

A dark red world map is centered on the slide, set against a lighter red grid background. The map shows the outlines of continents in a slightly darker shade of red.

# F.T.A. Santander Empresas I

€3,100,000,000 Business Loans ABS

STRICTLY PRIVATE AND CONFIDENTIAL

OCTOBER 2005



# Disclaimer (I)



The following materials have been prepared to provide preliminary information about a potential structured transaction involving the issuance and offering of securities ("Transaction") by F.T.A. Santander Empresas I ("Issuer") in order to finance its acquisition of a portfolio of assets originated by Banco Santander Central Hispano, S.A. ("Originator"). Grupo Santander, Calyon and Merrill Lynch International ("MLI") (together, the "Joint Lead Managers") distribute the materials upon the express understanding that no information contained herein has been independently verified by any of the Joint Lead Managers. The Joint Lead Managers make no representation or warranty (express or implied) of any nature nor is any responsibility or liability of any kind accepted with respect to the truthfulness, completeness or accuracy of any information, projection, representation or warranty (expressed or implied) or omissions in this presentation and nothing in this presentation shall be deemed to constitute such a representation or warranty or to constitute a recommendation to any person to acquire any securities.

These materials have been prepared, in part, from information supplied by the Originator to provide preliminary information about the Transaction to a limited number of sophisticated prospective investors, to assist them in determining whether they have an interest in the type of securities described herein. These materials are not intended as an offer to sell, or a solicitation of an offer to purchase any securities that may be issued by the Issuer. Any offer or solicitation with respect to any securities that may be issued by the Issuer, will be made only by means of an offering memorandum which is registered in the Spanish language only with the Spanish supervisory authority, the Comisión Nacional del Mercado de Valores. In making a decision to invest in any securities of the Issuer, prospective investors should rely only on the offering memorandum for such securities and not on these materials, which contain preliminary information that is subject to change and that is not intended to be complete or to constitute all the information necessary to adequately evaluate the consequences of investing in such securities.

Nothing in these materials should be construed as a recommendation to invest in any securities that may be issued by the Issuer or as legal, accounting or tax advice. An investment in securities of the type described herein presents certain risks. Before making a decision to invest in any securities of the Issuer, a prospective investor should carefully review the offering memorandum for such securities (including the risk factors described therein) and consult with its own legal, accounting, tax and other advisors in order to independently assess the merits and risks of such an investment.

These materials contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts or estimates of cash flows, yield or returns, scenario analyses and proposed or expected portfolio composition. The forward-looking information contained herein is based upon certain assumptions about future events or conditions and is intended only to illustrate hypothetical results under those assumptions (not all of which will be specified herein). Actual events or conditions may not be consistent with, and may differ materially from, those assumed. In addition, not all relevant events or conditions may have been considered in developing such assumptions. Accordingly, actual results may vary and the variations may be material. Prospective investors should understand such assumptions and evaluate whether they are appropriate for their purposes. In addition, these materials may also contain historical market data; however, historical market trends are not reliable indicators of future market behaviour.

The materials are based on information provided by the Originator or other public sources and contains tables and other statistical analyses (the "Statistical Information") prepared in reliance upon such information. The Statistical Information may be subject to rounding. Numerous assumptions were used in preparing the Statistical Information, which may or may not be reflected herein. No assurance can be given as to the Statistical Information's accuracy, appropriateness or completeness nor as to whether the Statistical Information and/or the assumptions upon which they are based reflect present market conditions or future market performance. Past performance is not indicative of future results. The information contained herein is subject to change without notice and past performance is not indicative of future results and neither the Issuer nor the Joint Lead Managers are under any obligation to update or keep current the information contained in the presentation. Any weighted average lives, yields and principal payment periods shown in the Statistical Information are based on prepayment assumptions, and changes in such prepayment assumptions may dramatically affect such weighted average lives, yields and principal payment periods. Prepayments on the underlying assets may occur at rates slower or faster than the rates shown in the attached Statistical Information. The characteristics of the Securities may differ from those shown in the Statistical Information due to differences between the actual underlying assets and the hypothetical underlying assets used in preparing the Statistical Information. The Joint Lead Managers do not owe any duty to any person who receives this presentation to exercise any judgement on such person's behalf as to the merits or suitability of any such Notes or the Transaction. The Issuer, the Joint Lead Managers and their respective affiliates, agents, directors, partners and employees accept no liability whatsoever for any loss or damage howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith. The Joint Lead Managers and each of their respective affiliates may, from time to time, effect or have effected an own account transaction in, or make a market or deal as principal in or for the Notes.

# Disclaimer (II)



These materials may not be reproduced or redistributed, in whole or in part, directly or indirectly, to any other person. These materials are not intended for distribution to, or use by any person or entity in any jurisdiction where such distribution or use would be contrary to local law or regulation. In particular, these materials must not be distributed to any person in the United States or to or for the account of any "US persons" as defined in Regulation S of the Securities Act of 1933, as amended. In the United Kingdom, these materials have not been approved by an authorised person, as defined in the Financial Services and Markets Act 2000 for distribution, and any investment or investment activity to which these materials relate will be available only to persons of a kind described in Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (all such persons being referred to as "relevant persons"). It must not be acted on or relied on by persons who are not relevant persons. In other EEA countries, these materials are intended only for persons regarded as professional investors (or equivalent) in their home jurisdiction. This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons.

This document is for distribution only to persons who (i) have professional experience in matters relating to investments or (ii) are persons falling within Article 49(2)(a) to (e) ("high net worth companies, unincorporated associations etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (all such persons together being referred to as "relevant persons").

All applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") in relation to the Notes in, from or otherwise involving the United Kingdom will be complied with; and (b) all communications of any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) will be made in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of Notes to the public in that Relevant Member State will be made prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of Notes may be made to the public in that Relevant Member State at any time: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

These materials contain confidential and proprietary information, and their distribution or the divulgence of any of their contents to any person, other than the person to whom they were originally delivered and such person's advisors, without the prior written consent of the Originator and the Joint Lead Managers is prohibited.

Calyon and Merrill Lynch International are authorised and regulated by the Financial Services Authority.

## Executive Summary

Transaction Structure

Portfolio overview and historical performance

SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

- Grupo Santander (rated AA-/Aa3/A+ ) is the largest bank in Euroland by market capitalisation (EUR 67 billion)
- Grupo Santander is the largest bank in Spain, developing its activity mainly in retail banking but also in corporate and investment banking
- This is Grupo Santander's 38<sup>th</sup> securitisation, being by far the largest originator in the Spanish market, with more that EUR 29.7 billion issued in the last 12 years

## Key features (I)



- Borrowers ranging from individuals and micro companies to medium/large companies (but 97.43% of loans are for less than 1% of total)
- 29.52% of the pool is secured by mortgages with an average LTV of 77.03%
- The provisional number of loans is 17,821 with an average outstanding balance of EUR 180,907.95
- All loans originated by the Commercial Banking Department in its normal course of business. No loans are generated by SCH's specialised departments (Corporate banking, project finance, structured finance,...)
- All fully amortising loans

## Key features (II)



- Industry diversification
  - Highest industrial concentration in Real Estate (no developers) with 21.98% and Construction Related Companies with 9.36%
- Geographical diversification:
  - Main concentration in Madrid (20.75%) and Catalonia (15.94%)
- The maximum arrears period for any loan on the selling date will be 30 days
- The swap will cover the first 90 days of interest arrears
- Class A (A1 and A2) is supported by 13.50% credit enhancement and an additional annual guaranteed gross excess spread of 0.65% guaranteed excess spread on the proportion of the pool which is less than 90 days in arrears

Executive Summary

## Transaction Structure

Portfolio overview and historical performance

SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market



# Terms and conditions



Series	Fitch/S&P	Amount (€mm)	%	CE (*)	Coupon	WAL (yr)	Expected Maturity	Amortisation
Class A1	AAA/AAA	1,512.8	48.8%	14.15%	Euribor 3m + []	0.79	26/07/2007	Pass-through
Class A2	AAA/AAA	1,240.0	40.0%	14.15%	Euribor 3m + []	3.22	26/01/2012	Pass-through (**)
Class B	AA+/AA	80.6	2.6%	11.55%	Pre-placed	6.63	26/10/2012	Pass-through
Class C	A+/A-	96.1	3.1%	8.45%	Pre-placed	7.01	26/10/2012	Pass-through
Class D	BBB/BBB	170.5	5.5%	2.95%	Pre-placed	7.01	26/10/2012	Pass-through
<b>Total</b>		<b>3,100.0</b>	<b>100.0%</b>					

Assumptions: (i) CPR:10%. (ii) No substitution of the initial loans and (iii) 10% of the clean up call is exercised.

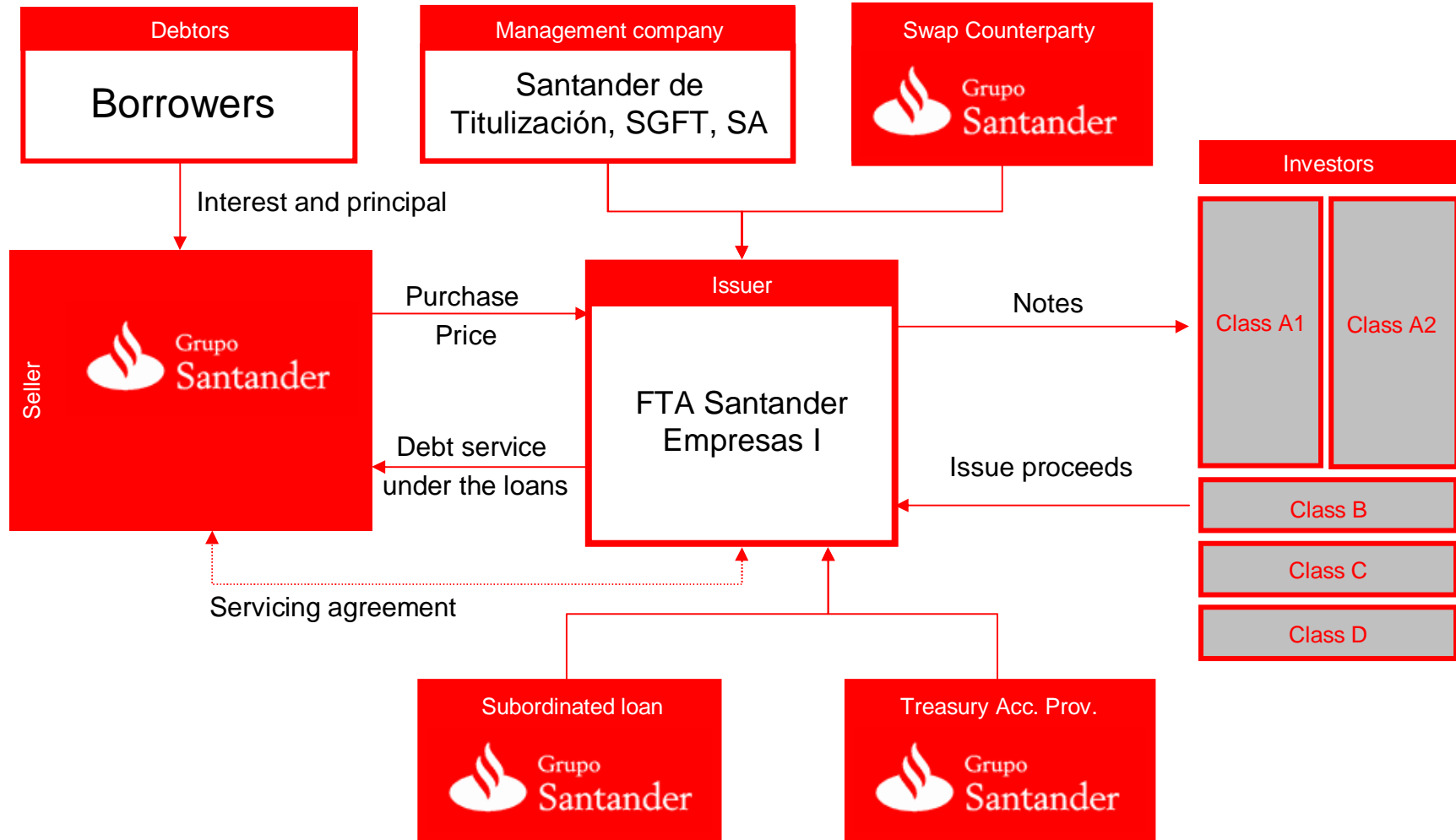
(\*) Including 0.65% guaranteed excess spread on the proportion of the pool which is less than 90 days in arrears

(\*\*) no principal until 26-4-2007

<b>Issuer</b>	FTA Santander Empresas I	<b>Amount</b>	EUR 3,100,000,000
<b>Registration at CNMV</b>	[ ] October 2005	<b>Incorporation of the FTA</b>	[ ] October 2005
<b>Launch/Trade date</b>	[ ] October 2005	<b>Closing and Settlement</b>	[ ] October 2005
<b>Listing</b>	AIAF	<b>Denominations</b>	EUR 100,000
<b>Management Company</b>	Santander de Titulización, SGFT	<b>Swap Counterparty</b>	Banco Santander Central Hispano, S.A.
<b>Governing Law</b>	Spanish	<b>Joint-Bookrunners</b>	CALYON, Grupo Santander, Merrill Lynch

F.T.A. Santander Empresas I

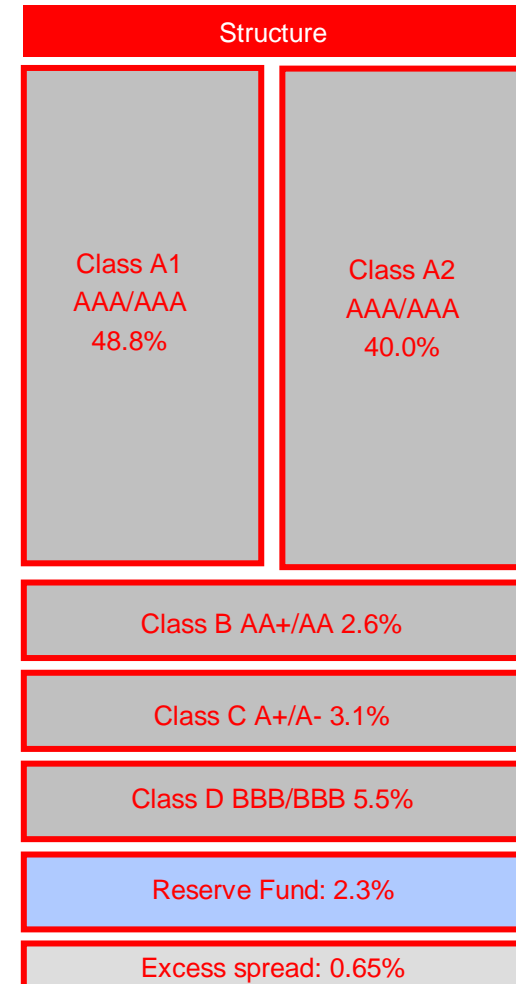
# Transaction Structure



F.T.A. Santander Empresas I

# Credit enhancement (I)

- The A1 and A2 Classes are supported by the following credit enhancement features:
  - Guaranteed annual gross excess spread of 65 bps of the outstanding balance of performing loans (defined as current or up to 90 days in arrears). The net excess spread will be approximately 62 bps.
  - Initial fully funded cash reserve of EUR 71.3 million (2.3% of the initial balance of the notes). The maximum cash reserve during the life of the transaction will be calculated according to the subordinated loan amortisation schedule.
  - An initial 11.2% of aggregate credit enhancement contributed in addition by the B, C and D Classes.



# Credit enhancement (II)



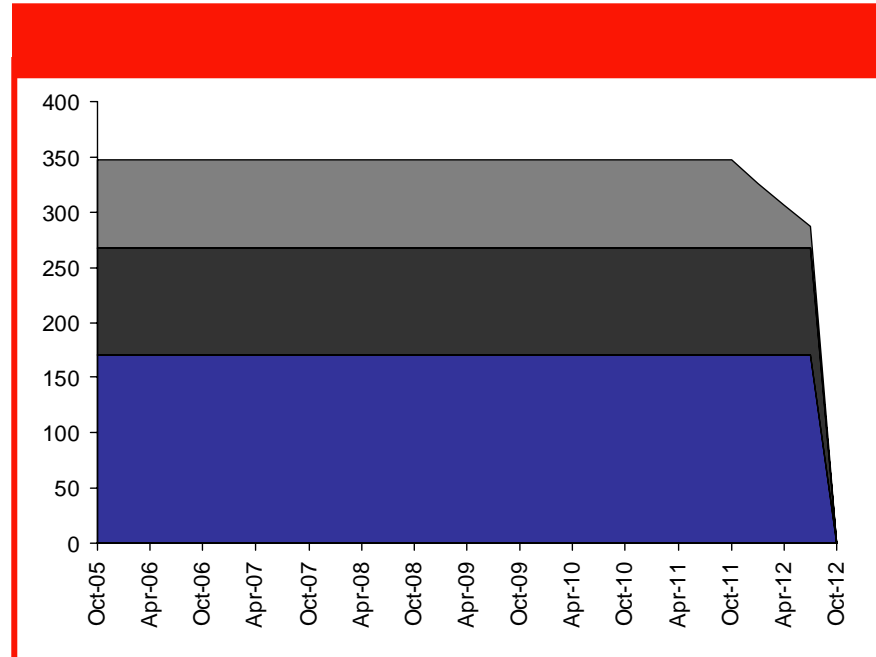
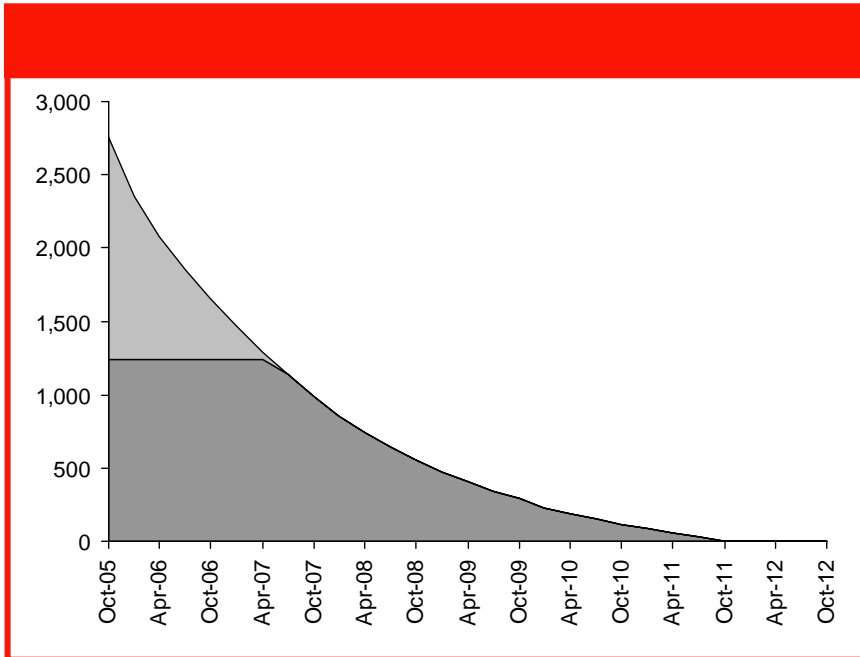
## INTEREST RATE SWAP

- SCH (AA-/Aa3/A+) will guarantee via the interest rate swap a gross level of excess spread equal to 65 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 months Euribor, (ii) the weighted average margin applicable to the notes, (iii) 0.65% 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)

## SUBORDINATED LOAN / CASH RESERVE

- Initial Amount: EUR 71.3 million. Fully funded on the Closing Date
- The maximum size of the Cash Reserve initially funded by the Subordinated Loan shall be equal to the lower of:
  - EUR 71.3 million; and
  - The higher of:
    - 2.5% of the outstanding principal balance of the notes; and
    - EUR 27.9 million
- The size of the Cash Reserve will not be reduced between two subsequent Payment Dates if either:
  - The ratio defined as: (i) the outstanding balance of defaulted loans (more than 90 days in arrears); divided by (ii) the outstanding balance of non written-off loans, is equal to, or greater than 1%; or
  - The Cash Reserve was not at its required level on the previous Payment Date

# Amortisation profile of the Notes



Assumptions: (i) CPR:10%. (ii) No substitution of the initial loans, (iii) no pro-rata trigger applies for classes A1 and A2 and (iv) 10% of the clean up call is exercised. These are estimated amortisation profiles and the actual amortisation profile may differ significantly.

The amortisation of classes A1, A2, B, C and D is sequential

Should any amounts under Series A1 still be outstanding, the sequential order of payment of Series A1 and A2 will be interrupted if 90-day arrears on loans with less than 12 months arrears is larger than 1.5% of the Current Outstandings of Loans. In that event, Funds Available for Amortisation will be applied prorata to Series A1 and A2 (or, if applicable, to the deposit available for amortisation of Series A2 after April 26, 2007).

Each of the classes pays interest quarterly and principal according to the sequential amortisation rule

# CPR sensitivity



CPR	6%	8%	10%	12%	14%
<b>Class A1</b>					
WAL (yrs)	0.88	0.84	0.79	0.75	0.72
Expected Final Maturity	26/10/2007	26/07/2007	26/07/2007	26/04/2007	26/04/2007
<b>Class A2</b>					
WAL (yrs)	3.70	3.44	3.22	3.03	2.86
Expected Final Maturity	26/04/2013	26/07/2012	26/01/2012	26/07/2011	26/01/2011
<b>Class B</b>					
WAL (yrs)	7.79	7.23	6.63	6.07	5.68
Expected Final Maturity	26/01/2014	26/04/2013	26/10/2012	26/01/2012	26/10/2011
<b>Class C</b>					
WAL (yrs)	8.26	7.51	7.01	6.26	6.01
Expected Final Maturity	26/01/2014	26/04/2013	26/10/2012	26/01/2012	26/10/2011
<b>Class D</b>					
WAL (yrs)	8.26	7.51	7.01	6.26	6.01
Expected Final Maturity	26/01/2014	26/04/2013	26/10/2012	26/01/2012	26/10/2011

Assumptions: (i) No substitution of the initial loans and (ii) 10% of the clean up call is exercised.

# Priority of Payments



1 Payment of the expenses of the Fund

2 Payments on the swap (other than termination payments under the swap in case of SCH default)

3 Payment of interest on Classes A1 and A2 Notes

4 Payment of interest on Class B Notes

5 Payment of interest on Class C Notes

6 Payment of interest on Class D Notes

7 Provisions for an amount equal to the difference between the outstanding balance of the Notes (Classes A1, A2, B, C and D) and the aggregate outstanding balance of the Loan Portfolio. Such amounts to be allocated in accordance with the "Principal Allocation Priority"

8 Provision for an amount to be retained in the Reserve Fund equal to its required level

9 Termination payments under the swap in case of a SCH default

10 Interest and amortisation of the principal due on the Subordinated Loan

11 Variable financial intermediation margin paid to SCH

# Principal Allocation Priority



1 All amounts available for this purpose will be used to redeem Class A1 until this Class has been redeemed in full

2 Once Class A1 has been redeemed in full and in no case before the Payment Date of April 26<sup>th</sup>, 2007 all amounts available will be used to redeem Class A2. Amounts available received previously to the April 26<sup>th</sup>, 2007 will be deposited on the Treasury Account.

3 Once Class A2 has been redeemed in full all amounts available will be used to redeem Class B

4 Once Class B has been redeemed in full all amounts available will be used to redeem Class C

5 Once Class C has been redeemed in full all amounts available will be used to redeem Class D



Executive Summary

Transaction Structure

## **Portfolio overview and historical performance**

SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

# Highly diversified portfolio



- The collateral is a pool of loans granted to borrowers ranging from self-employed individuals (“autónomos”) to medium-large businesses with legal address in Spain, with the sole purpose of financing economic activities or in the case of property acquisition only by self-employed
- Number of loans: 17,821 loans
- 29.52% of the loans in the portfolio are collateralised by mortgages, while the remaining 70.48% carry the full corporate guarantee of the borrowers
- The weighted average seasoning of the portfolio is 19 months
- Average loan balance: EUR180,908
- Largest loan over issue amount: 1.43%

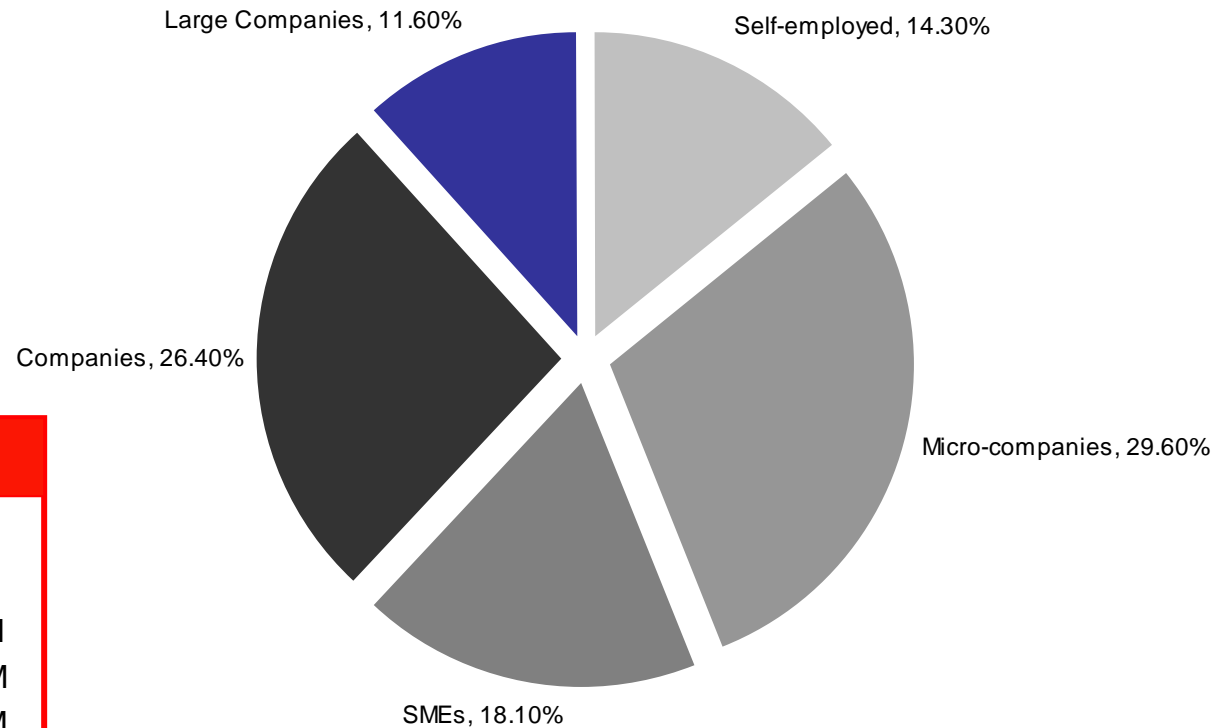
# Highly diversified portfolio



- Top 20 loans over issue amount: 11.88%
- The repayment frequency of the loans is distributed in the portfolio as follows:
  - 50.9% on a monthly basis
  - 37.4% on a quarterly basis
  - 7.5% on a bi-annual basis
  - 4.2% on an annual basis
- 98.18% of the balance of the provisional pool is not in arrears or less than 30 days, 0.90% is in arrears between 30 and 59 days, and 0.91% between 60 and 89 days
- On Incorporation Date none of the loans on the portfolio will be in arrears for longer than 30 days

# Analysis by borrower classification

## By value



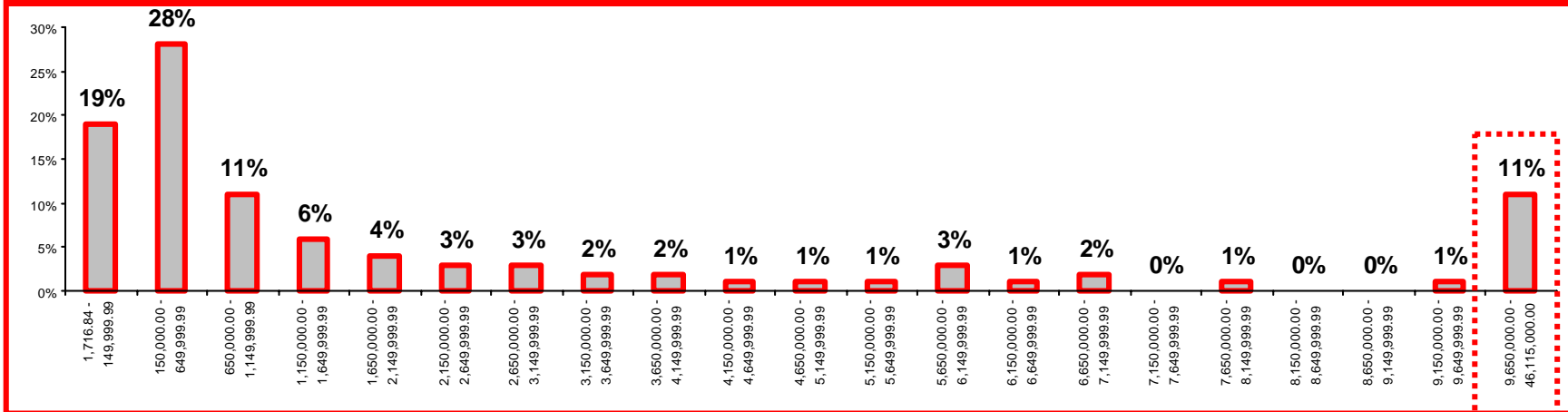
Self Employed	N/A
Micro-companies	$\leq \text{€}2\text{MM}$
SMEs	$\leq \text{€}10\text{MM}$
Companies	$\leq \text{€}18.03\text{MM}$
Large Companies	$> \text{€}18.03\text{MM}$

Provisional pool as of September 21st, 2005. Source: Grupo Santander. Classification of borrowers: Internal, Grupo Santander

# Analysis by outstanding balance

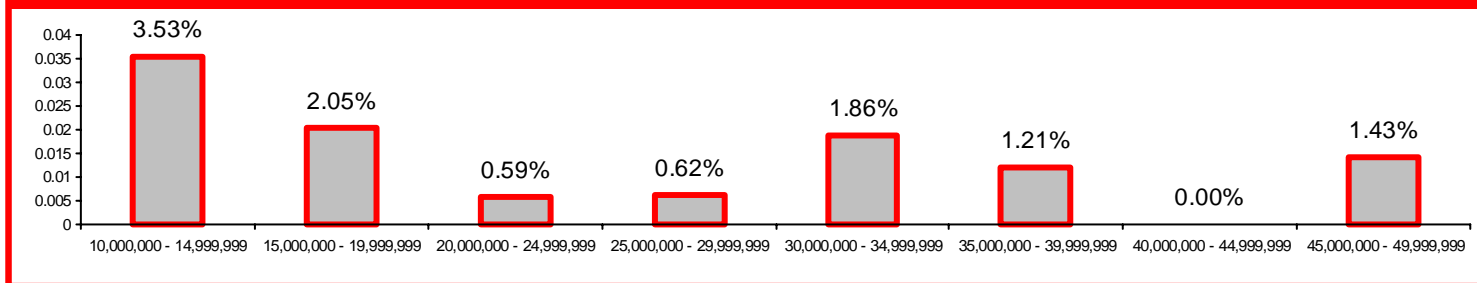


## By current outstanding balance



Provisional pool as of September 21st, 2005. Source: Grupo Santander

## Distribution of the 20 largest loans



Provisional pool as of September 21st, 2005. Source: Grupo Santander

# Analysis of the 20 largest loans



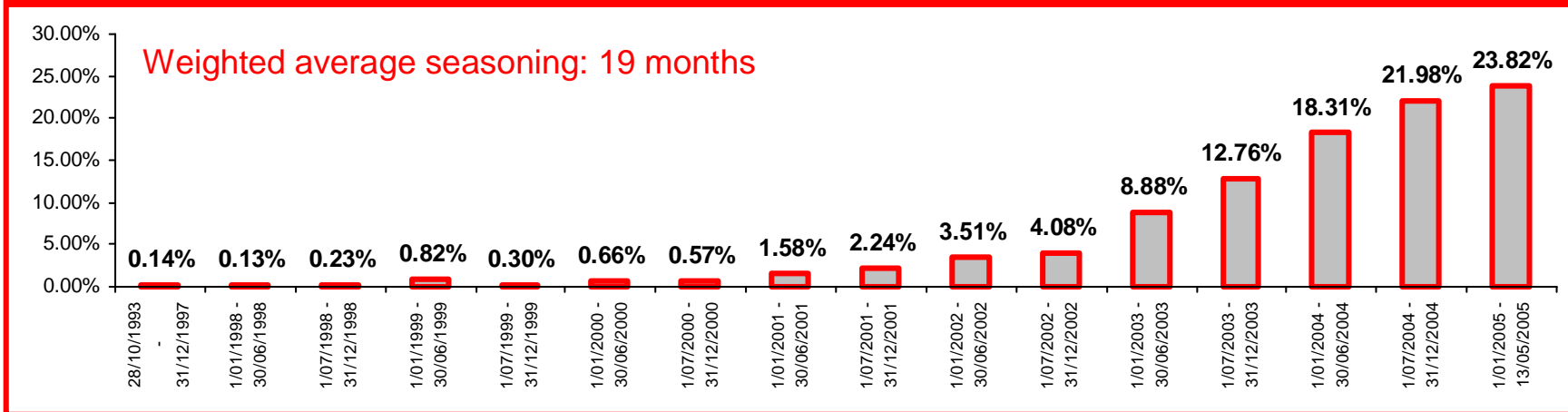
Borrower	Outstanding balance	%	Industry sector
Entity 1	46,115,000.00	1.43%	Food and beverage Industry
Entity 2	36,889,428.76	1.14%	Household services
Entity 3	30,100,000.00	0.93%	Household services
Entity 4	30,000,000.00	0.93%	Agriculture, stockbreeding and hunting
Entity 5	20,252,500.00	0.63%	Food and beverage Industry
Entity 6	20,000,000.00	0.62%	Construction
Entity 7	19,100,000.00	0.59%	Household services
Entity 8	17,478,040.00	0.54%	Household services
Entity 9	16,828,337.00	0.52%	Household services
Entity 10	16,666,667.00	0.52%	Food and beverage Industry
Entity 11	15,000,000.00	0.47%	Household services
Entity 12	14,000,000.00	0.43%	Household services
Entity 13	14,000,000.00	0.43%	Agriculture, stockbreeding and hunting
Entity 14	13,944,738.73	0.43%	Household services
Entity 15	12,693,662.61	0.39%	Other activities of personal service
Entity 16	12,671,110.97	0.39%	Household services
Entity 17	12,148,778.65	0.38%	Retail Trade
Entity 18	12,000,000.00	0.37%	Vehicle and trailer manufacturing
Entity 19	11,560,000.00	0.36%	Construction
Entity 20	11,440,000.00	0.35%	Surface transports and by pipeline
<b>TOTALS:</b>	<b>382,888,263.72</b>	<b>11.88%</b>	

Provisional pool as of September 20<sup>th</sup>, 2005. Source: Grupo Santander

# Analysis by seasoning



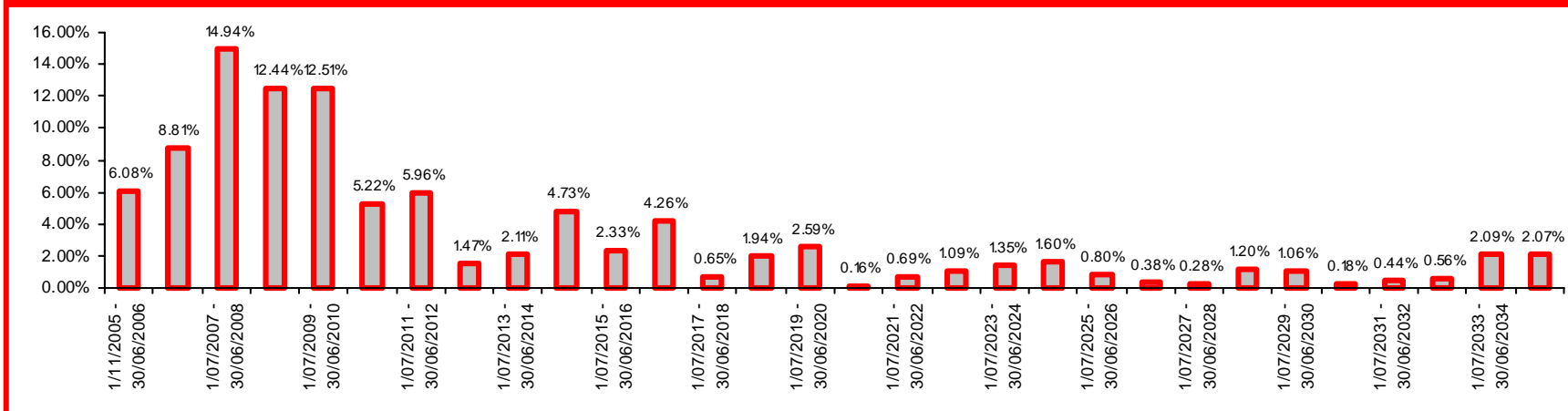
## By date of origination



Provisional pool as of September 20th, 2005. Source: Grupo Santander

# Analysis by maturity

## By final maturity date



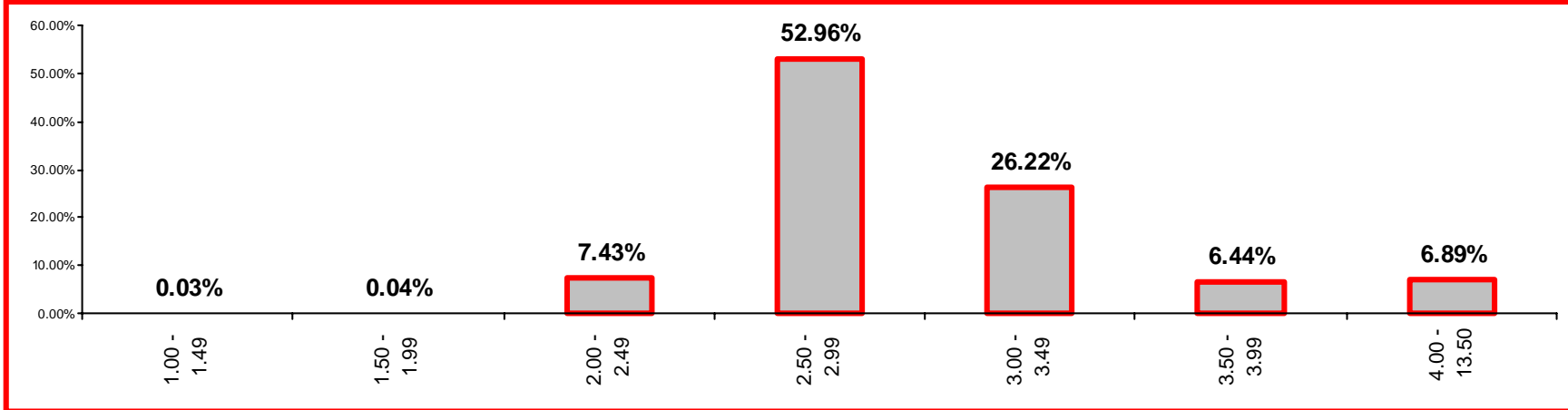
Provisional pool as of September 20th, 2005. Source: Grupo Santander



# Analysis by interest rate and reference

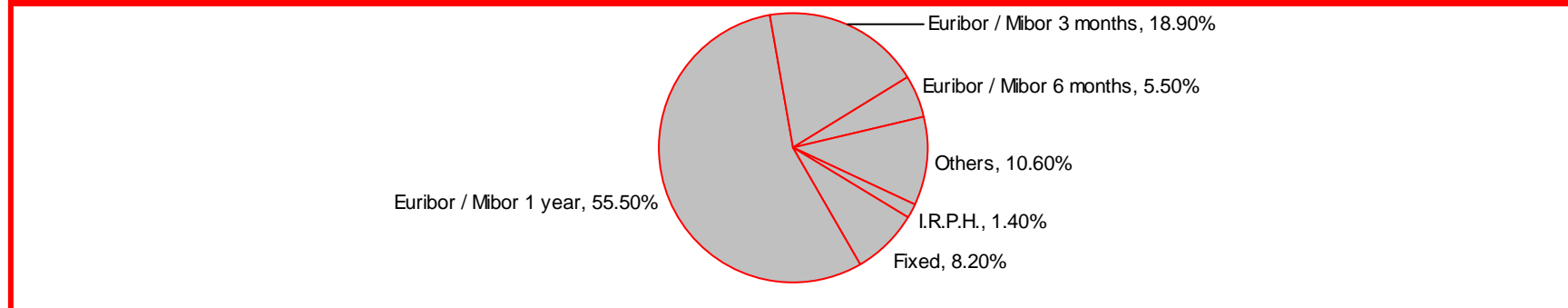


## By Interest rate



Provisional pool as of September 20th, 2005. Source: Grupo Santander

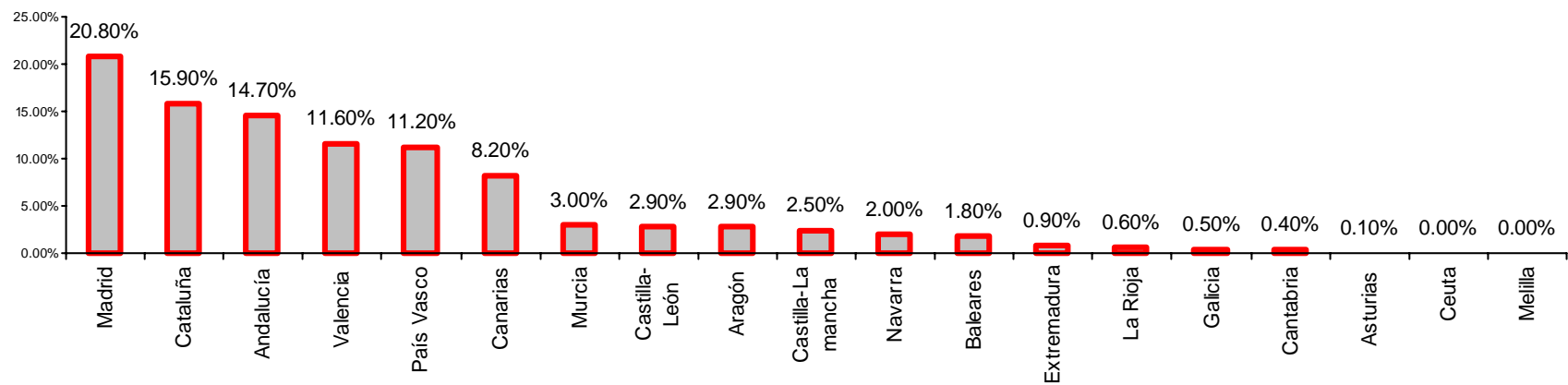
## By reference index



Provisional pool as of September 20th, 2005. Source: Grupo Santander

# Analysis by geographical distribution

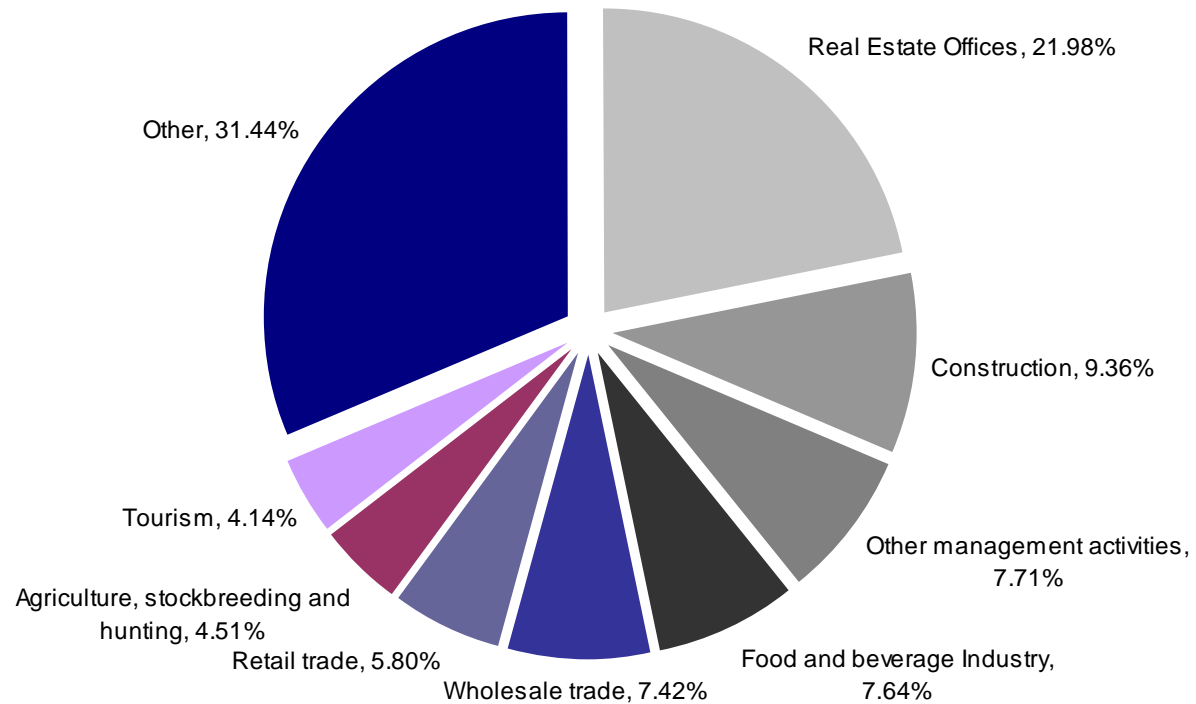
## By region



Provisional pool as of September 20th, 2005. Source: Grupo Santander

# Analysis by industry sector

## By industry sector



Provisional pool as of September 20th, 2005. Source: Grupo Santander

Executive Summary

Transaction Structure

Portfolio overview and historical performance

**SCH Empresas: Origination and Approval, Monitoring and Recoveries processes**

Grupo Santander in the Spanish Market

## Grupo Santander has developed a successful risk model



- The clients are split into two categories. Each category apply different methodologies of risk management, reflecting the different behaviour of the risk. The categories are:

- Analyst Management:** actual or potential risk within the Group over EUR 500,000 (inclusion in portfolio)

- Systematic Management:** actual or potential risk within the Group less than EUR 500,000

- All the risk related process within the group (origination, monitoring and recovery) is managed from a single department: the Credit Risk Department. This design allows a homogeneous policy for all risks within Grupo 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

- Grupo Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area is supporting the Commercial Area in all the processes.

- In any case the risk management objectives for both areas are the same, in order to guarantee no discrepancies between both areas.

- In order to ensure individual treatment, cut-off points are established for cases involving certain customer characteristics and amounts. From the cut-off point onward, analysis and monitoring are handled by specialised analysts. This has the following consequences:
  - In terms of risk, customers are treated in corporate analysis units (CAU).
  - Each customer is managed by an analyst that includes such customer in the customer portfolio.
  - The criteria for including these customers in the portfolio are:
    - The economic-financial group (considered as a unit of risk) must have asset transactions with the bank by limit or credit drawn—the greater of the two—equal to or over €500,000 (cut-off point for inclusion in portfolio).
    - The economic-financial group must have the potential to surpass the aforementioned figure in a normal business relationship with the bank.

# Analyst management

## Origination and Approval

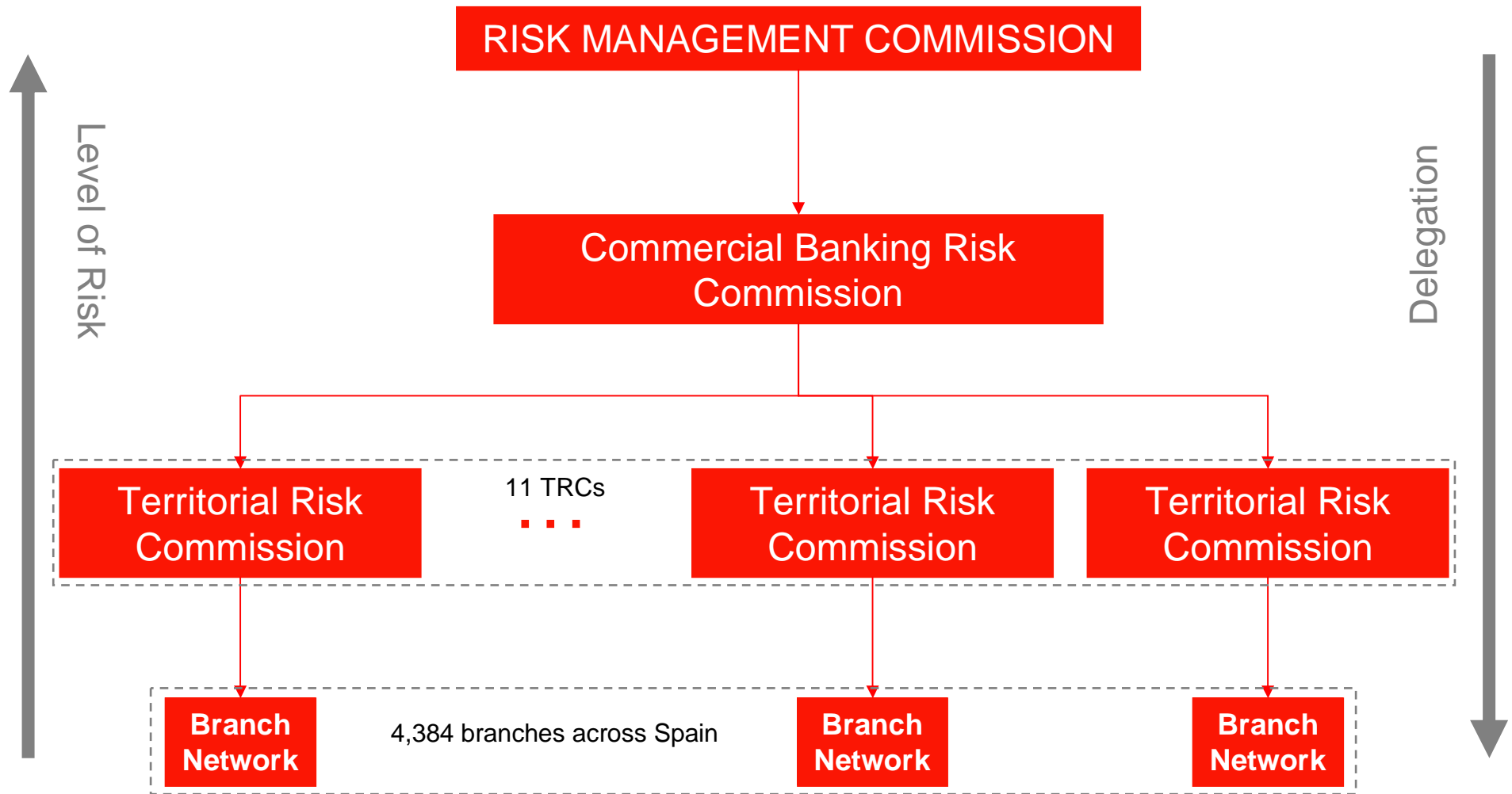


The duties at this stage fall upon the corporate analyst in collaboration with the customer's commercial manager.

An individual analysis is performed of the customer/group in order to reach a decision regarding the proposed transaction that minimises the risks to be assumed by the bank.

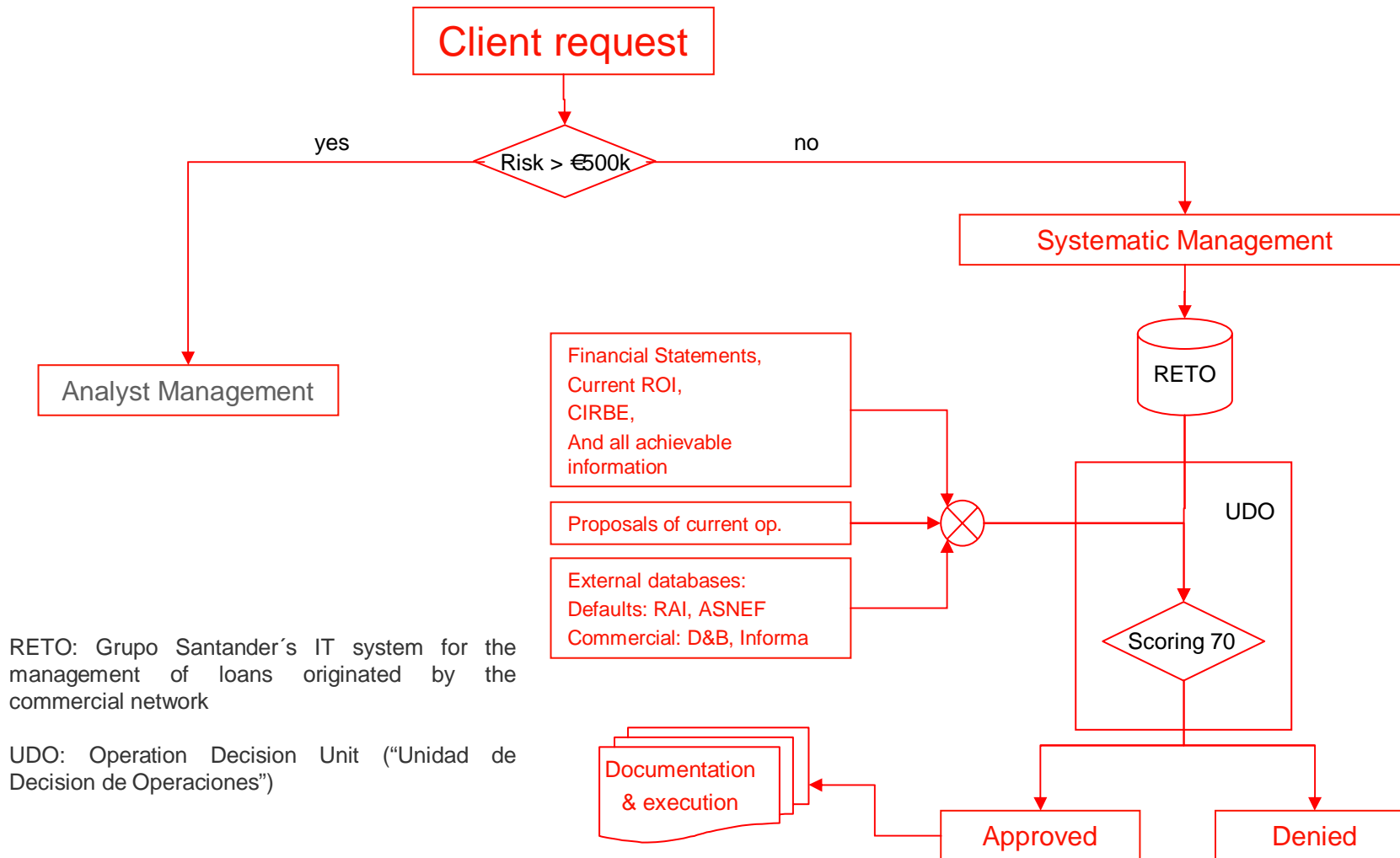
- **Site visits.** Once or twice a year, analysts must meet with customers in order to learn of the circumstances that influence the businesses and activities, to obtain economic-financial information and the corresponding details on future investment plans, etc., when applicable.
- **Rating.** This system of valuation of customers constitutes a framework and a common language in the treatment and management of risk.
  - Customer rating: capacity (smaller to greater) to handle commitments to make timely payment upon maturity or in advance if this is claimed by the bank, projected over a period of at least 12 months.
  - Transaction rating: Determines the loss that is likely to take place in a current or future transaction for a customer with a specific rating. Consequently, this rating depends on the customer rating, the maturity of the transaction, the guarantees subscribed and the type/class of product/risk.
  - Risk rating: Indicates the loss expected from total customer risk.

# Analyst management Risk approval and delegation structure





# Systematic management Origination and approval



## Special Surveillance (“FEVE”)

•This system of management of the risk makes it possible to reflect and monitor the customer’s creditworthiness and transactions. The analysis performed of the customer (initially between the admission and monitoring analysts) allows us to classify the customer as a normal situation or one of special surveillance. When the customer is classified as being one of special surveillance, the policy to be adopted and the risks involved should be indicated. There are different degrees of classification, depending on the severity of the alerts.

## Rating

•The system of valuation of companies is that previously described (single system for the entire bank and for any stage of risk), but rather than applying it to the initial stage of the analysis of the customer and the transaction, it is applied throughout the life of the transaction. To this end, the following rating-revision criteria have been established:

- Once or twice a year in all cases.
- Twice or four times a year if the customer is under special surveillance, depending on the assigned rating.
- Upon alerts.
- Upon the obtaining of new data (e.g.: new annual financial statements).
- Upon revision of risk with a customer/group or upon analysis of a new transaction.

## Revision of risk

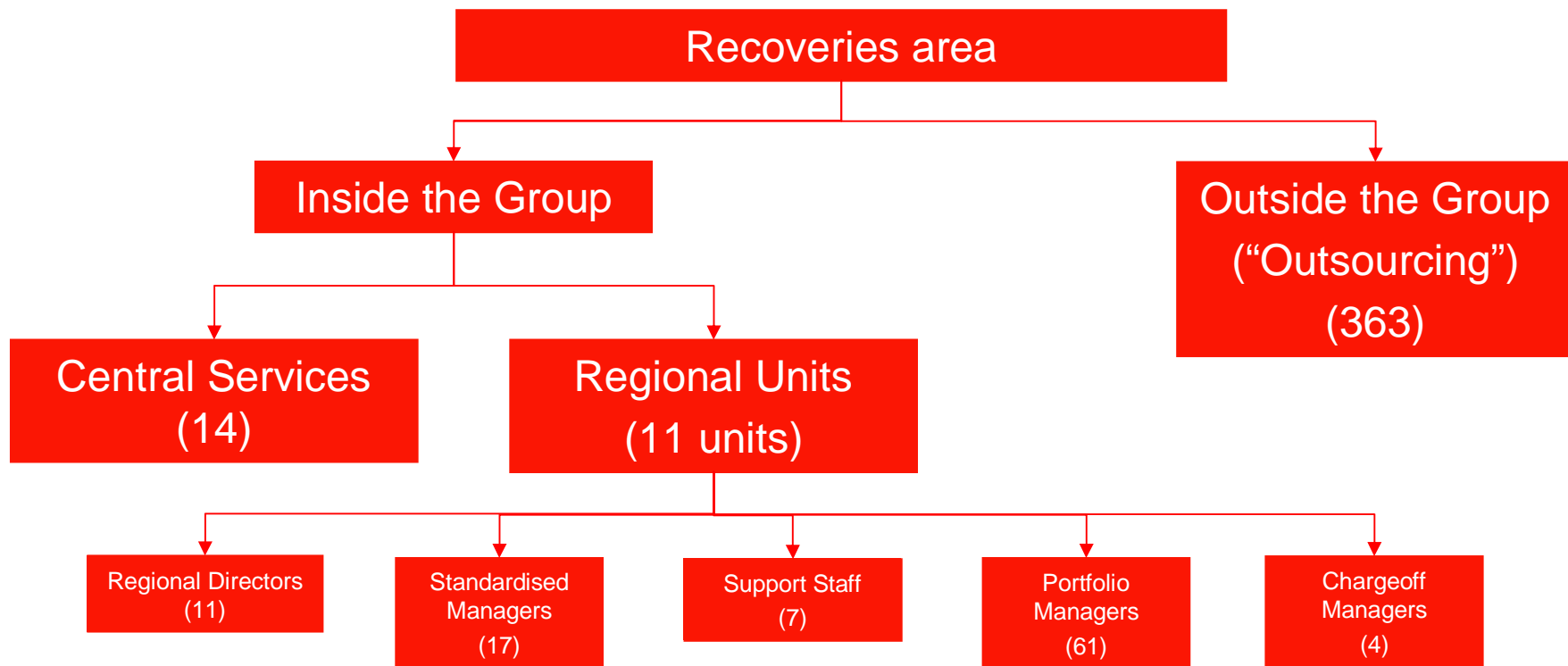
•In addition to the periodic revisions performed by the admission and monitoring analysts in the territorial units, revisions are performed at higher levels, depending on the amount of the risk assumed with the customer/group. These tasks are performed by the Risk Management Departments of the Territorial Units: Commercial Banking Risk Department or Risk-Management Commission.

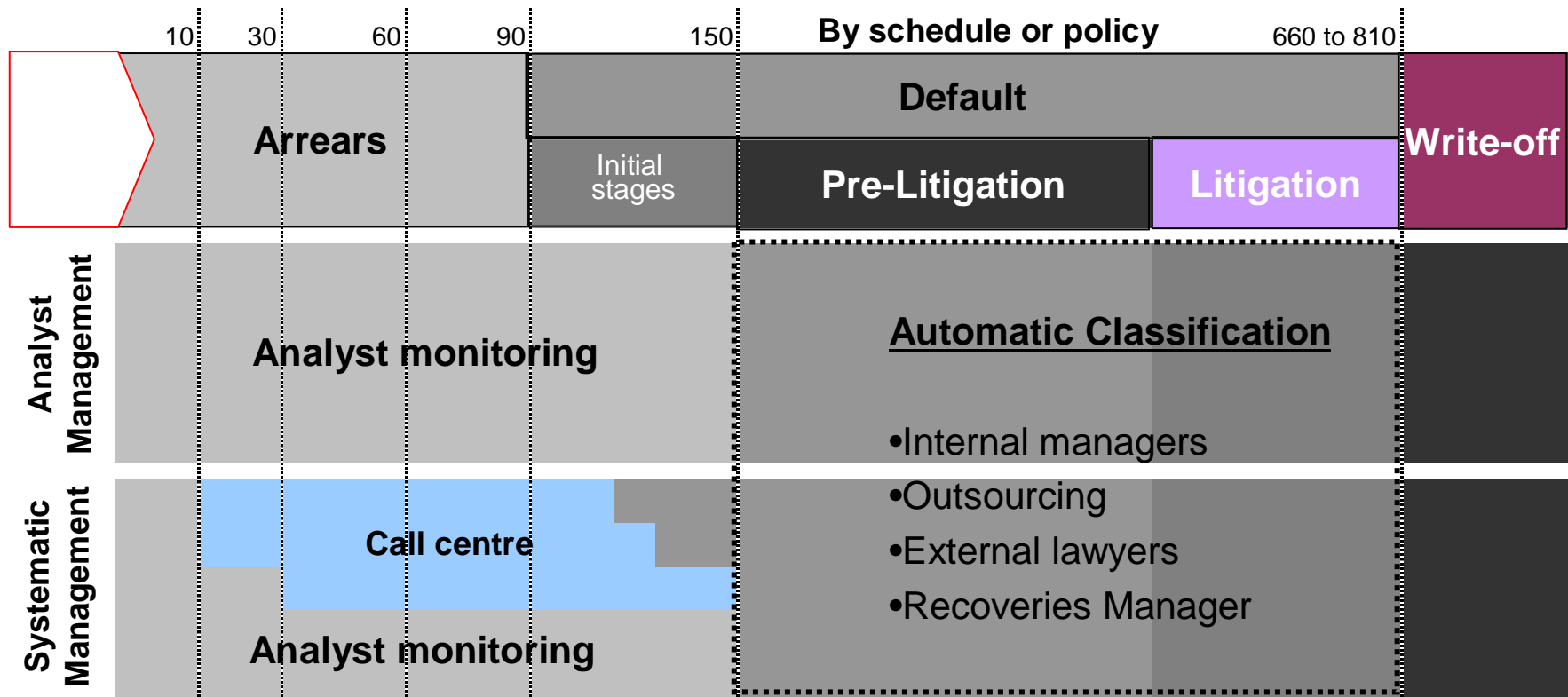
•The customer’s commercial manager intervenes in all cases, participating in the decision-making policy insofar as risks to be maintained with the customer/group.

- OPTIMISATION OF INTERNAL RESOURCES
  - More externalisation = more attention to important or unique cases
  - Greater view of the global function of Recoveries and the Resources available. Each operation is largely administered automatically.
  
- GREATER EXTERNALIZATION OF FUNCTIONS
  - Intensifies recovery process by using External Resources (External Lawyers) that can adjust to the volume at any given moment.
  - Increase in Legal Actions for a greater number of cases (before starting at 6,000.- €, now at 1,000.- €).
  - Management and actions delegated more to External Resources.

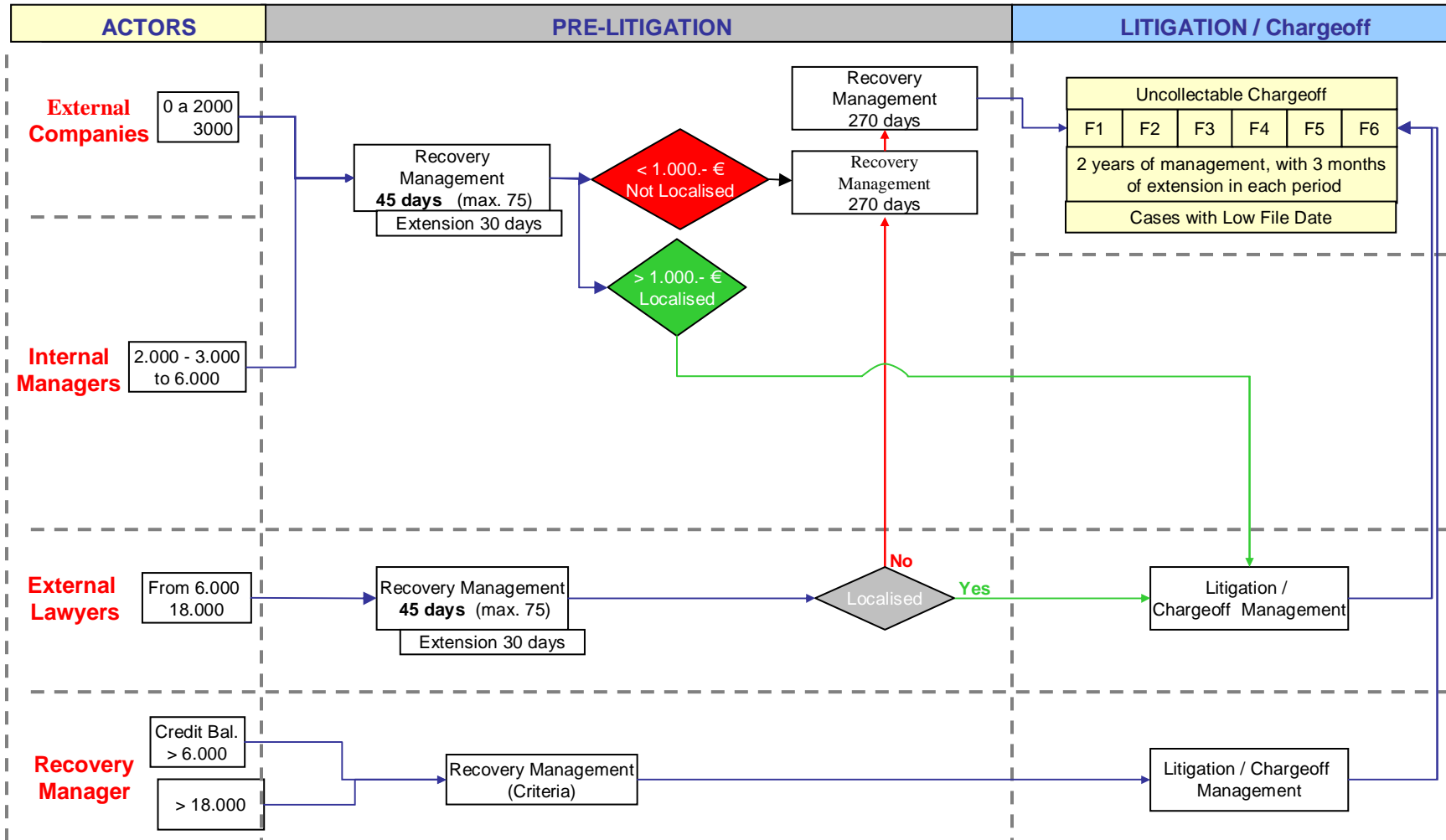
# Recovery process

- The Recoveries Area includes 480 people inside and outside the Santander Group:





# Recovery Circuit



Executive Summary

Transaction Structure

Portfolio overview and historical performance

SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

**Grupo Santander in the Spanish Market**

---

F.T.A. Santander Empresas I

# Grupo Santander a retail focused entity...



## Basic data

- First financial company of the euro zone by market capitalisation and ninth in the world
- First financial group of the Iberian Peninsula
  - First in Spain\*
  - Fourth in Portugal\*<sup>1</sup>
- Sixth banking group of the UK<sup>2</sup>
- Amongst the leaders in consumer finance in Europe
- First Latin American banking franchise

## June 2005 data

- |   |                |
|---|----------------|
| • Market capitalisation                     | €64 Billion    |
| • Customer funds <sup>3</sup>               | €639 Billion   |
| • Loans                                     | €392 Billion   |
| • Total funds under management <sup>4</sup> | €881 Billion   |
| • Attributable profit H1'05                 | €2,551 Million |
| • Customers <sup>5</sup>                    | 63 Million     |
| • Employees                                 | 126,500        |
| • Shareholders                              | 2,528,000      |

(\*) Deposits and mutual funds  
(1) 2nd private bank in Portugal by net income  
(2) By assets

(3) Total funds on and off balance  
(4) Total assets + off balance sheet funds  
(5) Customers as of December 31, 2004

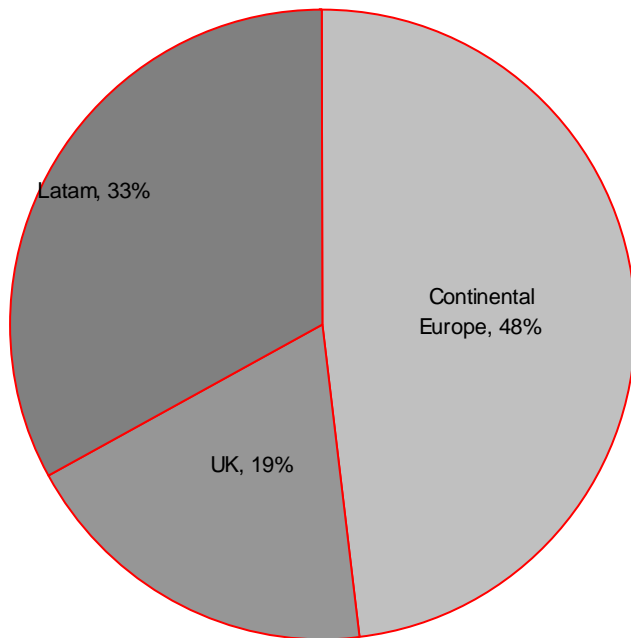


... geographically & businesses diversified

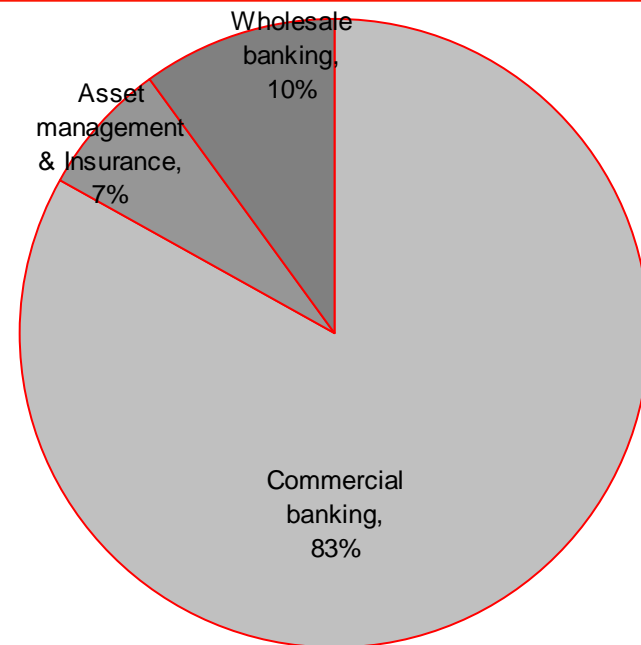


## Gross operating income by Operational Business Areas

By geography



By business



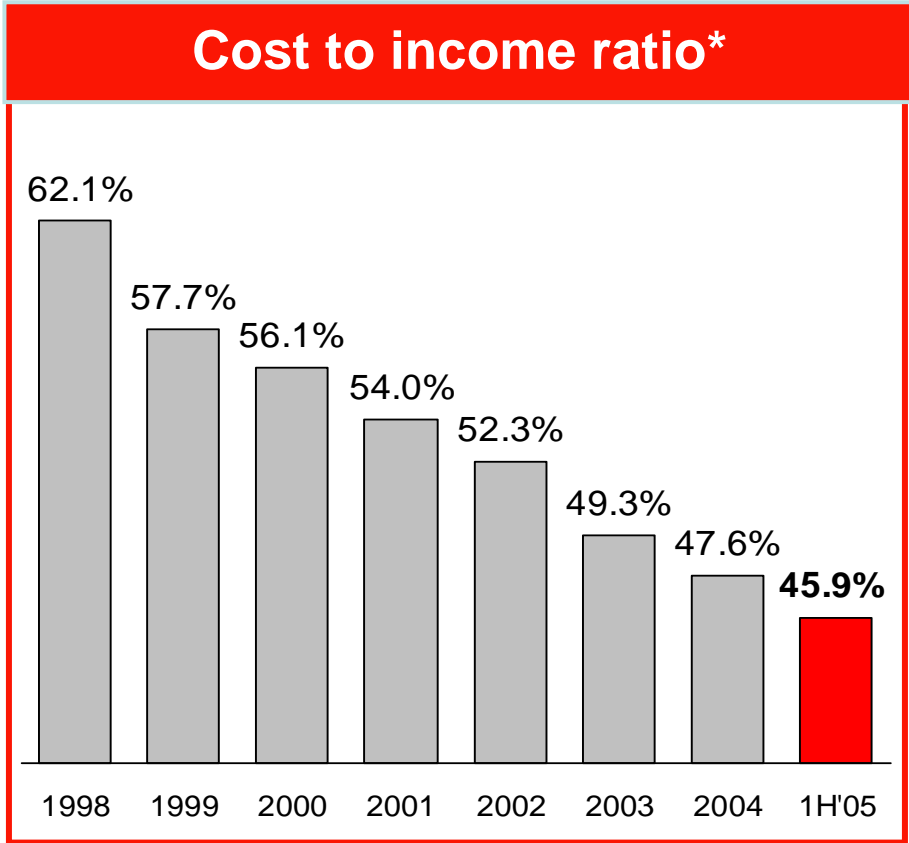
% distribution in H1 '05. Source: Grupo Santander

Continuous cost to income improvements leveraged on our IT leadership and business model



Europe: Partenon

Latin America: Altair / Altec



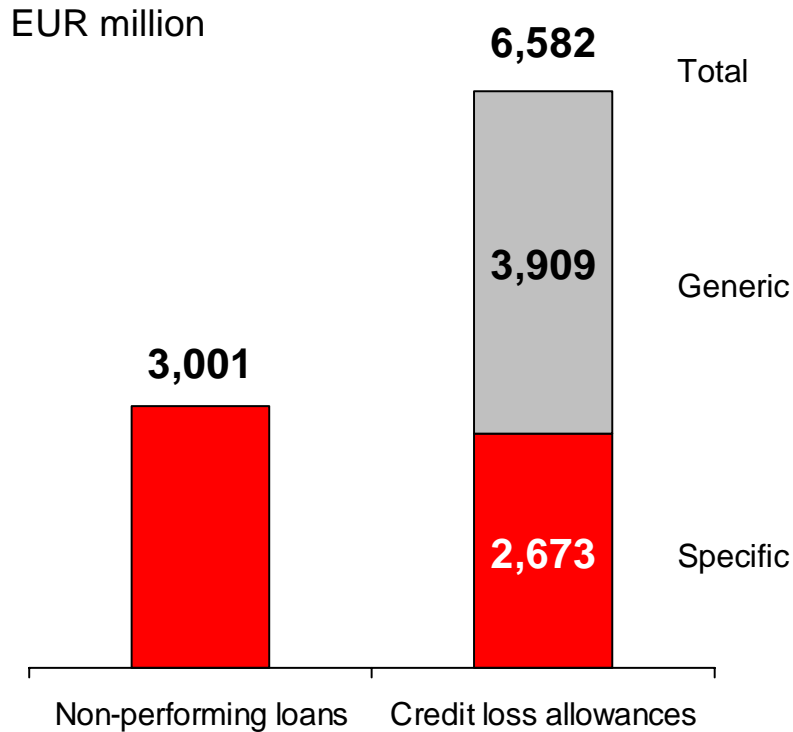
**Improvement in cost to income ratio of 16 p.p. since 1998**

(\*) Personnel and general costs / gross operating income. Grupo Santander data. H1'05 does not include Abbey

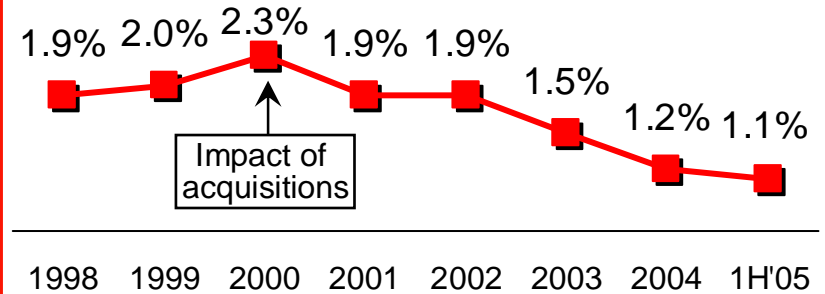
# Risk quality: one of the Group's trademarks



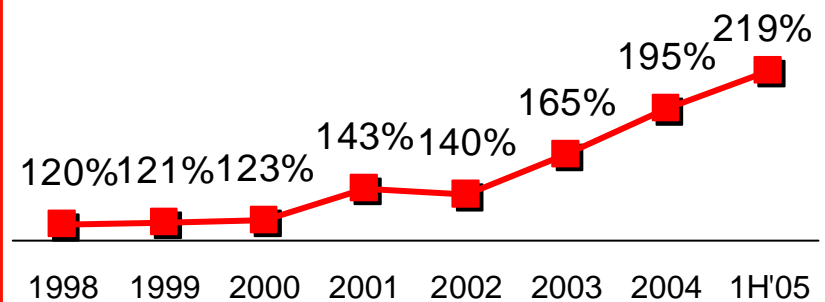
## Balances H1'05 (ex-Abbey)



## NPL ratio\*



## Coverage ratio\*



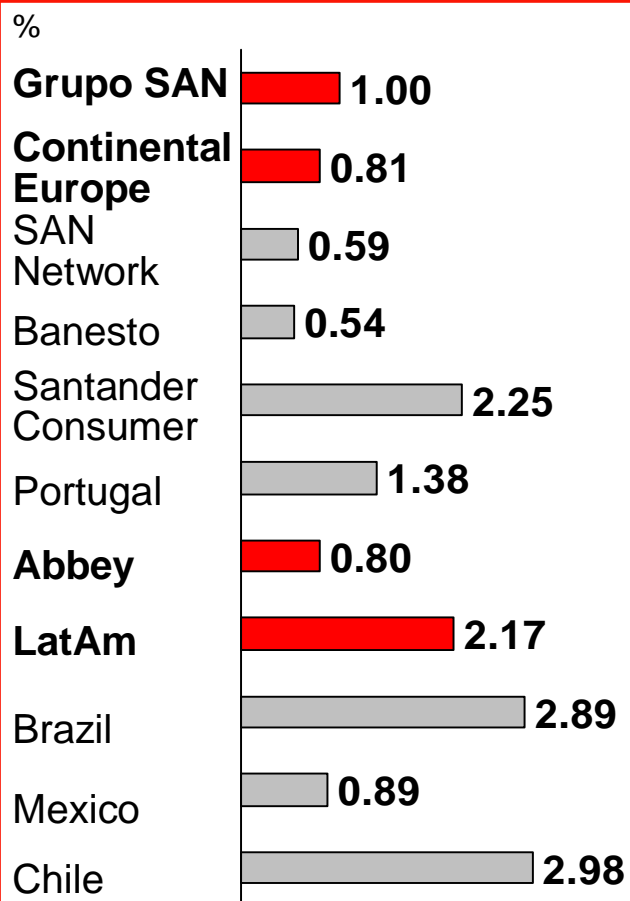
**Our local knowledge and IT loan management tools have enabled us to increase revenues with better pricing policies**

(\*) 2004 and 2005 data under IFRS excluding Abbey (including Abbey: NPL 1.00% and coverage 175% in H1'05)

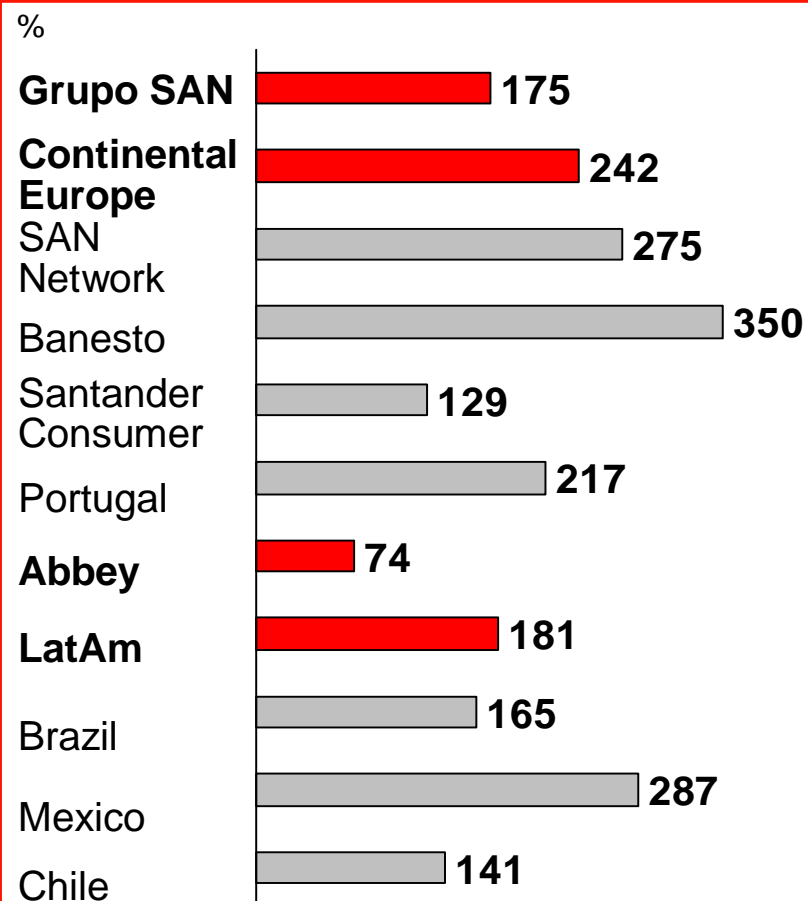
...reflected in all business units



### NPL ratio



### Coverage ratio



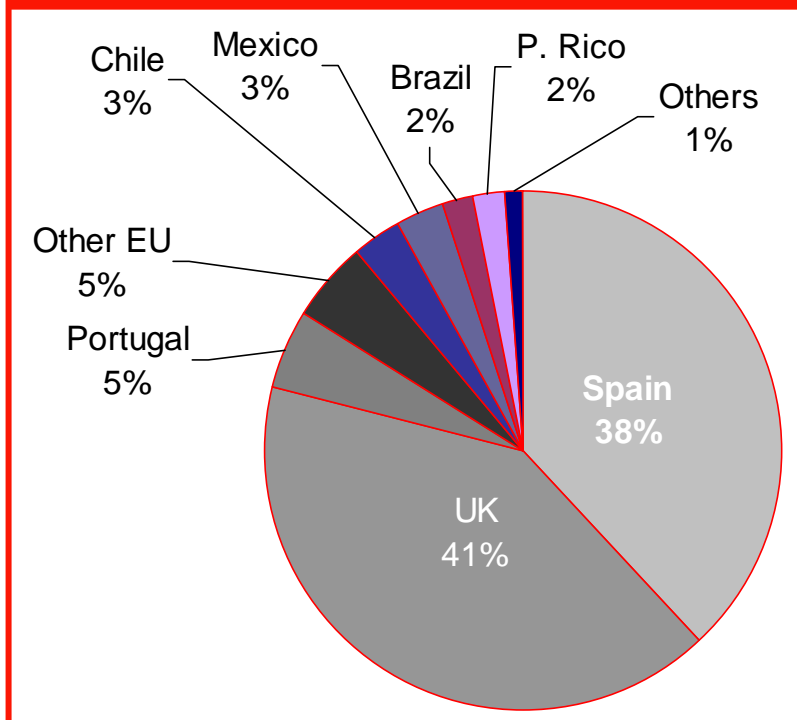
Ratios in H1 '05. Source: Grupo Santander

A balanced loan portfolio with good exposure permits the Group to have predictable risk

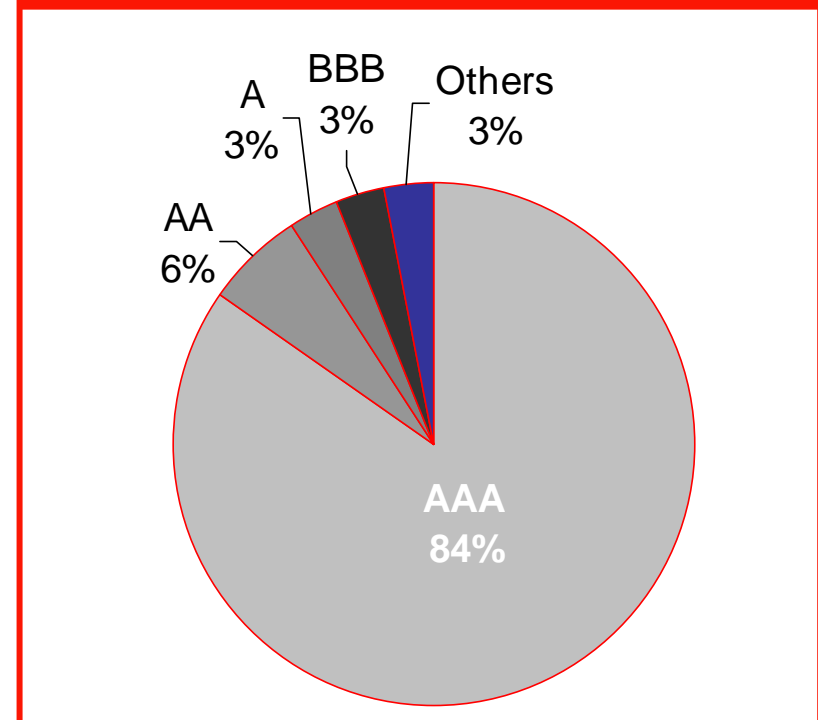


## Breakdown of customer loans\* (%)

### By countries: 89% in Europe

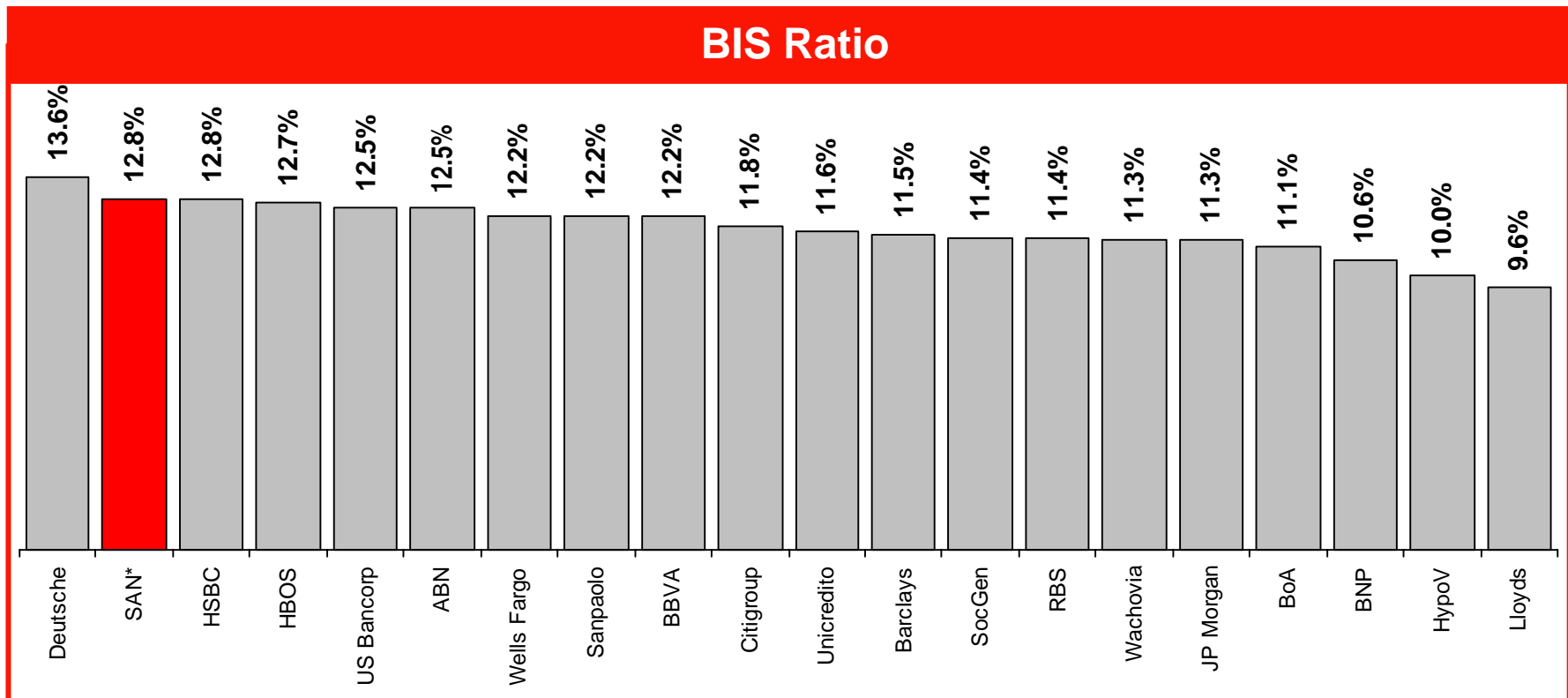


### By rating: 90% in AA or better



(\*) Data as of June 2005

# A comfortable situation of financial strength Grupo Santander



(\*) Data as of June 2005 without the capital gains of the sale of RBS + 20 bps in core capital

# Grupo Santander's regulatory capital



**June 2005**

<b>Basic capital</b>	<b>28,609</b>
<b>Complementary capital</b>	<b>20,628</b>
<b>Total BIS</b>	<b>49,238</b>
<b>Minimum required</b>	<b>30,754</b>

EUR Million

