Publication Date: Oct. 10, 2007

Postsale Report: ABS/SME loans/Spain

EMPRESAS BANESTO 1, Fondo de Titulización de Activos

€2 Billion Floating-Rate Notes

Analysts: Isabel Plaza, Madrid, (34) 91-788-7203, isabel_plaza@standardandpoors.com, Alvaro Astarloa, Madrid, (34) 91-389-6964, alvaro_astarloa@standardandpoors.com, and Jose Tora, Madrid, (34) 91-389-6955, jose_tora@standardandpoors.com
Surveillance analyst: Chiara Sardelli, Madrid, (34) 91-389-6966, chiara_sardelli@standardandpoors.com
Group e-mail address: StructuredFinanceEurope@standardandpoors.com

Class	Rating*	Amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1	AAA	1,060	8.9	Three-month EURIBOR plus 9 bps	Sept. 20, 2040
A2	AAA	800	8.9	Three-month EURIBOR plus 25 bps	Sept. 20, 2040
B	A	70	5.4	Three-month EURIBOR plus 35 bps	Sept. 20, 2040
C	BBB-	35	3.65	Three-month EURIBOR plus 80 bps	Sept. 20, 2040
D¶	BB-	35	1.9	Three-month EURIBOR plus 150 bps	Sept. 20, 2040

**Standard & Poor's ratings address timely interest and ultimate principal on the notes.*
¶The rating on the class D notes is linked to the rating on the originator.

Transaction Participants	
Originator	Banco Español de Crédito S.A.
Arrangers	Calyon
Trustee	Santander de Titulización, S.G.F.T., S.A.
Interest swap counterparty	Banco Español de Crédito S.A.
GIC and bank account provider	Banco Español de Crédito S.A.
Paying agent	Banco Español de Crédito S.A.
Underwriters	Banco Español de Crédito S.A.
Servicer	Banco Español de Crédito S.A.

Supporting Ratings	
Institution/role	Ratings
Banco Español de Crédito S.A. as GIC and bank account provider and interest swap counterparty	AA/Stable/A-1+

Transaction Key Features	
Closing date	Oct. 5, 2007
Structure type	Cash
ABS asset type	Loans
Portfolio composition	Spanish SME loans
Purpose of transaction	Balance sheet
Rating approach	Actuarial
Portfolio management type	Static
Liability structure	Fully funded
Collateral description	Loans to SMEs
Weighted-average maturity of assets (years)	4.75
Weighted-average seasoning of assets (years)	1.5
Principal outstanding (Mil. €)	2,345.25
Country of origination	Spain
Concentration (%)	Largest 10 obligors: 8.42% Four major geographical concentrations: Madrid (22.37%), Cataluña (15.34%), Comunidad Valenciana (12.54%) and Andalucía (10.68%). Major industrial concentration by pool balance (investment purpose): real-estate activities (28.93%), catering trade (7.65%), and catering (6.55%)
Average loan size balance (€)	116,586.27
Loan size range (€)	91.60 to 22,000,000.00
Weighted-average interest rate (%)	4.66
Arrears	There were none at closing
Redemption profile	Amortizing
Excess spread at closing¶ (%)	0.58
Cash reserve (Mil. €)	38.00

**Pool data as of Aug. 20, 2007.*

Transaction Summary

Standard & Poor's Ratings Services has assigned credit ratings to the €2 billion floating-rate notes issued by EMPRESAS BANESTO 1, Fondo de Titulización de Activos (EMPRESAS BANESTO 1).

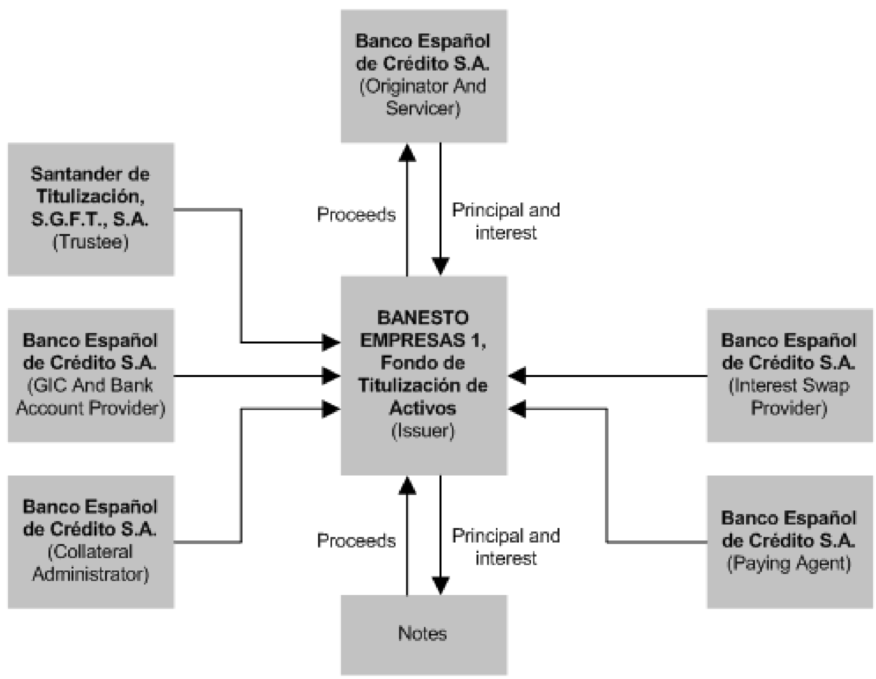
The originator is Banco Español de Crédito S.A. (Banesto), which at closing sold to EMPRESAS BANESTO 1 a €2 billion closed portfolio of secured and unsecured loans granted to Spanish SMEs.

To fund this purchase, Santander de Titulización, S.G.F.T., S.A., as trustee, issued five classes of floating-rate, quarterly-paying notes on behalf of EMPRESAS BANESTO 1.

The ratings on the notes issued by EMPRESAS BANESTO 1 reflect the subordination of the respective classes of notes below them, the reserve fund, the presence of the interest rate swap (which provides a guaranteed margin of 60 bps), comfort provided by various other contracts, and the rating on Banesto (AA/Stable/A-1+).

The structure of the transaction is shown in chart 1.

Chart 1: BANESTO EMPRESAS 1, Fondo de Titulización de Activos



The principal and interest on the notes is paid quarterly in arrears.

Notable Features

EMPRESAS BANESTO 1 is the third SME transaction completed by Banesto of its loans to SME and corporate clients. The transaction features some structural enhancements provided by the swap agreement, amortization of the notes, and the reserve fund.

The class A notes are divided in two subtranches: class A1 and A2. The amortization between them is sequential. There are specific pro rata rules if certain conditions are met.

As in other Spanish transactions, interest and principal from the underlying assets is combined into a single priority of payments, with principal deficiency-based triggers and asset-liability tests triggers in the payment of the interest to protect senior noteholders.

Standard & Poor's based its analysis on the credit quality of the pool, its concentrations, and the structural features of the transaction.

Strengths, Concerns, And Mitigating Factors

Strengths

- The credit enhancement provided by subordination, the available excess spread, and the fully funded reserve fund is adequate to cover the various stresses applied to the transaction.
- Banesto is an experienced originator and servicer, with three SME loan transactions and two RMBS transactions to date.
- There is currently a low weighted-average LTV ratio of 61%, and the weighted-average seasoning is 18 months, which indicates relatively high seasoning.
- Good-quality historical information has been provided.
- A swap agreement will hedge the interest rate risk and leave a spread of 60 bps in the transaction, plus servicing fees in case of replacement.

Concerns

- There is commingling risk when borrower payments are deposited into the account held at Banesto.
- Of the loans, 60.93% are concentrated in four regions ("*comunidades autónomas*").
- Of the loans, 55.13% are concentrated in the largest five industries.
- The ratings on the class D ('BB-') notes are weak-linked to the rating on Banesto (AA/Stable/A-1+). If the rating on the servicer falls below that on the class D notes, Standard & Poor's will review the ratings on the notes.

Mitigating factors

- Commingling risk was sized within the transaction as credit enhancement.
- Standard & Poor's has taken into account the exposure to industrial and regional concentration. The sector concentrations are in line with the SME portfolios in Banesto. Concentrations at the obligor level were taken into account in the credit analysis.
- Standard & Poor's will carry out constant surveillance on the class D notes.

Banco Español de Crédito S.A. (Originator And Servicer)

The rating on Banesto reflects the bank's core position within Banco Santander S.A. (Santander; AA/Stable/A-1+).

Our view of Banesto's position is underpinned by Santander's continued management control and majority ownership of the bank since 1994, and Banesto's significant contribution to the strength of Santander in one of the group's main markets and banking businesses.

Banesto's stand-alone credit worthiness reflects a focused strategy and sound management—which bolster the bank's valuable, growing franchise as the fifth-largest financial institution in Spain—as well as a healthy financial profile.

Banesto originates assets of good quality, largely as a result of its strong credit culture and sound credit-risk management standards and systems. Nonetheless, the bank's aggressive credit expansion, in particular the acceleration of growth in riskier segments, increases risks for the future performance of the loan book. Specifically, the high degree of exposure to the real estate development and construction sectors increases Banesto's risk profile.

Banesto's earnings power has improved significantly in recent years, owing to its increasing commercial dynamism. Its healthy operating profitability compares well with the market average. Cost control has offset pressure, albeit moderate, on the net interest margin and the impact of strong provisioning, which is largely driven by generic regulatory requirements.

Banesto's core risk-adjusted solvency is adequate by international standards, benefiting from sound capital generation. Standard & Poor's will, however, monitor the impact on capital leverage of the bank's strong focus on growth and tighter stance toward capital management.

Santander de Titulización, S.G.F.T., S.A.; Trustee ("*Sociedad Gestora*")

The sociedad gestora is Santander de Titulización. The creation of the sociedad gestora was authorized by the Ministry of Economy and Treasury in December 1992. Under the legislation for mortgage securitization in Spain, the issuer's day-to-day operations are managed by the sociedad gestora, which represents and defends the noteholders' interests. The sociedad gestora, on behalf of the issuer, entered into certain contracts (a GIC, a swap, and a subordinated loan) needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with holding the mortgage participations.

In this transaction, the main responsibilities of the sociedad gestora are to create the issuer, issue the notes, calculate the interest rate on the notes, notify noteholders of information applicable to the notes and mortgage participations, manage the reserve funds, pay the issuer's fees and expenses, and arrange for the annual audit.

Collateral Pool Characteristics

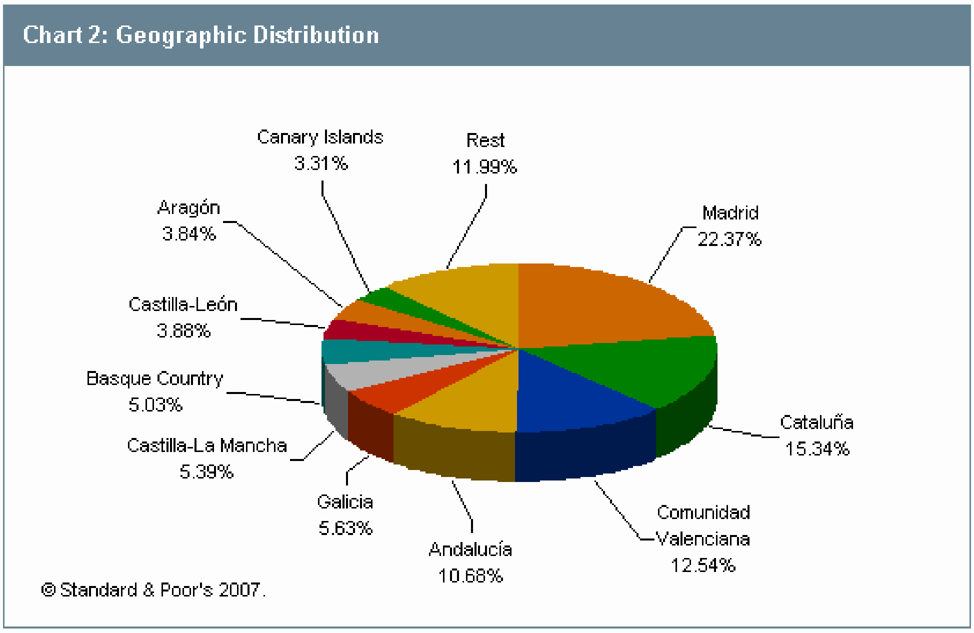
The portfolio comprises €2,345.25 million (20,116 loans) of performing SME loans to private companies in Spain. The weighted-average seasoning is 18 months.

Of the outstanding amount of the pool, 34% is secured by mortgages over properties and commercial premises situated in Spain; the remainder comprises unsecured loans. The weighted-average LTV ratio of the secured pool is 61%.

The largest obligor represents 0.98% of the provisional pool and the 10-largest obligors represent 8.43%.

Defaults are defined as those loans that have amounts in arrears for a period of 12 months or more. In the final pool there were no loans in arrears.

Chart 2 shows the portfolio of SME loans by region.



The obligors are spread across Spain, but four regions ("*comunidades autónomas*") cover 60.93% of the pool.

Table 1 shows the portfolio breakdown by interest rates.

Table 1: Portfolio Breakdown By Interest Rates				
	Loans		Outstanding principal	
Interest rates	Number	(%)	Amount (€)	(%)
TIPO FIJO	12,149	60.39	263,352,148.24	11.23
EURIBOR	6,033	30.00	1,905,202,331.11	81.24
Other floating	1,934	9.61	176,694,882.74	7.53
Total pool	20,116	100.00	2,345,249,362.09	100.00

The assets have a weighted-average interest rate of 4.66% and a weighted-average margin of 57 bps over the various indices. The interest rates range from 0.00% to 11.25%.

The weighted-maturity of the pool is 4.68 years. The largest industry concentration is in real estate, representing 28.93% of the pool. The second-highest concentration is in the catering trade (7.65%). The largest 10 industries account for 71.89% of the pool. Of the pool, 17.02% has a bullet amortization amount.

Collateral Risk Assessment

Standard & Poor's conducted an actuarial analysis on historical data provided by the originator to assess the credit risk of the pool, following the methodology explained in "*Securitizing Spanish-Originated Loans to Small and Midsize Enterprises*" (see "*Related Articles*").

With the historical data provided by the originator, Standard & Poor's is able to determine a foreclosure probability and a loss rate at each rating level. The product of these two variables gives an estimate of the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level.

Chart 3 shows cumulative defaults per quarter of origination.

Chart 3: Defaults

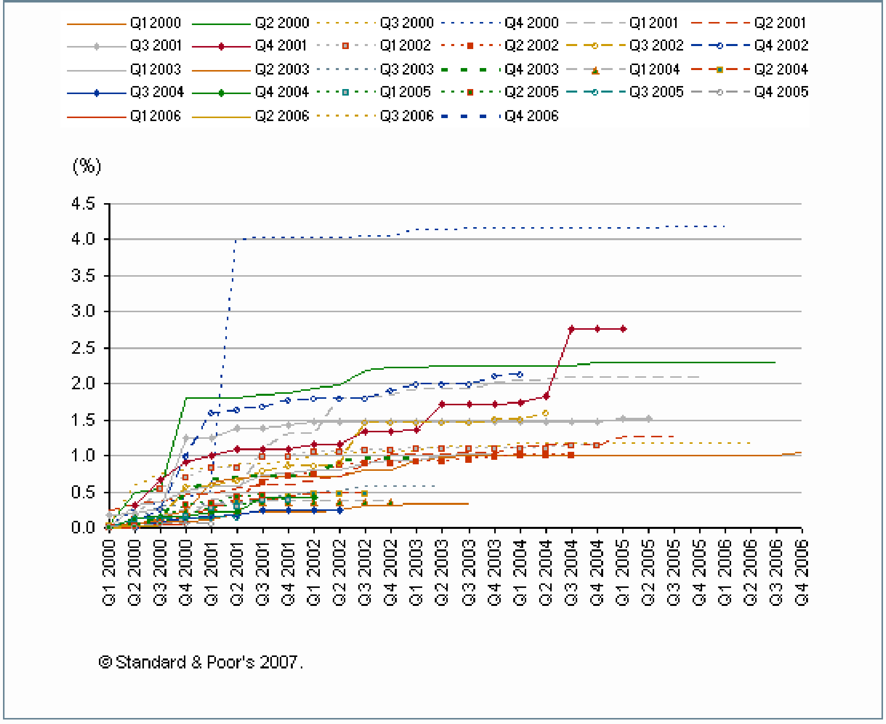
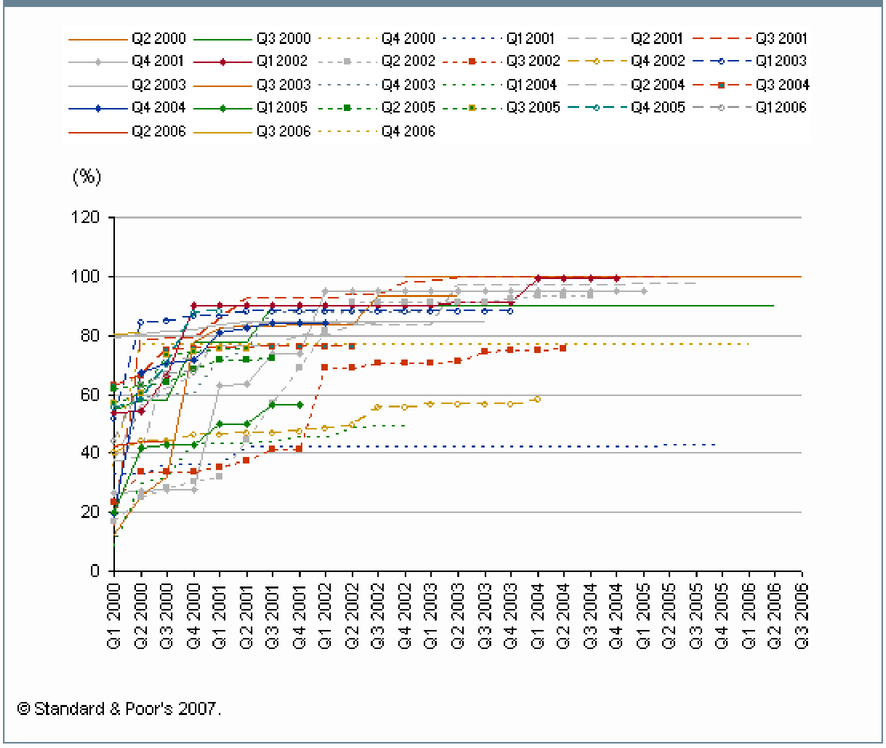


Chart 4 shows recoveries on loans more than 90 days past due by quarter of default.

Chart 4: Recoveries



Payment Priorities

On each quarterly interest payment date, the issuer pays in arrears the interest due to the noteholders. To make the payments, the issuer's available funds include the proceeds of the interest swap, the reserve fund, and, if necessary, principal received under the loans and any other proceeds received in connection with the loans.

All interest and principal received can be mixed to pay principal and interest due under the notes. A trigger ensures that in a stressful economic environment, the more senior notes are amortized before interest on the subordinated classes of notes is paid. The priority of payments is:

- Fees;
- Net payments under the swap agreement and swap termination payments due to a default or breach of contract by fund;
- Class A1 and A2 note interest;
- Interest on the class B notes, if not deferred;
- Interest on the class C notes, if not deferred;
- Interest on the class D notes, if not deferred;
- The amortization amount;
- Deferred class B note interest;
- Deferred class C note interest;
- Deferred class D note interest;
- Replenishment of cash reserve;
- Interest and principal payments under the subordinated loan;
- Swap termination payments due to a default or breach of contract by the swap counterparty;
- Interest payments and principal repayments under the subordinated startup loan; and
- Cash back to Banesto.

Interest payments on the class B notes is deferred if the principal deficiency is greater than (i) 0.75 times the sum of the outstanding balance of the class B notes, plus (ii) 1.0 times the sum of the class C and D notes. This deferral does not happen if the class A notes have already amortized, or are due to amortize on the next payment date.

Interest payments on the class C notes is deferred if the principal deficiency is greater than (i) 0.75 times the sum of the outstanding balance of the class C notes, plus (ii) 1.0 times the sum of the class D notes. This deferral does not happen if the class A and B notes have already amortized, or are due to amortize on the next payment date.

Interest payments on the class D notes is deferred if the principal deficiency is greater than (i) 0.75 times the sum of the outstanding balance of the class D notes. This deferral does not occur if the class A, B, and C notes have already amortized, or are due to amortize on the next payment date.

Hedging

Interest swap agreement

On EMPRESAS BANESTO 1's behalf, the trustee entered into a swap agreement with Banesto. This swap provides protection against adverse interest rate resetting and movements.

The issuer pays the swap counterparty the total of interest accrued on the performing loans.

The issuer receives from the swap counterparty an amount equivalent to the reference rate on the notes, plus a margin of 60 bps, plus the servicing fee in case of replacement.

If Banesto as swap counterparty is downgraded to 'A-2', it would not be an eligible counterparty and must:

- Find a replacement with a short-term Standard & Poor's rating of at least 'A-1';
- Find an adequate guarantor with a short-term Standard & Poor's rating of at least 'A-1'; or
- Make eligible investments that have maturities of up to 60 calendar days rated at least 'A-1' by Standard & Poor's. Eligible investments rated at least 'A-1' with terms greater than 60 days are permitted if there is a provision to remove the investments from the transaction within 60 days of a downgrade below 'A-1'.

Standard & Poor's will review the ratings on any counterparty replacement or guarantee. All the costs of the remedies would be borne by the downgraded counterparty.

Cash Collection Arrangements

Banesto, as servicer, collects the amounts due under the loans and transfers them to the treasury account no later than 48 hours after the reception of these amounts. Its collections to the treasury account are held on behalf of the issuer with Banesto.

If Banesto (as treasury account provider) is downgraded below 'A-1' the gestora must, within 60 calendar days:

- Obtain a guarantee from another entity that carries a short-term Standard & Poor's rating of at least 'A-1';
- Find an entity with a minimum short-term Standard & Poor's rating of 'A-1' to assume the role of GIC provider under the same conditions; or
- Make eligible investments.

All the costs of the remedies would be borne by the downgraded counterparty.

Reserve Fund

The structure benefits from a cash reserve fund fully funded by a subordinated loan granted by the originator at closing. The initial required amount was €38 million, equivalent to 1.9% of the initial balance of the assets securitized. The reserve fund is used to pay interest and principal on the notes if insufficient funds are available.

The reserve fund is fixed for the first two years, and can amortize after this initial period. Its minimum required levels are the minimum amount of:

- The initial required amount, 1.9% of the initial balance of the notes; and
- The maximum amount of (i) 3.8% of the outstanding principal balance of the notes, and (ii) 1.0% of the initial balance of the notes.

It would not amortize if, on a previous payment date, it was not at its required minimum level, or if the arrears ratio (three months past due) is greater than 1.5%.

Redemption Of The Notes

Amortization occurs for the:

- Class A1 notes, from the first payment date after their fully amortization;
- Class A2 notes, once the class A1 notes have fully amortized until they are fully redeemed;
- Class B notes, once the class A2 notes are fully redeemed;
- Class C notes, once the class B notes are fully redeemed; and
- Class D notes, once the class C notes have fully redeemed.

The available amortization fund on each payment date equals to the difference between:

- The principal outstanding balance under all the classes of notes; and
- The principal outstanding balance of all outstanding loans no more than 12 months in arrears.

The class A1 and A2 notes amortize pro rata if the proportion of the (i) outstanding balance of nondelinquent loans, plus the amounts received from the assets during that period, and (ii) the outstanding balance of the class A1 and A2 notes, is lower than or equal to 1.05%.

The class B, C, and D notes amortize pro rata with class A1 and A2 notes if:

- The ratio of the aggregate balance of delinquent loans to the aggregate balance of non-delinquent loans is lower than 1.25% for class B notes, 1.00% for class C notes, and 0.75% for the class D notes;
- The total outstanding principal balance of the class B, C, and D notes represents at least 2 times their original percentage of the outstanding principal balance of all the notes; and
- The cash reserve is at the required amount on the previous payment date; and
- The total outstanding balance of the SME loan portfolio is equal to or higher to 10% of the initial balance of the SME loan portfolio (clean-up call).

Key Performance Indicators

Key performance indicators for this transaction are:

- Rating migration of the collateral and default levels;
- Collateral prepayment levels;
- The different concentrations of the pool; and
- The ratings on the supporting parties.

Criteria Referenced

- "*Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount*" (published on Feb. 26, 2004).
- "*Standard & Poor's Global Interest Rate and Swap Counterparty Rating Criteria Expanded*" (published on Dec. 17, 2003).
- "*Global Cash Flow and Synthetic Criteria*" (published on March 21, 2002).
- "*Global CBO/CLO Criteria*" (published on June 1, 1999).
- "*Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans*" (published on Jan. 30, 2003).

Related Articles

- "*Transition Study: 2006 Sees Upgrades Dominate For Third Successive Year In European Structured Finance*" (published on Jan. 10, 2007).
- "*European ABS Outlook H2 2007—Inclusion Of SME Transactions Adds To Sharp Rise In ABS Issuance*" (published on July 31, 2007).
- "*CDO Spotlight: Credit Risk Tracker Strengthens Rating Analysis of CLOs of European SME Loans*" (published on June 10, 2004).

All criteria and related articles are available on RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.

Key Contacts	
SF Investor Hotline	(44) 20-7176-3223
Client Support Europe	(44) 20-7176-7176
Press Office Hotline	(44) 20-7176-3605 or media_europe@standardandpoors.com
Local media contact numbers	
Paris	(33) 1-4420-6657
Frankfurt	(49) 69-33-999-225
Stockholm	(46) 8-440-5914
Moscow	(7) 495-783-4017