Receivable Administration:

Method of Payment:	100% by direct debit
% of Obligors with Account at Originator:	100%
Distribution of Payment Dates:	Spread over the month

Cash Manager Background: Santander de Titulizacion

Rating:	Santander de Titulizacion S.G .F.T.; S.A ("SdT") (Not Rated.)
Main Responsibilities:	<ul style="list-style-type: none"> » Complying with its formal, documentary and reporting duties to the Spanish stock market regulator (Comisión Nacional del Mercado de Valores or CNMV), the rating agencies and any other supervisory body. » Complying with the calculation duties (including calculation of available funds, withholding obligations) provided for, and taking the actions laid down in the Deed of Constitution and the Prospectus. » Calculating and determining on each determination date the principal to be amortised and repaid on each bond series on the relevant payment date. » Instructing transfers of funds between the various borrowing and lending accounts, and issuing all relevant payment instructions. » The management company may extend or amend the agreements entered into on behalf of the Fund, and substitute, as the case may be, each of the Fund service providers on the terms provided for in each agreement.
Calculation Timeline:	Determination date (5 business days before the Payment Date)
Back-up Cash Manager and Its Rating:	None
Main Responsibilities of Back-up Cash Manager:	N/A

Collateral Description (Pool as of 15 June 2011)

CHART 2

Portfolio Breakdown by Year of Origination

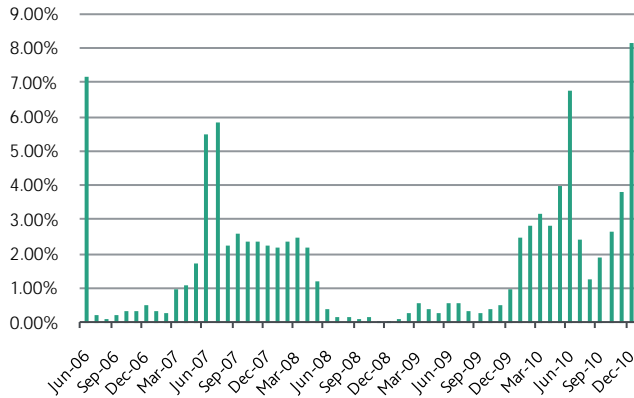


CHART 3

Portfolio Breakdown by Origination

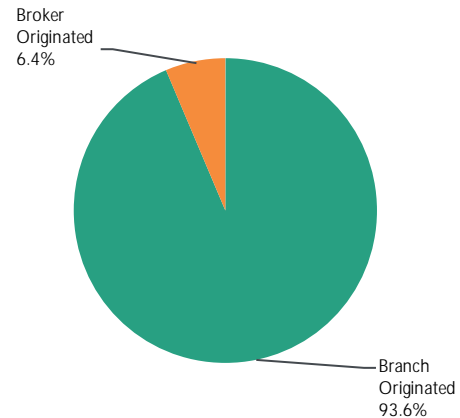


CHART 4

Portfolio Breakdown by LTV

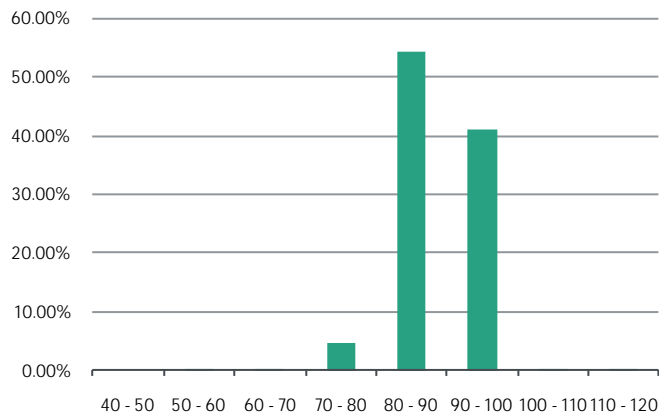
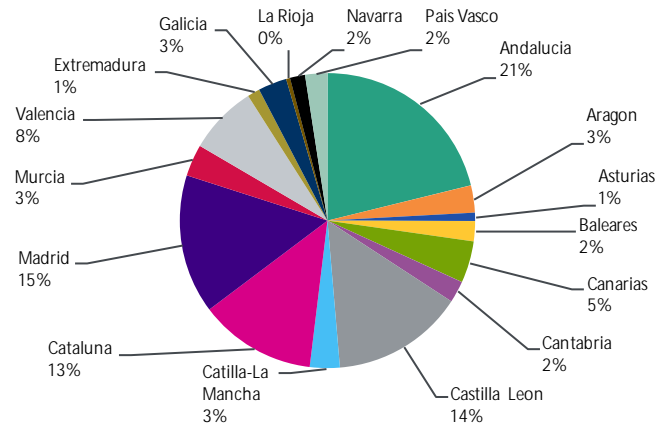


CHART 5

Portfolio Breakdown by Geography



Product Description: The assets backing the notes are first-ranking prime mortgage loans originated by Banco Santander. All the loans in the pool are secured on residential properties located in Spain.

Eligibility Criteria:

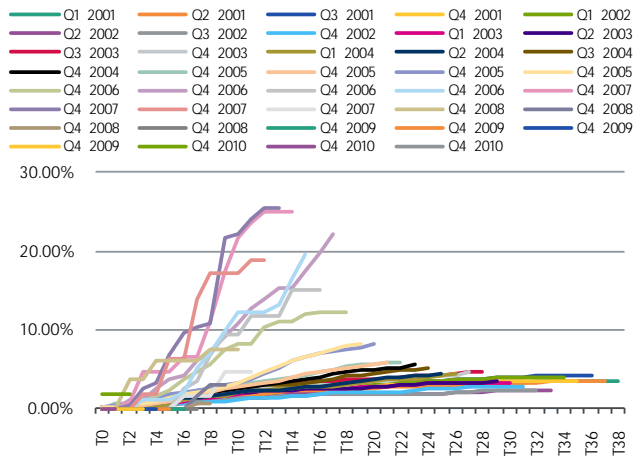
- » The key eligibility criteria are:
 - » The mortgage certificates exist and are valid and enforceable.
 - » The mortgage certificates are secured with a first-ranked real estate mortgage.
 - » The mortgage certificates are all denominated and payable exclusively in euros.
 - » The mortgaged properties are all completed and located in Spain and have been appraised by duly qualified institutions approved by the Bank of Spain.
- » None of the mortgage certificates have any payments more than one month overdue at the date the mortgage certificate was issued.
- » Each mortgage is originated according to the policies in force for granting credit at the time of each mortgage certificate was granted.
- » Each mortgage certificate must be registered in the relevant property registry and represent an economic or legal first-ranking claim on the corresponding property. No pending charges or prior ranks.
- » All mortgages are granted to Spanish persons or residents.
- » At least one instalment received.

Credit Analysis

Precedent Transactions' Performance

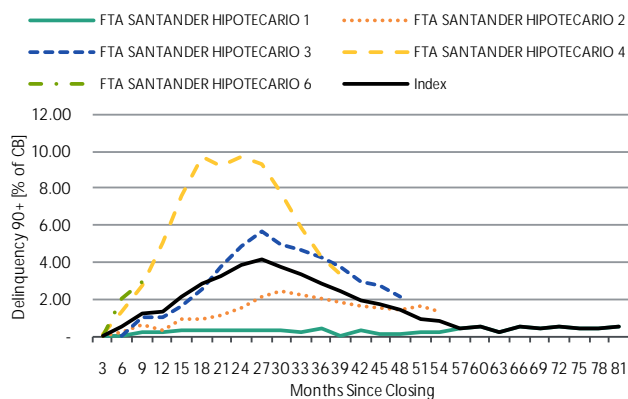
» The performance of Santander Hipotecario's precedent transactions is worse than the Spanish market index (See section Benchmark Analysis).

CHART 6
90+ Days - Banco Santander's mortgage book



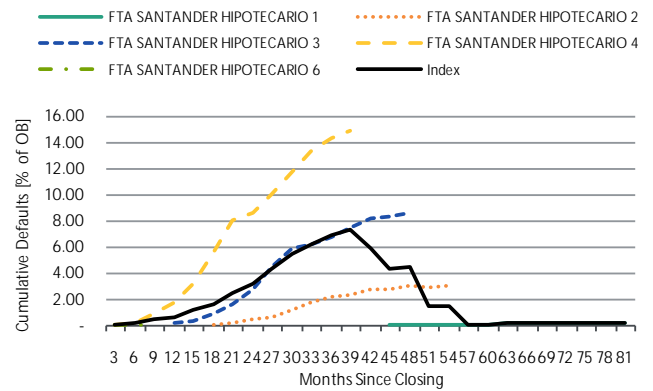
Source: Santander de Titulización

CHART 7
90+ Days - Santander Hipotecario transactions



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

CHART 8
Defaults - Santander Hipotecario transactions



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

Data Quantity and Content

- » The originator provided static vintage data on the performance of its book of mortgage loans. Precisely, Moody's has received data from 2001 to 2010 on cumulative delinquencies over 90 days and 180 days for Banco Santander's mortgage book. In addition Moody's has received dynamic arrears information and partial information on recoveries.
- » In Moody's view, the quantity and quality of data received is average compared to transactions which have achieved high investment grade ratings in this sector.
- » Chart 6 show 90+ days delinquencies by origination vintage for mortgage loans in the originator's portfolio while Chart 7 and Chart 8 illustrates the performance of the outstanding Santander Hipotecario transactions.

Assumptions and definitions:

- » Other values within a range of the values listed below may result in achieving the same ratings.

Spread compression / margin analysis	WA coupon on the notes plus 80 bps guaranteed by the swap
WA asset margin after reset	Not Applicable
Asset reset date	Annually spread over the year
Liabilities reset date	Quarterly on the Determination date
Expected Median Loss	10.0%
Milan Aaa CE	30.0%
Interest on Cash	Euribor
Actual Fees	2 bp (servicing)
Stressed Fees	30 bp
Actual fixed fees	N/A
Default Definition	18 months

Expected Loss:

- » Moody's expected loss assumption is based on:
 - Performance of the originators' precedent transactions;
 - The static historical information on delinquencies received from the originator;
 - Benchmarking with comparable transactions in the Spanish market;
 - The current weak economic environment in Spain.

Modelling Approach:

Loss Distribution: The first step in the analysis is to determine a loss distribution of the pool of mortgages to be securitised. Due to the large number of loans and supporting historical data, Moody's uses a continuous distribution to approximate the loss distribution: the lognormal distribution.

In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources: Historical loss data and the loan-by-loan model.

Moody's uses performance data provided by the originator in addition to other relevant data in order to extrapolate expected losses for the loan pool. Examples of data include market and sector wide performance data, the performance of other securitisations, and other originators' data.

To obtain the volatility under "stressed" scenarios, Moody's takes into account historical data. However observed historical volatility may not be significant (given insufficient datapoints, or incomplete data), and in addition may not be representative for the future as it is based on the previous economic environments experienced.

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

each loan or of the pool as a whole to produce the MILAN Aaa CE number.

Modelling assumption: The Milan Aaa CE number and the expected loss number form the basis of Rating Committee discussions and are used to derive the lognormal distribution of the pool losses

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

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

The rating of the notes is therefore based on an analysis of:

- » The characteristics of the mortgage pool backing the notes;
- » The relative roll-rate levels and arrears in this type of lending compared to conventional lending;
- » Sector-wide and originator specific performance data;
- » Protection provided by credit enhancement and liquidity support against defaults and arrears in the mortgage pool;
- » The roles of the swap and hedging providers; and
- » The legal and structural integrity of the issue.

Treatment of Concerns:

- » **New Residents:** 6.9% of the pool comprises loans granted to new residents which in Moody's view are more riskier borrowers than Spanish nationals. Moody's has introduced an adjustment of 200% to its MILAN credit enhancement to account for the greater risk profile of these borrowers. The adjustment for this characteristic in MILAN leads to an increase in the MILAN Aaa CE number of approximately 140 basis points.
- » **Origination channel:** 6.3% of the portfolio corresponds to broker originated loans. Moody's has

introduced an adjustment of 50% to its MILAN credit enhancement to account for the greater risk profile of these borrowers. The adjustment for this characteristic in MILAN leads to an increase in the MILAN Aaa CE number of approximately 40 basis points.

- » **Occupancy Type:** Approximately 1.3% of the loans are backed by properties used as second homes and no data is available for approximately 4.0% of the pool on occupancy type. Moody's believes that loans backed by vacation homes or not owner occupied are riskier than loans taken for the acquisition of primary residence and applies an adjustment of 50% to its MILAN credit enhancement due second homes or non owner occupied. Furthermore, Moody's views loans that have no data on occupancy type as riskier than loans that prove such data and applies an adjustment of 100% to its MILAN credit enhancement for such loans. The adjustment for this characteristic in MILAN leads to an increase in the MILAN Aaa CE number of approximately 45 basis points.
- » **Liquidity of the swap:** In the event the counterparty is downgraded or defaults, the liquidity of the swap might be negatively impacted due to the requirement for an external verification of the adequate posting of collateral on a weekly basis, or more often. Precisely, this requirement might make it not easily possible to find a replacement swap counterparty that is prepared to step into the swap on the same terms. As a consequence, it is harder to assume that our downgrade triggers will be effective and therefore harder to assume de-linkage. In its analysis of this issue, Moody's took comfort from the fact that the counterparty is rated Aa2/P-1.

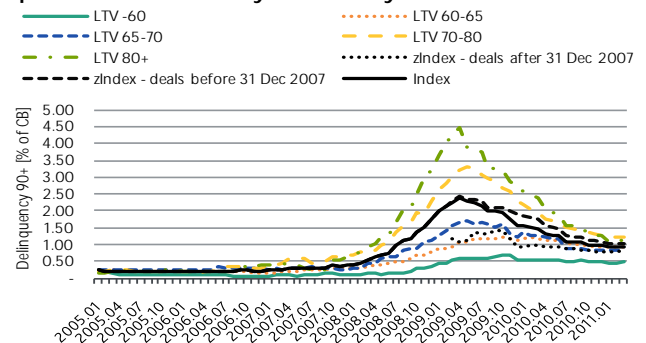
Benchmark Analysis

Performance relative to sector: The performance of the Spanish RMBS market is showing a stabilising trend in the

past months as seen on Chart 9 and Chart 10. The 90+ day delinquency trend dropped to 0.90% of current balance in January 2011, down from its December 2010 level of 0.94% and well below the 2.40% peak reached in April 2009. In Moody's view, the historical performance of 90+ delinquencies of Santander Hipotecario's precedent transactions is worse than other high LTV RMBS transactions in this sector.

CHART 9

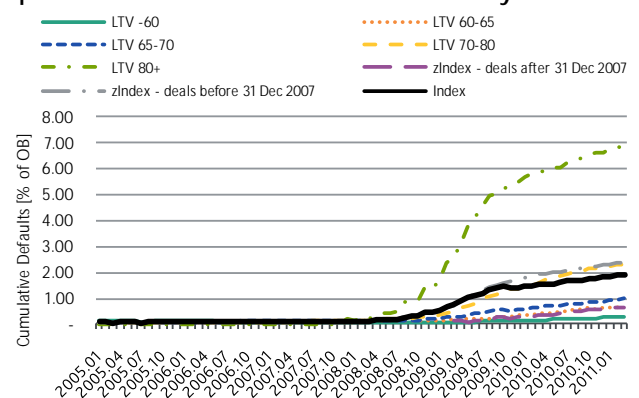
Spanish RMBS 90+ Days – trend by LTV



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

CHART 10

Spanish RMBS Cumulative Default – trend by LTV



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

Benchmark Table:

Deal Name	Santander Hipotecario 7	Santander Hipotecario 6	AyT Goya Hipotecario IV	IM Caja Laboral 2
Closing date	June 2011	May 2010	April 2011	Jun 2008
Information from	Preliminary Pool	Preliminary Pool	Final Pool as of April 2011	Final Pool as of December 2010
Originator	Banco Santander	Banco Santander	Barclays Bank S.A.	Caja Laboral
Servicer	Banco Santander	Banco Santander	Barclays Bank S.A.	Caja Laboral
MILAN Aaa CE	30.0%	30.0%	14.0%	16.5%
EL	10.0%	12.0%	3.5%	4%
PORTFOLIO STRATIFICATION				
Avg. Current LTV	88.4%	89.1%	56.9%	86.2%
% Current LTV > 80%	95.3%	96.8%	5.6%	80.1%
Avg. Current LTV indexed*	93.1%	90.8%	57.2%	90.1%
% Self Employed	9.2%	0%	4.9%	10.0%
% Non-owner Occupied (Includes: Partial Owner)	1.3%	2.3%	4.8%	0.0%
Max regional concentration	21.2%	21.0%	25.8%	44.4%
% In Arrears	4.2%	6.7%	0.3%	2.4%
% Foreign Borrowers	6.9%	9.6%	3.4%	5.7%
% Broker Originated Loans	6.3%	12.1%	0.0%	0.0%
PORTFOLIO DATA				
Current Balance	€1,894 million	€1,148 million	€ 1,300.0 million	€ 532.1 million
Average Loan (Borrower)	€193,418	€183,800	€148,030	€163,607
Borrower top 20 (as % of pool bal)	1.4%	2.1%	2.2%	1.2%
WA interest rate	2.1%	2.7%	1.9%	2.1%
Average seasoning in years	2.7	2.3	1.8	4.6
Average time to maturity in years	30.6	30.2	24.5	30.9
Maximum maturity date	Jan 2051	Dec 2054	Apr 2049	Oct 2047
Average House Price stress rate**	44.1%	45.2%	45.3%	38.8%
STRUCTURAL FEATURES				
Notes Payment Frequency	Quarterly	Quarterly	Semi-annually	Quarterly
Replenishment periods	None	None	None	None
Total Aaa size	80.0%	83.0%	82.0%	85.6%
RF at Closing***	20.0%	20.0%	5.0%	4.10%
RF Fully Funded at Closing?***	Yes	Yes	Yes	Yes
RF Floor\$\$	10.0%	10.0%	2.50%	2.05%
Hedge in place	Yes	Yes	Yes	Yes
Swap rate or guaranteed XS (if applicable)	80 bps	80 bps	0 bps	0 bps
Principal to pay interest?	Yes	Yes	Yes	Yes

* As per Moody's calculation.

** As per Moody's MILAN methodology for Aaa scenario.

*** Of original note balance.

Parameter Sensitivities

Parameter Sensitivities provide a quantitative, model-indicated calculation of the number of notches that a Moody's-rated structured finance security may vary if certain input parameters used in the initial rating process differed. The analysis assumes that the deal has not aged. It is not intended to measure how the rating of the security might migrate over time, but rather, how the initial rating of the security might differ as certain key parameters vary. For more information on V Score and Parameter sensitivity methodology for RMBS, please refer to "[V Scores and Parameter Sensitivities in the Major EMEA RMBS Sectors](#)" published in April 2009.

Parameter sensitivities for this transaction were calculated in the following manner: Moody's assumed 16 loss distributions derived from the combinations of MILAN Aaa Credit Enhancement: 30.0% (base case), 33.0%, 36.0% and 39.0% and expected loss: 10.0% (base case), 13.0%, 16.0% and 19.0%. The 30.0%/10.0% scenario would represent the base case assumptions used in the initial rating process.

The chart below shows the parameter sensitivities for this transaction with respect to the Aaa rated tranche.

TABLE 2*

Tranche A

		MILAN Aaa CE Output			
		30.0%	33.0%	36.0%	39.0%
Median Expected Loss	10.0%	Aaa*	Aaa (0)	Aa1 (1)	Aa1 (1)
	13.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa1 (1)
	16.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa2 (2)
	19.0%	Aaa (0)	Aaa (0)	Aa1 (1)	Aa3 (3)

TABLE 3*

Tranche B

		MILAN Aaa CE Output			
		30.0%	33.0%	36.0%	39.0%
Median Expected Loss	10.0%	A3*	A3 (0)	A3 (0)	A3 (0)
	13.0%	A3 (0)	Baa1 (1)	Baa1 (1)	Baa2 (2)
	16.0%	Baa3 (3)	Ba1 (4)	Ba1 (4)	Ba2 (5)
	19.0%	B1 (7)	B1 (7)	B1 (7)	B1 (7)

* Results under base case assumptions indicated by asterisk * *. Change in model-indicated rating (# of notches) is noted in parentheses.

Worse case scenarios: At the time the rating was assigned, the model output indicated that class A would have achieved Aaa even if the expected loss was as high as 19.0% assuming Milan Aaa CE at 33.0% and all other factors remained the same. The model output further indicated that class A would have achieved Aa3 with MILAN Aaa CE of 39.0% and an expected loss of 19.0%.

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: The originator will act as servicer, swap counterparty and issuer account holder. There is no back-up servicing agreement, but there are triggers in place for both swap counterparty and paying agent functions.

Significant Influences: In addition to the counterparty issues noted, the following factors may have a significant impact on the subject transaction's ratings: further deterioration in the real estate market beyond the stress which was modelled.

Counterparty Rating Triggers	Condition	Remedies
Interest Rate Swap Counterparty	In accordance with Moody's swap guidelines*	
Treasury Account Bank	Loss of P-1	Replace or find a P-1 rated guarantor or substitute within 30 days
Principal Account Bank	Loss of P-1	Replace or find a P-1 rated guarantor or substitute within 30 days

* See [Framework for De-Linking Hedge Counterparty Risks from Global Structured Finance Transactions Moody's Methodology](#), October 2010

Monitoring Report:

Data Quality:

- » Moody's has reviewed the template for the investor report and found it to be in line with the Spanish market standards.
- » Key performance indicators used by the primary analysts to rate the transaction are reported by the management company (cumulative 90+ days, 18+ months defaults and recovery information).
- » As of the date of publication there is no commitment from the management company to provide Moody's with updated pool cut on a periodic basis.

Data Availability:

- » The management company (SdT) will be in charge of providing periodically the investor reports (quarterly) and the pool updated information reports (monthly).
- » The investor report will be provided within seven days after the payment date.

Investor report will be available on the management company website: <http://www.santanderdetitulizacion.es/>

Moody's 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:

Methodologies Used:

Principal methodology used:

- » [Moody's Approach to Rating RMBS in Europe, Middle East and Africa, October 2009 \(SF141262\)](#)

Secondary methodologies used:

- » [Cash Flow Analysis in EMEA RMBS: Testing Features with the MARCO Model \(Moody's Analyser of Residential Cash Flows\), January 2006 \(SF58290\)](#)
- » [Moody's updated methodology for rating Spanish RMBS, 29 July 2008 \(SF133138\)](#)
- » [V Scores and Parameter Sensitivities in the Major EMEA RMBS sectors, April 2009 \(SF158654\)](#)

Pre-Sale Reports:

- » [Santander Hipotecario 1, May 2004 \(SF37166\)](#)
- » [Santander Hipotecario 2, June 2006 \(SF76274\)](#)
- » [Santander Hipotecario 3, March 2007 \(SF93298\)](#)
- » [Santander Hipotecario 4, September 2007 \(SF109955\)](#)
- » [Santander Hipotecario 6, May 2010 \(SF203090\)](#)

Special Reports:

- » [Investor/Servicer Reports: Important Considerations for Moody's Surveillance of EMEA ABS and RMBS Transactions, June 2009 \(SF154502\)](#)
- » [Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 \(SF29881\)](#)
- » [Global Structured Finance Operational Risk Guidelines: Moody's Approach to Analyzing Performance Disruption Risk, June 2011 \(SF243145\)](#)

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

Appendix 1: Summary of Originator's Underwriting Policies and Procedures

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

* FTE: Full Time Equivalent

Originator Stability	At Closing
Quality Controls and Audits	
Responsibility of quality assurance:	
Number of files per underwriter per month being monitored:	
Management Strength and Staff Quality	
Training of new hires and existing staff:	See originator profile for part of the information the originator allowed Moody's to disclose
Technology	
Tools/infrastructure available:	

Appendix 2: Summary of Servicer's Collection Procedures

Servicer Ability	At Closing
Loan Administration	
Entities involved in loan administration:	
Operating hours:	
Early Arrears Management	
Entities involved in early stage arrears:	
Ratio of loans per collector (FTE) in early arrears stage:	
Arrears strategy for 1-29 days delinquent	
Arrears strategy for 30 to 59 days delinquent	
Arrears strategy for 60 to 89 days delinquent	
Arrears strategy for 90 days and more delinquent to late stage	
Prioritisation rules for delinquent accounts:	
Use of updated information in the collection strategy:	
Loss Mitigation and Asset Management Practices:	
Transfer of a loan to the late stage arrears team/stage:	
Entities involved in late stage arrears:	
Ratio of loans per collector (FTE) in late arrears stage:	
Analysis performed to assess/propose loss mitigation solutions:	
Time from first default to litigation and from litigation to sale:	
Average recovery rate (including accrued interest & costs):	
	See servicer profile for part of the information the servicer allowed Moody's to disclose
Servicer Stability	
Management and Staff	
Average experience in servicing or tenure with company:	
Training of new hires specific to the servicing function (i.e. excluding the company induction training)	
Quality control and audit	
Responsibility of quality assurance:	
Number of files (and calls) per agent per month being monitored:	
IT and Reporting	
Tools/infrastructure available:	
Automatic tracking and reporting of specific characteristics:	
	See servicer profile for part of the information the servicer allowed Moody's to disclose

Analyst Contacts:

Annabel Schaafsma
Senior Vice President
44.20.7772.8761
Annabel.Schaafsma@moodys.com

ADDITIONAL CONTACTS:

Frankfurt: 49.69.2222.7847
London: 44.20.7772.5454
Madrid: 34.91.414.3161
Milan: 39.023.6006.333
Paris: 33.1.7070.2229

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