

"This Prospectus is a non-official and non-binding translation into English of the original "Folleto Informativo" drafted in Spanish language and registered with the "Comisión Nacional del Mercado de Valores" (the Spanish Securities Market Commission, "CNMV") on May 24, 2007. The "Folleto Informativo" drafted in Spanish language is the only official document".

## FONDO DE TITULIZACIÓN DE ACTIVOS SANTANDER EMPRESAS 3

### SECURITIZATION BONDS

**3,545,500,000 Euros**

Series A1:	800,000,000 €	EURIBOR 3M+Maximum margin 0.09%	Aaa/AAA/
Series A2:	1,800,000,000 €	EURIBOR 3M+Maximum margin 0.19%	Aaa/AAA/
Series A3:	627,500,000 €	EURIBOR 3M+Maximum margin 0.26%	Aaa/AAA/
Series B:	39,700,000 €	EURIBOR 3M+Maximum margin 0.30%	Aa2/A+
Series C:	117,300,000€	EURIBOR 3M+Maximum margin 0.35%	A3/
Series D:	70,000,000 €	EURIBOR 3M+Maximum margin 0.75%	Baa3/BBB/1
Series E:	45,500,000 €	EURIBOR 3M+Maximum margin 2.40%	Ba1/BE
Series F:	45,500,000 €	EURIBOR 3M+0.50%	C/CCC/

#### BACKED BY ASSETS ASSIGNED BY



#### LEAD MANAGERS OF THE ISSUE



#### UNDERWRITERS



#### Paying Agent



*Designed, Promoted and Serviced by:*



**SANTANDER DE TITULIZACIÓN, S.G.F.T., S.A.**

Prospectus recorded at the CNMV Registry on May 24, 2007

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This document is a Prospectus registered with the CNMV, prepared in accordance with the provisions of Regulation (EC) No. 809/2004 and formed, in turn, by the following documents:

- 1.- Document describing the principal risk factors of the Fund, of the Assets backing the issue of the securities issued by the Fund ("Risk Factors").
- 2.- Registration Document prepared in accordance with Annex VII of Regulation (EC) No. 809/2004.
- 3.- Securities Note prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004.
- 4.- Additional Building Block to (the) Securities Note prepared in accordance with Annex VIII of Regulation (EC) No. 809/2004.
- 5.- Document containing all of the terms defined in the Prospectus ("Definitions").

## RISK FACTORS

### I. SPECIFIC RISK FACTORS OF THE FUND:

(i) **Risk of insolvency of the Fund:**

In the event of impossibility by the Fund to meet payment of its obligations on a generalized basis, the provisions of article 11 of Royal Decree 926/1998 will apply: that is, the Manager, after reporting to the CNMV, will proceed with the orderly liquidation of the Fund, in accordance with the rules established in that regard in this Prospectus.

The Fund shall only be liable for the performance of its obligations up to the amount of its assets.

(ii) **Absence of legal status of the Fund:**

The Fund lacks separate legal status. Consequently, the Manager must carry out its administration and representation and comply with the obligations legally established in relation to the Fund. It shall be liable to the bondholders and to remaining unsecured creditors of the Fund, up to the limit of its net worth in the event of breach of said obligations.

(iii) **Compulsory substitution of Manager:**

In accordance with article 19 of Royal Decree 926/1998, the Manager shall be replaced in the event it is held to be insolvent vis-à-vis its creditors or if administrative authorization is revoked as to the terms and requirements provided for in section 3.7.2 of the Additional Building Block.

The replacement must be effective before the lapse of four (4) months from the date on the happening of the replacing event. If four (4) months had elapsed from the date on which the replacing event took place, and the Manager had not appointed a new manager company, the Early Liquidation of the Fund and the Early Redemption of the Bonds shall take place, so that the actions provided for in section 4.4.3.(3) of the Registration Document must be carried out.

(iv) **Restrictions on actions against the Manager**

Bondholders and the rest of the ordinary creditors of the Fund will have no action against the Manager of the Fund, only for the non-compliance of its functions or non-observance of that provided in the Deed of Incorporation or in this Prospectus and in the applicable legislation in force.

(v) **Validity of assignment in case of insolvency of Assignor:**

There is no jurisprudence which enables one to ascertain the interpretation of the courts of the regulations contained in Law 22/2003, of July 9 ("Insolvency Proceedings Act") in force since September 1, 2004. Notwithstanding that above, the most common doctrinal interpretation is that, in accordance with Additional Provision Two of Insolvency Proceedings Act, the insolvency specialties of Additional Provision Five of Law 3/1994 remain in force. Consequently, if no fraud in the assignment exists, the Assets assigned to the Fund would not make up part of the bankruptcy estate in the event of an insolvency proceeding ("concurso de acreedores") involving the Assignor. In

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case, even in the event that the less common interpretation of the Insolvency Proceedings Act, and since securitization of credits is part of the ordinary business activity of credit entities, the assignment of the Assets to the Fund will only be capable of rescission in the event of insolvency proceeding of the Assignor if the assignment was carried out within the two (2) previous years to the mentioned insolvency proceeding and the insolvency administration proved that it was carried out in normal conditions.

In the event that the Assignor, is held to be insolvent vis-à-vis its creditors, the Fund, acting through the Manager, shall have a right to separation in respect of the assigned Assets. Notwithstanding the above, this right to separation shall not necessarily extend to the money received by the Assignor, in its administrative condition, and held thereby for the account of the Fund prior to the date of declaration of insolvency since, given its fungible nature, it could become attached to the results of the insolvency proceeding as per doctrine's major interpretation of article 80 of Insolvency Proceedings Act.

There are however mechanisms that soften the mentioned risk described in section 3.4.4 (Cash Account), 3.4.5 (Way of perception of the payments regarding the Assets) and 3.7.1 (5) (Management of Payment Collection) of the Additional Building Block.

**(vi) Non compliance of agreements by third parties:**

The Fund, represented by the Manager, has entered into agreements with third parties to rendering certain services and financial transactions regarding the Assets and the Bonds.

Those include the Subordinated Loan Agreement, Swap Agreement, the Guaranteed Rate Reinvestment Agreement and the Issue's Underwriting and Placement Agreement.

Bondholders could be harmed in case that any of the counterparts of the Fund breached the obligations assumed by virtue of any of the referred agreements.

**II. SPECIFIC RISK FACTORS OF THE ASSETS BACKING THE ISSUE:**

**(i) Risk of non-payment of the Assets:**

The bondholders issued against the Fund shall run the risk of non-payment of the Assets pooled therein.

Santander assumes no liability for non-payment of the Debtors, whether for principal, interest, or any other amount they may owe by virtue of the Assets. According to Section 348 of the Commercial Code, the Assignor shall only be liable for the existence and legitimacy of the Assets at the time of the assignment and in the terms and conditions stated in the Prospectus and in the Deed of Incorporation, as well as for the legal status pursuant to which the assignment was made. The Assignor does not guarantee the good result of the transaction.

**(ii) Risk of prepayment of the Assets:**

The Assets pooled into the Fund are susceptible to being redeemed early when the Debtors prepay, in the terms provided by each one of the Loan agreements from which the Assets derive, the portion of principal pending amortization



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**(iii) Liability:**

The Bonds issued by the Fund do not represent an obligation of the Manager or the Assignor. The flow of funds employed to meet the obligations to which the Bonds give way is insured or guaranteed solely under the specific circumstances and up to the limits described under section 3.4.2. of the Additional Building Block. With the exception of these guarantees, there are no others granted by a public or private entity, including the Assignor, the Manager and any affiliated company or participated company of any of the above. The Assets pooled in the Fund and the rights they carry with them constitute the sole source of income of the Fund and, therefore, of payments to the holders of its liabilities, without prejudice of the existence of credit improvements described in section 3.4.2. of the Additional Building Block.

**(iv) Protection:**

An investment in Bonds may be affected, *inter alia*, by an impairment of the general economic conditions which has an adverse effect on the payments of the Assets which back the issue of the Fund. In the event that non-payments should reach an elevated level, they could reduce, or even eliminate, the protection against losses in the Loan portfolio enjoyed by the Bonds as a result of the existence of the credit enhancements described under section 3.4.2 of the Additional Building Block. Notwithstanding the foregoing consideration, bondholders have their risk mitigated by the Order of Priority of Payments described under section 3.4.6.(b) of the Additional Building Block and by the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.

**(v) Risk of the interest rate:**

The average interest rate at April 18, 2007 is of 4.37 %, while the average rate to be paid by the Bonds is of 4.20 % (assuming the hypothesis of the Prospectus). At any moment during the life of the Fund, if the average rate to be paid for the Bonds, is higher to the average rate of the Assets, this contingency is covered by the Swap Agreement contracted by the Fund, charging for it the 4.37% (assuming the hypothesis of the Prospectus).

**III. RISK FACTORS SPECIFIC TO THE SECURITIES**

**(i) Limited liquidity:**

There is no guarantee that trading in the Bonds with a minimum frequency and volume will come to take place in the market.

There is no commitment for intervention in secondary dealing on the part of the issuer, thereby giving liquidity to the Bonds through the offering of compensation.

Furthermore, in no case may the Fund repurchase the Bonds from the bondholders, although they may indeed be redeemed early in their entirety, in the case of Early Liquidation of the Fund, in the terms established under section 4.4.c.1) of the Registration Document.

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**(ii) Yield:**

The calculation of the average life, return and duration of the Bonds is subject *inter alia*, to hypotheses relating to prepayment rates of the Assets which may or may not materialize, as well as future market interest rates, given the variable nature of the nominal interest rates. The rate for early redemption can be influenced by diverse geographical, economical and social factors, such as the seasoning, interest rate in the market, distribution by sectors of the portfolio, and in general, the level of economic life.

**(iii) Defaulting interests**

In no event the existence of delays in the interest payment or in the repayment of principal to the bondholders will produce the accrual of defaulting interests in favour of the bondholders.

**(iv) Duration:**

The calculation of the average life and duration of the Bonds of each Series is established in section 4.10 of the Securities Note is subject to, among other things, the hypothesis, fees of early redemption and defaulting of the Assets that could or could not be fulfilled. The fulfilment of the early redemption fee of the Assets is influenced by a variety of economic and social factors such as the evolution of the interest rates of the market, the economic situation of the Debtors and the general level of economic activity, that prevent its foreseeability.

**(v) Rating of the Bonds:**

The credit risk of the Bonds issued against the Fund has been subject to evaluation by the rating entities Fitch Ratings España S.A./Standard & Poor's España, S.A./Moody's Investors Service España S.A.

The final ratings assigned can be reviewed, suspended or retired at any moment for the said rating entities in the light of any information that comes to their knowledge.

Their ratings do not constitute and will not be able to interpret as an invitation or recommendation or incitement to the investors so that they carry out any kind of transaction over the Bonds, and in particular, to acquire, preserve, charge or sell said Bonds.

**(vi) Interest payment postponement:**

The current Prospectus and the remaining complementary information related to the Bonds establish the postponement of the order of priority of payments of the interests of the Bonds for Series B, C, D and E, in the event that the circumstances provided for in section 3.4.6.(c) of the Additional Building Block take place.

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## **REGISTRATION DOCUMENT**

This Registration Document has been prepared in accordance with Annex VII of Regulation (E No. 809/2004 and approved by the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission) on May 24, 2007.

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## **1. PERSONS RESPONSIBLE**

### **1.1 Persons responsible for the information appearing in the Registration Document**

MR. IGNACIO ORTEGA GAVARA, acting in his capacity of General Manager, virtue of the powers expressly conferred upon him by the Board of Directors at meeting on April 12, 2005, for and on behalf of SANTANDER DE TITULIZACION S.G.F.T., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Registration Document.

MR. IGNACIO ORTEGA GAVARA, acts exercising the faculties conferred in his favor for the incorporation of the Fund by the Board of Directors of the Manager in its meetings of March 30, 2007 and May 14, 2007.

SANTANDER DE TITULIZACION, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACION DE ACTIVOS, SANTANDER EMPRESAS 3 and shall be responsible for the administration and legal representation thereof.

### **1.2 Declaration by those responsible for the Registration Document.**

MR. IGNACIO ORTEGA GAVARA, declares that, having taken all reasonable care to ensure that it is so, the information given in the Registration Document is, to the best of his knowledge, in accordance with the facts and does not omit anything that could affect its import.

## **2. STATUTORY AUDITORS OF THE FUND**

### **2.1 Name and address of the Fund's auditors (together with any membership of a relevant professional body).**

As it is set forth in section 4.4 of this Registration Document, the Fund has no historical financial information.

However, during the life of the Fund, the annual financial statements shall be audited annually by auditors.

The Board of Directors of the Manager, at its meeting on May 14, 2007 at which the establishment of this Fund was resolved, appointed the following accounting firm as the Fund's Statutory Auditors: Deloitte, S.L., whose data are detailed in section 5.2.i) of this Registration Document.

### **2.2. Fiscal years, accounting principles and statutory filing of annual financial statements.**

The Fund's fiscal year shall coincide with the calendar year. However, and as an exception, the first fiscal year will begin on the Date of Incorporation (that is, May 28, 2007) and the last fiscal year shall end on the day on which the cancellation of the Fund takes place.

The Manager shall file the Fund's annual financial statements with the CNMV, together with the auditors' report in respect thereof, within four (4) months following the closing date of the Fund's fiscal year (i.e. prior to April 30 of each year).

The Fund's annual financial statements and relevant auditors' report shall be filed with the Mercantile Registry on an annual basis.

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The accounting method to be used in preparing the Fund's accounting information is the accrual method. That is, the imputation of income and expenses will be made in function of the actual current of goods and services they represent and regardless of the time which the monetary or financial flow deriving there from shall take place.

### **3. RISK FACTORS**

The risk factors specific to the Fund are those described under section I of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

### **4. INFORMATION ABOUT THE ISSUER**

#### **4.1 Statement that the Issuer has been established as a securitization fund.**

The Issuer is an asset securitization fund without legal status and established according to Royal Decree 926/1998 for the purpose of acquiring the Assets assigned to the Fund Santander and issuing the Bonds.

#### **4.2 Legal and professional name of the Fund.**

The name of the Fund is "FONDO DE TITULIZACION DE ACTIVOS, SANTANDER EMPRESAS 3".

#### **4.3 Registration of Issuer.**

The establishment of the Fund and issuance of the Bonds have as a prior requisite the registration thereof in the official registries of the CNMV in Spain.

This Prospectus was registered with the CNMV on May 24, 2007.

It is recorded that neither the incorporation of the Fund nor the Bonds issued charged against its assets will be subject of inscription in the Mercantile Registry, exercising the option set forth in article 5.4 of Royal Decree 926/1998.

#### **4.4 Date of incorporation and period of activity of the Fund, except where indefinite**

##### **4.4.1 Date of Incorporation.**

The execution of the Deed of Incorporation is scheduled to take place and consequently, the Fund's Date of Incorporation to be on May 28, 2007.

The Deed of Incorporation may not undergo any change except under exceptional circumstances and, as the case may be, in accordance with the conditions established by current regulations in force, and provided that the amendment does not impair the ratings awarded to the Bonds by the Rating Agencies or entitle prejudice to the bondholders. The contents of said amendment shall first be reported to the Rating Agencies and the CNMV, obtaining authorization from the latter, if necessary.

The Manager guarantees that the contents of the Deed of Incorporation will coincide with that of the Prospectus and that the Deed of Incorporation will coincide with the draft deed which has been submitted to the CNMV as a consequence of the registration of this Prospectus and in no event, the terms of the Deed of Incorporation contradict, modify, amend or nullify the content of the current Prospectus.

#### **4.4.2 Period of activity of the Fund.**

The Fund is scheduled to carry out its activity until the Legal Maturity Date, i.e. October 16, 2049, or, if not a Business Day, the first following Business Day; the date that corresponds with the Payment Date immediately following to the thirty-six (36) months of the last maturity of the Assets.

#### **4.4.3 Early liquidation of the Fund: Cases. Cancellation of the Fund. Actions: liquidation and cancellation of the Fund.**

##### **(1) Early liquidation: Cases.**

Notwithstanding the provisions of section 4.4.2, *supra*, the Manager is empowered to proceed with the early liquidation of the Fund and consequently, the early redemption on a Payment Date of the entire Bond issue, in the terms established in this section, under the following circumstances:

- (i) When the Outstanding Balance of the Assets, is less than ten percent (10%) of the Outstanding Balance thereof at the Date of Incorporation, provided that the amount of the sale of the Assets pending redemption, together with the balance existing at that time in the Cash Account and if that is the case, the Excess Fund Account, allows for total cancellation of all outstanding obligations with the bondholders, and respecting the prior payments therefor whose order of priority takes preference as provided by the Order of Priority of Payments for Liquidation described in section 3.4.6 (d) of the Additional Building Block;
- (ii) When as a consequence of any event or circumstance of any nature, foreign or not to the development of the Fund, a substantial alteration takes place, or the financial equilibrium of the Fund is permanently impaired, to the Manager's judgement, required by article 5.6 of 19/1992 Act, applicable by remission of article 1.2. of Royal Decree 926/1998. Circumstances as a change of legislation or complementary legislative developments, the establishment of withholding obligations or other situations that could affect in a permanent manner the financial balance of the Fund, are included in this event;
- (iii) Compulsorily, in the circumstance contemplated by article 19 of Royal Decree 926/1998, which establishes the obligation to liquidate the Fund early in the event that four (4) months have transpired since an event determining the compulsory substitution of the Manager took place, as a consequence of the latter being declared insolvent in insolvency proceedings ("concurso de acreedores"), as well as in cases in which its authorization was revoked, without a new manager having been found willing to take charge of the management of the Fund, appointed according to section 3.7.2. of the Additional Building Block; or
- (iv) When a non-payment takes place or is foreseen to take place which is indicative of a serious and permanent imbalance in relation to a Bond of the Bonds Series; and

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- (v) At the first Payment Date preceding at least 6 months the Legal Maturity Date.

Liquidation of the Fund shall be first reported to the CNMV and afterwards, to the bondholders, in the manner contemplated by Section 4.4.3 of the Additional Building Block, at least thirty (30) Business Days in advance of the day on which Early Redemption is to take place, which must necessarily be carried out on a Payment Date.

**(2) Cancellation of the Fund**

The cancellation of the Fund shall take place

- (i) as a consequence of the payment in full of the Assets pooled there
- (ii) For the total redemption of the Bonds,
- (iii) for the ending of the procedure of Early Liquidation contemplated in the preceding section 4.4.3.(1),
- (iv) due to the arrival of the Legal Maturity Date, and
- (v) when the provisional ratings of the Bonds are not confirmed as being definitive prior to the start of the Subscription Period.

In the event that any of the situations described in the foregoing section should occur, the Manager shall inform the CNMV and shall initiate the pertinent formalities for cancellation of the Fund.

**(3) Actions for the liquidation and cancellation of the Fund.**

In order that the Fund, through its Manager, may carry out the liquidation and cancellation of the Fund and, as the case may be, the Early Liquidation of the Fund and Early Redemption of the Bonds in the cases determined by section 4.4.3.(1), *supra*, and specifically, in order that the Fund shall have sufficient liquidity to meet its payment obligations, the Manager, on behalf of the Fund, shall proceed to carry out any or all of the following actions:

- (i) sell the Assets for a price which may not be less than the sum of the value of the principal plus interest accrued and not paid on the Assets pending amortization. For this purpose, the Manager shall request an offer from at least five (5) entities of those most active in the sale and purchase of similar assets, and may not sell them at a price less than the best offer received. The Assignor shall have a pre-emption right to acquire said Assets, in the conditions established in the Additional Building Block, in such a manner that the Assignor shall have preference over third parties to acquire the Assets. In order to exercise the pre-emption right, the Assignor shall have a period of five (5) Business Days from the date on which the Manager notifies him of the conditions (price, form of payment, etc.) under which the disposal of the Assets shall be carried out. The Assignor's offer must equate to at least the best of the offers made by third parties.

In the event that no offer could cover the value of the principal plus interest accrued and not paid on the Assets pending amortization, the

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Manager shall be obliged to accept the best offer received for the Assets among those mentioned in the previous paragraph above which, in its judgement, covers the market value thereof. In order to set the market value, the Manager may obtain from third parties different from the above, such appraisal reports as it deems necessary. In this case, the Assignor shall also enjoy the pre-emption right described above, provided that its offer at least equals the best of those made by third parties.

This pre-emption right in no event implies an agreement or obligation to repurchase the Assets on the part of the Assignor and/or

- (ii) sell any other assets of the Fund other than the Assets and other than the cash for a price not less than market value. In order to set the market value, the Manager will request from at least one entity specializing in the appraisal or marketing of assets similar to the Assets whose sale is intended such appraisal reports as it deems necessary. The Manager may proceed with the sale of the referred assets through the procedure that allows obtaining a higher price in the market; and/or
- (iii) cancelling those contracts not necessary for the liquidation process of the Fund.

The Manager shall immediately apply all amounts it has obtained from the transfer of the Assets and any other assets of the Fund towards payment of the various concepts, in the manner, amount and order of priority which applies, as set forth in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block. The Early Redemption of all Bonds in any of the cases provided under section 4.4.3.(1), *supra*, shall be carried out for the Principal Balance Pending Payment on the Bonds through that date plus interest accrued and not paid from the last Payment Date through the Early Redemption Date, after deducting, as the case may be, any tax withholding, and free of expenses for the holder, amounts that, shall be deemed, for all legal purposes, to be due and payable on this latter date.

In the event that, once the Fund has been liquidated and all scheduled payments have been made pursuant to the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of the Additional Building Block, any remainder should exist or any judicial or notarial proceedings brought as a consequence of the non-payment by any Debtor of the Assets should remain pending resolution (all in accordance with the provisions of section 3.4.5.a) of the Additional Building Block), the said remainder as well as the continuation and/or proceeds of the resolution of the proceedings cited above shall inure to the Santander's favour.

In any case, the Manager, acting for and on behalf of the Fund, shall not proceed with cancellation of the Fund until it has not proceeded with the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the Fund's available funds, following the Order



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Priority of Payments for Liquidation contemplated under 3.4.6.(d) of Additional Building Block.

Once that a maximum period of six (6) months since the liquidation of the Assets and any other remaining assets of the Fund and the distribution of the available funds has elapsed, the Manager shall execute an official attestation before a notary public declaring (a) the Fund to be cancelled as well as the causes contemplated in this Registration Document which motivated its cancellation, (b) the procedure carried out for notifying the bondholders and the CNMV, and (c) the distribution of the available amounts of the Fund following the Order of Priority of Payment contemplated under section 3.4.6.(d) of the Additional Building Block and shall comply with such further administrative formalities as may be applicable. Said notarized attestation shall be sent by the Manager to the CNMV.

In the event that the cause of liquidation stated under section 4.4.3.(2) *supra*, (that is, when the provisional ratings of the Bonds are not confirmed as definitive before the start of the Subscription Period) should occur, the incorporation of the Fund as well as the Bond issue and the contracts executed by the Manager, acting on behalf of the Fund, shall be terminated, except for the Subordinated Loan Agreement, against which the incorporation and issue expenses incurred by the Fund shall be paid. Said termination shall be reported forthwith to the CNMV and, once one (1) month from the cause for termination of the incorporation of the Fund has transpired, the Manager shall execute before a notary public the attestation which it shall send to the CNMV, Iberclear, AIAF and the Rating Agencies, declaring the cancellation of the Fund and the causes thereof.

#### **4.5 Domicile and legal form of the Issuer, legislation under which it operates.**

##### **a) Domicile of the Fund.**

The Fund lacks a registered office because it lacks separate legal status. For purposes, the Fund's registered office is deemed to be that of the Manager, to wit SANTANDER DE TITULIZACION, S.G.F.T., S.A.

Ciudad Grupo Santander

Avenida de Cantabria, s/n

28660 Boadilla del Monte (Madrid)

Telephone: 91.289.32.97

##### **b) Legal status of the Fund.**

The Fund shall establish its pool of assets and liabilities, lacking separate legal status, with closed character as to the assets and liabilities side, in accordance with the provisions of article 3 of Royal Decree 926/1998.

##### **c) Legislation under which it operates and country of incorporation.**

The incorporation of the Fund and the issue of the Bonds charged against it take place in Spain under Spanish law, and specifically, according to the legal regime

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provided in (i) Royal Decree 926/1998 and provisions implementing same; (ii) Law 19/1992, with regard to anything not contemplated by Royal Decree 926/1998 and as applicable thereto; (iii) Additional Provision Five of Law 3/1994, (iv) Law 24/1988, of July 28, of Securities Market, (v) Law 44/2002 particular, section 18), (vi) Royal Decree 1310/2005 (vii) Order EHA/3537/2004 and (viii) such other legal and regulatory provisions as are in force from time to time and applicable .

This Prospectus has been prepared pursuant to the standard forms contemplated in Regulation (EC) No. 809/2004.

**d) Tax scheme of the Fund.**

In accordance with Law 19/1992, Royal Legislative Decree 4/2004, L. 37/1992, Royal Decree 1777/2004, Royal Legislative Decree 1/1993, and Final Additional Provision of Law 3/1994, the features of the Fund's tax scheme are as follows:

- (i) The incorporation of the Fund is exempt from the concept of "Corporate Transactions" of Transfer Tax/Stamp Duty (in accordance with the provisions of section 10, article 15 of Law 19/1992).
- (ii) The Fund is subject to the general scheme of Corporate Income Tax, in force at each time, the general rate of which at present is 32,5%, for the fiscal year beginning on January 1, 2008, the general rate to which the Fund will be subject will be 30% all of it according to Royal Legislative Decree 4/2004, added by Law 35/2006, November 28, Individual Income Tax and partial amendment to the Corporate Income Tax, Income of non-residents Income and Wealth Tax.
- (iii) The returns on the assets which constitute the Fund's income will not be subject to withholding or interim tax deposit (article 59. k of Royal Decree 1777/2004).
- (iv) The management and custodial services rendered by the Manager to the Fund shall be exempt from Value Added Tax (article 20. One. 18. n. of Law 37/1992).
- (v) The issuance, subscription, transfer, redemption and repayment of the Fund's Bonds is exempt from Transfer Tax/Stamp Duty (article 45. I.B. no. 15 of Royal Legislative Decree 1/1993) and Value Added Tax (article 20. One. 18° of Law 37/1992).
- (vi) The assignment of the Assets to the Fund is an operation subject to an exemption of the Value Added Tax.
- (vii) The obligations of information contained in Law 13/1985, in its wording given by Law 23/2005 shall be of application to the Manager.

**4.6 Description of the amount of the Fund's authorized and issued capital.**

Non applicable.

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## **5. BUSINESS OVERVIEW**

### **5.1 Brief description of the Issuer's principal activities.**

The Issuer is an asset securitization fund and, as such, its principal business consists of acquiring the Assets from Santander and issuing the Bonds. That is, through securitization, Santander transfers the Assets to the Fund, who pays the price thereof with the proceeds from the Bond issue subscribed by the qualified investors to whom such issue is directed.

Thus, through this transaction, the payment of the future flows pertaining to the Loan advanced to Santander, i.e. the Assets that were not liquid at the time of assignment to the Fund become so to Santander.

The income for interests and repayment of the loans acquired received by the Fund will be quarterly applied, at each Payment Date, to the payment of interests and the repayment of principal of the Bonds issued according to the specific terms of each of the Series which the Bond issue is divided and the order of priority that is established for the payments of the Fund.

Likewise, the Manager, in name and on behalf of the Fund, will agree to a number of financial transactions and rendering of services in order to consolidate the financial structure of the Fund, to increase the security or regularity of the payment of the Bonds, to cover the time gaps between the calendar of the principal flows and interests of the Loans and the Bonds and, in general, make possible the financial transformation that takes place in the Fund asset between the financial features of the Loans and the financial features of each one of the Bond Series.

### **5.2 Global overview of the parties to the securitization program.**

a) SANTANDER DE TITULIZACION, S.G.F.T., S.A. is intervening as the Fund Manager and as legal and financial adviser to the operation's structure.

SANTANDER DE TITULIZACION, S.G.F.T., S.A. is a Securitization Fund Manager having its registered offices at Ciudad Grupo Santander, Avenida Cantabria sin número, 28660 Boadilla del Monte (Madrid), holder of Tax Identification Code number A-80481419. A brief description thereof is stated under section 6 of the Registration Document and section 3.7.2 of the Additional Building Block.

The Manager has not a rating by any Rating Agency.

b) BANCO SANTANDER CENTRAL HISPANO, S.A. is intervening as the Assignor of the Assets, as Lead Manager of the Bond issue, as Underwriter, Paying Agent and as counterpart of the Fund in the Subordinated Loan Agreement, the Swap Agreement and the Guaranteed Rate Reinvestment Agreement.

In its status as Lead Manager, performs the following task as provided for article 35.1 of Royal Decree 1310/2005:

- To receive the instructions of the Manager in order to conduct the operations regarding the design of the financial temporary and commercial conditions of the issue, as well as for the coordination of the relationships with the supervisory authorities, with the market operators

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the potential investors and with the rest of the underwriting and placement entities.

BANCO SANTANDER CENTRAL HISPANO, S.A. is a Spanish credit institution having its registered offices in Santander, at Paseo de Pereda 9-1 39004, with its operational headquarters located at Ciudad Grupo Santander Avenida de Cantabria sin número, 28660 Boadilla del Monte (Madrid), holder Tax Identification Code number A-39000013 and C.N.A.E. 651. A brief description thereof is stated under section 3.5 of the Additional Building Block

The ratings of Santander's non-subordinated and non-guaranteed short and long term debt, as assigned by the rating agencies and currently in force, are:

- Fitch: AA (long-term) and F1+ (short term), confirmed in May 2007
- Standard & Poor's: AA- (long-term) (confirmed in April 2007) and A-1 (short-term) (confirmed in May 2007).
- Moody's: Aa3 (long-term) and P1 (short term), confirmed in April 2007

c) MERRILL LYNCH INTERNATIONAL ("MERRILL LYNCH"), is intervening as Lead Manager and as Underwriter of the Bond issue.

In its status as Lead Manager, performs the following task as provided for article 35.1 of Royal Decree 1310/2005:

- To receive the instructions of the Manager in order to conduct the operations regarding the design of the financial temporary and commercial conditions of the issue, as well as the coordination with the market operators, the potential investors and with the rest of the underwriting and placement entities.

MERRILL LYNCH INTERNATIONAL is a Company incorporated under English law in United Kingdom, recorded in the Company's House of England and Wales with number 2312079. It is also recorded with the CNMV Investment Services Company of the Economic European Space in Free Rendering of Services with number 426 with date October 14, 1998, with tax identification number GB 245122493 and corporate domicile at Merrill Lynch Financial Center, 2 King Edward Street London EC1A 1HQ.

The ratings of the non-subordinated and non-guaranteed long and short term debt of MERRILL LYNCH, given by the Rating Agencies are:

- Fitch: AA- stable outlook (long term) and F1+ (short term), confirmed April 2007.
- Standard & Poor's: AA- stable outlook (long term) and A-1+ (long term), confirmed in October 2006.
- Moody's: Aa3 stable outlook (long term) and P-1 (short term) confirmed in September 2004.

d) ABN AMRO BANK N.V. SUCURSAL EN ESPAÑA ("ABN AMRO") intervening as Lead Manager and as Underwriter of the Bond issue.

In its status as Lead Manager, performs the following task as provided for article 35.1 of Royal Decree 1310/2005:

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- To receive the instructions of the Manager in order to conduct the operations regarding the design of the financial temporary conditions of the issue, as well as the coordination with the market operators, the potential investors and with the rest of the underwriting and placement entities.

ABN AMRO is a bank incorporated and registered in the Netherlands that acts through its Spanish branch and that is recorded with the Bank of Spain as branch of a European foreign credit entity with code number 0156, with corporate domicile in Madrid, calle José Ortega y Gasset, 29 and tax identification number A-00310211.

The ratings assigned for the non-subordinated and non-guaranteed short and long term debt of ABN AMRO by the rating agencies are:

- Fitch: AA-(long term) and F1+ (short term), confirmed in May 2006.
- Standard & Poor's: AA- (long term) and A-1+ (short term), confirmed September 2006.
- Moody's: Aa2 (long term) and P-1 (short term), confirmed in April 2006.

- e) FITCH RATINGS ESPAÑA, S.A. ("Fitch") is intervening as credit Rating Agency of the Bonds.

Fitch is a Spanish stock company and subsidiary of the credit rating agency Fitch Ratings Limited, having its registered offices in Barcelona, at Paseo de Gracia, and holder of Tax Identification Code number A-58090655.

- f) MOODY'S INVESTORS SERVICE ESPAÑA, S.A. ("Moody's") is intervening as credit rating agency of the Bonds.

Moody's is a Spanish stock company and subsidiary of the credit rating agency Moody's Investor Service, having its registered offices in Madrid, at Bárbara Braganza, 2, 28004 and holder of Tax Identification Code number A-804484.

- g) STANDARD & POOR'S ESPAÑA, S.A. ("Standard & Poor's") is intervening as credit Rating Agency of the Bonds.

Standard & Poor's is a Spanish stock company and subsidiary of the credit rating agency Standard & Poor's Limited, having its registered offices in Madrid, Marqués de Villamejor 5, planta 1ª, 28006, holder of Tax Identification Code number A-80310824.

- h) DLA PIPER SPAIN, S.L. is intervening as legal adviser to the operation structure.

DLA PIPER SPAIN, S.L. is part of an international law firm with sixty-three offices in more than twenty four (24) countries, and more than three thousand two hundred (3.200) and has its registered address in Madrid, at Paseo de Castellana, 35, 28046.

- i) DELOITTE S.L. is intervening as auditor of the Manager and of the assigned portfolio.

Deloitte, S.L., is an auditors firm, with its registered offices in Madrid, at To Picasso, Plaza Pablo Ruiz Picasso, s/n, holder of Tax Identification Code number B-79104469, registered with the Official Registry of Certified Public

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Accountants (*Registro Oficial de Auditores de Cuentas; R.O.A.C.*) under number S0692.

For the purpose of article 4 of the Spanish Securities Market Act, SANTANDER DE TITULIZACION, S.G.F.T., S.A. forms part of the SANTANDER GROUP.

There is no knowledge of the existence of any other relationship involving direct or indirect ownership or control between the aforesaid legal entities participating in the securitization program.

## **6. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES OF THE MANAGER**

### **6.1 Corporate bodies of the Manager**

In accordance with Royal Decree 926/1998, Asset Securitization Funds lack separate legal status. The Securitization Fund Managers are entrusted with the incorporation, administration and legal representation thereof, as well as the representation and defense of the interests of the holders of the securities issued against the funds they administer and of the remaining ordinary creditors thereof.

By virtue of the foregoing, this section details the information relating to SANTANDER DE TITULIZACION, S.G.F.T., S.A., in its capacity as the Manager that is incorporating, administering and representing the securitization fund FONDO DE TITULIZACION I ACTIVOS, SANTANDER EMPRESAS 3.

#### **a) Name and business address.**

Corporate name: SANTANDER DE TITULIZACION, SOCIEDAD GESTORA DE FONDOS DE TITULIZACION, S.A.

Business address: Ciudad Grupo Santander, Avenida de Cantabria s/n, 286 Boadilla del Monte (Madrid).

Tax Identification Code number A-80481419

C.N.A.E.: 8199

#### **b) Incorporation and registration with Mercantile Registry, as well as information relating to administrative authorizations and registration with the Comisión Nacional del Mercado de Valores (Spanish Securities Market Commission).**

SANTANDER DE TITULIZACION, S.G.F.T., S.A. was incorporated by public deed executed on December 21, 1992 before Madrid Notary Public Francis Mata Pallarés, under number 1310 of his official record, with the prior authorization of the Ministry of Economy and Finance awarded on December 1992. It is registered with the Mercantile Registry of Madrid, under Vol. 4789, Folio 75, Page M-78658, 1<sup>st</sup> registration entry. Furthermore, it is registered with the special registry of the CNMV, under number 1.

In addition, the Manager amended its Bylaws by resolution of its Board of Directors adopted on June 15, 1998, formalized in a public deed authorized by Madrid Notary Public Roberto Parejo Gamir on July 20, 1998, under number 3070 of his official record, in order to adapt to the requisites established for Asset Securitization Fund Managers by Royal Decree 926/1998. Such amendment was authorized by the Ministry of Economy and Finance on July 16, 1998,

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accordance with the provisions of the Sole Transitional Provision of the aforesaid Royal Decree 926/1998.

The duration of the Manager is indefinite, except for the occurrence of any of the causes where the legal and statutory provisions, as the case may be, may call for dissolution.

**6.2. Audit of accounts .**

The annual accounts of the Manager for the fiscal years closed on 31 December 2005 and 2006 were audited by the firm Deloitte, S.L. and deposited in the Mercantile Registry of Madrid. The report corresponding to each of those annual accounts had no exceptions.

**6.3. Principal activities.**

As required by law, article two of the Manager's Corporate Bylaws establishes that: "The company shall have as its exclusive purpose the incorporation, administration and legal representation of Mortgage Securitization Funds in the terms of article six of Law 19/1992, of July 7, on the Scheme of Real Estate Investment Companies and Funds and on Mortgage Securitization Funds and Asset Securitization Funds, in accordance with the provisions of article 12, point 1, of Royal Decree 926/1998, of May 14, regulating Asset Securitization Funds and Securitization Fund Managers. As a manager of third party businesses, it is responsible for the representation and defence of the interest of the holders of the securities issued against the Funds it administers and of the remaining ordinary creditors thereof, as well as the implementation of the further duties attributed to Securitization Fund Managers by current law in force."

The total assets managed by the Manager at May 9, 2007, are the following:

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MORTGAGE SECURITIZATION FUNDS					
FUNDS	SERIESS	OUTSTANDING BALANCE OF THE BONDS	INTEREST RATE BY SERIESS	RATING AGENCIES	DATE OF INCORPORATION
FTH HIPOTEBANSA VI	Series A	27,233,819.40 €	Libor 3M + 0.12%	S&P Spain / Moody's Spain	10/27/1997
	Series B	2,723,381.35 €	Libor 3M + 0.50%		
	<b>Total</b>	<b>29,957,200.75 €</b>			
FTH HIPOTEBANSA VII	Series A	50,725,291.20 €	Libor 3M + 0.15%	S&P Spain / Moody's Spain	05/05/1998
	Series B	5,072,529.18 €	Libor 3M + 0.525%		
	<b>Total</b>	<b>55,797,820.38 €</b>			
FTH UCI 4	Series A	24,797,145.82 €	Libor 3M + 0.16%	S&P Spain	06/25/1998
	Series B	2,479,714.54 €	Libor 3M + 0.575%		
	<b>Total</b>	<b>27,276,860.36 €</b>			
FTH HIPOTEBANSA VIII	Series A	60,641,598.80 €	Libor 3M + 0.27%	Fitch IBCA / Moody's Spain	12/17/1998
	Series B	6,064,159.83 €	Libor 3M + 0.800%		
	<b>Total</b>	<b>66,705,758.63 €</b>			
FTH UCI 5	Series A	49,897,925.00 €	Euribor 3M + 0.23%	Moody's Spain	06/03/1999
	Series B	3,991,833.60 €	Euribor 3M + 0.625%		
	<b>Total</b>	<b>59,075,689.60 €</b>			
FTH BANESTO 1	Series A	119,144,927.76 €	Euribor 3M + 0.23%	Moody's Spain	07/29/1999
	Series B	9,531,596.62 €	Euribor 3M + 0.625%		
	<b>Total</b>	<b>146,459,288.20 €</b>			
FTH HIPOTEBANSA IX	Series A	128,061,177.72 €	Euribor 3M + 0.27%	Fitch IBCA / Moody's Spain	11/10/1999
	Series B	12,806,115.00 €	Euribor 3M + 0.75%		
	<b>Total</b>	<b>140,867,292.72 €</b>			
FTH BANESTO 2	Series A	174,354,582.00 €	Euribor 3M + 0.27%	Moody's Spain	05/08/2000
	Series B	12,204,822.50 €	Euribor 3M + 0.625%		
	<b>Total</b>	<b>207,140,104.00 €</b>			
FTH BANESTO 3	Series A	166,031,478.30 €	Euribor 3M + 0.23%	Moody's Spain	07/16/2001
	Series B	16,603,146.93 €	Euribor 3M + 0.60%		
	<b>Total</b>	<b>182,634,625.23 €</b>			
FTH BANESTO 4	Series A	751,870,813.50 €	Euribor 3M + 0.20%	S&P Spain	11/15/2003
	Series B	45,000,000.00 €	Euribor 3M + 0.65%		
	<b>Total</b>	<b>796,870,813.50 €</b>			
FTH UCI 10	Series A	302,054,847.50 €	Euribor 3M + 0.16%	S&P Spain	05/14/2004
	Series B	19,280,095.80 €	Euribor 3M + 0.50%		
	<b>Total</b>	<b>383,268,974.90 €</b>			
FTH UCI 12	Series A	547,295,730.24 €	Euribor 3M + 0.15%	S&P Spain	05/30/2005
	Series B	9,000,000.00 €	Euribor 3M + 0.27%		
	Series C	23,800,000.00 €	Euribor 3M + 0.60%		
	<b>Total</b>	<b>580,095,730.24 €</b>			
	<b>TOTAL FTH</b>	<b>2,676,150,158.51 €</b>			



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ASSETS SECURITIZATION FUNDS						
FUND	SERIES	OUTSTANDING BALANCE OF THE BONDS	INTERES RATE BY SERIES	RATING AGENCIES	DATE OF INCORPORATION	BONDS INITIAL BALANCE
FTA SANTANDER 1	Pag. Intern	4,956,170,379.00 €		S&P Spain	11/26/1998	1,202,024,208.77
	Pag. Nac.	0.00 €				
	<b>Total</b>	<b>4,956,170,379.00 €</b>				
FTA UCI 6	Series A	97,661,432.34 €	Euribor 3M + 0.295%	Moody's Spain	06/19/2000	457,000,000.00 €
	Series B	8,594,204.64 €	Euribor 3M + 0.775%			
	<b>Total</b>	<b>106,255,636.98 €</b>				
FTA UCI 7	Series A	115,844,786.40 €	Euribor 3M + 0.250%	S&P Spain	10/25/2001	455,000,000.00 €
	Series B	8,109,134.16 €	Euribor 3M + 0.700%			
	<b>Total</b>	<b>123,953,920.56 €</b>				
FTA HIPOTEBANSA X	Series A	320,332,717.87 €	Euribor 3M + 0.21%	S&P Spain	03/04/2002	917,000,000.00 €
	Series B	18,300,000.00 €	Euribor 3M + 0.55%			
	<b>Total</b>	<b>383,268,974.90 €</b>				
FTA FTPYME BANESTO 1	SERIES A1(G)	0.00 €	Euribor 3M + 0.01%	Fitch IBCA	06/11/2002	500,000,000.00 €
	SERIES A1	0.00 €	Euribor 3M + 0.35%			
	SERIES A2(G)	0.00 €	Euribor 3M + 0.04%			
	SERIES A2	0.00 €	Euribor 3M + 0.38%			
	SERIES A3(G)	166,700,000.00 €	Euribor 3M + 0.07%			
	SERIES A3	41,700,000.00 €	Euribor 3M + 0.48%			
	SERIES B(G)	1,114,596.75 €	Euribor 3M + 0.20%			
	SERIES B	1,114,596.75 €	Euribor 3M + 0.90%			
	SERIES C	1,950,544.00 €	Euribor 3M + 1.80%			
<b>Total</b>	<b>212,579,737.50 €</b>					
FTA UCI 8	Series A	150,439,419.78 €	Euribor 3M + 0.220%	S&P Spain	06/24/2002	600,000,000.00 €
	Series B	9,929,003.04 €	Euribor 3M + 0.600%			
	<b>Total</b>	<b>160,368,422.82 €</b>				
FTA HIPOTEBANSA 11	Series A	483,942,649.44 €	Euribor 3M + 0.24%	S&P Spain	11/26/2002	1,062,000,000.00 €
	Series B	21,200,000.00 €	Euribor 3M + 0.45%			
	<b>Total</b>	<b>550,497,695.12 €</b>				
SANTANDER CONSUMER FINANCE SPAIN 02-1 FTA	Series A	186,654,020.25 €	Euribor 3M + 0.30%	Fitch / Moody's Spain	12/09/2002	850,000,000.00 €
	Series B	11,914,089.60 €	Euribor 3M + 0.60%			
	<b>Total</b>	<b>198,568,109.85 €</b>				
FTA CONSUMO SANTANDER 1	Series A	114,133,406.40 €	Euribor 3M + 0.25%	S&P Spain	03/04/2003	1,080,000,000.00 €
	Series B	37,800,000.00 €	Euribor 3M + 0.43%			
	Series C	35,100,000.00 €	Euribor 3M + 0.73%			
	Series D	35,100,000.00 €	Euribor 3M + 1.40%			
	<b>Total</b>	<b>222,133,406.40 €</b>				
FTA UCI 9	Series A	399,939,797.07 €	Euribor 3M + 0.265%	S&P Spain	06/16/2003	1,250,000,000.00 €
	Series B	29,657,477.50 €	Euribor 3M + 0.65 %			
	Series C	6,542,090.74 €	Euribor 3M + 1.20 %			
	<b>Total</b>	<b>436,139,365.31 €</b>				
FTA FTPYME SANTANDER 1	Series A	443,099,287.89 €	Euribor 3M + 0.25%	Fitch / Moody's Spain	09/24/2003	1,800,000,000.00 €
	Series B1(G)	537,100,000.00 €	Euribor 3M + 0.00%			
	Series B2	134,300,000.00 €	Euribor 3M + 0.40%			
	Series C	27,000,000.00 €	Euribor 3M + 0.90%			
	Series D	87,300,000.00 €	Euribor 3M + 1.80%			
<b>Total</b>	<b>1,228,799,287.89 €</b>					
FTA SANTANDER HIPOTECARIO 1	Series A	989,355,396.48 €	Euribor 3M + 0.18%	S&P Spain	06/11/2004	1,875,000,000.00 €
	Series B	53,400,000.00 €	Euribor 3M + 0.30%			

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ASSETS SECURITIZATION FUNDS						
FUND	SERIES	OUTSTANDING BALANCE OF THE BONDS	INTERES RATE BY SERIES	RATING AGENCIES	DATE OF INCORPORATION	BONDS INITIAL BALANCE
	Class C	46,900,000.00	Euribor 3M + 0.50%			
	Class D	56,300,000.00	Euribor 3M + 0.95%			
	<b>Total</b>	<b>1,145,955,396.48 €</b>				
<b>FTA FTPYME SANTANDER 2</b>	Series A	603,770,772.15 €	Euribor 3M + 0.20%	S&P Spain	10/21/2004	1,850,000,000.00 €
	Series B	183,564,007.65 €	Euribor 3M + 0.00%			
	Series C	81,000,000.00 €	Euribor 3M + 0.30%			
	Series D	58,500,000.00 €	Euribor 3M + 0.70%			
	Series E	58,500,000.00 €	Euribor 3M + 1.50%			
	<b>Total</b>	<b>985,334,779.80 €</b>				
<b>FTA UCI 11</b>	Series A	412,007,124.06 €	Euribor 3M + 0.14%	S&P Spain	11/17/2004	850,000,000.00 €
	Series B	6,000,000.00 €	Euribor 3M + 0.33%			
	Series C	22,900,000.00 €	Euribor 3M + 0.75%			
	<b>Total</b>	<b>440,907,124.06 €</b>				
<b>FTA SANTANDER PUBLICO 1</b>	Series A	1,158,363,954.30 €	Euribor 3M+ 0.039%	Fitch / Moody's Spain	12/17/2004	1,850,000,000.00 €
	Series B	37,000,000.00 €	Euribor 3M+ 0.30%			
	<b>Total</b>	<b>1,195,363,954.30 €</b>				
<b>FTA SANTANDER AUTO 1</b>	Single Series	913,907,226.20 €	Euribor 3M + 0.059%	S&P Spain	04/07/2005	1,598,000,000.00 €
	<b>Total</b>	<b>913,907,226.20 €</b>				
<b>FTA SANTANDER EMPRESAS 1</b>	Series A1	395,549,092.96 €	Euribor 3M + 0.02%	S&P Spain	10/27/2005	3,100,000,000.00 €
	Series A2	1,240,000,000.00 €	Euribor 3M + 0.12%			
	Series B	80,600,000.00 €	Euribor 3M + 0.21%			
	Series C	96,100,000.00 €	Euribor 3M + 0.29%			
	Series D	170,500,000.00 €	Euribor 3M + 0.59%			
	<b>Total</b>	<b>1,982,749,092.96€</b>				
<b>FTA UCI 14</b>	Series A	998,851,009.25	Euribor 3M + 0.15%	S&P Spain	11/30/2005	1,350,000,000.00 €
	Series B	34,100,000.00	Euribor 3M + 0.29%			
	Series C	38,400,000.00	Euribor 3M + 0.58%			
	<b>Total</b>	<b>1,071,351,009.25 €</b>				
<b>FTA UCI 15</b>	Series A	1,114,843,630.30 €	Euribor 3M + 0.14%	S&P Spain	04/28/2006	1,430,000,010.22 €
	Series B	32,900,000.00	Euribor 3M + 0.27%			
	Series C	56,500,000.00	Euribor 3M + 0.53%			
	Series D	21,600,000.00	Euribor 3M + 0.58%			
	<b>Total</b>	<b>1,225,843,630.30 €</b>				
<b>FTA SANTANDER HIPOTECARIO 2</b>	Series A	1,604,832,586.95 €	Euribor 3M + 0.15%	S&P Spain	06/30/2006	1,758,332,586.95 €
	Series B	51,800,000.00	Euribor 3M + 0.20%			
	Series C	32,300,000.00	Euribor 3M + 0.30%			
	Series D	49,800,000.00	Euribor 3M + 0.55%			
	Series E	19,600,000.00	Euribor 3M + 2.10%			
	Series F	17,600,000.00	Euribor 3M + 1.00%			
	<b>Total</b>	<b>1,775,932,586.95 €</b>				
<b>FTA SANTANDER CONSUMER SPAIN AUTO 06</b>	Series A	1,282,500,000.00 €	Euribor 3M + 0.15%	S&P Spain	10/10/2006	1,350,000,000.00
	Series B	22,300,000.00 €	Euribor 3M + 0.20%			
	Series C	22,300,000.00 €	Euribor 3M + 0.30%			
	Series D	22,900,000.00 €	Euribor 3M + 0.55%			
	Series E	10,200,000.00 €	Euribor 3M + 2.10%			
	<b>Total</b>	<b>1,360,200,000.00 €</b>				
<b>FTA UCI 16</b>	Series A1	323,175,487.00 €	Euribor 3M + 0.06%	S&P Spain	10/18/2006	1,800,000,000.00

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ASSETS SECURITIZATION FUNDS						
FUND	SERIES	OUTSTANDING BALANCE OF THE BONDS	INTERES RATE BY SERIES	RATING AGENCIES	DATE OF INCORPORATION	BONDS INITIAL BALANCE
	Series A2	1,247,600,000.00 €	Euribor 3M + 0.15%			
	Series B	72,000,000.00 €	Euribor 3M + 0.30%			
	Series C	41,400,000.00 €	Euribor 3M + 0.55%			
	Series D	9,000,000.00 €	Euribor 3M + 2.25%			
	Series E	19,800,000.00	Euribor 3M + 2.30%			
	<b>Total</b>	<b>1,712,975,487.00€</b>				
<b>FTPYME BANESTO 2</b>	Series A1	400,000,000.00 €	Euribor 3M + 0.13%	S&P Spain / Fitch Spain	11/17/2006	1,000,000,000.00
	Series A2	541,700,000.00 €	Euribor 3M + 0.16%			
	Series B	24,300,000.00 €	Euribor 3M + 0.27%			
	Series C	34,000,000.00 €	Euribor 3M + 0.54%			
	<b>Total</b>	<b>2,712,975,487.00 €</b>				
<b>FTA FINACIACIÓN 1</b>	Series A	1,738,500,000.00 €	Euribor 3M + 0.15%	S&P Spain	12/14/2006	1,900,000,000.00
	Series B	25,700,000.00 €	Euribor 3M + 0.20%			
	Series C	61,700,000.00 €	Euribor 3M + 0.30%			
	Series D	47,500,000.00 €	Euribor 3M + 0.55%			
	Series E	26,600,000.00 €	Euribor 3M + 2.10%			
	Series F	14,300,000.00	Euribor 3M + 1.00%			
	<b>Total</b>	<b>1,914,300,000.00 €</b>				
<b>FTA SANTANDER EMPRESAS 2</b>	Series A1	1,300,100,000.00 €	Euribor 3M + 0.05%	Fitch Spain	12/14/2006	2,900,000,000.00
	Series A2	1,365,000,000.00 €	Euribor 3M + 0.16%			
	Series B	84,100,000.00 €	Euribor 3M + 0.22%			
	Series C	62,300,000.00 €	Euribor 3M + 0.32%			
	Series D	59,500,000.00 €	Euribor 3M + 0.55%			
	Series E	29,000,000.00 €	Euribor 3M + 2.10%			
	Series F	53,700,000.00	Euribor 3M + 0.50%			
	<b>Total</b>	<b>2,953,700,000.00 €</b>				
<b>FTA SANTANDER HIPOTECARIO 3</b>	Series A1	613,300,000.00 €	Euribor 3M + 0.06%	Fitch Spain	04/04/2007	2,800,000,000.00
	Series A2	1,540,000,000.00 €	Euribor 3M + 0.14%			
	Series A3	420,000,000.00 €	Euribor 3M + 0.20%			
	Series B	79,200,000.00 €	Euribor 3M + 0.22%			
	Series C	47,500,000.00 €	Euribor 3M + 0.30%			
	Series D	72,000,000.00 €	Euribor 3M + 0.55%			
	Series E	28,000,000.00 €	Euribor 3M + 2.10%			
	Series F	22,400,000.00	Euribor 3M + 0.50%			
	<b>Total</b>	<b>2,822,400,000.00 €</b>				
<b>FTA UCI 17</b>	Series A1	325,000,000.00 €	Euribor 3M + 0.10%	S&P Spain	05/07/2007	1,415,400,000.00
	Series A2	974,200,000.00 €	Euribor 3M + 0.18%			
	Series B	72,800,000.00 €	Euribor 3M + 0.35%			
	Series C	28,000,000.00 €	Euribor 3M + 0.60%			
	Series D	15,400,000.00 €	Euribor 3M + 2.25%			
	<b>Total</b>	<b>1,415,400,000.00 €</b>				
	<b>TOTAL FTA</b>	<b>34.208.030.710.63 €</b>				<b>38.999.756.805.94 €</b>
	<b>TOTAL (FTH+FTA)</b>	<b>36.884.180.869.14€</b>				<b>45.991.842.353.76 €</b>

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#### **6.4. Share Capital and shareholder's equity.**

##### **a) Par value subscribed and paid-in:**

The Manager's share capital is nine hundred one thousand six hundred fifty (901,650) euros, represented by fifteen thousand (15,000) registered shares each having a par value of sixty euros and eleven cents (60.11), consecutively numbered from one (1) through fifteen thousand (15,000), both inclusive, all of them fully subscribed and paid-in.

##### **b) Share classes:**

All of the shares are of the same class and vest identical political and economic rights.

#### **6.5. Holding of shares in other entities.**

The Manager has no shareholdings in any other entity.

#### **6.6. Corporate bodies.**

The governance and administration of the Manager are entrusted by the bylaws to the General Shareholders' Meeting and to the Board of Directors. Their competencies and authorities are those vested in said bodies in accordance with the provisions of the Spanish Corporations Law (*Ley de Sociedades Anónimas*), Law 19/1992 and Royal Decree 926/1998, in relation to the corporate purpose.

##### **(a) Directors**

The Board of Directors is formed by the following persons:

Chairman: José Antonio Alvarez Alvarez

Directors: Ana Bolado Valle  
Emilio Osuna Heredia  
Santos González Sánchez  
Ignacio Ortega Gavara  
Marcelo Alejandro Castro  
Eduardo García Arroyo  
Francisco Pérez Mansilla  
Fermín Colomé Graell  
José Antonio Soler Ramos

Secretary/Non-Director: María José Olmedilla González

##### **(b) General Management**

The Manager's General Manager is Mr. Ignacio Ortega Gavara.

#### **6.7. The principal activities performed by the persons mentioned in section 6.6. above, out of the Manager, if important to the Fund.**

The most relevant activities, carried out of the Manager by the individuals mentioned in this section are described below:

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<b>Name</b>	<b>Position at Santander</b>	<b>Companies through which activities are performed</b>	<b>Positions or duties held or performed at said companies</b>
<b>Emilio Osuna Heredia</b>	Manager of Coordination SGC (Santander Global Connect)	AIAF, Mercado de Renta Fija	Director
<b>Fermín Colomé Graell</b>	Manager of Operations and Service SCH	Open Bank Santander Consumer, S.A.	Director
		Geoban , S.A	Chairman
		Sercoban, S.A.	Chairman
<b>Ana Bolado Valle</b>	Manager of Executive Resources Management SCH	_____	_____
<b>Santos González Sánchez</b>	Manager of Mortgage Business SCH	Hipotecansa, EFC	Director and General Manager
<b>Francisco Pérez Mansilla</b>	Manager of Companies and SME's SCH	Santander Central Hispano Lease, SA,EFC	Director
		Santander Central Hispano Multileasing,S.A., EFC	Director
		Santander Central Hispano, Factoring y Confirming, S.A., EFC	Director
<b>Eduardo García Arroyo</b>	Manager of Operations and Technology of Santander Consumer Finance	Ingeniería de Software Bancario, S.L.	Director
<b>Marcelo Alejandro Castro</b>	Treasurer for Europe SCH	MEFF, Mercados Españoles Futuros Financieros	Director
		Holding Mercados S.A.	Director

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Name	Position at Santander	Companies through which activities are performed	Positions or duties held or performed at said companies
<b>José Antonio Álvarez Álvarez</b>	General Financial Manager SCH	Santander Consumer Finance	Director
<b>José Antonio Soler Ramos</b>	Manager of Financial Management SCH	Santander Commercial Paper SAU	Chairman
		Santander Perpetual, SAU	Chairman
		Santander US debt SAU	Chairman
		Santander Finance Preferred, SAU	Director and Chairman
		Santander Issuances SAU	Director and Chairman
		Santander International Debt SAU	Director and Chairman
		Santander Finance Capital SAU	Director and Chairman

The persons mentioned in this section 6.7 are not holders, directly or indirectly, of any share, convertible bond or other securities which confer upon their holder a right to acquire shares of the Manager.

The business address for all persons mentioned in this section 6.7 is as follows:

Santander Titulización, S.G.F.T., S.A.  
Ciudad Grupo Santander  
Avenida de Cantabria s/n  
28660 Boadilla del Monte (Madrid)

**6.8. Lenders of the Manager (more than ten percent (10%)).**

The Manager has not received any loan or credit facility from any person or entity. Long term and short term debts that appear in the Balance sheet attached correspond to debts with Santander caused by the taxing by the Manager in the consolidated tax regime with Santander.

**6.9 Significant litigation and disputes.**

At the verification date of this Prospectus, the Manager is not subject to any insolvency-related situation and no significant litigation or disputes exist which may affect its economic-financial position or, in the future, its capacity to carry out the duties of management and administration of the Fund as contemplated in this Prospectus.

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## 6.10 Financial information concerning the Manager.

The Manager carries its accounts as provided in the General Account Plan approved by Royal Decree 1643/1990, 20 December.

The balance sheet and statement of income for fiscal years 2005, 2006 and first quarter of 2007 are detailed below:

### Balance sheets at December 31, 2005, 2006 and first quarter 2007 (thousand euros)

ASSETS	2005	2006	First quarter 2007
<b>FIXED ASSETS:</b>			
Intangible assets	6	7	6
Material assets	107	165	140
<b>Fixed assets total</b>	<b>113</b>	<b>172</b>	<b>146</b>
<b>ASSETS CURRENT:</b>			
Debtors	178	209	157
Loan to employees	89	130	108
Other debtors	89	79	49
Temporary financial investments	-	-	-
Cash	10,307	11,623	13,120
Adjustments for periodification	821	967	925
<b>Current Assets total</b>	<b>11,306</b>	<b>12,590</b>	<b>14,045</b>
<b>ASSETS TOTAL</b>	<b>11,419</b>	<b>12,971</b>	<b>14,348</b>

LIABILITY	2005	2006	First quarter 2006
<b>EQUITY</b>			
Share capital	902	902	902
Reserves	1,160	182	182
Trading results-Profit	3,298	3,768	964
Active interim dividend	=	-	3,768
<b>Total Equity</b>	<b>5,360</b>	<b>4,852</b>	<b>5,815</b>
<b>LONG TERM CREDITORS:</b>			
Debts with Group companies	4,068	5,858	5,858
	<b>4,068</b>	<b>5,858</b>	<b>5,858</b>
<b>SHORT TERM CREDITORS:</b>			
Public Treasure ( <i>Hacienda Pública</i> )	41	40	50
Other debts	14	27	11
Debts with Group companies	1,782	2,035	2,556
Adjustments for periodification	154	158	57
<b>Short term creditors total</b>	<b>1,991</b>	<b>2,261</b>	<b>2,674</b>
<b>LIABILITIES TOTAL</b>	<b>11,419</b>	<b>12,971</b>	<b>14,348</b>

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**Profit and loss account corresponding to the fiscal years ended by December 31, 2005 and 2006 and first quarter of 2007 (thousand euros):**

DEBTOR	2005	2006	First quarter 2007
<b>EXPENSES:</b>			
<b>Personnel expenses</b>			
Wages, salaries and similar	880	867	213
Social expenses	137	137	32
Other personnel expenses	21	27	5
	1,038	1,031	250
<b>Allocation for fixed assets amortization</b>	145	82	25
<b>Other exploitation expenses</b>			
External services	84	119	10
Taxes	2	9	0
Other ordinary management expenses	147	149	32
	233	277	42
<b>Exploitation profits</b>	<b>5,002</b>	<b>5,597</b>	<b>1,394</b>
Financial and similar expenses	-	-	-
<b>Positive trading profits</b>	<b>83</b>	<b>215</b>	<b>90</b>
<b>Ordinary activities profits</b>	<b>5,085</b>	<b>5,812</b>	<b>1,484</b>
Extraordinary expenses	10	-	-
<b>Positive extraordinary outcome</b>	-	-	-
<b>Profits prior Taxes</b>	<b>5,080</b>	<b>5,803</b>	<b>1,484</b>
Corporate Tax	1,782	2,035	521
<b>Outcome of business year (profit)</b>	<b>3,298</b>	<b>3,768</b>	<b>964</b>

CREDITOR	2005	2006	First quarter 2007
<b>INCOME:</b>			
Income net amount			
Rendering of services	6,418	6,986	1,712
Other interest and similar income	83	215	90
Extraordinary income	5	-	-
<b>Negative extraordinary outcome</b>	<b>5</b>	-	-

**7. MAJOR SHAREHOLDERS OF THE MANAGER**

**a) Shareholders of the Manager**

The title to the Manager's shares is distributed between the companies listed below, indicating the stake in the Manager's share capital owned by each one of them:

SHAREHOLDERS	% SHARE CAPITAL
Santander Investment, S.A.	19%
Banco Santander Central Hispano, S.A.	81%



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**b) Description of nature of such control and measures in place to ensure that such control is not abused.**

For the purpose of article 4 of the Spanish Securities Market Act, SANTANDER DE TITULIZACION, S.G.F.T., S.A. forms part of the SANTANDER GROUP.

In order to ensure the absence of abuses of control on the part of Banco Santander Central Hispano, S.A. over the Manager, the Manager approved Internal Rules of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993, of May 3, on rules of conduct in the securities markets and obligatory records, which were reported to the CNMV.

**8. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION, AND PROFITS AND LOSSES**

**8.1 Statement on the start of the activities and financial statements of the Issuer prior to the Registration Document.**

The Manager declares that, as at the verification date of this Registration Document, the Fund has not yet been incorporated and, therefore, its operations have not begun and no financial statement in respect thereof has been prepared.

**8.2 Historical Financial Information.**

Not applicable.

**8.2 bis This paragraph may be used only for issues of asset backed securities having a denomination per unit of at least EUR 50,000.**

Not applicable.

**8.3 Legal and arbitration proceedings.**

Not applicable.

**8.4 Material adverse change in the Issuer's financial position.**

Not applicable

**9. THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**

**9.1 Statement or report attributed to a person as an expert.**

Not applicable.

**9.2 Information from a third party.**

Not applicable

**10. DOCUMENTS ON DISPLAY**

During the period of validity of this Registration Document the following documents (or copies thereof) may be inspected by the public:

- (a) **The Corporate Bylaws and deed of incorporation of the Manager.**
- (b) **This Prospectus.**
- (c) **The Deed of Incorporation of the Fund.**
- (d) **The Subordinated Loan Agreement, Swap Agreement, Guaranteed Rate Reinvestment Agreement and Issue's Underwriting and Placement Agreement.**

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- (e) **Auditors' Report on the portfolio of Loans** granted by Santander, from which the Assets which are the object of assignment to the Fund shall be taken, as prepared by the firm Deloitte, S.L.
- (f) **Certification of the resolution of Santander's Executive Committee** meeting of May 21, 2007, at which it was resolved to carry out the assignment of the Assets to the Fund, and **the certifications of the resolutions of the Manager's Board of Directors** meetings of March 30, 2007 and May 14, 2007, at which the following matters, *inter alia*, were resolved: the incorporation of the Fund, the acquisition by the Fund of the Assets assigned by Santander, and the issuance of the Bonds against the Fund.
- (g) **The letters disclosing the provisional ratings and the letters disclosing the definitive ratings** on the part of Fitch, Moody's and Standard & Poor's.
- (h) **The letters of acceptance of the instructions from the Lead Managers and the letter from the Assignor.**
- (i) **The Annual Financial Statements and auditors' report of the Manager.**

A copy of all of the above documents may be inspected at the registered offices of the Manager.

In addition, a copy of all documents mentioned in the above sections except for those contained in section a) and i) may be inspected at the CNMV, at Paseo de la Castellana 19, Madrid.

A copy of the Prospectus will be available to the public on the CNMV's ([www.cnmv.es](http://www.cnmv.es)) and AIAF webpage ([www.aiaf.es](http://www.aiaf.es)).

The Deed of Incorporation will also be available to the public at Iberclear.

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## **SECURITIES NOTE**

This Securities Note was prepared in accordance with Annex XIII of Regulation (EC) No. 809/2004 and was approved by the Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*) on May 24, 2007.

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## **1. PERSONS RESPONSIBLE**

### **1.1 Persons responsible for the information appearing in the Securities Note and in the Additional Building Block.**

MR. IGNACIO ORTEGA GAVARA, acting in his capacity as General Manager, by virtue of the powers expressly conferred upon him by the Board of Directors at its meeting on April 12, 2005, for and on behalf of SANTANDER DE TITULIZACION, S.G.F.T., S.A., having its registered offices at Ciudad Grupo Santander, Avda. de Cantabria s/n, 28660, Boadilla del Monte (Madrid), assumes responsibility for the information contained in this Securities Note and in the Additional Building Block.

MR. IGNACIO ORTEGA GAVARA, acts exercising the faculties conferred in his favour for the incorporation of the Fund by the Board of Directors of the Manager in its meetings of March 30, 2007 and May 14, 2007.

SANTANDER DE TITULIZACION, S.G.F.T., S.A. is the promoter of the securitization fund FONDO DE TITULIZACION DE ACTIVOS, SANTANDER EMPRESAS 3 and shall be responsible for the administration and legal representation thereof.

### **1.2 Declaration by those responsible for the Securities Note and for the Additional Building Block.**

MR. IGNACIO ORTEGA GAVARA declares that, having taken all reasonable care to ensure that such is the case, the information given in the Securities Note and in the Additional Building Block is, to the best of his knowledge, in accordance with the facts and does not omit anything likely to affect its import.

## **2. RISK FACTORS**

The risk factors specific to the Assets backing the issue and to the securities are those respectively described under sections II and III of the document included at the beginning of this Prospectus entitled "RISK FACTORS".

## **3. KEY INFORMATION**

### **3.1 Interest of natural and legal persons involved in the issue.**

The natural and legal persons involved in the issue are:

- a) SANTANDER DE TITULIZACION, S.G.F.T., S.A. is intervening as the Fund's Manager and as legal and financial adviser to the operation's structure.
- b) BANCO SANTANDER CENTRAL HISPANO, S.A. is intervening as the Assignor of the Assets, as Underwriter, as Lead Manager, as Paying Agent and as counterpart of the Fund in the Subordinated Loan Agreement, the Swap Agreement and the Guaranteed Rate Reinvestment Agreement.
- c) MERRILL LYNCH INTERNATIONAL is intervening as Underwriter and as Lead Manager of the Bond issue.
- d) ABN AMRO BANK, N.V. SUCURSAL EN ESPAÑA is intervening as Underwriter and as Lead Manager of the Bond issue.
- e) FITCH is intervening as credit rating agency of the Bonds.
- f) MOODY'S is intervening as credit rating agency of the Bonds.
- g) STANDARD & POOR'S is intervening as credit rating agency of the Bonds.
- h) DLA PIPER SPAIN, S.L. is intervening as legal adviser to the operation.

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- i) DELOITTE, S.L. is intervening as auditor of the Fund and of the assignable portfolio.

Said persons have no interests, including the conflicting ones, that are material to the issue, except as specifically described in section 5.2 of the Registration Document.

#### **4. INFORMATION CONCERNING THE SECURITIES TO BE OFFERED AND ADMITTED TO TRADING**

##### **4.1 Total amount of the securities.**

###### **a) Total issue amount.**

The total amount of the Bonds being issued is THREE THOUSAND FIVE HUNDRED FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€3,545,500,000), and represented by thirty five thousand four hundred fifty five (35,455) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000), distributed in eight (8) Series of Bonds (A1, A2, A3, B, C, D, E y F), the following total face amount being assigned to each one of them:

**Series A1:** having a total face amount of EIGHT HUNDRED MILLION EUROS (€800,000,000), formed by eight thousand (8,000) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series A2:** having a total face amount of ONE THOUSAND EIGHT HUNDRED MILLION EUROS (€1,800,000,000), formed by eighteen thousand (18,000) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series A3:** having a total face amount of SIX HUNDRED TWENTY SEVEN MILLION FIVE HUNDRED THOUSAND EUROS (€627,500,000), formed by six thousand two hundred seventy five (6,275) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series B:** having a total face amount of THIRTY NINE MILLION SEVEN HUNDRED THOUSAND EUROS (€39,700,000), formed by three hundred ninety seven (397) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series C:** having a total face amount of ONE HUNDRED SEVENTEEN MILLION THREE HUNDRED THOUSAND EUROS (€117,300,000), formed by thousand hundred seventy three (1,173) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series D:** having a total face amount of SEVENTY MILLION EUROS (€70,000,000), formed by seven hundred (700) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**Series E** having a total face amount of FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€45,500,000), formed by four hundred fifty five (455) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000); and

**Series F:** having a total face amount of FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€45,500,000), formed by four hundred fifty five (455) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

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**b) Underwriting and Placement.**

The Underwriters shall place the Bonds among qualified investors. The placement of the Bond issue will be carried out exclusively, in the international market. In addition, the Underwriters shall assume jointly the obligations contained in the Issue's Underwriting and Placement Agreement that the Manager, in name and on behalf of the Fund, will execute with the Underwriters and which, basically, shall be the following: (1) joint commitment for subscription of any Bonds not subscribed once the Subscription Period has closed, up to the amounts established for each Underwriter in the mentioned agreement; (2) payment in the account indicated by the Manager to the Paying Agent prior to 14.00 p.m. (CET) on the Pay Out Date for value that same day, of the face amount underwritten by each one of them; and (3) delivery to the Bond subscribers who request so, within a deadline of five (5) days from the Pay Out Date, of a document evidencing subscription by the latter of the Bonds awarded and of the cash amount they have paid-in for said subscription, the validity of said document being limited to the date on which the book-entry in the relevant book-entry ledger takes place.

In consideration of the joint undertaking of the Underwriters, they will receive an underwriting and placement fee, which is included in the initial expenses of the Fund. Underwriting fees are deemed to amount to a maximum of TWO MILLION ONE HUNDRED TWENTY SEVEN THOUSAND THREE HUNDRED EUROS (2,127,300€), each Underwriter receiving the fees for each Bond Series as described in the following chart, applied over the nominal underwritten amount:

<b>Series</b>	<b>Underwriting Fee</b>
Series A1	Between 0.00% and 0.06%
Series A2	Between 0.00% and 0.06%
Series A3	Between 0.00% and 0.06%
Series B	Between 0.00% and 0.06%
Series C	Between 0.00% and 0.06%
Series D	Between 0.00% and 0.06%
Series E	Between 0.00% and 0.06%
Series F	Between 0.00% and 0.06%

and which the Underwriters shall deduct respectively from the amounts they remit to the Paying Agent in compliance with their respective underwriting commitment.

The applicable fee regarding each Series shall be determined by mutual agreement of the Lead Managers and the Manager. The Manager shall notify the CNMV as additional information the applicable fees regarding each Bond Series prior to the Pay Out Date.

In case of no agreement, the Manager will establish the particular fee for those Series for which no agreement was reached in 0.03%.

The sole cause for termination reflected by the Issue's Underwriting and Placement Agreement is the absence of confirmation of the provisional ratings of the Bonds as becoming definitive prior to the start of the Subscription Period.

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The underwriting fee in million euros of each Underwriter is that described below:

Underwriters	Series A1 Bonds	Series A2 Bonds	Series A3 Bonds	Series B Bonds	Series C Bonds	Series D Bonds	Series E Bonds	Series F Bonds
Banco Santander Central Hispano	266,700,000	600,000,000	209,200,000	39,700,000	117,300,000	70,000,000	45,500,000	45,500,000
Merrill Lynch International	266,700,000	600,000,000	209,100,000					
ABN Amro Bank, N.V. Sucursal en España	266,600,000	600,000,000	209,200,000					
<b>TOTAL</b>	<b>800,000,000</b>	<b>1,800,000,000</b>	<b>627,500,000</b>	<b>39,700,000</b>	<b>117,300,000</b>	<b>70,000,000</b>	<b>45,500,000</b>	<b>45,500,000</b>

#### **4.2 Description of type and class of securities.**

This Securities Note is prepared for the purpose of issue of securitization bonds by the Securitization Fund FONDO DE TITULIZACION DE ACTIVOS, SANTANDER EMPRESAS 3.

the Bonds are negotiable fixed income securities, with an explicit return representing a credit for the issuer, accruing interest and redeemable according to the terms described in the present Securities Note.

#### **4.3 Legislation of the securities.**

The Bonds are issued in accordance with Spanish law, and in particular according to legal regime established in (i) Royal Decree 926/1998 and implementing provisions; (ii) Royal Decree 1310/2005; (iii) Law 19/1992, as regards anything not contemplated in Royal Decree 926/1998 and as applicable thereto; (iv) the Spanish Securities Market Act; (v) Order EHA/3537/2005 and (vi) such other legal and regulatory provisions in force and applicable from time to time.

This Securities Note was prepared in following the standard forms contemplated in Annex XIII of Regulation (EC) No. 809/2004.

#### **4.4 Indication as to if the securities are registered or to the bearer and if they are represented by certificates or by book entries.**

The Bonds shall be represented by book-entries as provided for in Royal Decree 926/1998 and they will be constituted as such by its inscription in the corresponding account records. The Deed of Incorporation will have the effects set forth in article 6 of the Spanish Securities Market Act, according to that established in paragraph 9 of article 4 of Law 19/1992.

Bondholders will be identified as such (in their own name or in the name of a third party) as resulting from the account records carried out by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) having its registered offices at Plaza de la Lealtad, 1, Madrid, that has been appointed as entity entrusted of the account records of the Bonds. In this way, compensation and liquidation of the Bonds will be carried out by the rules established or approved by Iberclear in the future, regarding securities in the Fixed Rent AIAF market and represented by account records.

#### **4.5 Currency of the issue.**

The Bonds shall be denominated in EUROS.

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#### **4.6 Classification of the securities by its subordination.**

The Manager, on behalf of the Fund, shall proceed to apply on each Payment Date the amount of the Available Funds towards the relevant payments and withholdings, as per the Order of Priority of Payments described under section 3.4.6.(b) of the Additional Building Block which, as regards the payment of interest and principal on the Bonds may be summarized as follows, without prejudice of the Order of Priority of Payments for Liquidation described in 3.4.6.(d) of the Additional Building Block:

**a) Payment of interest:**

- a.1 The payment of interest accrued on the Series A1, A2 and A3 Bonds holds (i) third (3<sup>rd</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block and (ii) the third (3<sup>rd</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.
- a.2 The payment of interest accrued on the Series B Bonds holds fourth (4<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the substitution provided for in section 3.4.6.(c) of the Additional Building Block took place, in which case it shall hold the ninth (9<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) the fifth (5<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.
- a.3 The payment of interest accrued on the Series C Bonds holds fifth (5<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the substitution provided for in section 3.4.6.(c) of the Additional Building Block took place, in which case it shall hold the tenth (10<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) the seventh (7<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.
- a.4 The payment of interest accrued on the Series D Bonds holds sixth (6<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the substitution provided for in section 3.4.6.(c) of the Additional Building Block took place, in which case it shall hold the eleventh (11<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) the ninth (9<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.
- a.5 The payment of interest accrued on the Series E Bonds holds seventh (7<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, unless the substitution provided for in section 3.4.6.(c) of the Additional Building Block took place, in which case it shall hold the twelfth (12<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block and (ii) the eleventh (11<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.



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- a.6 The payment of the Ordinary Part of interest accrued on the Series F Bonds holds (i) fourteenth (14<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, (ii) the thirteenth (13<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block

The payment of the Extraordinary Part of interest accrued on the Series F Bonds holds (i) twentieth (20<sup>th</sup>) place in the Order of Priority of Payments, as described in section 3.4.6.(b) of the Additional Building Block, (ii) the nineteenth (19<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block

**b) Redemption of principal:**

**In the Order of Priority of Payments described in section 3.4.6.(b) of the Additional Building Block.**

The amount of the withholding of the Accrued Amount for Redemption, that will be earmarked to the redemption of the Bonds of Series A1, A2, A3, B, C, D and E, holds eighth (8<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block. Said redemption shall be carried out in accordance with the following rules of subordination among the seven (7) Series:

- b.1 Available Redemption Funds on each Payment Date, shall be earmarked towards redemption of principal of the Series A1 Bonds, until redeemed in full.
- b.2 Once the Series A1 Bonds have been redeemed, all of the Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series A2 Bonds, until redeemed in full.
- b.3 Once the Series A2 Bonds have been redeemed, all Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series A3 Bonds, until redeemed in full.
- b.4 Once the Series A3 Bonds have been redeemed, all of the Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series B Bonds, until redeemed in full.
- b.5 Once the Series B Bonds have been redeemed, all Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series C Bonds, until redeemed in full.
- b.6 Once the Series C Bonds have been redeemed, all Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series D Bonds, until redeemed in full.
- b.7 Once the Series D Bonds have been redeemed, all Available Redemption Funds on each Payment Date shall be earmarked towards the redemption of principal of the Series D Bonds, until redeemed in full.

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Redemption of Series F Bonds is in the fifteenth (15<sup>th</sup>) position in the Order of Priority of Payments established in section 3.4.6.(b) of the Additional Building Block. Since the redemption of the Series F Bonds will take place charging the partial release of the Reserve Fund, redemption of Series F Bonds could begin prior to the redemption of Series A1, A2 and A3 Bonds, Series B Bonds, Series C Bonds, Series D Bonds and Series E Bonds.

**In the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.**

Redemption of principal of Series A1, A2 and A3 Bonds holds fourth (4<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series B Bonds holds sixth (6<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series C Bonds holds eighth (8<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series D Bonds holds tenth (10<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series E Bonds holds twelfth (12<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

Redemption of principal of Series C Bonds holds fourteenth (14<sup>th</sup>) place in the Order of Priority of Payments for Liquidation established in section 3.4.6.(d) of the Additional Building Block.

**4.7 Description of the rights attached to the securities and procedure for exercise of said rights.**

According to current law in force, the Bonds detailed in this Securities Note shall lack for the investor acquiring them, any present and/or future political right in respect of the Fund.

The economic and financial rights for the investor associated with the acquisition and holding of the Bonds, shall be those deriving from the interest rate conditions, returns and form of redemption with which they are issued and which are reflected under sections 4.8 and 4.9, *infra*.

The financial servicing of the Bonds issued against the Fund shall be handled by Santander, as Paying Agent, who on each one of the Payment Dates of the Bonds, shall proceed to make the interest payment and principal repayment on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant entities participating in Iberclear, in whose records the Bonds are registered, as per the procedures being followed at the said service.

Bondholders may not go against the Manager except in the event that the latter breaches its obligations described in this Prospectus, in the Deed of Incorporation or those provided by law. The Manager is the only authorized representative of the Fund before third parties and in any kind of legal proceedings, according to applicable legislation.

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Any question, disagreement or dispute regarding the Fund or the Bonds issued against it that could arise during the Bonds' operation or liquidation, either among bondholders or between them and the Manager, will be submitted before Spanish Courts, with renounce to any other jurisdiction that could correspond to the parties.

Bondholders shall not have any action against the Debtors of the Assets that are in default of their payments obligations, the Manager being entitled, as the representative of the Fund, who shall have such action.

#### **4.8 The Nominal Interest Rate and provisions relating to interest payable.**

Without prejudice of that established in letter l) below regarding the Extraordinary Part of the interests of the Series F Bonds, the return on the Bonds shall be determined, for each Series (including the Ordinary Part of the interests accrued by Bonds of Series F), through a variable interest rate, pursuant to the following provisions:

- a) All Bond Series shall accrue, from the Pay Out Date until their total redemption, a variable annual nominal interest payable quarterly. The interest will be paid quarterly once every quarter is past on each Payment Date provided that the Fund has sufficient Available Funds in the Cash Account, and if that is the case, the Excess Funds Account, in accordance with the Order of Priority of Payments contemplated for each Series under section 3.4.6.(b) of the Additional Building Block and shall be calculated upon the Principal Balance Pending Payment on the Bonds of each Series at the Payment Date immediately preceding.

Any withholding, contributions and taxes established or to be established in the future on principal, interest or returns on the Bonds shall be for the exclusive account and expense of the bondholders and their amount shall be deducted, as the case may be, by the Manager, acting for and on behalf of the Fund, through the Paying Agent, in the manner legally established.

- b) To the effects of the accrual of interests of the Bonds for all Series, the duration of the issue shall be divided into successive Interest Accrual Periods comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date and excluding the final Payment Date. The first Accrual Period shall have a duration inferior to a quarter, equivalent to the duration between the Pay-out Date (May 31, 2007) and the First Payment Date (July 16, 2007).
- c) The nominal annual interest rate applicable to each Bonds Series for each Interest Accrual Period (the "**Nominal Interest Rate**") will be the result: (i) the Reference Interest Rate, determined according to letter e) following, common to all Bond Series, plus (ii) the applicable margin to each Bond Series, determined according to letter d) following, rounded out to the closest one-thousandth of one percent (taking into account that, in cases that the proximity for rounding up to high or low is identical, such rounding up will in any event be carried out to the high). Determination of the Nominal Interest Rate will adjust to the rules described in this section. The Rate Setting Time for the Nominal Interest Rate will be the second Business Day prior to the Payment Date that indicates the start of the corresponding Interest Accrual Period. Exceptionally, for the First Accrual Period, the Rate Setting Time will be the Date of Incorporation.

The Nominal Interest Rate on the Bonds for the first Interest Accrual Period, on the basis of the Reference Interest Rate existing at 11:00 a.m. (CET time) on the Date of Incorporation.

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The Nominal Interest Rate determined for all Bond Series for successive Interest Accrual Periods shall be notified to the bondholders within the deadline and manner contemplated under section 4 of the Additional Building Block.

The Manager will report to the CNMV as additional information the Nominal Interest Rate of the Bonds for the first Interest Accrual Period.

d) The Nominal Interest Rate determined for each Interest Accrual Period for each Series shall be that resulting from adding together: (i) the Reference Interest Rate of EURIBOR at three (3) months or, if that is the case, its substitute (as described under letter e), *infra*) and (ii) a spread for each Series:

- Up to a maximum of 0.09 % for the Series A1 Bonds;
- Up to a maximum of 0.19 % for the Series A2 Bonds;
- Up to a maximum of 0.26 % for the Series A3 Bonds
- Up to a maximum of 0.30 % for the Series B Bonds;
- Up to a maximum of 0.35 % for the Series C Bonds;
- Up to a maximum of 0.75 % for the Series D Bonds,
- Up to a maximum of 2.40 % for the Series E Bonds,
- 0.50 % for the Ordinary Part of Series F Bonds,

The definitive spreads applicable to the Series A1, A2, A3, B, C, D and E, respectively shall be set and reported to the Manager, on the Date of Incorporation (May 28, 2007) by the Lead Managers, prior to 10:00 a.m. (CET time). The Manager will also notify to the CNMV as additional information. In the absence of the notice which must be given by the Lead Managers, the Manager shall set the spread for Series A1 at 0.05%, spread for Series A2 at 0.10%, spread for Series A3 at 0.13%, the spread for Series B at 0.15%, the spread for Series C at 0.18%, the spread for Series D at 0.38%, the spread for Series E at 1.20%.

e) The Reference Interest Rate for the determination of the Nominal Interest Rate applicable to all the Bonds shall be the EURIBOR rate at three (3) months or, in case of need, its substitute, as determined as detailed below:

(i) Except for the first Interest Accrual Period, the EURIBOR rate (*Euro Interbank Offered Rate*) is the money market reference rate for deposits in euros at three (3) months maturity. The EURIBOR rate at three (3) months shall be that which results from the REUTERS screen, page "EURIBOR01" (or such other page as may come to replace it in this service) at the 11.00 hrs. a.m. (CET time) of the corresponding Rate Setting Time.

Exceptionally, the Reference Interest Rate for the first Interest Accrual Period will be that resulting from the lineal interpolation between EURIBOR to one (1) month and the EURIBOR rate to two (2) months of maturity, fixed at the 11.00 hrs. a.m. (CET time) of the Date of Incorporation in the EURIBOR01 screen, provided by Reuters, taking into account the number of days of the first Interest Accrual Period.

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(ii) In the event of an absence of rates as provided by section (i) *supra*, the following shall apply as substitute Reference Interest Rate: the interest rate resulting from taking the simple arithmetic mean of the interbank interest rates for deposit operations in euros (EURIBOR) at three months, after the 11.00 hrs. (CET Time) at the Rate Setting Time, corresponding to the following institutions:

- Banco Santander Central Hispano, London Branch
- Bank of America N.T. &S.A., London Branch
- J.P. Morgan Securities Limited.

all of which rounded out to the closest one-thousandth of one percent (taking into account that, in cases that the proximity for rounding up to high or low is identical, such rounding up will in any event be carried out to the high).

In the event it is impossible to apply the above substitute Reference Interest Rate, as a consequence of one of the aforesaid institutions not providing a declaration of quotations on a continuous basis, the interest rate which results from calculating the simple arithmetic mean of the interest rates declared by the remaining two (2) institutions shall apply.

If one of the remaining two (2) institutions mentioned above should cease to furnish a declaration of quotations, the last Nominal Interest Rate applicable to the last Interest Accrual Period shall apply, and so on for successive Interest Accrual Periods, as long as the said situation persists.

If at least two (2) of the institutions mentioned above should once again provide quotations, the subsidiary substitute Reference Interest Rate shall once again apply, as per the above rules.

The Manager shall keep lists of the content of the REUTERS screen or, as the case may be, the declarations of quotations of the institutions mentioned above, as documents evidencing the relevant rate.

At each of the Rate Setting Times, the Paying Agent shall notify the Manager of the reference interest rate which will serve as a basis for calculating the nominal interest rate applicable to each Bond Series.

- f) The Nominal Interest Rate shall accrue on the days actually transpiring in each Interest Accrual Period for which it has been determined, calculated on the basis of a year containing three hundred sixty (360) days.
- g) The interest rate accrued by the Bonds belonging to all Series shall be payable quarterly, on each Payment Date, i.e. January 16, April 16, July 16 and October 16, of each year, until redeemed in full, provided that the Fund has sufficient Available Funds in the Cash Account and in the Excess Funds Account, and in accordance with the Order of Priority of Payments contemplated for each Series in section 3.4.6.(b) of the Additional Building Block.

In the event that any of the dates established in the above paragraph is not a Business Day, the interest payment shall be made on the immediately following Business Day, with interest pertaining to the Interest Accrual

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Period in progress accruing up to the above-mentioned first Business Day, non-inclusive.

- h) The first interest payment on the Bonds belonging to all Series shall take place on July 16, 2007, with interest accruing at the relevant Nominal Interest Rate from the Pay-out Date (inclusive) through July 16, 2007 (non-inclusive).
- i) The calculation of the interest to be paid on each Payment Date for each Bond Series at each Interest Accrual Period shall be performed in accordance with the following formula:

$$I = P * R / 100 * d / 360$$

Where:

I = Interest to be paid on a given Payment Date.

P = Balance of Principal Pending Payment on the Bonds on the Determination Date pertaining to the said Payment Date.

R = Nominal interest rate expressed as a percent per annum.

d = Number of actual days which pertain to each Interest Accrual Period.

Both the interest resulting to the favour of the bondholders, calculated as provided above, as well as the amount of interest accrued and not paid, shall be notified to the bondholders in the manner described under section 4 of the Additional Building Block at least one (1) calendar day in advance of each relevant Payment Date.

- j) The payment of interest accrued shall take place on each Payment Date, provided that the Fund has sufficient Available Funds for such purpose in the Cash Account and if that is the case, in the Excess Funds Accounts, , in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of the Additional Building Block or, if that is the case, at the Maturity Date or when the Early Liquidation of the Fund took place according to section 4.4.3. of the Registration Document, according to the Order of Priority of Payments for Liquidation set out in section 3.4.6.(d) of the Additional Building Block.

In the event that on a Payment Date the Fund cannot meet full or partial payment of the interest accrued on the Bonds of any of the Series, in accordance with the Order of Priority of Payments established in section 3.4.6.(b) of the Additional Building Block, the amounts which the bondholders have ceased to receive shall be accumulated on the next Payment Date to the interest of the Series itself which, as the case may be, is applicable to pay on that same Payment Date, and shall be paid at the next Payment Date according to the Order of Priority of Payments, at which the Fund has sufficient liquidity and applied by order of maturity in the event it is not possible to be paid in full due to insufficient Available Funds.

The amounts not paid of interests due shall not accrue additional interests or in arrears and shall not accumulate to the total Principal Balance Pending Payment on the Bonds.

The Fund, through its Manager, may not defer the payment of interest on the Bonds beyond the Legal Maturity Date with application at that Date of that established in section 4.4.3.(2)(iv) and 4.4.3.(3) of the Registration Document.

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- k) The Nominal Interest Rate for each Bond Series shall be calculated by the Manager.
- l) At each Payment Date at which the Fund has sufficient liquidity in order to do so, the Manager will give the Bondholders of Series F a variable amount in concept of extraordinary interest (the "Extraordinary Part") for an amount equal to the excess of liquidity of the Available Funds after satisfying the concepts that make up the preceding place in the Order of Priority of Payments and for an amount equal to the excess of liquidity of the Available Funds for Liquidation after satisfying the concepts that make up the preceding place in the Order of Priority of Payments for Liquidation.

#### **4.9 Redemption price and provisions concerning maturity of the securities.**

##### **4.9.1 Reimbursement price of the Bonds .**

The reimbursement price for the Bonds for each Series will be of HUNDRED THOUSAND EUROS (€100,000) by Bond, equivalent to their nominal value, free of expenses and taxes for the Bondholder, payable progressively at each Payment Date, as established in the following sections.

All and each of the Bonds of the same Series will be redeemed in the same amount by reduction of the nominal of each one of them.

##### **4.9.2 Maturity of the Bonds.**

Maturity of the Bonds of all Series will take place at the Payment Date in which they are fully redeemed or at the Legal Maturity Date of the Fund.

##### **4.9.3 Redemption dates for the Bonds.**

Series A1, A2, A3, B, C, D, E and F Bonds shall be redeemed by reduction of their face value at each Payment Date (that is, on January 16, April 16, July 16 and October 16, of each year or if any of these days was not a Business Day, the next Business Day) until redeemed in full, in accordance with the redemption rules established below.

##### **4.9.4 Distribution of Available Redemption Funds .**

Available Redemption Funds is the amount to be earmarked to the redemption of the Bonds Series A1, A2, A3, B, C, D and E at each Payment Date and that will be the lower of the following amounts: (i) the Accrued Redemption Amount of Series A1, A2, A3, B, C, D and E and, (ii) depending on the Available Funds existing at each Payment Date, the remaining of the Available Funds (as defined in section 3.4.6.(a) of the Additional Building Block) once deducted the amounts applied to the concepts of point 1 to 7 of the Order of Priority of Payments provided in section 3.4.6.(b) of the Additional Building Block.

Accrued Redemption Amount shall be deemed, without distinction of Series A1, A2, A3, B, C, D and E Bonds, that is, at each Payment Date and without distinction of Series A1, A2, B, C, D and E, the difference (if positive) between (a) the sum of the Principal Balance Pending Payment on the Series A1, A2, A3, B, C, D and E Bonds on the Determination Date prior to each Payment Date and (b) the Outstanding Balance of the Non Failed Assets on that date, the Failed Assets being those Assets that Santander considers that will not recover or those that at certain date are in default for an equal term or higher to twelve (12) months in the non-payment of the debits due.

The Fund, through the Manager, will not be able to postpone the redemption of the Bonds further than the Legal Maturity Date or Business Day immediately following if that was not a Business Day.

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#### **4.9.5 Ordinary rules for the redemption.**

**a) Series A1, A2 and A3, B, C, D and E**

• **Redemption of Series A1 Bonds:**

The redemption of principal on the Series A1 Bonds shall be made by partial redemptions at each Payment Date in function of the Available Redemption Funds until redeemed in full.

The first redemption payment on the Series A1 Bonds shall take place at the Payment Date corresponding to July 16, 2007.

• **Redemption of Series A2 Bonds:**

Once the Series A1 Bonds have been redeemed, all the Available Redemption Funds will be used at each Payment Date through partial redemptions, for the redemption of the principal of Series A2 Bonds, until its full redemption.

• **Redemption of Series A3 Bonds:**

Once the Series A1 and A2 Bonds have been redeemed, all the Available Redemption Funds will be used at each Payment Date through partial redemptions, for the redemption of the principal of Series A3 Bonds, until its full redemption.

• **Redemption of Series B Bonds:**

Once the Series A1, A2 and A3 Bonds have been redeemed, redemption of Principal on the Series B Bonds shall be made at each Payment Date through partial redemptions in function of the Available Redemption Funds until its full redemption.

• **Redemption of Series C Bonds:**

Once the Series A1, A2, A3 and B Bonds have been redeemed, redemption of principal on the Series C Bonds, shall be made at each Payment Date through partial redemptions in function of the Available Redemption Funds until its full redemption.

• **Redemption of Series D Bonds:**

Once the Series A1, A2, A3, B and C Bonds have been redeemed, redemption of principal on the Series D Bonds, shall be made at each Payment Date through partial redemptions in function of the Available Redemption Funds until its full redemption.

• **Redemption of Series E Bonds:**

Once the Series A1, A2, A3, B, C and D Bonds have been redeemed, redemption of principal on the Series E Bonds, shall be made at each Payment Date through partial redemptions in function of the Available Redemption Funds until its full redemption.

**b) Serie F**

• **Redemption of Series F Bonds:**

The partial redemption of Series F Bonds shall be made at each Payment Date, from Payment Date in which its redemption starts until its full redemption, in an amount equal to the Accrued Redemption Amount of Series F retained according to the Order of Priority of Payments, equivalent to the positive difference existing between the Principal Balance Pending Payment



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on the Series F Bonds at the Determination Date preceding to the corresponding Payment Date and the Required Amount of the Reserve Fund at the corresponding Payment Date.

Notwithstanding the above, the Manager is authorized to proceed with the Early Liquidation of the Fund and, consequently, with Early Redemption on a Payment Date of the entire Bond issue, in the terms established under section 4.4.3 of the Registration Document.

The Fund, through the Manager, won't be able to postpone the redemption of the Bonds further from the Legal Maturity Date or, if that is not a Business Day, to the following Business Day.

#### **4.9.6 Extraordinary rules for proportional redemption of the Bonds.**

If total redemption of Series A1 Bonds and/or Series A2 Bonds did not take place, the prior order of priority will be modified in casethat at the preceding Determination Date corresponding to the Payment Date the Outstanding Balance of the Defaulting Loans was higher to one point five percent (1.50%) of the Outstanding Balance of all Loans that are not Defaulting Loans.

In this case, at the corresponding Payment Date the Available Redemption Funds will be applied to redemption of Series A1, to redemption of Series A2 and redemption of Series A3, as corresponding, being distributed among them a pro-rate directly proportional (i) the Principal Balance Pending Payment of Series A1 (ii) Principal Balance Pending Payment of Series A2, and (iii) Principal Balance Pending Payment of Series A3 at the Determination Date previous to the corresponding Payment Date.

Therefore, and with clarifying effects, once the exceptional rule has been applied to Series A1, Series A2 and Series A3 Bonds, application of the Available Funds for Redemption would remain as follows:

- 1° Redemption for Series A1, Series A2 and Series A3 Bonds, pro-rate from the Principal Balance Pending Payment for each Series, until its full redemption.
- 2° Redemption for Series B Bonds, until its full redemption.
- 3° Redemption for Series C Bonds, until its full redemption.
- 4° Redemption for Series D Bonds, until its full redemption.
- 5° Redemption for Series E Bonds, until its full redemption.

#### **4.9.7 Early Redemption of the Bond issue.**

Independently to the obligation of the Fund, through the Manager, of proceeding to the definitive redemption of the Bonds at the Legal Maturity Date or with redemptions of each Series prior to the Legal Maturity Date, the Manager, prior notification to the CNMV, will be empowered to proceed, if that is the case, to the Early Liquidation of the Fund and consequently to the Early Redemption of the whole Bond issue, according to the cases of Early Liquidation and with the requirements detailed in section 4.4.3. of the Registration Document, and subject to the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.

#### **4.9.8 Legal Maturity Date.**

The Legal Maturity Date, and consequently, the definitive redemption of the Bonds is October 16,2049 or, if that was not a Business Day, the following Business Day, without prejudice to the Manager, in name and on behalf of the Fund, and according to that provided in section 4.9., proceeds to redeem some or all the Series of the Bond Issue prior to the Legal Maturity Date. The definitive redemption of the Bonds at the

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Legal Maturity Date will be carried out subject to the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of the Additional Building Block.

#### **4.10 Indication of investor yield and calculation method**

The IRR for the bondholders of each Series shall be calculated by means of the following formula:

$$100.000 = \sum_{i=1}^N ai(1 + I)^{-[ni/365]}$$

**Where:**

**I** = IRR expressed as an annual rate as a whole number.

**ai** = Total amounts of redemption and interest to be received by the investors

(a1.....aN)

**ni** = Number of days running between the issue Pay-out Date and the Payment Dates non-inclusive.

The principal feature to the Bonds lies in the fact that their periodic redemption and, therefore, their average life and duration, depends fundamentally on the speed with which the Debtors decide to pay off their Loans.

In this regard, prepayments which the Debtors decide to make are subject to continuous changes and are estimated in this Prospectus by the use of various future CAPR's. Consequently, they will directly affect the speed of repayment of the Assets and, therefore, the average life and duration of the Bonds.

Furthermore, other variables exist which are also subject to continuous changes which affect the average life and duration of the Bonds. These variables and their hypothetical values assumed in all of the tables appearing in this section are:

- (i) Interest rate on portfolio of Assets: 4.37%;
- (ii) Late payments in portfolio of Assets: 0.10% per year;
- (iii) Charge-offs in the portfolio of Assets: 0%;
- (iv) That the Pay-out Date of the Bonds is May 31, 2007;
- (v) That the CAPR holds constant throughout the life of the Bonds.
- (vi) That there is no Redemption Shortfall.

The values assumed in points (ii),(iii) and (v) are those historically observed for the Securitization Fund "Fondo de Titulización de Activos Santander Empresas 1".

Finally, the adjusted actual duration of the Bonds will also depend on their variable interest rate, and in all of the tables where they appear in this section constants are assumed for Series A1 at 4.128%; at 4.178% for Series A2; at 4.208% for Series A3; at 4.228% for Series B; at 4.258% for Series C; at 4.458% for Series D; at 5.278% for Series E and at 4.578% for Series F, taking as a reference 4.078% (EURIBOR to 3 months of May 21, 2007), plus a spread of 0.05% for Series A1, of 0.10% for Series A2, of 0.13% for Series A3, of 0.15% for Series B, of 0.18% for Series C, of 0.38% for Series D, of 1.2% for Series E and of 0,50% for Series F.

Assuming that the Manager, acting on behalf of the Fund, proceeds with the Early Liquidation of the Fund, as contemplated under section 4.4.3.(1) of the Registration Document when the Outstanding Balance of the Assets is less than ten percent (10%) of the initial balance of the Assets, the average life, duration, maturity and IIR of the Bonds as per different CAPR's would be as follows:

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CAPR	3%	5%	7%
<b>SERIES A1</b>			
AVERAGE ESTIMATED LIFE	0.46	0.44	0.41
ESTIMATED LIFE	0.44	0.41	0.39
ESTIMATED TERM	4/16/2008	4/16/2008	4/16/2008
IRR	3.3067%	3.3067%	3.3067%
<b>SERIES A2</b>			
AVERAGE ESTIMATED LIFE	2.58	2.38	2,21
ESTIMATED LIFE	2.35	2.16	2,02
ESTIMATED TERM	1/16/2013	4/16/2012	10/16/2011
IRR	4.0827%	4.0827%	4.0827%
<b>SERIES A3</b>			
AVERAGE ESTIMATED LIFE	8.28	7.56	6.75
ESTIMATED LIFE	6.91	6.20	5.63
ESTIMATED TERM	10/16/2019	1/16/2018	10/16/2016
IRR	4.2567%	4.2567%	4.2567%
<b>SERIES B</b>			
AVERAGE ESTIMATED LIFE	12.39	10.64	9.39
ESTIMATED LIFE	9.31	8.27	7.47
ESTIMATED TERM	16/10//2019	1/16/2018	10/16/2016
IRR	4.2981%	4.2981%	4.2981%
<b>SERIES C</b>			
AVERAGE ESTIMATED LIFE	12.39	10.64	9.39
ESTIMATED LIFE	9.29	8.25	7.46
ESTIMATED TERM	10/16/2019	1/16/2018	10/16/2016
IRR	4.3290%	4.3290%	4.3290%
<b>SERIES D</b>			
AVERAGE ESTIMATED LIFE	12.39	10.64	9.39
ESTIMATED LIFE	9.27	8.24	7.45
ESTIMATED TERM	10/16/2019	1/16/2018	10/16/2016
IRR	4.5351%	4.5351%	4.5351%
<b>SERIES E</b>			
AVERAGE ESTIMATED LIFE	12.39	10.64	9.39
ESTIMATED LIFE	8.44	7.59	6.92
ESTIMATED TERM	10/16/2019	1/16/2018	10/16/2016
IRR	5.3827%	5.3827%	5.3827%
<b>SERIES F</b>			
AVERAGE ESTIMATED LIFE	8.11	7.12	6.41
ESTIMATED LIFE	7.30	6.60	6.08
ESTIMATED TERM	10/16/2019	1/16/2018	10/16/2016
IRR	4.6293%	4.6293%	4.6293%

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The said figures were calculated pursuant to the following formulas:

***Average life of the Bonds***

$$A = \frac{\sum(B \times d)}{C} \times \frac{1}{365}$$

**Where:**

- A** = Average life of each Series of Bonds issued expressed in years.
- B** = Principal to be redeemed on each Bond Series on each Payment Date, as per the amount to be redeemed corresponding to each Bond Series.
- d** = Number of days transpiring from the Pay-out Date through the Payment Date in question.
- C** = Total volume in euros of each Bonds Series.

***Duration of Bonds (Macaulay formula, adjusted):***

$$D = \frac{\sum(P \times VA)}{PE} \times \frac{1}{1+I}$$

**Where:**

- D** = Duration of each Bond Series expressed in years.
- P** = Time transpiring (in years) between the Pay-out Date through each one of the Payment Dates in question.
- VA**= Present value of each one of the amounts comprising principal and gross interest to be paid on each one of the Payment Dates discounted the IRR.
- PE**= Issue price of the Bonds, 100,000 euros.
- I** = IRR of each Series of Bonds.

Following are included the charts of the financial services for each Series at a CAPR of 5%, being this CAPR the closer to the average rate of early redemption or prepayment observed by the Assignor for the portfolio of Loans that make up the Fondo de Titulización de Activos Santander Empresas 1, of similar nature to those that form the assignable portfolio, being its current prepayment a 5.78%. The Manager expressly declares that the financial services chart of each one of the Series described below are only theoretical and have illustrative effects.

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FLOWS PER BOND SERIES WITHOUT WITHOLDING FOR THE HOLDER																								
(EUROS)																								
CAPR=5%																								
	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL	REDEMP.	GROSS	TOTAL
	SERIES A1	INTEREST SERIES A1	SERIES A1	SERIES A2	INTEREST SERIES A2	SERIES A2	SERIES A3	INTEREST SERIES A3	SERIES A3	SERIES B	INTEREST SERIES B	SERIES B	SERIES C	INTEREST SERIES C	SERIES C	SERIES D	INTEREST SERIES D	SERIES D	SERIES E	INTEREST SERIES E	SERIES E	SERIES F	INTEREST SERIES F	SERIES F
16-jul-07	26,398.67	527.47	26,926.14	0.00	533.86	533.86	0.00	537.69	537.69	0.00	540.24	540.24	0.00	544.08	544.08	0.00	569.63	569.63	0.00	674.41	674.41	0.00	584.97	584.9
6-oct-07	33,119.96	776.44	33,896.41	0.00	1,067.71	1,067.71	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
6-jan-08	31,335.63	427.05	31,762.68	0.00	1,067.71	1,067.71	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
5-apr-08	9,145.74	95.43	9,241.17	8,550.86	1,056.11	9,606.97	0.00	1,063.69	1,063.69	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	1,157.22	1,157.2
16-jul-08	0.00	0.00	0.00	10,493.01	965.80	11,458.81	0.00	1,063.69	1,063.69	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	1,157.22	1,157.2
6-oct-08	0.00	0.00	0.00	9,586.43	864.38	10,450.81	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
6-jan-09	0.00	0.00	0.00	8,868.88	762.02	9,630.90	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
5-apr-09	0.00	0.00	0.00	7,806.96	652.82	8,459.78	0.00	1,052.00	1,052.00	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	0.00	1,144.50	1,144.5
16-jul-09	0.00	0.00	0.00	6,772.83	577.62	7,350.46	0.00	1,063.69	1,063.69	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	1,157.22	1,157.2
6-oct-09	0.00	0.00	0.00	5,859.13	511.66	6,370.78	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
6-jan-10	0.00	0.00	0.00	6,038.45	449.10	6,487.55	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	1,169.93	1,169.9
5-apr-10	0.00	0.00	0.00	6,353.87	376.26	6,730.13	0.00	1,052.00	1,052.00	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	0.00	1,144.50	1,144.5
16-jul-10	0.00	0.00	0.00	6,053.28	313.34	6,366.62	0.00	1,063.69	1,063.69	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	24,280.38	1,157.22	25,437.6
6-oct-10	0.00	0.00	0.00	4,593.72	252.15	4,845.88	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	4,724.97	885.87	5,610.8
6-jan-11	0.00	0.00	0.00	4,284.46	203.11	4,487.56	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	4,406.87	830.59	5,237.4
5-apr-11	0.00	0.00	0.00	3,830.95	153.94	3,984.89	0.00	1,052.00	1,052.00	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	3,940.40	762.10	4,702.5
16-jul-11	0.00	0.00	0.00	3,469.21	115.19	3,584.40	0.00	1,063.69	1,063.69	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	3,568.33	724.97	4,293.3
6-oct-11	0.00	0.00	0.00	2,960.39	79.42	3,039.81	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	3,044.97	691.19	3,736.1
6-jan-12	0.00	0.00	0.00	2,808.31	47.81	2,856.11	0.00	1,075.38	1,075.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	2,888.54	655.56	3,544.1
5-apr-12	0.00	0.00	0.00	1,669.26	17.63	1,686.89	2,474.12	1,063.69	3,537.81	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	2,604.10	615.01	3,219.1
16-jul-12	0.00	0.00	0.00	0.00	0.00	0.00	6,768.60	1,037.37	7,805.97	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	541.42	584.87	1,126.3
6-oct-12	0.00	0.00	0.00	0.00	0.00	0.00	6,034.56	975.98	7,010.55	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
6-jan-13	0.00	0.00	0.00	0.00	0.00	0.00	6,054.12	911.09	6,965.21	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
5-apr-13	0.00	0.00	0.00	0.00	0.00	0.00	5,439.92	827.59	6,267.51	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	0.00	572.25	572.2
16-jul-13	0.00	0.00	0.00	0.00	0.00	0.00	5,423.60	778.93	6,202.52	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	578.61	578.6
6-oct-13	0.00	0.00	0.00	0.00	0.00	0.00	4,635.63	729.16	5,364.79	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
6-jan-14	0.00	0.00	0.00	0.00	0.00	0.00	4,458.04	679.31	5,137.35	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
5-apr-14	0.00	0.00	0.00	0.00	0.00	0.00	4,080.78	617.64	4,698.42	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	0.00	572.25	572.2
16-jul-14	0.00	0.00	0.00	0.00	0.00	0.00	4,067.25	581.10	4,648.35	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	578.61	578.6
6-oct-14	0.00	0.00	0.00	0.00	0.00	0.00	3,894.63	543.75	4,438.38	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
6-jan-15	0.00	0.00	0.00	0.00	0.00	0.00	4,220.07	501.87	4,721.93	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
5-apr-15	0.00	0.00	0.00	0.00	0.00	0.00	3,516.41	446.56	3,962.97	0.00	1,057.00	1,057.00	0.00	1,064.50	1,064.50	0.00	1,114.50	1,114.50	0.00	1,319.50	1,319.50	0.00	572.25	572.2
16-jul-15	0.00	0.00	0.00	0.00	0.00	0.00	3,604.89	414.12	4,019.01	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	578.61	578.6
6-oct-15	0.00	0.00	0.00	0.00	0.00	0.00	3,229.09	379.90	3,608.99	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
6-jan-16	0.00	0.00	0.00	0.00	0.00	0.00	3,277.57	345.18	3,622.75	0.00	1,080.49	1,080.49	0.00	1,088.16	1,088.16	0.00	1,139.27	1,139.27	0.00	1,348.82	1,348.82	0.00	584.97	584.9
5-apr-16	0.00	0.00	0.00	0.00	0.00	0.00	2,967.41	306.56	3,273.97	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	578.61	578.6
16-jul-16	0.00	0.00	0.00	0.00	0.00	0.00	2,993.73	275.00	3,268.73	0.00	1,068.74	1,068.74	0.00	1,076.33	1,076.33	0.00	1,126.88	1,126.88	0.00	1,334.16	1,334.16	0.00	578.61	578.6
6-oct-16	0.00	0.00	0.00	0.00	0.00	0.00	2,651.31	245.83	2,897.14	0.00	1,080.49	1,080.49	0.00	1,0										

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#### **4.11 Representation of the security holders.**

For the securitization Bonds, a Bondholder Syndicate will not be established.

As provided for in article 12 of Royal Decree 926/1998, the Manager shall bear, as manager of alien businesses, the representation and defence of the interests of the bondholders issued against the Fund and the rest of the ordinary creditors of the Fund. As a consequence, the Manager shall subordinate its actions to their defence and following the provisions provided for at each moment.

#### **4.12 Resolutions, authorizations and approvals by virtue of which the securities are issued**

The resolutions, approvals and authorizations by virtue of which this Bond issue is being carried out, are those enumerated below:

- a) Corporate resolutions:
  - a.1 Resolution of the Santander's Executive Committee dated May 21, 2007, by virtue of the resolution of the Board of Directors of Santander, of March 6, 1999, by which the faculties of the Board of Directors were delegated to the Executive Commission, allowing the Executive Commission to agree upon the assignment of the Assets.
  - a.2 Resolutions of the Manager's Board of Directors dated March 30, 2007 and May 14, 2007.
- b) Registration of this Prospectus with the CNMV took place on May 24, 2007.
- c) Execution of the Deed of Incorporation which shall take place on May 28, 2007, a copy of which shall be sent to the CNMV, to AIAF, Fixed Income Market and Iberclear prior to the start of the Subscription Period.

#### **4.13 Issue Date.**

The issue date of the Bonds which shall be the Date of Incorporation, shall be May 28, 2007.

##### **4.13.1 Subscription effects to the Bondholders .**

The subscription of the Bonds implies for each bondholders the acceptance of the terms of the Deed of Incorporation and the present Prospectus.

##### **4.13.2 Potential investors collective .**

The placement of the Bond issue shall be aimed exclusively at qualified investors, to the effects provided for in article 39 of Royal Decree 1310/2005, meaning, in a non-exclusive way, legal entities authorized or regulated to operate in financial markets, including, credit entities, investor services companies, insurance companies, collective investment institutions and its managers, pension funds and its managers, other authorized or regulated financial entities, etc.

Once the issue has been fully placed and the Bonds are admitted to the AIAF, the Bonds can be purchased freely through that market following its own contractual rules.

The subscription of the Bonds implies for each bondholder the acceptance of the terms of the Deed of Incorporation and the present Prospectus.

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#### **4.13.3 Subscription Period.**

The Subscription Period will begin at 12:00 hrs (CET time) of May 30, 2007 and will end at 17:00 hrs (CET time) of the same day.

#### **4.13.4 Where and before who will proceed the subscription.**

Bonds subscription requests, shall be submitted during the Subscription Period through the Underwriters. The subscription requests, in order to be taken into account, shall be made by any means legally admissible.

#### **4.13.5 Placement and adjudication of the Bonds.**

The Underwriters shall freely proceed to accept or reject subscription applications received. In any case, they shall watch over that discriminatory treatment between applications that have similar features does not take place. Notwithstanding the above, the Underwriters may give priority to requests from those of their clients they deem most appropriate and convenient.

#### **4.13.6 Pay-out Date.**

The Pay-out Date will be the May 31, 2007.

Disbursement of the Bonds shall be at the issue price of the 100% of the whole face value, that is, HUNDRED THOUSAND EUROS (€100,000).

Investors who have been awarded the Bonds shall pay to the relevant Underwriter, prior to 13:00 p.m. (CET time) on the Pay-out Date, for value that same day, the applicable issue price for each Bond so awarded.

#### **4.14 Restrictions on free transferability of the securities.**

The Bonds will be freely transmitted by any legal admissible means and according to AIAF rules. Ownership to each Bond will be transferred by account transfer. The inscription of a transmission in favour of the purchaser in the account registry will produce the same effect as the transfer of possession ("*tradición de los títulos*") of the securities and from the moment the transmission will be opposable to third parties. In this sense, a third party that acquires by for value the Bonds represented by book entry from a person that, from the annotations of the accounts registry, appears to have power to transfer them will not be subject to the recovery ("*revindicación*"), unless that at the moment of acquisition the third party has acted with bad faith or gross negligence.

The constitution of limited real rights or other kind of encumbrances over the Bonds must be registered in the relevant account. The inscription of a pledge will equal the transfer of possession of the security.

The constitution of an encumbrance will be opposable to third parties from the moment that the relevant inscription has taken place.

### **5. ADMISSION TO TRADING AND DEALING ARRANGEMENTS**

#### **5.1 Indication of Market where the securities will be traded.**

The Manager shall apply, immediately following the Pay-out Date, for admission to trading of this Bond issue on the AIAF Market, created by the *Asociación de Intermediarios Activos Financieros* (Financial Assets Intermediaries Association). The Manager will a

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apply, acting for and on behalf of the Fund, the inclusion of the issue in Iberclear, in such manner that the clearing and settlement of the Bonds may be carried out in accordance with the rules of operation established or to be approved in the future by Iberclear with respect to securities admitted to trading on AIAF.

The Manager undertakes to the conclusion of the admission of the issue on AIAF in the term of thirty (30) days from the Pay-out Date, once all the authorizations are obtained.

In the event such deadline is not met, the Manager shall disclose the causes of the breach to the CNMV and the public by inclusion of a legal notice in a nationally-circulated newspaper or in the Daily Journal of Transaction of the AIAF Fixed Income Securities Market or in any other means of general acceptance in the market that guarantee an adequate circulation of the information, in time and content, of the reasons of not meeting the deadline as well as the new date forecasted for admission to trade of the issued securities, notwithstanding the liabilities incurred as a consequence thereof.

The Manager hereby states for the record that it is familiar with the requisites and conditions required for admission, permanence and exclusion of the Bonds on AIAF as per current law in force, as well as the requirements of its Governing Bodies and hereby accepts that it will abide by them.

It is not planned to contract with an entity that will undertake to provide for liquidity of the Bonds during the life of the issue.

## **5.2 Paying Agent and Depository Institutions.**

### **a) Paying Agent:**

The Manager, acting for and on behalf of the Fund, appoints Santander, who accepts, as paying Agent to carry out the financial servicing of the Bond issue. The obligations assumed by Santander, in its capacity as Paying Agent under the Issue's Underwriting and Placement Agreement, are as follows:

- **Pay-out of issue.**

The Paying Agent shall proceed to pay to the Fund prior to 3:00 p.m. (Madrid time) on the Pay-out Date, for value that same day, the amount which is paid to the Agent as established in the Issue's Underwriting and Placement Agreement, by each of the Underwriters (including the amount of their undertaking of underwriting), deducting the underwriting fee, by deposit into the Fund's Cash Account.

- **Notice of EURIBOR Reference Rate.**

At each one of the Rate Setting Times, the Paying Agent shall notify the Manager of the Reference Interest Rate which shall serve as a basis for calculation of the Nominal Interest Rate applicable to each Bond Series.

- **Payments against the Fund.**

On each one of the Payment Dates of the Bonds, the Paying Agent shall proceed to make payment of interest and redemption of principal on the Bonds in accordance with the instructions received from the Manager.

Payments to be made by the Paying Agent shall be carried out through the relevant institutions participating in Iberclear, in whose records the Bonds are registered, per the procedures being implemented at said service.



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If on a Payment Date there are no Available Redemption Funds in the Cash Account or in the Excess Funds Account, the Paying Agent shall not be required to make a payment.

In the event that the Santander's short-term debt should undergo, at any time during the term of the Bond issue, a decline in its rating below F-1, P-1 or A-1 (as per the rating scales of Fitch, Moody's and Standard & Poor's respectively), the Manager shall have a maximum deadline of thirty (30) Business Days from when such situation takes place, and with previous notification to the Rating Agencies, to take any of the necessary options among those described following that will allow keeping and adequate guarantee level in regard to those undertakings deriving from the Paying Agent functions contained in the Undertaking and Placement of the Issue Agreement and that the rating granted to the Bonds by the Rating Agencies is not harmed:

- (i) to obtain guarantee or similar undertakings from an entity or credit entity with a rating for its short term debt not lower than F-1, P-1 and A-1 (as per rating scales of Fitch, Moody's and Standard and Poor's respectively) that grant that the undertakings assumed by the Paying Agent. The cost and expenses arising from the granting of those guarantees or similar undertakings will be borne by the substituted Paying Agent;
- (ii) to substitute the Paying Agent by a rating entity for its short term debt not lower than F-1, P-1 and A-1 (as per the rating scales of Fitch, Moody's and Standard & Poor's respectively), so that he assumes, in the same conditions, the functions of the Paying Agent, being all cost and expenses arising from the substitution procedure will be borne by the substituted Paying Agent.

In no event the revocation of the Santander's appointment as Paying Agent will proceed if no new entity has been appointed as Paying Agent.

If the Santander was substituted as Paying Agent, the Manager will have the power to commission in favour of the substitute entity. The Santander will not be paid any fee in condition of Paying Agent.

**b) Depository Institutions.**

Not applicable.

**6. EXPENSES OF THE OFFER AND ADMISSION TO TRADING**

The expenses contemplated are as follows:

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**a) Incorporation Expenses (Expenses related to documentation, advertisement and official charges):**

	<b>Euros</b>
• CNMV Official Charges (for the offer and admission to trading):	€44,321.24
• AIAF Official Charges:	€114,410.80
• Iberclear Official Charges:	€4,640.00
• Initial expenses:	€643,619.18
<b>Subtotal:</b>	<b>€806,991.22</b>

**b) Issue Expenses:**

	<b>Euros</b>
• Underwriting and placement fee (estimates)	€2,127,300.00
• Structuring fee of Manager	€90,000
• <b>Subtotal:</b>	<b>€2,217,300.00</b>
<b>GRAND TOTAL:</b>	<b>€3,024,291.22</b>

The incorporation and issue expenses stated herein shall be paid against the Subordinated Loan described under section 3.4.3.a) of the Additional Building Block.

Cost arising from the liquidation of the Fund will be borne by the Fund.

**7. ADDITIONAL INFORMATION**

**7.1 Persons and entities advising the issue.**

- a) SANTANDER DE TITULIZACION, S.G.F.T., S.A. is intervening as legal and financial adviser to the program structure.
- b) DLA Piper Spain, S.L. is intervening as legal adviser to the program structure.

**7.2 Information in the Securities Note reviewed by auditors.**

Not applicable.

**7.3 Statement or report attributed to a person as an expert.**

Deloitte, S.L. whose corporate name, address, and registration data are referred to in section 2.1. to the Registration Document, has prepared an audit on the principal attributes of the Assets and which is reflected under section 2.2 of the Additional Building Block, and has performed the audit of the annual financial statements of the Manager and of Santander relating to the last three fiscal years.

**7.4 Information sourced from third parties.**

As part of the role of checking the information contained in the present Prospectus, the Manager has received confirmation by the Assignor of the veracity of the features of the Assignor and the Assets, that are reproduced in section 2.2.8. of the Additional Building Block, as well as the remaining information on the Assignor and the Assets that is contained

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in the present Prospectus. The Assignor shall reaffirm to the Manager in the Deed of Incorporation of the Fund the compliance of those features at the Date of Incorporation.

The Manager confirms that the information coming from Assignor regarding the Assets, has been reproduced with accuracy and as far as its knowledge and can determine by the information provided by the Assignor, that no fact has been omitted that would make the reproduced information non-accurate or misleading, and that this Prospectus does not contain facts or significant data that could result relevant to the investor.

#### 7.5 Ratings

The Bonds included in this Securities Note are assigned the following ratings ("ratings") by the credit rating agencies:

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
<b>Series A1</b>	AAA	Aaa	AAA
<b>Series A2</b>	AAA	Aaa	AAA
<b>Series A3</b>	AAA	Aaa	AAA
<b>Series B</b>	AA	Aa2	AA
<b>Series C</b>	A+	A3	A
<b>Series D</b>	BBB+	Baa3	BBB
<b>Series E</b>	BB+	Ba1	BB
<b>Series F</b>	CCC	C	CCC-

The rating scales for long term debt used by the rating agencies are as follows:

<b>Ratings granted by</b>			
<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>	<b>Meaning</b>
AAA	Aaa	AAA	High capability of interest payment and enormously high for principal repayment. For Moody's, securities rated Aaa correspond to the highest rating and contain the lowest investment risk attached. The interest payment are covered by a broad and exceptionally stable margin and the collection of principal is certain. Even though it is probable that the protection elements change, they are not expected to modify the fundamental solidity of these securities.
AA	Aa	AA	Very strong capability of interest payment and principal repayment. For Moody's, securities rated Aa are deemed as high quality in all senses. Together with the Aaa they make up what is generally known the "high grade" group. Its rating is lower than Aaa since its margins of protection are less broad. The fluctuation of the protection elements can be higher or other elements can exist that make the long-term risk being

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A	A	A	perceived as higher to the securities rated as Aaa securities. Strong capability of interest payment and principal repayment. The protection factors are deemed as adequate, but are subject to worsen in the future. For Moody's the securities qualified as A have good qualities as investment instruments, and shall be deemed as "medium-high quality obligations. The factors that give security to principal collection and interest payment are adequate, but there can be other elements that suggest possible harm in the future.
BBB	Baa	BBB	The protection of the interest payment and principal can be moderate, and the payment capability is deemed as adequate. Adverse business conditions could lead to an inadequate capability to make the interest payments and the principal. For Moody's, securities rated Baa are deemed as medium quality (they are not protected very much or a little backed). Interest and principal payments are deemed adequately protected but some protection elements could not exist or be little reliable in the long term. These securities lack outstanding features as instruments for investment and in fact they also have speculative features.
BB	Ba	BB	Speculative Grade. It cannot be deemed that the future is secured. The interest and principal payment protection is very moderate. For Moody's, securities rated Ba are deemed to have speculative elements; its future is not certain. Often the interest and principal payments can be protected very modestly, therefore, be vulnerable in the future. These securities are characterised by its situation of uncertainty.
CCC	Caa	CCC	Vulnerability identified as non-compliance. Payment continuity depends on the financial, economic and business conditions being favourable. For Moody's, securities rated Caa are low quality. These securities might have not complied already with the payments or might contain peril elements as far as interests and principal payments. Current non-compliance or imminent.
C	C	C	For Moody's values rated as C belong to the lowest category of the securities rated and the chance of these securities to reach any investment value is remote.

- Fitch applies a plus sign (+) or minus (-) in categories AA to CC, indicating its relative position within the category.

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- Moody's applies numeric modifiers 1, 2 and 3 to each rating generic category from Aa to Caa. Modifier number 1 indicates that the obligation is in the superior level of each rating generic category, modifier number 2 indicates medium level and modifier number 3 indicates in the inferior level of each generic category.
- Standard & Poor's applies a plus sign (+) or minus (-) in categories AA to CC, but not included, indicating the relative position within the category.

**Considerations regarding ratings:**

- The rating given by Fitch, is an opinion concerning the capability of the Fund to regard to the punctual payment of interest and the payment of the principal of the Bonds during the life of the transaction, and in any event, prior to its Legal Maturity Date, in accordance with the conditions provided for each Bond Series in the Prospectus and in the Deed of Incorporation.

The ratings assigned by Fitch are based upon the documents and information provided by the issuer, its experts and agents and are subject to the reception of final documents. Fitch does not audit or verify the truthfulness and accuracy of such information.

They do not constitute an analysis of the suitability of the market price, the suitability of the Bonds for a particular investor, the tax exemption or the tax nature of the payments made in relation to the Bonds. Ratings can be modified, retired, suspended or put on "Rating Watch" as a consequence to changes of information, the accuracy of information or as cause of reception of additional information or for any other reason that Fitch considers sufficient.

Fitch is not a counselor and does not provide financial, legal, audit, accounting or valuation counseling or actuarial services. A rating should not be considered as a substitute for these counsel or services.

- Ratings assigned to each Bond Series by Moody's measure the expected loss before the Legal Maturity Date. In Moody's opinion, the structure allows the punctual payment of the interests and principal during the life of the operation and, in any event, before the Legal Maturity Date for Series A1, A2, A3, B, C, D and E, as well as the payment of interests and principal prior to the Legal Maturity Date of the Fund for Series F.
- The rating, according to the Standard & Poor's definition, is an opinion of the rating agency concerning the credit risk, the capacity of the Fund to promptly make interest payments on each scheduled Payment Date, as well as the repayment of principal during the life of the transaction and, in any case, prior to the Legal Maturity Date thereof.

Ratings take into account the structure of the Bond Issue, legal aspects to it and the Fund that issues the Bonds, features to the loans selected for assignment to the Fund and the regularity and continuity of the operation flows.

Ratings by Rating Agencies do not constitute an evaluation of the probability that debtors will carry out early payments of principal, nor in which measure those early payments will differ from that originally planned. The ratings are not a qualification of the actuarial return level.

Ratings assigned, as well as any review or suspension to them:

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- Are formulated by Rating Agencies on the basis of numerous information received, which they do not guarantee nor its accuracy nor their completeness, so Rating Agencies can not in any manner deemed responsible for them; and
- Do not constitute and therefore, could not be interpreted as an invitation, recommendation or incitement led to investors so that they proceed to carry out a kind of operation on the Bonds, and in particular, acquire, conserve, constitute encumbrances or sell those Bonds.

Final ratings can be reviewed, suspended or taken away at any time by Rating Agencies depending of any information that comes to their knowledge. Those situations, that will constitute Early Liquidation of the Fund, will be immediately reported to the CNMV as well as to the bondholders, as provided for in section 4 of the Additional Building Block.

In order to carry out the rating and follow up procedure, Rating Agencies trust in the accuracy and completeness of the information provided by Santander, the Manager, the Lead Entities, the auditors, the lawyers and other experts.

Mentioned credit ratings are only an opinion and do not need to avoid potential investors need to carry out their own analysis of the values to be acquired.

If prior to the Subscription Period, Rating Agencies do not confirm any of the provisional ratings assigned as definitive, this circumstance shall be reported immediately to the CNMV and it would become public in the way provided for in section 4 of the Additional Building Block. This circumstance would bring the termination of the incorporation of the Fund, the Bond issue, the agreements exception made of the Subordinated Loan and assignment of the Bonds.

## **ADDITIONAL BUILDING BLOCK TO SECURITIES NOTE**

### **1. THE SECURITIES**

#### **1.1 Amount of issue.**

The Fund will be constituted with Assets that Santander will transfer to the Fund at the Date of Incorporation whose total principal will be equal or slightly higher to THIRTY THOUSAND FIVE HUNDRED MILLION EUROS (€3,500,000,000)

#### **1.2 Confirmation that disclosure relating to an undertaking/obligor not involved in this issue has been reproduced.**

Not applicable.

### **2. THE UNDERLYING ASSETS**

#### **2.1 Confirmation as to the Assets' capacity to produce funds to service payments on the securities.**

According to the information provided by the Assignor, the Manager confirms that the flow of principal, interests and any other amounts generated by the Assets allow, as per their contractual features, meeting payments due and payable on the Bonds.

Notwithstanding the above, in order to cover possible payment breaches by the Debtors, a series of credit enhancement operations have been contemplated which mitigate the risk of default, with respect to both principal and interest on the Bonds, and which are described under section 3.4.2 of this Additional Building Block. In exceptional circumstances, such credit enhancement operations could be insufficient.

Not all of the Bonds have the same risk of default given the different credit ratings assigned to the different Bond series and which are detailed under section 7.5 of the Securities Note.

When due to a change in current regulations in force or the occurrence of exceptional circumstances, in the judgement of the Manager, a substantial alteration in the Fund's financial equilibrium occurred or it was permanently impaired, or when a default indication of a serious and permanent imbalance in relation to any of the Bonds takes place or is foreseen to take place, the Manager may proceed to the Early Liquidation of the Fund and the consequent Early Redemption of the Bond issue in the terms provided by section 4.4 of the Registration Document.

#### **2.2 In respect of a pool of discrete assets backing the issue.**

The Loans from which the Assets derive that are subject of assignment to the Fund are Mortgage Loans and Non-mortgage loans granted to the Commercial Banking Division of Santander to companies and self-employed individuals with address in Spain for the financing of their economical activities or the acquisition of immovable goods adscribed to their economic activity.

##### **2.2.1 The legal jurisdiction by which the pool of Assets is governed.**

The Assets are governed by Spanish law.

##### **2.2.2 General characteristics of the debtors and the economical surrounding, as well as statistical data referred to the assets that are going to be securitized**

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The Assets to be grouped in the Fund at the Date of Incorporation will be integrated by Non-mortgage Loans and certificate of mortgage transfer issued to participate in the credit right derived of the corresponding Mortgage Loans, that make up the preliminary portfolio

**Audit Report of the Assets.**

In order to fulfil the provisions of article 5 of Royal Decree 926/1998, the preliminary portfolio of Loans from which the Assets derive has been subject to an audit report prepared by the firm Deloitte S.L. which addresses a series of qualitative and quantitative attributes of a sample of said preliminary portfolio, and specifically on:

- Nature of the assigned Debtor;
- Identification of assigned Debtor;
- Assignment of the Assets;
- Date of formalization of the Loan;
- Date of maturity of the Loan;
- Interest rate of reference;
- Interest rate differential;
- Interest rate applied;
- Current balance of the Loan;
- Delay at payments;
- Ownership;
- Bankruptcy status;
- Risk concession policy; and
- Initial amount of the Loan.

Additionally, regarding Mortgage Loans, the audit report is on the following features of a sub-sample of said preliminary portfolio:

- Rating of the mortgage guarantee;
- Formalization of the mortgage guarantee;
- Recording in the registry of the mortgage guarantee;
- Address of the mortgaged property;
- Appraisal;
- Appraisal of council houses.

The preliminary portfolio of loans and credits selected from which the Assets will be extracted that will be assigned to the Fund at the Date of Incorporation, is formed by two thousand five hundred eighty-two (2,582) Loans whose outstanding balance mature, on April 18, 2007 amounted to THREE THOUSAND SEVEN HUNDRED TWENTY SEVEN MILLION ONE THOUSAND SIX HUNDRED EIGHTY NINE EUROS EIGHTY THREE CENTS (3,727,001,689.83 euros).



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The following charts show the distribution of the mentioned Loans by different criteria

**a) Breakdown of Loans by type of Debtor.**

Regarding the type of Debtor, loan distribution included in the preliminary Loan portfolio as of April 18, 2007 was the following:

Debtor	Outstanding Balance (in thousand euros except total in euros)	Percentage Over the Principal	Number of Loans	Percentage over total Loans
Micro companies	808,291.08	21.68	6,151	23.76
SME's	689,909.39	18.51	1,905	7.36
Companies	969,910.14	26.02	1,314	5.07
Large Companies	474,550.67	12.75	171	1
Sole Proprietors	784,340.41	21.04	16,341	63.13
<b>TOTAL</b>	<b>3,727,001,689.83</b>	<b>100.00%</b>	<b>25,882</b>	<b>100.00%</b>

The mentioned Loans have been granted by the Commercial Banking Division and by the Global Wholesale Banking Division of Santander, and the following classification is based in the criteria followed by it, as per billed volume per year follows:

Debtor type	Number of Loans
Micro companies	Turnover <= 2 MM euros
SMEs	Turnover 2-10 MM euros
Companies	Turnover 10-18.030 MM euros
Big Companies	Turnover > 18.030 MM euros

This breakdown has been done on the basis of the criteria followed by Santander and established in section 2.2.7 of the current Additional Building Block that considers the debtor/group as one risk unity. Within the notion of Debtor are included those entities that make up a unity of decision, by way of one of them having or could have, direct or indirect control over the remaining, or because the aforementioned control corresponds to one or various individuals that are systematically.

The following chart shows the concentration of the twenty biggest Debtors with higher weight in the Loan portfolio:

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CLASSIFICATION BY DEBTORS						
Debtors <sup>o</sup>	Outstanding Principal	%	Maturity Date	Autonomous Region	Type of Loan	Activity
Debtor 1	50,000,000.00 €	1.34%	01/14/2008	Madrid	Personal	Financial intermediation
Debtor 2	50,000,000.00 €	1.34%	09/26/2008	Catalonia	Personal	Machinery and electrical m fabrication
Debtor 3	43,455,730.00 €	1.17%	07/08/2010	Andalucia	Mortgage	Real state activities
Debtor 4	42,714,000.00 €	1.15%	06/13/2018	Madrid	Mortgage	Real state activities
Debtor 5	36,000,000.00 €	0.97%	06/02/2007	Madrid	Personal	Real state activities
Debtor 6	36,000,000.00 €	0.97%	12/23/2010	Catalonia	Personal	Chemical industry
Debtor 7	30,000,000.00 €	0.80%	03/07/2009	Andalucia	Personal	Real state activities
Debtor 8	27,111,312.00 €	0.73%	12/04/2009	Madrid	Personal	Real state activities
Debtor 9	23,000,000.00 €	0.62%	05/04/2007	Catalonia	Mortgage	Real state activities
Debtor 10	21,750,000.00 €	0.58%	12/01/2009	Catalonia	Personal	Paper industry
Debtor 11	20,583,333.34 €	0.55%	12/29/2011	Andalucia	Personal	Electricity, gas
Debtor 12	20,000,000.00 €	0.54%	04/17/2009	Valencia	Personal	Building
Debtor 13	19,797,637.00 €	0.53%	06/08/2009	Murcia	Personal	Real state activities
Debtor 14	18,628,600.00 €	0.50%	12/13/2034	Catalonia	Mortgage	Real state activities
Debtor 15	17,000,000.00 €	0.46%	12/30/2016	Basque country	Personal	Food and beverage product
Debtor 16	16,791,452.02 €	0.45%	03/31/2018	Canary Islands	Personal	Hotel and restaurant servic
Debtor 17	15,750,000.00 €	0.42%	06/27/2015	Madrid	Personal	Real state activities
Debtor 18	15,255,711.05 €	0.41%	03/12/2012	Madrid	Personal	Financial intermediation
Debtor 19	15,000,000.00 €	0.40%	12/06/2011	Balearic Islands	Personal	Hotel and restaurant servic
Debtor 20	15,000,000.00 €	0.40%	06/21/2008	Catalonia	Mortgage	Building
Others	3,193,163,914.42 €	85.68%				
<b>TOTAL</b>	<b>3,727,001,689.83 €</b>	<b>100.00%</b>				

**b) Breakdown of Loans by Type of Collateral.**

With regard to the composition of the Loan portfolio from which Assets to assigned to the Fund will be taken, the following should be highlighted:

	Breakdown by type of collateral		Loans	
	Outstanding Balance	%	number	%
Mortgage loans	1,572,424,756.43	42.19 %	5,134.00	19.84 %
Non-mortgage loans	2,154,576,933.40	57.81 %	20,748.00	80.16 %
Total:	<b>3,727,001,689.83</b>	<b>100.00</b>	<b>25,882.00</b>	<b>100.00</b>

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c) **Maximum, minimum and average Loan principals .**

The following tables show a breakdown of the Loans by outstanding principal.

<b>OUTSTANDING PRINCIPAL OF THE LOANS</b>					
Interval (euros)		Outstanding balances		Loans	
From	Up to	(000 euros except total, in euros)	%	n°	%
27.15	199,999.99	798,512.07	21.42	22724	87.7
200,000.00	699,999.99	807,014.77	21.65	2422	9.3
700,000.00	1,199,999.99	278,289.36	7.46	306	1.1
1,200,000.00	1,699,999.99	190,996.44	5.12	137	0.5
1,700,000.00	2,199,999.99	116,624.52	3.12	61	0.2
2,200,000.00	2,699,999.99	112,030.32	3.00	46	0.1
2,700,000.00	3,199,999.99	97,576.07	2.61	33	0.1
3,200,000.00	3,699,999.99	69,177.50	1.85	20	0.0
3,700,000.00	4,199,999.99	101,292.83	2.71	26	0.1
4,200,000.00	4,699,999.99	76,142.46	2.04	17	0.0
4,700,000.00	5,199,999.99	34,393.38	0.92	7	0.0
5,200,000.00	5,699,999.99	38,879.21	1.04	7	0.0
5,700,000.00	6,199,999.99	71,427.38	1.91	12	0.0
6,200,000.00	6,699,999.99	12,935.19	0.34	2	0.0
6,700,000.00	7,199,999.99	41,473.24	1.11	6	0.0
7,200,000.00	7,699,999.99	37,738.28	1.01	5	0.0
7,700,000.00	8,199,999.99	31,741.55	0.85	4	0.0
8,200,000.00	8,699,999.99	33,733.12	0.90	4	0.0
8,700,000.00	9,199,999.99	26,897.26	0.72	3	0.0
9,200,000.00	9,699,999.99	37,830.43	1.01	4	0.0
9,700,000.00	10,199,999.99	10,000.00	0.26	1	0.0
10,200,000.00	10,699,999.99	31,600.32	0.84	3	0.0
11,200,000.00	11,699,999.99	45,200.00	1.21	4	0.0
11,700,000.00	12,199,999.99	59,976.87	1.60	5	0.0
12,700,000.00	13,199,999.99	25,805.69	0.69	2	0.0
13,200,000.00	13,699,999.99	13,600.00	0.36	1	0.0
14,700,000.00	15,199,999.99	59,742.57	1.60	4	0.0
16,700,000.00	17,199,999.99	33,791.45	0.90	2	0.0
18,200,000.00	18,699,999.99	18,628.60	0.49	1	0.0
19,700,000.00	20,199,999.99	39,797.63	1.06	2	0.0
20,200,000.00	20,699,999.99	41,233.33	1.10	2	0.0
21,700,000.00	22,199,999.99	21,750.00	0.58	1	0.0
22,700,000.00	23,199,999.99	23,000.00	0.61	1	0.0
29,700,000.00	30,199,999.99	30,000.00	0.80	1	0.0
35,700,000.00	36,199,999.99	72,000.00	1.93	2	0.0
37,200,000.00	50,000,000.00	186,169.73	4.99	4	0.0
<b>Totals :</b>		<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>10</b>
<b>Max. Outs. Balance:</b>		50,000,000.00	euros		
<b>Average Outs. Balance :</b>		143,999.75	euros		
<b>Min. Outs. Balance:</b>		27.15	euros		

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**d) Maximum, minimum and average initial Loan amounts .**

The following table reflects the Loan statistics.

<b>INITIAL LOAN AMOUNTS</b>					
<b>Interval</b>		<b>Amounts</b>		<b>Loans</b>	
<b>(euros)</b>		<b>(000 euros except total, in euros)</b>	<b>%</b>	<b>n°</b>	<b>%</b>
<b>From</b>	<b>Up to</b>				
49.50	199,999.99	920,685.13	19.92	21,975	84.5
200,000.00	699,999.99	1,006,751.19	21.79	2,984	11.5
700,000.00	1,199,999.99	327,128.10	7.08	367	1.4
1,200,000.00	1,699,999.99	279,643.89	6.05	201	0.7
1,700,000.00	2,199,999.99	134,548.62	2.91	70	0.2
2,200,000.00	2,699,999.99	118,153.81	2.55	49	0.1
2,700,000.00	3,199,999.99	143,289.19	3.10	49	0.1
3,200,000.00	3,699,999.99	110,639.36	2.39	32	0.1
3,700,000.00	4,199,999.99	82,201.19	1.77	21	0.0
4,200,000.00	4,699,999.99	94,548.76	2.04	21	0.0
4,700,000.00	5,199,999.99	69,443.88	1.50	14	0.0
5,200,000.00	5,699,999.99	27,635.81	0.59	5	0.0
5,700,000.00	6,199,999.99	65,778.11	1.42	11	0.0
6,200,000.00	6,699,999.99	38,749.35	0.83	6	0.0
6,700,000.00	7,199,999.99	69,175.77	1.49	10	0.0
7,200,000.00	7,699,999.99	44,899.77	0.97	6	0.0
8,200,000.00	8,699,999.99	42,358.12	0.91	5	0.0
8,700,000.00	9,199,999.99	36,015.18	0.77	4	0.0
9,200,000.00	9,699,999.99	28,433.94	0.61	3	0.0
9,700,000.00	10,199,999.99	30,000.00	0.64	3	0.0
10,200,000.00	10,699,999.99	31,600.32	0.68	3	0.0
10,700,000.00	11,199,999.99	22,100.00	0.47	2	0.0
11,200,000.00	11,699,999.99	45,200.00	0.97	4	0.0
11,700,000.00	12,199,999.99	71,800.00	1.55	6	0.0
12,700,000.00	13,199,999.99	25,700.00	0.55	2	0.0
13,200,000.00	13,699,999.99	13,633.68	0.29	1	0.0
13,700,000.00	14,199,999.99	28,096.25	0.60	2	0.0
14,700,000.00	15,199,999.99	45,000.00	0.97	3	0.0
15,200,000.00	15,699,999.99	31,100.00	0.67	2	0.0
15,700,000.00	16,199,999.99	15,923.48	0.34	1	0.0
16,700,000.00	17,199,999.99	17,000.00	0.36	1	0.0
17,700,000.00	18,199,999.99	36,000.00	0.77	2	0.0
18,700,000.00	19,199,999.99	19,163.00	0.41	1	0.0
19,700,000.00	20,199,999.99	39,797.63	0.86	2	0.0
20,200,000.00	20,699,999.99	20,650.00	0.44	1	0.0
20,700,000.00	21,199,999.99	20,825.00	0.45	1	0.0
22,700,000.00	23,199,999.99	23,000.00	0.49	1	0.0
23,700,000.00	24,199,999.99	24,000.00	0.51	1	0.0
24,700,000.00	25,199,999.99	24,700.00	0.53	1	0.0
29,700,000.00	30,199,999.99	60,000.00	1.29	2	0.0
35,700,000.00	36,199,999.99	36,000.00	0.77	1	0.0
37,200,000.00	65,000,000.00	298,655.73	6.46	6	0.0
<b>Totals :</b>		<b>4,620,024,358.11</b>	<b>100</b>	<b>25,882</b>	<b>10</b>

**Max. Initial amount:** 65,000,000.00 euros  
**Average Outs. Balance :** 178,503.37 euros  
**Min. Outs. Balance:** 49.50 euros

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**e) Effective interest rate or finance charge applicable at the present time maximum, minimum and average rates on the Loans .**

The ten point thirty seven percent (10.37%) of the Loan portfolio entails Loans subject to an average fixed interest rate of four point eighty seven percent (4.87%).

A sixteen point ninety four percent (16.94%) of the Loans are Loans with floating interest rate referenced to 3 months Euribor plus an average spread of zero point fifty four per cent (0.54%), a fifty seven point two per cent (57.02%) of the Loans with an interest rate referenced to 12 months Euribor plus an average spread of zero point seventy eight (0.78%) and a fifteen point sixty seven percent (15.67%) of the Loans are referenced to a different floating interest rate.

The following table shows the breakdown of the Loans by their reference index:

LOAN REFERENCE INTEREST RATES				
	Outstanding Principal		Loans	
	(thousand euros, except total in euros)	%	no.	%
EURIBOR 1 year	2,125,229.14	57.02	9,149	35.3
EURIBOR 3 months	631,460.71	16.94	493	1.9
EURIBOR 6 months	205,962.67	5.53	396	1.5
ICO SMEs <sup>(1)</sup>	310,683.06	8.34	2,361	9.1
IRPH <sup>(2)</sup>	67,298.42	1.81	549	2.1
Fixed interest	386,367.69	10.37	12,934	49.9
<b>Totals:</b>	<b>3,727,001.69</b>	<b>100</b>	<b>25,882</b>	<b>100</b>

(1) As ICO SMEs are included the reference interest rates applicable to the loan agreements subscribed between Santander and the Debtors having "Convenios Línea ICO\_PYME" as a by periodically subscribed between Santander and Instituto de Crédito Oficial (ICO) and in force at each moment.

(2) As IRPH is understood the average interest rate of the mortgage loans of more than three years granted by the financial entities altogether during the month in course for the acquisition of a dwelling and expressed in the equivalent Annual Fee.

The average margin of the Loans is zero point seventy five percent (0.75%).

The following table shows the breakdown of the Loans by the present nominal interest rate.

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CURRENT INTEREST RATES ON LOANS						
Interval		Outstanding Principal		Loans		
(%)		(thousand euros, except total in euros)				
From	Up to		%	No.	%	
1.5	1.99	22,261.46	0.59	113		
2	2.49	2,589.39	0.06	210		
2.5	2.99	22,010.41	0.59	226		
3	3.49	128,711.66	3.45	592		
3.5	3.99	629,885.79	16.9	2,269		
4	4.49	1,643,352.39	44.09	5,686		
4.5	4.99	977,946.37	26.23	3,267		
5	5.49	151,906.24	4.07	1,409		
5.5	5.99	34,193.45	0.91	1,137		
6	6.49	26,632.32	0.71	1,316		
6.5	6.99	19,846.34	0.53	1,485		
7	7.49	16,917.24	0.45	1,578		
7.5	7.99	14,973.21	0.4	1,594		
8	8.49	16,126.02	0.43	1,881		
8.5	8.99	8,371.51	0.22	1,142		
9	9.49	3,033.19	0.08	355		
9.5	9.99	7,522.75	0.2	1,383		
10	18	721.84	0.01	239		
<b>Totales:</b>		<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>100</b>	

**Maximum interest rate:** 18.00  
**Average weighted interest rate:** 4.37  
**Minimum interest rate:** 1.50

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**f) Loans formalization dates.**

Interval		LOAN FORMALIZATION DATE			
		Outstanding Principal (000 euros, except total in euros)		Loans	
From	Up to		%	no.	%
06/29/1994	06/30/1994	112.51	0	1	
07/01/1994	12/31/1994	0.00	0	0	
01/01/1995	06/30/1995	114.93	0	5	0.0
07/01/1995	12/31/1995	22.44	0	2	
01/01/1996	06/30/1996	170.70	0	8	0.0
07/01/1996	12/31/1996	1,125.17	0.03	9	0.0
01/01/1997	06/30/1997	2,239.85	0.06	30	0.1
07/01/1997	12/31/1997	552.84	0.01	33	0.1
01/01/1998	06/30/1998	3,587.10	0.09	59	0.2
07/01/1998	12/31/1998	4,249.90	0.11	61	0.2
01/01/1999	06/30/1999	12,453.88	0.33	88	0.3
07/01/1999	12/31/1999	14,525.19	0.38	149	0.5
01/01/2000	06/30/2000	10,439.03	0.28	197	0.7
07/01/2000	12/31/2000	12,304.63	0.33	143	0.5
01/01/2001	06/30/2001	24,413.16	0.65	275	1.0
07/01/2001	12/31/2001	21,528.37	0.57	188	0.7
01/01/2002	06/30/2002	19,109.15	0.51	514	1.9
07/01/2002	12/31/2002	36,407.98	0.97	621	2.3
01/01/2003	06/30/2003	166,021.84	4.45	1,006	3.8
07/01/2003	12/31/2003	198,715.57	5.33	1,057	4.0
01/01/2004	06/30/2004	196,678.91	5.27	1,857	7.1
07/01/2004	12/31/2004	282,187.52	7.57	2,348	9.0
01/01/2005	06/30/2005	478,227.84	12.83	4,151	16.0
07/01/2005	12/31/2005	746,266.25	20.02	4,514	17.4
01/01/2006	06/30/2006	879,140.60	23.58	5,410	20
07/01/2006	12/27/2006	616,406.21	16.53	3,156	12.1
<b>Totales:</b>		<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>100</b>

Maximum formalization date:: 12/27/2006  
Average formalization date: 06/12/2005  
Minimum formalization date: 06/29/1994

**g) Final maturity date.**

Amortization of the Loans takes place during the entire remaining life until paid-in full, a period during which the Debtors must pay instalments which include principal repayment and interest.

The following table shows the breakdown of the Loans by final amortization date annual intervals:

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LOAN MATURITY DATES						
Interval		Outstanding Principal		Loans		
		(thousand euros, except total, in euros)		%	no.	%
From	Up to					
05/01/2007	12/31/2007	270,042.15		7.24	3,068	11.3
01/01/2008	12/31/2008	441,610.96		11.84	4,380	16.1
01/01/2009	12/31/2009	340,296.58		9.13	4,091	15.3
01/01/2010	12/31/2010	359,458.61		9.64	3,698	14.1
01/01/2011	12/31/2011	397,778.90		10.67	3,744	14.4
01/01/2012	12/31/2012	190,888.64		5.12	720	2.7
01/01/2013	12/31/2013	207,591.46		5.56	867	3.2
01/01/2014	12/31/2014	90,733.03		2.43	396	1.5
01/01/2015	12/31/2015	89,333.19		2.39	194	0.7
01/01/2016	12/31/2016	153,331.69		4.11	276	1.0
01/01/2017	12/31/2017	78,861.35		2.11	167	0.6
01/01/2018	12/31/2018	144,869.57		3.88	165	0.6
01/01/2019	12/31/2019	35,019.06		0.93	105	0.4
01/01/2020	12/31/2020	72,525.32		1.94	256	0.9
01/01/2021	12/31/2021	88,133.78		2.36	207	0.7
01/01/2022	12/31/2022	15,169.26		0.4	60	0.2
01/01/2023	12/31/2023	20,917.53		0.56	76	0.3
01/01/2024	12/31/2024	55,086.80		1.47	183	0.7
01/01/2025	12/31/2025	68,069.73		1.82	276	1.0
01/01/2026	12/31/2026	50,098.18		1.34	183	0.7
01/01/2027	12/31/2027	9,135.38		0.24	55	0.2
01/01/2028	12/31/2028	18,019.81		0.48	127	0.5
01/01/2029	12/31/2029	31,885.92		0.85	208	0.8
01/01/2030	12/31/2030	41,750.29		1.12	241	0.9
01/01/2031	12/31/2031	30,173.71		0.8	152	0.5
01/01/2032	12/31/2032	14,938.15		0.4	86	0.3
01/01/2033	12/31/2033	39,753.51		1.06	202	0.7
01/01/2034	12/31/2034	93,239.21		2.5	430	1.6
01/01/2035	12/31/2035	102,364.84		2.74	539	2.0
01/01/2036	12/31/2036	69,177.51		1.85	275	1.0
01/01/2037	12/31/2037	1,139.68		0.03	4	0.0
01/01/2038	12/31/2038	4,045.24		0.1	13	0.0
01/01/2039	12/31/2039	1,961.36		0.05	13	0.0
01/01/2040	12/31/2040	5,920.49		0.15	33	0.1
01/01/2041	12/31/2041	7,707.57		0.2	34	0.1
01/01/2042	12/31/2042	1,324.54		0.03	6	0.0
01/01/2043	12/31/2043	1,228.33		0.03	6	0.0
01/01/2044	12/31/2044	2,751.59		0.07	10	0.0
01/01/2045	12/31/2045	47,971.32		1.28	204	0.7
01/01/2046	09/26/2046	32,697.24		0.87	132	0.5
<b>Totals:</b>		<b>3,727,001,689.83</b>		<b>100</b>	<b>25,882</b>	<b>100.0</b>

Maximum Maturity Date: 09/26/2046  
Average Maturity Date: 08/16/2016  
Minimum Maturity Date: 05/01/2007

The following table shows the breakdown of the Loans with a final maturity (i) between 1 and 30 years and (ii) higher than 30 years, and their breakdown between Loans with personal guarantees and Loans with mortgage guarantees:

Interval		Mortgage/Personal	Balance	% Balance	Loans	% of loans
From	Up to					
1/05/2007	31/12/2026	Mortgage and Personal	3,169,815.79	85.04	23,112	89.30
1/01/2027	31/12/2036	Mortgage	432,690.67	11.60	2,298	8.88
1/01/2027	31/12/2036	Personal	17,747.66	0.47	17	0.07
1/01/2037	26/09/2046	Mortgage	106,747.36	2.86	454	1.75
1/01/2037	26/09/2046	Personal	1,089.04	0.03	1	0.00
<b>Total:</b>			<b>3,727,001,689.83</b>	<b>100.00</b>	<b>25,882</b>	<b>100.00</b>



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#### h) Purpose of the Loans assigned by Santander.

The following charts show a sectorial distribution of the Loans by sectors to which the Debtors belong:

INDUSTRY GROUP DISTRIBUTION OF THE LOANS IN THE PROVISIONAL FIDUCIARY		Outstanding Principal Balance		Number
Industry Sector		(Euros)	%	no.
0	OTHER	171,061,212.89	4.58	3,151
1	Agriculture, stockbreeding and hunting	114,663,691.15	3.07	2,127
2	Forestry	1,947,796.83	0.05	40
5	Fishing	19,791,140.37	0.53	84
10	Anthracite, coal, lignite and peat Extraction and agglomeration	458,448.63	0.01	3
11	Natural gas and petroleum extraction	1,162,294.78	0.03	5
13	Metallic minerals extraction	39,893.41	0	2
14	Non metallic-energy minerals extraction	17,392,384.24	0.46	96
15	Food and beverage Industry	168,378,469.49	4.51	524
16	Tobacco industry	500,625.88	0.01	8
17	Textile Industry	16,963,823.51	0.45	125
18	Clothing industry	15,180,647.48	0.4	118
19	Preparation of the leather	8,687,438.40	0.23	80
20	Timber and cork Industry	23,112,722.71	0.62	187
21	Paper Industry	42,495,564.57	1.14	67
22	Printing and picture reproduction	17,492,249.45	0.46	159
23	Oil and fuel industry	597,511.51	0.01	5
24	Chemical Industry	65,101,461.24	1.74	131
25	Rubber manufacturing	27,315,394.74	0.73	121
26	Other Mineral products manufacturing	61,005,198.84	1.63	194
27	Metallurgy	21,866,319.28	0.58	120
28	Metallic products manufacturing	67,181,496.92	1.8	381
29	Construction of machinery and equipment	62,032,445.78	1.66	243
30	Office and computer machinery manufacturing	1,011,979.33	0.02	7
31	Equipment and electric material manufacturing	64,562,240.16	1.73	96
32	Electronic material manufacturing	4,647,362.95	0.12	23
33	Medical equipment manufacturing	6,669,194.88	0.17	22
34	Vehicle and trailer manufacturing	12,131,658.65	0.32	53
35	Other transport material manufacturing	2,853,334.75	0.07	27
36	Manufacture of furniture	17,861,332.77	0.47	267
37	Recycling	3,566,163.58	0.09	18
40	Production and distribution of electrical energy and gas	31,640,334.85	0.84	51
41	Hamessing, distribution and purification of water	9,539,949.00	0.25	15
45	Construction	311,774,519.43	8.36	2,519
50	Sale, maintenance and repair of vehicles	63,162,542.90	1.69	646
51	Wholesale trade	198,468,178.02	5.32	1,343
52	Retail trade	181,616,841.61	4.87	3,407
55	Tourism	235,248,795.85	6.31	2,183
60	Surface transport and plumbing	95,265,138.72	2.55	1,468
61	Shipment	4,226,663.04	0.11	10
62	Aerospace transport	2,411,081.91	0.06	4
63	Carriers	30,913,279.93	0.82	351
64	Post and telecommunications	8,743,441.24	0.23	71
65	Brokerage, except insurance	82,714,417.27	2.21	28
67	Insurances and plans of pensions, except social security	7,839,098.74	0.21	126
70	Real Estate office	966,249,790.73	25.92	1,244
71	Machinery renting without workers	9,293,873.99	0.24	75
72	Computing	10,594,468.03	0.28	143
73	Research and development	99,125.08	0	7
74	Other managements activities	161,702,766.28	4.33	1,616
75	Administration publish, defense and obligatory social security	1,109,464.02	0.02	9
80	Education	30,802,109.16	0.82	186
85	Healthcare	87,179,864.98	2.33	690
90	Public disinfections	6,949,761.90	0.18	22
91	Associative activities	70,314,814.52	1.88	361
92	Recreational, cultural and sport activities	44,631,013.00	1.19	336
93	Other activities of personal service	36,045,244.69	0.96	468
95	Household service	783,611.77	0.02	19
	<b>Total:</b>	<b>3,727,001,689.83</b>	<b>100.00</b>	<b>25,882</b>

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**i) Indication of Geographic Breakdown by Autonomous Communities.**

The following table shows, as at April 18, 2007, the geographic breakdown of Loans, by the Autonomous Communities where the Debtors' registered offices are located.

OUTSTANDING PRINCIPAL OF THE LOANS BROKEN DOWN BY AUTONOMOUS COMMUNITIES				
Autonomous Community	Outstanding Principal (thousand euros, except total, in euros)		Loans	
		%	no.	%
01 Andalucía	458,497.18	12.30	3,334	12.88
02 Aragón	119,853.97	3.21	1,359	5.21
03 Asturias	48,592.48	1.30	520	2.00
04 Baleares	85,668.70	2.29	575	2.21
05 Canarias	236,963.32	6.35	2,269	8.76
06 Cantabria	54,123.55	1.45	887	3.41
07 Castilla-La Mancha	107,445.08	2.88	1,347	5.20
08 Castilla-León	165,240.83	4.43	2,028	7.83
09 Cataluña	650,980.08	17.46	3,855	14.89
10 Ceuta	295.79	0.00	9	0.03
11 Extremadura	45,880.96	1.23	665	2.56
12 Galicia	105,021.81	2.81	1,232	4.76
13 La Rioja	34,916.31	0.93	276	1.06
14 Madrid	919,175.06	24.66	3,221	12.44
15 Melilla	1,151.45	0.03	27	0.10
16 Murcia	104,979.77	2.81	676	2.61
17 Navarra	49,385.07	1.32	359	1.38
18 País Vasco	266,540.70	7.15	1,091	4.21
19 Valencia	272,289.49	7.30	2,152	8.33
<b>Total:</b>	<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>100</b>

**j) Default on Loan portfolio assigned by Santander.**

With respect to the Loans to be assigned to the Fund, Santander warrants that none of them will present outstanding payments on the Date of Incorporation of the Fund in excess of 30 days.

LATE PAYMENT OF INSTALMENTS				
Interval (days)	Outstanding Principal (thousand euros, except total, in euros)		Loans	
		%	no.	%
0 - 9	3,581,118.30	96.08	23,935	92.47
10 - 19	51,803.60	1.38	596	2.3
20 - 29	25,314.70	0.67	388	1.49
30 - 39	10,265.30	0.27	185	0.71
40 - 49	24,222.30	0.64	170	0.65
50 - 59	13,233.80	0.35	194	0.74
60 - 69	8,642.70	0.23	164	0.63
70 - 79	6,776.80	0.18	142	0.54
80 - 89	5,623.80	0.15	108	0.41
<b>Total:</b>	<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>100</b>

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**k) Loan payment frequency.**

<b>LOAN PAYMENT FREQUENCY</b>				
<b>Description</b>	<b>Outstanding Principal</b>		<b>Loans</b>	
	<b>(thousand euros, except total in euros)</b>	<b>%</b>	<b>no.</b>	<b>%</b>
Monthly	2,058,019.62	55.21	22,939	88.63%
Quarterly	1,247,855.53	33.48	1878	7.26%
Half yearly	359,307.59	9.64	964	3.72%
bi monthly	69.43	0	2	0.01%
Annually	57,210.85	1.53	95	0.37%
At its maturity	4,538.64	0.12	4	0.02%
<b>Total:</b>	<b>3,727,001,689.83</b>	<b>100</b>	<b>25,882</b>	<b>100</b>

**l) Grace Period**

The following charts show the Loans in which there exists a grace period as per principal repayment, as well as the termination period to it.

<b>Grace Period</b>	<b>Outstanding Principal</b>		<b>Loans</b>	
	<b>(euros)</b>	<b>%</b>	<b>N°</b>	<b>%</b>
With grace period	655,048,056.91	17.58	992	3.83
Without grace period	3,071,953,632.92	82.42	24,890	96.17
<b>Total general:</b>	<b>3,727,001,689.83</b>	<b>100.00</b>	<b>25,882</b>	<b>100.00</b>

<b>GRACE PERIOD</b>					
<b>Years</b>		<b>Outstanding Principal</b>		<b>Loans</b>	
		<b>(thousand euros)</b>	<b>%</b>	<b>Number</b>	<b>%</b>
2007	1 Quarter	13,340,420.00	2.04%	78	7.86%
	2 Quarter	144,434,305.72	22.05%	192	19.35%
	3 Quarter	77,068,967.62	11.77%	136	13.71%
2008	4 Quarter	91,624,296.12	13.99%	61	6.15%
	1 Quarter	70,815,533.21	10.81%	69	6.96%
	2 Quarter	63,374,901.87	9.67%	114	11.49%
2009	3 Quarter	52,279,601.80	7.98%	83	8.37%
	4 Quarter	12,426,150.68	1.90%	17	1.71%
	1 Quarter	16,790,000.00	2.56%	5	0.50%
2010	2 Quarter	300,000.00	0.05%	1	0.10%
	3 Quarter	2,741,927.00	0.42%	4	0.40%
	4 Quarter	453,250.00	0.07%	1	0.10%
2011	1 Quarter	49,564,219.05	7.57%	2	0.20%
	2 Quarter	12,102,843.84	1.85%	61	6.15%
	3 Quarter	24,209,831.84	3.70%	92	9.27%
2011	4 Quarter	7,589,475.11	1.16%	30	3.02%
	1 Quarter	8,925,228.05	1.36%	34	3.43%
	2 Quarter	2,882,105.00	0.44%	11	1.11%
2011	3 Quarter	4,125,000.00	0.63%	1	0.10%
	4 Quarter				
<b>Total general</b>		<b>655,048,056.91</b>	<b>100</b>	<b>992</b>	<b>100</b>
<b>Date of minimum grace period</b>			First Quarter 2007		
<b>Date of maximum grace period</b>			Fourth Quarter 2011		

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### **2.2.3 Legal nature of the Assets.**

The Assets subject to securitization through their assignment to the Fund are credit rights arising from Loans granted by Santander.

The Assets are classified, by virtue of the guarantee, as Assets deriving from Mortgage Loans formalized in public deed (i.e. secured by real property mortgage) and Assets deriving from Non-Mortgage Loans formalized in mercantile certificate supervised by a Notary Public (i.e. either unsecured or secured by signature guarantee).

The assignment of the Assets deriving from Non-Mortgage Loans is governed by Spanish common law currently in force, i.e. articles 1526 et seq. of the Spanish Civil Code.

With regard to the assignment of the Assets deriving from Mortgage Loans, Spanish common law is the law naturally applicable to the assignment, made by the issuance by Santander of the MTC's (each one representing a share of one hundred percent (100%) of the outstanding balance of the Assets deriving from Mortgage Loans to which they pertain for full subscription by the Fund accordance with Additional Provision 5 of Law 3/1994, per the wording given by article 18 of Law 44/2002; Law 2/1981, of March 25, of Regulation of the Mortgage Market; Royal Decree 685/1982, of March 17; and other regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities. The issuance, representation, transmission and registry of the MTC is detailed in section 3.3.a)2 of this Additional Building Block.

### **2.2.4 The expiration or maturity date(s) of the Assets.**

All of the Loans have a maturity date prior to September 26, 2046.

The Loans have an average maturity time of nine point thirty four (9.34) years.

### **2.2.5 Amount of the Assets.**

The Fund will be constituted with Loans that Santander will transfer to the Fund in the Deed of Incorporation and which principal will be equal or slightly higher than THIRTY THOUSAND FIVE HUNDRED MILLION EUROS (€3,500,000,000).

### **2.2.6 Loan to value ratio or level of collateralization.**

The ratio, expressed in percentage between the amount of principal pending redemption on April 18, 2007 and the appraisal value of the immovables mortgaged of the selected Mortgage Loans, was between 0% and 119.31%, being the average appraisal value 75.47%.

The following chart shows the distribution of Mortgage Loans in their different intervals.

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Interval	Outstanding principal		Loans	
	%	(thousand euros) except total in euros	%	n°
0	9.99	10,358.93	0.65	155
10	19.99	21,599.47	1.37	125
20	29.99	25,108.15	1.59	100
30	39.99	14,759.21	0.93	86
40	49.99	29,340.38	1.86	71
50	59.99	14,890.59	0.94	29
60	69.99	82,534.66	5.24	262
70	79.99	979,739.77	62.3	3356
80	89.99	186,459.40	11.85	379
90	99.99	128,542.21	8.17	385
100	119.99	79,091.94	5.02	186
<b>Total:</b>		<b>1,572,424,756.43</b>	<b>100</b>	<b>5,134.0</b>
				<b>0</b>
<b>Maximum outstanding principal:</b>			<b>Maximum ratio:</b>	119.31%
<b>Minimum outstanding principal:</b>			<b>Minimum ratio:</b>	0.00%
<b>Average outstanding principal:</b>			<b>Average ratio:</b>	75.47%

There is no over collateralization in the Fund, since the principal of the Loans that Santander will assign to the Fund at incorporation will be equal or slightly superior, to THREE THOUSAND FIVE HUNDRED MILLION EUROS (€3,500,000,000).

## 2.2.7 Description of the procedures established by Santander for formalization of loans the segment of companies and self-employed individuals .

The current risk policy followed by Santander for the formalization of loans and credits the segment of businesses and autonomous is the described following:

### a) Introduction: Model of risks at Santander.

The model of risks is based upon the following principles:

- a.1 **Segmentation:** Each kind of risk requires to be dealt with in a different manner, according with its features (different analysis methodology, systems and procedures). In order to achieve it, clients are segmented in two groups:
  - Companies, including micro enterprises, with group risks equal superior to FIVE HUNDRED THOUSAND EUROS (€500.000). Specific criteria for inclusion in the portfolio.
  - Rest of clients: Composed basically by self-employed individuals or account of other, and companies with group risks superior to FIVE HUNDRED THOUSAND EUROS (€500.000).
- a.2 **Integrity:** The risk is managed entirely from one Area. In this way, the three phases of the cycle (analysis, follow-up and recovery) are managed from Risk Credit Area. The two first phases from Risks and the third from Recoveries.
- a.3 **Autonomy:** The function of Risks is independent from the Commercial Network to whom gives support and service, collaborating to the achievement of goals.

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b) Criteria for inclusion in the portfolio.

In order to give individual treatment to the risks of the clients that for their features and amounts are deemed convenient, a cutoff is fixed from there on the analysis and follow-up function is performed by "specialized" analysts. This has the following consequences:

- b.1 Clients are treated, from the risk stand point, in the Companies Analysis Unit (CAU).
- b.2 Each client is managed by an analyst that has included in their pool of clients.
- b.3 The criteria followed to put in the portfolio the clients are:
  - That the economic-financial group (considered as one risk unit) has active operations with our entity with limitations or dedicated – that is greater than the two- for the amount equal or higher than FIVE HUNDRED THOUSAND EUROS (€500.000) (cutoff of portfolio criteria).
  - That the economic-financial group is capable of, in an ordinary relationship with Santander, to exceed the aforementioned amount cutoff.

c) Procedure for the inclusion in the portfolio. Risk for the SMEs included in the portfolio.

c.1 Phases of the risk.

In the life of the credit risk Santander makes the difference between the stages: admission, follow-up and charging/recovery:

1. Admissions: Corresponds to the stage that goes from the identification of the financing needs of the client up until the decision is made up on the proposed operation. In this phase the analyst, in collaboration with the client's commercial manager, analyzes all risk factors that Santander can run into and together decide within their faculties or, in the contrary case, propose to a higher instance of decision for the corresponding sanction to this risk.
2. Follow-up: This stage goes from the formalization of the risk operation by Santander and the client until the maturity or cancellation of the operation preceding to the Recovery Unit. During this phase the obligation of the responsible groups of risks is to control the evolution of the credit quality of debtor and of the collaterals therein, so that the operations are repaid without prejudices to Santander.
3. Collection: Once the maturity term of the operation has arrived and the ordinary collection does not happen, the risk becomes competency of the Recovery Unit, whose goal, as stated by its name, is to collect everything that is owed to the entity by any means admissible by Law.

c.2. Admission.

As stated before, the weight of this phase falls over the companies' anal in collaboration with the client's commercial manager. It is about doing individual analysis of the client/group to make a decision on the propos operation that minimizes the risks to be assumed by Santander.

In order to develop adequately this function the analyst works supporti him/her on different tasks and/or systems, among which we highlight:

1. Visits to client: Once or twice a year the analyst must visit the cli in order to get to know all circumstances that influence the cli businesses and activities, obtaining the economic-finan information and the corresponding clarifications when procedin future investment plans, etc.
2. Rating: It allows, through the valuation of six (6) areas, establishi a classification of the credit quality of the client, the analyz operation and its joint risk. This valuation system constitutes common framework and language in risk treatment a management at its different stages and at different levels o responsibility.
  - Client's rating: Expresses numerically, in a 1-9 scale, i capacity (in ascending order) to face their payme undertakings when the instrumental maturity, or in anticipated manner if Santanderso requires for any reason, at least the following next twelve (12) months.
  - Operations' rating: Determines the loss that probably w occur in an effective operation or to give a client a speci rating. As a consequence, this rating depends upon: the clien rating, the terms of the operation, the existing collaterals a the type/kind of product/risk.
  - Risk's rating: This indicates the expected loss of the total o client's risk. There are also other systems of rating specific i real state promoters and public institutions.
3. Faculties: In order to sanction the proposed risk for a client/gr there are different levels of decision, depending on the amount, t terms and collaterals of the operation. At the highest level it's t Executive Committee of Risks, that, apart from deciding c operations of its jurisdiction, delegates at other levels the decisi up until certain amounts and terms. These levels are: Commissi on Risks, of the Credit Risks Area and Commissions of tl Territorial Units of Risks.

The Territorial Commission on Risks is the maximum level decision at a territorial level. It can delegate decision powers to teams of risks (analysts, BAU Director, etc). For those operatio that exceed the limits assigned to the Territorial Commission Risks the Commission will take the operation up to the Credit Ris Area.

The Risks Commission of the Risks Credit Area decides within assigned powers, increasing the risk, when exceeding of delegated amounts, for its definitive sanction by the Executive Committee on Risks.

c.3 Follow-up.

Likewise the preceding phase (admissions), here the coordination between commercial management and risk management is basic, moreover when the good end of the operation depends to a high percentage on the evolution of the client's credit quality during the life of the operation. Here are also series of tasks and systems that allow a maximum management in this phase of the risk.

1. Signatures on Special Supervision (SSS): This risk management system allows to show and follow-up the credit quality of the client and its operations. The client's analysis performed, initially between the admission's analyst and the follow-up analyst, allows us to classify it either in ordinary or special supervision situation. When the signature is qualified as special supervision the policy to be followed and its risks must be indicated. Depending on the severity of the alerts, there are different rating levels.
2. Rating: The valuation system of the companies is that aforementioned (there's only this one to the entire Santanderan whichever stage of the risks) but it is applied not in the initial phase of the client's study and his/her operation, but during the whole life of it. In order to do so, certain criteria for reviewing the ranking are:
  - Twice a year, in all cases.
  - Four times a year, if the client is under special supervision.
  - When there is a signal of alert.
  - When new information is submitted (for example, new annual balances)
  - When the risk is reviewed with a client/group or a new operation is studied.

We remind however that there are also specific rating systems for companies whose activity is real state promotion and public institutions.

3. Risks' Review: In addition to the periodical reviews carried out by the admissions analyst and the follow-up in the territorial, reviews are developed at other higher levels, according to the risk amount assumed with the client/group. These dispatches are carried out between the Directions of Risks of the Territorial Units – Risks Credit Area or Executive Committee on Risks. In all cases the commercial manager of the client intervenes, participating of the decision on policy over risks issues to be followed with the client/group.



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- d) Procedure for the risk analysis for SMEs not included in portfolio.
- d.1 Introduction.
- Among this last section are the companies with risks lower to FIV HUNDRED THOUSAND EUROS (€500.000), including micro-enterpris
- d.2 Application for operation
- The office/manager processes the operation through the RETO applicati "Integral Proposal", the system identifies its remittal to the DOU wh exceeding the powe rs delegated in the Director of the Office, independen of the amount and whenever the signature has not been included in t portfolio.
- When an application for an operation for a client not included in a analysts pool but that for its volume of billing and/or risks level Santander could be capable of being included in the portfolio, tl office/manager of the client, before processing the proposal in tl application RETO, contacts the companies analyst, generally through t telephone, in order to determine the convenience or not of being included the portfolio and its treatment as client "in the portfolio", in that case t "Procedure for treatment of portfolio risks proposals".
- d.3 Capture and resolution of the operation by the analyst.
- Once the analysis is performed and through the section "report of t analyst", he/she states in the records the valuation that the operation is wo in his/her judgement, and later on in "resolution conditions" will proceed sanction the proposal, with the limitation of delegated powers by t Territorial Commission on Risks, up until certain amounts and terms, a depending on the type of operation. The analyst obtains other necessary d for the resolution of the proposal, through different corporate applicatio
1. Risk's Model:
    - Positions in the group (current balances, resources a applications)
    - Declared risks in the Information Risk Central of the Bank Spain.
    - Yield.
    - Data of the economic group (if that is the case).
  2. Risk's File:
    - Cancelled and effective Risk proposals.
  3. Negative reports:
    - RAI, ASNEF, etc. If it appears in the screen of interveni parties.
  4. Technical Risks

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5. Request for commercial reports (D&B, Informa) if proceeds, from the owner as well as from guarantor and enterprises related in case.

As long as the analyst is performing the different tasks, the system record signal in the corresponding and allows carrying out new tasks that were enabled before.

In case of requiring further information of documentation, the analyst contacts through telephone, email or whichever other way (depending on necessity) with the office and requests that information. He can also do "previous" through the same Integral Proposal. In this last case, the operation cannot be resolved neither modified until the reply from the office, being assigned to the analyst that has processed that "previous". In any case, Integral Proposal allows the analyst to resolve the operation on the four (4) days have elapsed without receiving reply to the "previous" from the office.

Administrative support receive the additional documentation that supports the operation, sent by the different offices (through internal mailbag or fax) and ask in the application the registry number that the analyst has assigned to the proposal to handle it. In case that the operation was not assigned, he/she proceeds to its assignation.

Once the four (4) days have elapsed from the reception in the unity with receiving from the office the required information, or when it is not complete, the analyst books the proposal "without effect", except for circumstances that could make advisable its stay.

The possible options for resolutions by the analysts are: approved, denied without effect.

- Approved: the analyst authorizes the operation.
- Denied: the operation does not fulfill the risk criteria established for authorization.
- Denied possible reconsideration: the operation could be authorized if its approach was modified, according to the analyst's indications
- Denied lack of clarifications: the DOU has not received the information or justification of the data included in the proposal.
- Without effect: when the approach of the operation is not correct or processing is incorrect.

Once the operation is resolved, the office can query the conditions for resolution, and in the case that is authorized, proceed to its booking and formalization.

#### d.4 Operations dealt with by ARENA/SCORING 70 (Business and SMEs)

In operations by legal entities, not included in analyst pools, or individuals for the development of their self-employment and/or business activities, the office has previously introduced in the Integral Proposal the "basic data of the proposal", such as the business identification and if that is the case

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balance statements (fundamental assets), VAT data and Registry verifications.

d.5 SCORING 70

Likewise for individuals this decision system, offers the chance that certain business operations and companies can authorize according to the powers of the office, that is, without them needing to be taken to the DOU for a decision. Among the answers that this tool offers, is the possibility of approving or denying, offering the alternative of sending it to DOU in which case the procedure is similar to the one defined previously for individuals.

DOUs Director controls daily operations without resolving by analysts DOU with the goal of decreasing to the maximum the possible stock pending proposals to be decided.

In case of loans or credits proposed with mortgage collateral over real estate located in Spain: once the risk is authorized, they are sent to the Mortgage Business Units so that they apply for the appraisal of the estate subject to the operation (in case that the client did not submit a recent appraisal by a homologated appraiser) and request for an updated Registry Note (if it was not sent with the application). Once both procedures are carried out, the maximum amount to concede depending on the appraised value and the nature of the mortgage property (first or second home, commercial premises) will be fixed and if there were any burdens they will be cancelled before registering our mortgage in order for our mortgage to be a first rank mortgage.

d.6 Formalization and payment of the loan.

Once the operation is authorized the system indicates it, so that the office captures the conditions and proceeds to formalize the loan, to which effect the office will coordinate the signature of the document of the agreement with the client and the attester, and once this procedure is finalized will proceed to pay the conceded amount to the client in the account open in the office. In case of having a mortgage collateral, in the same act of the signature an entry of presentation will be noted in the Property Registry in order to guarantee that our mortgage is duly registered.

**2.2.8 Representations and other warranties given to the Issuer in relation to the Assets**

Santander, as holder of the Loans from which the Assets subject to assignment to the Fund derive, represents and warrants to the Manager, for and on behalf of the Fund, and in relation to the Date of Incorporation of the Fund, the following:

**(a) Regarding Santander:**

- (1) That Santander is a credit institution duly incorporated under current Spanish law, and is registered with the Mercantile Registry of Santander.
- (2) That Santander's corporate bodies have validly adopted all necessary corporate resolutions for the assignment to the Fund of the Assets and in order to execute the Deed of Incorporation thereof and the Contracts.

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- (3) That Santander is empowered to participate in the Mortgage Market. A) Santander is empowered to grant all of the Loans whose Assets are assigned by virtue of the Deed of Incorporation.
- (4) That neither as at the date of the Prospectus, or at any time after incorporation, Santander has been subject to a situation of insolvency, creditors' proceedings, temporary receivership or bankruptcy.
- (5) That it has the annual financial statements relating to the last three closed fiscal years (2004, 2005 and 2006), duly audited and without reservation. The audited annual financial statements pertaining to the fiscal years closed at 31 December 2004, 2005 and 2006 have been already filed with the CNMV and the pertaining to fiscal year closed at 31 December 2004 and December 2005 have been filed with the Mercantile Registry. The annual financial statements pertaining to the fiscal year closed at 31 December 2006 are currently pending of approval by the general shareholders meeting of Santander.

**(b) Regarding the Assets:**

- (1) That the Assets exist, are valid and enforceable, in accordance with applicable law, all current legal provisions having been observed in the establishment thereof.
- (2) That the data included in the Deed of Incorporation and the Prospectus relation to the Assets accurately shall reflect their situation as at the portfolio selection and assignment dates respectively.
- (3) That as from the time of their granting or subrogation, as the case may be, the Assets have been and are being serviced by Santander in accordance with the customary procedures it has established.
- (4) That Santander has faithfully followed the risk granting policy applicable any time, in the granting of each and every one of the Loans.
- (5) That the Assets derive from bilateral loans granted by Santander to business or business individual with domicile in Spain, with the purpose of financing its corresponding economic activity or acquisition of immovable goods subscribed to his/her economic activity.
- (6) That the Assets are denominated and payable in euros and are guaranteed, in case of Assets deriving from Mortgage Loans, through immovable mortgage and, in case of Assets deriving from Non-Mortgage Loans, are guaranteed through personal guarantee.
- (7) That the Assets shall accrue interest at a fixed or variable rate referenced to a market index in any case, without a maximum or minimum limit being provided as to the applicable interest.
- (8) That all of the Assets have a maturity date on or before September 26, 2007.
- (9) That the Assets have been generated in the ordinary course of Santander's business.

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- (10) That Santander holds title to the Assets, free of liens and claims, Santander not having received any notice of claim or set-off prior to their assignment to the Fund.
- (11) That the payments of the Debtor deriving from the Loans are not subject any tax deduction or withholding.
- (12) That no impediment exists for the free assignment thereof to the Fund or, the event that the Debtor's consent is necessary, the said consent has been obtained.
- (13) That it constitutes a valid payment obligation binding upon the Debtor and is enforceable in accordance with its own terms.
- (14) That the payment of principal and interest equal instalments on the Assets made in the following manner: monthly, quarterly, half-yearly, annually upon maturity and there is no clause that allows of deferring payment of interest or principal (exception made of the grace period for the payment of principal that could exist initially).
- (15) That at least for a ninety seven per cent (97%) of the Assets, payment of principal and interest instalments takes place through direct bank debit by Santander generated automatically and authorized by the relevant Debtor at the time of formalizing the transaction. Payment of the instalments of principal and interests of the remaining Assets until reaching hundred percent (100%) of the Assets takes place through direct bank debit in other accounts open in other credit entities different to Santander.
- (16) That the Assets are governed by Spanish law.
- (17) That the Loans are fully disposed.
- (18) That no person holds any preferred right over the Fund with respect to the Assets.
- (19) That at the time of the Assignment, the Assets shall not have any payment outstanding for more than thirty (30) days.
- (20) That according to its internal records, none of the Loans corresponds to real estate promoters for the construction or rehabilitation of homes and/or commercial or industrial buildings destined to the sale.
- (21) That it has no knowledge of any of the Debtors being holder of any credit right vis-à-vis Santander granting the right to set-off against and which may adversely affect the Assets.
- (22) That, as at the issue date, it has not received any notice of pre-payment of the Loans, in whole or in part.
- (23) That at the time of the assignment, at least a forty percent (40 %) of the Loans will be formed by Mortgage Loans.
- (24) That according to its internal records, none of the Loans corresponds to financial leasing loans.

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- (25) That the guarantees for the Loans are valid and executable according to applicable legislation and there is no circumstance that will prevent execution.
  - (26) That has no knowledge of the existence of judicial proceedings or whichever kind regarding the Loans that could harm their validity or collectability.
  - (27) That the Assets are documented by private document or public deed or policy executed before a notary public, Santander, as applicable, keeping the first copy of the public deed or copy of the policy so notarized.
  - (28) That the Loans are clearly identified in the computer system of Santander from the moment of their granting or their subrogation in favour of Santander, and they have been and are subject of management, analysis and follow-up by Santander according to the common procedures that Santander has established.
  - (29) That at the time of the assignment of the Loans to the Fund, Debtors have paid a minimum of one (1) instalment.
  - (30) That at the time of the assignment of the Loans to the Fund, none of the Debtors is in an insolvency situation or insolvency proceedings ("concurso de acreedores").
  - (31) That in the time of the assignment the amount of the four (4) main Debtors will not be higher to the five point five percent (5.5 %) of the initial Outstanding Balance of the Assets.
  - (32) That in the time of the assignment the amount of the ten (10) main Debtors will not be higher to the ten point one percent (10.1%) of the initial Outstanding Balance of the Assets.
  - (33) That in the time of the assignment no Loan without mortgage guarantee with a maturity later than December 31, 2006 will be selected.
- (c) **Regarding the Mortgage Loans:**
- (1) That each one of the Mortgage Loans is secured by a real proper mortgage, without the mortgaged properties being subject to a prohibitions against disposal, conditions subsequent or any other restrictions on title.
  - (2) That all of the Mortgage Loans are formalized by public deed and all of the mortgages are duly established and recorded with the pertinent Proper Registries. The recording of the mortgaged properties is current and effective and without contradiction.
  - (3) That the Mortgage Loans are not instrumented via any type of registered order, or bearer securities.
  - (4) That the Mortgage Loans are not attached to the issuance of any mortgage bonds or mortgage units or participations.
  - (5) That the properties mortgaged by virtue of the Mortgage Loans are not subject to a situation of excluded assets for acceptance as security in accordance with article 31.1.d) of Royal Decree 685/1982, of March 1

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implementing certain aspects of Law 2/1981, of March 25, on Regulation of the Mortgage Market.

- (6) That the Mortgage Loans are not among the excluded credits of article 32 of Royal Decree 685/1982.
- (7) That copies of all of the mortgage deeds referring to the Mortgage Loans duly placed in the Santander's files, adequate for such purpose, at the disposal of the Manager, acting for and on behalf of the Fund, and all of the Mortgage Loans are clearly identified, both by means of machine-readable media as well as their deeds.
- (8) That it has no knowledge of the existence of litigation of any type in relation to the Mortgage Loans which may impair the validity thereof or which may lead to the application of article 1535 of the Spanish Civil Code, or of the existence of circumstances which may lead to the ineffectiveness of the contract for the acquisition of the property mortgaged as security for the Mortgage Loans.
- (9) That it has no knowledge of the existence of any circumstance which prevents foreclosure or enforcement of the mortgage guarantee.
- (10) All of the mortgaged homes have been previously appraised by entities duly empowered by Santander, the said appraisal is evidenced by the pertinent certificate of appraisal. Appraisals carried out fulfill all requirements established in the mortgage market legislation.
- (11) The mortgages are established on real state (and in cases of including buildings, they are build up and finished) belonging to the mortgagor in full simple and full title, Santander having no knowledge of any litigation over the title of the real state that could harm the mortgages.

**(d) In relation to the Mortgage Transfer Certificates:**

- (1) That the MTC's are issued in accordance with the provisions of (i) Law 2/1981, (ii) Royal Decree 685/1982, (iii) Royal Decree 1289/1991, (iv) Additional Provision Five of Law 3/1994, of April 14, as per the wording given by article 18 of Law 44/2002, of November 22, by virtue of which the current law in force applicable to mortgage units or participations is applied to the MTC's, as regards everything applicable thereto, and (v) other applicable regulations.
- (2) That the MTC's are issued for the same term which remains until the maturity of and for the same interest rate as each one of the Mortgage Loans to which they pertain.
- (3) That, on the issue date, the outstanding principal of each one of the Mortgage Loans is equivalent to the capital figure of the MTC to which it pertains.

**2.2.9 Substitution of the Assets.**

In the event that any of the Assets is affected by a hidden defect as a consequence of not meeting the requisites at the date of assignment to the Fund which those Assets must meet in order to be eligible for assignment to the Fund, and not conforming to the representation made to such effect by the Assignor to the Manager, reproduced under section 2.2.8 of the

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Additional Building Block, or as a consequence of not meeting on such date the characteristics reported by Santander to the Manager, the party becoming aware of such circumstance shall notify the other party in writing. Both parties, within the next ten (10) Business Days, shall proceed to cure such hidden defect or, if such hidden defect is not able to be rectified, they shall proceed with the substitution of the affected Asset with another Asset with a total outstanding balance slightly less than or equal to that of the Asset substituted, and that they must comply with the representations of the Assignor to the Manager under section 2.2.8, *supra* and be homogeneous as to residual term, interest rate and outstanding principal and, if that is the case, ranking of the mortgages and relationship between the principal pending reimbursement and the valor de tasación of the property mortgaged property, and quality of the guarantee, in such a manner that the financial equilibrium of the Fund and the rating of the Bonds are not affected by the substitution.

The substitution shall be carried out by means of the simultaneous termination of the assignment of the Asset affected by the hidden defect and the assignment to the Fund of the Asset(s) to replace it and that, for cases of Asset deriving of Mortgage Loans it will be carried out by cancelling the CTH affected and the issue of the Fund of the CTH that will substitute it (with the issuing by the Assignor of a new multiple title that will collect the number of CTH that exist at that date and that will be exchanged with that given at the Date of Incorporation or in the prior date of assignment and/or substitution) Santander shall reimburse the Fund for any unpaid amounts relating to the substituted Asset by credit thereof to the Cash Account. Furthermore, in the event that the Outstanding Balance of the substituted Asset(s) is slightly less than that of the Asset so substituted, Santander shall reimburse to the Fund the difference, taking into account the nominal value, the accrued interest and not due corresponding as well as whatever amounts not paid regarding the Asset, through credit thereof into the Cash Account on the relevant date.

In particular, the modification of the Assignor, during the life of the Loans, of the conditions without subjection to the limits established in the special legislation applicable and the agreed terms by and between the Fund and the Assignor in the Deed of Incorporation of the Fund and in the present Prospectus, in section 3.7.1 of the Additional Building Block, and therefore, absolutely exceptionally, would imply a default by the Assignor of their obligations that should not be borne by the Fund. With that default, the Fund, through the Manager, could (i) request the corresponding damages and (ii) request the substitution or reimbursement of the affected Assets, according to the provisions of the present section, without that meaning that the Assignor guarantees the good result of the transaction, but the necessary repair of the effects produced by the default of its obligation according to article 1.124 of the Civil Code. The Manager will report immediately to the CNMV the substitutions or redemption of Assets carried out as a consequence of the default by the Assignor. The costs caused by the actions to remedy the default of the Assignor will be borne by the Assignor, without possibility of passing it on to the Fund.

In the event that the substitution referred to above cannot take place or is not carried out within a period of ten (10) Business Days, the Manager shall terminate the assignment of the Asset affected by the hidden defect or shall redeem early the affected CTH. In such case Santander shall reimburse to the Fund the Outstanding Balance thereof, together with the interest accrued and not due, as well as any unpaid amounts relating to the said Asset, credit thereof into the Cash Account.

#### **2.2.10 Relevant Insurance Policies relating to the Loans.**



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The assets on which the mortgages have been established as security for the Mortgage Loans have been insured, as the case may be, in accordance with the provisions of Order ECO/805/2003, of March 27, on valuation rules for real estate assets and certain rights for certain financial purposes.

Data on concentration of the insurance companies are not included because the present status of the insurance policies contracted by the Obligors and their data are not supported or updated in Santander's automated databases. Notwithstanding the above, given the number of Mortgage Loans, their weight in the aggregate of selected Loans and the geographical distribution thereof as detailed under section 2.2.2 of this Additional Building Block to the Securities Note, any possible concentration of the insurance companies has not been deemed to be relevant to the operation.

**2.2.11 Information relating to Debtors in cases in which the Assets comprise obligations of five (5) or fewer Debtors that are legal persons, or where a Debtor accounts for twenty percent (20%) or more of the Assets, or where a Debtor accounts for a material portion of the Assets.**

Not applicable.

**2.2.12 Details of the relationship between the issuer, the guarantor and the Obligor if it is material to the issue.**

Material relations do not exist for the purpose of the Bond issue between the Fund, the Assignor, the Manager and other parties involved in the transaction other than as reflected under sections 5.2 and 7 of the Registration Document and 3.2 of this Additional Building Block.

**2.2.13 Where the Assets comprise fixed income securities, description of the principal conditions.**

Not applicable.

**2.2.14 Where the Assets comprise equity securities, description of the principal conditions.**

Not applicable.

**2.2.15 Where more than ten percent (10%) of the Assets comprise equity securities not traded on a regulated or equivalent market, description of the principal conditions.**

Not applicable.

**2.2.16 Where a material portion of the Assets are secured on or backed by real property, description of the valuation report relating to the property setting out both the valuation of the property and cash flow /income streams.**

The values of the assessments of the guaranteed immovable goods of the Mortgage Loans correspond to the assessments carried out by the entities of the granting and formalization of the Mortgage Loans.

**2.3 Assets actively managed backing the issue.**

Not applicable.

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**2.4 Where an issuer proposes to issue further securities backed by the same Assets and the issuer has made a prominent statement to that effect and description of how the holders of that class of securities should be informed.**

Not applicable.

**3. STRUCTURE AND CASH FLOW**

**3.1 Description of the structure of the transaction.**

By the current securitization transaction, Santander shall transfer the Assets. The Fund will acquire the Assets and will issue the Bonds. This transaction will be formalized by the Deed of Incorporation, that will be executed by the Manager for and on behalf of the Fund and Santander. This way, through the Deed of Incorporation of the Fund the following will take place:

- a) the assignment to the Fund of the Assets deriving from the Mortgage Loans and from the Non-Mortgage Loans;
- b) the issuance of Mortgage Issuance Certificates by Santander and the subscription of those by the Fund; and
- c) the issuance of thirty five thousand four hundred fifty five (35,455) Bonds distributed in eight (8) Bond Series A1, A2, A3, B, C, D, E and F.

A copy of the Deed of Incorporation shall be submitted to the CNMV, AIAF and Iberclear prior to the opening of the Bond Subscription Period.

On another subject, and in order to consolidate its financial structure and procure the greatest coverage possible for the risks inherent to the issue, the Manager, acting on behalf of the Fund, shall proceed to formalize, *inter alia*, the contracts established below, with the power, in order to comply with the Fund's operating structure in the terms contemplated in the regulations in force from time to time, to extend or modify such contracts, substitute each one of the providers of services to the Fund thereunder and, even, if necessary, enter into new contracts, subject to notice to the CNMV and, as the case may be, obtaining the pertinent authorization, provided that the rights of the bondholders are not thereby hampered and, in particular, provided that a decline in their rating does not take place.

The Manager shall formalize with Santander, among others, the following contracts:

- (i) Subordinated Loan Agreement, to be earmarked towards financing the Fund's incorporation expenses and Bond issue, and towards partially financing the acquisition of the Assets;
- (ii) Swap Agreement, as per the standard form contract ISDA 1992;
- (iii) Guaranteed Rate Reinvestment Agreement, by virtue of which Santander shall guarantee a variable yield on the amounts deposited by the Fund through the Manager into the Cash Account.

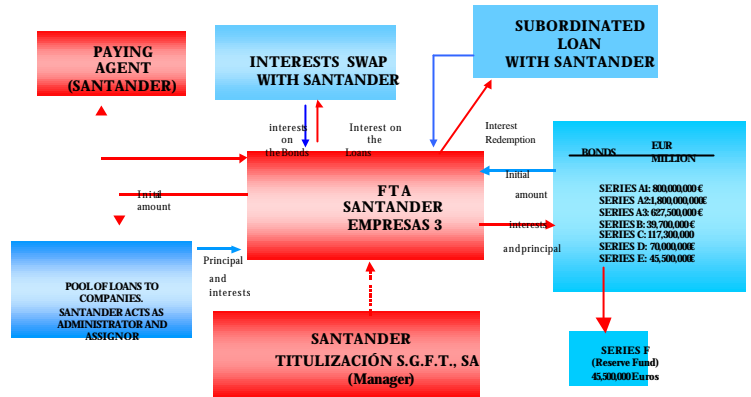
Furthermore, the Reserve Fund will be constituted against the funds obtained from the subscription and pay out of Series F Bonds, as detailed in section 3.4.2.2. of the current Additional Building Block.

Also, the Manager, for and on behalf of the Fund, will grant with the Underwriters and the Issue's Underwriting and Placement Agreement. The description of the agreements included in this section and in sections 4.1.b) and 5.2 of the Securities Note and 3.4.3.a), 3.4.4 a)

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3.4.7 of this Additional Building Block truthfully reflects the more important information contained in those agreements, no omission of data or information therein that is relevant to the investor.

The following includes a diagram explaining the transaction:



#### Initial Balance Sheet of the Fund

The Fund's Balance Sheet as at the close of the Pay-out Date shall be as follows

ASSETS		LIABILITIES	
Assets	3,500,000,000.00 €	BOND ISSUE	
		Series A1 Bonds	800,000
		Series A2 Bonds	1,800,000
		Series A3 Bonds	627,500
Cash Account	708.78 €	Series B Bonds	39,700
		Series D Bonds	117,300
Incorporation and issue Expenses	3,024,291.22 €	Series C Bonds	70,
		Series E Bonds	45,500
Reserve Fund	45,500,000.00 €	Series F Bonds	45,500
		Subordinated Loan	3,
<b>TOTAL:</b>	<b>3,548,525,000.00 €</b>	<b>TOTAL:</b>	<b>3,548,525,000.00 €</b>

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**3.2 Description of the entities participating in the issue and description of the functions to be performed by them.**

Description of the entities that participate in the issue and its roles is reflected under section 5.2 of the Registration Document and in section 3.1 of the Securities Note.

**3.3 Description of the method and of the date of sale, transfer, novation or assignment of the Assets.**

Santander will assign to the Fund at the Date of Incorporation the Assets which total principal is equal or slightly higher to THREE THOUSAND FIVE HUNDRED MILLION EUROS (€3,500,000,000).

**3.3.1. Assignment of the Assets.**

The assignment of the Assets shall be carried out by Santander at the time of the Fund incorporation, will be instrumented through the Deed of Incorporation and shall be carried out as determined below, differentiating between Assets deriving from Mortgage Loans and Assets deriving from Non-Mortgage Loans.

**a) Assignment of the Assets deriving from Non-Mortgage Loans:**

The assignment of the Assets deriving from Non-Mortgage Loans shall be carried out by virtue of the Deed of Incorporation, which shall contain the necessary terms for carrying out said assignment.

**b) Assignment of the Assets deriving from Mortgage Loans:**

The assignment of the Assets deriving from Mortgage Loans shall be carried out by virtue of the Deed of Incorporation, which shall contain the necessary terms for the issuance of Mortgage Transfer Certificates, in accordance with the provisions of Additional Provision Five of Law 3/1994, of April 14, as per the wording given by article 1 of Law 44/2002, by virtue of which current law in force applicable to mortgage units participations is applied to the issuance of MTC's, as regards everything applicable there for subscription by the Manager, on behalf of the Fund; Law 2/1981, of March 25, of Regulation of the Mortgage Market; Royal Decree 685/1982, of March 17; and other regulations in force from time to time, applicable to the transferability and acquisition of mortgage market securities.

Assignment of Mortgage Transfer Certificates (MTC) by the Assignor will be carried out by virtue of the Deed of Incorporation and under the following rules:

- (i) Each MTC shall represent a share of one hundred percent (100%) of the outstanding principal pending maturity on the Assets deriving from Mortgage Loans to which they pertain.
- (ii) The MTC's shall be represented in one multiple registered certificate, which shall contain the minimum mentions reflected under article 64 of Royal Decree 685/1982, as amended by Royal Decree 1289/1991, of August 2.

Both for the cases of having to carry out the substitution of any MTC, as well as in the event that the Manager, acting for and on behalf of the Fund, or Santander, may proceed with the foreclosure of a Mortgage Loan on which a given MTC has been issued, as well as if, the Early Liquidation of the Fund being applicable, in the case and under the conditions provided by section 4.4.c) of the Registration Document, the sale of the said MTC's must take place, the Assignor agrees to the fraction, as

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case may be, any multiple certificate into as many individual or global certificates may be necessary, to substitute it or to exchange it in order to achieve the aforementioned purposes.

- (iii) As established by Royal Decree 685/1982, the MTC's shall be transferable through a written declaration on the certificate itself and, in general, by any of the means admitted by Law. The transfer of the MTC and the address of the new holder shall be identified by the transferee to the Assignor.

The transferor shall not be liable for the solvency of the Assignor or of the Obligor of the Mortgage Loan, nor for the sufficiency of the mortgage it secures.

- (iv) The Assignor, as issuer of the MTC's, shall carry a special book to record the MTC's issued on each Mortgage Loan, as well as transfers thereof which are notified thereto, the provisions of article 53 of Royal Decree 685/1982 as regards registered certificates being applicable to the MTC's. The book itself shall reflect any changes of address notified by the holders of the MTC's to the Assignor.

The said book shall also reflect the following data:

- Opening and maturity date of the Mortgage Loan, initial amount thereof and form of settlement; and
- Registration details of the mortgage.

- (v) Given the nature of qualified investor of the Fund and the subscription by the latter of the MTC's, for the purpose of paragraph two, article 64.1 of Royal Decree 685/1982, the issuance of the MTC's shall not be subject to a marginal notation in each recording of the mortgage pertaining to each one of the Mortgage Loans at the Property Registry.

### **3.3.2. Terms and conditions of the assignment of the Assets.**

The assignment to the Fund of the Assets shall be carried out under the following conditions:

- (i) The assignment of the Assets shall comprise the entire principal, ordinary and default interest pending repayment on the Fund's Date of Incorporation.
- (ii) The assignment to the Fund of the Assets is full and unconditional and for the entire remaining term through maturity thereof.
- (iii) The assignment price of the Assets shall be at par, i.e. principal pending pay-off of the Assets pooled into the Fund on the Date of Incorporation.

The assignment price shall be paid in full prior to 2:00 p.m. (CET time) of the Payment Out Date, for value that same day. Payment shall be made by order given by the Manager to Santander in order that it proceed to debit the Cash Account open with Santander, in the name of the Fund, the amount of the price for acquisition of the Assets.

In the event that the incorporation of the Fund was terminated, and, consequently, the assignment of the Assets according to that provided in section 4.3.3 of the Registration Document (i) the payment obligation of the total price by the Fund of the assignment of the Assets, will be extinguished and (ii) the Manager will be obliged to reconstitute Santander in any of the rights that were raised in favor of the Fund of the assignment of the Assets.

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- (iv) The assignment of the Assets shall also comprise that of any in-rem or signatuar guarantees which have been established as security for each Asset and of the rights accessory thereto, as the rights or indemnizations that would correspond to the Assignor by virtue of any insurance agreement regarding the assets that, if that is the case, were mortgaged as guarantee of the Mortgage Loans.
- (v) Until the notice to the respective Debtor of the assignment of an Asset takes place, Santander shall exercise for and on behalf of the Fund any judicial action (including, as the case may be, those relating to the foreclosure or enforcement of guarantees) which apply against the said Debtor in relation to the Asset in question. Once such notice has taken place, the exercise of such actions shall be the responsibility of the Manager (or the representatives empowered by the latter for such purpose), acting for and on behalf of the Fund (except to that referred to in Mortgage Transfer Certificates, to which section 66 of Royal Decree 685/1999 applies, as described in section 3.4.5 of the current Additional Building Block).
- (vi) The Assignor shall not be liable for the solvency of the Debtors or for the sufficiency of the guarantees on the Assets.  

The Assignor shall only be liable for the existence and legitimacy of the Assets at the time of the assignment in the terms and conditions determined in the Prospectus as well as for the legal status under which it effects the assignment and for the representations reflected under section 2.2.8 of this Additional Building Block.
- (vii) In the exceptional event that a Debtor should place an objection to Santander's set-off against one of the Assets, Santander shall be liable to the Fund for the damages experienced by the latter as a result of the said exercise of the right to set-off by any of the Debtors, the Fund having to pay an amount equal to that which has been subject to set-off by the relevant Debtor plus, as the case may be, any interest accrued on the said amount as from the date on which the set-off took place (inclusive) through the date it is paid by Santander to the Fund (non-inclusive) calculated at the rate established in the relevant Asset.
- (viii) Without prejudice of that established in section 2.2.9 of this Additional Building Block, Santander shall not assume any repurchase obligation in respect of the Assets.
- (ix) The assignment of the Assets is subject to Spanish common law. In accordance with Spanish common law currently in force, the validity of the assignment of the Assets to the Fund on the part of the Assignor is subject to there not existing any impediment against the free assignment thereof to the Fund or, in the event that the Obligor's consent should be necessary, said consent has been obtained.

The notification of the assignment to the Obligors at the time of the assignment is not contemplated.

In accordance with article 1527 of the Spanish Civil Code, the Obligor that, prior to becoming aware of the assignment, pays the creditor, shall be released from the obligation. For this purpose, the Assignor shall notify (itself or through a notary public) the assignment, when necessary or required in accordance with the terms of the pertinent Asset, to the respective Obligors, within a period of twenty (20) Business Days following the formalization of the Deed of Incorporation, or at a subsequent time if so required by the Manager and, in any case, in the event of the insolvency of the Assignor. Once the assignment has been notified to the Obligor

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they are only discharged from their obligations through payment to the Fund. In accordance with article 1198 of the Spanish Civil Code, an Obligor who has consented to the assignment may not object to the Fund the set-off to which it would have been entitled vis-à-vis the Assignor.

Notwithstanding the above, in case of insolvency or signs thereto, intervention of the Bank of Spain, liquidation or substitution of the Administrator or because the Manager deems it reasonably appropriate, the Manager will be able to request the Administrator to notify the Debtors (and, if that is the case, the third guarantors of the relevant insurance companies) the assignment to the Fund of Assets pending payment, as well as the payments deriving from them will only have a freeing effect if they are carried out in the Cash Account opened to the name of the Fund. However, in case of the Administrator had not fulfilled notification to the Debtors and, if that is the case, to the third guarantors, within the three (3) Business Days following the reception of the request in case of insolvency proceedings or liquidation of the Administrator, the Manager will, directly or through a new Administrator appointed by the Manager, carry out the notification to the Debtors and, if that is the case, to third guarantors and the relevant insurance companies.

In the same manner and cases, the Manager will be able to request the Administrator to carry out all acts and fulfill any formalities required, including notifications to third parties and recordings with relevant accounting registries, to the goal of guaranteeing maximum efficiency of the assignment of the Assets and the access to the Assets. The Manager guarantees against third parties.

The Assignor will also grant the faculties more wide needed in Law to the Manager so that the Manager can, on behalf of the Fund, notify the assignment to the Debtors at the moment deemed appropriate.

The Assignor will bear the expenses of notification to the Debtors even for cases that the notification is carried out by the Manager.

### **3.3.3. Description of the rights which, in favor of their holder, are conferred by the Assets and the Loans backing them.**

The Fund, as holder of the Assets, shall hold the rights recognized to the assignee in article 1528 of the Spanish Civil Code.

Specifically, the Assets confer the following rights:

- a) All of the amounts accrued on the amortization of capital or principal of the Assets;
- b) All of the amounts accruing for ordinary interest on the Assets;
- c) All of the amounts to be accrued for default interest on the Assets;
- d) Any amounts or assets received through judicial foreclosure of the guarantees or, in the case of the Mortgage Loans, for the judicial or notary public foreclosure, for the disposal or exploitation of the real properties adjudicated to the Fund in foreclosure of the mortgage guarantees, or in administration and interim possession of the property (in a foreclosure process) up to the amount of the sums owed by the respective Obligor, acquisition at the price of the winning bid or amount determined by judicial resolution; and
- e) All possible rights or indemnities which may result in favor of Santander, including not only those deriving from the insurance contracts assigned by Santander to the Fund.

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Fund, if there are any, but also those deriving from any accessory right to the Assets.

The assignment of the Assets shall comprise the entire principal, ordinary and default interest pending repayment on the Fund's Date of Incorporation, that is, the assignment of the total Outstanding Balance of the Assets.

Fees deriving from the Assets assigned are not subject to assignment to the Fund. All of the rights mentioned above shall accrue in favor of the Fund as from the Date of Incorporation.

The rights of the Fund resulting from the Assets are tied to the payments made by the Obligors against the Loans and, therefore, are directly affected by the evolution, lateness, advance payment or any other incident in relation thereto.

### **3.4 An explanation of the flow of funds, including:**

#### **3.4.1 How the cash flow from the Assets will meet the issuer's obligations to holders of the securities.**

The amounts received by the Fund deriving from the Assets, shall be deposited by the Administrator into the Cash Account, and if that is the case, immediately in the Excess Funds Account, and in any case, before the forty eight hours (48) following the day at which they were received. Therefore, the Fund shall practically be receiving daily revenues into the Cash Account or in the Excess Funds Account.

The average weighted interest rate on the selected loans as at April 18, 2007, as detailed under section 2.2.2.1.e), *supra*, is 4.37 %, this being higher than the 4.20 %, which is the average weighted nominal rate on the Bonds which hypothetically have been assumed. Notwithstanding the above, the Swap mitigates the interest rate risk suffered by the Fund in the fact of having fixed and variable interest Loans with different reference indices and different adjustment periods, and settlement at the interest rates on the Bonds referenced to three-month Euribor, and with quarterly settlement and accrual periods, as well as the risk deriving from possible re-negotiations of the interest rates on the Loans which may eventually result in the novation thereof at a fixed interest rate.

Quarterly, at each Payment Date, payment to the Bondholders of the interests accrued and reimbursement of principal of the Bonds for each Series according to the terms established for each of them and the Order of Priority of Payments established in section 3.4.6.b) of the present Additional Building Block.

#### **3.4.2 Information on any credit enhancements.**

##### **3.4.2.1 Description of credit enhancements.**

In order to consolidate the financial structure of the Fund, to increase the security and regularity of payments, to cover temporary imbalance between the calendar of principal and interest flows of the Loans and the Bonds, or, in general to transform the financial features of the Bonds issued, as well as act as complementary to the management of the Fund, the Manager, on behalf of the Fund, at the moment of execution of the Deed of Incorporation, execute the following agreements and transactions, according to applicable legislation:

##### **3.4.2.2 Reserve Fund.**

###### **(i) Required Level:**



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- a) The Reserve Fund will be constituted initially with FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€ 45,500,000), equivalent amount to one point three per cent (1.3 %) of the initial amount of the Bonds for Series A1, A2, A3, B, C, D and E Bonds, and will be charged against the amount of Bonds Series F.
- b) The Required Level at each moment is detailed below:
  - (i) The Reserve Fund cannot decrease during the first three (3) years remaining fixed in its initial amount.
  - (ii) Once the Reserve Fund reaches two point sixty per cent (2.60%) of the Principal Balance Pending Payment on the Bonds for Series A1, A2, A3, B, C, D and E it will be able to decrease quarterly at each Payment Date, remaining at that percentage until the Reserve Fund reaches a minimum level equal to zero point sixty five (0.65%) of the initial balance of Series A1, A2, A3, B, C, D and E Bonds, that is, a Minimum Level of the Reserve Fund equal to TWENTY TWO MILLION SEVEN HUNDRED FIFTY THOUSAND EUROS (22,750,000)

The Required Level of the Reserve Fund may not be reduced if any of the following circumstances occurs:

- If the Reserve Fund has been used in any Payment Date, and as a consequence, it is at a lower level than the Required Level;
- If the percentage of Defaulting Loans over the Outstanding Balance of Non Failed Assets;
- If the percentage of Failed Loans over the initial amount of the Assets is higher than one per cent (1%).

**(ii) Use:**

The Reserve Fund shall be applied, on each Payment Date, towards performance of the payment obligations contained in the Order of Priority of Payments contained under section 3.4.6.(b), *infra* or, if the event happens, the Order of Priority of Payments for Liquidation provided in section 3.4.6.(d) following.

**(iii) Yield:**

The amount of this Reserve Fund will be paid in the Cash Account at the Payment Date, being subject to the Guaranteed Interest Rate Reinvestment Agreement subscribed with Santander in the terms described in section 3.4.4. of this Additional Building Block.

**3.4.3 Details of any subordinated debt finance.**

**a) Subordinated Loan Agreement.**

The Manager, acting for and on behalf of the Fund, shall enter into with Santander the Subordinated Loan Agreement, of a commercial nature, in the total amount of THREE MILLION TWENTY FIVE THOUSAND EUROS (€3,025,000), which shall be earmarked towards financing the Fund's incorporation expenses and the Bond issue, and towards partially financing the acquisition of the Assets.

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The amount of the Subordinated Loan shall be disbursed into the Cash Account on the Pay-out Date.

The loan shall accrue an annual nominal interest rate, determined quarterly for each Interest Accrual Period, which shall be that which results from adding together: (i) the Reference Interest Rate determined for the Bonds, and (ii) a spread of zero point five (0.50 %), which shall be paid only if the Fund has sufficient Available Funds in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block or, if the event happens, the Order of Priority of Payments for Liquidation provided in section 3.4.6.(d) of this Additional Building Block. Interest accrued, which shall be paid on a specified Payment Date shall be calculated by taking as a base: (i) the actual days existing in each Interest Accrual Period, and (ii) a year composed of three hundred sixty (360) days.

Interests accrued and not paid on a Payment Date shall accumulate, accruing interest at the same rate as the nominal interest on the Subordinated Loan, and shall be paid provided that the Fund has sufficient Available Funds and in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block, on the immediately following Payment Date or, if the event happens, on the date that the application of the Order of Priority of Payments for Liquidation provided in section 3.4.6.(d) of this Additional Building Block takes place.

The Subordinated Loan will be redeemed lineally and quarterly during the first three (3) years after the incorporation of the Fund and the Bond issue, with the exception made of the excess of Funds earmarked to cover the issuance expenses that will be redeemed early at the first Payment Date and all that provided that the Fund has sufficient Available Funds in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(d) of this Additional Building Block.

This loan, due its subordinated nature, shall be postponed in ranking with respect to several of the other creditors of the Fund in the terms provided by section 3.4.6.(b) of this Additional Building Block, or, if the event happens, the Order of Priority of Payments for Liquidation provided in section 3.4.6.(d) of this Additional Building Block including, but not only, the bondholders.

If, prior to the start of the Subscription Period, the Rating Agencies do not confirm as definitive any of the provisional ratings assigned, this circumstance will lead to the termination of the Subordinated Loan Agreement, with the exception made to the initial expenses for incorporation of the Fund and the Bond issue.

**b) Rules of subordination among the Bonds.**

**(i) Payment of interest:**

- The payment of interest accruing on the Series A1, A2 and A3 Bonds holds (i) third (3<sup>rd</sup>) place in the Order of Priority of Payments described under section 3.4.6.(b) of this Additional Building Block and (ii) the third (3<sup>rd</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.
- The payment of interest accruing on the Series B Bonds holds fourth (4<sup>th</sup>) place in the Order of Priority of Payments contemplated

under section 3.4.6.(b) of this Additional Building Block, except the case that the substitution provided for in section 3.4.6.(c) of this Additional Building Block took place, in which case it will hold ninth (9<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) and (ii) the fifth (5<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.

- The payment of interest accruing on the Series C Bonds holds fifth (5<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block except the case that the substitution provided for in section 3.4.6.(c) of this Additional Building Block took place, in which case it will hold tenth (10<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) and (ii) the seventh (7<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.
- The payment of interest accruing on the Series D Bonds holds sixth (6<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block except the case that the substitution provided for in section 3.4.6.(c) of this Additional Building Block took place, in which case it will hold eleventh (11<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) and (ii) the ninth (9<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.
- The payment of interest accruing on the Series E Bonds holds seventh (7<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block except in the case that the substitution provided for in section 3.4.6.(c) of this Additional Building Block took place, in which case it will hold twelfth (12<sup>th</sup>) place in the Order of Priority of Payments described in section 3.4.6.(b) and (ii) the eleventh (11<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.
- The payment of the Ordinary Part of the interests accruing on the Series F Bonds holds (i) fourteenth (14<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block and (ii) the thirteenth (13<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.
- The payment of the Extraordinary Part of the interests accruing on the Series F Bonds holds (i) twentieth (20<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block and (ii) the nineteenth (19<sup>th</sup>) place in the Order of Priority of Payments for Liquidation described in section 3.4.6.(d) of this Additional Building Block.

**(ii) Redemption of principal:**

The endowment of the withholding of the Accrued Redemption Amount of Bond Series A1, A2, A3, B, C, D and E holds eighth (8<sup>th</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block. The endowment of the withholding of the Accrued Redemption Amount of Bond Series F holds fifteenth (15<sup>th</sup>) place in the Order of Priority of Payments established in section 3.4.6.(b) of this Additional Building Block.

The redemption of principal on the Series A1, A2 and A3 Bonds holds fourth (4<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The redemption of principal on the Series B Bonds holds sixth (6<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The redemption of principal on the Series C Bonds holds eighth (8<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The redemption of principal on the Series D Bonds holds tenth (10<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The redemption of principal on the Series E Bonds holds twelfth (12<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The redemption of principal on the Bonds of the Series F holds fourteenth (14<sup>th</sup>) place in the Order of Priority of Payments for Liquidation contemplated under section 3.4.6.(d) of this Additional Building Block.

The foregoing is construed without prejudice to the special rules of redemption reflected under section 4.9.6.(c) of the Securities Note.

**3.4.4 An indication of any investment parameters for the investment of temporary liquid surpluses and description of the parties responsible for such investment.**

**3.4.4.1 Cash Account**

The Manager, acting for and on behalf of the Fund, and Santander, shall enter into a Guaranteed Rate Reinvestment Agreement by virtue of which Santander shall guarantee the yield on the amounts deposited by the Fund, through its Manager, into the Cash Account. Specifically, the Guaranteed Rate Reinvestment Agreement shall determine that the amounts received by the Fund, for:

- (i) principal and interest on the Assets;
- (ii) any other amounts which are received for a concept different to the payment of principal or ordinary and default interest on the Assets;
- (iii) amounts which constitute the Reserve Fund from time to time;

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- (iv) the amounts which, as the case may be, are paid to the Fund and derive from the Swap; and
- (v) the amounts of the returns obtained for the Cash Account balance, shall be deposited into the Cash Account.

In the Cash Account all payments and collections will be centralized during the whole life of the Fund.

In the Pay Out Date, the Cash Account will receive the effective amount for the payment of the subscription of the Bonds issue, net of commissions and the initial amount of the Subordinated Loan, and will pay the price of acquisition of the Assets transferred to Santander for its initial amount, and expenses of incorporation of the Fund.

Santander guarantees to the Fund, through its Manager, for each period of liquidation, an annual yield variable quarterly, with monthly liquidations and daily calculation of interest on the amounts deposited into the Cash Account, equal to the Reference Interest Rate of the Bonds in force the last day of each liquidation period.

The calculation of the yield of the balance of the Cash Account shall be carried out by taking the actual days between two liquidation dates of the Cash Account (that is, the liquidation period of the Cash Account) and by using as a base a year composed of three hundred sixty-five (365) days. Interest shall be settled monthly, the day 9 of each month in case that is not a Business Day, the Business Day immediately following.

Santander will not carry out any withholding in the interest liquidation of the Cash Account as established by section 59, paragraph k of Royal Decree 1777/2004. In the event that Santander carried out inappropriate withholdings, Santander agrees to pay to the Fund the same amounts that would correspond to the Fund if those withholdings did not take place.

To mere illustrative effects, for the first Interest Accrual Period (that is that elapses between the Pay Out Date (included) and July 16, 2007 (excluded)) the rate to be taken will be the result of the lineal interpolation between the interest rate EURIBOR one (1) month and interest rate EURIBOR two (2) months, fixed at 11.00 hours a.m. (Madrid time) of the Date of Incorporation, liquidating June 9 and July 9, 2007, and for the second Interest Accrual Period (that elapsing between July 16, 2007 (included) until October 16, 2007 (excluded)), the interest rate to be used will be EURIBOR three (3) months of the relevant Rate Setting Time, that is, July 12, 2007 liquidating days 9 August, September and October 2007.

In searching for the maximum yield for the balance of the Cash Account and, if that is the case, the balance of the Excess Funds Account, the Manager will be able to invest the balances of assets of fixed income in euros, provided that the yield net of fees and expenses are equal to or higher than the yield of the Cash Account and up until a maximum of the twenty per cent (20%) of the Principal Balance Pending on the Bonds. The fixed income assets subject to investment would have been issued by entities that have, as a minimum, ratings F1, A-1 and P-1 (as per Fitch, Standard & Poor's and Moody's ratings, respectively) provided that the period of the investment made is inferior to thirty (30) days or, in case of higher periods, of F1+, A-1+ and P-1 of the non-subordinated and non-guaranteed short term debt (as per Fitch, Standard & Poor's and Moody's ratings, respectively). In any event, the termination of those assets must be previous to the following Payment Date. In case that the assets in which the referred temporary investment are "repos" (transaction with an agreement of repurchase, regarding the purchase of a security with the undertaking to terminate it at a following date and at a price fixed previously and formalized in a

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agreement), the counterpart entity of the "repo" transaction must have a minimum rating A-1+ and F1+ and P-1 (as per Standard & Poor's, Fitch and Moody's short term ratings, respectively) for short term risks.

In the event that Santander's non subordinated and non guaranteed short-term debt should undergo, at any time during the life of the Bond issue, a decline in its rating below F-1, A-1 or P-1 (as per the rating scales of Fitch, Standard & Poor's and Moody's, respectively), the Manager shall have a maximum deadline of thirty (30) calendar days to be counted from the day that such situation takes place, to carry out, in name and on behalf of the Fund, any of the following actions:

- (i) to transfer the Fund's Cash Account to a bank whose non subordinated and non guaranteed short-term debt has a minimum rating of F-1, A-1 or P-1 (as per Fitch, Standard & Poor's and Moody's ratings, respectively) and the Manager shall contract the highest yield possible for the balance thereof, which may be different from the one contract with Santander. It shall be possible to transfer it back to Santander at a later time, when its non subordinated and non guaranteed short-term debt once again achieves the rating F-1, A-1 or P-1 (according to the aforesaid rating scales); or
- (ii) To obtain an unconditional and irrevocable first request bank guarantee from an entity whose non subordinated and non guaranteed short-term debt has a minimum rating of F1, A-1 and P-1 (as per Fitch, Standard & Poor's and Moody's ratings, respectively) and always subject to the prior notification to the Rating Agencies and subject to the guarantee criteria of Standard & Poor's. Such bank guarantee will guarantee to the Fund, by the sole request of the Manager, the punctual payment to Santander of its obligation of repayment of the amounts deposited in the Cash Account, during the time that the situation of loss of rating F1, A-1 or P-1 remains.

The Guaranteed Rate Investment Agreement softens partially the risk of temporary imbalance between revenues of the Fund in concept of principal and interests of diverse frequency and the redemption and interest payment of the Bonds, that of quarterly frequency.

Additionally and without prejudice of that set forth in the preceding paragraphs, in the event that the sum accumulated in the Cash Account at each moment, without taking into account the fixed income investments, exceeds twenty per cent (20%) of the Outstanding Balance of the Bonds and the non-subordinated and non-guaranteed short-term debt of Santander suffered, at any time of the life of the Bonds issue, a decrease in its rating below F-1 (as per rating scale for Fitch) or had an A-1 rating (as per Standard & Poor's scale); the Manager for the account of the Fund, shall open a new account at a bank with a rating of F1+, A-1 and P-1 (according to the rating scales of Fitch, Standard & Poor's and Moody's, respectively) (the "Excess Funds Account") into which all sums which exceed the aforementioned twenty per cent (20%) shall be deposited, contracting the maximum possible yield for its balances that will equal, at least, that contracted for the Cash Account and will have the same liquidation conditions as the Cash Account.

In the event that the new bank should forfeit the rating F-1+, A-1+ or P-1 (according to the rating scales of Fitch, Standard & Poor's and Moody's, respectively), the Manager shall have 30 days to find a new bank with the rating F-1+, A-1+ and P-1 (according to the rating

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scales of Fitch, Standard & Poor's and Moody's, respectively) and not to damage the rating assigned to the Bonds. The Manager shall notify Fitch, Standard & Poor's and Moody's with as much advance notice as possible as to the probability of this event occurring.

The Excess Funds Account, once created, will stay open during the entire life of the Fund although its balance changes as consequence of the trespass of funds deposited in it to the Cash Account at the Payment Dates in which the Funds Account has balance. The balance of the Excess Funds Account will include the accumulated excess of 20% in the Cash Account as well as the returns obtained as yield of said account.

### **3.4.5 How payments are collected in respect of the Assets.**

Santander, as collection manager, shall receive for the account of the Fund such sums of money as are paid by the Debtors as deriving from the Assets, both for principal or interest as well as any other concept assigned to the Fund, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a period not to exceed forty eight (48) hours.

Furthermore, Santander shall pay into the said Cash Account and within the above-mentioned deadline the amounts it receives, as the case may be, from the Debtors for the early redemption prepayment of the Assets.

Notwithstanding the above, in the event of a descent rating of the non subordinated and non guaranteed short term debt of the Administrator below F2 as per Fitch rating scale, that the quality of the rating of the Administrator could give way a descent of the rating given by the Rating Agencies to each of the Bond Series, the Manager, through written notice sent to the Administrator, will give instructions so that those amounts are to be paid in before into the Cash Account, that can even be at the immediately following day to the day in which they were received by the Administrator. Furthermore, in the event of descent of the rating of the non subordinated and non guaranteed short term debt of the Administrator below F2 as per Fitch rating scale, the Administrator shall constitute a cash escrow in favour of the Fund for a net amount that is in line with the Fitch criteria described in its report "Commingling Risk in Structured Finance Transactions: Servicer and Account Bank Criteria", of June 9, 2004.

#### **Powers and authorities of the holder of the Assets in case of breach by the Obligor of its obligations .**

Santander, as Administrator of the Assets, will apply the same diligence and procedure for claiming amounts due and not paid that it applies to the remaining loans of its portfolio.

#### **a) Executory action against the Debtors of the Assets.**

The Fund, as owner of the Assets, shall have all the legal actions inherent to the ownership of the Assets, pursuant to the regulations in force. Said action must be exercised by means of the proceedings of the relevant court procedure pursuant to the provisions of article 517 and following of the Civil Procedure Act.

For the above purposes, the Management Company shall grant in the act of granting of the Fund's Deed of Incorporation a power as broad and sufficient as legal actions necessary in favour of Santander so that the latter, acting through any of its attorneys sufficiently empowered for that purpose, may, for and on behalf of the Fund's Manager, demand from the debtor of any of the Assets payment of its debt and file a court action against the same, as well as other powers required to perform its duties as Administrator. These powers may also be granted in a different document than

the Deed of Incorporation or be extended if necessary for performance of said duties.

**b) Action against the Administrator.**

The Manager, acting for and on behalf of the Fund, shall be entitled to an action for enforcement against the Administrator for the maturities of the Assets for principal and interest, when the breach of the payment obligation for such concepts is no consequence of the non-payment by the Debtors of the Assets.

Furthermore, in the event that Santander does not perform the obligations described in the section 3.7.1 of this Additional Building Block, the Fund, through the Manager, shall be entitled to a declaratory action against Santander for breach of the aforesaid obligations regarding the Loans, all of which in accordance with the formalities contemplated for such proceeding by the Civil Procedure Act.

In the same manner and cases, the Manager can request the Administrator to carry out all actions and fulfil all necessary formalities, including notices to third parties and recoding in the relevant registries, in order to guarantee the maximum validity of the assignment of the Assets and the accessory guarantees against third parties.

The Assets having been cancelled, the Fund, through its Manager, shall preserve its rights against the Administrator until the performance of its obligations.

**c) Actions in case of non-payment of the Mortgage Loans.**

The Fund, through the Manager or through the Administrator, shall be entitled to file a suit against the Debtors who breach their payment obligations arising out of the Mortgage Loans. Said suit shall be brought through the formalities of the applicable judicial foreclosure proceeding as provided by articles 517 et seq. of the Civil Procedure Act.

In case of breach in the payment of principal or interest on a MTC as a consequence of the non-payment of the Debtor of the Mortgage Loan, the Manager, acting for and on behalf of the Fund, shall have the following powers and authorities as provided by article 66 of Royal Decree 1289/1991:

- (i) Compel the Assignor as Administrator to bring mortgage foreclosure;
- (ii) Appear with equal rights, with the Assignor, as the issuing entity of the MTC's, in the foreclosure brought by the latter against the Obligor appearing for such purpose at any foreclosure proceeding brought by the former;
- (iii) If the Assignor does not bring the proceeding within sixty (60) calendar days from the formal demand for payment of the debt dispatched through the service of a notary public, the Manager, acting for and on behalf of the Fund, shall have subsidiary standing to bring the mortgage action in respect of the Mortgage Loan, for both principal and interest, and the Assignor shall be obliged to issue a certification of the existing balance on the Mortgage Loan;
- (iv) In case of a stay in the proceeding brought by the Assignor, the Fund, duly represented by the Manager, as holder of the relevant MTC, may subrogate in the position of the former and following through with the foreclosure proceeding, with no need for the above-mentioned time period to transpire.



In the cases provided by paragraphs (iii) and (iv), the Manager, on behalf of the Fund, may request the competent Judge to bring or continue with the pertinent mortgage foreclosure proceeding, including with the lawsuit the original certificate of the MTC with its breakdown, the formal demand served by a notary public contemplated under section (iii), *supra*, and a recorder's certificate showing recording and survival of the mortgage, for the case of the MTC's, and the document attesting to the balance being claimed.

If legally necessary, and for the purpose of the provisions of articles 581.2 and 681 of the Civil Procedure Act, the Administrator, in the Deed of Incorporation shall grant an irrevocable Power of attorney, as ample and sufficient as is required by Law, in order that the Manager, acting for and on behalf of the Administrator may make a formal demand to the Mortgage Obligor of any of the Mortgage Loans served through a notary public, for payment of its debt.

The Fund, as holder of the MTC's, may also, through the Manager, appear with equal rights, with the Administrator, in the foreclosure proceeding and, in that regard may, in the terms provided by articles 691 et seq. of the Civil Procedure Act request adjudication of the mortgaged property in payment of its debt. The Manager shall proceed with the sale of the properties so awarded within the shortest timeframe possible, at arm's length market conditions.

The relevant costs and provisions of funds, as the case may be, in relation to the foreclosure proceedings indicated in this section, shall be for the account of the Fund.

#### 3.4.6 Origin and Application of Funds.

- (a) **Origin:** Available Funds calculated at the Determination Date prior to the Payment Date shall be the deposited amounts in the Cash Account or transferred to it from the Excess Fund Account, corresponding to the following concepts:
- (i) Amounts received for principal on the Assets in each preceding Determination Period to the Payment Date.
  - (ii) Interest collected on the Assets during each preceding Determination Period to the Payment Date (including, as the case may be, default interest).
  - (iii) The yield obtained during each Determination Period preceding the Payment Date coming from the reinvestment of the Reserve Fund as well as on the remaining amounts deposited into the Cash Account and, if such is the case, in the Excess Fund Account.
  - (iv) The Reserve Fund, in the terms of section 3.4.2. of this Additional Building Block.
  - (v) The net amount received by virtue of the terms of the Swap Agreement, described under section 3.4.7 of this Additional Building Block.
  - (vi) Any other amounts which the Fund may receive, including those which may result from the enforcement of the guarantees of the Loans, if they exist.
- (b) **Application:** The Manager, on behalf of the Fund, shall proceed to apply on each Payment Date (that is not the Legal Maturity Date, and neither when the Early Liquidation of the Fund takes place in the terms established in section 4.4.3.(1)

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the Registration Document) the amount of the Available Funds to the following payments and withholdings, in accordance with the Order of Priority of Payment described below:

1. Payment to the Manager for ordinary and extraordinary expenses of the Fund and of the periodic management commission and in the event of substitution of Santander as Administrator by a new entity that is not part of the consolidated group of Santander, of an administration commission in the event of substitution of Santander as Paying Agent by a new entity that is not part of the consolidated group of Santander, of an payment agency commission.
2. Payment to Santander of the net amount of the Swap according to that established in section 3.4.7. of this Additional Building Block, and only in the event of termination of the Swap for non compliance of the Fund (*Event of Default*, as defined by the Swap Agreement) or for it being the only payment affected by a case of early termination (*Termination Event*, as defined by the Swap Agreement), payment of the amounts to be satisfied by the Fund, that is the case, that corresponds the liquidation payment.
3. Payment of interest accruing on the Series A1, A2 and A3.
4. Payment of the interest accruing on the Series B Bonds, except for deferral of this payment to the ninth (9<sup>th</sup>) place in the order of priority of payment as described in section 3.4.6.c) of this Additional Building Block.
5. Payment of the interest accruing on the Series C Bonds, except for deferral of this payment to the tenth (10<sup>th</sup>) place in the order of priority of payment as described in section 3.4.6.c) of this Additional Building Block.
6. Payment of the interest accruing on the Series D Bonds, except for deferral of this payment to the eleventh (11<sup>th</sup>) place in the order of priority of payments as described in section 3.4.6.c) of this Additional Building Block.
7. Payment of the interest accruing on the Series E Bonds, except for deferral of this payment to the twelfth (12<sup>th</sup>) place in the order of priority of payments as described in section 3.4.6.c) of this Additional Building Block.
8. Withholding of the Accrued Redemption Amount of Bond Series A1, A2, A3, B, C, D and E, as per the order described under section 4.9.5 of the Securities Note.
9. Payment of the accrued interests for Series B Bonds when the deferral of payment from the fourth (4<sup>th</sup>) place in the order of priority according to section 3.4.6.c).
10. Payment of the accrued interests for Series C Bonds when the deferral of payment from the fifth (5<sup>th</sup>) place in the order of priority according to section 3.4.6.c).
11. Payment of the accrued interests for Series D Bonds when the deferral of payment from the sixth (6<sup>th</sup>) place in the order of priority according to section 3.4.6.c).

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12. Payment of the accrued interests for Series E Bonds when the deferral of payment from the seventh (7<sup>th</sup>) place in the order of priority according to section.
13. Withholding of the necessary amount to maintain the Reserve Fund at the required level at each time.
14. Payment of the Ordinary Part of interest accrued on the Series F Bonds.
15. Withholding of an amount equal to the Accrued Redemption Amount for Series F.
16. Payment of the amount for Swap termination, in any case, in case of the Santander's default, except in cases contemplated in point 2 of the Order of Priority of Payments.
17. Payment of interest accrued on the Subordinated Loan.
18. Redemption of the Subordinated Loan.
19. Payment to Santander of the management fee.
20. Payment of the Extraordinary Part of the interests of the Bonds Series (that being a variable amount equal to the excess of liquidity after satisfying the concepts that hold a preceding place in the Order of Priority of Payments).

**The expenses reflected in first place in the above Order of Priority of Payment are broken down into the following:**

The following are deemed ordinary expenses:

- Expenses deriving from the annual audits of the Fund's financial statements
- Expenses deriving from maintenance of the ratings of the eight (8) Bond Series;
- Expenses that could arise from the verification, recording and administrative authorizations of obliged compliance;
- Expenses related to the redemption of the Funds;
- Expenses related to any notices which, in accordance with the provisions of this Prospectus, must be given to the holders of Bonds in circulation;
- Expenses regarding the account registry of the Bonds for its representation through book entry, its admission to trade in AIAF and its maintenance
- Manager's fee that substitutes the current Manager, if that is the case;
- In general, any other expenses borne by the Manager, and arising out of work involving representation and management of the Fund.

The following are deemed extraordinary expenses:

- If that is the case, those expenses arising from the presentation and formalization of amendment to the Deed of Incorporation and its agreements, as well as for the celebration of additional agreements.

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- The necessary expenses in order to carry out the execution of the underlying Loans to the Assets.
- The corresponding reserve in order to pay the final expenses of termination and liquidation of administrative, fiscal or advertisement nature;
- In general, any other associated extraordinary expenses that were charged to the Fund or by the Manager in representation and on its behalf.

(c) **Exceptional rules of priority of payments for the account of the Fund:**

If the substitution of Santander as Administrator of the Loans should take place in favour of another entity not forming part of Santander's consolidated group, a 1 shall accrue in favour of the third party, new administrator, which shall go from holding 19<sup>th</sup> place to 1<sup>st</sup> place in the Order of Priority of Payments established under section 3.4.6.(b), *supra*.

The payment of interest on the Series B Bonds shall be postponed with respect to the Accrued Redemption Amount, occupying the ninth (9<sup>th</sup>) position in the Order of Priority of Payments, when on the Payment Date preceding the relevant Payment Date the accumulated Outstanding Balance of the Failed Loans without taking into account the recovered amount, from the incorporation of the Fund, were higher than the seven point eighty five (7.85%) of the Outstanding Balance of the Assets at the Date of Incorporation and provided that the total redemption of the Series A1, A2 and A3 Bonds did not take place and that it was not to happen at the relevant Payment Date.

The payment of interest on the Series C Bonds shall be postponed with respect to the withholding of the Accrued Redemption Amount, occupying the tenth (10<sup>th</sup>) position in the Order of Priority of Payments, when on the Payment Date preceding the relevant Payment Date the accumulated Outstanding Balance of the Failed Loans without taking into account the recovered amount, from the incorporation of the Fund, were higher than the six point five (6.50%) of the Outstanding Balance of the Assets at the Date of Incorporation and provided that the total redemption of the Series A1, A2, A3 and B Bonds did not take place and that it was not to happen at the relevant Payment Date.

The payment of interest on the Series D Bonds shall be postponed with respect to the withholding of the Accrued Redemption Amount, occupying the eleventh (11<sup>th</sup>) position in the Order of Priority of Payments, when on the Payment Date preceding the relevant Payment Date the accumulated Outstanding Balance of the Failed Loans without taking into account the recovered amount, from the incorporation of the Fund, were higher than the five point six (5.60%) of the Outstanding Balance of the Assets at the Date of Incorporation and provided that the total redemption of the Series A1, A2, A3, B and C Bonds did not take place and that it was not to happen at the relevant Payment Date.

The payment of interest on the Series E Bonds shall be postponed with respect to the withholding of the Accrued Redemption Amount, occupying the twelfth (12<sup>th</sup>) position in the Order of Priority of Payments, when on the Payment Date preceding the relevant Payment Date the accumulated Outstanding Balance of the Failed Loans without taking into account the recovered amount, from the incorporation of the Fund, were higher than the four point seven (4.70%) of the Outstanding Balance

the Assets at the Date of Incorporation and provided that the total redemption of Series A1, A2, A3, B, C and D Bonds did not take place and that it was not happen at the relevant Payment Date.

In the event that at a Payment Date, the Fund could not face the total or part payment of the accrued interests of the Bonds of any of the Series, according to the Order of Priority of Payments established in section 3.4.6.b) supra, the amounts that the bondholders had not received will be accumulated in the following Payment Date in which, according to the mentioned Order of Priority of Payments, the Fund has Available Funds sufficient for that, and in order of maturity in case that it was not possible to pay all of them for insufficient Available Funds. The amounts not paid of due interests will not accrue additional interests or defaulting interests and will not be accumulated to the Principal Balance Pending of the Bonds.

**(d) Order of Priority of Payments for Liquidation:**

The Manager will proceed to the liquidation of the Fund, when its liquidation takes place at the Legal Maturity Date or at the Payment Date in which takes place the Early Liquidation of the Fund, according to section 4.4.3.(3) of the Registration Document, through the application of the Available Funds for Liquidation in the following Order of Priority of Payments for Liquidation:

- 1°. Payment to the Manager for ordinary and extraordinary expenses of the Fund and the periodic management fee, and for cases of substitution of Santander as Administrator for a new entity that is not part of the consolidated group of Santander, of a management fee, and in the event of substitution of Santander as Paying Agent by a new entity that is not part of the consolidated group of Santander, of a payment agency fee.
- 2°. Payment to Santander of the Swap net amount according to that established in section 3.4.7. of this Additional Building Block, and only in the event of termination of the Swap for non compliance of the Fund (*Event of Default*, as defined by the Swap Agreement) or for it being the only party affected by a case of early termination (*Termination Event*, as defined by the Swap Agreement), payment of the amounts to be satisfied by the Fund, if that is the case, that corresponds to the liquidation payment.
- 3°. Payment of the interests accrued for Series A1, A2 and A3 Bonds.
- 4°. Redemption of principal of Series A1, A2 and A3 Bonds.
- 5°. Payment of the interests accrued for Series B Bonds.
- 6°. Redemption of principal of Series B Bonds.
- 7°. Payment of the interests accrued for Series C Bonds.
- 8°. Redemption of principal of Series C Bonds.
- 9°. Payment of the interests accrued for Series D Bonds.
- 10°. Redemption of principal of Series D Bonds.
- 11°. Payment of the interests accrued for Series E Bonds.
- 12°. Redemption of principal of Series E Bonds.
- 13°. Payment of the Ordinary Part of the interests accrued for Series F Bonds.

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- 14°. Redemption of principal of Series F Bonds.
- 15°. Payment of the amount due for the Swap termination, exception made cases established in point 2 above of the current Order of Priority Payments for Liquidation.
- 16°. Payment for interests accrued of the Subordinated Loan.
- 17°. Redemption of principal of the Subordinated Loan.
- 18°. Payment to Santander of the management fee.
- 19°. Payment of the Extraordinary Part of the interests accrued for Series Bonds (being a variable amount equal to the excess of liquidity after satisfying the concepts that hold a preceding position in this Order Priority of Payments for Liquidation).

The following will be Available Funds for Liquidation:

- a) The Available Funds; and
- b) The amounts that the Fund obtains for the sale of the remaining Assets and any other assets, if that is the case, for cases of Early Liquidation of the Fund according to the requirements established in section 4.4.3.(3) of the Registration Document.

#### **3.4.7 Details of other agreements on which interest and principal payments to the bondholders depend.**

The Manager shall enter into, acting for and on behalf of the Fund, with Santander Interests Swap agreement, as per standard form ISDA 1992, the most relevant terms which are described below.

The entering into of the Interests Swap Agreement responds to the need of mitigating the interest rate risk which takes place at the Fund due to the fact of having the Assets subject to fixed interest rates and variable interest rates with different reference indexes and different review periods and settlement periods for variable interest established for each one of the Bond Series issued against the Fund.

By means of the Interests Swap, the Fund will make payments to Santander, calculated at the interest rate of the Assets and, as counterpart, Santander shall make payments to the Fund, calculated on the average weighted Nominal Interest Rate of the Bond Series, all of which as described below:

**Party A:** The Fund, as represented by the Manager.

**Party B:** Santander or the counterpart, in case of substitution.

#### **Settlement Dates.**

The Settlement Dates shall coincide with the Bond Payment Dates, i.e. 16 January, April 16, July 16 and October 16, of each year or, if any of these dates is not a Business Day, the immediately following Business Day. The first Settlement Date shall be July 16, 2007.

#### **Settlement Periods.**

The Settlement Periods for Party A and for Party B are exactly the same, establishing such the days actually transpiring between two consecutive Determination Dates, including the first and excluding the last. By way of exception, the first Settlement Period for each

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party shall have a duration equivalent to the days actually transpiring between May 30, 2007 (inclusive), and the Determination Date immediately preceding the first Payment Date, that will be on July 16, 2007 (non-inclusive).

**Amounts to be paid by Party A.**

This will be, at each Settlement Date, the result of applying the Party A Interest Rate to the Notional of the Swap for Party A, adjusted to the number of days of the immediately previous Settlement Period (i.e. the same or equivalent to: number of days / 360).

**Party A Interest Rate.**

This will be, on each Settlement Date, the annual interest rate which results from dividing the sum of the interests received on the Assets and deposited to the Fund during the immediately previous Settlement Period, by (ii) the Notional of the Swap for Party A, all which multiplied by the result of dividing 360 between the number of days of the immediately previous Settlement Period.

**Notional of Swap for Party A.**

This will be at each Settlement Date, the Notional Balance of the Assets defined as the daily average during the immediately previous Settlement Period of the Outstanding Balance of the Assets which are not subject to lateness in the payments of amounts due by more than ninety (90) days.

**Amounts to be paid by Party B.**

This will be at each Settlement Date, the result of adding up (i) the amount resulting from applying the Party B Interest Rate to the Notional of the Swap for Party B, adjusted to the number of days elapsing from the prior Payment Date (i.e. the same or equivalent to number of days / 360) and (ii) the amount at the Settlement Date corresponding to the amount accrued in favour of the administrator of the Loans, only in the case of substitution of Santander as Manager of the Loans.

**Party B Interest Rate.**

This will be, at each Settlement Date, the annual interest rate which results from adding together (i) the Reference Interest Rate of the Bonds determined for the Interest Accrual Period that ends in the Settlement Date, plus (ii) the average margin on the Bonds of Series A1, A2, A3, B, C, D, and E (understood as the result of adding up the Principal Balance Pending Payment of each Bond Series multiplied by the margin of that Bond Series and all that divided by the Principal Balance Pending Payment of Bond Series A1, A2, A3, B, C, D and E) plus (ii) a zero point seventy five percent (0.65%).

**Notional of Swap for Party B.**

It will be at each Settlement Date the higher of: (i) the Notional Swap for Party A, and (ii) the Notional Adjusted to the Yield of the Assets.

The Notional Adjusted to the Yield of the Assets at each Settlement Date will be the lower of:

- (i) The sum of the ordinary interests perceived from the Assets and paid into the Fund during the immediately previous Settlement Period, divided upon the Interest Rate for Party B, multiplied by the result of dividing 360 between the number of days of the Settlement Period.

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- (ii) The Outstanding Balance of the Assets at the Settlement Date immediate preceding or, if that is the case, the Outstanding Balance of the Loans at the Incorporation Date of the Fund.

The possible notionals for Party B mentioned in the previous paragraph are as follows;

- a) Notional of the Swap for Party A. This notional is equal to the Notional Balance of the Assets defined as the daily average, during the immediately previous Settlement Period, of the Outstanding Balance of the Assets that have no arrears in the payments of amounts due for more than ninety (90) days.
- b) Interests perceived from the Assets and paid into the Fund during the immediately previous Settlement Period, divided upon the Interest Rate of Party B all that multiplied by the result of dividing 360 by the number of days of the Settlement Period.
- c) The Outstanding Balance of the Assets at the Date of Settlement immediate preceding, or if that is the case, for the first liquidation of the Swap, the Outstanding Balance of the Assets at the Date of Incorporation of the Fund.

**Eventual Scenarios:**

By definition, the notional described under paragraph c) preceding is always higher to the notional described under paragraph a).

**Scenario 1:** In the event that the notional described in paragraph b) is higher to the notional described in paragraph c), this would mean that the risk of the interest rate had not been materialized and at the same time that the defaulting rate of the portfolio is such that it will not affect the financial equilibrium of the Fund. In this case, Party B will pay to the Fund the Interest Rate of Party B over notional described under paragraph c). The net of the Swap in this case is positive for Party B.

**Scenario 2:** In the event that the value of notional described under paragraph a) and b) is higher to the notional described under paragraph c), this would mean that the defaulting rate of the portfolio is such that it affects the financial equilibrium of the Fund. In this case, Party B will pay to the Fund the interest rate for Party B over the notional described under b). The net of the Swap in this case will be equal to that described under paragraph b). The net of the Swap will be equal to zero.

**Scenario 3:** In the event that the notional described under paragraph b) was lower to the notional described under paragraph a), this would mean that the risk of interest has been materialized. In this case, the Party B will pay to the Fund the Interest Rate for Party B over the notional described under paragraph a). The net of the Swap in this case will be positive for Party A.

Since notional of the Swap is equal for Party A and Party B and the interest rate perceived by the Fund lower to the interest rate of Party B. Party B will pay to the Party A.



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#### **Events of Default of the Swap:**

In the event that on a Payment Date the Party A does not have sufficient Available Funds to make Payment of the entire net amount (in the event that the amount to be paid by Party A to Party B is greater than the amount to be paid by Party B and to be received by Party A), the portion of the net amount not paid shall accumulate and shall be settled on the next Payment Date on which the Party A has sufficient Available Funds in accordance with the Order of Priority of Payments set out in section 3.4.6.(B) of the Additional Building Block, in such manner that the Swap is not terminated.

If at a Payment Date Party B did not face its obligations of payment for the total net amount that had to pay to Party A, the Manager will be able to terminate the Swap, and if that is the case, Party B shall assume the payment obligation of the liquidation amount provided in the Swap Agreement. In this event, if the liquidation amount of the Swap corresponded to Party A, its payment will take place deferred according to the Order of Priority of Payments provided in section 3.4.6.(b) of the Additional Building Block.

The liquidation amount shall be calculated by the Manager, as calculation agent of the Swap, in function of the market value of the Swap.

#### **Actions in cases of changes to the Party B ratings**

(i) Moody's criteria

Party B will assume the following irrevocable covenants under the Swap Agreement:

- (i) If, at any time during the life of the Bonds issue, neither Party B nor any of its Guarantors has the First Level of Required Rating ("**Default of the First Level of Required Rating**"), Party B will carry out any of the following measures in the term of thirty (30) Business Days after the happening of such event:
- 1) Obtain a Substitute with the First Level of Required Rating (or else that the Substitute has a Guarantor with the First Level of Required Rating).
  - 2) Obtain a Guarantor with the First Level of Required Rating.
  - 3) Constitute a cash or securities escrow in favour of the Fund as an entity with a non guaranteed and non subordinated short term debt rating equal to P-1 as per Moody's rating scale, for an amount that does not have a negative impact in the rating of the Bonds by the Rating Agencies.
- (ii) If, at any time during the life of the Bonds issue, neither Party B nor any of its Guarantors has a Second Level of Required Rating ("**Default of Second Level of Required Rating**"), Party B, acting in a diligent manner, will try, at the shortest term possible, to:
- (A) obtain a Guarantor with the Second Level of Required Rating;
  - (B) obtain a Substitute with the Second Level of Required Rating (or else that the Substitute has a Guarantor with the Second Level of Required Rating).

As long as the alternatives described above are not carried out, Party B shall, in the term of thirty (30) Business Days from the happening of the Default of the Second

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Level of Required Rating, constitute a cash or securities escrow in favour of the Fund in an entity with a rating of its non guaranteed and non subordinated short term debt equal to P-1 as per Moody's rating scale, for an amount that has no impact in the rating of the Bonds for the Rating Agencies.

The obligations of Party B under sections (i) and (ii) above, as well as the causes of early termination derived from them, will only be in force while the causes that brought the Non compliance of the First Level of Rating or the Non compliance of the Second Level of Rating, respectively. The amount of the deposit that would have been made by Party B under sections (i) and (ii) above will be returned to Party B when the causes that brought the Non compliance of the First Level of Rating or the Non compliance of the Second Level of Rating stopped, respectively.

All the expenses, costs and taxes incurred because of the compliance of the obligations supra will be borne by Party B.

To the above effects, "**Guarantor**" means that entity that gives a guarantee that is unconditional, irrevocable and to first request with respect to the current and future obligations of Party B (the "**Guarantee**") and provided that (A) a law firm give a legal opinion confirming that none of the payments carried out by that entity to Party A under the Guarantee is subject to deductions or withholdings for or to the account of tax; or (B) the Guarantee determines that, if that deduction or withholding exists the payments carried out by that entity will be incremented in the necessary amount so that the net payment received by Party A is equal to that amount that Party B would have received if the deduction or the withholding did not exist and,

"**Substitute**" means, that entity that subrogates itself in the contractual position of Party B in the Swap Agreement or that subscribes a new interest finance exchange agreement with Party A, in substantially equal terms to the Swap Agreement (which shall be confirmed by Party A, acting in a diligent manner) and provided that (A) a law firm gives a legal opinion confirming that none of the payments carried out by that entity to Party A under the Guarantee is subject to deductions or withholdings for or to the account of tax; or (B) the Guarantee determines that, if that deduction or withholding exists, the payments carried out by that entity will be incremented in the necessary amount so that the net payment received by Party A is equal to that amount that Party A would have received if the deduction or the withholding did not exist. That entity, to all effects, will be deemed as Party B in the Swap Agreement or in the new interest finance exchange agreement to be subscribed.

An entity will have a "**First Level of Required Rating**" (A) in the event that such entity has a rating as per Moody's for its non guaranteed and non subordinated short term debt, if such rating is P -1 and the Moody's rating for its non guaranteed and non subordinated short term debt is equal or higher to A2, and (B) in the event that such entity does not have a Moody's rating for its non guaranteed and non subordinated short term debt, if the Moody's rating for its non guaranteed and non subordinated long term debt is equal or higher to A1.

An entity will have a "**Second Level of Required Rating**" (A) in the event that such entity has a rating as per Moody's for its non guaranteed and non subordinated short term debt, if such rating is equal or higher to P-2 and the Moody's rating for its non guaranteed and non subordinated short term debt is equal or higher to A3, and (B) in the event that such entity does not have a Moody's rating for its non guaranteed a

non subordinated short term debt, if the Moody's rating for its non guaranteed and non subordinated long term debt is equal or higher to A3.

(ii) Standard & Poor's criteria:

In the event that:

- (1) the non guaranteed and non subordinated short term debt of Party B (or whoever substitutes it) stops having a minimum rating of A-1 (or its equivalent) as per Standard & Poor's; and
- (2) if that is the case, the non guaranteed and non subordinated short term debt of Party B stops having a minimum rating of A-1 (or its equivalent) as per Standard & Poor's,

(both, the "**Required Ratings by Standard & Poor's**") being each of the previous events a "**Initial Event of the Rating**", Party B, in a 30 days term and at its own expense, shall adopt one of the following measures:

- (A) assign all its rights and obligations arising from the Swap Agreement (i) to a third entity that substitutes with the Required Ratings by Standard & Poor's or (ii) a third entity over which Standard & Poor's has confirmed that it would not be in an Initial Event of the Rating with the condition that such assignment does not bring along any requirement of withholding or deduction in concept or to the account of any tax; or
- (B) secure that a third entity guarantees jointly and severally the compliance with the obligations of Party B arising from the Swap Agreement, provided that such entity (i) has the Required Ratings by Standard & Poor's or (ii) Standard & Poor's has confirmed that same is not under an Initial Event of the Rating with the condition that such guarantee does not bring along any requirement of withholding or deduction in concept or to the account of any tax; or
- (C) carry out any other action that Standard & Poor's confirms to Party B that could remedy the Initial Event of the Rating of Standard & Poor's.
- (D) whilst the measures (iii)(A), (iii)(B) and (iii)(C) are pending compliance, Party B, at its own expense, within the 10 following days to the happening of the Initial Event of the Rating, shall constitute a guarantee in cash or securities in favour of Party A, for a calculates amount, among other factors in function of the Swap market, according to the criteria in force at that time publishes by Standard & Poor's.

(iii) Standard & Poor's criteria (continuation):

In the event that:

- (a) the non guaranteed and non subordinated short term debt of Party B (or substitute) and, if that is the case, any Guarantor of Party B, stops having a minimum rating of A-2 (or its equivalent) as per Standard & Poor's,
- (b) the non guaranteed and non subordinated long term debt of Party B (or substitute) and, if that is the case, any Guarantor of Party B, stops having a minimum rating of BBB- (or its equivalent) as per Standard & Poor's, or
- (c) the complete retirement of all ratings assigned to Party B by Standard & Poor's occurs.

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(being the above an "Event Following the Rating"), Party B, the soonest within a reasonable time, with the maximum diligence and in any event within the term of 10 business days from the Event Following the Rating and at its own expense, will carry out one or more of the following options (iv)(A) or (iv)(B) for the previous events:

- (A) assign all its rights and obligations arising from the Swap Agreement to (i) a third entity that substitutes it with the Required Ratings of Standard & Poor's or (ii) to a third entity over which Standard & Poor's has confirmed that it is not under a Event Following the Rating with the condition that such assignment does not bring along any requirement of withholding or deduction in concept to the account of any tax: or
- (B) secure that a third entity guarantees jointly and severally the compliance of the obligations of Party B arising from the Swap Agreement, provided that such third entity (i) has the Required Ratings by Standard & Poor's or (ii) Standard & Poor's has confirmed that same is not under an Event Following the Rating with the condition that such guarantee does not bring along any requirement of withholding or deduction in concept or to the account of any tax: or
- (C) whilst the measures (ii)(A) and (iii)(B) are pending compliance, Party B, at its own expense, within the 10 following days to the happening of the Event Following the Rating, shall constitute a guarantee in cash or in securities in favour of Party A, for a calculated amount, among other factors, in function of the Swap market, according to the criteria in force at that time published by Standard & Poor's.

To the effects provided in sections (ii) and (iii) supra, "Required Rating" means, with respect to the relevant entity, a minimum rating of its non guaranteed and non subordinated short term of A-1 by Standard & Poor's or any other rating that agreed upon by Standard & Poor's at each time.

(iv) Fitch criteria:

In the event that, at any time during the life of the Bond issue, a decrease of the non guaranteed and non subordinated short or long term rating of Santander under A or A+, respectively (as per short and long term scales rating of Fitch, respectively) in the maximum term of thirty (30) calendar days from the day that the notification of such circumstance took place, Party B shall opt among any of the following alternatives:

- (A) constitute a deposit of cash or of securities in favour of the Fund with an entity whose non guaranteed and non subordinated short term debt is at least at the Fitch rating scale, as guarantee of the compliance of the contractual obligations of Party B for a calculated amount, among other factors, in function of the market value of the Swap all of it subject to the terms and conditions considered by the Fund, represented by the Manager and the "Swap criteria" of the Rating Agencies in force at that time, in which the guidelines of quantifying of the amount of the mentioned deposit to the effect of maintaining the Bonds rating.

For the market value calculation actions will be taken according to Fitch criteria set in its report "Counterparty Risk in Structured Finance: Swap Criteria", 13 September 2004, or document or report by Fitch that could substitute it in the future, Party B making a proposal of a formula for the estimation of the Swap market value, among the fifteen (15) days following

the loss of A rating by Party B. If that formula was not validated by Fitch, the calculation of the market value an equivalent amount to the equivalent multiplying (i) 1,00% of the Principal Balance Pending Payment of the Loan by (ii) the average life of the Loans assuming a CAPR 0%;

- (B) that a third entity with its rating of on guaranteed and non subordinated short term and long term debt of at least A and F1 (as per long and short term rating scales of Fitch, respectively) guarantees the compliance of its contractual obligations;
  - (C) that a third entity with its rating of non guaranteed and non subordinated short term and long term debt of at least A and F1 (as per long and short term rating scales of Fitch, respectively), assumes its contractual position, terminating the Swap agreement with full legal effects. The new entity would subrogate its position in substitution of Party B, if this Swap was terminated, and all of it subject to the terms and conditions deemed appropriate by the Fund, represented by the Manager.
- (v) Fitch criterion (continuation):

In the event that a decrease in the rating of the non guaranteed and non subordinated short term debt of Party B below F2 (as per Fitch rating scale), the options (B) and (C) provided for in section (iv) supra would be the only viable in order to prevent a decrease in the rating given to the Bonds by the Rating Agencies, with the carryout of a deposit of cash or of securities provided for in paragraph (A) of section (iv) supra, from the day that any of such circumstances took place up until any of the options (B) or (C) mentioned was carried out in the maximum term of ten (10) calendar days.

Notwithstanding the above, option (A) of section (iv) supra will be equally viable provided that the calculations for the market value as well as the correct and punctual constitution of the deposit was verified weekly by an independent third party (at the expenses of such independent verification being borne by Party B).

In the event that Party B does not comply with its obligations established in sections (iv) and (v), the Manager, on behalf of the Fund, will be empowered to substitute Party B by other entity with the features established in section (iv) (B) supra.

- (vi) Any non-compliance by Party B to assign its position (according to section (i) (A)) to give guarantees of a third party (according to section (i) (B)) or non-compliance with its obligations under the Credit Guarantee Annex (according to section (i) (C)) will constitute an Additional Event of Early Termination, that would be deemed as taking place the 30 days following the last Default of the First Level of Rating with Party B, with Party B as sole Affected Party and the Swap Agreement between the Parties will be an Affected Transaction.

Any rejection of Party B to constitute a deposit (according to section (i) (3)) will constitute an Event of Default with respect to Party B, with Party B as sole Defaulting Party ("Event of Default" is a defined term in the frame agreement ISDA of the Swap Agreement and that grants to Defaulting Party the possibility of early termination of the Swap).

In all cases of early termination, Party B will bear the payment obligation of the liquidation amount provided for in the Swap Agreement. If the liquidation amount

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- the Swap was an obligation of the Fund (Party A) and not of Party B, its payment to the Fund (Party A) will be carried out according to the Order of Priority of Payments.
- (vii) In the event that more than one rating criteria affected Party B, the measures to be taken by Party B shall satisfy the rating criteria set forth above by Moody's, Standard & Poor's and Fitch.

All costs, expenses and taxes incurred on the performance of the above obligations shall be for the account of the Party B.

The occurrence, as the case may be, of the early termination of the Swap will not in itself constitute a cause for Early Termination of the Bond issue and early liquidation of the Fund unless in conjunction with other events or circumstances relating to the financial position of the Fund, a substantial or permanent alteration of its financial equilibrium occurred.

The Swap shall be terminated at law in the event that the Rating Agencies do not confirm prior to the start of the Subscription Period, as definitive, the ratings provisionally assigned to each one of the Series.

The Manager shall employ all means within its reach which are necessary for a Swap Agreement to exist and be in effect at all times.

The termination of the Swap Agreement will take place at the earlier Payment Date and on the following dates:

- (i) Legal Maturity Date, or
- (ii) The date that the Fund termination takes place, according with that provided in section 4.4.3 of the Registration Document, in which the liquidation of the Fund Assets has taken place and the remaining of the Fund and the distribution of all the Available Funds for Liquidation following the Order of Priority of Payments for Liquidation of the Fund.

#### **Additional Termination Events**

The early termination of the Swap will take place in the following cases:

- (i) Regarding Party A and Party B, when (a) a failure to pay the interests of the Series A1, A2 and A3 Bonds occurs and (b) the Manager reports, according to that provided in section 4.4.3. of the Registration Document, the termination of the Fund according to section 4.4.3.(1)(i) of the Registration Document. To these effects both parties will be Affected Parties, although to the calculation effects of the liquidation amount Party A will be the only affected party.
- (ii) When (a) more than 30 Business Days have elapsed from the last Default of the Second Level of Required Rating was not fulfilled and (b) when at least one Substitute that has made an irrevocable offer to subrogate as Party B according to that established in the Swap and/or at least one Guarantor that has a First Level of Required Rating and/or Second Level of Required Rating has made an irrevocable offer of guaranteeing all current and future obligations of Party B. Only Party A will be able to state the early termination of the Affected Transactions.

("Additional Termination Event" is a defined concept of the ISDA master agreement that will bring the termination of the Swap Agreement if the Manager decides so, in name and on behalf of the Fund (Party A) or Party B in cases established in paragraphs (i) and (ii) above)

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In such case of early termination, Party B will assume the obligation of payment of the liquidation amount provided for in the Swap Agreement. If the liquidation amount of the Swap Agreement was obligation of the Fund (Party A) and not of Party B, its payment by the Fund (Party A) will take place according to the Order of Priority of Payments or, if that is the case, with the Order of Priority of Payments for Liquidation.

### **3.5 Name, address and significant business activities of the Assignor.**

The Assignor of the Assets is Banco Santander Central Hispano, S.A.

The principal financial activities of Santander are those characteristic of any bank, in accordance with the specific nature of such entities and as established by law. In this regard, the following activities should, basically, be highlighted:

- Capture of funds (through demand savings passbooks, current accounts, term savings passbooks, mutual funds, pension plans, insured retirement plans, assignment of assets, issuance of securities, unit linked and annuities, *inter alia*);
- Financing activities, fundamentally through personal loans, mortgage loans, credit facility accounts, discounting of effects, bank guarantees and leasing, confirmations and factoring transactions;
- Provision of services, such as credit and debit cards, merchant payment systems, collection services, debit order services, transfers, asset management, currency exchange, etc.

The information that follows is the financial information selected by the Santander Group referring to December 31, 2006 as well as the audited at December 31, 2005 and a comparison among them.

The corresponding information to December 31, 2005 and December 31, 2007 in million euros has been prepared according with the International Rules of Financial Reporting under Regulation CE 1606/2002 and Circular 4/2004, in million euros.

The information corresponding to September 30, 2005, in million euros has been also elaborated, to comparative effects only according to the International Rules of Financial Reporting so that comparison between them is homogeneous.

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<b>GRUPO SANTANDER DATA</b>			
<b>BALANCE SHEET</b> (million euro)	<b>12/31/2006</b>	<b>12/31/2005</b>	<b>% v</b>
Total assets	833,873	809,107	3.1
Credit over clients (gross)	531,509	443,439	19.1
Clients resources in balance	576,419	528,041	9.1
Other client resources managed	167,124	152,846	9.1
Total client resources managed	743,543	680,887	9.1
Net assets	47,073	42,627	10.1
Stockholder equity (including profits not distributed)	40,062	35,841	11.1
<b>PROFIT AND LOSS ACCOUNT</b> (million euro)	<b>12/31/2006</b>	<b>12/31/2005</b>	
Intermediation margin	12,488	10,669	17.1
Basic margin (commercial)	20,436	17,772	14.1
Ordinary margin	22,615	19,333	16.1
Exploitation margin	11,369	8,909	27.1
Profit before taxes (ordinary)(*)	8,776	6,837	28.1
Profit before taxes (including extraordinary)	9,150	7,800	17.1
Profit attributed to the group (ordinary)(*)	6,582	5,212	26.1
Profit attributed to the group	7,596	6,220	22.1
(*): Not including net of increases of value and extraordinary cleansings			
<b>DATA PER SHARE AND MARKET VALUE</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Quotation	14.14	11.15	26.1
Market value (million euro)	88,436	69,735	26.1
Attributed profit (ordinary) by share	1.0534	0.8351	26.1
Diluted attributed profit (ordinary) by share	1.0477	0.832	25.1
Book value	6.41	5.73	11.1
PER (Price/profit attributed by share annualized; times)	13.42	13.35	0.1
P/V (Price/book value; times)	2.21	1.95	
<b>RELEVANT RATIOS (%)</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Exploitation margin/ATM	1.40	1.20	
ROE (ordinary) (Attributed Profit / Average stockholders equity)	18.54	16.64	
ROA (Net Profit/ Average total assets)	0.88	0.78	
RORWA (Net profit/ Average assets ponderated by risk)	1.6	1.51	
Efficiency ratio	43.45	47.47	
Efficiency ratio with redemptions	48.53	52.82	
Defaulting Rate	0.78	0.89	
Cover Rate	187.23	182.02	
<b>CAPITAL RATIOS (BIS REGULATION) (%)</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Total	12.49	12.94	
Core capital	5.91	6.05	
TIER I	7.42	7.88	
<b>ADDITIONAL INFORMATION</b>	<b>12/31/2006</b>	<b>12/31/2005</b>	
Number of shares (million)	6,254	6,254	
Number of shareholders (million)	2,310,846	2,443,831	
Number of employees	129,749	125,367	
Continental Europe	44,216	43,612	
United Kingdom (Abbey)	17,146	19,084	
Latin America	66,889	61,209	
Financial management and participations	1,498	1,462	
Number of offices	10,852	10,201	
Continental Europe	5,772	5,389	
United Kingdom (Abbey)	712	712	
Latin America	4,368	4,100	



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Santander's network of offices has 10,852 offices distributed all over the world, 2,800 of them located in Spain and the remaining, principally in three different geographical areas: Continental Europe, United Kingdom and Latin America.

**3.6 Return on and/or repayment of the securities linked to others which are not assets of the issuer.**

Not applicable.

**3.7 Administrator and responsibilities of the Manager as administrator.**

**3.7.1 Administrator.**

Santander, whose name, address and significant activities are detailed under section 3.1 *supra*, Assignor of the Assets, in accordance with the provisions of article 2.2 of Royal Decree 926/1998, is obliged to exercise custody and administration of the Assets, and the relations between Santander and the Fund being regulated by this Prospectus.

Santander shall accept the mandate received from the Manager and, by virtue of such mandate, agrees as follows:

- (i) To exercise administration and management of the Assets acquired by the Fund in accordance with the terms of the scheme and ordinary procedures of administration and management established in this Prospectus;
- (ii) To continue administering the Assets, dedicating the same time and attention as well as the same level of expertise, care and diligence in the administration thereof as that which it would devote and exercise for the administration of its own loans and, in any case, it shall exercise an adequate level of expertise, care and diligence providing the services contemplated in this Additional Building Block;
- (iii) That the procedures it applies and will apply for administration and management of the Assets are and will continue to be in accordance with the laws and legal rules in force which are applicable;
- (iv) To abide by the instructions given to it by the Manager, with due loyalty;
- (v) To indemnify the Fund for damages which may derive from the breach of its obligations assumed.

A succinct and summarized description of the scheme and of the ordinary procedures of administration and custody of the Assets is contained in the following sections.

**(1) Term of Duration.**

The services shall be rendered by Santander until, once all of the Assets have been redeemed, all of the obligations assumed by Santander in relation to said Assets have been cancelled, without prejudice to the possible early revocation of the mandate.

Both in case of breach by the Administrator of the obligations established in this Additional Building Block, as well as in the case of a decline in its credit rating, dissolution, liquidation, insolvency proceedings (*"concurso de acreedores"*) or intervention by the Bank of Spain so as to entail an impairment or risk for the financial structure of the Fund or for the rights and interest of the bondholders, the Manager may, if legally possible, carry out one of the following actions:

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- (i) Substitute the Administrator or formally request him to subcontract or be secured in the performance of said obligations by another entity which, in the judgement of the Manager, has the adequate legal and technical capacity, and provided that an adverse impact on the rating of the Bonds does not take place.
- (ii) If the above action is not possible, the Manager shall directly assume the rendering of the services.

The Manager shall bear in mind the proposals which the Administrator formulates to it both on the subcontracting, delegation or appointment of the substitute in the performance of its obligations, as well as on the entity which could guarantee the execution and enforcement thereof.

The Administrator, in turn, may voluntarily resign from carrying the administration and management of the Assets, if possible, in accordance with current law in force from time to time and provided that (i) it is authorized by the Manager, (ii) the Manager has appointed a new Administrator, (iii) the Administrator has indemnified the Fund for damages caused thereto by the resignation and substitution, in addition to the fact that any additional cost shall be its responsibility, not collecting therefore, from the Fund, and (iv) no adverse impact on the rating of the Bonds takes place.

**(2) Liability of Santander as to custody and administration.**

Santander agrees to act in the custody and administration of the Assets with all due diligence, and shall be liable to the Fund, through its Manager, for any damage which may arise from its negligence.

Santander shall indemnify the Fund, through its Manager, for any damage, loss or expense incurred as a consequence of the breach of its obligations relating to custody and/or administration of the Assets.

**(3) Liability of Santander in collection management.**

Santander agrees to act in the management of collections on the Loans, with all due diligence, and shall be liable to the Fund, through its Manager, for any damage which may derive from its negligence.

Santander does not howsoever assume any liability in directly or indirectly guaranteeing the successful conclusion of the transaction, nor will it guarantee or bank guarantees, or subject itself to repurchase agreements in respect of the Assets with the exception of those which do not conform to the representations of the Assignor contained under section 2.2.8 of this Additional Building Block.

**(4) Custody of contracts, deeds, documents and files.**

The Administrator shall maintain all contracts, copies of deeds, documents and database records related to the Assets and the damage insurance policies, as the case may be, under safe custody and shall not abandon the possession, custody or control thereof without the prior written consent of the Manager to such effect, unless a document is requested thereof in order to start proceedings for enforcement of an Asset.

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The Administrator shall reasonably provide access, at all times, to said contracts, deeds, documents and records, to the Manager or to the Fund's auditor, duly authorized by the latter. Furthermore, if so requested the Manager shall furnish within five (5) Business Days following the said request, free of charge, a copy photocopy of any of the said contracts, deeds and documents. The Administrator shall proceed in the same manner for cases of requests for information from the Fund's auditor.

The Administrator in any case waives the privileges granted to it by law in its capacity as collection manager of the Fund and custodian of the Loan agreement and, in particular, those provided by articles 1730 and 1780 of the Spanish Civil Code (relating to retention under pledge of property on deposit) and 276 of the Spanish Commercial Code (similar guarantee to retention under pledge of property on deposit).

**(5) Collection management.**

Santander, as collection manager, shall receive for the account of the Fund such amounts as are paid by the Debtors arising out of the Assets, both for principal interest, as well as any other concept including the insurance contracts assigned to the Fund, and shall proceed to deposit into the Cash Account the amounts which pertain to the Fund, immediately and, in any case, within a deadline not to exceed forty eight (48) hours.

Santander shall also pay into the Cash Account and in the mentioned term the perceived amounts, if that is the case, from the Debtors for the early redemption of the Assets.

Notwithstanding the above, in the event of a descent of the rating of the non guaranteed and non subordinated short term debt of the Administrator below F2 per the Fitch rating scales, or that the credit quality of the Administrator could give way to a descent of the ratings granted by the Rating Agencies of each of the Bo Series, the Manager, through a written notice addressed to the Administrator, will give instructions so that these amounts are paid in previously in the Cash Account that can even be at the immediately following day to the day in which they were received by the Administrator. Furthermore, in the event of a descent of the non guaranteed and non subordinated short term debt of the Administrator below F2 per Fitch rating scale, the Administrator shall constitute a cash escrow in favour of the Fund for a net amount that is in line with the Fitch criteria described in its report "Commingle Risk in Structured Finance Transactions: Servicer and Account Balance Criteria" of June 9, 2004.

**(6) Setting of interest rate.**

In the Loans subject to a variable interest rate, the Administrator shall continue setting said interest rates in accordance with the provisions of the relevant Loan agreement formulating any communications and notices which are established for such purpose in the respective contracts.

**(7) Advance of funds.**

Santander shall in no case advance any amount it has not first received from the Debtors as principal or instalment pending maturity, interest or finance charge prepayment, etc., as deriving from the Assets.

**(8) Insurance Policies.**

Santander shall use reasonable efforts to maintain in full force and effect the insurance policies subscribed, as the case may be, in relation to each one of the Loans, Santander being liable to the Fund for any damages caused thereto, in the event that the insurance policies are not kept in full force and effect. The Administrator is obliged to advance payment of any premiums which have not been paid by the Debtors, provided that it has knowledge of such circumstance, without prejudice to its right to obtain reimbursement from the Fund of the amounts so paid.

Santander, as Administrator, in the case of a claim, shall coordinate the actions for the collection of the indemnities on the insurance policies, as the case may be, in accordance with the terms and conditions of the Mortgage Loans and of the above mentioned insurance policies.

**(9) Reporting.**

The Administrator shall report periodically to the Manager on the degree of compliance by the Debtors with the obligations deriving from the Assets, the compliance by the Administrator with its obligation to deposit the amounts received as deriving from the Assets, and the actions carried out in case of default and sale of the immovable goods, and of the existence of any hidden defects in the Assets.

The Administrator shall prepare and submit to the Manager such additional information as, in relation to the Loans or the rights deriving therefrom, may be reasonably requested by the Manager.

**(10) Subrogation of the Debtor of the Assets.**

The Administrator shall be authorized to allow substitutions in the position of the Debtor in the Loan agreements, exclusively in cases in which the characteristics of the new Debtor are similar to those of the former one, and they meet the criteria for granting loans, as described under section 2.2.7 of this Additional Building Block and provided that the expenses deriving from this modification are paid in full by the Debtors. The Manager may totally restrict this power of the Administrator when such substitutions could adversely affect the ratings awarded to the Bonds by the Rating Agencies.

In any case, any subrogation made in accordance with the provisions of the above paragraph shall be immediately reported by the Administrator to the Manager.

In relation to the Mortgage Loans, the Debtor may request to the Administrator subrogation in the Mortgage Loans in accordance with the provisions of Law 2/1994. The subrogation of a new creditor in the Mortgage Loan and the consequent payment of the amount owed shall cause the prepayment of the Mortgage Loan and of the relevant MTC.

**(11) Powers and actions in relation to Loan re-negotiation processes.**

The Manager enables the Administrator on a general basis to carry out the negotiations, with or without prior consent, in the terms and conditions described below.

The Administrator may not voluntarily cancel the guarantees that of the Assets for cause other than payment of the Asset, waive or settle in respect of the latter

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abandon a claim on the Assets in whole or in part or extend them, nor in general carry out any act which diminishes the ranking, legal effectiveness or economic value of the guarantees or of the Assets, without prejudice to proceeding to serve other requests from the Debtors with the same diligence and procedure as if dealt with other loans.

In no case may the Administrator start by its own initiative, without a request from the Debtors, interest rate re-negotiations which may yield a decrease in the interest rate applicable to an Asset.

The Manager authorizes the Administrator to proceed with re-negotiation of the interest rate applicable to the Loans, as requested by the Obligors, pursuant to the following requisites:

- a) Administrator will renegotiate the interest rates of the Loans to a rate deemed, market – rate and that is not different from the interest rate that Administrator applies to the renegotiation of credits and loans conceded to him. To this regard, it will be deemed as market interest rate such as offered by the credit entities in the Spanish market to loans or credits of amount and conditions materially similar to that of the Loan.
- b) In no event the renegotiation of the applicable interest rate will have as a result the change to a variable interest rate or index different to the interest rates or indexes used by Administrator in credits and loans conceded by him. However, a renegotiation will be possible that has as a result the change from a variable interest rate to a fixed one or the change from a fixed interest rate to a variable taking into account in this last case, the restrictions provided for in section c) following.

Also, the renegotiation faculty recognized to Administrator in this section has the following restrictions:

- a) In no case may the Loan amount be increased.
- b) The frequency of Loan payments of the instalments may not be modified.
- c) The spread over EURIBOR below two per cent (2%).
- d) The extension of the maturity term of a specific Loan may be carried out provided that the following requisites are met:
  - The amount of the sum of capital or principal assigned to the Fund of the Loans over which the prolongation of the termination period occurs shall not be more than 10% of the Outstanding Balance of the Loans at the Date of Incorporation of the Fund.
  - That, in any event, the period between the instalments or the redemption of the principal of the Loan is kept or reduced at least maintaining the same system of redemption.
  - That at the new date of final termination or last redemption of the Loan is, to the maximum, the date of termination of the longest Loan.

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In any case, after any re-negotiation takes place in accordance with the provisions of this section, the Administrator shall proceed to immediately notify the Manager of the conditions resulting from each re-negotiation.

The Manager, on behalf of the Fund, may at in exceptional circumstances leave suspended or modify the authorization and the requisites for re-negotiation on the part of the Administrator, as reflected under this section.

In the event that the Administration does not comply with that provided for in this section regarding renegotiation of each of the Loans, the procedure of substitution established in section 2.2.9 of the Additional Building Block will be applicable to the corresponding Loan (without prejudice to the liability arising for the Administrator as to that circumstance).

**(12) Fee for provision of services.**

A fixed fee shall accrue in favour of Santander for its tasks involving administration of the Assets, of SIX THOUSAND EUROS (€6,000) per quarter, V.A.T. included on each Payment Date. If Santander is replaced as to its administrative tasks of the Assets by another entity not forming part of Santander's consolidated group, the substitute entity shall be entitled to receive an administration fee which shall have the first (1<sup>st</sup>) place in the Order of Priority of Payments contemplated under section 3.4.6.(b) of this Additional Building Block or, if that is the case, the place in the Order of Priority of Payments for Liquidation set forth in section 3.4.6.(d) *supra*.

If the Fund, through its Manager, does not pay on a Payment Date the entire fee because it lacks sufficient liquidity in the Cash Account, and if that is the case, the Excess Funds Account, in accordance with the Order of Priority of Payments contemplated under section 3.4.6.(b), any amounts not paid shall accumulate without penalty to the fee which must be paid on the next Payment Date, with payment thereof proceeding at that time.

On the other hand, Santander, on each Payment Date, shall be entitled to the reimbursement of all exceptional expenses incurred, subject to justification thereof to the Manager, in relation to the administration of the Assets. Said expenses shall include, *inter alia*, those caused by enforcement of the guarantees that, if that is the case, the sale of real state and, as the case may be, the sale of properties and shall be paid provided that the Fund has sufficient liquidity in the Cash Account and, if that is the case, the Excess Funds Account, in accordance with the provisions of section 3.4.6.(b) of this Additional Building Block in respect of the Order of Priority of Payments.

**(13) Notifications.**

The Manager and the Assignor have agreed not to notify the assignment to the relevant Debtors. To this effect, there is no requirement to the value of the assignment of the Loans nor to the issuance of the MTC.

However, the Assignor will give the most flexible faculties necessary by Law to the Manager so that it can, on behalf of the Fund, notify the assignment to the Debtors in the moment it deems more appropriate.

However, in case of bankruptcy proceedings or signs of it, Bank of Spain intervention, liquidation or substitution of the Administrator or because it is deemed reasonably justified by the Manager, the Manager can require the Administrator

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that it notifies the Debtors (and, if applicable, the third guarantors and the relevant insurance companies) the transmission to the Fund of the Loans which payment is pending, as well as that the payments derived from them will only have discharged effect if paid in the Cash Account opened in the name of the Fund. However, in the case that the Administrator did not notify to the Debtors within the three (3) Business Days following the reception of the requirement, as well as for the case of the bankruptcy of the Administrator, it will be the Manager directly the one to notify the Debtors (and, if applicable, the third guarantors and the relevant insurance companies). The Manager will give such notice in the shortest term possible.

The Assignor will assume the costs of notification to the Debtors even when such notifications are carried out by the Manager.

### 3.7.2 Manager

The administration and legal representation of the Fund is vested in the Manager, whose name, address and significant business activities are detailed under section 6 of the Registration Document in the terms provided by Royal Decree 926/1998, and of other applicable regulations.

The Manager, as manager of third-party businesses, is also responsible for the representation and defence of the interests of the bondholders and of the remaining ordinary creditors of the Fund. Consequently, the Manager shall at all times watch over the interests of the bondholders, conditioning its actions to the defence thereof and adhering to the provisions established by regulation for such purpose.

The actions which the Manager shall perform in order to comply with its duties of administration and legal representation of the Fund are, purely as a matter of illustration and without prejudice to other actions contemplated under this Additional Building Block, the following:

- (i) open in the name of the Fund the Cash Account, initially with Santander, as long as Santander's short-term debt rating does not descend from F-1, P-1 or A-1 (as per the scales of Fitch, Moody's and Standard & Poor's, respectively). Likewise, it will not open the Excess Funds Account in an entity different to Santander when the circumstances described in section 3.4.4. of the current Additional Building Block happen.
- (ii) Exercise the rights inherent to the holding of the Assets of the Fund and, in general, carry out all acts of administration and disposal as are necessary for the proper performance of the administration and legal representation of the Fund;
- (iii) Carry the financial servicing of the Assets with diligence and rigor, without prejudice to the duties of management assumed by the Assignor in its capacity as Administrator in accordance with the provisions of section 3.7.1, *supra*;
- (iv) Verify that the amount of income effectively received by the Fund corresponds to the amounts to be received by the Fund in accordance with the conditions of each Asset and the conditions of the various contracts;
- (v) Validate and control the information it receives from the Administrator regarding the Loans, both as regards collections of ordinary payments, prepayments of principal, payments received for unpaid payments and status and control of payments in default;

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- (vi) Calculate the available funds and movements of funds that it shall have to make once the application thereof has been carried out in accordance with the relevant order of priority of payments, ordering transfers of funds between the various asset and liability accounts and the applicable payment instructions, including those assigned to meet the financial servicing on the Bonds;
- (vii) Calculate and settle the amounts which, for interest and fees, must be received and paid by the various asset and liability financial accounts, as well as the fees to be paid for the various financial services arranged and the amounts which, for the repayment of principal and interest, pertain to each one of the Bond Series;
- (viii) In the event that the ratings on Santander's debt assigned by the Rating Agencies any time during the life of the Bonds, fall below the ratings established in the Reinvestment Guaranteed Interest Rate Agreement, Swap and Issue's Underwriting and Placement Agreement, in what refers to the condition of Santander as Payment Agent, carry out the actions regarding these agreements described under sections 3.4.4 and 3.4.7. of this Additional Building Block and section 5.2.a) of the Securities Note;
- (ix) Comply with its calculation obligations contemplated in this Additional Building Block and the Subordinated Loan Agreement, Guaranteed Interest Rate Reinvestment Agreement, and Swap Agreement which are described under sections 3.4.3, 3.4.4 and 3.4.7 of this Additional Building Block;
- (x) Monitor the actions of the Administrator for recovery of payments in default, giving instructions, when applicable, in order to bring an enforcement proceeding and that is the case, the stance to take in the auction sale of real state. Exercise the relevant actions when circumstances occur that require so;
- (xi) Carry the accounting of the Fund with due separation from the accounting of the Manager, perform a rendering of accounts and comply with the tax or other legal obligations which are the Fund's responsibility;
- (xii) Furnish the holders of the Bonds issued against the Fund, the CNMV and the Rating Agencies, such information and notices established by current law in force and especially, those contemplated in this Prospectus;
- (xiii) In order to allow the Fund's operations in the terms contemplated in the Prospectus and by current regulations in force from time to time, extend or modify the contracts it has executed on behalf of the Fund, substitute each one of the providers of services to the Fund by virtue thereof and, including, if necessary, enter into additional contracts, all of which subject to current law in force from time to time prior authorization, if necessary, from the CNMV or competent administrative bodies and notification thereof to the Rating Agencies, and provided that such actions do not yield a decrease in the rating on the Bonds and do not impair the interests of the bondholders. Any amendment to the Deed of Incorporation shall first be reported to the CNMV in order to obtain the pertinent authorization, and to the Rating Agencies.

To this effects, the Manager will provide to the Rating Agencies (sending the relevant information to the email address [london.cdosurveillance@derivatifitch.com](mailto:london.cdosurveillance@derivatifitch.com) to Fitch), within the month following to each Payment Date, information on the status of the Fund and the Assets, with the content and the form that is agreed upon the Manager and the Rating Agencies,



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order to give more transparency to the functioning of the Fund. It will also provide such information when it is so requested in a reasonable manner and, in any event, when a change in the conditions of the Fund, in the agreements carried out through the Manager and in the interested parties takes place;

- (xiv) Appoint and replace, as the case may be, the auditor that performs the audit on the Fund's annual financial statements;
- (xv) Prepare and submit to the CNMV and the competent bodies, all documents and information which must be submitted as established by current regulations in the Deed of Incorporation and this Prospectus, or requested thereof, as well as prepare and submit to the Rating Agencies any information they reasonably request thereof;
- (xvi) Adopt the appropriate decisions in relation to the liquidation of the Fund, including the decision for early termination of the Bond issue and liquidation of the Fund, in accordance with the provisions of this Prospectus;
- (xvii) Not carry out actions which could deteriorate the rating on the Bonds and procure the adoption of those measures which are reasonably in its reach in order that the rating on the Bonds is not adversely affected at any time;
- (xviii) Manage the Fund in such a manner that the net asset value thereof is always zero.

The Manager shall perform its activity with the diligence required thereof in accordance with Royal Decree 926/1998, representing the Fund and defending the interests of the bondholders and of the remaining creditors of the Fund as if dealing with its own interests, caring for the levels of diligence, reporting and defence of the interests of the former and avoiding situations which entail conflicts of interest, giving priority to the interests of the bondholders and to those of the remaining creditors of the Fund as opposed to those which are its own. The Manager shall be liable to the bondholders and remaining creditors of the Fund for all damages caused thereto by the breach of its obligations. Furthermore, it shall be liable as regards sanctions applicable thereto pursuant to the provisions of Law 19/1992.

The Manager has the necessary means, including adequate information systems, to carry out the duties of administration of the Fund attributed thereto by Royal Decree 926/1998.

The Manager has established a set of Internal Rules of Conduct in application of the provisions of Chapter II of Royal Decree 629/1993, of May 3, on rules of action in the securities markets and obligatory records, which has been reported to the CNMV.

The Manager may act as Manager of the Fund, as well as of any other securitization fund without the simultaneous management thereof constituting in any form whatsoever a violation of its obligations of diligence as Manager of the Fund or other securitization funds.

#### **Substitution of Manager**

The Manager shall be substituted in the administration and representation of the Fund in accordance with the provisions to be established by regulation for such purpose. Thus, in accordance with the provisions of articles 18 and 19 of Royal Decree 926/1998, the substitution of the Manager shall be carried out through the following procedure:

- (i) The Manager may resign from its duties when it deems pertinent and voluntarily request its substitution, by letter addressed to the CNMV reflecting the appointment of the substitute manager. Included with such letter shall be that of the new manager, duly authorized and registered as such in the special registries of the

CNMV, in which the latter declares it is willing to accept such duties and interested in the pertinent authorization. The resignation of the Manager at the appointment of a new company as manager of the Fund shall be approved by the CNMV. In no case may the Manager waive the exercise of its duties until all of the prerequisites and formalities for its substitution to be able to fully assume its duties, in relation to the Fund have been fulfilled. Nor may the Manager waive its duties due to the aforesaid substitution the rating awarded to any of the Bond Series issued against the Fund should decrease. All expenses generated as a consequence of such substitution shall be paid by the Manager itself, and may not be attributed, in any case, to the Fund.

- (ii) In the event of the occurrence in the Manager of any of the causes for dissolution contemplated under number 1 of article 260 of the Spanish Corporations Law ("*Ley de Sociedades Anónimas*"), the substitution of the Manager shall proceed. The occurrence of any of such causes shall be notified by the Manager to the CNMV. In this case, the Manager shall be obliged to comply with the provisions of section 4.4.3 *supra*, prior to its dissolution.
- (iii) In the event that the Manager is declared insolvent, or has its authorization revoked, a manager to replace it must be appointed. The substitution shall have to be made effective prior to four (4) months transpiring from the date on which the event determining the substitution took place. If, four (4) months from when the event determining the substitution took place have elapsed and the Manager has not appointed a new manager, the early liquidation of the Fund and the redemption of the Bonds shall proceed, for which the actions contemplated under section 4.4.3 of the Registration Document shall proceed.
- (iv) The substitution of the Manager and appointment of the new company, approved by the CNMV in accordance with the provisions of the above paragraphs, shall be reported to the Rating Agencies and shall be published, within a deadline of fifteen (15) days by legal notice in two nationally-circulated newspapers and in the bulletin of the AIAF.

The Manager is obliged to execute the public and private documents that are necessary in order to proceed with its substitution by another manager in accordance with the scheme provided in the above paragraphs of this section. The substituted manager shall be subrogated in the rights and obligations which, in relation to the Additional Building Block, are vested in the Manager. Furthermore, the Manager shall deliver to the new manager such documents and accounting and database records relating to the Fund as are in its possession.

**Scheme of remuneration in favour of the Manager for performance of its duties**

The Manager shall have a right:

- (i) to an structuration fee payable on the Pay-out Date on a lump-sum, one-off basis an amount equal to NINETY THOUSAND EUROS (€90,000); and
- (ii) on each Payment Date of the Bonds, to a periodic management fee equal to zero point zero nineteen percent (0.019%) per annum, with a minimum of SEVEN THOUSAND (€70,000) a year, to accrue on the actual days of each Interest Accrual Period, payable quarterly on each Payment Date, and calculated on the sum of the Principal Balance Pending Payment on the Bonds of all Series, starting at the Date of the Determination preceding the Payment Date in progress. The fee accrued

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from the Fund's Date of Incorporation through the first Payment Date of the Bonds shall be adjusted in proportion to the days transpiring between both dates, calculated on the face value of the Bonds issued.

The calculation of the periodic management fee, payable on a given Payment Date shall be made pursuant to the following formula:

$$A = B \times 0.019 \times \frac{d}{365 \times 100}$$

Where:

A = Fee payable on a given Payment Date.

B = Sum of Balances Pending Payment on the Bonds of all Series, on the Determination Date pertaining to that Payment Date.

d = Number of days transpiring during each Interest Accrual Period.

### **3.8 Name and address and brief description of any swap counterparties and any provider of other material forms of credit/liquidity enhancement or of accounts.**

Santander is the counterparty of the Fund in the contracts described below. A brief description of Santander is included under section 3.2 of this Additional Building Block.

#### **a) Guaranteed Rate Reinvestment Agreement.**

The Cash Account is initially open at Santander. Said account shall be maintained at Santander as long as Santander's short-term rating does not descend from F1, P-1 or A-1 (as per the scales of Fitch, Moody's and Standard & Poor's, respectively).

A description of the contract is reflected under section 3.4.4 of this Additional Building Block.

#### **b) Subordinated Loan Agreement.**

A description of the contract is reflected under section 3.4.3.a) of this Additional Building Block.

#### **c) Swap Agreement.**

A description of the contract is reflected under section 3.4.7 of this Additional Building Block.

## **4. POST ISSUANCE REPORTING**

### **4.1 Obligations and deadlines contemplated for the drawing up, auditing and approval of the annual financial statements and management report.**

The Manager shall present to the CNMV the Fund's annual financial statements, together with the auditors' report in respect thereof, within four (4) months following the close of the Fund's fiscal year which shall coincide with the calendar year (i.e. prior to April 30 of each year).

### **4.2 Obligations and deadlines contemplated for the placement at the disposal of the public and forwarding to the CNMV and the Rating Agencies of periodic information on the economic-financial status of the Fund.**

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#### 4.2.1- Ordinary periodic notifications.

The Manager, in its task involving management and administration of the Fund, agrees forward to the CNMV and to the Rating Agencies, with the utmost diligence possible quarterly or at any other moment that is required, the information described below or any other kind of information requested thereof, in relation to the Bonds of the seven (7) Series, the performance of the Assets, prepayments and the Fund's economic-financial position, irrespective of also making them aware of such additional information as may be requested thereof.

- a) Within a deadline between the Rate Setting Time and the three (3) Business Days following, by the latest, following each Payment Date, it shall proceed to notify the bondholders of the nominal interest rates resulting for each Bond Series for the following Interest Accrual Period.
- b) With advance notice of at least one (1) calendar day preceding each Payment Date it shall proceed to notify the bondholders of the following:
  - i. The resulting interest on the Bonds together with the redemption thereof;
  - ii. The Average Prepayment Rates of the Assets, as at the Determination Date;
  - iii. The residual average life of the Bonds calculated pursuant to the hypothesis of maintenance of said actual prepayment rate.
  - iv. The Principal Balance Pending Payment (after the redemption to be settled on each Payment Date) on each Bond, and the percentage which such Balance Pending Payment represents as to the total initial face amount of each Bond.
  - v. Outstanding Balance of the Assets, interest accrued, both collected and not collected in respect thereof and amount in default on the Assets.
  - vi. Report on the appropriateness and subsequent application of the Available Funds according to the Order of Priority of Payments contained in section 3.4.6.(b) of this Additional Building Block.

Furthermore, and if applicable, the bondholders shall be informed of the interest accruing on the Bonds and not paid and/or the Redemption Shortfall, due to the insufficiency of Available Funds.

Notices of these sections a) and b), shall be performed as provided by section 4.2 *infra*, and shall also be reported to Iberclear and AIAF within a maximum deadline of two (2) Business Days prior to each Payment Date (exception made of that being a holiday in Madrid, passing to next Business Day).

#### 4.2.2 Extraordinary Notices

The Fund, through its Manager, shall also report to the bondholders and the Rating Agencies, of any material fact which may occur in relation to the Assets, the Bonds, the Fund, and the Manager itself, which may considerably influence the trading of the Bonds and, in general, any relevant modification to the assets or liabilities of the Fund and any amendment to the Deed of Incorporation, and also as to an eventual decision of Early Redemption of the Bonds for any of the causes provided in the Prospectus, the attestations executed before a notary public concerning the liquidation and procedure referred to

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section 4.4.3 (3) of the Registration Document, shall be submitted to the CNMV in such case.

#### **4.2.3 Procedure**

Notices to bondholders which, as per the above, must be given by the Fund, through the Manager, shall be given as follows:

1. Ordinary periodic notices referred to under section 4.2.1., *supra*, by publication either in the AIAF daily bulletin, or any other which may come to replace it in the future or other of similar characteristics, or through publication in a widely circulated newspaper in Spain.
2. Extraordinary notices referred to under section 4.4.2., *supra*, by publication in widely-circulated newspaper in Spain.

In addition, the above notices may be given by publication in other general disseminated media.

These notices shall be deemed to be given on the date they are published. Any day of the calendar, whether a Business Day or Non-Business Day, can be suitable for this purpose (for purposes of this Prospectus).

#### **4.3 Reporting to Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores; CNMV).**

The Manager shall inform the CNMV of the information provided in the foregoing section as well as any information which, irrespective of the above, is requested thereof.

#### **4.4 Information to be furnished by Santander to the Manager**

In addition, Santander is obliged to inform the Manager, on behalf of the Fund, on a quarterly basis and, in any case, at the request thereof, of any non-payments, prepayments and modifications of interest rates and, punctually, of payment demands, judicial actions and any other circumstances which affect the Assets.

Furthermore, Santander shall furnish the Manager with all documentation requested thereof in relation to the said Loans and, especially, the necessary documentation from the start, as the case may be, of judicial actions by the Manager.

**Ignacio Ortega Gavara, for and on behalf of SANTANDER DE TITULIZACION, S.G.F.T., in his capacity of General Manager, hereby signs this Prospectus in Madrid, on May 24, 2007.**

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## DEFINITIONS

For adequate interpretation of this Prospectus, capitalized terms shall be construed in accordance with the definition given to each such term below, unless any other meaning is expressly attributed thereto. Any terms not expressly defined shall be construed in their natural and obvious sense according to the general usage thereof. Furthermore, it is stated for the record that terms in the singular shall include the plural and vice versa, whenever the context so requires.

The capitalized terms listed below shall have the following meaning:

**"Assets"**: Means the credit rights arising from the Loans granted by Santander and which are subject to assignment to the Fund.

**"Failed Assets"**: Means the Assets that Santander finds that it will not recover or that, at a given date are in default for a period equal or higher to twelve (12) months of delay in the payment of their debits due.

**"Non Failed Assets"**: Means the Assets not qualified as Failed Assets.

**"Administrator"**: Means Banco Santander Central Hispano, S.A. (exception made in case of substitution in the condition of administrator of the Loans, that being the case, it will be the substitute entity).

**"Rating Agencies"**: Means, collectively, Fitch, Moody's and Standard & Poor's.

**"Paying Agent"**: Means Banco Santander Central Hispano, S.A.

**"AIAF"**: Means AIAF, Mercado de Renta Fija (*AIAF Fixed Income Securities Market*).

**"Early Redemption"**: Means the redemption of the Bonds at a preceding date to the Legal Maturity Date in the cases for Early Liquidation of the Fund according to the requirements provided for in section 4.4.3.(3) of the Registration Document.

**"Bonds"**: Means the securitization bonds issued against the Fund.

**"Accrued Redemption Amount"**: Means, at each Payment Date, the difference (if positive) between (i) the sum of the Principal Balance Pending Payment on the Series A, B, C, D and E Bonds on the Determination Date prior to each Payment Date and (ii) the Outstanding Balance of the Failed Assets on that date.

**"Accrued Redemption Amount for Series F"**: Means the positive difference between the Principal Balance Pending Payment on the Series F Bonds on the Determination Date preceding to the relevant Payment Date and the amount of the Reserve Fund required at the relevant Payment Date.

**"Assignor"**: Means Banco Santander Central Hispano, S.A.

**"Mortgage Transfer Certificates" or "MTC"**: Means the mortgage transfer certificates to be issued by Santander in accordance with section 3.3.a)2) of the Additional Building Block.

**"CET"**: Means "Central European Time".

**"Circular 4/2004"**: Means the Circular of the Bank of Spain 4/2004, 22 December, to regulate the entities, on rules of financial public and reserved information and models of financial statements.

**"CNMV"**: Means Comisión Nacional del Mercado de Valores (*Spanish Securities Market Commission*).

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**"Issue's Underwriting and Placement Agreement"**: Means the underwriting and placement agreement of the Bond issue to be entered into by the Manager, for and on behalf of the Fund, and the Underwriters, that also establishes the obligations and responsibilities of Santander as Paying Agent.

**"Subordinated Loan Agreement"**: Means the subordinated loan agreement in the amount of THREE MILLION TWENTY FIVE THOUSAND EUROS (€3,025,000) to be entered into by the Manager, for and on behalf of the Fund, and Santander, to be earmarked towards financing the expenses related to incorporation of the Fund and issuance of the Bonds, partially financing the acquisition of the Assets.

**"Guaranteed Rate Reinvestment Agreement"**: Means the guaranteed interest rate reinvestment agreement in respect of the Cash Account, and if that is the case, the Excess Funds Account, to be entered into by the Manager, acting for and on behalf of the Fund, and Santander, where Santander will guarantee a variable yield on the amounts deposited by the Fund (through the Manager) into the Cash Account.

**"Swap Agreement"; "Swap"**: Means the interest rate swap agreement, as per the Framework Agreement of Financial Transactions standard form Agreement, to be entered into by the Manager acting for and on behalf of the Fund, and Santander.

**"Excess Funds Account"**: Means the account to be opened at another bank not Santander which meets the ratings established by the Rating Agencies, in the name of the Fund, by the Manager, in which all amount which exceeds twenty percent (20%) of the Principal Balance Pending Payment of the Bonds accumulated in the Cash Account shall be deposited.

**"Cash Account"**: Means the account to be opened at Santander in the name of the Fund, by the Manager, the operational aspects of which shall be the object of the Guaranteed Rate Reinvestment Agreement.

**"Redemption Shortfall"**: Means at each Payment Date, the difference, if any, between the Accrued Redemption Amount and the remaining of the Available Funds once deducted the amounts applicable to the concepts of point 1 to 7 of the Order of Priority of Payments provided for in section 3.4.6 of the Additional Building Block.

**"Debtors"**: Means the companies and the self-employed individuals, having their domicile in Spain, to whom Santander has granted the Loans from which the Assets subject to securitization derive.

**"Business Day"**: Means any day except:

- (i) Saturday;
- (ii) Sunday;
- (iii) holiday as per the TARGET calendar (for the sole purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period). It includes, apart from the dates recognized in sections (i) and (ii), *supra*, January 1, Good Friday, Easter Monday, May 1, December 25 and December 26; and
- (iv) holiday in Madrid (for the purpose of determining the Nominal Interest Rate applicable for each Interest Accrual Period and for the remaining conditions of the issue).

**"Commercial Banking Division of Santander"**: Means the division of the Banco Santander Central Hispano that deals with individual clients and SMEs.

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**"Global Major Banking Division of Santander"**: Means the division of the Banco Santander Central Hispano that deals with big corporate and financial clients.

**"Registration Document"**: Means the registration document, formed by Annex VII, as approved by the CNMV on May 24, 2007.

**"Underwriters"**: Means, collectively, Banco Santander Central Hispano, S.A., Merrill Lynch International and ABN Amro Bank N.V., Sucursal en España.

**"Lead Managers"**: Means, collectively, Banco Santander Central Hispano, S.A., and Merrill Lynch International and ABN Amro Bank N.V., Sucursal en España.

**"Deed of Incorporation"**: Means the Deed of Incorporation of the securitization fund Fondo de Titulización de Activos Santander Empresas 3, Assignment of Assets and Issuance of Securitization Bonds.

**"Date of Incorporation"**: Means the date on which the Deed of Incorporation is executed. The Date of Incorporation is scheduled to be May 28, 2007.

**"Pay-Out Date"**: Means May 31, 2007.

**"Legal Maturity Date"**: Means October 16, 2049 or, if not a Business Day, the immediate following Business Day.

**"Determination Dates"**: Means the fifth (5) Business Day prior to each Payment Date in which the Manager will carry out the necessary calculations, on behalf of the Fund, for the distribution and withholding of the Available Funds at those dates, according with the Order of Priority of Payment set forth in section 3.4.6 (b) of the Additional Building Block.

**"Payment Dates"**: Means January 16, April 16, July 16 and October 16, of each year or, if any of these dates is not a Business Day, the immediately following Business Day.

**"Fitch"**: Means Fitch Ratings España, S.A.

**"Prospectus"**: Means, collectively, the table of contents, the document describing the risk factors, the Registration Document, the Securities Note, the Additional Building Block and the document containing the definitions.

**"Fund" or "Issuer"**: Means Fondo de Titulización de Activos, SANTANDER EMPRESAS 3

**"Reserve Fund"**: Means the reserve fund to be funded by the Manager, for and on behalf of the Fund, in accordance with the provisions of section 3.4.2 of the Additional Building Block.

**"Available Funds"**: Means the amounts perceived by the Fund for the principal and interest of the Assets, the yield of the Cash Account, the Reserve Fund, the net Swap amount, and whatever other amounts that could receive the Fund, according to section 3.4.6.a) of the Additional Building Block that will be applied at each Payment Date to the payments provided for in the Order of Priority of Payments provided for in section 3.4.6.b) of the Additional Building Block.

**"Available Redemption Funds"**: Means the amount to be earmarked towards redemption of the Series A1, A2, A3, B, C, D and E Bonds on each Payment Date. The Available Redemption Fund shall be determined in accordance with the provisions of section 4.9.4 of the Additional Building Block.

**"Available Funds for Liquidation"**: Means

a) The Available Funds: and



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- b) The amounts that the Fund obtains for the sale of the remaining Assets and any other asset if that is the case, for cases of Early Liquidation of the Fund according to the requirements established in section 4.4.3.(3) of the Registration Document.

**"Guarantor"**: Means, to the effects of the Swap Agreement, that entity that gives a guarantee that is unconditional, irrevocable and to first request with respect to the current and future obligations of Party B and provided that (A) a law firm gives a legal opinion confirming that none of the payments carried out by that entity to Party A under the Guarantee is subject to deductions or withholdings or to the account of tax; or (B) the Guarantee determines that, if that deduction or withholding exists, the payments carried out by that entity will be incremented in the necessary amount so that the net payment received by Party A is equal to that amount that Party A would have received if that deduction or the withholding did not exist.

**"Guarantee"**: Means, to the effects of the Swap Agreement, the guarantee that is unconditional, irrevocable and to first request with respect to the current and future obligations of the Party, granted by the Guarantor.

**"Iberclear"**: Means Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A. (*securities registration, clearing and settlement management company*).

**"V.A.T."**: Means Value Added Tax.

**"Law 13/1985"**: Means Law 13/1985, of May 25, of investment coefficients, own resources and reporting obligations of financial intermediaries.

**"Law 19/1992"**: Means Law 19/1992, of July 7, on the Scheme of Real Estate Investment Companies and Funds and on Mortgage Securitization Funds.

**"Law 37/1992"**: Means Law 37/1992, of December 28, on Value Added Tax.

**"Law 3/1994"**: Means Law 3/1994, of April 14, on Adaptation to Second Banking Directive.

**"Law 23/2005"**: Means Law 23/2005, November 18, of reforms in tax issues for the productivity impulse.

**"Insolvency Proceedings Act"**: Means Law 22/2003, of July 9, for Insolvency Proceedings.

**"Civil Procedure Act"**: Means Law 1/2000, of January 7, on Civil Procedure

**"Securities Market Act"** or **"Law 24/1988"**: Means Law 24/1988, of July 28, regulating the Securities Market, as amended by Law 37/1998, of November 16, by Law 44/2002, of November 16 and by Royal Decree Law 5/2005, of March 11.

**"Early Liquidation"**: Means the liquidation of the Fund before the October 16, 2049, and to the Early Redemption at a Payment Date of the whole Bond issue in the circumstances and procedures established in section 4.4.3 of the Registration Document.

**"AIAF Market"**: Means the Fixed Market of the Financial Assets Intermediary Association.

**"Additional Building Block"**: Means the additional building block to the securities note relating to the Bond issue, as prepared in accordance with Annex VIII of (EC) Regulation 809/2004, approved by the CNMV on May 24, 2007.

**"Rate Setting Time"**: Means the second Business Day as per the calendar of TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer System) preceding each Payment Date, at 11:00 a.m. (Madrid time) on said day. Exceptionally, for the first Interest Accrual Period, the Rate Setting Time will be that of the Date of Incorporation.

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**"Moody's"**: Means Moody's Investors Service España, S.A.

**"Required Level of the Reserve Fund"**: Means the amount that must have the Reserve Fund on each Payment Date, according to section 3.4.2.2 of the Additional Building Block.

**"International Rules of Financial Reporting"**: Means the International Rules of Financial Reporting that are applicable to the information submitted by Santander according to Regulation 1606/2002 and Circular 4/2004 of the Bank of Spain.

**"Securities Note"**: Means the securities note relating to the Bond issue, as prepared in accordance with Annex XIII of (EC) Regulation 809/2004, as approved by the CNMV on May 24, 2007 and that makes up part of this Prospectus.

**"Ordinary Part"**: Means the Nominal Interest Rate applicable to the Bonds of Series F for each Interest Accrual Period (being equal to the result of adding up (i) the Reference Interest Rate common to all the Bond Series, plus (ii) a spread of zero point five (0.50%), calculated according to that provided in section 4.8. of the Securities Note.

**"Extraordinary Part"**: Means, at each Payment Date in which the Fund has sufficient liquidity to pay it, the extraordinary interest accrued by Series F Bonds, being a variable amount equal to the excess of liquidity after paying the concepts that hold a preceding place in the Order of Priority of Payments, or depending of the case, the Order of Priority of Payments for Liquidation.

**"Subscription Period"**: Means the period of five (5) hours, between 12.00 hrs (CET time) and 17.00 hrs (CET Time) on the second (2<sup>nd</sup>) Business Day following execution of the Deed of Incorporation, that is, May 30, 2007, during which subscription applications shall be formulated at the offices of the Underwriters.

**"Determination Periods"**: Means each one of the periods between two consecutive Determination Dates, excluding the initial Determination Date and including the final Determination Date. The first Determination Period will have a lasting time equivalent to the time lasting from the Date of Incorporation to the Determination Date previous to the first Payment Date.

**"Interest Accrual Periods"**: Means each one of the periods into which the Bond issue is divided, comprising the days actually transpired between each Payment Date, including in each Interest Accrual Period the initial Payment Date of the relevant period and excluding the final Payment Date of the relevant period. The first Interest Accrual Period will have a lasting time inferior to a quarter, equivalent to the time lasting between the Pay Out Date (May 30, 2007) and the first Payment Date (July 16, 2007).

**"Loans"**: Means the loans, both Mortgage Loans and Non-Mortgage Loans, granted by Santander to a company or a self-employed individual domiciled in Spain, for the purpose of financing their economic activity or real estate acquisition ascribed to their economic activity, from which the Assets subject to assignment to the Fund derive.

**"Failed Loans"**: Means the Loans which Santander considers that will not recover or that at a given date have pending payments with higher delinquency equal or higher to 12 months of arrears in due payments.

**"Mortgage Loans"**: Means mortgage-backed Loans.

**"Defaulting Loans"**: Means the Loans that have a higher delinquency date of more than 90 days lateness in due payments, excluding Failed Loans.

**"Non-Mortgage Loans"**: Means unsecured Loans or those secured by personal security.

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**"Royal Decree 1643/1990"**: Means Royal Decree 1643/1990, of December 20, approving the General Accounting Plan.

**"Royal Decree 926/1998"**: Means Royal Decree 926/1998, of May 14, regulating Asset Securitization Funds and Securitization Fund Managers.

**"Royal Decree 2281/1998"**: Means Royal Decree 2281/1998, October 23, by which certain applicable provisions to certain obligations of provision of information to the Tax Administration and amends the Regulation on Pension Plans and Funds, approved by the Royal Decree 1307/1987, September 30 and Royal Decree 2027/1995, September 22, regulating the annual declaration operations with third parties.

**"Royal Decree 1777/2004"**: Means Royal Decree 1777/2004, of July 30, approving the Corporate Income Tax Regulations.

**"Royal Decree 1778/2004"**: Means Royal Decree 1778/2004, of July 30, that establishes obligations of information regarding preferential participations and other debt instruments and certain income obtained by individuals domiciled in the European Union.

**"Royal Decree 1310/2005"**: Means the Royal Decree 1310/2005, November 4, that partially develops Law 24/1988, July 28, of the Securities Market, regarding admission to trade of securities in secondary official markets, public offerings or subscriptions and the applicable Prospectus.

**"Royal Legislative Decree 4/2004"**: Means Royal Legislative Decree 4/2004, of March 28, approving the Corporate Income Tax Act, as amended.

**"Royal Legislative Decree 1/1993"**: Means Royal Legislative Decree 1/1993, of September 28, approving the Transfer Tax/Stamp Duty Act, as amended.

**"(EC) Regulation 809/2004"**: Means Commission Regulation (EC) No. 809/2004, of April 29, 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

**"Internal Rules of Conduct"**: Means the Internal Rules of Conduct of the Manager regulating the activity of the management bodies, employees and representatives of the Manager according to Chapter II of Royal Decree 629/1993, May 3, on rules of action for the securities market at mandatory registration, that has been reported to the CNMV.

**"Principal Balance Pending Payment on the Bonds"**: Means the total outstanding balances on Bonds of all Series (i.e. the principal amount of the Bonds pending redemption).

**"Principal Balance Pending of the Series"**: Means the total of outstanding balances of the Bonds that make up the Series (that is, the amount of principal of the Bonds that make up the Series pending redemption).

**"Outstanding Balance of (the) Assets" or "Outstanding Balance"**: Means the principal amount pending maturity of the Assets, as well as the amounts of the Assets that were due and not paid in the Fund.

**"Santander"**: Means Banco Santander Central Hispano, S.A.

**"Series"**: Means each one of the eight (8) series into which the total amount of the Bond issue is broken down.

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**"Series A1"**: Means the Series having a total face amount of EIGHT HUNDRED MILLION EUROS (€800,000,000) formed by eight thousand (8,000) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series A2"**: Means the Series having a total face amount of ONE THOUSAND EIGHT HUNDRED MILLION EUROS (€1,800,000,000), formed by eighteen thousand (18,000) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series A3"**: Means the Series having a total face amount of SIX HUNDRED TWENTY SEVEN MILLION FIVE HUNDRED THOUSAND EUROS (€627,500,000) formed by six thousand two hundred and seventy five (6,275) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series B"**: Means the Series having a total face amount of THIRTY NINE MILLION SEVEN HUNDRED THOUSAND EUROS (€39,700,000), formed by three hundred ninety seven (397) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series C"**: Means the Series having a total face amount of ONE HUNDRED SEVENTEEN MILLION THREE HUNDRED THOUSAND EUROS (€117,300,000), formed by one thousand one hundred seventy three (1,173) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series D"**: Means the Series having a total face amount of SEVENTY MILLION EUROS (€70,000,000), formed by seven hundred (700) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series E"**: Means the Series having a total face amount of FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€45,500,000), formed by four hundred fifty five (455) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000).

**"Series F"**: Means the Series having a total face amount of FORTY FIVE MILLION FIVE HUNDRED THOUSAND EUROS (€45,500,000) formed by four hundred fifty five (455) Bonds each having a face value of ONE HUNDRED THOUSAND EUROS (€100,000);

**"Manager"**: Means Santander de Titulización, S.G.F.T., S.A.

**"Standard & Poor's"**: Means Standard & Poor's España, S.A.

**"Substitute"**: Means, to the effects of the Swap Agreement, that entity that subrogates itself in the contractual position of Party B in the Swap Agreement or that subscribes a new interest finance exchange agreement with Party A, in substantially equal terms to the Swap Agreement (which shall be confirmed by Party A, acting in a diligent manner) and provided that (A) a law firm give legal opinion confirming that none of the payments carried out by that entity to Party A under the Guarantee is subject to deductions or withholdings for or to the account of tax; or (B) the Guarantor determines that, if that deduction or withholding exists, the payments carried out by that entity will be incremented in the necessary amount so that the net payment received by Party A is equal to the amount that Party A would have received if the deduction or the withholding did not exist. The entity, to all effects, will be deemed as Party B in the (Permuta) Swap Agreement or in the interest finance exchange agreement to be subscribed.

**"CAPR"**: Means Constant Annual Prepayment Rate.

**"IRR"**: Means Internal Rate of Return for the holders of each Bond Series.

**"Nominal Interest Rate"**: Means the nominal interest rate variable quarterly to which the Bonds will accrue interests according to section 4.8.2 of the Securities note and concordants

*"This Prospectus is a non-official and non-binding translation into English of the original "Folleto Informativo" drafted in Spanish language and registered with the "Comisión Nacional del Mercado de Valores" (the Spanish Securities Market Commission, "CNMV") on May 24, 2007. The "Folleto Informativo" drafted in Spanish language is the official document".*

**"Reference Interest Rate"**: Means the reference interest rate used to calculate the Nominal Interest Rate and that will be Euribor to three (3) months or, in case it is necessary, its substitute, determined as described in section 4.8.3 of the Securities Note. Euribor is the reference rate in the money market for euro.

**"CAU"**: Means, regarding the risk policy followed by the Banco Santander Central Hispano, S., provided in section 2.2.7 of the Additional Building Block to the Securities Note, the Company Analysis Unit.

**"TDU"**: Means, regarding the risk policy followed by Banco Santander Central Hispano, S., provided in section 2.2.7 of the Additional Building Block, the Transaction Decisions Unit.