

# F.T.A. Santander Empresas 4

EUR 3,586,000,000 Business and SME's Loan ABS

Originated by Banco Santander, S.A.

*Strictly Private and Confidential*

*Subject to CNMV approval*

*Oct. 2007*

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## Executive Summary - Key Features

### Issuer

- FTA Santander Empresas 4

### Originator/Servicer

- Banco Santander S.A.

### Aggregate Principal Amount

- EUR [3,540] million

### Portfolio

- Loans given to self-employed, SME's and larger companies in Spain

### Settlement Date

- [2] November 2007

### Legal Final Maturity

- [19<sup>th</sup>] July 2050

### Payment Dates

- [19<sup>th</sup>] of January, April, July and October

### First Payment Date

- [21<sup>st</sup>] January 2008

### Listing

- AIAF

### Denomination

- EUR [100,000]

### Swap Counterparty

- Banco Santander S.A.

### Governing Law

- Spanish Law

### Arranger

- Santander de Titulización S.G.F.T., S.A.

### Joint Lead Managers



Source: Banco Santander



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## Executive Summary - Transaction Highlights

### Strong Originator and Manager

- Banco Santander (rated AA/Aa1/AA by Fitch/Moody's/S&P) is the **largest banking group in the Eurozone** by market capitalisation (EUR 85,621 million as of 30<sup>th</sup> June, 2007).
- Grupo Santander is the **most experienced Originator of ABS in Spain** and the **leader in the Spanish securitisation market (European second largest market)**
- Demonstrated track record and **16%** market share (Dec. 2006), having executed more than **40 securitisations** since 1992 (the year of establishment of the Spanish securitisation legal framework)
- Santander de Titulización S.G.F.T., S.A., established in 1992, is the **oldest securitisation fund manager in Spain**. At present it manages 43 funds for an amount of EUR 41 billion and the only Spanish commercial paper conduit.
- This is the 4<sup>th</sup> securitisation under the Santander Empresas Programme. Previous issues were Santander Empresas 1, closed in November 2005 for an amount of EUR 3,200mn, Santander Empresas 2, closed in December 2006 for an amount of EUR 2,954mn, and Santander Empresas 3, closed in May 2006 for an amount of EUR 3.545mn

### High Quality Collateral

- F.T.A. Santander Empresas 4 is a securitisation of EUR [3,540] million worth of loans granted to SMEs, larger companies and self-employed individuals domiciled in Spain
- The preliminary portfolio consist of [18,535] loans, with an average loan size of EUR [207,915.63] and a [82.41]% of the loans with an outstanding balance of less than EUR [200,000]
- The portfolio benefits from high granularity with a maximum obligor concentration of [1.1]% and the largest ten obligors accounting for [8.04]%
- The loans are well diversified across [19] Spanish regions, following a geographic concentration that follows both Spanish GDP per region and enterprise regional distribution
- 35% of the loans enjoy the extra guarantee of a first ranking guarantee

### Transaction Structure

- The amortisation of the Notes will occur **sequentially**, except for the Classes A Notes (A1, A2 and A3), which amortise sequentially amongst them unless certain performance triggers are hit, where they will amortise on a pro-rata basis
- FTA Santander Empresas 4 benefits from an *artificial write-off* mechanism in the 12<sup>th</sup> month, by which it speeds up the removal from the balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised
- Credit enhancement is provided by excess spread (via a guaranteed spread swap guaranteeing the interest rate of the notes plus 60 bps of gross excess spread, this also covers the servicing fee in case of the replacement of Santander as servicer) and note subordination
- The transaction structure also benefits from additional sources of credit support and liquidity, including the Cash Reserve fund fully funded at closing
- A **reserve fund** of EUR [46] million, **fully funded** at closing of the transaction from the proceeds of Class F Notes, will be in place to cover any potential shortfall on interest and principal

Source: Banco Santander

# Executive Summary - Capital Structure

Note Description	Class A1 Notes [Offered]	Class A2 Notes [Offered]	Class A3 Notes [Offered]	Class B Notes [Not Offered]	Class C Notes [Not Offered]	Class D Notes [Soft Circled]	Class E Notes [Soft Circled]	Class F Notes [Retained]
Amount in Euros	EUR [830.2] million	EUR [1,763.6] million	EUR [622.3] million	EUR [90.2] million	EUR [97.4] million	EUR [79.7] million	EUR [56.6] million	EUR [46] million
Credit Enhancement <sup>1</sup>	[10.45%]	[10.45 %]	[10.45%]	[7.90%]	[5.15%]	[2.90%]	[1.30%]	
Expected Rating (Fitch / Moody's / S&P)	[AAA / Aaa / AAA]	[AAA / Aaa / AAA]	[AAA / Aaa / AAA]	[AA- / Aa3 / AA]	[A / A3 / A]	[BBB / Baa3 / BBB]	[BB- / Ba2 / BB-]	[CC / C / CCC-]
Expected BIS II Weighting <sup>2</sup>	[7]%	[7]%	[7]%	[15%]	[20%]	[75%]	[650%]	N/A
Payment Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Final Legal Maturity	[19 July 2050 ]	[19 July 2050]	[19 July 2050]	[19 July 2050]	[19 July 2050]	[19 July 2050]	[19 July 2050]	[19 July 2050]
Expected Final Amortisation Date <sup>3</sup>	[17 July 2008]	[17 January 2012]	[17 January 2017]	[17 January 2017]	[17 January 2017]	[17 January 2017]	[17 January 2017]	[17 January 2017]
Repayment	Fully Sequential except if performance triggers are hit	Fully Sequential except if performance triggers are hit	Fully Sequential except if performance triggers are hit	Fully Sequential	Fully Sequential	Fully Sequential	Fully Sequential	In line with Reserve Fund release amounts
Estimated Weighted Average Life (Years) <sup>3</sup>	[0.40]	[2.18]	[6.31]	[9.22]	[9.22]	[9.22]	[9.22]	[7.83]
Interest	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360	Floating - Act / 360
	3m EURIBOR + [12] bps	3m EURIBOR + [25] bps	3m EURIBOR + [34] bps	3m EURIBOR + [40] bps	3m EURIBOR + [60] bps	3m EURIBOR + [130] bps	3m EURIBOR + [350] bps	3m EURIBOR + [65] bps

<sup>1</sup> Plus [60] bps guaranteed spread swap

<sup>2</sup> Ratings Based Approach – Basel Committee on Banking Supervision, June 2004

<sup>3</sup> Assumptions include: (i) All loans are subject to a [5]% CPR; (ii) no loan of the initial pool is substituted during the life of the transaction; (iii) no modifications to the terms of any of the loans within the initial pool; (iv) [0.25]% annual arrears over 90 days; (v) with a [70]% recovery rate between 90 days and 12 months later; (vi) [0.10]% defaults with 0% recovery (vii) the Clean-up Call is exercised; and (viii) the Classes A1, A2 and A3 are not amortised on a pro-rata basis

Source: Banco Santander

## Executive Summary - Portfolio Highlights

- **Highly granular** portfolio: [18,535] loans
- **Conservative CPR** assumption: 5%
- **Average loan size** of EUR [207,916]
- Under Spanish legal framework, **all debtors are fully liable<sup>1</sup>**: consequently, all loans carry a **full corporate guarantee**. In addition, [34.69%] of the loans benefit from a **first-lien commercial mortgage**
- The most concentrated geographical areas in the portfolio are those with higher contribution to Spanish GDP and, also, with a higher number of registered enterprises
- The industries with the highest concentrations are the most active in the Spanish economy

Santander Empresas 4 Portfolio Highlights	
Number of Loans	[18,535]
Average Loan Size	[207,916]
Mortgage Guarantee	[34,69%]
WA LTV	[82,02%]
Largest 10 Obligors (%)	[8,04%]
<b>Seasoning, Term</b>	
WA Seasoning (months)	[10,36]
WA Time to Maturity (months)	[96,12]
<b>Interest Rate</b>	
WA Interest Rate	[4,95%]
Min Interest Rate	[1,04%]
Max Interest Rate	[18,00%]
% of Fixed Interest Rate Loans	[8,79%]
WA Fixed Interest Rate	
<b>Geographic Concentration</b>	
Madrid	[20,84%]
Catalonia	[15,46%]
Andalusia	[14,70%]
Valencia	[9,76%]
<b>Type of Borrower</b>	
Self-Employed	[13,55%]
Micro-Enterprise	[24,68%]
SME's	[19,2%]
Enterprise	[30,99%]
Large Enterprise	[11,57%]
<b>Top 5 Industry Group Concentration</b>	
Real Estate office	[33,60%]
Construction	[9,70%]
Other managements activities	[6,77%]
Wholesale trade	[5,14%]
Retail trade	[4,10%]

(1) In case of delinquency, the debtor can be enforced to satisfy all defaulted amounts with up to the totality of their assets, even if those were not specifically in place for that transaction

Source: Banco Santander



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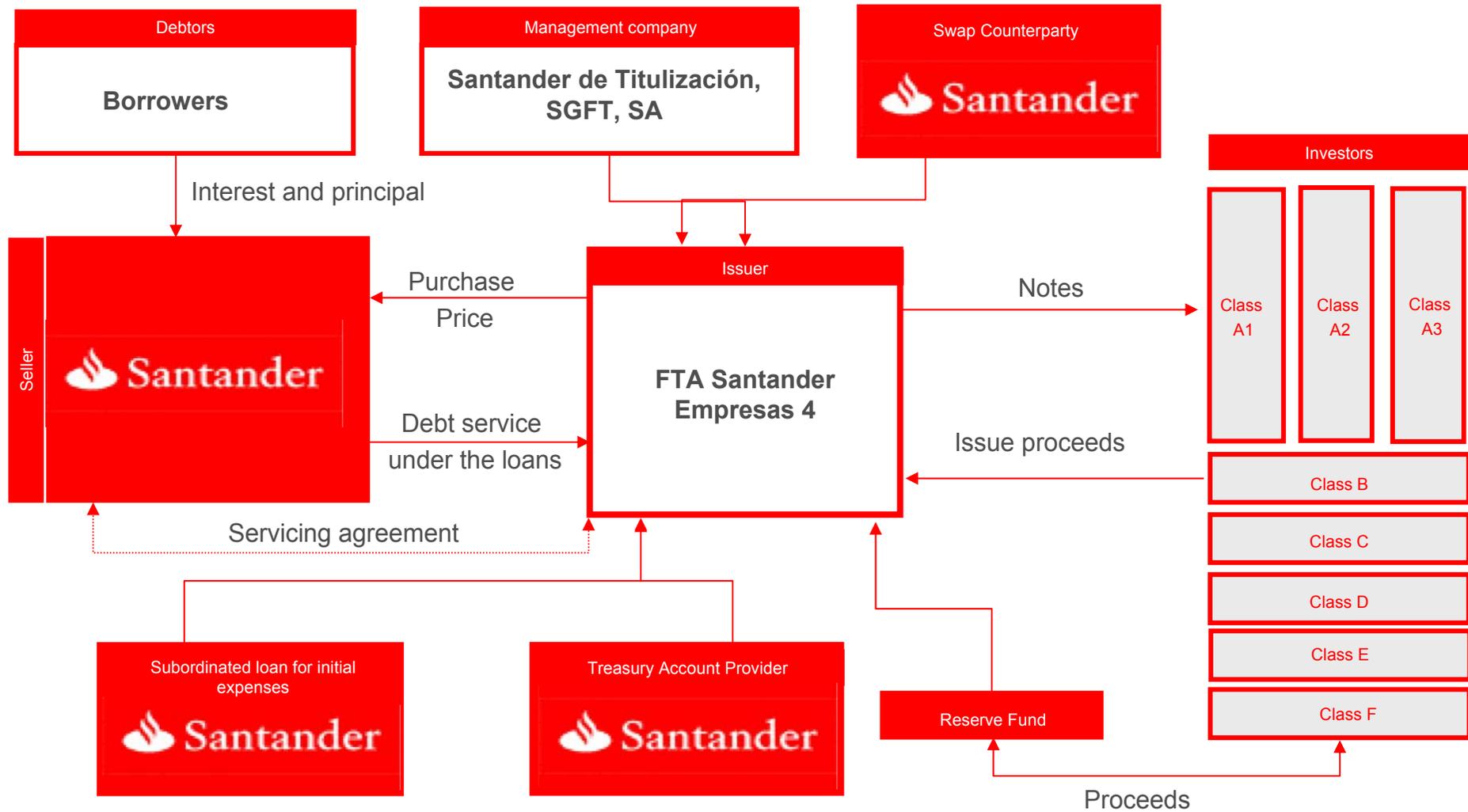
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## Structure Overview

- On the Closing Date, FTA Santander Empresas 4 will purchase and accept assignment of a portfolio of company loans originated by Banco Santander (the “Portfolio”).
- To fund this purchase, FTA Santander Empresas 4 will issue seven classes of collateralised notes, the Classes A1 through E Notes and one class of non-collateralised notes, the Class F Notes. The proceeds from the Class F Notes will be used to fund the Reserve Fund.
- The Notes are pass-through securities. Principal collections received in respect of the collateral will be used to redeem the principal value of the Classes A to E Notes; Reserve Fund release amounts will be used to redeem the principal value of the Class F Notes.
- Note holders will be repaid on a sequential basis unless a pro-rata trigger is hit. If such a trigger is hit, the notes will amortise on a pro-rata.
- The pro-rata trigger on the Class A Notes is as follows:
  - If the Outstanding of all loans in the portfolio with any instalment in arrears  $\geq 3$  months and  $\leq 12$  months represents more than [1.5]% of the non-defaulted<sup>1</sup> Outstanding Balance of the Loans, the Classes A Notes (A1, A2 and A3) will be re-paid on a pro-rata basis.

(1) That is, with no instalment in arrears for more than 12 months

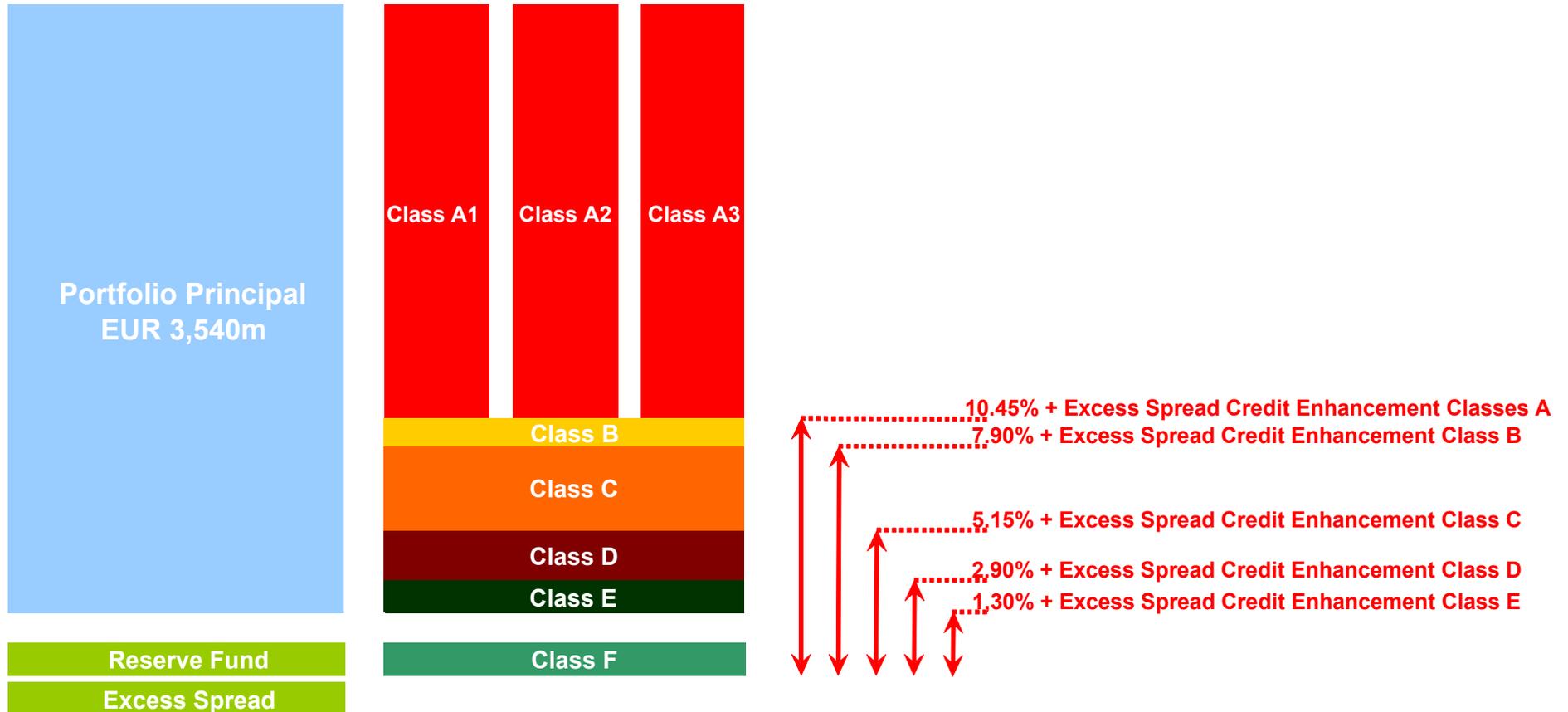
# Transaction Structure



Source: Banco Santander

# Transaction Structure (cont'd)

- Issue and Collateral Amount: Credit Enhancement



- The Notes are pass-through with repayment on a sequential basis
- The Issuer has a clean-up call option at 10% of the initial balance

Source: Banco Santander

## Credit Support

- **Excess Spread** – Should any losses be realised, excess spread is first used to cover those losses through the priority of payments. Excess spread is guaranteed for a gross amount of [60] bps through the swap. It is estimated that this amount is likely to come down to [57-58] bps net due to senior expenses <sup>1</sup>.
- **Reserve Fund** – Where excess spread is insufficient to cover losses, amounts may be drawn from the Reserve Fund for this purpose. The Reserve Fund is fully funded at closing ([1.30]% or EUR [46] million). The maximum Reserve Fund during the life of the transaction will be calculated according to a formula described in the following slide.
- **Subordination** – In the unlikely event that losses exceed the above resources, the uncovered amounts will be allocated to investors in reverse seniority order.
- FTA Santander Empresas 4 transaction includes **Performance Triggers** that govern:
  - Release of funds from the Cash Reserve
  - Artificial write-off mechanism trapping of excess spread to cover future losses
  - Pro-rata versus sequential amortisation for Classes A Notes
- In addition, protection against losses is enhanced through an **interest deferral mechanism**:
  - The payment of interest on the Series B, C, D and E notes will be brought to a more junior position if the following criteria are met:
    - B Series: written-off loans > [8.95]% of the initial amount, and more senior notes are not redeemed.
    - C Series: written-off loans > [6.50]% of the initial amount, and more senior notes are not redeemed.
    - D Series: written-off loans > [4.80]% of the initial amount, and more senior notes are not redeemed.
    - E Series: written-off loans > [3.90]% of the initial amount, and more senior notes are not redeemed.

Source: Banco Santander

(1) Senior Expenses are composed of retribution of the Sociedad Gestora, rating agencies annual fees, auditors annual fees, etc.



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# Hedging and Liquidity Support

## INTEREST RATE SWAP

- Santander (Aa1/AA/AA) guarantees via the interest rate swap a gross level of excess spread equal to [60] bps on a notional amount equal to the outstanding balance of the performing assets (performing assets defined as current or not in arrears for longer than 90 days and excluding written-off loans)
- The issuer pays the equivalent of all interest actually received from the pool
- The issuer receives an amount equal to the sum of (i) 3-month Euribor, (ii) the weighted average margin applicable to the notes, (iii) [0.60]% on a swap notional which is equal to the outstanding balance of the performing assets (performing assets defined as current or not in arrears for longer than 90 days and excluding written-off loans)

## EXCESS SPREAD

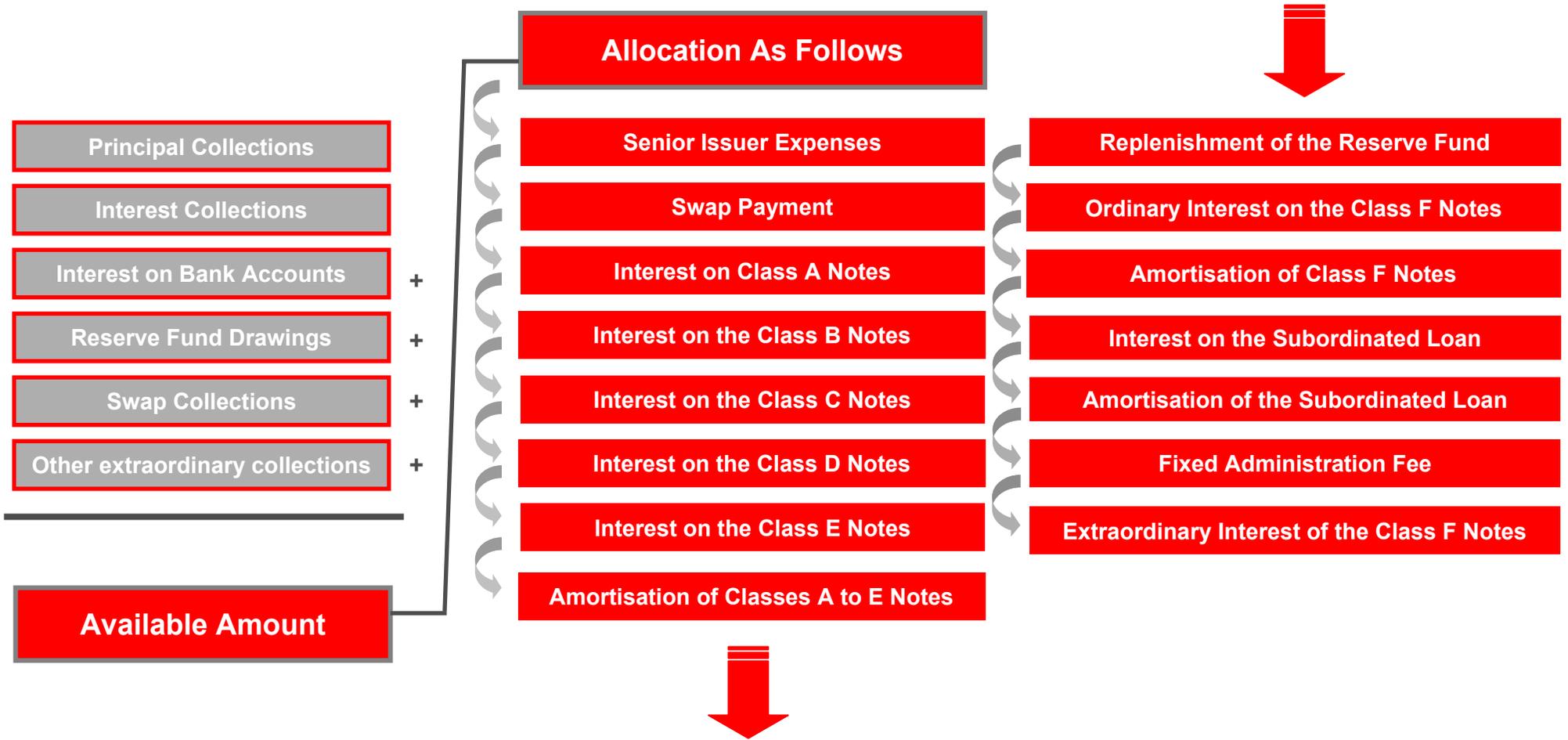
- Excess spread will be used to meet any shortfalls before its release to the ultimate beneficiaries

## CLASS F / RESERVE FUND

- Initial Amount: EUR [46] million. Fully funded on the Closing Date
- The Reserve Fund will be initially funded by the Class F and shall be equal to the lower of:
  - EUR [46] million; and
  - The higher of:
    - [1.30]% of the outstanding principal balance of the notes (except class F); and
    - [2.60] % of the initial principal balance of the notes (except class F)
- The size of the Cash Reserve will not be reduced between two subsequent Payment Dates if either:
  - Within the first 3 years of the transaction in any case.
  - The ratio defined as: (i) the outstanding balance of defaulted loans (more than 12 months in arrears); divided by (ii) the outstanding balance of the loans, is equal to, or greater than 1%; or
  - The Cash Reserve was not at its required level on the previous Payment Date
  - If the net accumulated loss is greater than 1% of the initial balance of the assets

Source: Banco Santander

# Priority of Payments – Standard Application of Funds



Source: Banco Santander

## Priority of Payments – Exceptional Application of Funds

Exceptionally, the normal order of funds application may be changed in case that certain events occur:

- If a Back-up Servicer is activated, its fees will be number 1 in the Revenue Priority of Payments
- Interest deferral triggers will bring interest payment on the B, C, D and E notes to a more junior position (without affecting the overall subordination of the notes) upon certain conditions being triggered:
  - Series B: Gross cumulative outstanding balance of Loans in Default is greater than [8.95]% of the initial amount of the Assets and A series are not redeemed in full
  - Series C: Gross cumulative outstanding balance of Loans in Default greater than [6.50]% of the initial amount of the Assets and A & B series are not redeemed in full
  - Series D: Gross cumulative outstanding balance of Loans in Default greater than [4.80]% of the initial amount of the Assets and A, B & C series are not redeemed in full
  - Series E: Gross cumulative outstanding balance of Loans in Default greater than [3.90]% of the initial amount of the Assets and A, B, C & D series are not redeemed in full

## Principal Allocation Priority

- **Paydown Rules**

- Payments of principal on each of the Classes A to E Notes will be made on a sequential amortisation basis, as opposed to pro-rata, starting by Class A1 and ending on Class E. No class of Notes will start amortising until the previous one has been redeemed in full

- **Exceptional Paydown Rules**

- If the Outstanding Balance of the loans with instalments in arrears  $\geq 3$  months and  $\leq 12$  months represents more than [1.5]<sup>1</sup>% of the non-defaulted<sup>1</sup> Outstanding Balance of the Loans, Classes A will start amortising on a pro-rata basis



Source: Banco Santander

(1) That is with no installment in arrears for more than 12 months

## WAL Sensitivity at Different Prepayment Speeds

CPR	3%	5%	7%
<b>CLASS A1</b>			
WAL (YEARS)	[0,42]	[0,40]	[0,39]
DURATION (YEARS)	[0,39]	[0,38]	[0,37]
FINAL MATURITY	[17/07/2008]	[17/07/2008]	[17/07/2008]

CPR	3%	5%	7%
<b>CLASS A3</b>			
WAL (YEARS)	[7,02]	[6,31]	[5,75]
DURATION (YEARS)	[5,27]	[4,86]	[4,51]
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

CPR	3%	5%	7%
<b>CLASS C</b>			
WAL (YEARS)	[10,22]	[9,22]	[8,46]
DURATION (YEARS)	[6,57]	[6,42]	[6,05]
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

CPR	3%	5%	7%
<b>CLASS E</b>			
WAL (YEARS)	[10,22]	[9,22]	[8,46]
DURATION (YEARS)	[5,66]	[5,36]	[5,09]
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

CPR	3%	5%	7%
<b>CLASS A2</b>			
WAL (YEARS)	[2,34]	[2,18]	[2,04]
DURATION (YEARS)	[2,04]	[1,91]	[1,80]
FINAL MATURITY	[17/07/2012]	[17/01/2012]	[17/10/2011]

CPR	3%	5%	7%
<b>CLASS B</b>			
WAL (YEARS)	[10,22]	[9,22]	[8,46]
DURATION (YEARS)	[6,99]	[6,51]	6,12
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

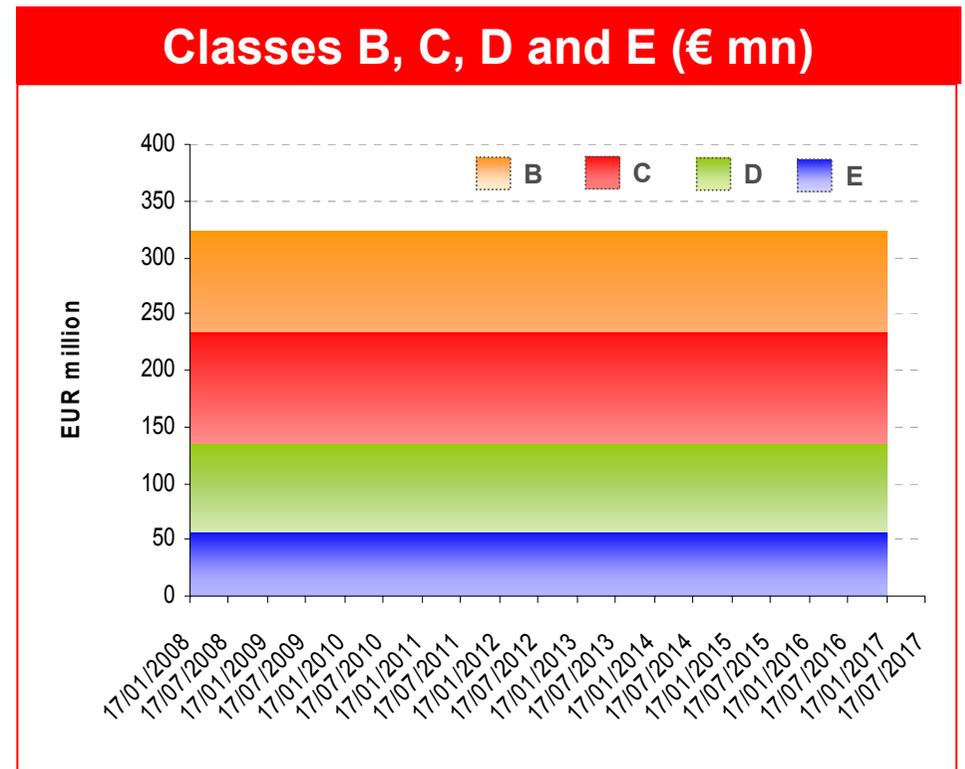
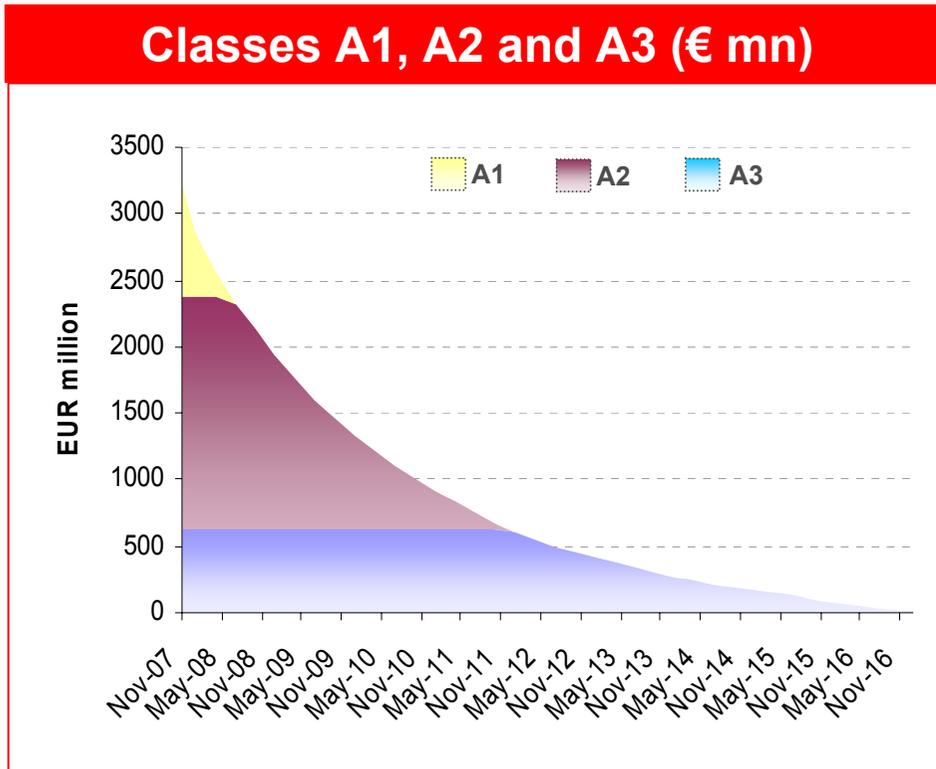
CPR	3%	5%	7%
<b>CLASS D</b>			
WAL (YEARS)	[10,22]	[9,22]	[8,46]
DURATION (YEARS)	[6,57]	[6,15]	[5,80]
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

CPR	3%	5%	7%
<b>CLASS F</b>			
WAL (YEARS)	[8,61]	[7,83]	[7,25]
DURATION (YEARS)	[5,92]	[5,55]	[5,26]
FINAL MATURITY	[17/01/2018]	[17/01/2017]	[17/04/2016]

Assumptions include: (i) All loans are subject to a [5%] CPR; (ii) no loan of the initial pool is substituted during the life of the transaction; (iii) no modifications to the terms of any of the loans within the initial pool; (iv) [0.25%] annual arrears over 90 days; (v) with a [70%] recovery rate between; 90 days and 12 months later; (vi) [0.10%] defaults with 0% recovery (vii) the Clean-up Call is exercised; and (viii) the Classes A1, A2 and A3 are not amortised on a pro-rata basis .

Source: Banco Santander

# Expected Amortisation Profile of the Notes



NOTE: Assumptions include:

- (i) All loans are subject to a [5]% CPR;
- (ii) no loan of the initial pool is substituted during the life of the transaction;
- (iii) no modifications to the terms of any of the loans within the initial pool;
- (iv) [0.25]% delinquencies with a recovery rate of [70]% between 90 days and 12 months later;
- (v) [0.10]% of defaults with [0]% recoveries
- (vi) the Clean-up Call is exercised; and (vii) the Classes A1, A2 and A3 are not amortised on a pro-rata basis

Source: Banco Santander

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## Origination & Approval: a Successful Risk Model



### Segmentation

- Borrowers are split into two categories. Each category applies different risk management methodologies, reflecting the different risk behaviours. These categories are:
  - **Analyst Management:** actual or potential risk within the Bank over EUR 500,000 (inclusion in portfolio).
  - **Systematic Management:** actual or potential risk within the Bank less than EUR. 500,000<sup>1</sup>

### Integrity

- All the risk related processes within the group (origination, monitoring and recovery) are managed from a single department: the Credit Risk Department. This allows for a homogeneous policy for all risks within Banco Santander.
- The Commercial Banking Risk Group is in charge of the origination and monitoring processes.
- The Recoveries Group is in charge of the recovery process.

### Independence

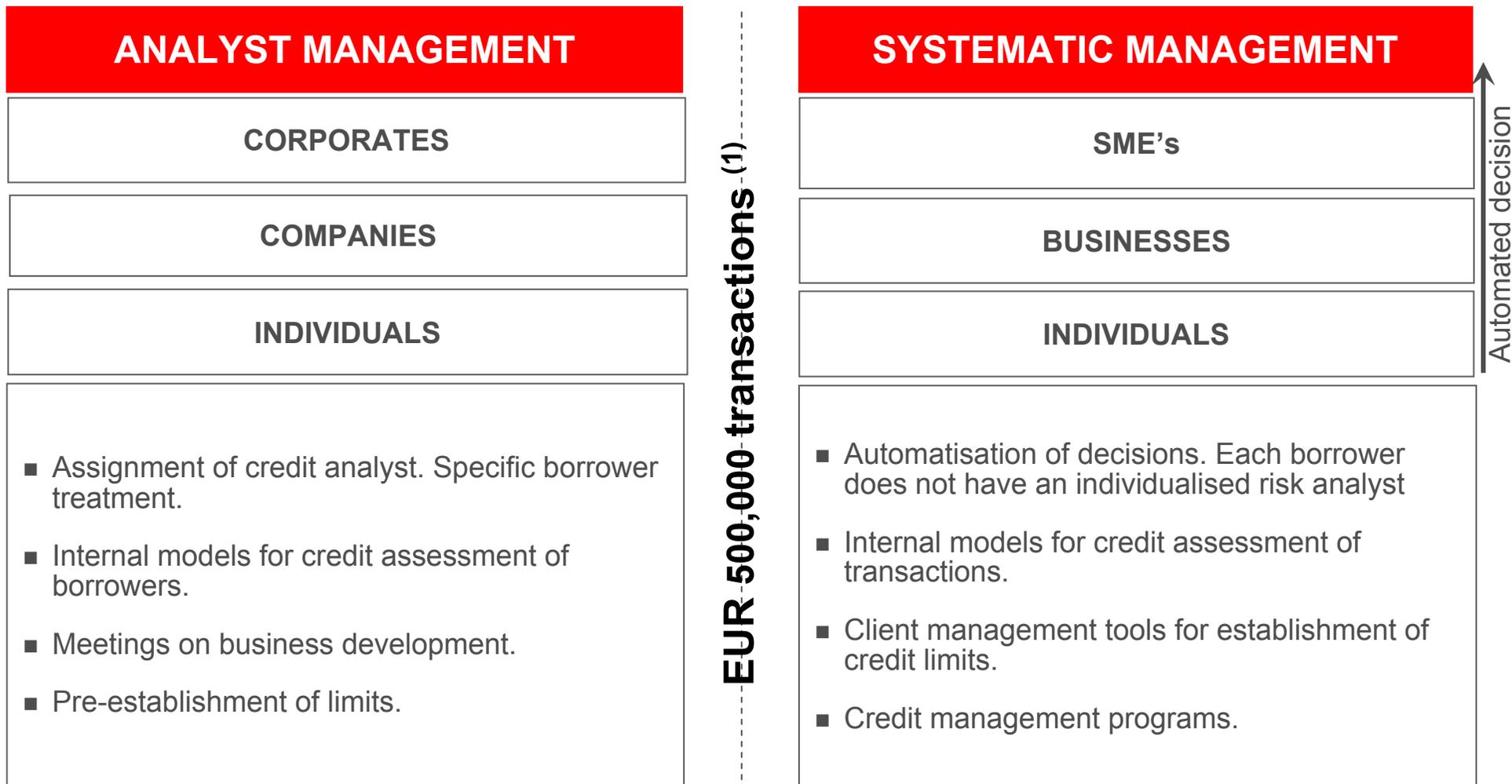
- Banco Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area monitors the Commercial Area in all the processes.
- The risk management objectives for both areas are the same, in order to ensure no discrepancies between areas.

Source: Banco Santander

<sup>(1)</sup> In some very specific cases, despite the potential risk of the customer being over EUR 500,000, if it is believed that there will not be considerable business with this customer, the operation may fall under *Systematic Management*



# Origination & Approval: Risk Management Perimeter

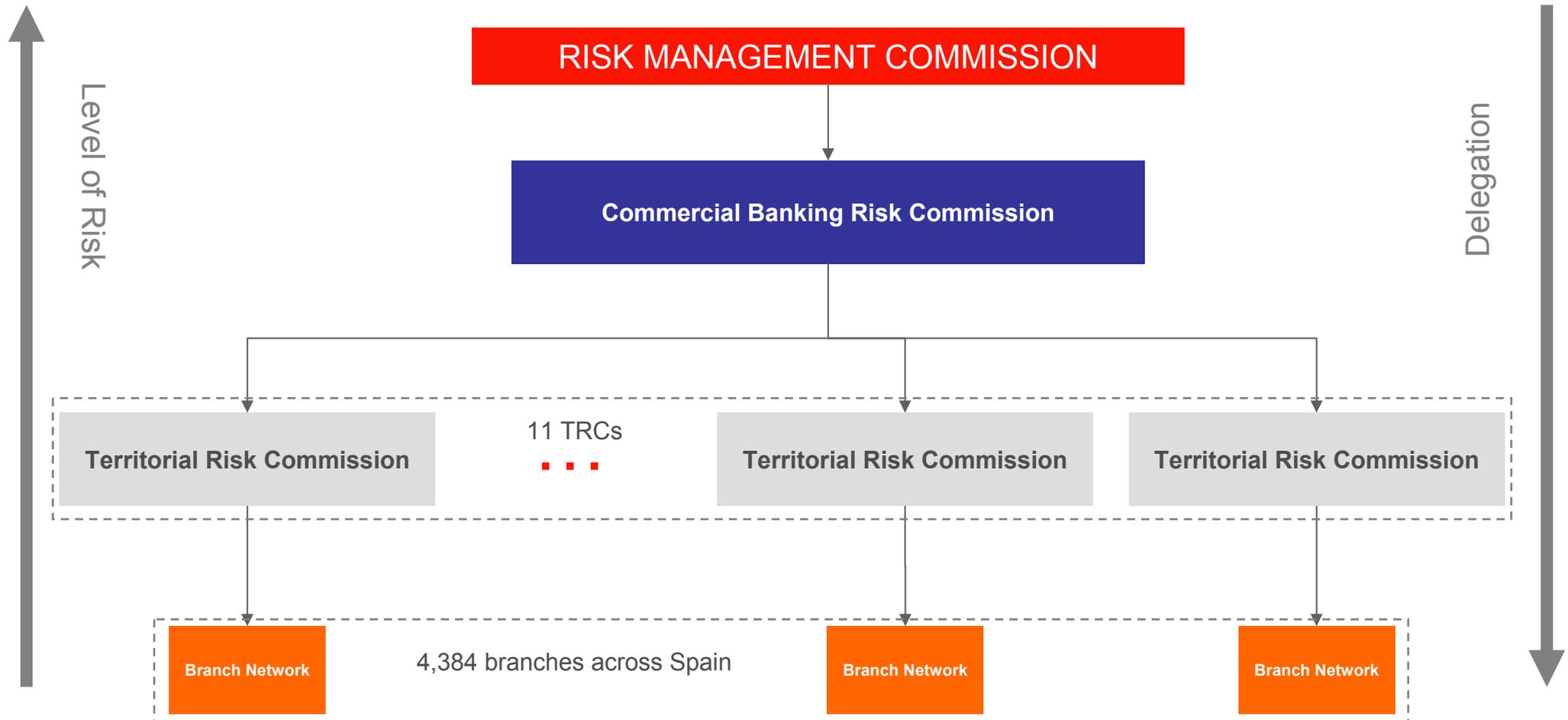


Source: Banco Santander

<sup>(1)</sup> In some very specific cases, despite the potential risk of the customer being over EUR 500,000, if it is believed that there will not be considerable business with this customer, the operation may fall under *Systematic Management*

# Origination & Approval: Risk Approval and Delegation Structure

- ◆ The Risk Area includes 615 people inside the Banco Santander:



Source: Banco Santander

## Origination & Approval: Analyst Management

### Rating Assignment Process

- Santander rating model follows an **analytic approach**: it defines analysis areas that have to be independently valuated, with the final rating being a **weighted average** of the different areas' valuation

Area	Valuation	Description
Product / Demand / Market	20%	50% valuation of the environment (country, sector, market, etc.) 50% relative position among their competitors
Shareholders / Managers	15%	50% shareholders and 50% managers
Access to Credit	10%	Ability to get credit in the banking system and/or capital markets
Profitability	15%	Ability to generate income in the next future
Resource Generation	25%	Ability to generate cashflow within its normal business
Solvency	15%	Ability to "survive" in a long-medium term

- Each area must be valued from 1 (Ca/CC) to 9.3 (Aaa/AAA), in increments of 0.1 points
- Each customer rating is reviewed at least twice a year

Source: Banco Santander

## Origination & Approval: Analyst Management

### Rating Definition, Scale and Mapping

- Santander's Rating System target is to measure the default probability of each counterparty.
- It's a local rating: It's the default probability of the senior liabilities, pari passu, under domestic legislation, in any currency, assuming no existence of any restriction to access foreign currency.
- There is a direct relationship between rating and default probability.
- It uses a single scale that includes any default event excluding transfer risk and convertibility risk.

Santander mapped rating with main rating Agencies and Default probabilities.			
Internal rating	Moody's	Standard & Poors	Def. Probl. 1 year
9,3	Aaa	AAA	0,017%
9,2	Aa1	AA+	0,018%
9,0	Aa2	AA	0,022%
8,5	Aa3	AA-	0,035 %
8,0	A1	A+	0,056 %
7,5	A2/A3	A/A-	0,089 %
7,0	A3/Baa1	A-/BBB+	0,142 %
6,5	Baa1/Baa2	BBB+/BBB	0,226 %
6,0	Baa2	BBB	0,361 %
5,5	Baa3	BBB-	0,575 %
5,0	Ba1	BB+	0,917 %
4,5	Ba2	BB	1,461 %
4,0	Ba3	BB-	2,330 %
3,5	B1	B+	3,714 %
3,0	B1/B2	B+/B	5,922 %
2,5	B2	B	9,441 %
2,0	B3	B-	15,051 %
1,5	Caa1	CCC	23,996 %
1,0	Ca	CC	38,257 %

Source: Banco Santander

## Follow Up: Analyst Management

### Clients in special surveillance situation (FEVE)

#### RISK ANTICIPATION ACTION. PLAN AND TIMELINE

DEGREE	DEFINITION	POLICIES TO FOLLOW
TO REMOVE (1 <sup>st</sup> Degree)	The decision to leave was taken (showing the date if it is possible)	Remove all the risk
TO ASSURE (2 <sup>nd</sup> degree)	We try and can obtain guarantees for a client whom we want to work with	Assure with real guarantees Assure with personal guarantees
TO REDUCE (3 <sup>rd</sup> degree)	We want to continue operating, but at another level	Reduce risk of short/long term Reduce risk of a specific range
TO CONTINUE (4 <sup>th</sup> grade)	There's a minor worry. We are waiting for some new information or event	Not to increase risk Attend with normality

Source: Banco Santander

## Follow Up: Analyst Management

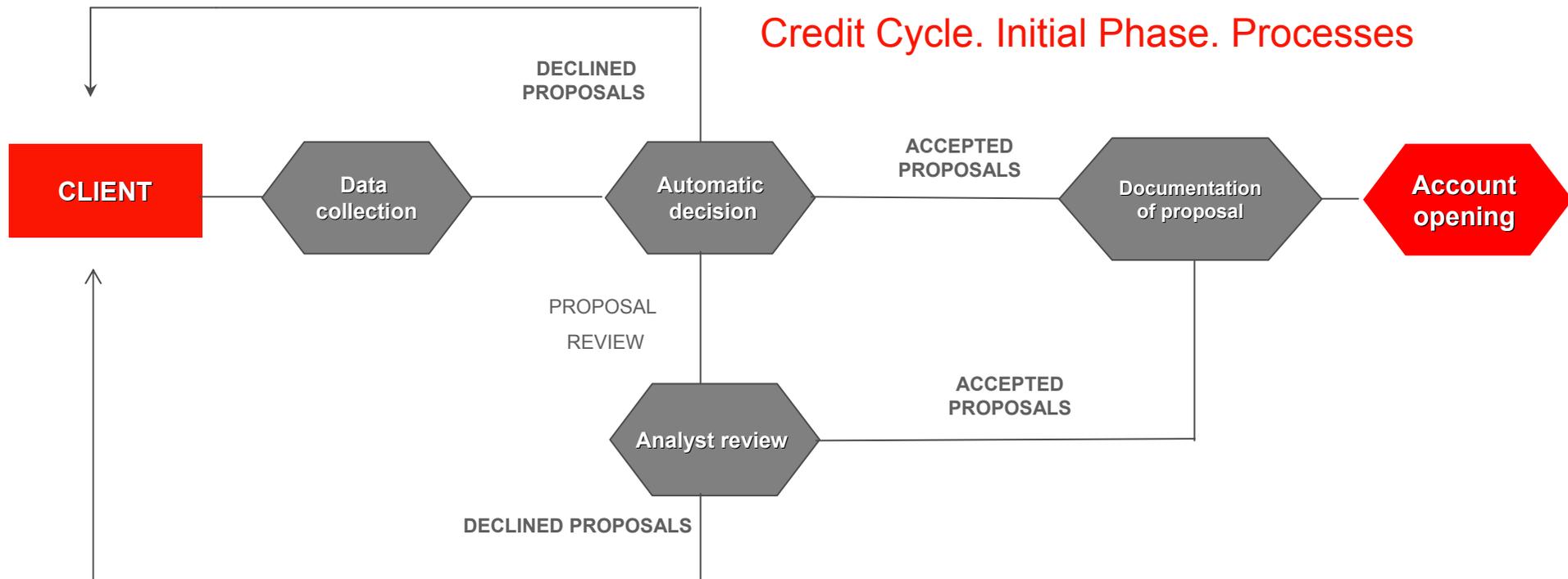
### Rating Reviews

- Half-yearly reviews will be done for:
  - Pre-classified Companies
  - Companies in FEVE To Continue (limits lower than or equal to EUR 1 million)
- Quarterly reviews will be done for:
  - For clients qualified in Serious FEVE\* (with independence of the amount and the degree)
  - For clients qualified in To Continue FEVE (limits bigger than EUR 1 million)
- A review will be done also if:
  - There is any relevant information that advices a review
  - An operation is solved by significant amount in relation to risks supported with the company

(\* ) Serious FEVE: To reduce, to assure, to remove

Source: Banco Santander

# Origination & Approval: Systematic Management



## DATA COLLECTION

- Application, Applicant's data
- Data provided
- Data researched: Externally and Internally
- Electronic Applications. Documentation does not travel

## DECISION

### Automatic System:

- Scoring
- Decision rules
- Strategy

### Manual System:

- Analysts
- Procedure

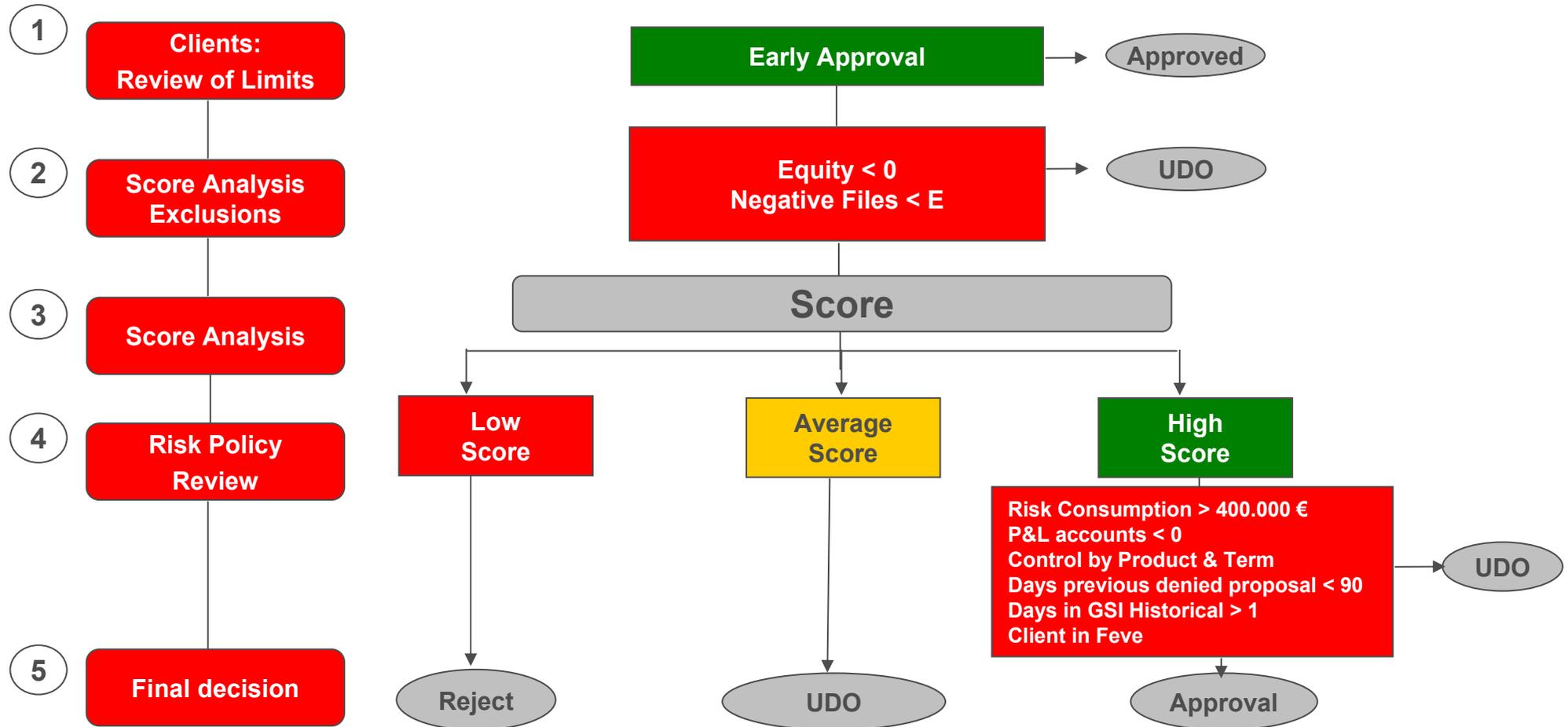
## DOCUMENTATION

- Verification of data compiled in application
- Identification and signature of all parties to transaction
- Perfection of contractual documentation

Source: Banco Santander

# Origination & Approval: Systematic Management

## Credit Cycle. Admission Phase. Automated Decision Model



Source: Banco Santander

## Origination & Approval: Systematic Management

### Evaluation of Applications by Analysts

Applications where:

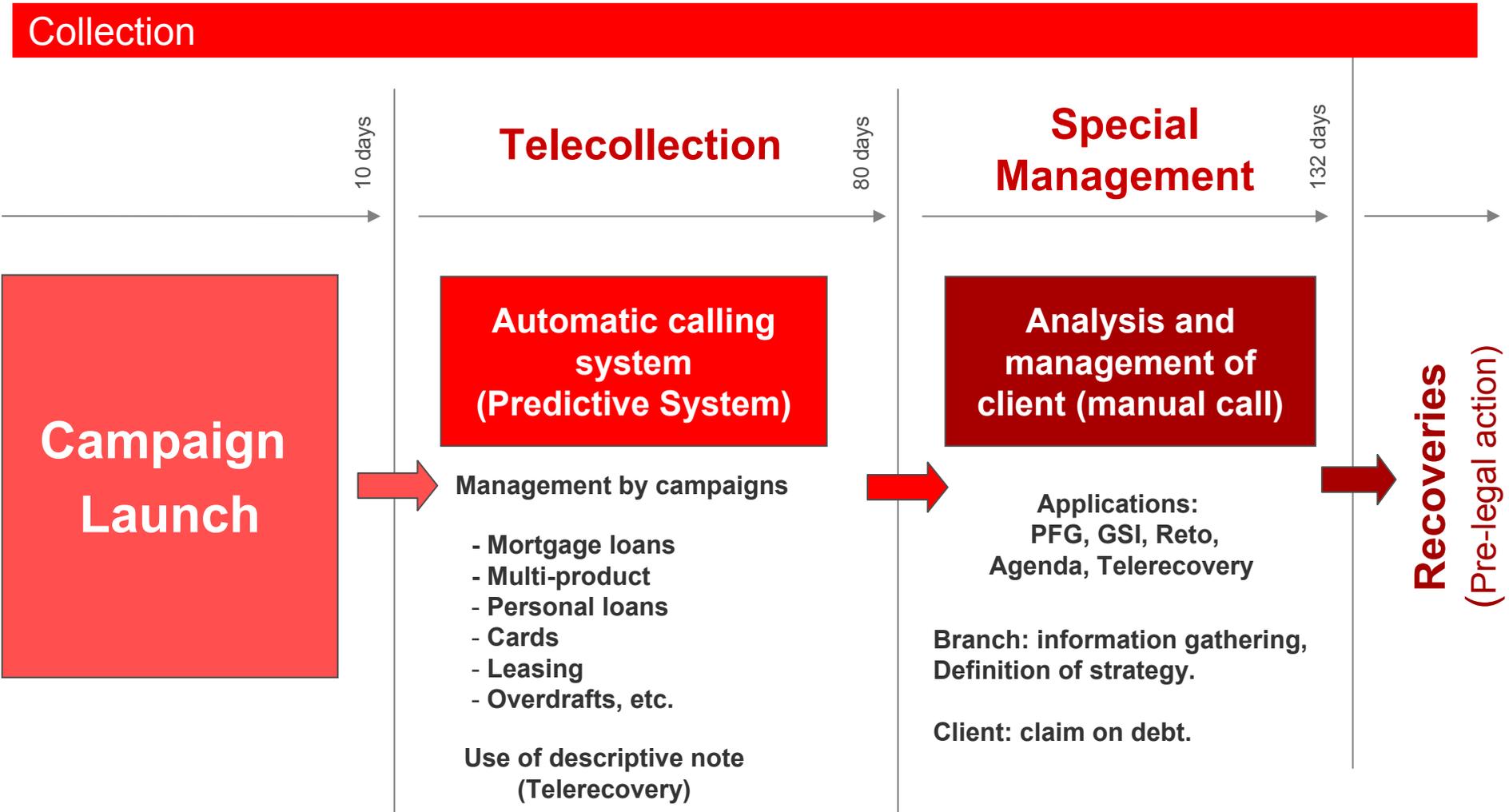
- The automatic resolution falls under “**Grey Zone**” or “**Manual Review**”.
- The automatic resolution was “**application rejected**” and a reconsideration has been requested.

**Operations to be reviewed by risk authorisation centre.**

- ✓ **95 Analysts located in Operation Decision Units decentralized in 11 Territorials that allow major proximity client/analyst**
- ✓ **Specialization in Business Operation: Territorial UDO’s specialized in operations purpose business.**
- ✓ **Rapid Response: high levels of efficiency & productivity**
- ✓ **Independence in decision-making**
- ✓ **UDO analyst’s analysis added to automatic decision system result**

Source: Banco Santander

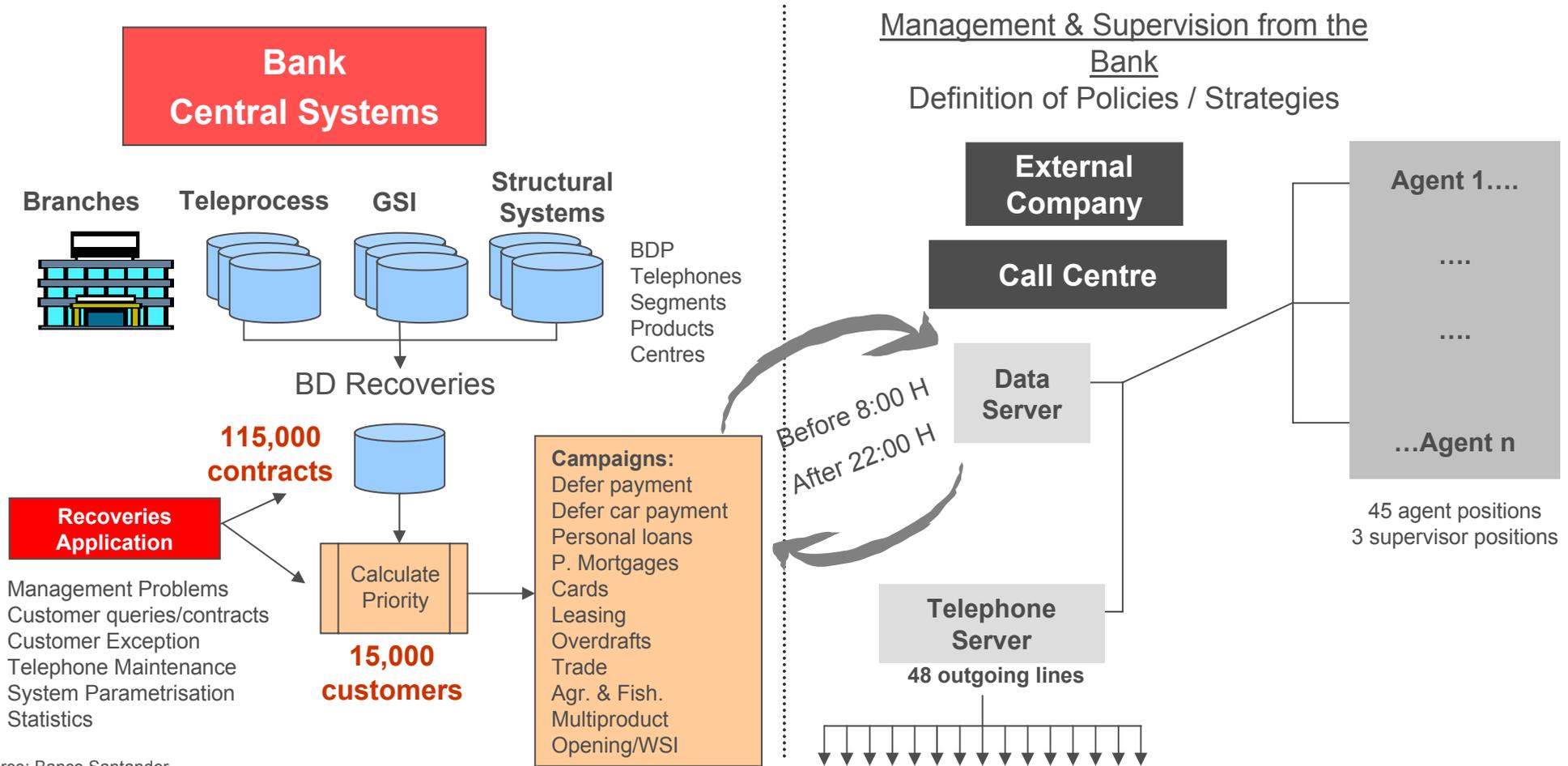
# Follow Up: Systematic Management



Source: Banco Santander

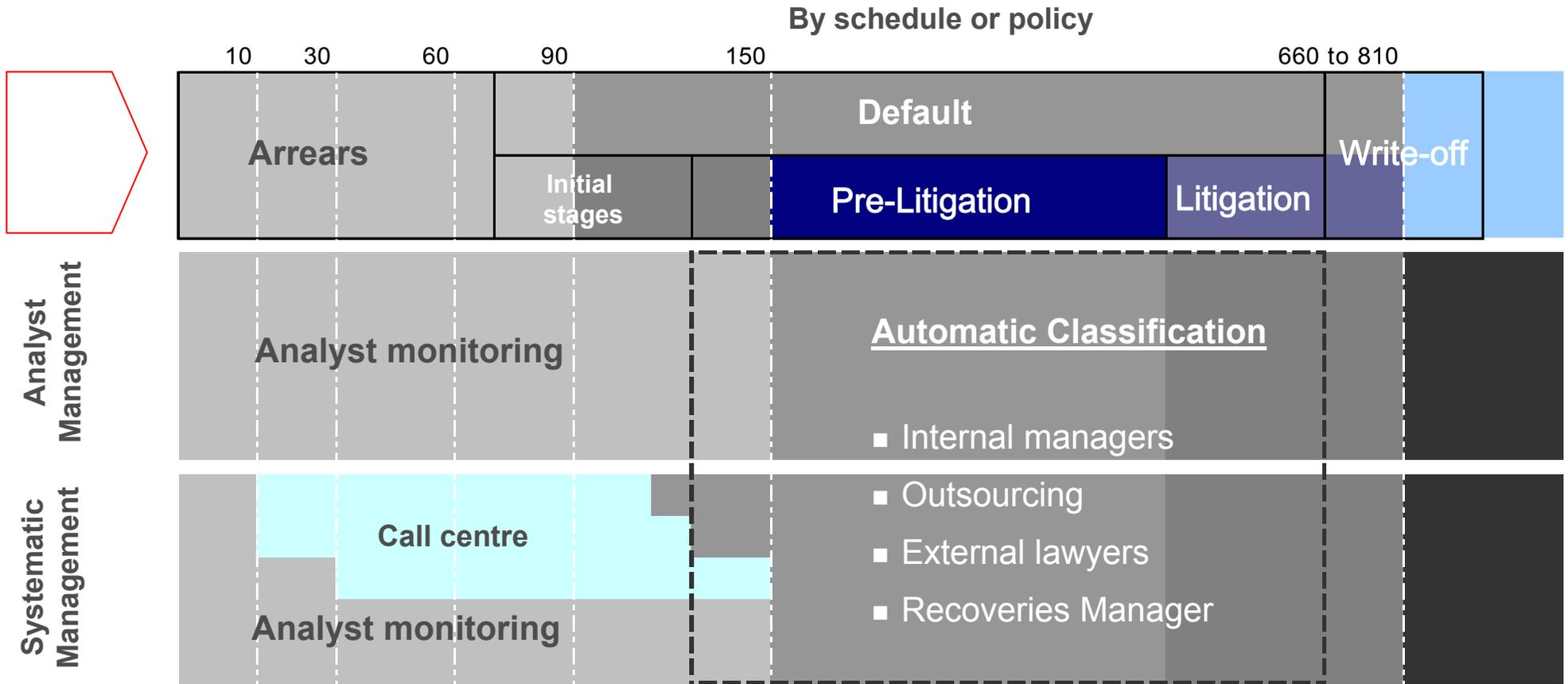
# Follow Up: Systematic Management

## Collection: Reporting & Systems Circuit



Source: Banco Santander

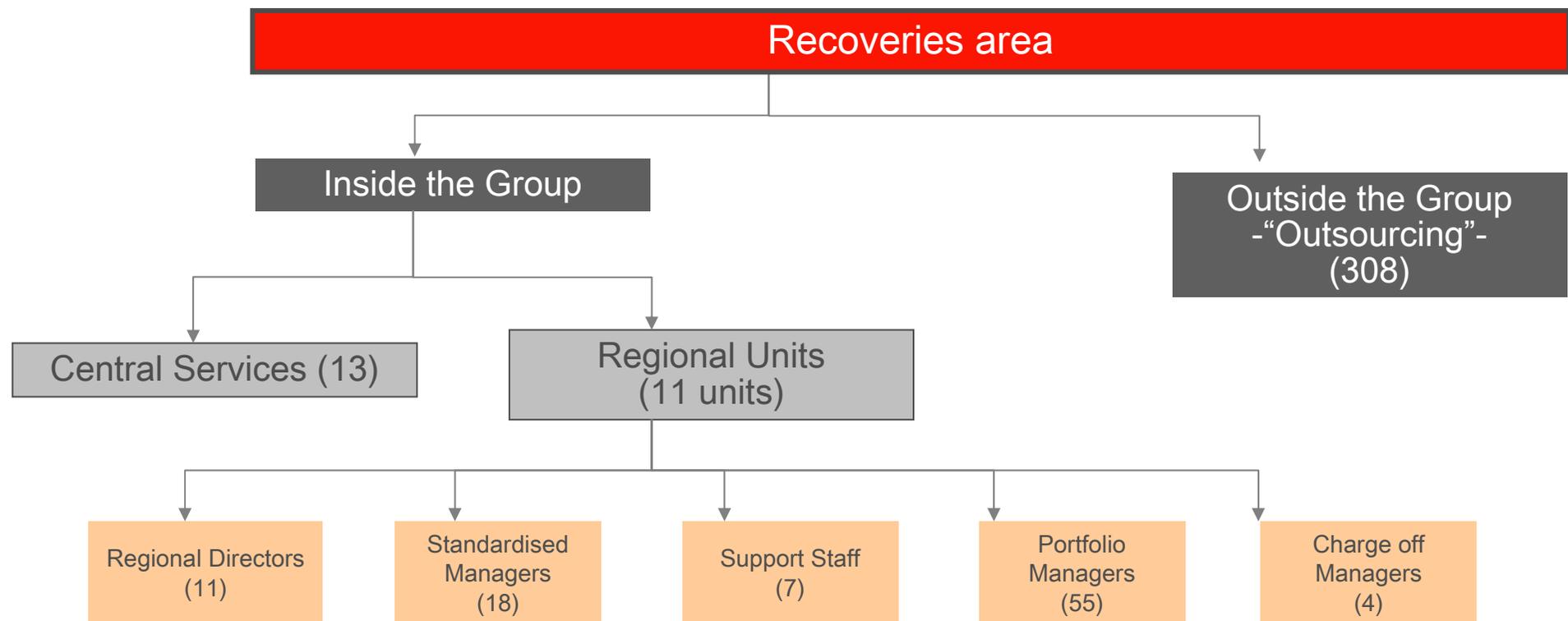
# Recoveries: Global Vision



Source: Banco Santander

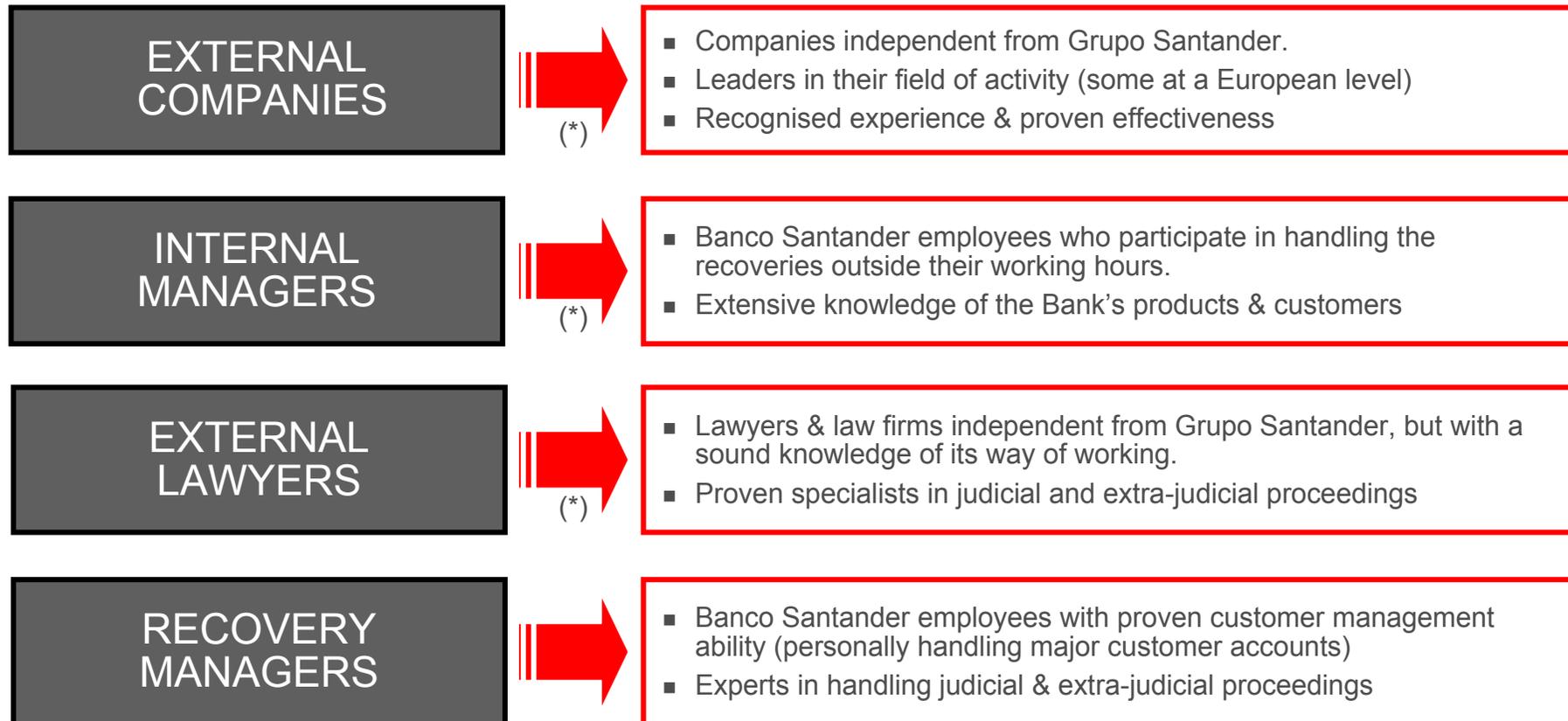
## Recoveries: Process & Organisation

- The Recoveries Area includes 416 people inside (108) and outside (308) Banco Santander:



Source: Banco Santander

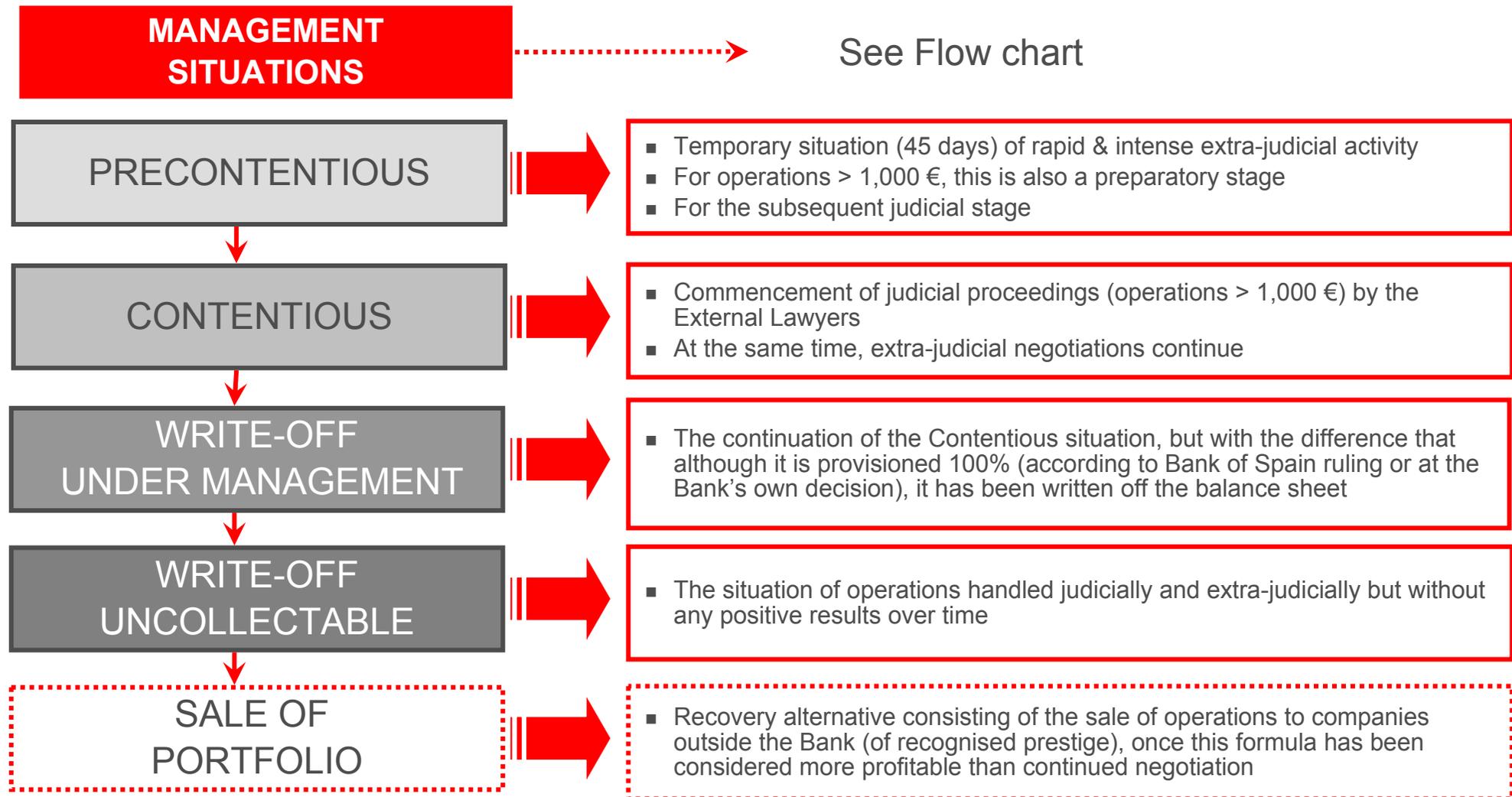
## Recoveries: Recovery Participants



(\*) The remuneration of these collaborators consists of a success-related fee; therefore they do not consume fixed resources.

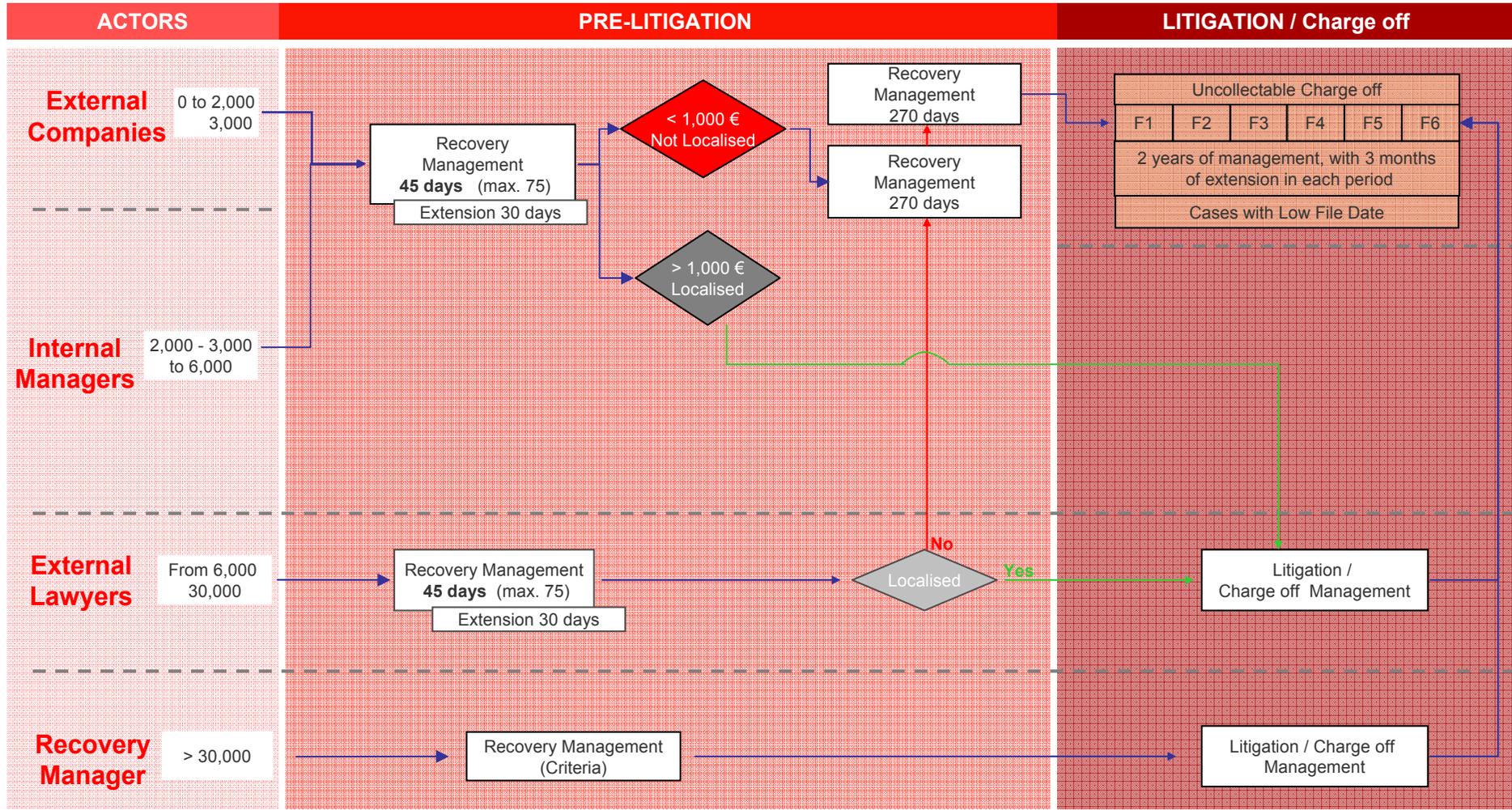
Source: Banco Santander

## Recoveries: Global View for Spain



Source: Banco Santander

# Recoveries: Flow Chart

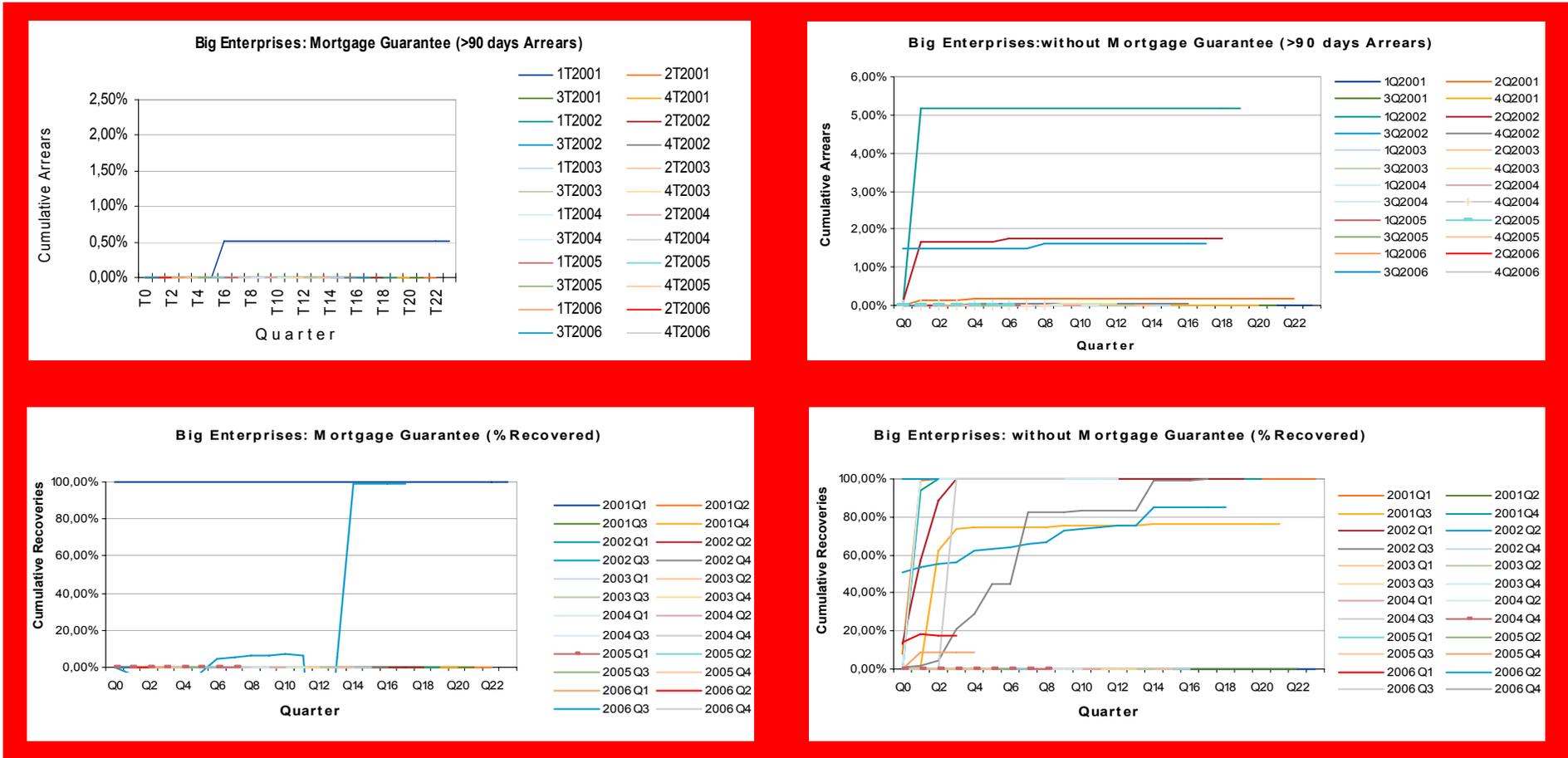


Source: Banco Santander

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# Big Enterprises: 90+ Days Arrears & Recoveries Historical Study

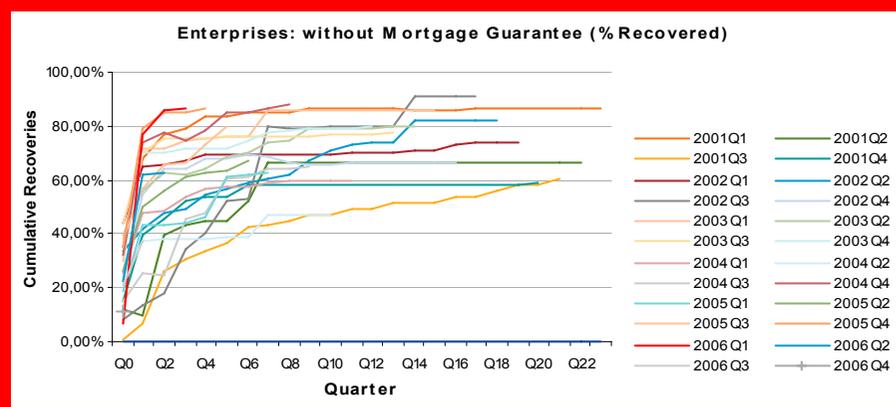
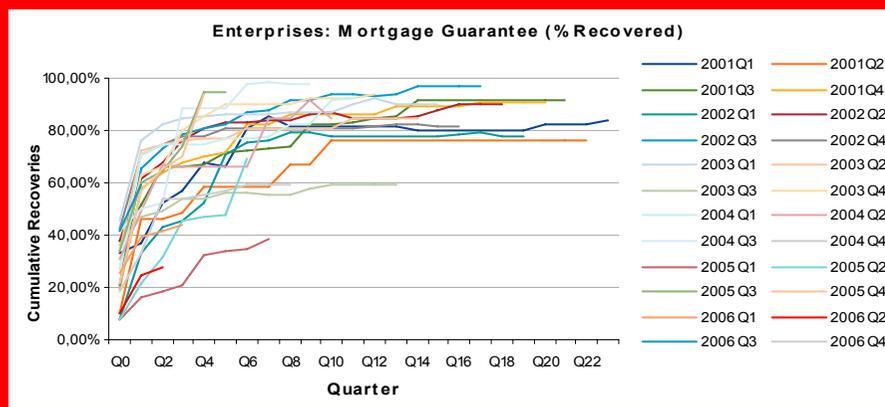
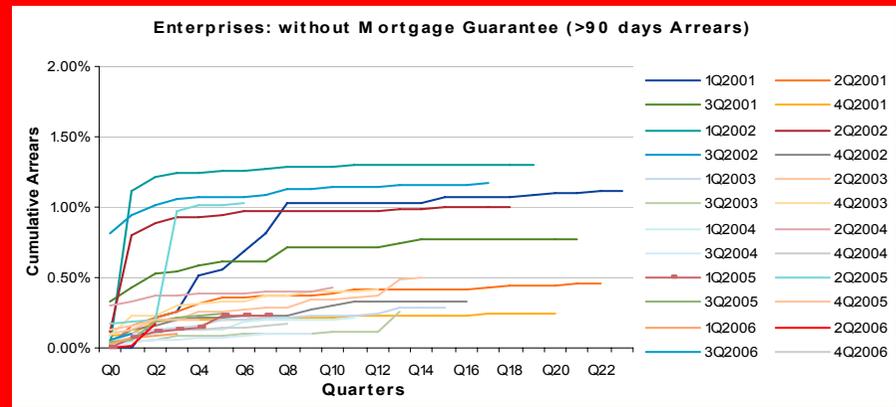
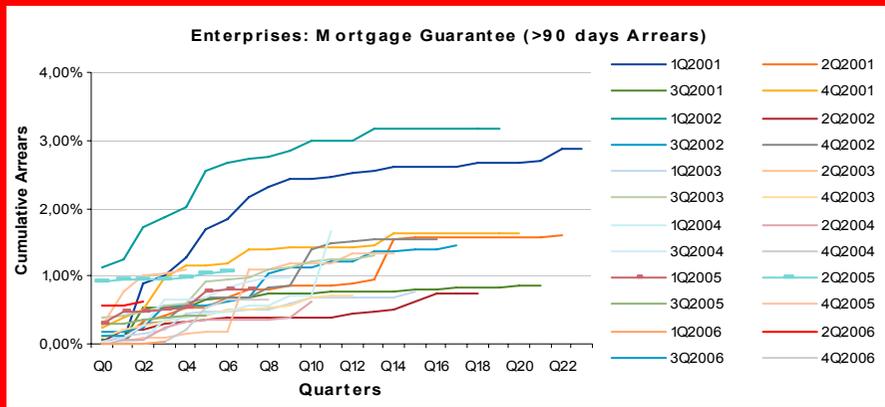


Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

Source: Banco Santander



# Enterprises: 90+ Days Arrears & Recoveries Historical Study

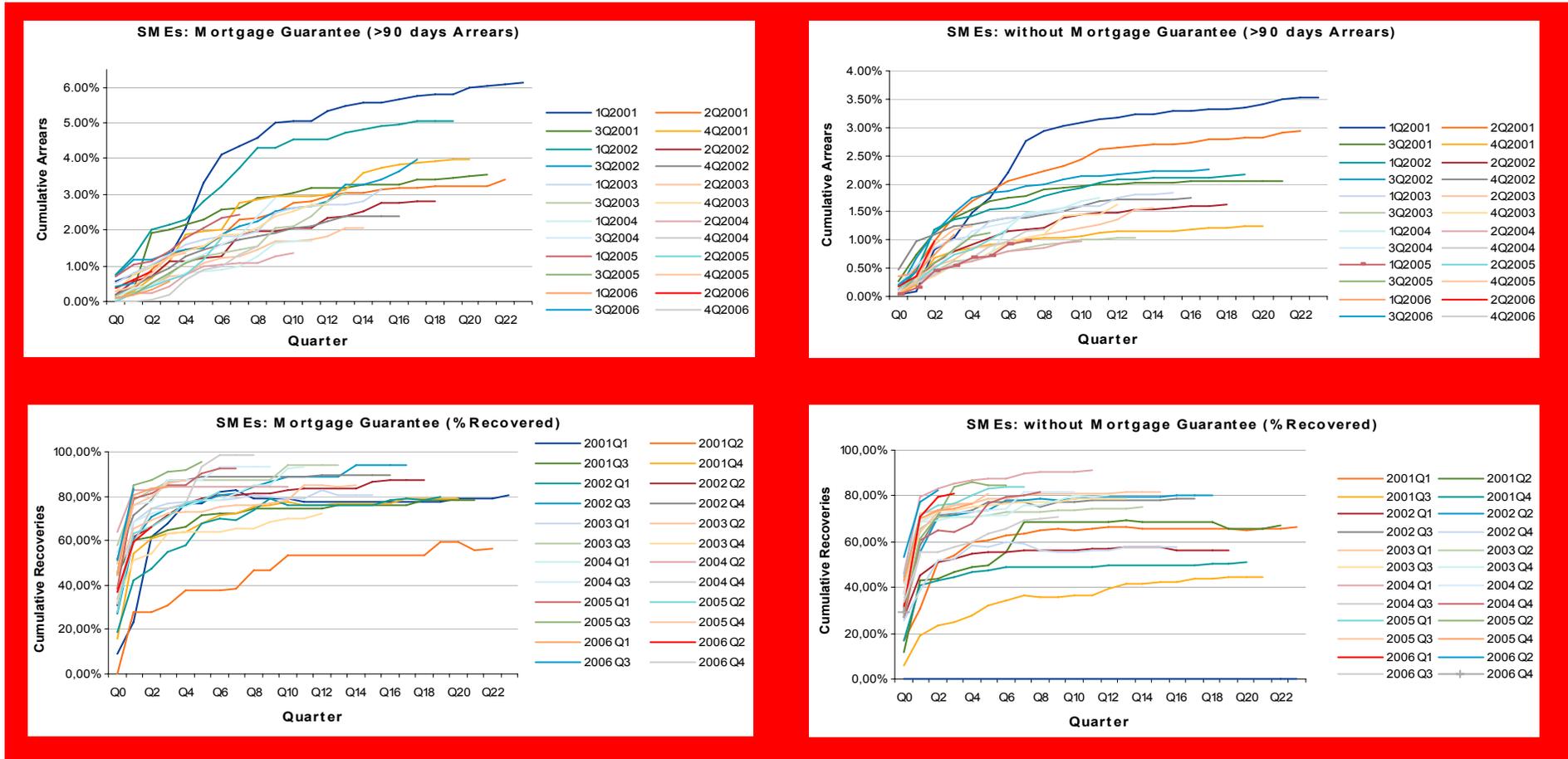


Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

Source: Banco Santander



# SMEs: 90+ Days Arrears & Recoveries Historical Study

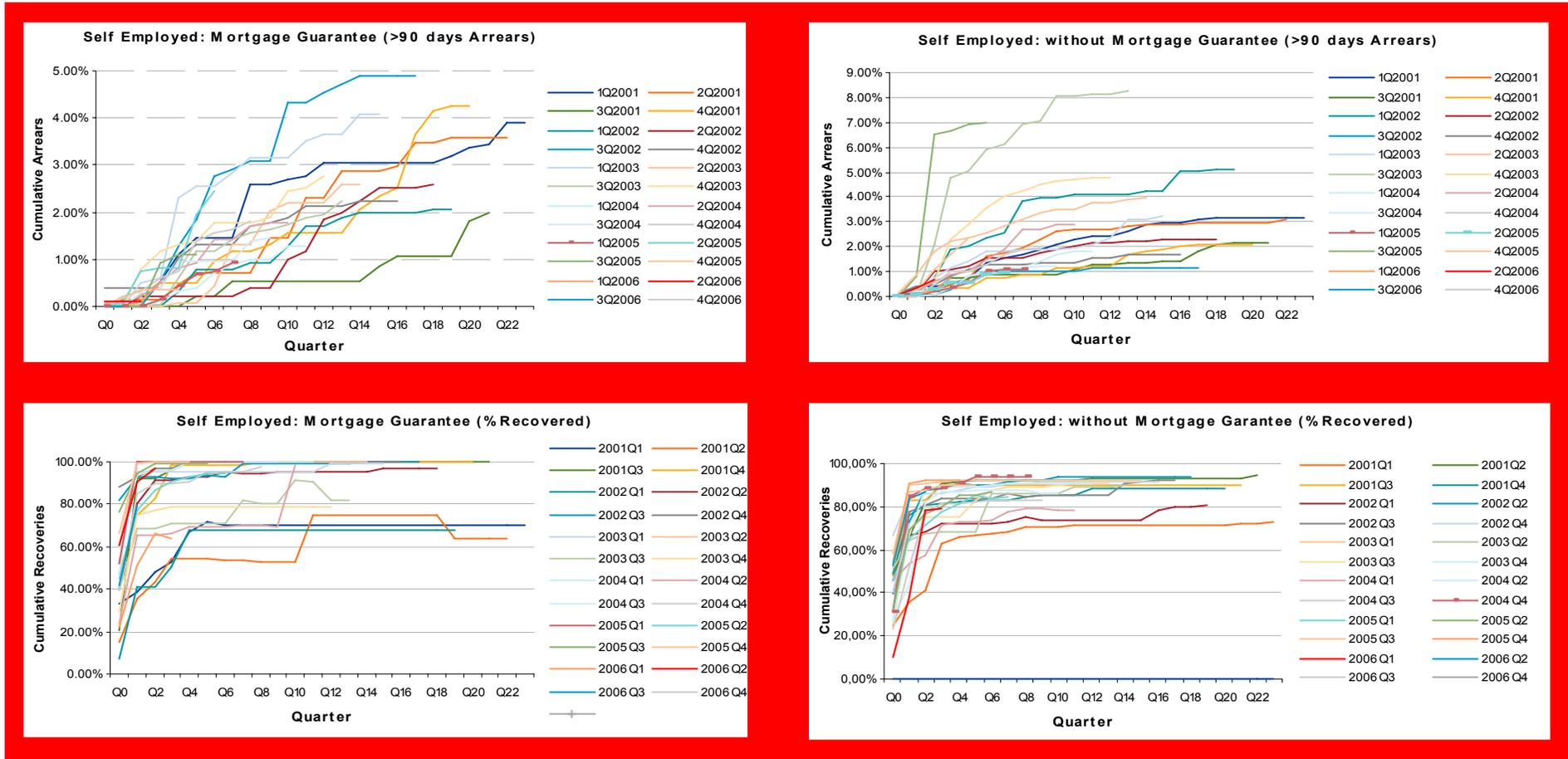


Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

Source: Banco Santander



# Self Employed: 90+ Days Arrears & Recoveries Historical Study



Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

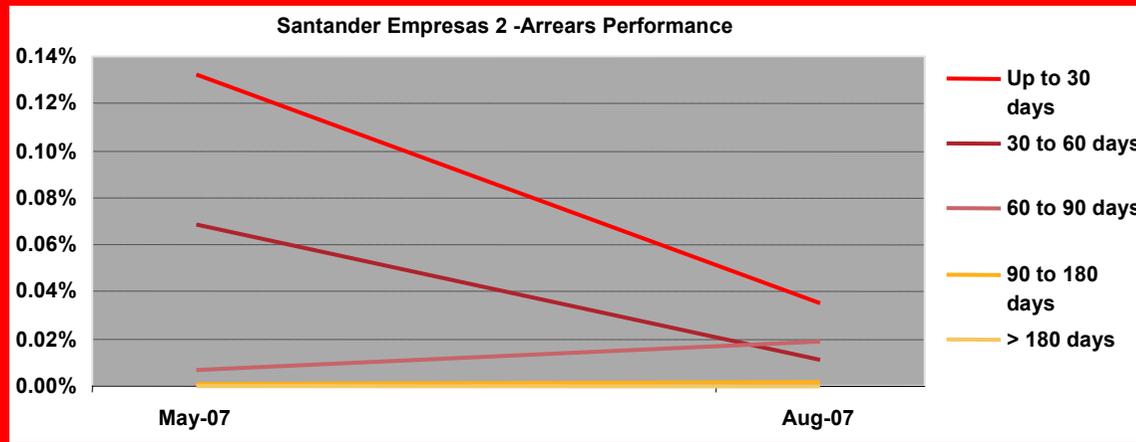
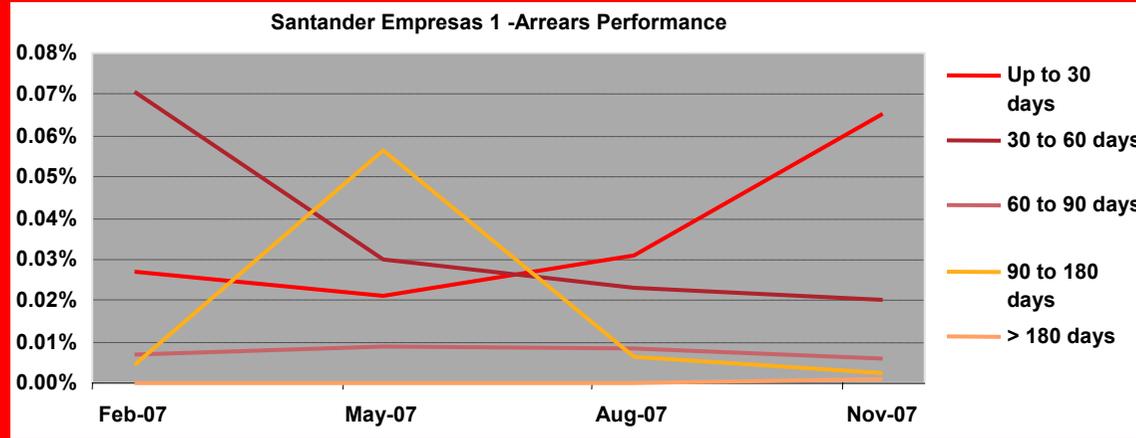
Source: Banco Santander



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# Previous Santander Empresas Transactions Performance Arrears and CPR



## Arrears & Recoveries

- Santander Empresas 1 and 2 have good performance both in arrear levels and recoveries
- As Santander Empresas 3 was closed recently, there is no historical information

## Prepayment Speed

- Moderate prepayment speed, in line with the [5]% assumption for Santander Empresas 4
  - Santander Empresas 1 5.75%
  - Santander Empresas 2 4.17%
  - Santander Empresas 3 5.32%

Source: Banco Santander. Santander Empresas 1, Santander Empresas 2 & Santander Empresas 3 Investor reports



## Comparison of Santander Empresas Deals

Deal	Santander Empresas 1	Santander Empresas 2	Santander Empresas 3
Issue Size	3,100,000,000	2,954,000,000	3,500,000,000
Closing Date	October 2005	December 2006	May 2005
Legal Final Maturity	November 2038	June 2050	October 2049
Rating Agencies	Fitch / S&P	Fitch / Moodys / S&P	Fitch / Moodys / S&P
<b>Capital Structure</b>			
AAA	88.80%	91.90%	92.21%
AA	2.60%	2.90%	1.13%
A	3.10%	2.15%	3.35%
BBB	5.50%	2.05%	2.00%
BB	N/ A	1.00%	1.30%
Reserve Fund	2.30%	1.85%	1.30%
<b>Credit Enhancement</b>			
AAA	13.50%	9.95%	9.08%
AA	10.90%	7.05%	7.95%
A	7.80%	4.90%	4.60%
BBB	2.30%	2.85%	2.60%
BB	N/ A	1.85%	1.30%
Guaranteed Excess Spread	65 bps	65 bps	65 bps
<b>WAL's assumptions as per Folleto</b>			
Class A1 (AAA)	0.80	0.87	0.44
Class A2 (AAA)	3.23	3.88	2.38
Class A3 (AAA)	N/ A	N/ A	7.56
Class B (AA)	6.64	7.68	10.64
Class C (A)	7.02	7.68	10.64
Class D (BBB)	7.02	7.68	10.64
Class E (BB)	N/ A	7.68	10.64
<b>Artificial write off</b>	18 months	12 months	12 months

Source: Banco Santander. Rating Agencies

## Comparison of Santander Empresas Deals (cont'd)

Deal	Santander Empresas 1	Santander Empresas 2	Santander Empresas 3
<b>Portfolio Characteristics</b>			
Number of Loans	17,821	21,198	25,882
Average Loan Size	180,908	144,917	144,000
Mortgage Guaranteed	29.52%	19.24%	42.19%
Largest 10 Obligor	7.90%	9.50%	9.66%
<b>Seasoning, Term</b>			
WA Seasoning (months)	19	18	22
WA Time to Maturity (months)	88	76	112
<b>Interest Rate</b>			
WA Interest Rate	3.06%	3.96%	4.37%
Min Interest Rate	1.00%	1.00%	1.50%
Max Interest Rate	13.50%	18.00%	18.00%
<b>Geographic Concentration</b>			
Madrid	20.75%	25.82%	24.66%
Catalonia	15.94%	13.39%	17.46%
Andalucia	14.73%	12.13%	12.30%
Valencia	11.57%	6.58%	7.30%
<b>Type of Borrower</b>			
Self -Employed	14.17%	11.75%	21.04%
Micro -Enterprise	29.60%	19.61%	21.68%
SME's	18.05%	21.12%	18.51%
Enterprise	26.37%	29.74%	26.02%
Big Enterprise	11.81%	17.78%	12.75%
<b>Industry Group Distribution</b>			
Real Estate	21.99%	28.15%	26.10%
Construction	9.36%	7.88%	8.36%
Other management activities	7.72%	8.05%	4.34%
Food and beverage industry	7.65%	5.70%	4.51%
Wholesale trade	7.38%	5.26%	5.41%

Source: Banco Santander. Rating Agencies

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## Grupo Santander at a Glance

### Profile

- Largest financial company in the euro zone by market capitalisation and the twelfth largest in the world (H1'07)
- Largest financial group in the Iberian Peninsula
  - No 1 in Spain\*
  - No 4 in Portugal\*<sup>1</sup>
- Sixth largest banking group in the UK<sup>2</sup>
- Among the leaders in consumer finance in Europe
- Leading Latin American banking franchise
- Largest retail network in Western countries

### Basic data H1'07

■ Market capitalisation (Q1'07)	€85.6bn
■ Customer funds <sup>3</sup>	€800bn
■ Gross loans	€561bn
■ Total funds under management <sup>4</sup>	€1,072bn
■ Attributable profit (Dec.'06)	€7.6bn
■ Attributable profit (H1'07)	€4.4bn
■ Customers (millions)	69
■ Employees (#)	135,922
■ Branches (#)	11,092
■ Shareholders (millions)	2.3

(\*) By credits, deposits and mutual funds

(1) 2<sup>nd</sup> privately-owned bank in Portugal by net income

(2) By assets, and 3<sup>rd</sup> by mortgages

(3) Total funds on and off-balance

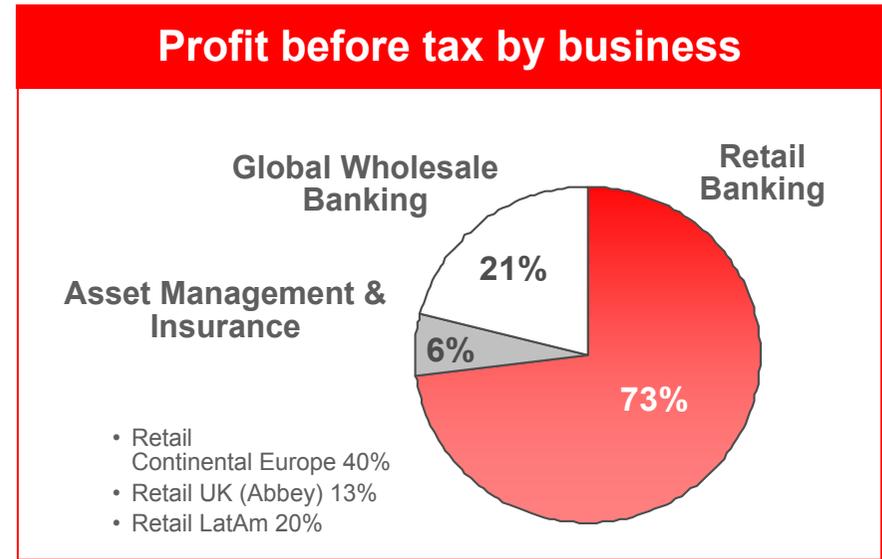
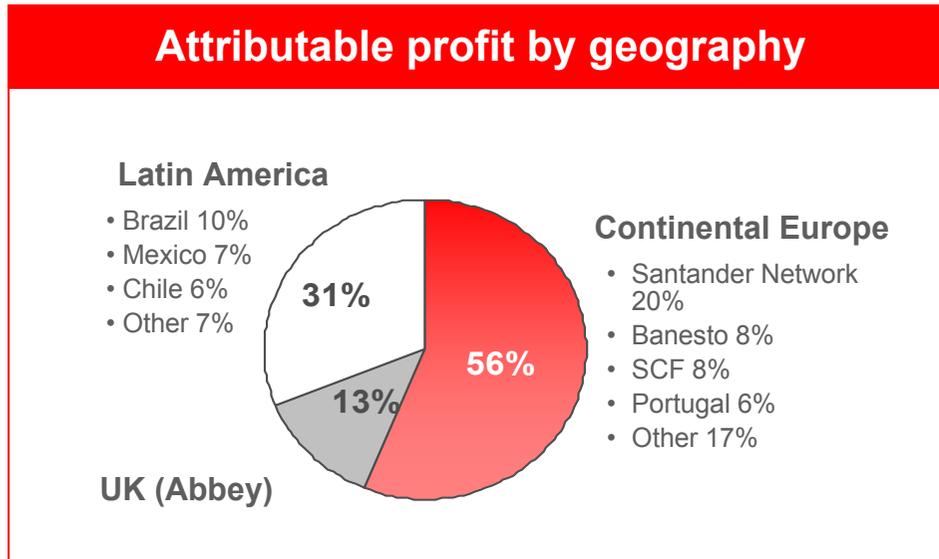
(4) Total assets + off-balance sheet funds

Source: Banco Santander

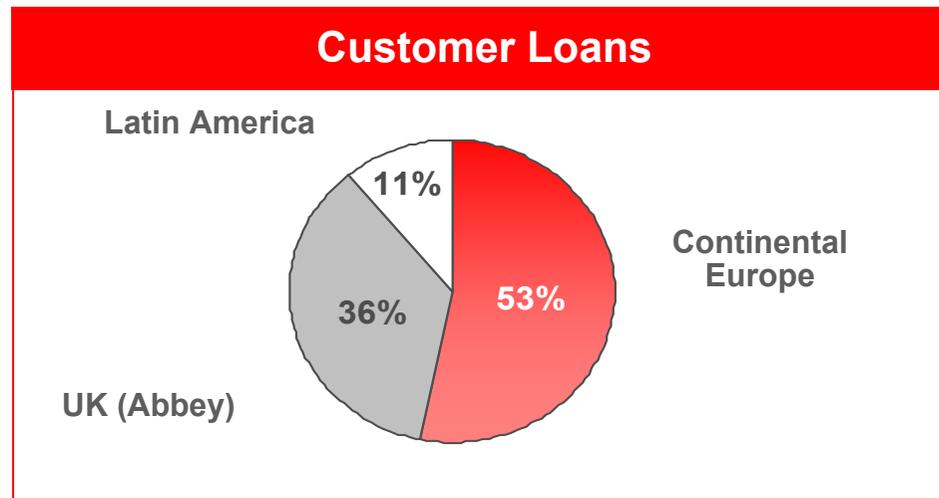


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AÑOS

## ... with Diversified Business & Location

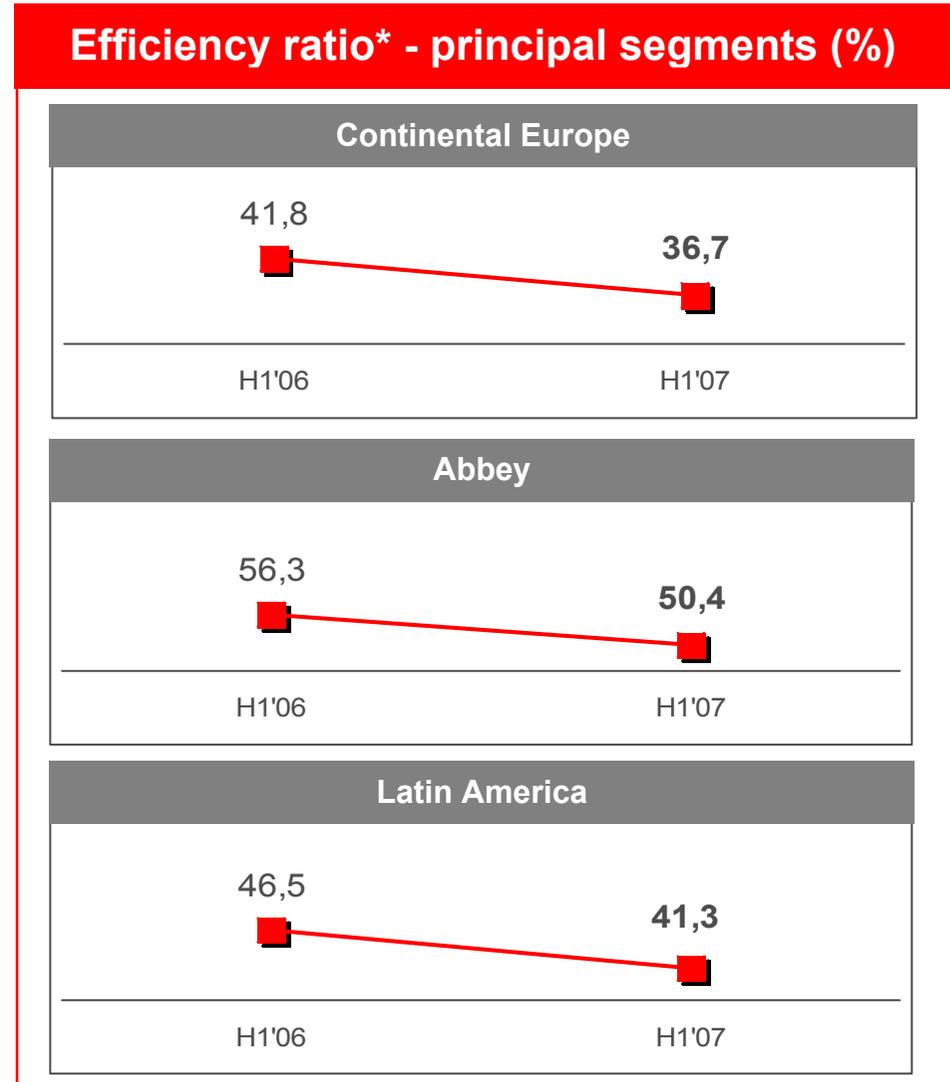
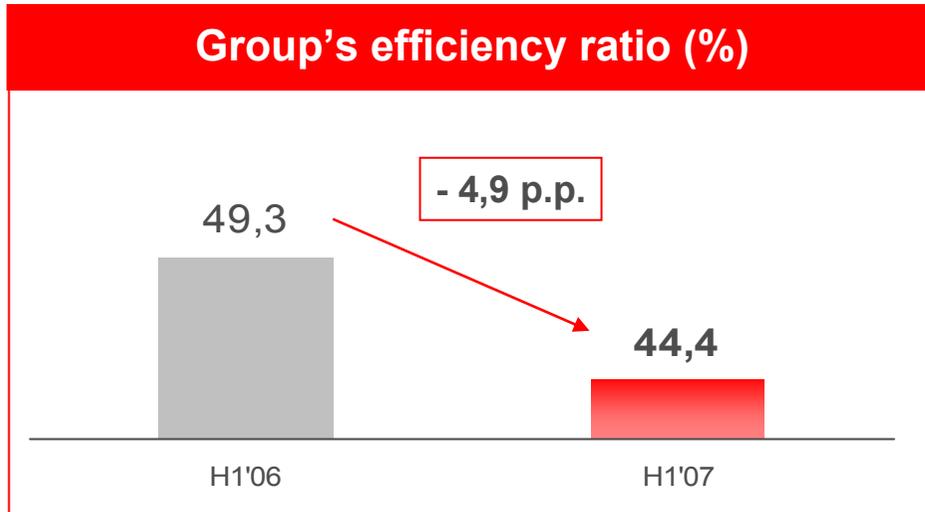


Note: Data as of H1 '07



Source: Banco Santander

# Group's Efficiency Ratio

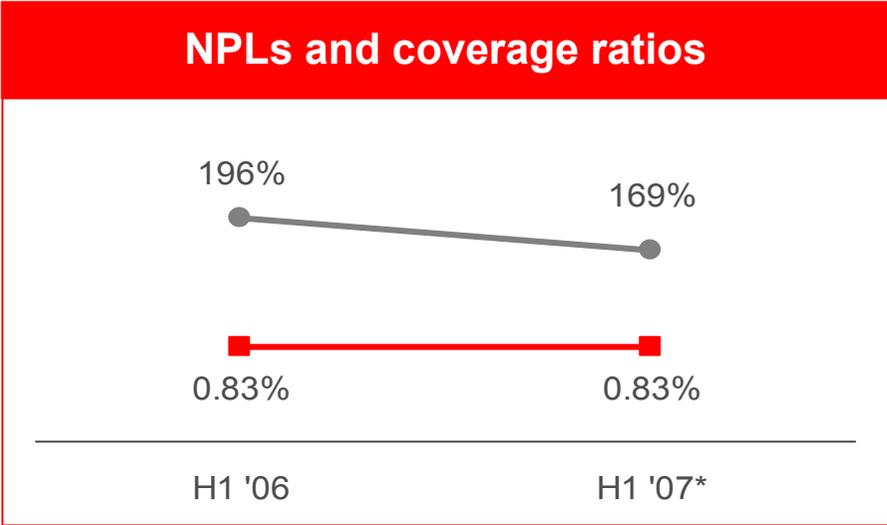


Source: Banco Santander

(\*) Including amortisations

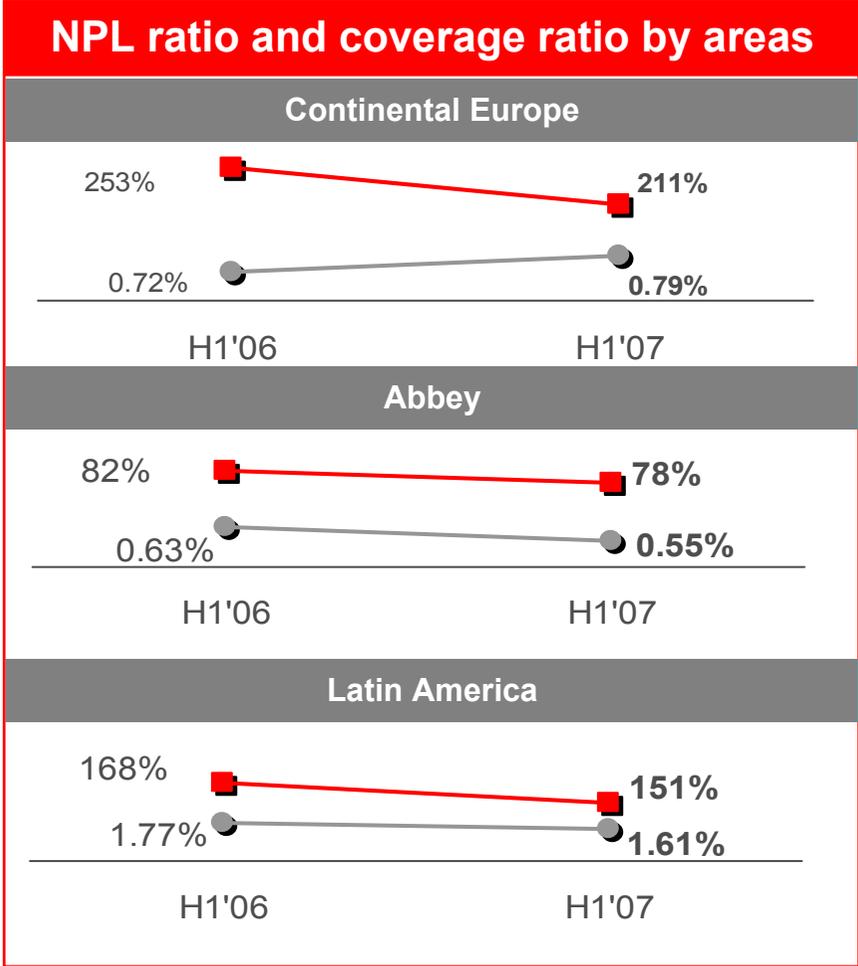
# Risk Quality: One of the Group's Trademarks (I)

Maintaining historical lows in NPL ratios with a high coverage ratio, compatible with the change in business mix ...



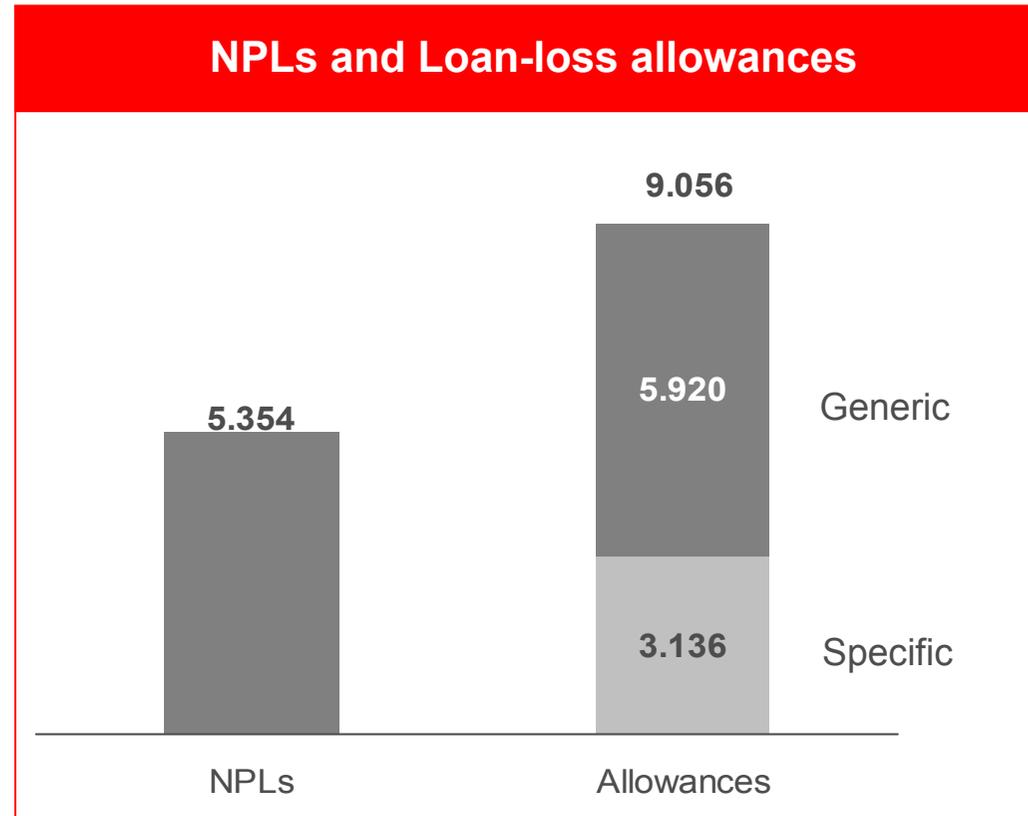
■ Coverage ratio ● NPL ratio

Source: Banco Santander



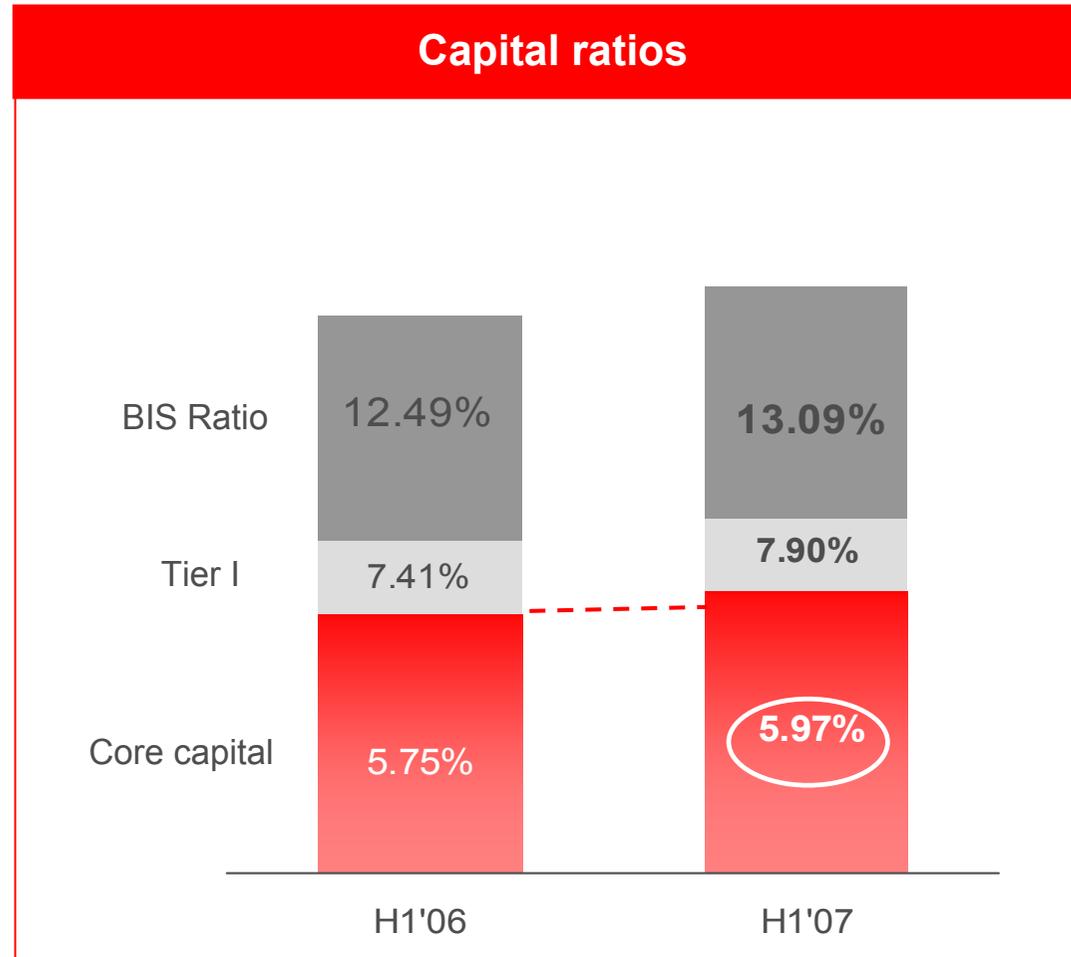
## Risk Quality: One of the Group's Trademarks (II)

... and substantial loan-loss allowances (approximately EUR 5.9 billion of generic funds)



Source: Banco Santander

## Grupo Santander's Regulatory Capital



Source: Banco Santander

## Key Highlights

- Maintaining strong liquidity ratios by limiting recourse to short term funding
- Diversifying funding by markets, products and currencies
- Optimising balance sheet management, by issuing covered bonds and securitisation
- Monitoring and managing interest rate and currency risk exposure
- Measuring and optimising the use of economic capital
- Managing proactively credit risk exposure
- Coordinating global ALM policy



**Santander Asset and Liability Management policies are focused on maintaining balance sheet strength**

Source: Banco Santander

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## Some Key Portfolio Information

### Classification of the Top 20 Borrowers

Borrowers	Outstanding Principal	%	Maturity Date	Region	Loan Type	Actividad
Borrower 1	42.500.000,00	1,10	17/04/2012	Valencia	Personal	Construction
Borrower 2	40.000.000,00	1,04	15/06/2011	Madrid	Personal	Brokerage
Borrower 3	37.500.000,00	0,97	27/06/2017	Cataluña	Personal	Real Estate
Borrower 4	37.308.930,00	0,97	29/11/2009	País Vasco	Mortgage	Real Estate
Borrower 5	27.810.279,39	0,72	26/12/2011	País Vasco	Personal	Brokerage
Borrower 6	27.111.312,00	0,70	04/12/2009	Madrid	Personal	Real Estate
Borrower 7	25.000.000,00	0,65	24/02/2011	Canarias	Personal	Real Estate
Borrower 8	25.000.000,00	0,65	30/03/2008	Madrid	Personal	Metallurgy
Borrower 9	24.616.587,00	0,64	10/04/2008	Madrid	Personal	Real Estate
Borrower 10	23.000.000,00	0,60	12/02/2009	Andalucía	Personal	Real Estate
Borrower 11	23.000.000,00	0,60	14/12/2008	Madrid	Mortgage	Real Estate
Borrower 12	22.824.499,49	0,59	28/06/2010	Madrid	Personal	Real Estate
Borrower 13	21.700.000,00	0,56	18/07/2008	Madrid	Mortgage	Real Estate
Borrower 14	20.453.845,32	0,53	01/12/2008	Madrid	Personal	Brokerage
Borrower 15	19.365.000,00	0,50	28/10/2013	Madrid	Personal	Real Estate
Borrower 16	19.000.000,00	0,49	14/03/2011	Madrid	Personal	Brokerage
Borrower 17	18.000.000,00	0,47	19/05/2008	Madrid	Personal	Brokerage
Borrower 18	17.000.000,00	0,44	20/03/2010	Cataluña	Personal	Real Estate
Borrower 19	17.000.000,00	0,44	26/06/2010	Aragón	Personal	Real Estate
Borrower 20	16.800.000,00	0,44	15/02/2010	Canarias	Mortgage	Real Estate
The Rest	3.348.725.781,93	86,90				
<b>TOTAL</b>	<b>3.853.716.235,13 €</b>	<b>100,00</b>				

### Outstanding Principal per Geographic Region

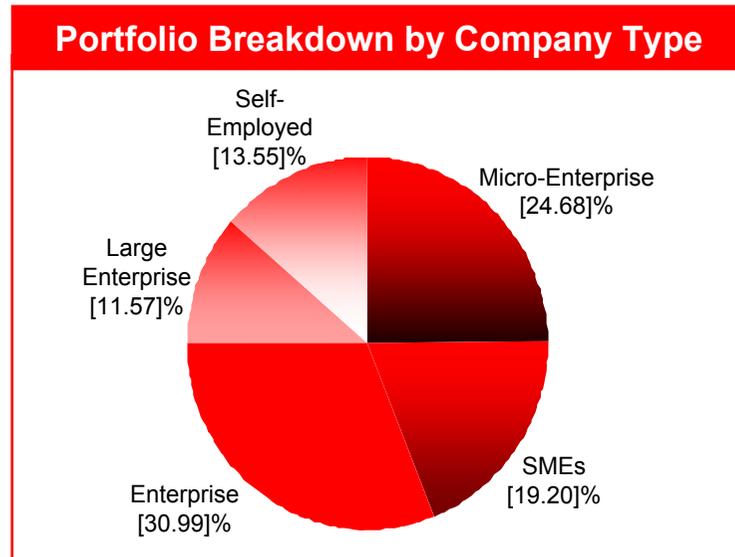
Region	Outstanding Principal (EUR Thousand, except Total)	%	Nº	%
01 Andalucía	566.349,69	14,69	2.653	14,31
02 Aragón	121.049,02	3,14	814	4,39
03 Asturias	32.284,95	0,83	327	1,76
04 Baleares	74.310,49	1,92	397	2,14
05 Canarias	296.814,63	7,7	1.628	8,78
06 Cantabria	50.009,25	1,29	476	2,56
07 Castilla-La mancha	135.862,28	3,52	889	4,79
08 Castilla-León	192.977,99	5	1.257	6,78
09 Cataluña	595.767,11	15,45	2.867	15,46
10 Ceuta	199,85	0	9	0,04
11 Extremadura	70.187,06	1,82	357	1,92
12 Galicia	85.259,87	2,21	691	3,72
13 La Rioja	30.452,13	0,79	179	0,96
14 Madrid	803.167,26	20,84	2.494	13,45
15 Melilla	1.494,49	0,03	26	0,14
16 Murcia	133.947,43	3,47	558	3,01
17 Navarra	40.062,19	1,03	218	1,17
18 País Vasco	247.345,11	6,41	852	4,59
19 Valencia	376.175,37	9,76	1.843	9,94
<b>Totals:</b>	<b>3.853.716.235,13 €</b>	<b>100%</b>	<b>18.535</b>	<b>100%</b>

### Payment Arrears

Interval (days)	Outstanding Principal (EUR Thousand, except Total)	%	Nº	%	
0	9	713.906,71	96,37	17.024	91,84
10	19	47.313,97	1,22	374	2,01
20	29	19.883,77	0,51	236	1,27
30	39	18.469,41	0,47	226	1,21
40	49	12.493,94	0,32	201	1,08
50	59	14.197,74	0,36	140	0,75
60	69	14.234,95	0,36	144	0,77
70	79	6.816,52	0,17	100	0,53
80	89	6.399,18	0,16	90	0,48
<b>Totals:</b>	<b>3.853.716.235,13 €</b>	<b>100%</b>	<b>18.535</b>	<b>100%</b>	

Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

## Santander Empresas 4 - Breakdown by Company Type



*Micro-enterprises and SME's account for almost 44% of the outstanding balance.*

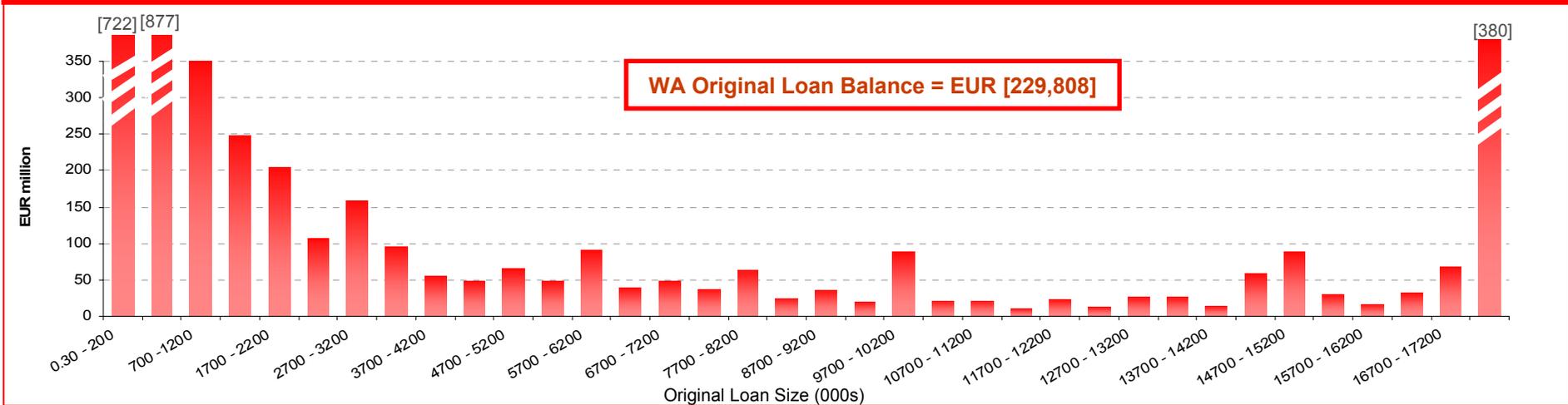
### Company classification in terms of sales

Micro-Enterprises:	Sales <= EUR 2mn
SMEs:	Sales = EUR 2-10mn
Enterprises:	Sales = EUR 10-18.030mn
Large Enterprises:	Sales > EUR 18.030mn
Self Employed (Individuals):	N/A

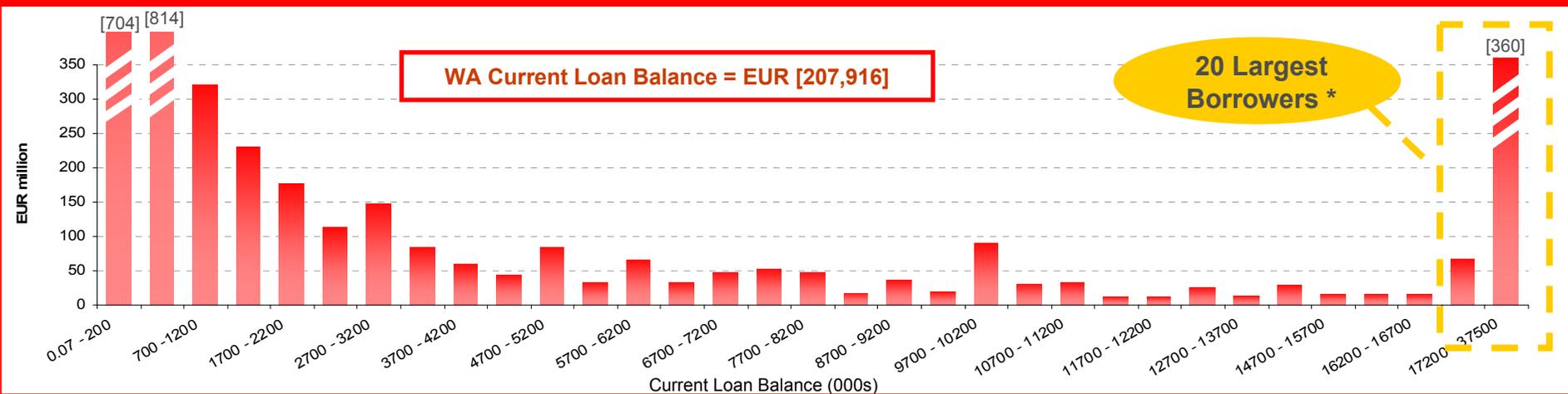
Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

# Santander Empresas 4 - Breakdown by Original & Current Loan Balance

## Portfolio Breakdown by Original Loan Balance



## Portfolio Breakdown by Current Loan Balance

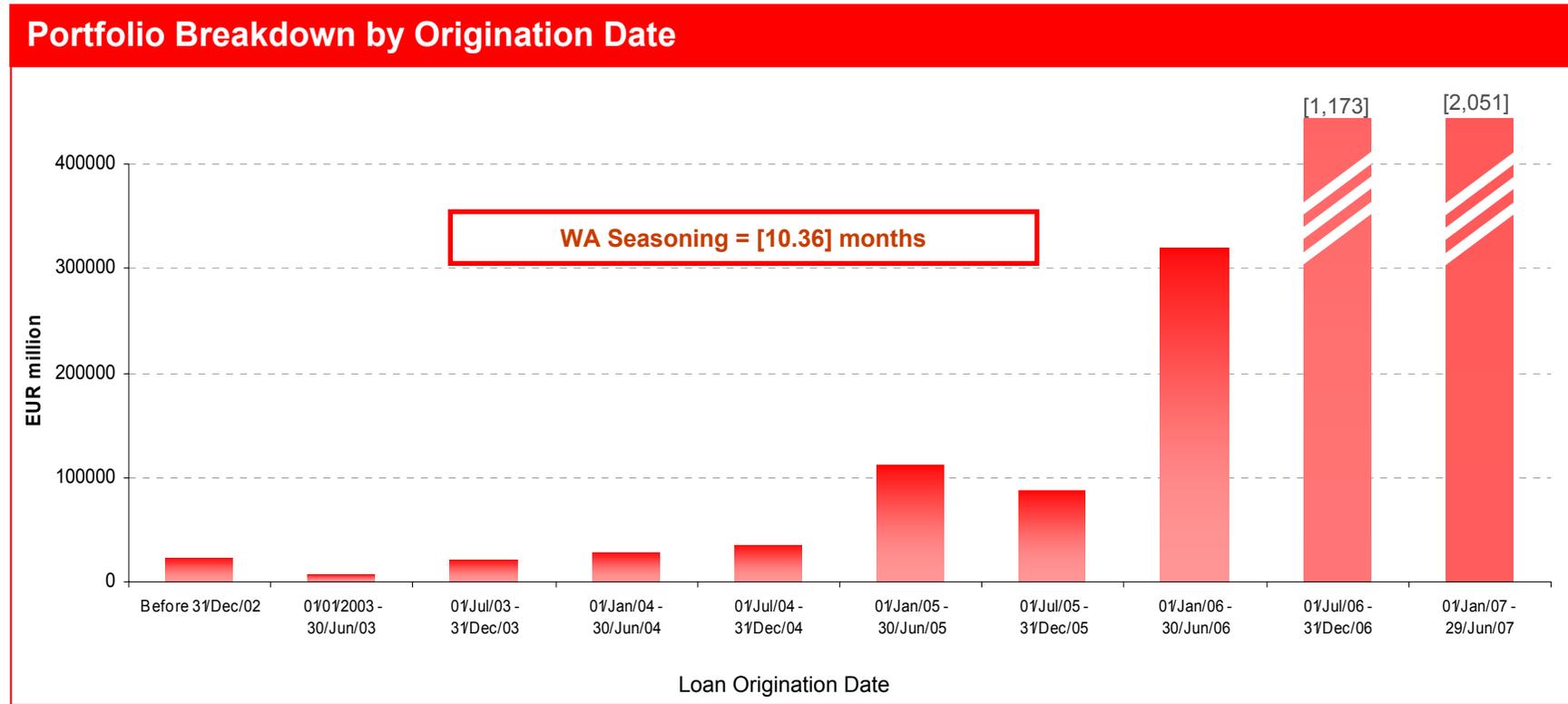


Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

(\*) These loans are separately analysed in the next section

# Santander Empresas 4 - Breakdown by Loan Origination Date

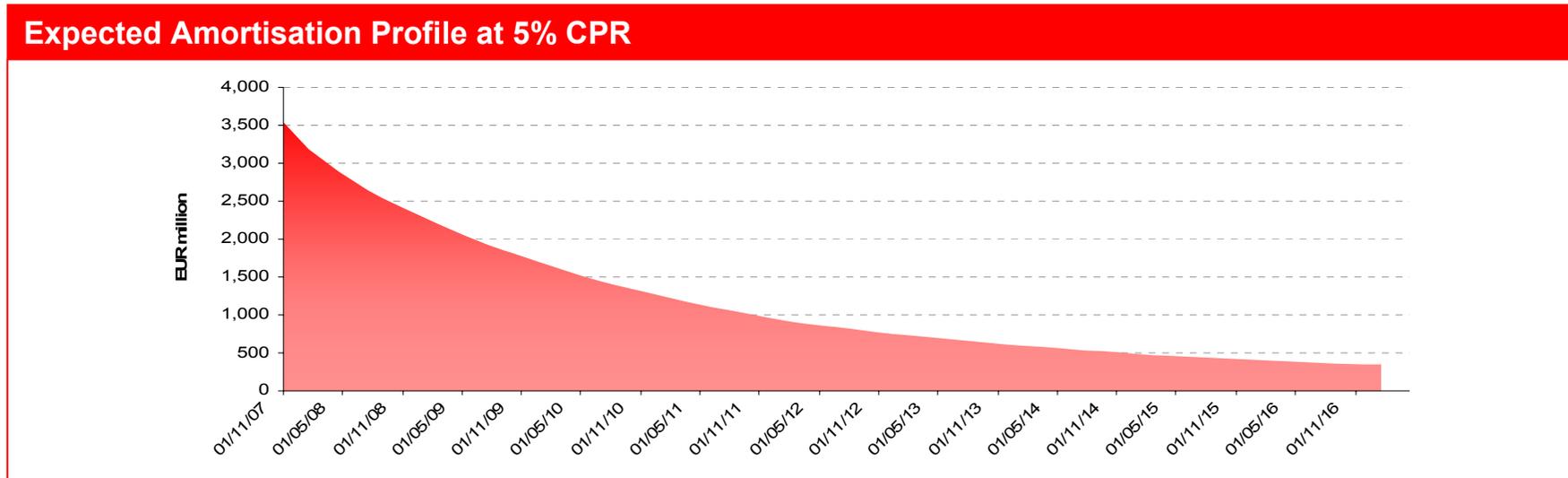
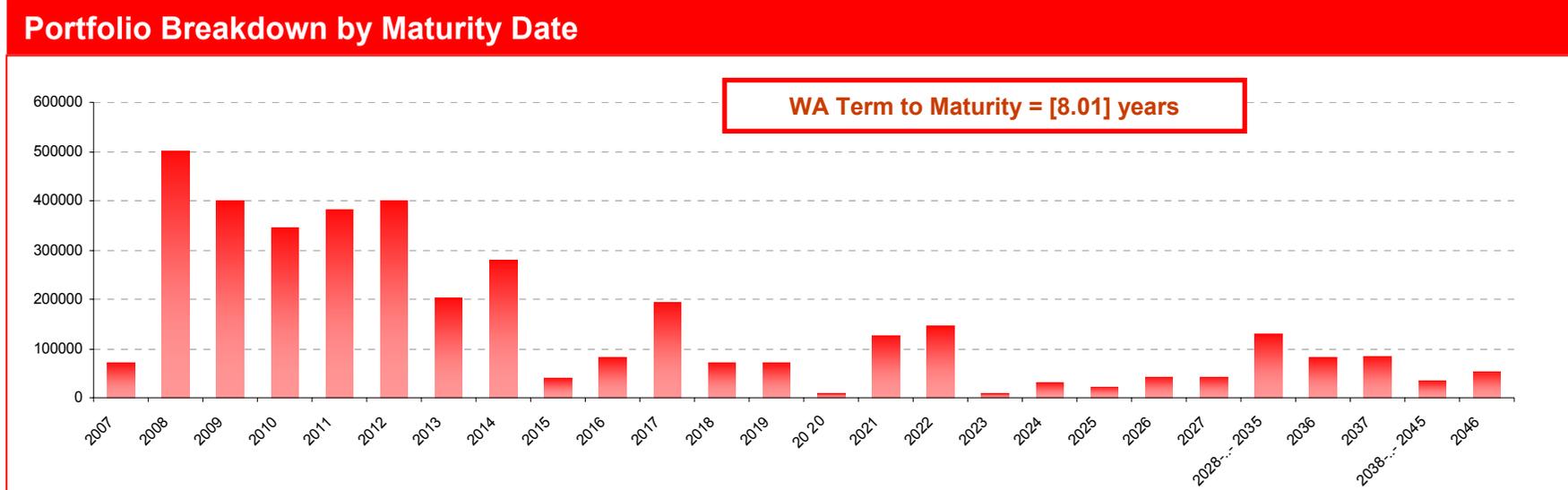
The provisional portfolio has a weighted average Seasoning of [10.36] months.



Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007



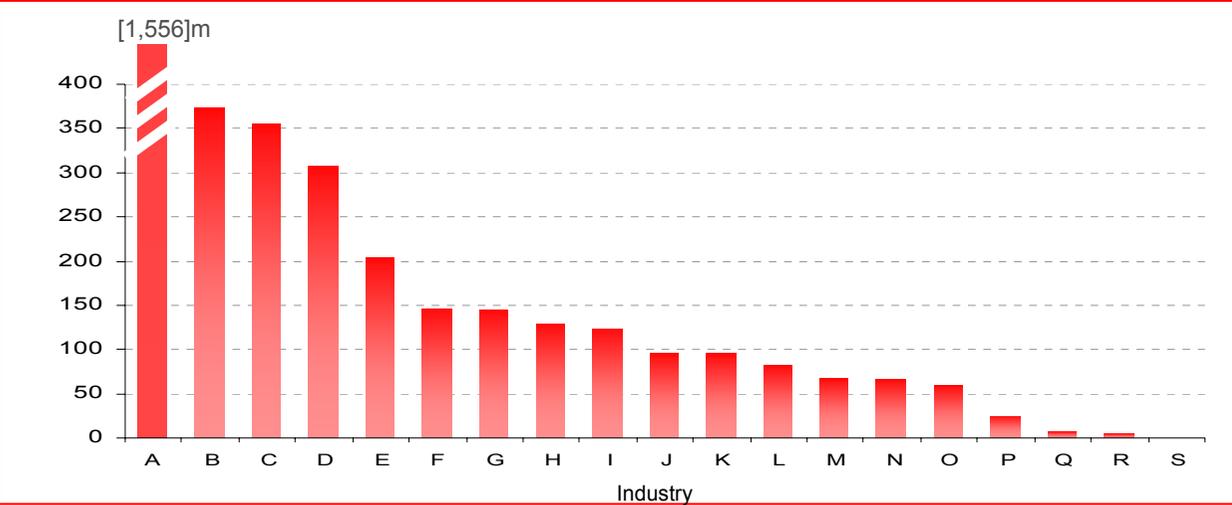
# Santander Empresas 4 - Breakdown by Maturity Date & Exp. Amortisation Profile



Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

# Santander Empresas 4 - Breakdown by Industry

## Portfolio Breakdown by Industry Groups

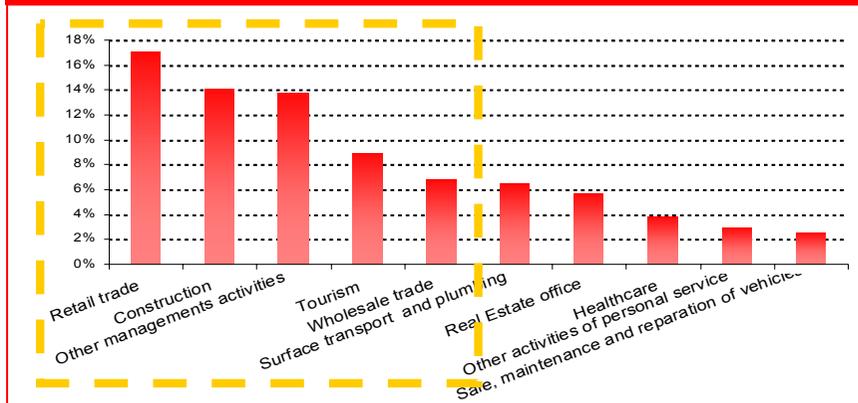


Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

## Code Industry

- A Real Estate, Rental and Management Activities
- B Construction
- C Retail
- D Manufacturing Industries
- E Others
- F Food, Beverages and Tobacco
- G Tourism
- H Agriculture, Stockbreeding, Hunting and Forestry
- I Transport, Storage and Communications
- J Extraction Industries
- K Brokerage
- L Production and Distribution of Electrical Energy, Gas and Water
- M Trade, Maintenance and Repair of Vehicles
- N Leisure Activities
- O Healthcare
- P Other Personal Service Activities
- Q Education
- R Fishing
- S Household Service

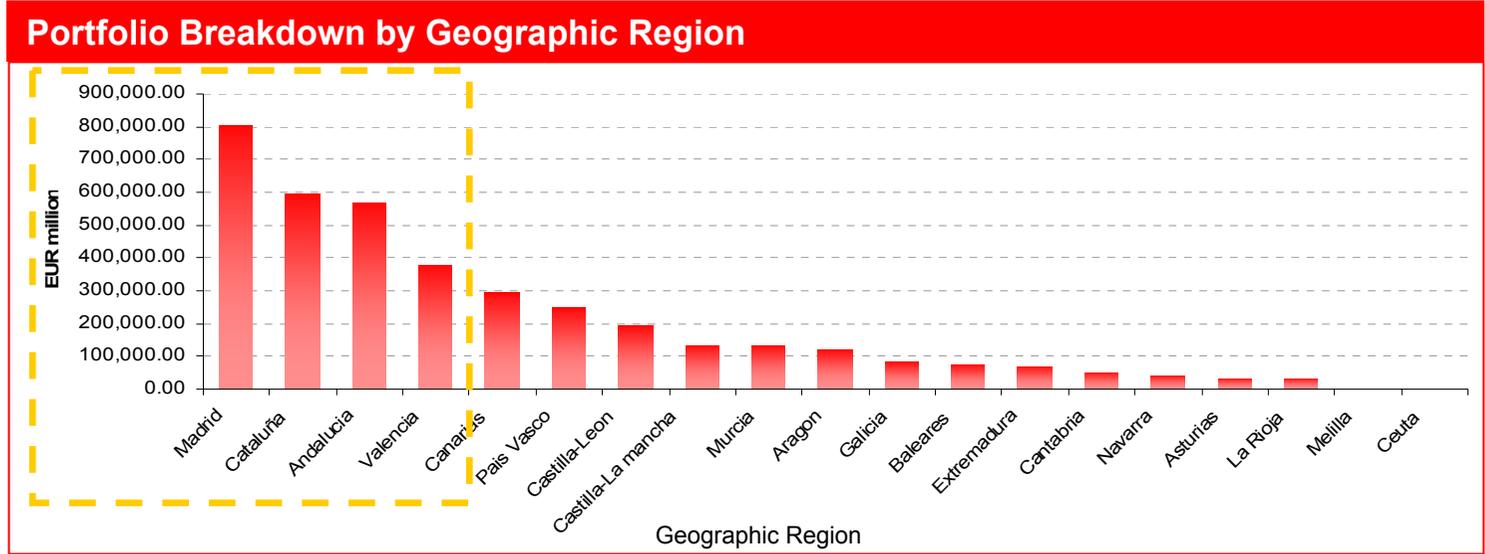
## % Contribution of Top 10 Industries to Spanish GDP



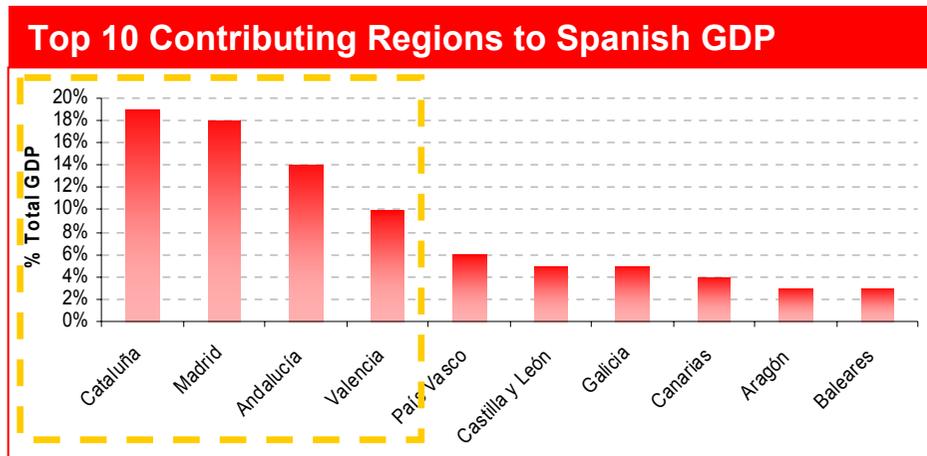
Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

# Santander Empresas 4 - Breakdown by Geographic Region

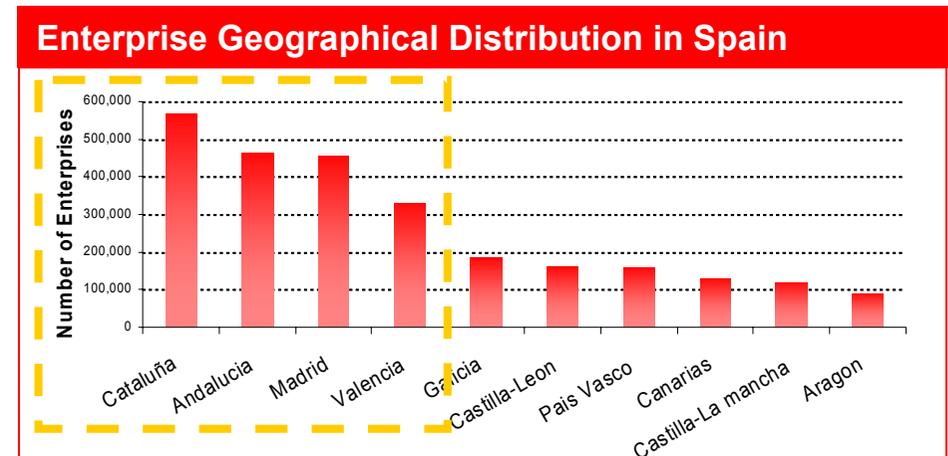
*The regions with the highest outstanding balances are also the ones with the highest contribution to Spanish GDP and those with the largest number of enterprises*



Source: Banco Santander. Provisional Pool as of 25th September 2007



Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

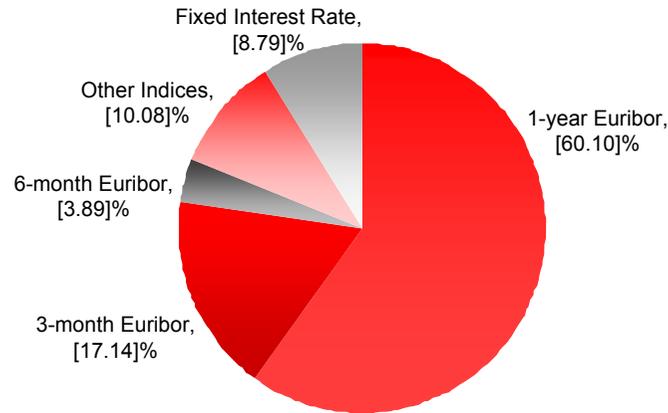


(1) Including Self Employed

\* Source: Spanish Industry, Tourism and Commerce Ministry

# Santander Empresas 4 - Breakdown by Reference Interest Rate & Current Coupon

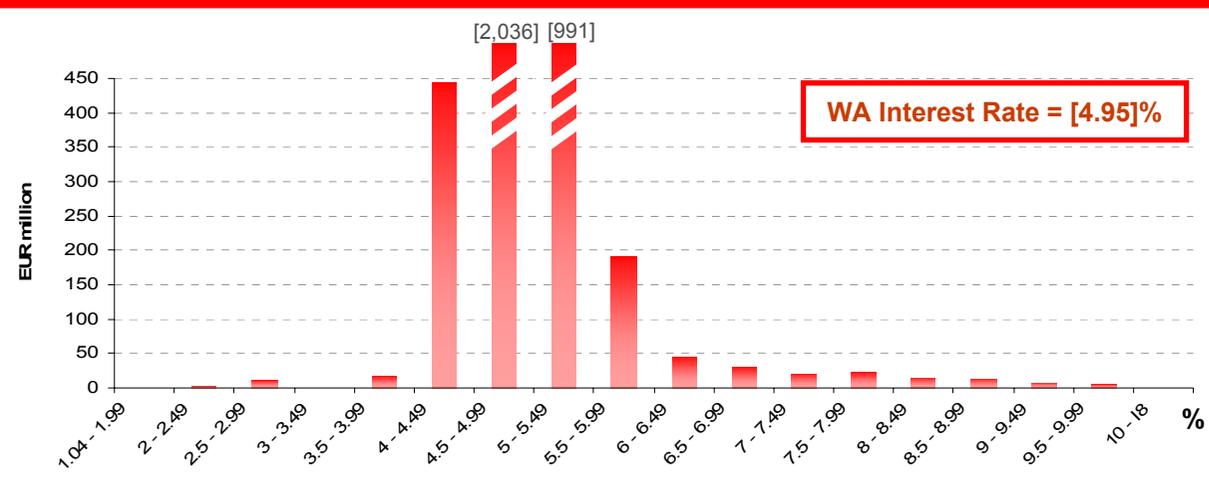
## Portfolio Breakdown by Reference Interest Rate



*The interest rate mismatch is mitigated by the guaranteed Interest Rate Swap*

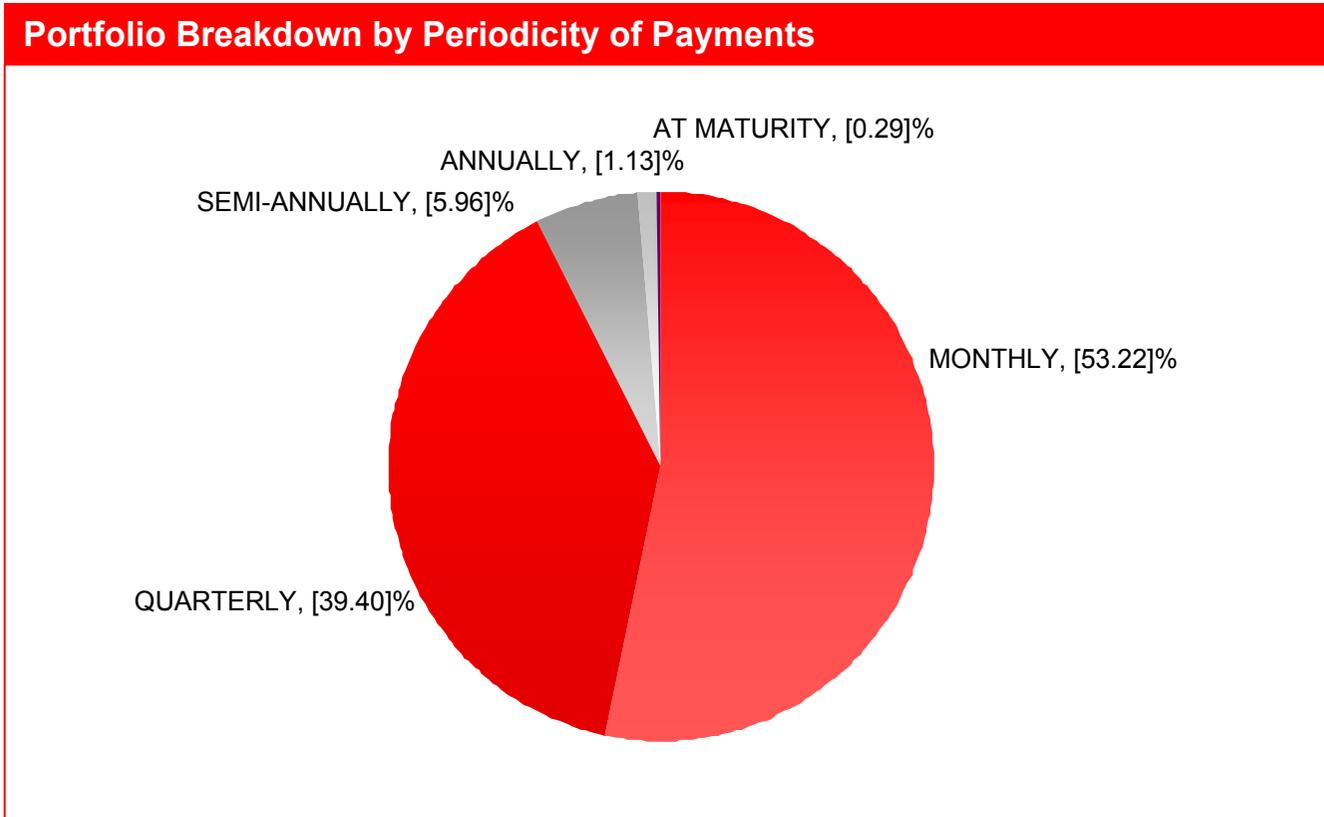
*The weighted average interest rate of the portfolio is [4.95]%*

## Portfolio Breakdown by Current Coupon



Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

# Santander Empresas 4 - Breakdown by Periodicity of Payments

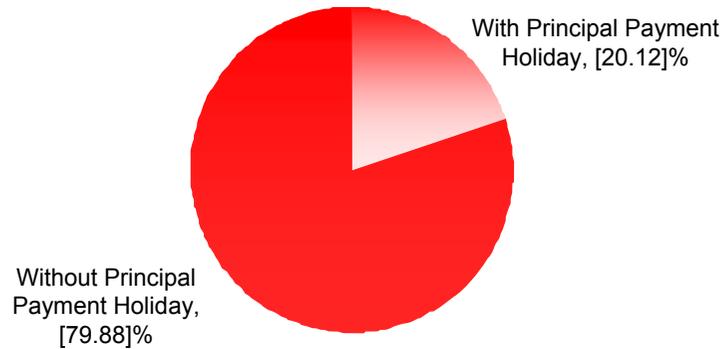


Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007



# Santander Empresas 4 - Breakdown by Principal Payment Holiday

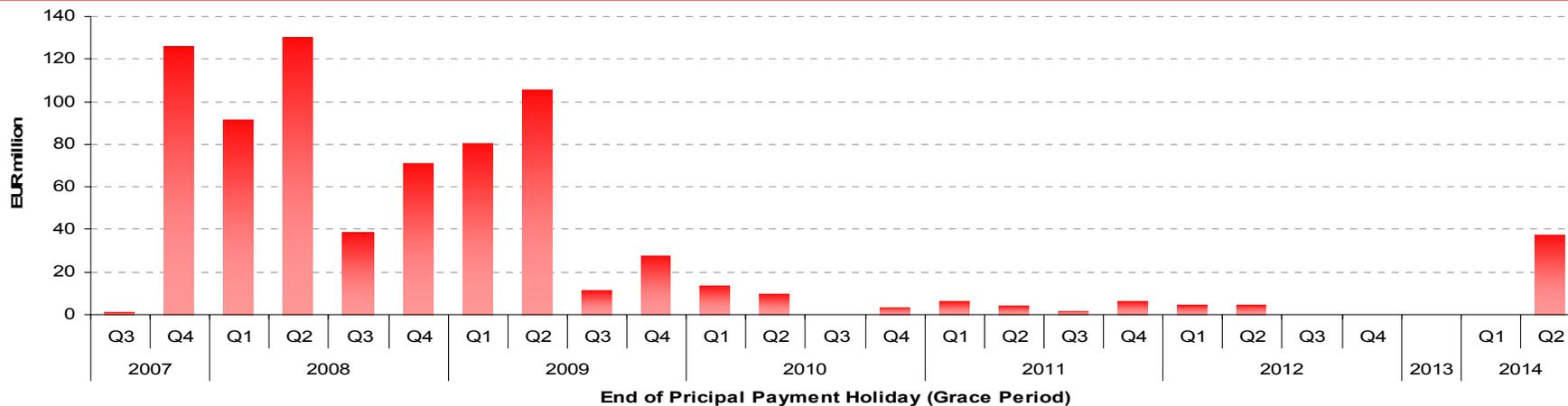
## Portfolio Breakdown by Principal Payment Holiday



*Only [20.1%] of the pool has principal payment holiday (that is, only interest is paid during this period)*

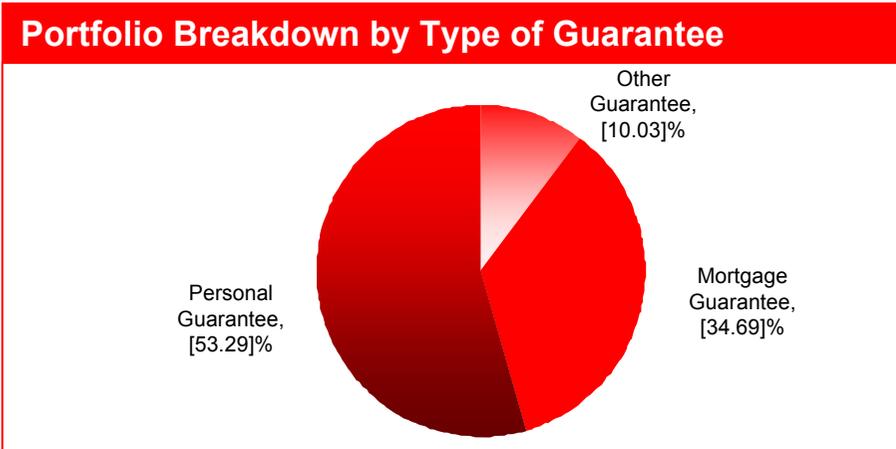
*Nevertheless most of these payment holidays are ending within the period 2007-2008*

## Portfolio Breakdown by Date of End of Principal Payment Holiday

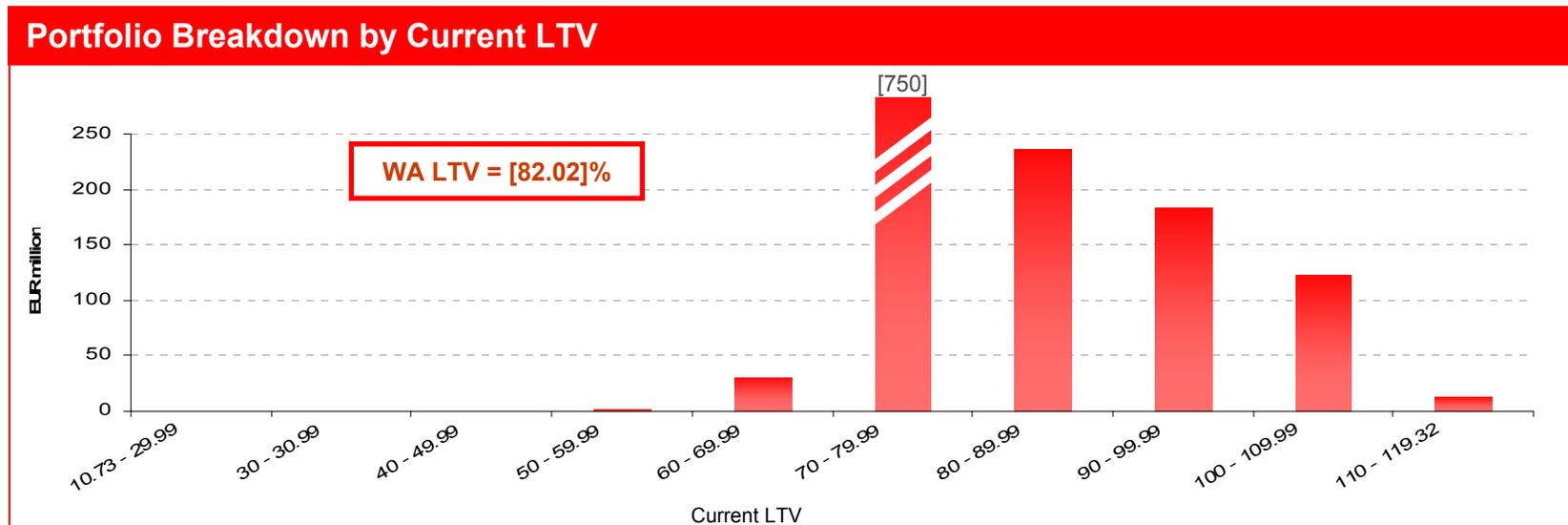


Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

# Santander Empresas 4 - Breakdown by Type of Guarantee & Current LTV



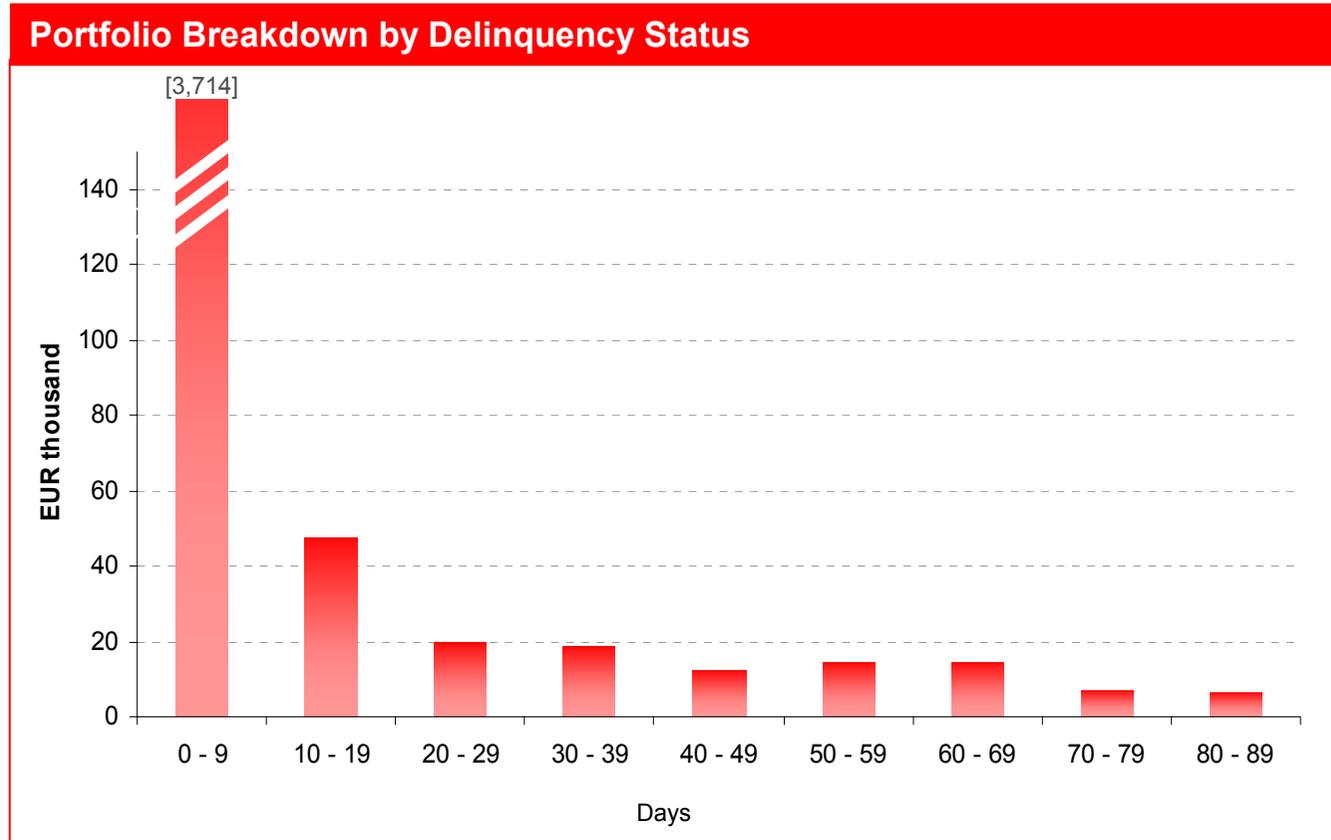
*Almost [35]% of the portfolio has the extra guarantee of a first-lien commercial mortgage*



Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

## Santander Empresas 4 - Breakdown by Delinquency Status

*Only [1.88%] of the provisional pool is in arrears for more than 30 days. Nevertheless, at the issue date there will be no loans in arrears for more than 30 days*



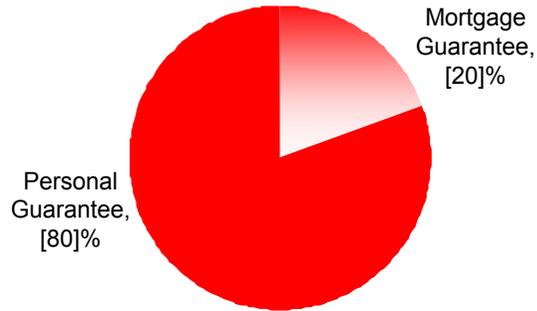
Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

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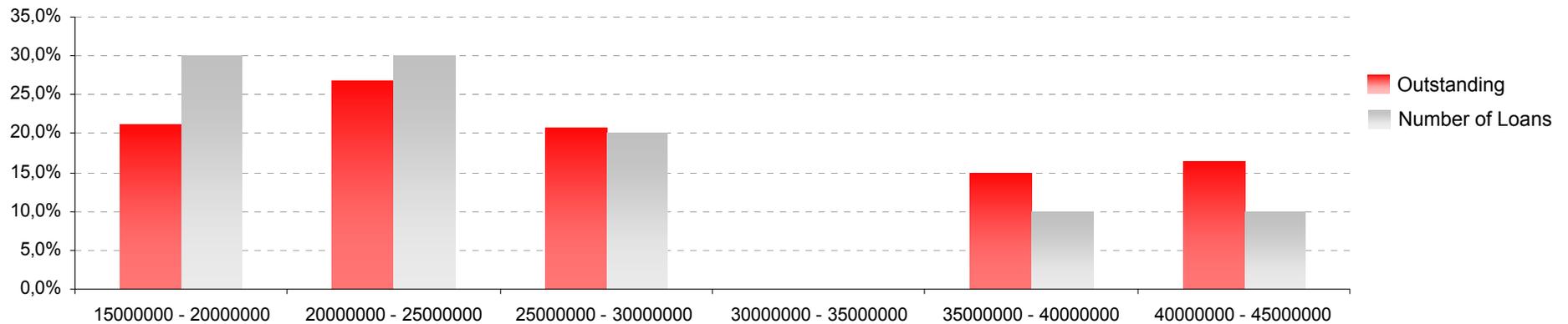
# Santander Empresas 4 - Top 20 Borrowers: Breakdown by Principal Outstanding & Type of Guarantee

**Top 20 Borrowers - Breakdown by Type of Guarantee**



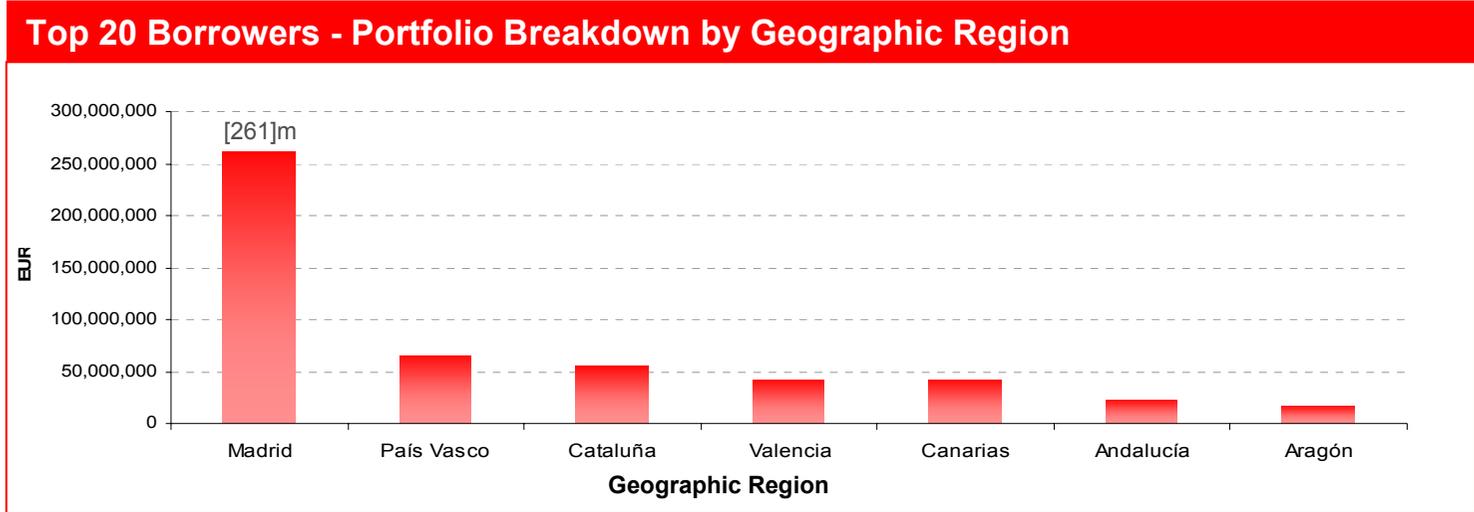
*There are mortgage guarantees in place for up to [20]% of the top 20 borrowers*

**Top 20 Borrowers - Breakdown by Principal Outstanding**



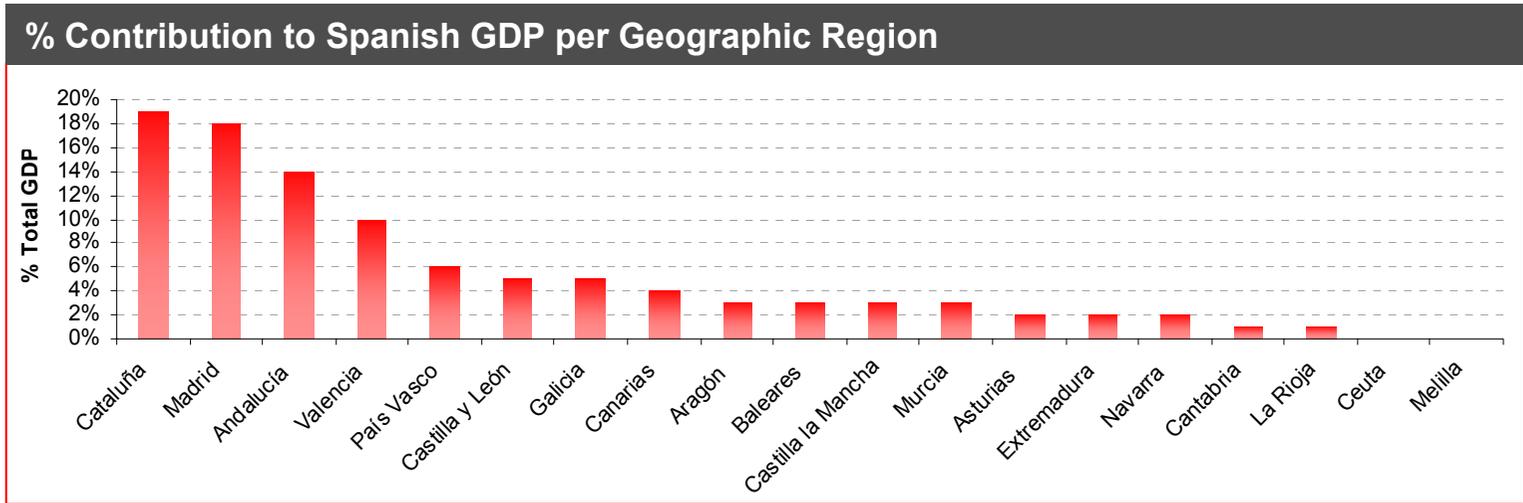
Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

# Santander Empresas 4 - Top 20 Borrowers: Breakdown by Geographic Region



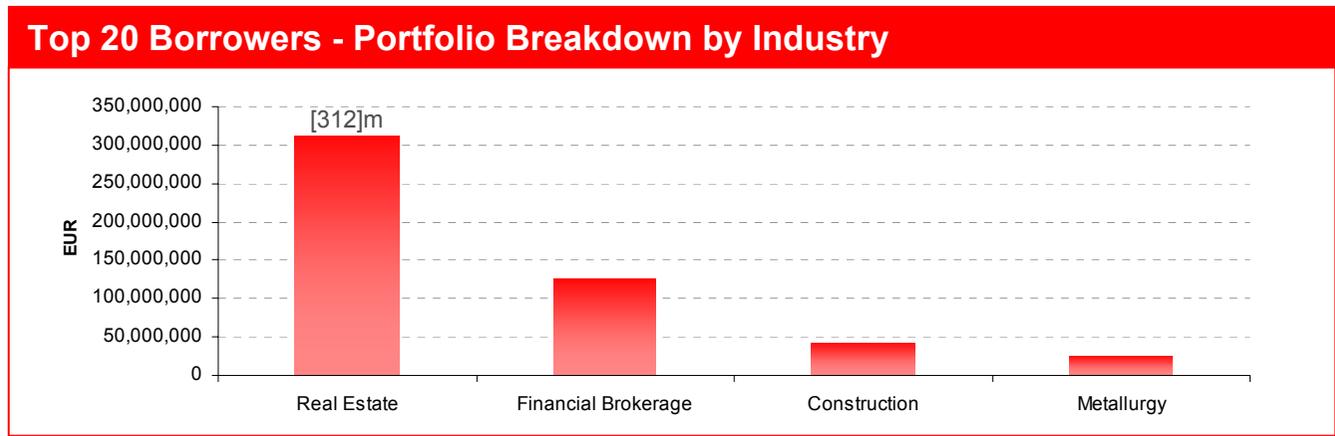
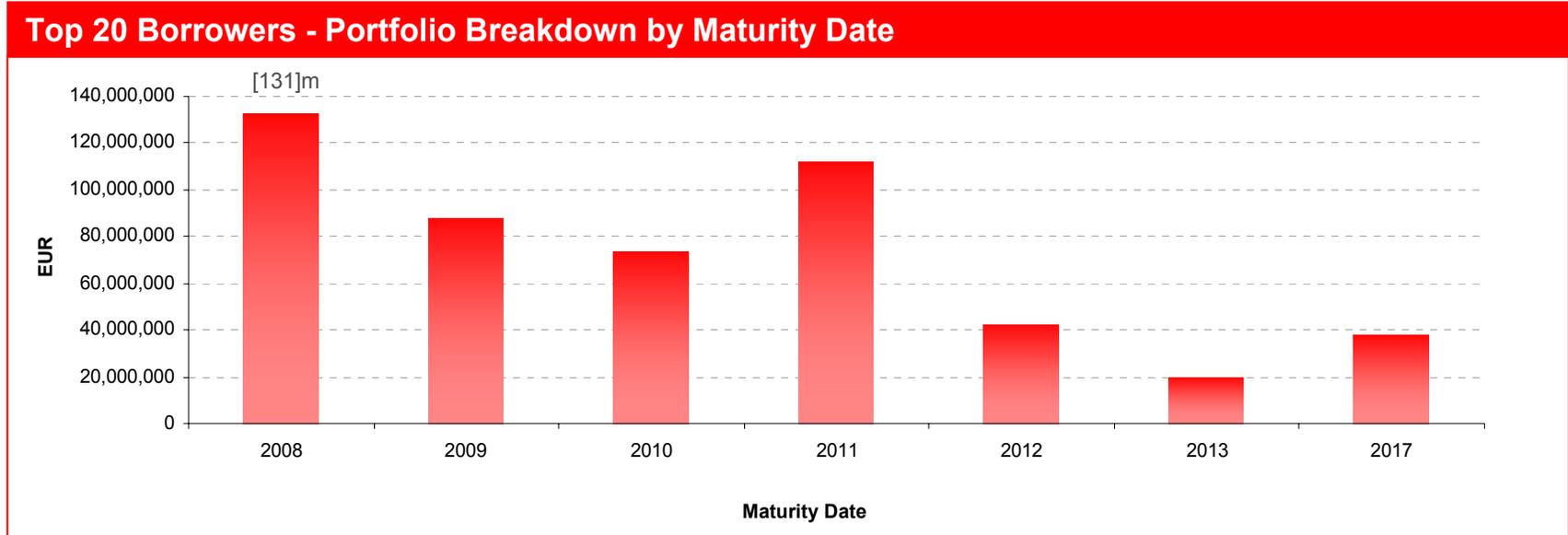
*The top 20 borrowers are located in the regions with the highest contribution to Spanish GDP*

Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007



Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

# Santander Empresas 4 - Top 20 Borrowers: Breakdown by Maturity Date & Industry



Source: Banco Santander. Provisional Pool as of 25<sup>th</sup> September 2007

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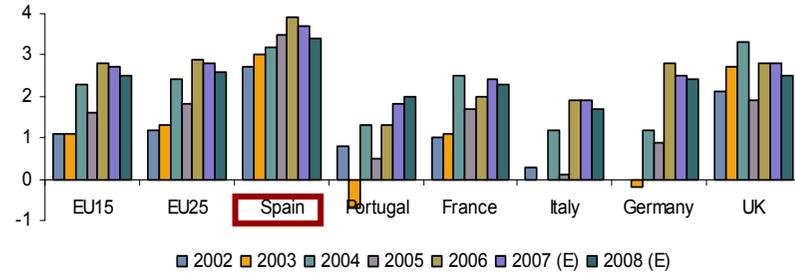
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# Spanish Economy Outlook



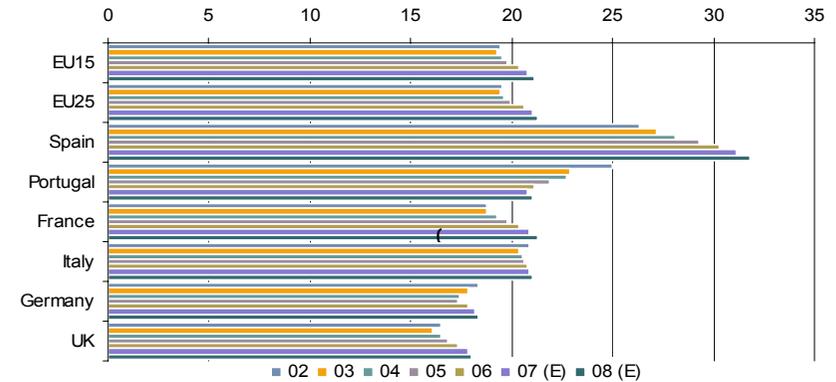
# Strong GDP growth backed by increased investment volume and falling unemployment

**Strong Real GDP Growth (% change, 1997-2008\*)**



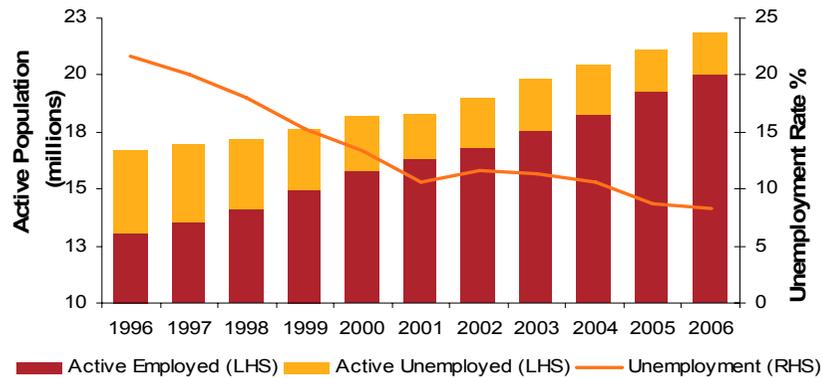
Source: Eurostat (2007)\*Forecast for years after 2006

**Investment Volume (% of GDP, 2002-2008\*)**



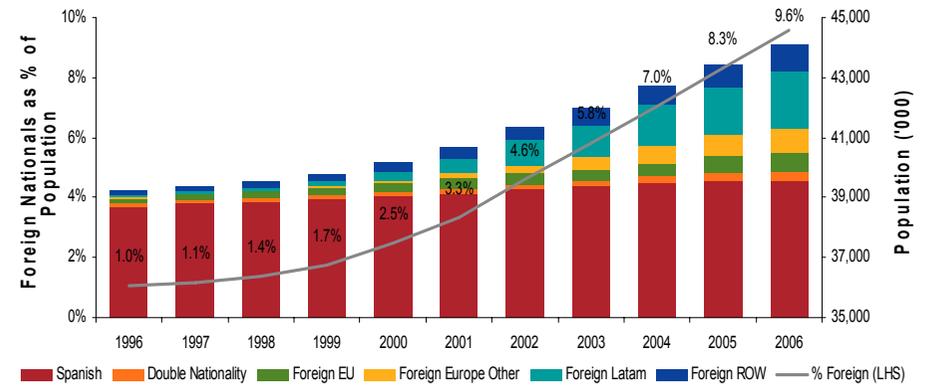
Source: Eurostat (2007), \*Forecast for years after 2006

## Falling unemployment & growth in active population



Source: Bank of Spain

## Second largest population growth in Eurozone

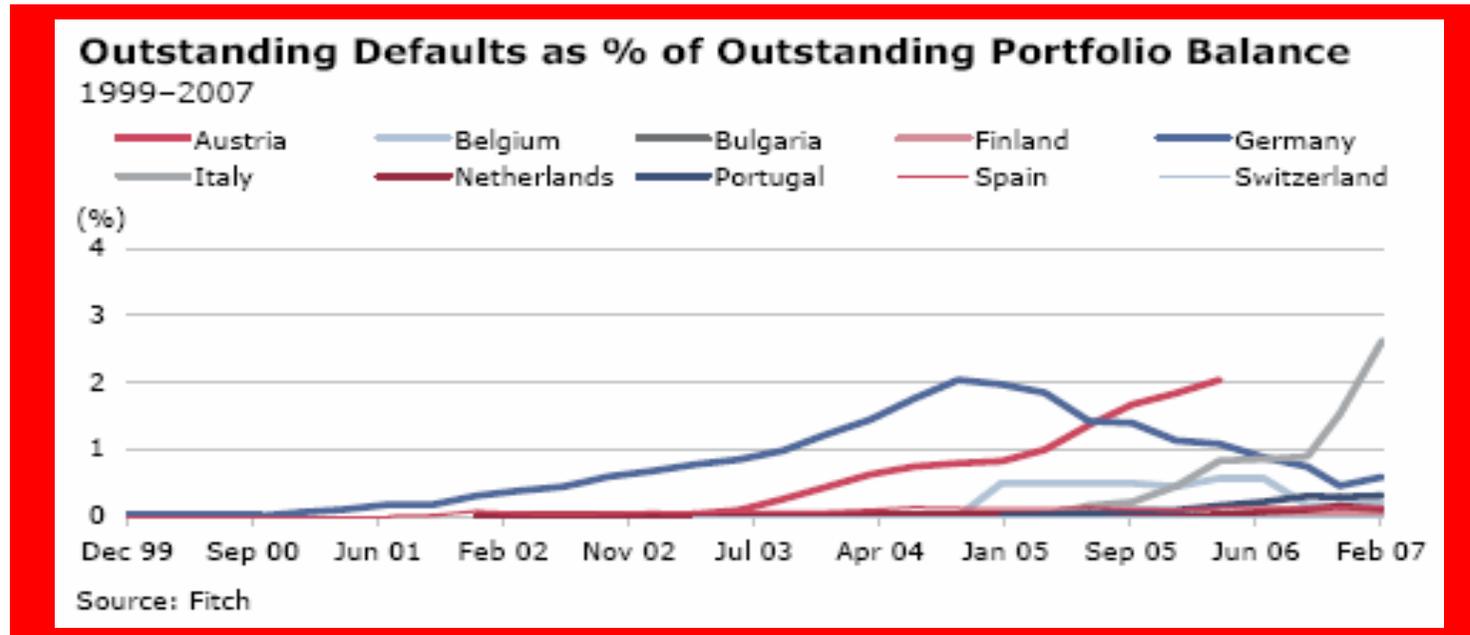


Source: National Institute of Statistics (INE)



## SME CLO's Sector in Spain

- Spanish SME CLO's continue to be the star performer in the SME segment in Europe



- Such momentum is set to stay as the economy, although not at such high levels, is still growing above the European average

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## Expected Timetable

- Announcement: [•] Oct
- Roadshow: Week of 22 Oct
- Bookbuilding: Week of 22 Oct
- CNMV Approval: [23/25] Oct
- Fund's constitution / signing: [29] Oct
- Settlement date: [2] Nov

Oct 2007						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31	1	2	3	4

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