STANDARD & POOR'S

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Cash CDO Of SME Loans Presale Report

Fondo de Titulización de Activos Santander Empresas 4

€3,586 Million Floating-Rate Notes

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This presale report is based on information as of Oct. 19, 2007. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of initial credit ratings that differ from the preliminary credit ratings. For further ratings information, call Client Support Europe on (44) 20-7176-7176. Members of the media may contact the Press Office Hotline on (44) 20-7176-3605 or via media_europe@standardandpoors.com. Local media contact numbers are: Paris (33) 1-4420-6657; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Investors are invited to call the SF Investor Hotline on (44) 20-7176-3223.

Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1	AAA	830.20	10.45 (9.15 + 1.30)	Three-month EURIBOR plus a margin	July 19, 2050
A2	AAA	1,763.6	10.45 (9.15 + 1.30)	Three-month EURIBOR plus a margin	July 19, 2050
A3	AAA	622.3	10.45 (9.15 + 1.30)	Three-month EURIBOR plus a margin	July 19, 2050
B	AA	90.2	7.90 (6.60 + 1.305)	Three-month EURIBOR plus a margin	July 19, 2050
C	A	97.4	5.15 (3.85 + 1.30)	Three-month EURIBOR plus a margin	July 19, 2050
D	BBB	79.7	2.90 (1.60 + 1.30)	Three-month EURIBOR plus a margin	July 19, 2050
E	BB-	56.6	1.30	Three-month EURIBOR plus a margin	July 19,2050
F¶	CCC-	46.0	—	Three-month EURIBOR plus a margin	July 19, 2050

**The rating on each class of securities is preliminary as of Oct. 19, 2007, and subject to change at any time. Initial 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.*
¶These notes will fund the reserve fund.
N/A—Not applicable.

Transaction Participants	
Originator	Banco Santander S.A.
Seller	Banco Santander S.A.
Arranger	Santander de Titulización, S.G.F.T., S.A.
Fund manager	Santander de Titulización, S.G.F.T., S.A.
Servicer	Banco Santander S.A.
Interest swap counterparty	Banco Santander S.A.
Treasury account provider	Banco Santander S.A.
Paying agent	Banco Santander S.A.
Joint lead managers	Deutsche Bank AG and the Bank of Scotland PLC
Subordinated loan provider	Banco Santander S.A.

Supporting Rating	
Institution/role	Rating
Banco Santander S.A. as interest swap counterparty, treasury account provider, and subordinated loan provider	AA/Stable/A-1+

Transaction Key Features*	
Expected closing date	Oct. 29, 2007
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, self-employed, and larger companies
Weighted-average seasoning of assets (months)	10.36
Weighted-average remaining life of assets (years)	8.01
Principal outstanding (Mil. €)	3,853.7
Country of origination	Spain
Concentrations	Largest 10 obligors (8.04% of provisional pool): regional concentration (20.84% in Madrid, 15.46% in Catalonia, and 14.70% in Andalusia); industrial concentration (43.28% in building and development, 6.77% in other management activities, 5.14% in wholesales, and 4.09% in retailers (except food and beverages)). The 10 major industries represent 73.69 % of the pool
Average current loan size balance (€)	207,915.63
Loan size range (€)	77.59 t0 37,500,000.00
Weighted-average interest rate (%)	4.95
Arrears	There will be no loans with arrears over 30 days at closing
Redemption profile	Amortizing
Excess spread at closing¶ (%)	0.60

**Pool data as of Sept. 25, 2007.*
¶Available through the interest swap contract.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the €3,586 million floating-rate notes to be issued by Fondo de Titulización de Activos Santander Empresas 4 (Santander Empresas 4), an SPE incorporated in Spain.

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

At closing, SAN will sell to Santander Empresas 4 a €3.5 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 seven classes of floating-rate, quarterly paying notes on behalf of Santander Empresas 4. The class F notes will be issued to fund the reserve fund.

The preliminary 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 (providing the weighted-average coupon on the notes and an excess spread of 60 bps), comfort provided by various other contracts, the rating on SAN (AA/Stable/A-1+), and the downgrade language.

Notable Features

Santander Empresas 4 will be the sixth securitization of credit exposure to a static pool of SAN's domestic small and midsize corporate clients. This securitization will comprise a mixed pool of underlying mortgage-backed and unsecured assets. The structure will be very similar to that of Fondo de Titulización de Activos Santander Empresas 3.

The swap will provide credit enhancement to the transaction by providing additional excess spread and adjusted notional.

The notes are weak-linked to the rating on SAN as swap counterparty.

Strengths, Concerns, And Mitigating Factors

Strengths

- SAN is an experienced originator and servicer.
- At closing, at least 30% of the pool will comprise mortgage loans according to eligibility criteria.
- A swap agreement will hedge the interest rate risk, and leave a spread of 60 bps in the transaction, plus the coupon on 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 will be limited borrower concentration risk, since the first four borrowers account for 4.08% of the pool and the first 10 for approximately 8.04%.
- Collections from the loans are first credited into the originator's account, generating commingling risk.

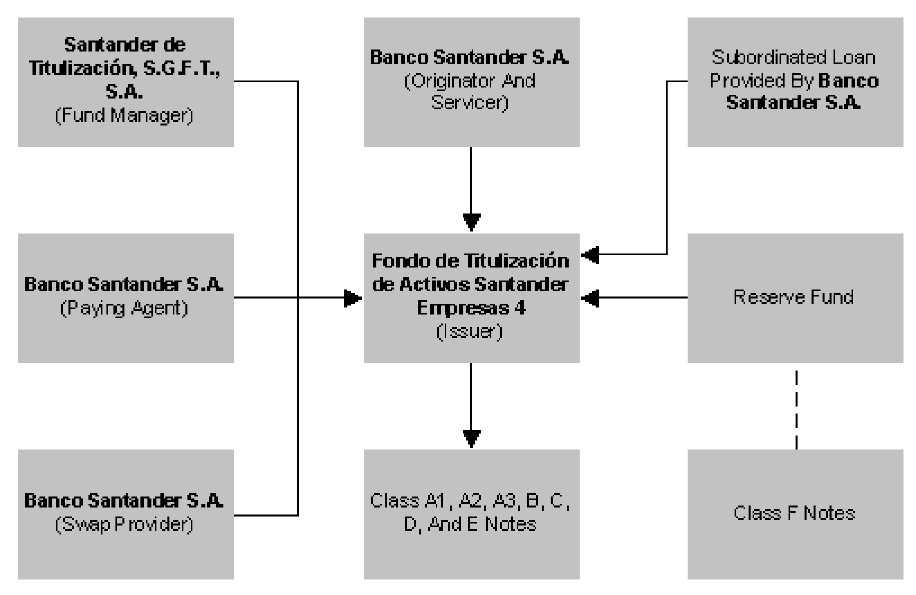
Mitigating factors

- Standard & Poor's has taken into account the borrower concentration concern in its analysis.
- The collections will be transferred to the issuer account within 48 hours of receipt, partially mitigating commingling risk. Standard & Poor's also factored this risk into its cash flow analysis.

Transaction Structure

At closing, SAN will sell to Santander Empresas 4 a closed portfolio of loans that have been granted to Spanish SMEs, self-employed, and larger companies. Santander Empresas 4 will fund this purchase by issuing seven classes of notes (see chart 1).

Chart 1: Fondo de Titulización de Activos Santander Empresas 4 Transaction Structure



SAN maintains leading positions in the core markets of Spain and Portugal, and major Latin American markets. The bank has also achieved an important position in the U.K. savings and residential mortgage markets, and a growing consumer finance business across Europe, which also helps its geographic diversification. In addition to its wide commercial banking franchise, the group is active in asset management, bancassurance, and wholesale and investment banking in its main markets and the world's major financial centers.

SAN's strong and diversified position in its local market is one of its main competitive advantages. SAN is the biggest Spanish bank, and one of the five largest in Europe. It maintains a leading position in all segments of Spanish banking, with market shares of 15%-26%.

Through Abbey National PLC, SAN also has an important position in the U.K. savings and residential mortgage market. Abbey maintains a market share in the U.K. of just over 9% in mortgages. Apart from mortgages and deposits, the bank's presence in other products is fairly marginal. Standard & Poor's expects the bank to gradually strengthen its position in the U.K., increasing its product and revenue diversification.

SAN is a leading player in every major Latin American banking market. Although its initial presence in the region dates back to the late 1980s, Santander acquired a significant number of retail banks and pension and mutual fund management companies in all major markets in 1995 to 2000, achieving a diversified position across the region. During this period, the group's strategy was to acquire majority stakes to gain indisputable management and shareholder control, and to increase these stakes at a later date—in most cases close to 100%.

The issuer, Santander Empresas 4, is a *fondo de titulización de activos* created for the sole purposes of purchasing the receivables from the unsecured loans and the mortgage participations from SAN, issuing the notes, and carrying out related activities. The issuer represents a distinct and closed pool of assets available for distribution to the noteholders. The assets will be insulated from the insolvency of the originator and the trustee.

The principal and interest on the notes will pay quarterly in arrears, starting on Jan. 21, 2008.

The transaction will feature some structural enhancements provided by the swap agreement, amortization of the notes, the reserve fund, and the servicing provided by SAN.

The class A3 and 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 will be combined into a single priority of payments. A cumulative default ratio test will protect senior noteholders by subordinating the payment of junior interest further down the priority of payments.

Collateral Description

As of September 2007, the provisional pool comprised 18,535 loans (3,405 secured and 15,130 unsecured).

The pool was originated between 1996 and 2007, and has a weighted-average seasoning of 10.36 months.

Of the outstanding amount of the preliminary pool, 34.69% is secured by first-lien mortgages over properties and commercial premises in Spain.

The pool shows some concentration at the obligor level. The largest obligor represents 1.10% of the provisional pool, and the largest 10 obligors represent 8.04%.

The secured pool, which amounts to €1,336.82 million, has a weighted-average LTV ratio of 82.02%.

The five largest regions cover 68.5% of the outstanding balance of the pool (see chart 2).

Chart 2: Geographic Distribution

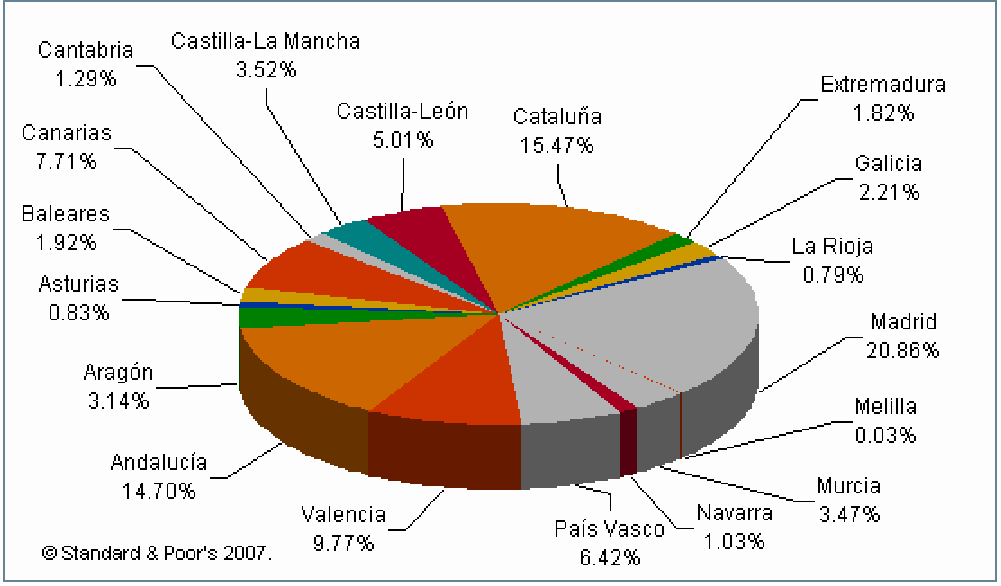


Chart 3 shows the distribution by loan seasoning.

Chart 3: Distribution By Seasoning

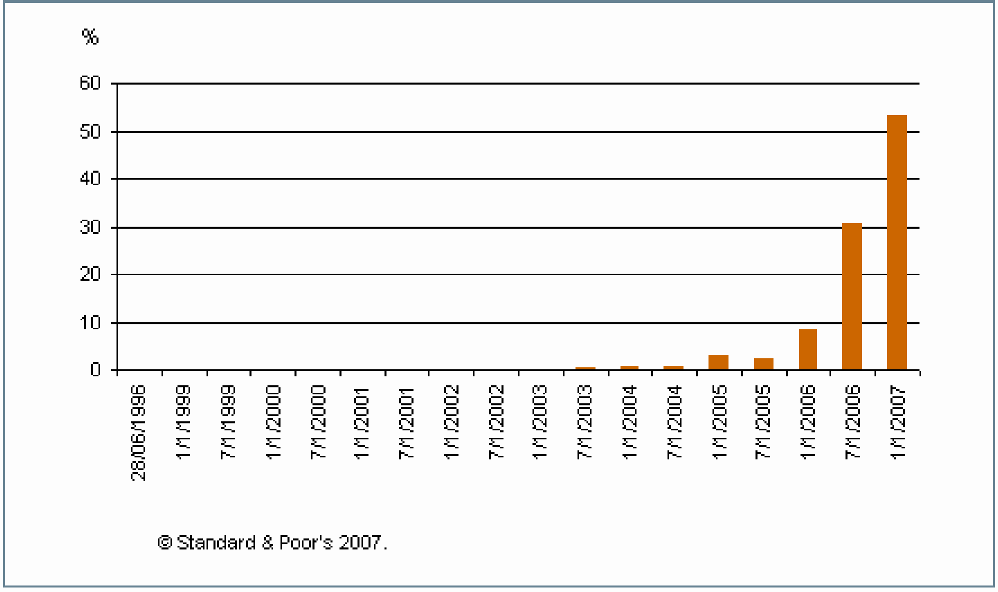
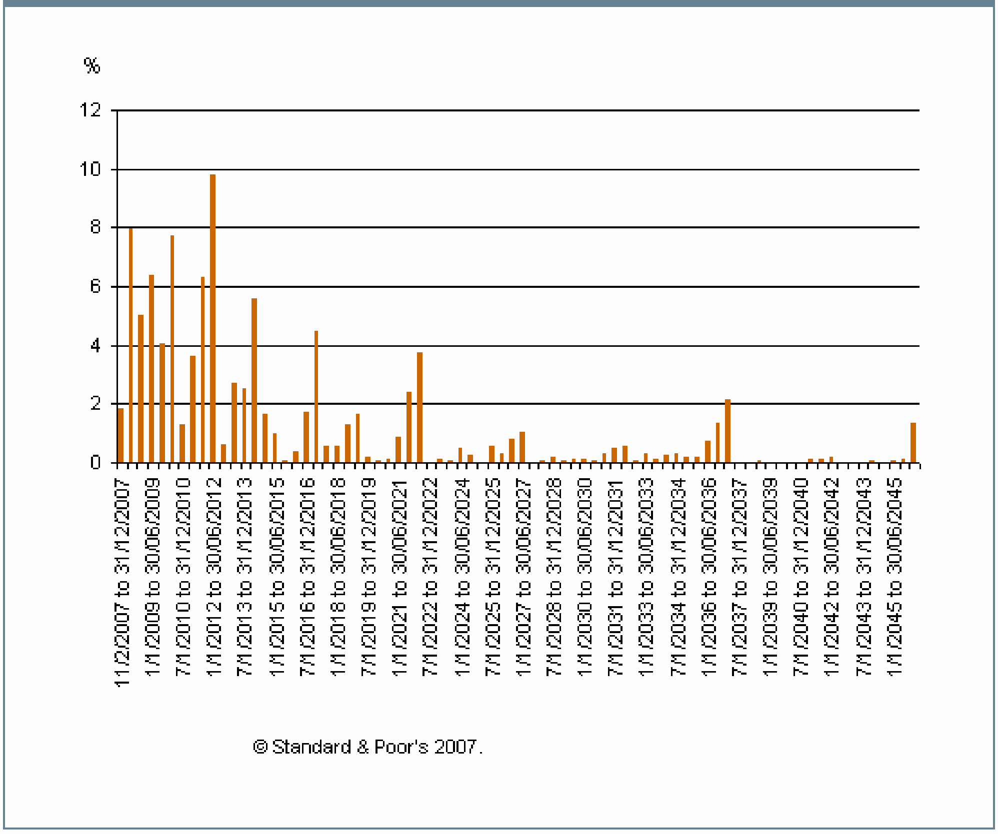


Chart 4 shows the distribution by loan maturity.

Chart 4: Distribution By Maturity



At closing, the pool will have no loans with arrears greater than 30 days. As of Sept. 25, 2007, the outstanding amount of loans in arrears for more than 30 days amounted to 1.88% of the provisional pool.

The largest industry concentration is in building and development activities, which together represent 43.28%. The second-highest concentration is other management activities (6.77%), followed by wholesales (5.14%) and retailers (4.09%). The 10 major industries represent 73.69% of the pool.

Of the pool, 91.21% is indexed to floating rates, with nearly 81.13% of the total outstanding amount of the pool referenced to EURIBOR. The assets have a weighted-average interest rate of 4.95%.

Collateral Risk Assessment

Standard & Poor's conducted an actuarial analysis of historical data provided by the originator to assess the credit risk of the pool.

The data provided by SAN included quarterly cumulative default rates by year of origination and recovery rates. Two different sets of data were provided: one where the definition of default is more than 90 days unpaid, and another where it is more than 180 days unpaid.

Payment Priorities

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 will 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, as follows:

- Fees and expenses, excluding the servicing fee (except if SAN 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, A2, and A3 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;
- Interest payment on the class E notes, if not deferred;
- Amortization of the class A, B, C, D, and E 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;
- Interest payment on the class E notes, if deferred;
- Replenishment of the reserve fund;
- Interest payment on the class F notes;
- Amortization of the class F notes;
- Termination payment under the swap if the counterparty is the defaulting party;
- Interest payment on the subordinated loan;
- Principal payment on the subordinated loan;
- Fixed administration fee; and
- Payment of extraordinary remuneration to the class F notes.

A trigger will ensure that in a stressful economic environment, the more senior notes will amortize before interest on the subordinated classes of notes is paid.

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

- 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 8.95%, interest on the class B notes will pay in a lower position in the priority of payments, until the class A1, A2, and A3 notes redeem.
- 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 6.5%, interest on the class C notes will pay in a lower position in the priority of payments, until the class A1, A2, A3, and B notes redeem.
- 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 4.8%, interest on the class D notes will pay in a lower position in the priority of payments, until the class A1, A2, A3, B, and C notes redeem.
- 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 3.9%, interest on the class E notes will pay in a lower position in the priority of payments, until the class A1, A2, A3, B, C, and D notes redeem.

Hedging

The collateral is indexed to various floating and fixed interest rates. An interest rate swap agreement will be signed between SAN as counterparty and the trustee, on the issuer's behalf. 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 sum of: (i) three-month EURIBOR; (ii) the weighted-average margin applicable to the notes; and (iii) 60 bps on the outstanding balance of the performing assets defined as not in arrears for longer than 90 days and excluding written-off loans.

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

The swap will provide additional credit enhancement to the transaction, meaning the ratings on the notes will be weak-linked to the short-term rating on the swap counterparty.

The minimum rating required to be the swap counterparty is 'A-1', so if Santander is downgraded below 'A-1', remedy actions should be taken following the eligible direct support downgrade language described in Standard & Poor's "*Revised Framework For Applying Counterparty And Supporting Party Criteria*" (see "*Criteria Referenced*").

Credit Structure

Cash collection arrangements

SAN, as servicer, will collect the amounts due under the loans and transfer them to the treasury account no later than 48 hours after receipt. Its collections to the treasury account will be held on behalf of the issuer by SAN. This will partially mitigate the potential risk of funds being commingled in the originator's accounts.

The class D and E notes will be dependent on the servicer's long-term rating. If the servicer's rating is lower than that on the notes, the ratings on the class D and E notes may be affected if the performance of the collateral and the credit enhancement for the class D and E notes at the time is insufficient.

Treasury account

At closing, the trustee will open a bank account with SAN on the issuer's behalf: the treasury account. This account will hold the reserve fund, 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)
As long as the short-term rating on SAN is 'A-1+', there will be no limit established in the amounts held in the treasury account.

The minimum rating required to be the bank account provider is 'A-1', so if Santander is downgraded below 'A-1', remedy actions should be taken following Standard & Poor's "*Revised Framework For Applying Counterparty And Supporting Party Criteria*" (see "*Criteria Referenced*").

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

Reserve fund
With the class F note proceeds, the reserve fund will be funded at €46.02 million (1.3% of the class A to E notes).

The reserve fund will be fixed for the first three years. After this initial period it can start amortizing. Its minimum required level will be established at the minimum of:
- 1.3% of the initial balance of the notes; or
- The higher of 2.6% of the outstanding balance of the class A to E notes and 1.0% of the initial balance of the class A to E 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%, or if the defaulted loans are greater than 1% of the initial balance of the loans. 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 on July 19, 2050, 36 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 outstanding balance of the non-defaulted loans.

All the classes of notes will be paid sequentially, except for the class A1, A2, and A3 notes, which will be paid pro rata if the arrears ratio is greater than 1.5%.

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 in 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 quarterly, 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

- "*CDO Spotlight: Update To General Cash Flow Analytics Criteria For CDO Securitizations*" (published on Oct. 17, 2006).
- "*CDO Spotlight: Using Standard & Poor's Recovery Ratings In Cash Flow CDOs*" (published on Oct. 17, 2006).
- "*Global Interest Rate and Currency Swaps: Calculating the Collateral Required Amount*" (published on Feb. 26, 2004).
- "*Standard & Poor's Global Interest Rate and Currency Swap Counterparty Rating Criteria Expanded*" (published on Dec. 17, 2003).
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- "*European Legal Criteria for Structured Finance Transactions*" (published on March 23, 2005).

Related Articles

- "*Transition Study: 2006 Sees Upgrades Dominate For Third Successive Year In European Structured Finance*" (published on Jan. 10, 2007).
- "*European Structured Finance Performance Outlook 2007—Fundamental Risks Increasing, But Forecast For Ratings Remains Benign*" (published on Jan. 10, 2007).
- "*European CDO Outlook 2007—Continued Innovation To Maintain Buoyancy*" (published on Feb. 5, 2007).
- "*CDO Spotlight: Cash CDOs of ABS Compete for Mezzanine ABS in Europe*" (published on Oct. 12, 2004).
- "*Global ROC Report*" (published monthly).
- "*European CDOs Of Leveraged Loans Review*" (published quarterly).
- "*Securitizing Spanish-Originated Loans to Small and Midsize Enterprises*" (published on April 7, 2003).

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