Fondo de Titulización de Activos, Santander Empresas 4

ABS / Spain

*This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of September 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The **definitive** ratings may differ from the **provisional** ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

[2 November 2007]

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€830,200,000	23.45	July 2050	3mE + [•]%
A2	(P)**Aaa**	€1,763,600,000	49.82	July 2050	3mE + [•]%
A3	(P)**Aaa**	€622,300,000	17.58	July 2050	3mE + [•]%
B	(P)**Aa3**	€90,200,000	2.55	July 2050	3mE + [•]%
C	(P)**A3**	€97,400,000	2.75	July 2050	3mE + [•]%
D	(P)**Baa3**	€79,700,000	2.25	July 2050	3mE + [•]%
E	(P)**Ba2**	€56,600,000	1.60	July 2050	3mE + [•]%
F	(P)**C**	€46,000,000	1.30*	July 2050	3mE + 0.50%
Total		€3,586,000,000	100.00		

The ratings address the expected loss posed to investors (excluding, as concerns Series F, the payment of interest corresponding to the "Parte Extraordinaria" as defined in the legal documentation) by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series A1, A2, A3, B, C, D and E notes, and for ultimate payment of interest (excluding, as concerns Series F, the payment of interest corresponding to the "Parte Extraordinaria" as defined in the legal documentation) and principal at par with respect to the Series F notes, 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.

* *As percentage of Series A to E*

OPINION

Strengths of the Transaction

- Interest rate swap provided by Banco Santander guaranteeing an excess spread of 60 bppa and covering the servicing fee should Banco Santander be substituted as servicer of the pool
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Well diversified pool in terms of geography
- Lower level of debtor concentration than its predecessor (Santander Empresas 3) in terms of the largest exposures
- Protection provided to more senior notes compared to junior notes given the sequential amortisation of the notes
- Good performance of FTPYME Santander I deal

Weaknesses and Mitigants

– Some limitations on the historical information submitted by the originator, relative to other similar transactions. For this reason, Moody's based its analysis on (1) historical information received from the originator for the FTPYME Santander I deal; (2) historical information received on this deal; (3) statistical information from the Spanish SME market; (4) Moody's public ratings or credit estimates on some of the companies or their affiliates; (5) performance of similar deals including its predecessors; and (6) other qualitative and pool-derived aspects
– Lack of pool information to assess the following characteristics: (1) pool concentration by group of companies rather than at borrower level; (2) loans that have been refinanced or restructured prior to the time of securitisation; and (3) type of mortgaged properties.
– In comparison with Santander Empresas 3, the provisional portfolio presents the following features: (1) lower level of seasoning; (2) higher industry concentration; and (3) lower proportion of the pool secured by a mortgage guarantee
– A significant portion of the loans (7.1%) pay through semi-annual or annual instalments, which may delay the time at which a default is detected in such loans, compared with high-frequency payment loans.
– The deferral of interest payments on each of Series B, C, D and E benefits the repayment of the respective senior series, but potentially exposes junior rated noteholders to long periods without any receipt of interest. Moody's has factored this in its quantitative analysis by assuming certain probabilities that these triggers are hit, and the reserve fund and the subordination have been sized accordingly to account for potential increase in expected loss and probability of default.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	Fondo de Titulización de Activos Santander Empresas 4
Structure Type:	Senior/Mezzanine/Subordinated/Equity floating-rate notes
Sellers/Originators:	Banco Santander, S.A. (Banco Santander or Santander, **Aa1/P-1/B**)
Servicers:	Banco Santander
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	19th day of January, April, July, October First payment date: 21 January 2007
Credit Enhancement/Reserves:	0.60% excess spread 1.30% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) account
GIC Account Provider:	Banco Santander
Hedging:	Interest rate swap covering the interest rate risk
Interest Rate Swap Counterparty:	Banco Santander
Paying Agent:	Banco Santander
Note Trustee (Management Company):	Santander de Titulización, S.G.F.T., S.A. (Santander de Titulización)
Arrangers:	Santander de Titulización
Lead Managers:	Banco Santander The Royal Bank of Scotland Deutsche Bank

COLLATERAL SUMMARY (AS OF SEPTEMBER 2007) *(see page 7 for more details)*

Receivables:	Loans to Spanish enterprises and self-employed individuals
Total amount:	€3.85 billion
Number of Contracts:	18,535
Number of Borrowers:	17,463
Geographic Diversity:	Madrid (21%), Catalonia (15%), Andalusia (15%)
WA Seasoning:	0.9 years
WA Remaining Term:	8.0 years
Interest Basis:	91% floating, 9% fixed
WA Interest Rate:	4.95%
Delinquency Status:	No loans more than 30 days in arrears at the time of the securitisation
Historical Experience:	Historical information provided (not in accordance with Moody's standard format)

NOTES

Series	Subordination	Reserve Fund	Total
A1	76.55%*	1.30%	77.85%
A2	26.73%*	1.30%	28.03%
A3	9.15%*	1.30%	10.45%
B	6.60%	1.30%	7.90%
C	3.85%	1.30%	5.15%
D	1.60%	1.30%	2.90%
E	0%	1.30%	1.30%
F	0%	0%	0%

* *Subject to pro-rata amortisation triggers*

TRANSACTION SUMMARY

Cash securitisation of loans granted by Banco Santander to Spanish corporates

Fondo de Titulización de Activos, Santander Empresas 4 (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by Banco Santander to Spanish corporates. Although some major corporates are debtors of the provisional pool, the level of granularity observed in it is in line with that observed in some SME deals. It is the fourth such transaction (i.e. loans to all types of corporates by size) carried out by Banco Santander.

The *Fondo* will issue seven series of notes to finance the purchase of the loans (at par):

- A senior tranche composed of three **Aaa**-rated series: a subordinated Series A3, a mezzanine Series A2 and a senior Series A1 (the "Class A")
- A mezzanine Series B, rated (P)**Aa3**
- A mezzanine Series C, rated (P)**A3**
- A mezzanine Series D, rated (P)**Baa3**
- A subordinated Series E, rated (P)**Ba2**

In addition, the *Fondo* will issue a (P)**C**-rated Series F to fund up-front a cash reserve, which will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the excess spread guaranteed through the swap agreement. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates (as well as fixed-rate loans) on the assets side and on the liabilities side, and (ii) any renegotiation of the interest rate on the loans.

In addition, the *Fondo* will benefit from a €876,000 subordinated loan provided by Banco Santander to fund the up-front expenses and the costs of issuing the notes.

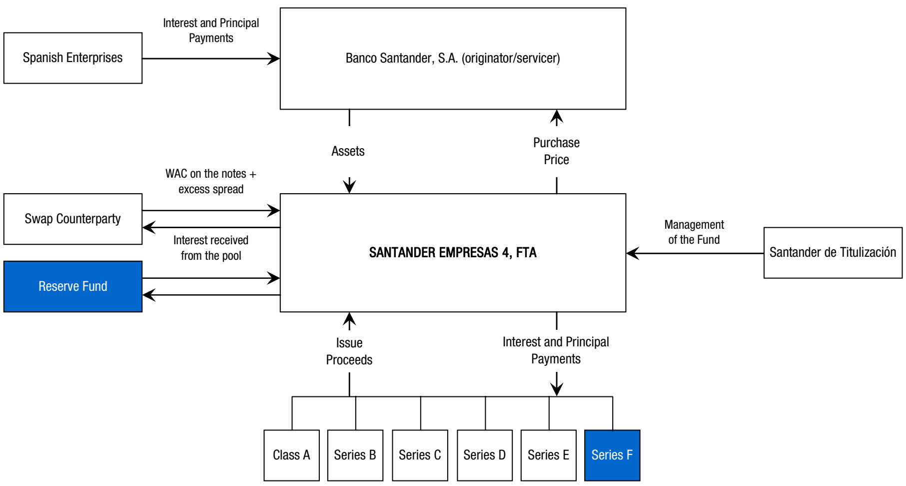
The provisional pool consists of 18,535 loans and 17,463 borrowers. The pool is well diversified across Spain and is around 47% concentrated in the "buildings and real estate" sector according to Moody's industry classification: 35% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance and other statistical information; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the excess spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a swap agreement guaranteeing 60 bppa of excess spread, sequential amortisation of the subordinated notes, deferral of interest based on the accumulated amount of written-off loans and funding of the reserve fund through the issuance of a series of notes

Chart 1:
Structure Diagram



Interest rate swap hedging the interest rate risk and guaranteeing 60 bppa of excess spread

To hedge the *Fondo* against the interest rate risk (potential mismatch derived from having different index reference rates and reset dates (as well as fixed-rate loans) on the assets and on the notes), it will enter into a swap agreement with Banco Santander.

According to the swap agreement, on each payment date:

- The *Fondo* will pay the interest received from the loans since the previous payment date.
- Banco Santander will pay an amount equal to the sum of (1) the servicer fee due on that payment date should Banco Santander be substituted as servicer of the pool; and (2) the maximum of:
  - (i) An annual rate equal to the weighted average coupon on the notes plus 60 bppa, over a notional calculated as the daily average of the outstanding amount of loans not more than 90 days in arrears since the last payment date;
  - (ii) The minimum of (a) the interest actually received from the pool and (b) an annual rate equal to the weighted average coupon on the notes plus 60 bppa, over a notional calculated as the daily average of the outstanding amount of the portfolio since the last payment date.

  As a result, with respect to item (2), Banco Santander will pay the interest actually received under the loans, with a minimum of (i) and a maximum of (ii) (b).

This swap structure additionally hedges the *Fondo* against any potential renegotiation of interest rate on the loans, and covers the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

In the event of Banco Santander's long-term rating being downgraded below **A2** or its short-term rating being downgraded below **P-1**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute. The swap structure complies with Moody's published criteria for hedging mechanisms.

Reserve fund fully funded upfront to help the Fondo meet its payment obligations

Fully funded up-front with the proceeds of Series F, the reserve fund will be used to cover any potential shortfall on items (1) to (12) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts:

- 1.30% of the initial balance of Series A1 to E
- The higher of:
  - 2.6% of the outstanding balance of Series A1 to E
  - 1% of the initial balance of Series A1 to E

The amount requested under the reserve fund will not be reduced:

- If the accumulated amount of written-off loans since closing is higher than 1% of the initial amount of the pool.
- If the Arrears Level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%.
- If the reserve fund is not funded at its required level.

The GIC provides an annual interest rate equal to the index reference rate of the notes

The treasury account will be held at Banco Santander. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

The structure envisages certain triggers in order to protect the treasury account from a possible downgrade of Banco Santander's short-term rating. Should this rating fall below **P-1**, it will within 30 days have to find a suitably rated guarantor or substitute.

Banco Santander guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes.

Limitations on the renegotiation of the loan

The management company authorises Banco Santander as servicer to renegotiate the interest rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). Regarding this last issue, the structure envisages some limitations:

- Banco Santander will not be able to extend the maturity of any loan later than June 2047.
- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the sub-pool.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.

Payment structure allocation

At the closing date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through a subordinated loan granted by Banco Santander.

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Costs and fees;
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party:
3. Interest payment to Series A1, A2 and A3;
4. Interest payment to Series B (if not deferred);
5. Interest payment to Series C (if not deferred);
6. Interest payment to Series D (if not deferred);
7. Interest payment to Series E (if not deferred);
8. Retention of an amount equal to the principal due under the notes;
9. Interest payment to Series B (if deferred);
10. Interest payment to Series C (if deferred);
11. Interest payment to Series D (if deferred);
12. Interest payment to Series E (if deferred);
13. Replenishment of the reserve fund;
14. Ordinary interest payment to Series F;
15. Principal payment to Series F;
16. Termination payment under the swap agreement (except in the cases contemplated in 2) above);
17. Junior payments;
18. Extraordinary interest payment to Series F;

The extraordinary interest payment to Series F being equal to the difference between the *Fondo*'s available funds and the *Fondo*'s total payments on each payment date.

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off loans

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

- the accumulated amount of written-off loans since closing is higher than 8.95%, 6.5%, 4.8% and 3.9% of the initial amount of the pool for Series B, C, D and E, respectively; and
- the series senior to it are not fully redeemed.

Principal due to the notes incorporates a 12-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the Series A1 to E notes and (2) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 12 months (or earlier, if the servicer considers that there are no reasonable expectations of recovery under each such loan)).

The “artificial write-off” is envisioned to speed up the off-balance sheet of a non-performing loan compared to waiting for the “natural write-off”; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most important benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the “artificial write-off” time and the “natural write-off” time would otherwise be lost). Therefore, the transaction makes relatively better use of the excess spread, allowing for lower levels of other credit enhancement figures.

Principal due allocation mechanism

The amount retained as principal due on item (8) of the order of priority will be dedicated to the amortisation of Series A1, A2, A3, B, C, D and E on a fully sequential basis and by order of seniority. Nevertheless, should Series A1 and/or A2 remain outstanding, the amount retained as principal due will be allocated pro-rata between Series A1, A2 and A3, in the event that the Arrears Level exceeds 1.50%.

Series F amortisation

The Series F notes will amortise, on each payment date, for an amount equal to the difference between the outstanding amount of Series F and the reserve fund’s required amount on the current payment date.

COLLATERAL

Well-diversified portfolio of loans granted to corporates across Spain

As of September 2007, the provisional portfolio comprised 18,535 loans and 17,463 borrowers. The loans have been originated by Banco Santander in its normal course of business, and comply with the following criteria:

- The loan purpose is the financing of the economic activity of the relevant enterprise or the acquisition of real estate properties attached to its economic activity.
- All the loans have paid at least one instalment.
- No loan agreement incorporates deferred payments of interest.
- 100% of the principal of the loans has been drawn.
- All the mortgaged properties are fully developed, situated in Spain and are covered by an insurance policy.
- The pool will not include loans granted to real estate developers or lease contracts.
- The pool will not include syndicated loans.

The loans have been originated between 1996 and June 2007, with a weighted average seasoning of 0.9 years and a weighted average remaining term of 8.0 years. The longest loan matures in June 2047. The interest rate is floating for 91% of the pool and fixed for the rest, with a weighted average interest rate of 4.95%.

The majority of the loans pay through monthly (53%) or quarterly (39%) instalments of interest and principal. The rest of the loans pay through semi-annual (6%) or annual (1%) instalments, and a small portion of the pool correspond to bullet loans (0.3%). Apart from this, 20% of the pool enjoys a grace period on principal payments (the average length of the grace period being 1.5 years).

Around 34% of the outstanding of the portfolio is secured by a first-lien mortgage guarantee over different types of properties. No information on the type of mortgaged properties has been received. The total weighted average loan-to-value is 82%.

Geographically, the pool is well diversified across Spain, with the highest concentration observed in Madrid (21%). Around 47% of the portfolio is concentrated in the “buildings and real estate” sector according to Moody’s industry classification.

In terms of debtor concentration, the pool includes exposures up to 1.20% of the amount of the issuance, and the sum of the 10 highest debtors represents 8.7% of the same amount.

In comparison with Santander Empresas 3, it is worth mentioning the following differences:

- Lower weighted average seasoning, accompanied by a lower weighted average remaining term
- Lower borrower concentration, pertaining to the largest exposures (see chart below)
- Higher concentration in the buildings and real estate sector
- Lower proportion of loans secured by a first-lien mortgage guarantee

Chart 2:
Portfolio Breakdown by Year of Origination

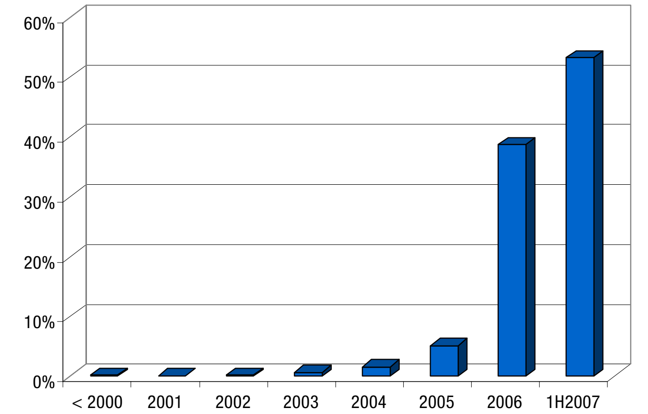


Chart 3:
Portfolio Breakdown by Year of Maturity

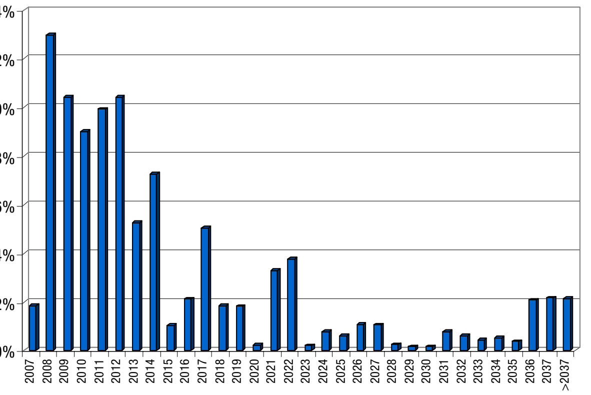


Chart 4:
Portfolio Breakdown by Geographic Diversity

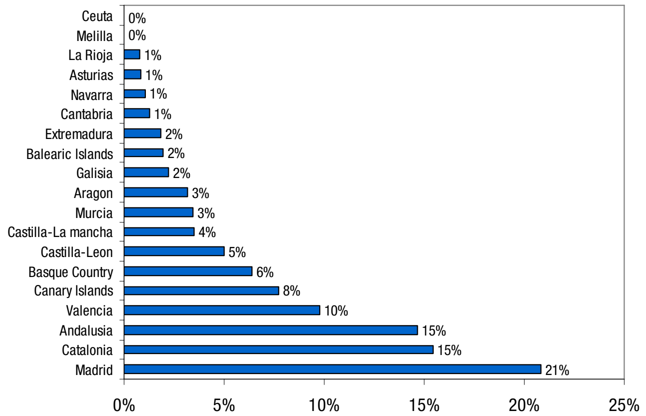


Chart 5:
Ten Most Represented Moody's Industry Sectors

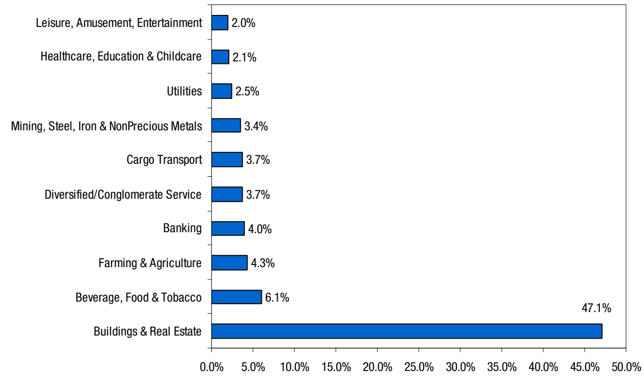


Chart 6:
Debtor Concentration Compared With Santander Empresas 3 – 50 Largest Exposures

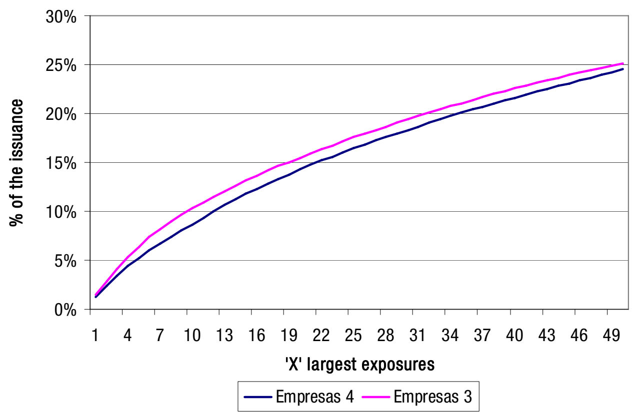
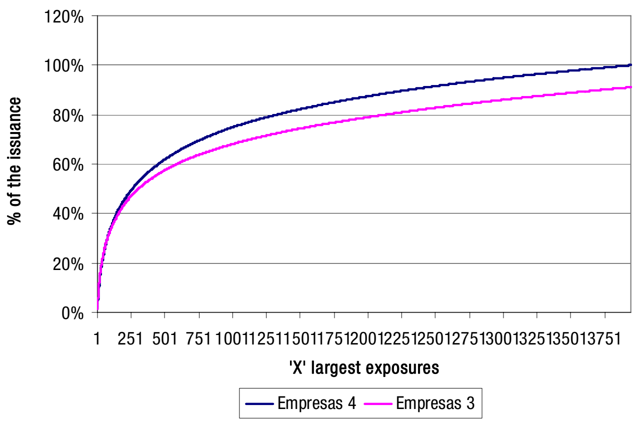


Chart 7:
Debtor Concentration Compared With Santander Empresas 3 – Total Pool



The originator represents and guarantees that, as of the date of the transfer, there will be no amounts more than 30 days past due under any of the loans.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

Banco Santander, Spain's largest financial group, with a strong international presence, is the originator and servicer of the asset pool

Banco Santander is the largest banking group in Spain and among the 15 largest banking groups in Europe, with total assets of €886 billion at the end of June 2007.

In the domestic market, which accounts for less than 50% of the group's assets, Banco Santander operates through the Banco Santander network (€115.4 billion in assets, 2,857 branches and 19,510 employees), and through its subsidiary Banesto (rated **Aa2**/**P-1**/**B-**, €103 billion in assets, 1,945 branches and 10,983 employees). At the end of March 2007, Banco Santander had 14% share of domestic lending and 16% of domestic deposits. In the consumer finance business, Santander also holds leading positions in Spain through its subsidiary Santander Consumer Finance, S.A. (SCF, rated **A1**/**P-1**/**C+**), a core strategic unit of the group with a pivotal role in developing the group's consumer finance business in Europe. In Portugal, Santander owns Banco Santander Totta (rated, **Aa3**/**P-1**/**C+**), one of the country's top five banking groups. Outside Continental Europe, Santander bought – in November 2004 – Abbey National (rated **Aa3**/**P-1**/**C+**), the UK's sixth-largest bank and second-largest mortgage lender. Banco Santander has also built up a leading franchise in Latin America, holding on average 9.1% market share in retail banking and 12% in pension fund management in the countries of the region.

The domestic market has shown a good performance in terms of asset quality indicators in the first half of 2007. Going forward, some deterioration may occur domestically as a result of expected slower economic growth and an overheated real estate market, and the high level of indebtedness in an environment of rising interest rates.

Moody's assigns a bank financial strength rating (BFSR) of **B** to Banco Santander with stable outlook. This rating is supported by the group's impressive market shares in several geographic markets, extensive geographical diversification and high earnings stability as well as its sound risk positioning, albeit with a high degree of borrower concentration, and strong financial factors, namely good – and improving – cost efficiency and asset quality indicators.

Santander's deposit rating of **Aa1** is based on its BFSR of B (which translates into Baseline Credit Assessment of **Aa3**) and Moody's judgment that Santander benefits from a very high probability of systemic support in a period of financial distress. As a result, Moody's rates Santander's deposit rating two notches higher than the bank's Baseline Credit Assessment.

Santander is very active in the Spanish securitisation market, especially in the RMBS and SME segment, with 15 RMBS and 5 SME transactions launched so far.

Duties as servicer and originator

Banco Santander will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account within two days of their being paid by the debtors. Nevertheless, if Banco Santander's long-term rating falls below **Baa3**, it will have to transfer the borrower payments within a maximum period of one day, with the purpose of minimising the amount of the pool proceeds that fall into the servicer's bankruptcy estate (i.e. commingling risk).

In the event of Banco Santander failing to perform its obligations as servicer; being subject to a Bank of Spain intervention or being affected by an insolvency process; or being affected by a deterioration in its financial situation that, according to the management company, might have a negative impact for the noteholders, it would have to be substituted or guaranteed in its role as servicer by a suitable institution. In the event that no replacement servicer is found, the management company itself would step in as servicer.

Moody's believes that Banco Santander is currently a capable servicer.

Likewise, the management company may require Banco Santander to notify the relevant debtors of the transfer of the loans to the *Fondo:* (i) upon being substituted as servicer, (ii) in the event of an insolvency process or a Bank of Spain intervention, or (iii) because the management company considers it appropriate. Should Banco Santander fail to comply with this obligation within 3 business days, the notification would then be carried out by the management company.

Paying Agent

Banco Santander will act as paying agent of the *Fondo*. In the event of Banco Santander's short-term rating falling below **P-1**, it will within 30 days have to be replaced or guaranteed in its role of paying agent by a suitably rated institution.

Management Company

Santander de Titulización is an experienced company in the Spanish securitisation market, managing *Fondos* exclusively related to Banco Santander group assets. It is fully owned by Banco Santander group. Currently, it carries out the management of 45 securitisation funds.

MOODY'S ANALYSIS

Moody's used an inverse normal approach to derive the default distribution in the portfolio, accompanied with stochastic recoveries

Given the level of granularity of the pool, as shown by the effective number of 620, Moody's derived the default distribution curves by using the inverse normal density law. To determine such distribution, two main input parameters needed to be assessed:

- The mean default probability of the portfolio, and
- The standard deviation of the default distribution

As regards the first item and given available data, Moody's determined a default contribution for each single entity, basing its analysis on (1) historical information received from the originator for the FTPYME Santander I deal; (2) the historical information received for this deal itself; (3) statistical information from the Spanish SME market; (4) Moody's ratings (whether public or using credit estimates) for some of the companies or their affiliates; (5) performance of similar deals including its predecessors; and (6) other qualitative and pool-derived aspects. The value tested as mean default was in the range of 2.7% - 2.9%.

The standard deviation of the default distribution was determined assuming a fixed pairwise correlation parameter; the resulting coefficient of variation was in the range of 55% - 65%.

The timing of default was assumed to be front-loaded and adjusted to the weighted average life of the pool. Sensitivity scenarios were run to check the strength of ratings with less likely back-loaded timing of default scenarios.

Recoveries were assumed to be normally distributed and correlated with default scenarios. Again, given available data, the distribution parameters were estimated based on (1) historical information received for this deal; (2) statistical information from the Spanish SME market; (3) Moody's statistical information for the EMEA SME and corporate market; (4) mortgages and other type of guarantees in the portfolio; and (5) other qualitative and pool-derived aspects. The mean value assumed for the recovery distribution was in the range of 40% - 50%, while the standard deviation was in the range of 20% - 25%.

Assumptions for prepayments were also tested in Moody's quantitative analysis and were partly derived from historical and statistical information as well as qualitative assessments. The values tested were in the range of 12% - 18%.

Cash-flow modelling in order to determine the rating of the notes

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash-flow model that reproduced many deal-specific characteristics: the main input parameters of the model have been described above. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes as well as the expected average life. Moody's then compared the quantitative values to the Moody's Idealised Expected Loss table to determine the ratings associated to each series of notes.

It is also worth mentioning that Moody's has not taken into consideration the clean-up call in its quantitative modelling. This had a significant effect on the more junior notes. In particular, the Series E notes had an average life close to 20 years according to Moody's quantitative analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

Santander de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

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

RELATED RESEARCH

Visit moodys.com for further details

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:

Analysis

- Banco Santander, S.A., August 2007 (104138)

Credit Opinion

- Banco Santander, S.A., August 2007

Pre-Sale Report

- Fondo de Titulización de Activos Santander Empresas 3, May 2007 (SF98451)
- Fondo de Titulización de Activos Santander Empresas 2, November 2006 (SF86748)

New Issue Report

- FTPYME Santander I, Fondo de Titulización de Activos, September 2003 (SF26681)

Special Report

- Information on EMEA SME Securitisations: Moody's view on granular SME loan receivable transactions and information guidelines, March 2007 (SF92748)
- Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
- Structural Features in the Spanish RMBS Market Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)

Rating Methodologies

- Moody's Approach to Rating Granular SME Transactions in Europe, Middle East and Africa, June 2007 (SF90890)
- Moody's Approach to Rating the CDOs of SMEs in Europe, February 2007 (SF90480)
- FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme", October 2003 (SF27063)
- Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

Performance Overviews

- Fondo de Titulización de Activos Santander Empresas 2
- FTPYME Santander I, Fondo de Titulización de Activos

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