Publication Date: Oct. 7, 2005

CDO Cash Flow Balance Sheet Corporate CDO Pool Presale Report

Santander Empresas 1, Fondo de Titulización de Activos

€3.1 Billion Floating-Rate Notes

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Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1	AAA	1,512.8	13.5	Three-month EURIBOR plus a margin	Oct. 26, 2038
A2**	AAA	1,240.0	13.5	Three-month EURIBOR plus a margin	Oct. 26, 2038
B	AA	80.6	10.9	Three-month EURIBOR plus a margin	Oct. 26, 2038
C	A-	96.1	7.8	Three-month EURIBOR plus a margin	Oct. 26, 2038
D	BBB	170.5	2.3	Three-month EURIBOR plus a margin	Oct. 26, 2038

**The rating on each class of securities is preliminary as of Oct. 7, 2005, and subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal on the notes.*
***The class A2 notes will start amortizing on April 26, 2007. Until that date, all amounts due to the redemption of these notes will be deposited in an amortization account.*

Transaction Participants	
Originator	Banco Santander Central Hispano, S.A.
Arranger	Santander de Titulización, S.G.F.T., S.A.
Trustee	Santander de Titulización, S.G.F.T., S.A.
Servicer	Banco Santander Central Hispano, S.A.
Interest swap counterparty	Banco Santander Central Hispano, S.A.
Treasury account provider	Banco Santander Central Hispano, S.A.
Paying agent	Banco Santander Central Hispano, S.A.
Underwriters	Banco Santander Central Hispano, S.A.; Merrill Lynch International; and Calyon (Spanish branch)
Subordinated loan provider	Banco Santander Central Hispano, S.A.

Supporting Ratings	
Institution/role	Ratings
Banco Santander Central Hispano, S.A. as interest swap counterparty, treasury account provider, and subordinated loan provider	A+/Positive/A-1

Transaction Key Features*	
Expected closing date	Oct. 26, 2005
CDO asset type	Loans
Structure type	Cash
Portfolio composition	Spanish SME loans
Purpose of transaction	Balance sheet
Rating approach	Actuarial
Portfolio management type	Static
Liability structure	Reserve fund fully funded at closing
Collateral description	Loans to SMEs
Weighted-average seasoning of assets (months)	19.54
Weighted-average remaining life of assets (months)	90.04
Principal outstanding (Mil. €)	3,223.90
Country of origination	Spain
Concentrations	Largest 10 obligors (7.86% of provisional pool); regional concentration (20.75% in Madrid, 15.94% in Catalonia, and 14.73% in the Andalusia region); industrial concentration (31.35% in building and development, 8.86% business equipment and services, and 7.93% in retailers (except food and beverages)). The 10 major industries represent 82.18% of the pool.
Average current loan size balance (€)	180,907.9
Loan size range (€)	1,716.84 to 46,115,000
Weighted-average interest rate (%)	3.06
Arrears	There will be no loans with arrears at closing.
Redemption profile	Amortizing
Excess spread at closing** (%)	0.65
Subordinated loan (Mil. €)	72.78
*Pool data as of Sept. 20, 2005. **Available through the interest-swap contract.	

Transaction Summary

Preliminary credit ratings have been assigned to the €3.1 billion floating-rate notes to be issued by Santander Empresas 1, Fondo de Titulización de Activos (Santander Empresas 1), an SPE.

The originator is Banco Santander Central Hispano, S.A. (BSCH), the largest Spanish banking group, and, by market capitalization, one of the largest banks in the Eurozone.

At closing, BSCH will sell to Santander Empresas 1 a €3.1 billion closed portfolio of secured and unsecured loans granted to Spanish SMEs. To fund this purchase, Santander de Titulización, S.G.F.T., S.A., the trustee, will issue five classes of floating-rate, quarterly paying notes on behalf of Santander Empresas 1.

The ratings on the notes reflect the subordination of the respective classes of notes below them, the reserve fund, the presence of the interest-rate swap (which provides the weighted-average coupon of the notes and an excess spread of 65 bps), comfort provided by various other contracts, the rating on BSCH (A+/Positive/A-1), and the downgrade languages.

Notable Features

Santander Empresas 1 is the third securitization of credit exposure to a static pool of BSCH's domestic small and midsize corporate clients. This securitization comprises a mixed pool of underlying mortgage-backed and unsecured assets.

Strengths, Concerns, And Mitigating Factors

Strengths
• The credit enhancement provided by the subordination, the available excess spread, and the fully funded reserve adequately cover the various stresses applied to the transaction. • BSCH is an experienced originator and servicer. • Strong eligibility criteria ensure the credit quality of the collateral. • A swap agreement hedges the interest rate risk, and leaves a spread of 65 bps in the transaction, plus the coupon of the notes. • The loans are artificially written off when in arrears for more than 12 months, which enables trapping of excess spread and the redemption of the notes, up to the outstanding amount of these loans.

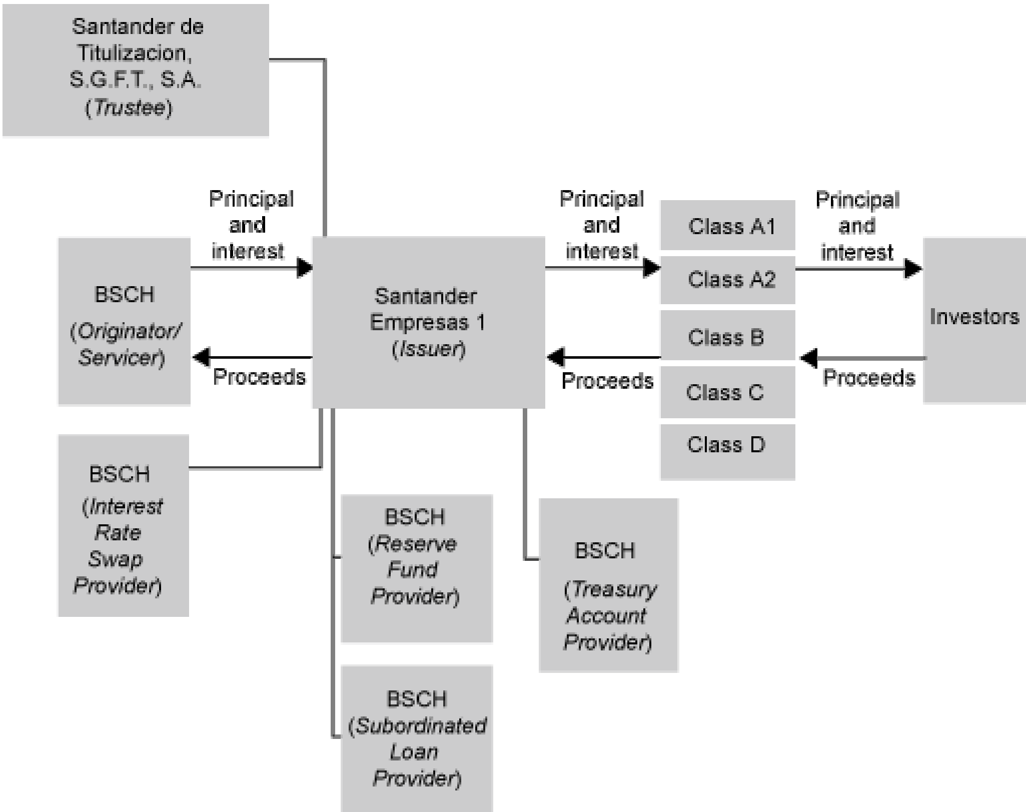
Concerns
• There are limited concentrations in some industrial sectors. • Of the pool being securitized, only 29.52% are secured loans, with a weighted-average LTV ratio of 77.03%. • There is limited default and recovery data available.

Mitigating factors
• The eligibility criteria limit the exposure to industrial concentration, especially for the building and development sectors, which together currently represent 31.35% of the pool. Concentration is expected in these sectors as many SMEs operate in real estate and construction. Standard & Poor's has taken into account any concentration concern in its analysis. • The small portion of secured loans in this transaction has been considered by Standard & Poor's in its stresses. In addition, the eligibility criteria ensure that at least 25% of the pool will be backed by secured loans. • The commingling risk was factored into Standard & Poor's cash flow stresses. Also, the monthly collections are not higher than 20% of the outstanding note balance, and the originator's account is with BSCH, which has a rating of 'A-1'.

Transaction Structure

At closing, BSCH will sell to Santander Empresas 1 a closed portfolio of loans that have been granted to Spanish SMEs. Santander Empresas 1 will fund this purchase by issuing five classes of notes through the trustee, Santander de Titulización, S.G.F.T., S.A. (see chart 1).

Santander Empresas 1 Structure



The principal and interest on the notes will be paid in arrears quarterly, commencing on Jan. 26, 2006.

The transaction features some structural enhancements provided by the swap agreement, amortization of the notes, the reserve fund, and the servicing provided by BSCH.

The class A2 notes have a lockout period from the payment date that they are due to start amortizing, until April 26, 2007, when the class A2 notes will effectively start amortizing.

The class A2 notes will amortize sequentially to the class A1 notes unless a breach of trigger occurs (see "*Redemption of the notes*").

As in other Spanish transactions, interest and principal from the underlying assets are combined into a single priority of payments. A cumulative default ratio test protects senior noteholders by subordinating the payment of junior interest further down the priority of payments.

Transaction Participants

Santander Empresas 1, Fondo de Titulización de Activos (issuer)

The issuer, Santander Empresas 1, is a "fondo de titulización de activos" created for the sole purpose of purchasing the receivables from the unsecured loans, the mortgage participations from BSCH, issuing the notes, and carrying on related activities. The issuer represents a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the originator and the sociedad gestora.

Santander de Titulización Sociedad Gestora de Fondos de Titulización, S.A. (trustee or gestora)

The creation of the "*sociedad gestora*" (trustee) was authorized by the Ministry of Economy and Treasury on Jan. 19, 1993. Under the legislation for securitizations in Spain, the day-to-day operations of the issuer will be managed by the trustee, which represents and defends the interests of the noteholders.

The trustee, on behalf of the issuer, will enter into certain contracts (such as GICs, a swap agreement, and subordinated credit facilities and loans). These contracts are needed to protect it against certain credit losses and liquidity shortfalls that are assumed to arise in connection with the holding of the mortgage participations and the unsecured loans.

In this transaction, the main responsibilities of the trustee are to create the issuer, issue the notes on behalf of the issuer, calculate the interest rate on the notes, notify noteholders of any relevant information applicable to the notes and mortgage participations, and organize the annual audit.

Banco Santander Central Hispano, S.A. (originator and servicer)

With €392 billion in assets at June 2005, BSCH is the biggest Spanish bank and among the 10 largest globally, in terms of market capitalisation since October 2004.

BSCH was created by the merger of Banco Santander S.A. and Banco Central Hispano S.A. on April 17, 1999, and maintains a leading position in all segments of Spanish banking. This includes retail and corporate banking, treasury management, capital markets, asset management, and private banking. Its market shares in each business line, including its subsidiary Banesto, are in the range of 15% to 26%.

With lending rates slightly below the market average, mainly on residential mortgages and consumer finance, BSCH's domestic loan book is well diversified geographically, by sector, and by customer. Individuals account for 40%, SMEs 38%, corporates 15%, and public sector organizations 6%.

The bank's larger exposures present some concentrations when compared with its total capital base, mostly to major Spanish companies and the few multinational corporations operating within the group's geographic presence.

BSCH has developed a broad commercial-banking franchise throughout Latin America, with market shares of approximately 10% of total Latin American banking loans and deposits, 14% in pension fund management, and 7% in mutual funds.

BSCH has a presence in other European countries besides Spain. Its main subsidiary outside Spain is based in Portugal, where the bank has achieved a market share of about 11%. Through the acquisition of Abbey National PLC, BSCH also has an important position in the U.K. savings and residential mortgage markets. In addition, BSCH is developing a consumer finance franchise across Continental Europe, with main subsidiaries in Germany and Italy.

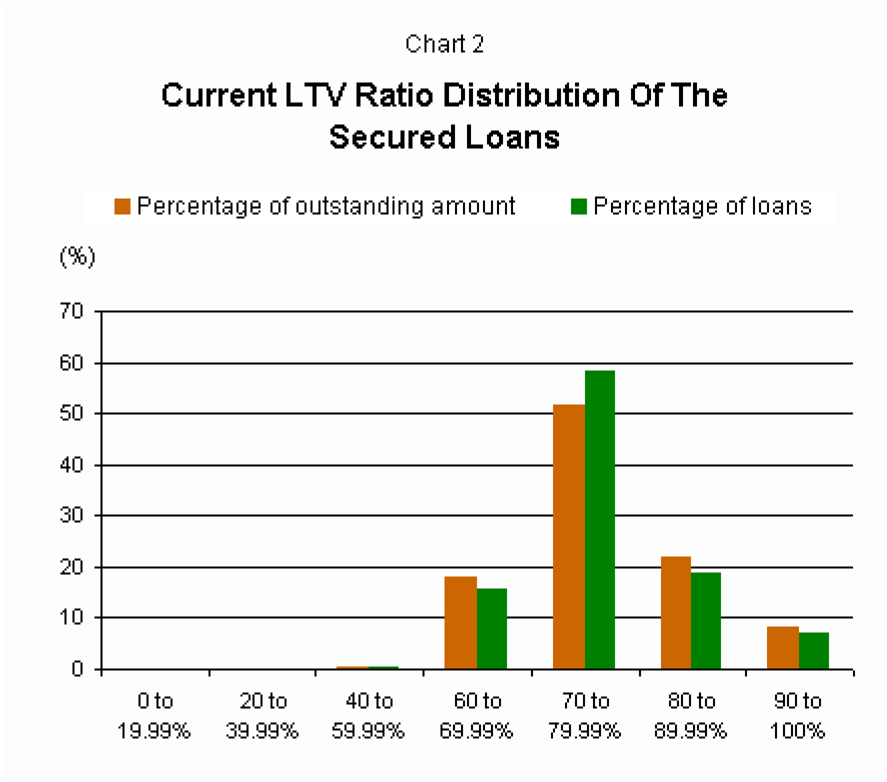
Collateral Description

As of Sept. 20, 2005, the provisional pool consisted of 17,821 secured and unsecured loans, with a total of 15,376 borrowers. The pool was originated between 1993 and 2005, and has a weighted-average seasoning of 19.54 months.

Of the outstanding amount of the pool, 29.52% is secured by first-lien mortgages over properties and commercial premises situated in Spain.

The pool is granular and has no concentration at the obligor level. The largest obligor represents 1.43% of the provisional pool, and the largest 10 obligors represent 7.86%.

The secured pool, which amounts to €951.8 million, has a weighted-average LTV ratio of 77.03% (see chart 2).

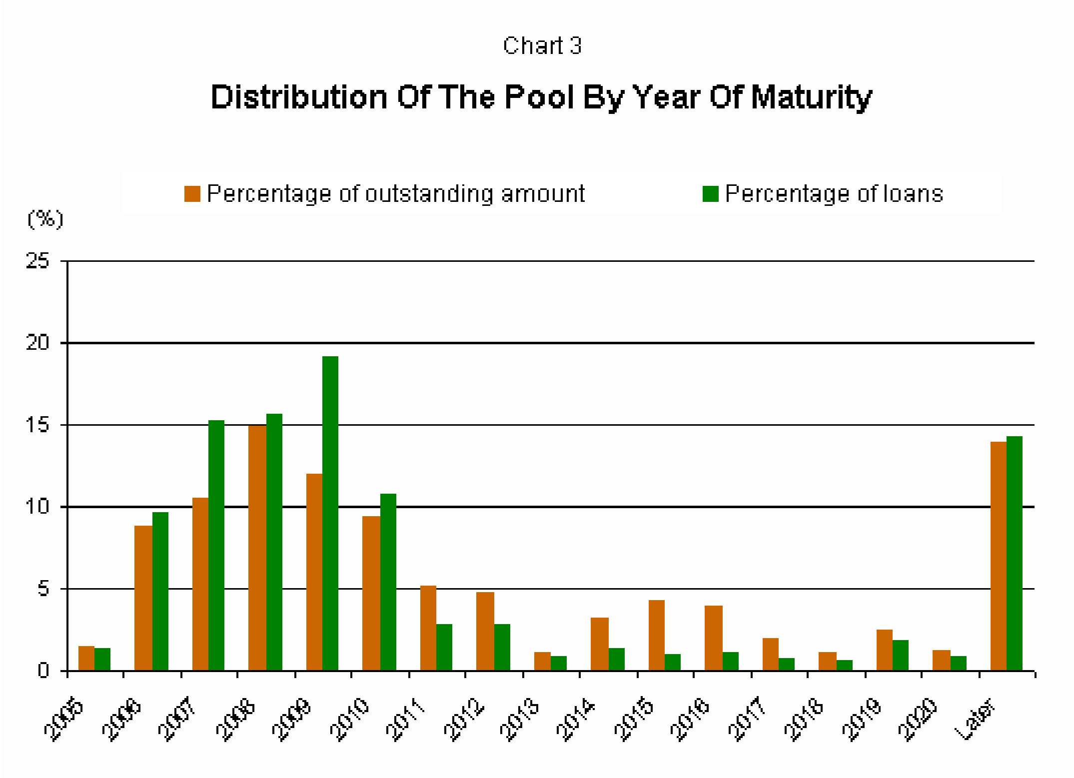


Of the pool, 61.07% is more than 12 months seasoned (see table 1).

Table 1: Distribution Of The Pool By Origination Year

	Percentage of loans (%)	Percentage of pool balance (%)
1993	0.01	0.01
1994	0.02	0.00
1995	0.04	0.01
1996	0.16	0.03
1997	0.30	0.09
1998	0.58	0.36
1999	1.72	1.12
2000	2.51	1.23
2001	6.20	3.82
2002	8.78	7.59
2003	15.88	21.63
2004	42.07	40.29
2005	21.73	23.82

The weighted–average remaining life of the pool is 90.04 months, with 57.02% of the pool maturing within five years (see chart 3).



The five largest regions cover 73.57% of the outstanding balance of the pool (see table 2).

Table 2: Geographic Concentration Of The Portfolio

Region	Percentage of the loans (%)	Percentage of the pool balance (%)
Madrid	15.02	20.75
Cataluña	17.61	15.94
Andalucia	16.59	14.73
Valencia	12.12	11.57
País Vasco	8.18	11.20
Canarias	10.15	8.20
Murcia	4.37	3.02
Castilla-León	3.03	2.92
Aragon	1.89	2.90
Castilla-La mancha	3.79	2.47
Others	7.25	6.30

At closing, the pool will have no loans with arrears greater than 30 days. As of Sept. 20, 2005, the outstanding amount of loans in arrears for more that 30 days amounted to 1.81% of the provisional pool.

The largest industry concentration is in building and development activities, which together represent 31.35% of the pool. The second-highest concentration is business equipment and services (8.86%), followed by conglomerates retailers (except food and drug) (7.93%). The 10 major industries represent 82.18% of the pool.

Of the pool, 91.84% is indexed to floating rates, with nearly 79.82% of the total outstanding amount of the pool referenced to EURIBOR and MIBOR (Madrid interbank offered rate). The assets have a weighted-average interest rate of 3.06%, and the weighted-average margin of the floating pool is 63 bps over the various indices. The interest rates range from 1.00% to 13.5%.

Collateral Risk Assessment

Standard & Poor's conducted an actuarial analysis on historical dynamic data provided by the originator to assess the credit risk of the pool. Due to the limited default and recovery data, Standard & Poor's followed the methodology explained in the criteria piece entitled *"CDO Spotlight: General Cash Flow Analytics for CDO Securitizations"* (see "*Related Articles*").

With the historical data provided by the originator, Standard & Poor's determined a foreclosure probability at each rating level, and assigned conservative loss rates to the secured and unsecured loans.

The product of these two variables gives an estimate of the required loss protection during the life of the collateral in the absence of additional mitigating factors. The higher the targeted rating, the higher the required enhancement level is.

Standard & Poor's analyzed the historical levels of loans becoming delinquent after arrears amounting to 90 days to determine the stressed default rates to be applied at each rating level.

Credit Structure

Cash collection arrangements

BSCH, as servicer, collects the amounts due under the loans and transfers them to the treasury account no later than 48 hours after its reception. Its collections to the treasury account are held on behalf of the issuer with BSCH. This partially mitigates the potential risk of funds being commingled within the originator's accounts.

The class D notes are dependent on the long-term rating of the servicer. Should the servicer rating be lower than that of the note, the rating of the class D notes may be affected if the performance of the collateral and the credit enhancement of the class D notes at the time is insufficient.

Treasury account

At closing, the trustee will open a bank account with BSCH on behalf of the issuer: the treasury account. This account will hold the reserve fund, the funds available for the amortization of the class A2 notes until April 26, 2007, all the collections made during the three months before a note payment date, and any other amounts in connection with the mortgage loans and unsecured loans.

The treasury account will have a guaranteed contractual interest rate of three-month EURIBOR.

Downgrade language to treasury account (GIC account)

As the short-term rating of BSCH is 'A-1', if the amounts held in the treasury account with BSCH exceed 20% of the outstanding amount of the notes, the trustee will notify Standard & Poor's. Subject to confirmation by Standard & Poor's, the trustee will seek a first-demand guarantee from an 'A-1+' rated entity on the excess of funds or open a new bank account (the excess funds account) with an 'A-1+' rated entity, where this excess will be deposited.

Should the treasury account or the amortization account provider (BSCH) be downgraded below 'A-1', the trustee will, within 30 days, take the relevant action, subject to ratings confirmation by Standard & Poor's. It must either:

- Obtain a guarantee from another entity rated at least 'A-1';
- Transfer the account to an 'A-1' rated institution; or
- Post collateral according to Standard & Poor's requirements.

If BSCH is subsequently upgraded to 'A-1', the treasury account may be transferred back to BSCH.

Interest swap agreement
The collateral is indexed to various floating and fixed interest rates.

Therefore, an interest rate swap agreement will be signed between BSCH as counterparty and the sociedad gestora, on behalf of the issuer. The swap will be paid on a net basis.

The issuer will pay the amount of interest received during the period, and will receive an interest amount adjusted according to the performance or materialization of the interest rate risk. The amount received will be the maximum of:

- The weighted-average interest rate on the notes plus 65 bps calculated on the daily average outstanding amount of performing loans (up to 90 days in arrears); and
- The minimum of (i) the interest actually received, and (ii) the weighted-average interest rate on the notes plus 65 bps on the outstanding balance of the assets at the previous payment date.

This adjustment gives greater protection in case of adverse interest rate movements and delinquencies.

The counterparty agrees to gross up payments if a tax is introduced.

If the issuer is unable to pay the net quantity on a given payment date, the swap will not unwind, but the amount will be carried over to the next payment date.

If the counterparty's rating is lowered below 'A-1' then it has 30 days to:

- Find an 'A-1' rated replacement;
- Find an 'A-1' rated guarantor; or
- Post collateral according to Standard & Poor's requirements. Should it be capable of doing so, the posting of collateral will be allowed until its rating falls below 'BBB-'. If downgraded to this level, the counterparty will seek to replace itself, and continue to post collateral until it succeeds.

If the counterparty fails to comply with the above, it is at the sociedad gestora's discretion to terminate the swap agreement.

Subordinated loan and creation of the reserve fund
The originator will provide a subordinated loan that as well as paying the origination fees, will fund the reserve fund at €71.3 million (2.30% of the issued amount).

The reserve fund will be able to amortize from the beginning of the transaction. Its minimum required levels will be established at the minimum amount of its original amount or the maximum of:

- 0.90% of the original balance of the notes; or
- 2.50% of the original balance of the notes.

It will not amortize if, on a previous payment date, it was not at its required minimum level, if the arrears ratio (three months past due) is greater than 1.5%, or if the cumulative net loss is greater than 1%. The reserve fund will be used to pay interest and principal of the notes if insufficient funds are available.

Redemption of the notes
Unless early redemption occurs, the notes will be redeemed at their legal final maturity in October 2038, 42 months after the maturity of the longest-term loan in the pool.

The amount of principal to be amortized at each payment date will be the difference between (i) the outstanding balance of the notes, and (ii) the amounts held in the issuer's account to amortize the notes during the lockout period and the outstanding balance of the non-defaulted loans.

Principal payments to the class A2 noteholders will start on April 26, 2007. During the lockout period, the amounts payable to the class A2 noteholders will be deposited in the treasury account. In any event, any amounts to amortize the class A2 notes held in this account will be paid to noteholders in April 2007.

All the classes of notes will be paid sequentially, except for the class A1 and A2 notes which will be paid pro-rata if the arrears ratio is greater than 1.5%.

Priority Of Payments

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

All interest and principal received can be mixed to pay principal and interest due under the notes.

The funds will be distributed at each payment date according to the priority of payments, which is as follows:

- Fees and expenses, excluding the servicing fee (except if BSCH is replaced as servicer of the assets);
- Net payment under the swap, and termination payment if the issuer is defaulting under the swap;
- Interest payment on the class A1 and A2 notes;
- Interest payment on the class B notes, if not deferred;
- Interest payment on the class C notes, if not deferred;
- Interest payment on the class D notes, if not deferred;
- Amortization of the notes;
- Interest payment on the class B notes, if deferred;
- Interest payment on the class C notes, if deferred;
- Interest payment on the class D notes, if deferred;
- Replenishment of the reserve fund;
- Termination payment under the swap if the counterparty is the defaulting party;
- Interest and principal payment on the start-up loan;
- Fees to BSCH for the servicing of the pool; and
- Residual payment to the originator.

A trigger ensures that in a stressful economic environment, the more senior notes are amortized before interest on the subordinated classes of notes is paid.

Interest on the class B, C, and D notes is subject to a deferral on a given payment date to a lower position in the priority of payments in the following situations.

Class B notes

If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 11%, interest on the class B notes will pay in a lower position in the priority of payments, until the class A1 and A2 notes redeem.

Class C notes

If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 9%, interest on the class C notes will pay in a lower position in the priority of payments, until the class A1, A2, and B notes redeem.

Class D notes

If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 5%, interest on the class D notes will pay in a lower position in the priority of payments, until the class A1, A2, B, and C notes redeem.

Standard & Poor's Stress Test

Standard & Poor's analysis included a conservative assessment of the credit risk inherent in the transaction, as described in "*Collateral Risk Assessment*".

The credit enhancement levels were sized after analyzing the effect that severe stress scenarios would have on the loan collateral. As a result of this analysis, Standard & Poor's estimated the largest amount of potential losses that could occur as a result of these stress scenarios and set the amount of loss protection required on the notes.

A cash flow model simulating the portfolio's performance within the transaction's documented structure was run under certain rating scenarios to stress liquidity and the level of excess spread in the transaction. Prepayment levels, fees and expenses paid by the issuer, the default pattern, and interest rates were the most important parameters stressed in all the runs.

Surveillance Details

Continual surveillance will be maintained on the transaction until the notes mature or are otherwise retired. To do this, regular servicer reports detailing the performance of the underlying collateral will be analyzed, pool cuts will be received on a quarterly basis, supporting ratings will be monitored, and regular contact will be made with the servicer to ensure that minimum servicing standards are being sustained and that any material changes in the servicer's operations are communicated and assessed.

Criteria Referenced

- "*Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount*" (published on Feb. 26, 2004).
- "*Standard & Poor's Global Interest Rate and Swap Counterparty Rating Criteria Expanded*" (published on Dec. 17, 2003).
- "*Global Cash Flow and Synthetic Criteria*" (published on March 21, 2002).
- "*Global CBO/CLO Criteria*" (published on June 1, 1999).
- "*Standard & Poor's Rating Methodology for CLOs Backed by European Small- and Midsize-Enterprise Loans*" (published on Jan. 30, 2003).
- "*CDO Spotlight: General Cash Flow Analytics for CDO Securitizations"* (published on Aug. 25, 2004).

Related Articles

- "*CDO Spotlight: Credit Risk Tracker Strengthens Rating Analysis of CLOs of European SME Loans*" (published on June 10, 2004).
- "*Securitizing Spanish-Originated Loans to Small and Midsize Enterprises*" (published on April 7, 2003).
- "*Stellar Growth in Spanish Securitization to Help it Maintain Europe's Number Two Slot*" (published on June 2, 2004).

All criteria and related articles are available on RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. The criteria can also be found on Standard & Poor's Web site at www.standardandpoors.com.