STANDARD & POOR'S

STRUCTURED FINANCE

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CDO Cash Flow Balance-Sheet Corporate CDO Pool Presale Report

Fondo de Titulización de Activos Santander Empresas 2

€2,953.7 Million Floating-Rate Notes

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This presale report is based on information as of Nov. 24, 2006. The credit ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final credit ratings that differ from the preliminary credit ratings. For further ratings information, call Client Support Europe on (44) 20-7176-7176. Members of the media may contact the Press Office Hotline on (44) 20-7176-3605 or via media_europe@standardandpoors.com. Local media contact numbers are: Paris (33) 1-4420-6657; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4017. Investors are invited to call the SF Investor Hotline on (44) 20-7176-3223.

Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A1	AAA	1,300.1	9.95	Three-month EURIBOR plus a margin	June 23, 2050
A2**	AAA	1,365.0	9.95	Three-month EURIBOR plus a margin	June 23, 2050
B	AA	84.1	7.05	Three-month EURIBOR plus a margin	June 23, 2050
C	A	62.3	4.90	Three-month EURIBOR plus a margin	June 23, 2050
D	BBB	59.5	2.85	Three-month EURIBOR plus a margin	June 23, 2050
E	BB-	29.0	1.85	Three-month EURIBOR plus a margin	June 23, 2050
F***	CCC-	53.7	N/A	Three-month EURIBOR plus a margin	June 23, 2050

**The rating on each class of securities is preliminary as of Nov. 24, 2006, and subject to change at any time. Final credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal on the notes.*
***The class A2 notes will start amortizing on Nov. 20, 2008. Until that date, all amounts due to the redemption of these notes will be deposited in an amortization account.*
****These notes will fund the reserve fund.*
N/A—Not applicable.

Transaction Participants	
Originator	Banco Santander Central Hispano, S.A.
Arranger	Santander de Titulización, S.G.F.T., S.A.
Fund manager	Santander de Titulización, S.G.F.T., S.A.
Servicer	Banco Santander Central Hispano, S.A.
Interest swap counterparty	Banco Santander Central Hispano, S.A.
Treasury account provider	Banco Santander Central Hispano, S.A.
Paying agent	Banco Santander Central Hispano, S.A.
Joint lead managers	Banco Santander Central Hispano, S.A.; Merrill Lynch International; and Citigroup Global Markets Ltd. PLC
Subordinated loan provider	Banco Santander Central Hispano, S.A.

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

Transaction Key Features*	
Expected closing date	Dec. 14, 2006
CDO asset type	Loans
Structure type	Cash
Portfolio composition	Spanish SME loans
Purpose of transaction	Balance sheet
Rating approach	Actuarial
Portfolio management type	Static
Liability structure	Reserve fund fully funded at closing
Collateral description	Loans to SMEs
Weighted-average seasoning of assets (months)	17.84
Weighted-average remaining life of assets (months)	76.96
Principal outstanding (Mil. €)	3,071.95
Country of origination	Spain
Concentrations	Largest 10 obligors (8.96% of provisional pool); regional concentration (25.82% in Madrid, 13.39% in Catalonia, and 12.13% in the Andalusia region); industrial concentration (36.04% in building and development, 8.78% in business equipment and services, and 6.67% in retailers (except food and beverages)). The 10 major industries represent 81.00% of the pool
Average current loan size balance (€)	144,916.96
Loan size range (€)	0.01 to 35,000,000.00
Weighted-average interest rate (%)	3.96
Arrears	There will be no loans with arrears over 30 days at closing
Redemption profile	Amortizing
Excess spread at closing** (%)	0.65
*Pool data as of Nov. 13, 2006. **Available through the interest swap contract.	

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the floating-rate notes to be issued by Fondo de Titulización de Activos Santander Empresas 2 (Santander Empresas 2), an SPE.

The originator is Banco Santander Central Hispano, S.A. (SCH; AA-/Positive/A-1+), the largest Spanish banking group, and, by market capitalization, one of the largest banks in the Eurozone.

At closing, SCH will sell to Santander Empresas 2 a €2.9 billion closed portfolio of secured and unsecured loans granted to Spanish SMEs. To fund this purchase, Santander de Titulización, S.G.F.T., S.A., the trustee, will issue five classes of floating-rate, quarterly paying notes on the issuer's behalf. Another class of notes (class F) will be issued to fund the reserve fund.

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

Notable Features

Santander Empresas 2 is the fourth securitization of credit exposure to a static pool of SCH's domestic small and midsize corporate clients. This securitization comprises a mixed pool of underlying mortgage-backed and unsecured assets.

Strengths, Concerns, And Mitigating Factors

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

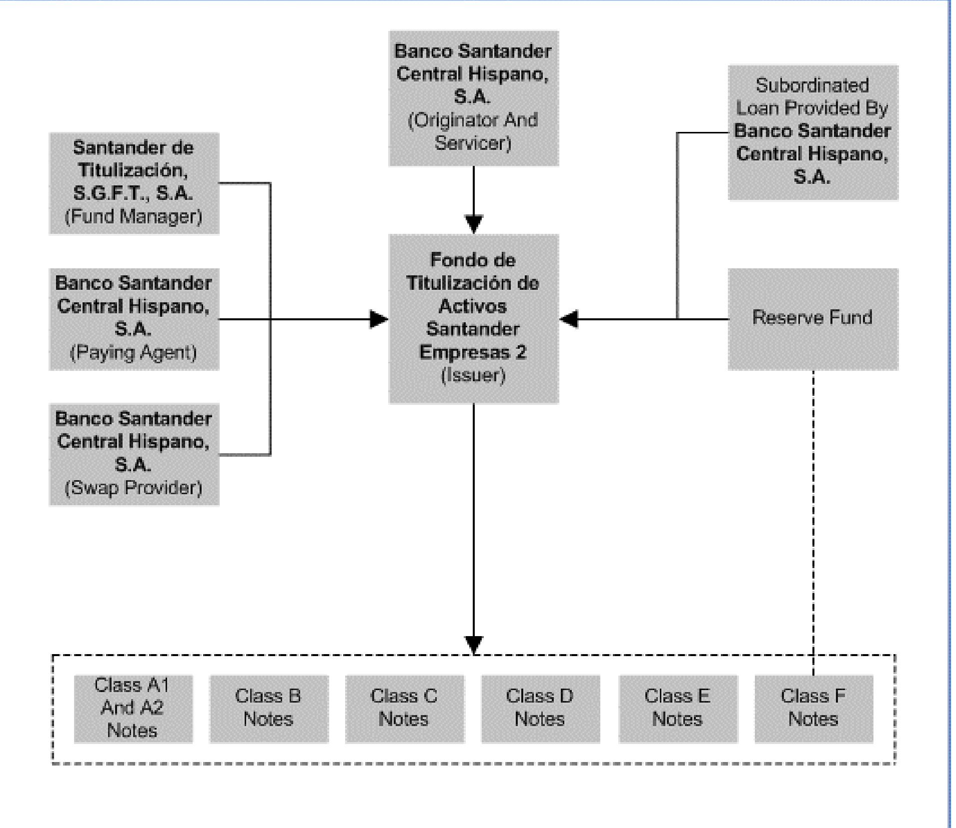
Concerns
• There are limited concentrations in some industrial sectors. • Of the pool being securitized, only 19.24% represents secured loans, with a weighted-average LTV ratio of 87.69%. • There is limited default and recovery data available.

Mitigating factors
• Concentration is expected for some sectors, especially in the building and development sectors, which together currently represent 36.04% of the pool, as many SMEs operate in real estate and construction**.** Standard & Poor's has taken into account any concentration concern in its analysis. • The small portion of secured loans in this transaction has been considered by Standard & Poor's in its stress-testing. Additionally, the eligibility criteria will ensure that at least 18% of the pool will be backed by secured loans. • The commingling risk was factored into Standard & Poor's cash flow stresses. Also, concentrations were taken into account, the monthly collections are not higher than 20% of the outstanding note balance, and the originator's account is with SCH, which has a rating of 'A-1+'.

Transaction Structure

At closing, SCH will sell to Santander Empresas 2 a closed portfolio of loans that have been granted to Spanish SMEs. Santander Empresas 2 will fund this purchase by issuing five classes of notes through the trustee, Santander de Titulización, S.G.F.T., S.A. (see chart 1).

Chart 1: Fondo de Titulización de Activos Santander Empresas 2 Transaction Structure



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

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

In the U.K., Abbey National PLC maintains a market share of about 9.7% in mortgages. Apart from mortgages and deposits, the bank's presence in other products is fairly marginal. We expect SCH to gradually strengthen its position in the U.K., increasing its product and revenue diversification.

SCH is a leading player in every major Latin American banking market. Although its initial presence in the region dates to the late 1980s, SCH acquired a significant number of retail banks and pension and mutual fund management companies in all major markets in 1995-2000, achieving a diversified position across the region.

The issuer is a "*fondo de titulización de activos*" created only to purchase the receivables from the unsecured loans, and the mortgage participations from SCH, issue the notes, and carry out related activities. The issuer represents a distinct and closed pool of assets available for distribution to the noteholders. The assets are insulated from the insolvency of the SCH and the trustee.

The principal and interest on the notes will be paid in arrears quarterly, starting on May 21, 2007.

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

The class A2 notes have a lockout period from the payment date that they are due to start amortizing, until Nov. 20, 2008, when the class A2 notes will effectively start amortizing.

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

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

Collateral Description

As of Nov. 13, 2006, the provisional pool comprised 21,198 secured and unsecured loans, with a total of 20,425 borrowers. The pool was originated between 1994 and 2006, and has a weighted-average seasoning of 17.84 months.

Of the outstanding amount of the preliminary pool, 19.24% is secured by first-lien mortgages over properties and commercial premises situated in Spain.

The pool is granular and has no concentration at the obligor level. The largest obligor represents 1.14% of the provisional pool, and the largest 10 obligors represent 8.96%.

The secured pool, (totaling €592 million), has a weighted-average LTV ratio of 87.69%.

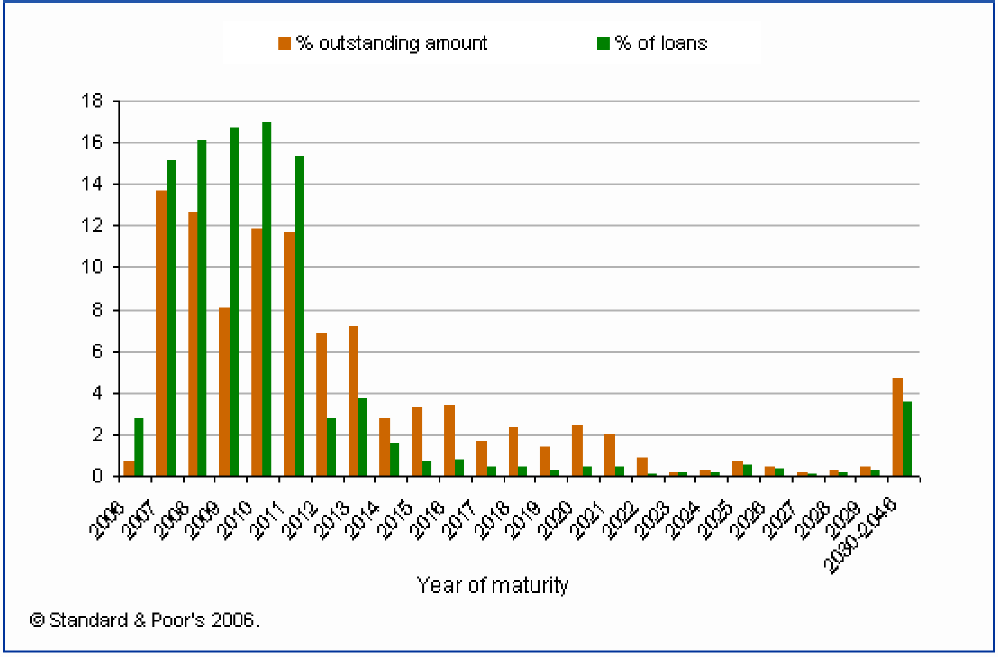
Of the pool, 65.27% is more than 12 months seasoned (see table 1).

Table 1: Distribution Of The Pool By Origination Year

	Percentage of loans (%)	Percentage of pool balance (%)
1994	0.00	0.00
1995	0.00	0.00
1996	0.06	0.03
1997	0.27	0.09
1998	0.43	0.28
1999	0.87	0.47
2000	1.51	0.46
2001	3.78	1.10
2002	5.16	2.78
2003	7.17	8.16
2004	16.14	14.77
2005	34.47	37.12
2006	30.00	34.73

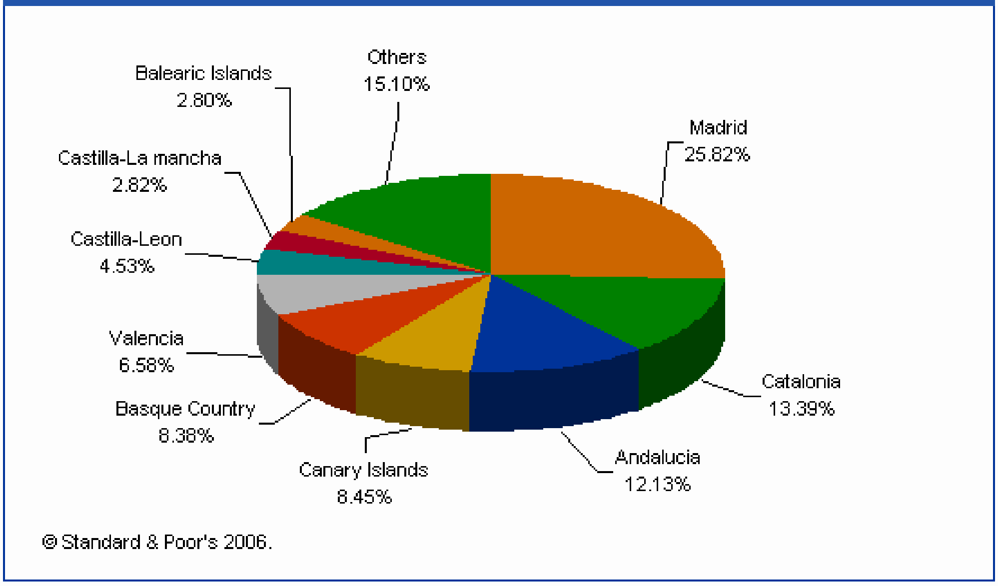
The weighted–average remaining life of the pool is 76.96 months, with 57.87% of the pool maturing within five years (see chart 2).

Chart 2: Distribution Of The Pool By Year Of Maturity



The five largest regions cover 68.17% of the outstanding balance of the pool (see chart 3).

Chart 3: Geographical Distribution



At closing, the pool will have no loans with arrears greater than 30 days. As of Nov. 13, 2006, the outstanding amount of loans in arrears for more that 30 days amounted to 1.92% of the provisional pool.

The largest industry concentration is in building and development activities, which together represent 36.02% of the pool. The second-highest concentration is business equipment and services (8.78%), followed by conglomerates retailers (except food and drug) (6.67%). The 10 major industries represent 81% of the pool.

Of the pool, 86.77% is indexed to floating rates, with nearly 71.00% of the total outstanding amount of the pool referenced to EURIBOR and MIBOR (Madrid interbank offered rate). The assets have a weighted-average interest rate of 3.96%

Collateral Risk Assessment

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

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

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

Credit Structure

Cash collection arrangements

SCH, as servicer, collects the amounts due under the loans and transfers them to the treasury account no later than 24 hours after receiving them. Its collections to the treasury account are held with SCH on the issuer's behalf. This partially mitigates the potential risk of funds being commingled within the originator's accounts.

The class D and E notes depend on the servicer's long-term rating. If that rating falls below that on the notes, the rating on the class D and E notes may be affected if the performance of the collateral and the credit enhancement of the class D and E notes at the time is insufficient.

Treasury account

At closing, the trustee will open the treasury account with SCH on the issuer's behalf. This will hold the reserve fund, the funds available for the amortization of the class A2 notes until Nov. 20, 2008, all the collections made during the three months before a note payment date, and any other amounts in connection with the mortgage loans and unsecured loans.

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

Downgrade language to treasury account (GIC)

As long as the short-term rating on SCH is 'A-1+', there will be no limit established for the amounts held in the treasury account.

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

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

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

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

Interest swap agreement

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

Therefore, an interest rate swap agreement will be entered into between SCH (as counterparty) and the trustee, on the issuer's behalf. The swap will be paid on a net basis.

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

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

This adjustment gives greater protection if there are adverse interest rate movements and delinquencies. The counterparty will agree to gross up payments if a tax is introduced.

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

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

- Find an 'A-1' rated replacement;
- Find an 'A-1' rated guarantor; or
- Post collateral according to Standard & Poor's requirements. If it can do so, the posting of collateral will be allowed until its rating falls below 'BBB'. If downgraded to this level, the counterparty must replace itself in 10 days with a suitably rated entity. The posting of collateral will continue until it finds a replacement.

If the counterparty does not comply with the above, it is at the trustee's discretion to terminate the swap agreement.

Reserve fund

With the class F note proceeds, the reserve fund will be funded at €53.7 million (1.85% of the issued amount).

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

- 0.9% of the original balance of the notes; or
- 2.5% of the original balance of the notes.

It will not amortize if, on a previous payment date:

- It was not at its required minimum level;
- The arrears ratio (three months past due) is greater than 1% over the last 12 months; or
- The cumulative net loss is greater than 1%.

The reserve fund will be used to pay interest and principal on the notes if insufficient funds are available.

Redemption of the notes

Unless early redemption occurs, the notes will be redeemed at their legal final maturity in June 2050, 48 months after the maturity of the longest-term loan in the pool.

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

Principal payments to the class A2 noteholders will start on Nov. 20, 2008. During the lockout period, the amounts payable to the class A2 noteholders will be deposited in the treasury account. Any amounts held in this account and used to amortize the class A2 notes will be paid to noteholders in November 2008. All the classes of notes will be paid sequentially, except for the class A1 and A2 notes, which will be paid pro rata if the arrears ratio is greater than 1.5%.

Priority Of Payments

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

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

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

- Fees and expenses, excluding the servicing fee (except if SCH is replaced as servicer of the assets);
- Net payment under the swap, and termination payment if the issuer is defaulting under the swap;
- Interest payment on the class A1 and A2 notes;
- Interest payment on the class B notes, if not deferred;
- Interest payment on the class C notes, if not deferred;
- Interest payment on the class D notes, if not deferred;
- Interest payment on the class E notes, if not deferred;
- Amortization of the class A, B, C, D, and E notes;
- Interest payment on the class B notes, if deferred;
- Interest payment on the class C notes, if deferred;
- Interest payment on the class D notes, if deferred;
- Interest payment on the class E notes, if deferred;
- Replenishment of the reserve fund;
- Interest payment on the class F notes;
- Amortization of the class F notes;
- Termination payment under the swap if the counterparty is the defaulting party;
- Interest and principal payment on the subordinated loan;
- Fees to SCH for the servicing of the pool; and
- Payment of extraordinary remuneration to the class F notes.

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

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

- If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 8.5%, interest on the class B notes will pay in a lower position in the priority of payments, until the class A1 and A2 notes redeem.
- If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 6.5%, interest on the class C notes will pay in a lower position in the priority of payments, until the class A1, A2, and B notes redeem.
- If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 5%, interest on the class D notes will pay in a lower position in the priority of payments, until the class A1 to C notes redeem.
- If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 4.5%, interest on the class E notes will pay in a lower position in the priority of payments, until the class A1 to D notes redeem.

Standard & Poor's Stress Test

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

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

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

Surveillance Details

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

Criteria Referenced

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

Related Articles

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

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