

May 19, 2009

Presale:

Fondo de Titulizacion de Activos Santander Empresas 7

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Presale:

Fondo de Titulización de Activos Santander Empresas 7

€2.22 Billion Asset-Backed Floating-Rate Notes

This presale report is based on information as of May 19, 2009. The 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 ratings that differ from the preliminary ratings.

Class	Prelim. rating*	Prelim. amount (Mil. €)	Available credit support (%)	Interest	Legal final maturity
A	AAA	1,387.5	45	Three-month EURIBOR plus a margin	Jan. 17, 2052
B	AA-	185.0	35	Three-month EURIBOR plus a margin	Jan. 17, 2052
C	BBB	148.0	27	Three-month EURIBOR plus a margin	Jan. 17, 2052
D	B+	92.5	22	Three-month EURIBOR plus a margin	Jan. 17, 2052
E	B-	37.0	20	Three-month EURIBOR plus a margin	Jan. 17, 2052
F	CCC-	370.0	N/A	Three-month EURIBOR plus a margin	Jan. 17, 2052

*The rating on each class of securities is preliminary as of May 19, 2009, and subject to change at any time. Initial credit ratings are expected to be assigned on the closing date subject to a satisfactory review of the transaction documents and legal opinion, and completion of a corporate overview. Standard & Poor's ratings address timely interest and ultimate principal. EURIBOR—European interbank offered rate.

Transaction Participants

Originator	Banco Santander S.A.
Arranger	Santander de titulización, S.G.F.T., S.A.
Seller	Banco Santander S.A.
Servicer	Banco Santander S.A.
Security trustee	Santander de titulización, S.G.F.T., S.A.
Interest swap counterparty	Banco Santander S.A.
GIC provider	Banco Santander S.A.
Transaction account provider	Banco Santander S.A.
Collection account provider	Banco Santander S.A.

GIC—Guaranteed investment contract.

Supporting Ratings

Institution/role	Ratings
Banco Santander S.A. as transaction account provider, collection account provider, and interest swap provider	AA/Negative/A-1+

Transaction Key Features

Expected closing date	May 25, 2009
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Transaction Key Features (cont.)	
Collateral (Mil. €)	2,112.3
Description	Loans to SMEs and large companies
Country of origin	Spain
Concentration	Madrid 26.89%, Andalucia, 11.58%, and Catalonia 8.69%
Weighted-average principal balance(€)	437,883.97
Weighted-average seasoning (months)	13.68
Delinquencies (30 or more days)	There will no be loan in arrears for more than 30 days
Weighted-average interest rate (%)	4.81
Cash reserve (%)	20

SME—Small and midsize enterprise.

Transaction Summary

Standard & Poor's Ratings Services has assigned preliminary credit ratings to the €2.22 billion asset-backed floating-rate notes to be issued by Fondo de Titulización de Activos Santander Empresas 7 (Santander Empresas 7), a special-purpose entity (SPE) incorporated in Spain.

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

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 on the notes and an excess spread of 90 basis points (bps)), comfort provided by various other contracts, the current rating on SAN (AA/Negative/A-1+), and the downgrade language incorporated into the transaction documentation.

This report includes a scenario analysis for the transaction, designed to show the likely impact of changes to a number of collateral performance drivers on our cash flow analysis and ratings (see "Scenario Analysis" below). This is part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Research").

Strengths, Concerns, And Mitigating Factors

Strengths

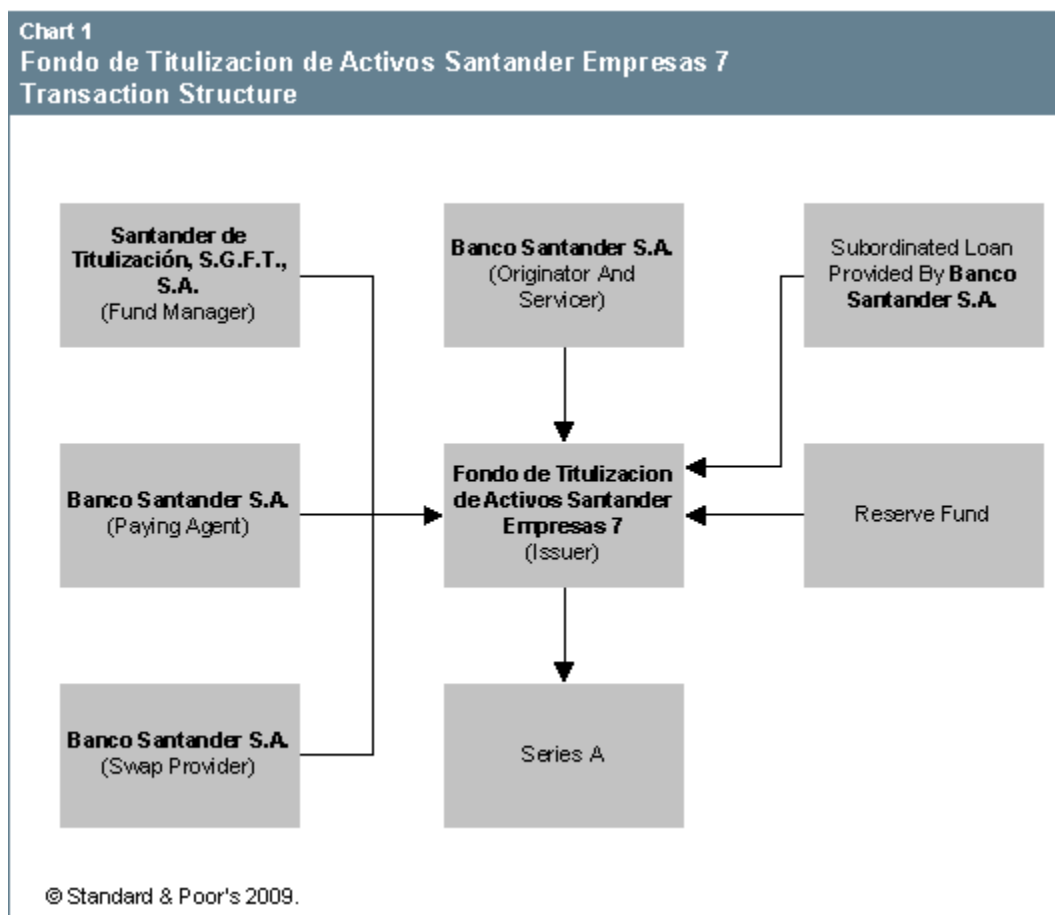
- SAN is an experienced originator and servicer.
- A swap agreement aims to hedge the interest rate risk in the transaction, leaving a spread of 90 bps, plus the coupon on the notes.
- The loans are artificially written off when in arrears for more than 12 months. This enables the trapping of excess spread and the redemption of the notes up to the outstanding amount of these loans.

Concerns and mitigating factors

- At closing, 25.19% of the provisional pool will comprise mortgage loans. Our base case default has been adjusted to address this risk.
- Of the pool, 40.77 % was granted to developers and real estate. Within the top 20 borrowers, 11 correspond to real estate and construction, representing 8.64% of the provisional pool. We penalized this in our analysis.
- Of the secured loans, 38.91% has a loan-to-value (LTV) ratio higher than 80%; these concentrations have been considered in our default analysis.
- Of the provisional pool, 25.34% has a weighted-average grace period of 1.5 years. A payment shock penalty has been applied to reflect this risk.
- Loans with bullet payments account for 18.02% of the pool. In addition, these loans have embedded payment shock risk, which has been appropriately sized for in our analysis.
- There is borrower concentration risk within the pool, since the first four borrowers account for 12.11% of the pool, and the first 10 account for approximately 19.54%. We factored these relatively high concentrations into our analysis.
- Collections from the loans are first credited to the originator's account, resulting in commingling risk. The collections are transferred to the issuer account within 24 hours of receipt, partially mitigating this commingling risk. We also factored this risk into our cash flow analysis.

Transaction Structure

At closing, SAN will sell to Santander Empresas 7 a closed portfolio of secured and unsecured loans that have been granted to Spanish small and midsize enterprises (SMEs) and large companies. Santander Empresas 7 will fund this purchase by issuing seven classes of notes (see chart 1).



Banco Santander S.A. (SAN)

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

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

Through Abbey National PLC, SAN also has an important position in the U.K. savings and residential mortgage market. Apart from mortgages and deposits, the bank's presence in other products is fairly marginal. We expect the bank to gradually strengthen its position in the U.K., increasing its product and revenue diversification.

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

The issuer

Santander Empresas 7 is a fondo de titulización de activos created for the sole purposes of purchasing the receivables from the unsecured loans and the mortgage participations from SAN, issuing the notes, and carrying out related activities. The issuer represents a distinct and closed pool of assets available for distribution to the noteholders. The assets will be insulated from the insolvency of the originator and the trustee.

The principal and interest on the notes will pay quarterly in arrears, starting on Oct. 19, 2009. The transaction will feature some structural enhancements provided by the swap agreement, amortization of the notes, the reserve fund, and the servicing provided by SAN.

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

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 will include the proceeds of the interest swap, the reserve fund, and, if necessary, principal received under the loans and any other proceeds received in connection with the loans.

All interest and principal received can be mixed to pay principal and interest due under the notes. The funds will be distributed on each payment date according to the priority of payments, as follows:

- Fees and expenses, excluding the servicing fee (except if SAN is replaced as servicer of the assets);
- Net payment under the swap, and termination payment if the issuer is defaulting under the swap;
- Interest payments on class A;
- Interest payments on class B, if not deferred;
- Interest payments on class C, if not deferred;
- Interest payments on class D, if not deferred;
- Interest payments on class E, if not deferred;
- Amortization of classes A to E;
- Interest payments on class B, if deferred;
- Interest payments on class C, if deferred;
- Interest payments on class D, if deferred;
- Interest payments on class E, if deferred;
- Replenishment of the reserve fund;
- Interest payments on class F;
- Amortization of class F;
- Termination payment under the swap if the counterparty is the defaulting party;
- Interest payments on the subordinated loan;
- Principal payments on the subordinated loan;
- Fixed administration fees; and
- Payment of extraordinary remuneration to class F.

The presence of a trigger could mean that in a more stressful economic environment, the more senior notes will amortize before interest is paid on the subordinated classes.

Interest on classes B to E 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 40.06%, interest on the class B notes will pay in a lower position in the priority of payments, until the class A 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 31.95%, interest on the class C notes will pay in a lower position in the priority of payments, until the class A 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 23.83%, interest on the class D notes will pay in a lower position in the priority of payments, until the class A, B, and C notes redeem.
- If the cumulative ratio of defaulted loans (the outstanding balance of the loans when qualified as defaulted, divided by the balance of the pool at closing) is greater than 15.72%, interest on the class E notes will pay in a lower position in the priority of payments, until the class A to D notes redeem.

Swap

The collateral is indexed to various floating and fixed interest rates. An interest rate swap agreement will be entered into between SAN as counterparty and the trustee, on the issuer's behalf.

The issuer will pay the amount of interest received during the period, and will receive an interest amount adjusted according to the performance or materialization of the interest rate risk. The amount received will be the sum of: (i) three-month EURIBOR; (ii) the weighted-average margin applicable to the notes; and (iii) 90 bps on the outstanding balance of the performing assets defined as not in arrears for longer than 90 days (excluding written-off loans).

This adjustment might protect against adverse interest rate movements and delinquencies.

In accordance with the "Methodology: Updated Counterparty Criteria For Derivatives: Eligibility Of 'A-2' Counterparties Removed In 'AAA' Transactions, (see "Related Research"), if we lower the rating on the counterparty to below 'A-1' (or to below 'A+' if it has no short-term rating), the counterparty will post collateral (125%) within 10 days and replace themselves within 60 days.

Under the transaction documents, any counterparty replacement or guarantee will be subject to rating confirmation. All the costs of the remedies will be borne by the downgraded counterparty.

Cash reserve

With the class F note proceeds, the reserve fund will be funded at €370 million (20% of the class A to E notes).

The reserve fund will be fixed for the first three years of the transaction. After this initial period it can start amortizing. Its minimum required level will be established at the minimum of:

- 20% of the initial balance of the notes; or
- The higher of 40% of the outstanding balance of the class A to E notes and 10% of the initial balance of those notes.

It will not amortize if, on a previous payment date, it was not at its required minimum level, if the arrears ratio (three months past due) is greater than 1.25%, or if the defaulted loans are greater than 1.25% of the initial balance

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

Cash collection arrangements

SAN, as servicer, will collect the amounts due under the loans and transfer them to the treasury account no later than 24 hours after receipt. Its collections to the treasury account will be held for the issuer by SAN. This will partially mitigate the potential risk of funds being commingled in the originator's accounts.

Treasury account

At closing, the trustee will open a bank account with SAN on the issuer's behalf (the treasury account). This account will hold the reserve fund, all the collections made during the three months before a note payment date, and any other amounts in connection with the mortgage loans and unsecured loans. The treasury account will have a guaranteed contractual interest rate of three-month EURIBOR.

Downgrade language to treasury account (GIC)

According to our "Revised Framework for Applying Counterparty and Supporting Party Criteria" (see "Related Research"), if the bank account provider is downgraded below 'A-1', it has 60 days before it becomes an ineligible counterparty and it has to:

- Find a replacement with a short-term rating of at least 'A-1'; or
- Find an adequately rated guarantor with a short-term rating of at least 'A-1'.

Under the transaction documents, any counterparty replacement or guarantee will be subject to rating confirmation. All the costs of the remedies will be taken at no cost to the issuer.

Redemption of the notes

Unless early redemption occurs, the notes will redeem at their legal final maturity on Jan. 27, 2052, 36 months after the maturity of the longest-term loan in the pool. The amount of principal to be amortized at each payment date will be the difference between (i) the outstanding balance of the notes, and (ii) the outstanding balance of the nondefaulted loans. All the classes will be paid sequentially.

Collateral Description

As of April 13, 2009, the provisional pool comprised 5,644 loans (511 secured and 5,133 unsecured).

The pool was originated between 1998 and 2009, and has a weighted-average seasoning of 13.68 months.

Of the outstanding amount of the preliminary pool, 25.2% is secured by first-lien mortgages over properties and commercial premises in Spain.

The pool shows concentration at the obligor level. The largest obligor represents 4.36% of the provisional pool, and the largest 10 obligors represent 19.54%.

The secured pool, which amounts to €532,217.24, has a weighted-average LTV ratio of 76.67%. The five-largest regions cover 60.82% of the outstanding balance of the pool (see chart 2).

Chart 2

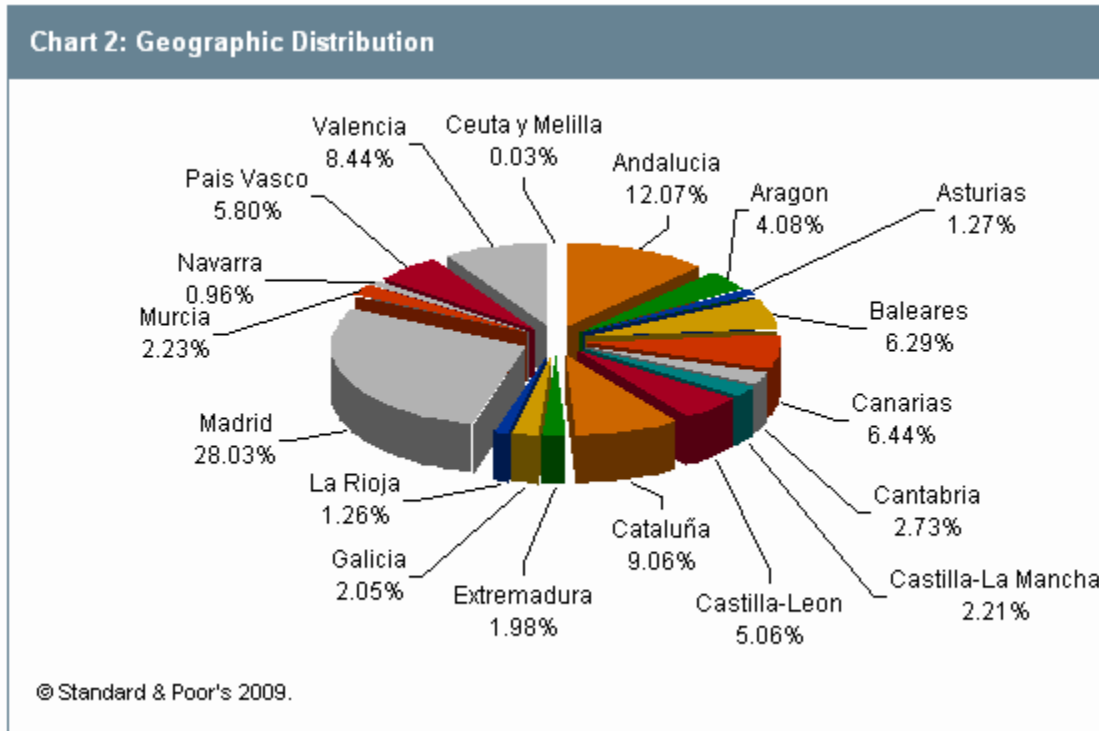


Chart 3

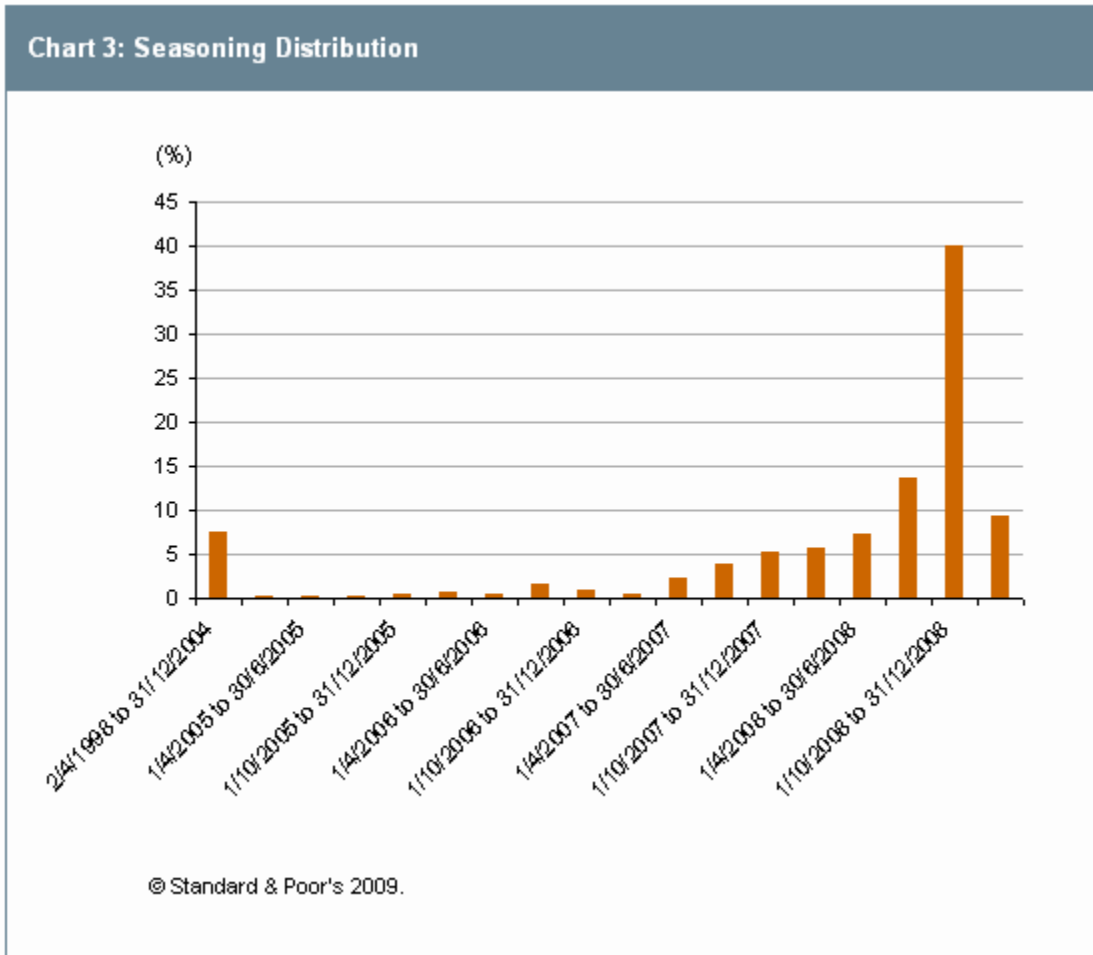
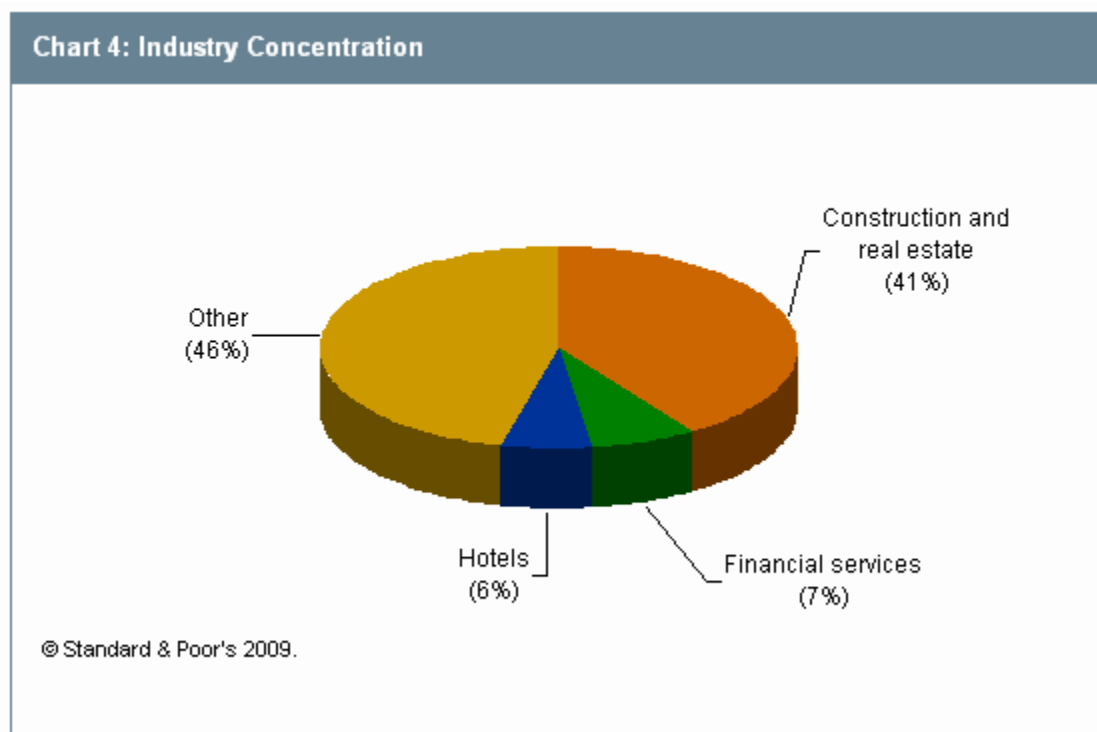


Chart 4



At closing, the pool will have no loans with arrears greater than 30 days. As of April 13, 2009, outstanding loans in arrears for more than 30 days were 1.46% of the provisional pool.

The largest industry concentration is in building and development, which together represent 40.77%. The second-highest concentration is financial services (7.02%), followed by hotels (6.1%). The 10 major industries represent 71.69% of the pool.

Of the pool, 88.37% is indexed to floating rates, with nearly 79.32% of the total outstanding amount of the pool referenced to EURIBOR. The assets have a weighted-average interest rate of 4.81%.

Credit Analysis

We conducted an actuarial analysis on historical data provided by the originator to assess the pool's credit risk. We determined a foreclosure probability and a loss rate at each rating level. 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 credit enhancement level.

Cumulative defaults rate

We received historical data showing the defaults experienced by the originator split among the following pools:

- Carterizada secured 180 days in arrears (see chart 5);
- Carterizada unsecured 180 days in arrears (see chart 6);
- Estandarizada secured 180 days in arrears (see chart 7); and

- Estandarizada unsecured 180 days in arrears (see chart 8).

To derive our best estimate of future losses, we made some adjustments to our base case assumption. Those adjustments mitigate the fact that the historical vintages provided are covering a more favorable part of the economic cycle and apply further penalties on the developers, grace period loans, bullet loans, real estate and construction sector, and geographical concentration.

Chart 5

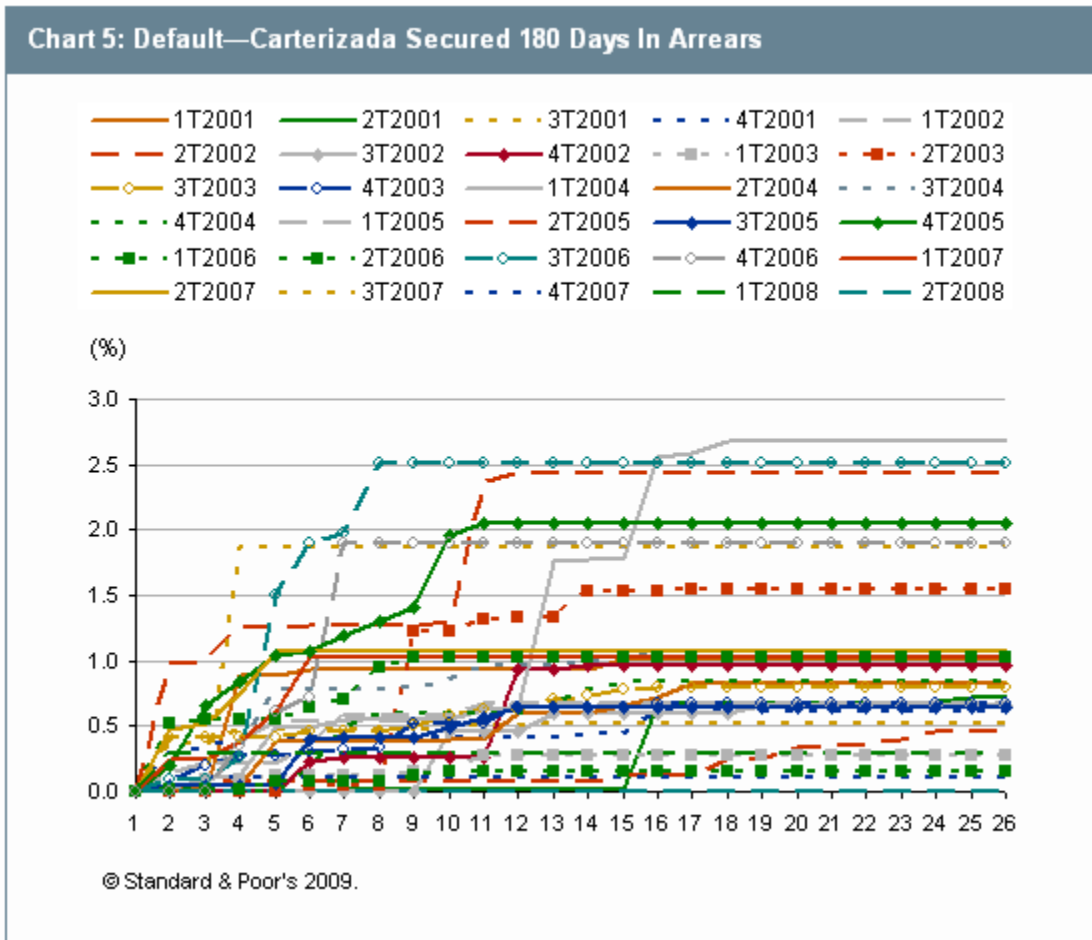


Chart 6

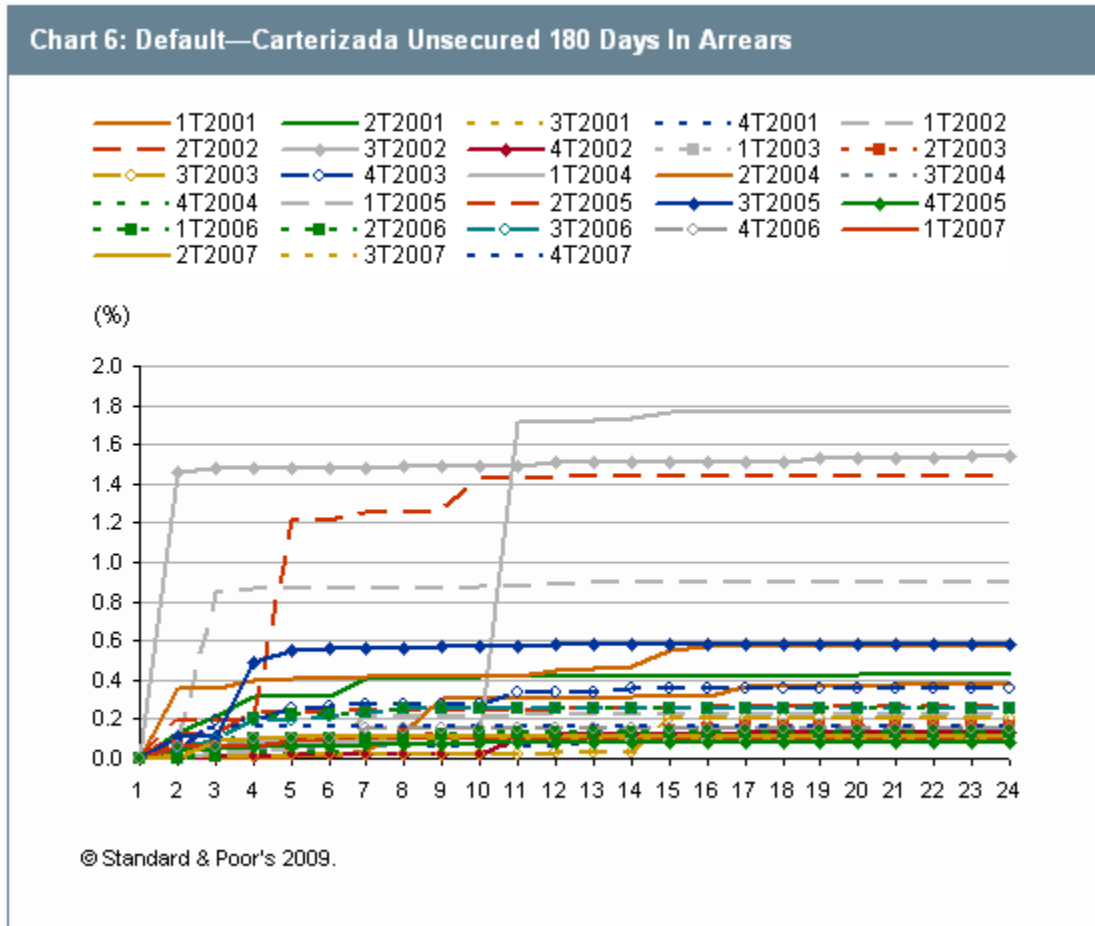


Chart 7

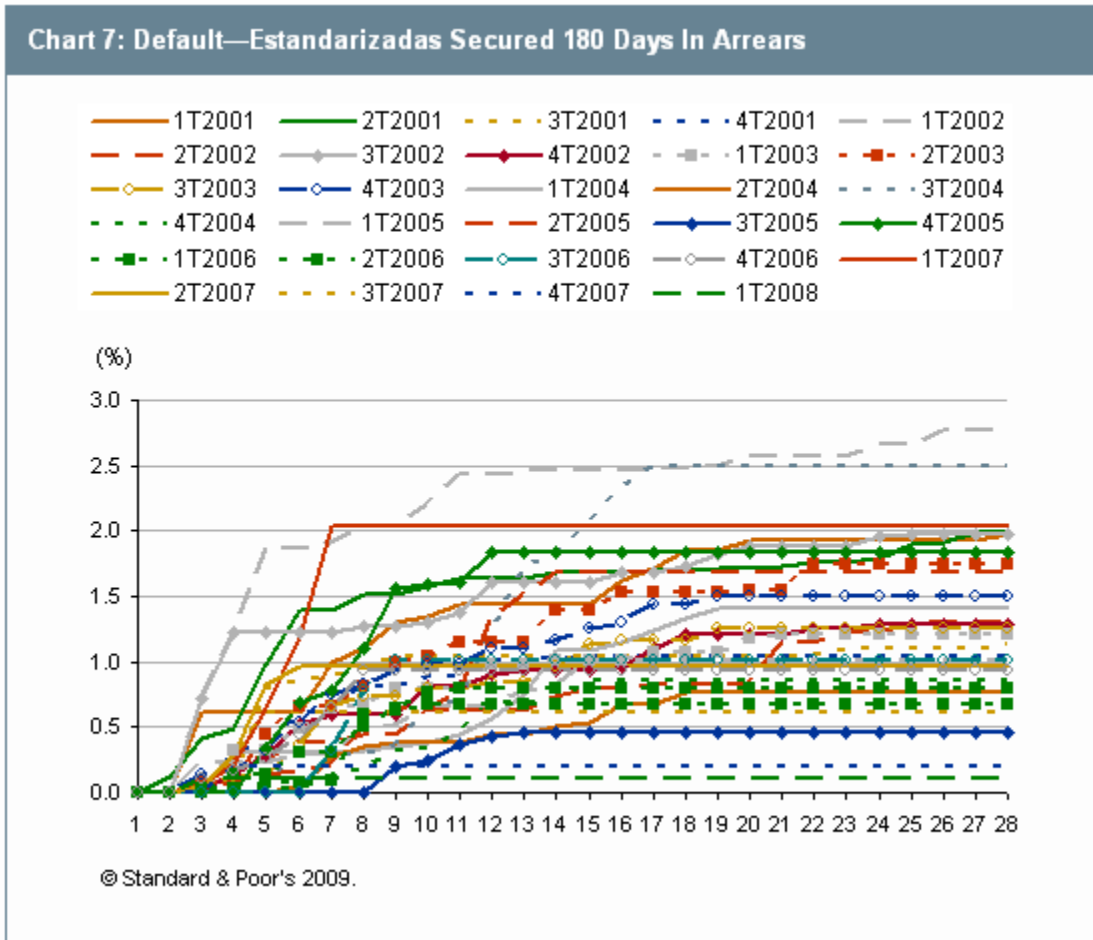
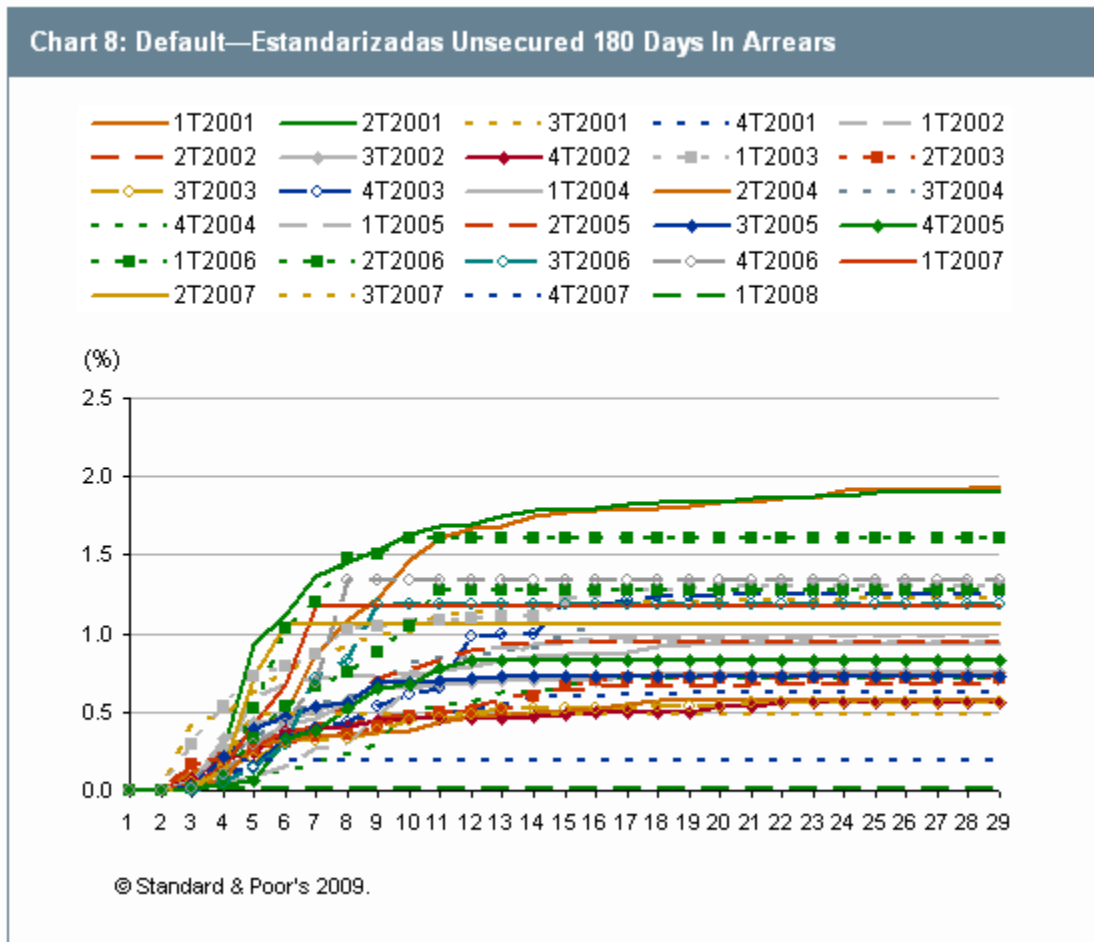


Chart 8



Recoveries

To obtain the base-case recovery rate, we calculated the weighted-average base-case recovery for secured and unsecured loans. We then applied a haircut to obtain the loss severity for different scenarios. We received historical data showing the recoveries experienced by the originator split among the following pools:

- Carterizada secured 180 days in arrears (see chart 9);
- Carterizada unsecured 180 days in arrears (see chart 10);
- Estandarizada secured 180 days in arrears (see chart 11); and
- Estandarizada unsecured 180 days in arrears (see chart 12).

Chart 9

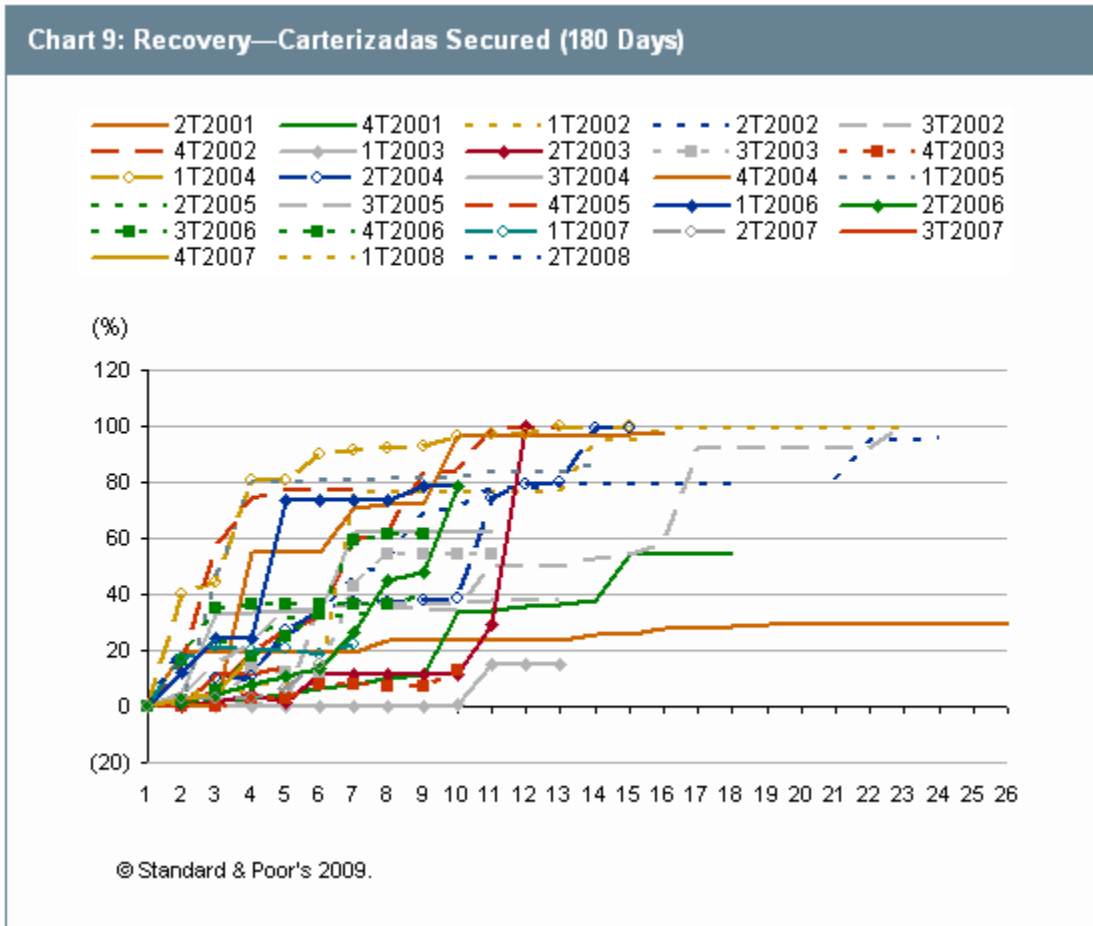


Chart 10

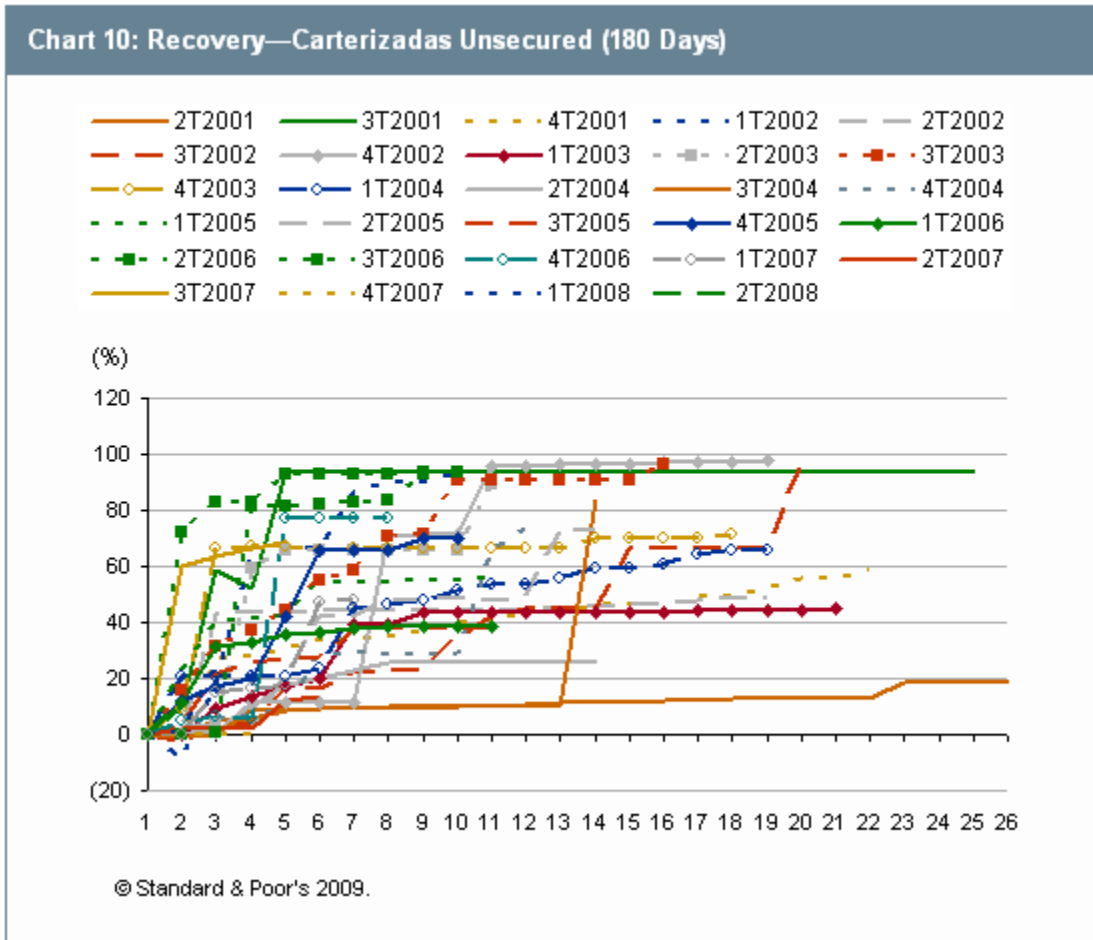


Chart 11

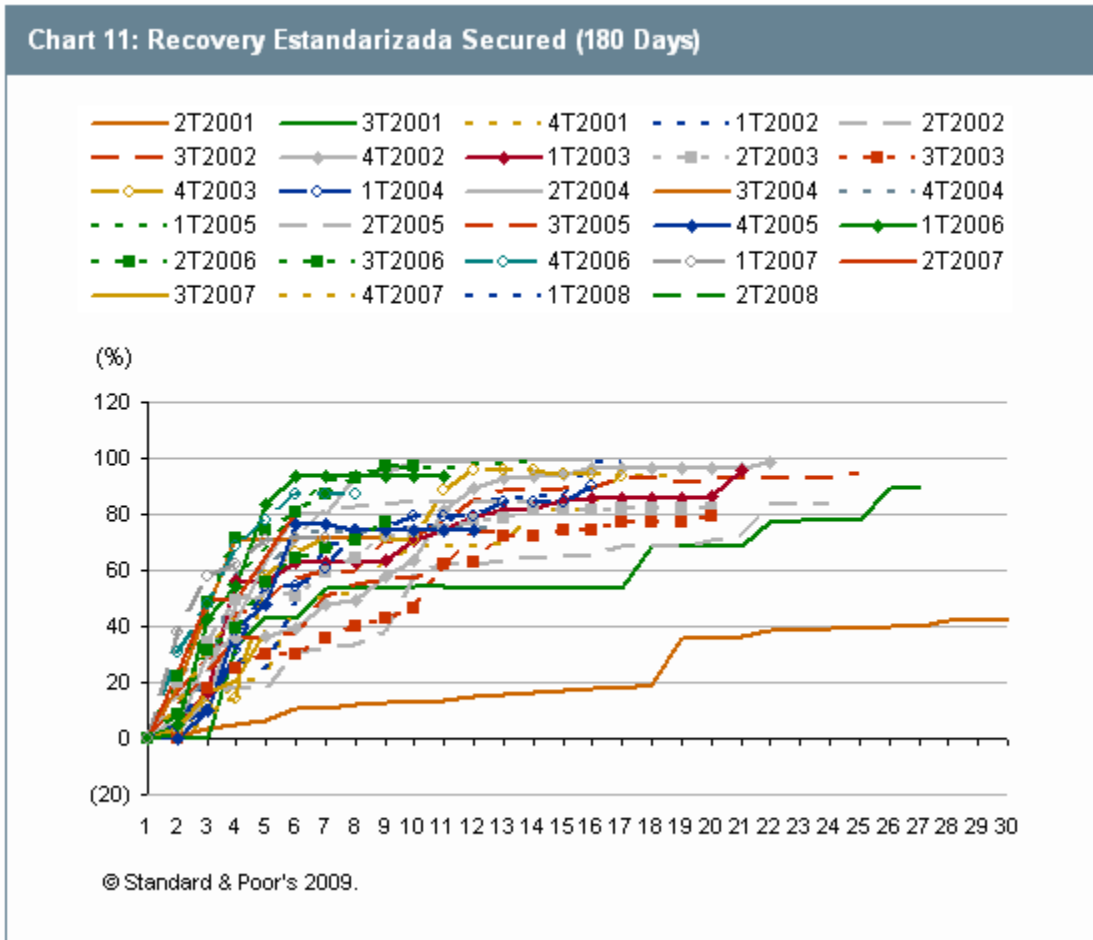
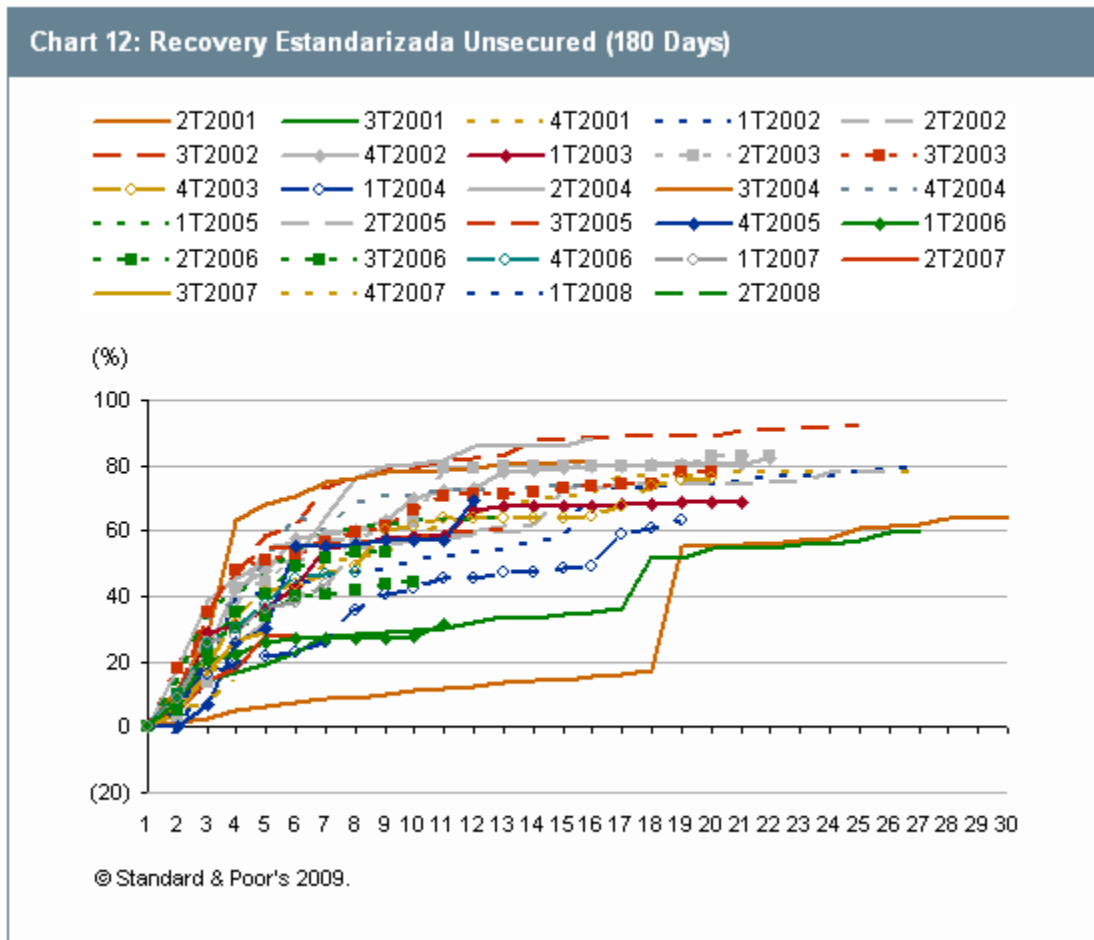


Chart 12



Cash Flow Analysis

Prepayments

Prepayments correspond to the early exercise of the purchase option by loans and credit receivables. We stressed the annual prepayment rate up to 24.0% and down to 0.5%.

Yield

We modeled the assets as yielding the minimum rate guaranteed by the originator's eligibility criteria.

Commingling

As of Day 1 of this deal, a loss is considered as one month's cash flows (interest plus principal) and historical CPR of a similar pool.

Timing of defaults

We assume defaults occur periodically in amounts calculated as a percentage of the default rate. Tables 1a and 1b show the timing of defaults.

Table 1a

Timing Of Defaults						
Percentage of DR (equal)	Months when applied	Percentage of DR (slow) (%)	Months when applied	Percentage of DR (fast) (%)	Months when applied	Months when applied
1/3	1	5	7	30	1	
1/3	13	5	13	30	7	
1/3	25	10	19	20	13	
—	—	20	25	10	19	
—	—	30	31	5	25	
—	—	30	37	5	31	

DR—Default rate.

Table 1b

Timing Of Defaults							
Percentage of DR (standard back) (%)	Months when applied	Percentage of DR (standard front) (%)	Months when applied	Percentage of DR (standard 5 year seven) (%)	Months when applied	Percentage of DR (standard 4 year seven) (%)	Months when applied
15	12	40	12	20	12	25	12
30	24	20	24	20	24	25	24
30	36	20	36	20	36	25	36
15	48	10	48	20	48	25	48
10	60	10	60	20	60		60

DR—Default rate.

Recovery period

We have modeled a recovery period timing of 42 months: 50% after 21 months and the remaining 50% after 42 months.

Scenario Analysis

As part of a broad series of measures that we announced in 2008 to enhance our analytics and dissemination of information, we have committed to provide a "what-if" scenario analysis in rating reports to explain key rating assumptions and the potential impact of positive or negative events on the ratings (see "A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process" in "Related Research").

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses;
- Results of the effects of the stresses on ratings; and
- Results of the effects of the stresses on our cash flow analysis.

Methodology

When rating European auto and consumer asset-backed securities (ABS) transactions, we have developed a scenario analysis and sensitivity testing model framework. This demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For this asset class, we consider scenario stresses over a one-year horizon to be appropriate given the relatively short weighted-average life of the assets backing the notes. For these types of securities there are many factors that could cause the downgrade and default of a rated note,

including asset performance and structural features. However, for the purposes of this analysis we focused on the three fundamental drivers of collateral performance, namely:

- Gross loss rate;
- Recovery rate; and
- Prepayment rate.

Given current economic conditions, the stress scenarios proposed reflect negative events for each of these variables. Increases in gross default rates could arise from a number of factors, including rises in unemployment and company insolvencies, together with falls in house prices and a reduction in the availability of credit. In addition, these effects would most likely cause collateral recovery rates to fall as the structural imbalance between supply and demand leads to reductions in asset prices. In this environment, we also expect prepayment rates to fall as fewer refinancing options leave obligors unable to prepay finance agreements and demand for replacement vehicles falls.

For this analysis we have included two stress scenarios to demonstrate the rating transition of a bond (see table 2).

Table 2

Scenario Stresses		
Rating variable	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Gross loss rate (%)	40.0	70.0
Recovery rate (%)	(40.0)	(70.0)
Constant prepayment rate (%)	(20.0)	(33.3)

It is worth noting that our base case assumptions for each transaction are intended to be best estimates of future performance for the asset portfolio. Our approach in determining these base cases would take account of historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated bonds in each transaction will differ depending on these factors, in addition to structural features of the transaction, including its reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage we stress our expected base case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assume the stresses that we apply occur at closing, with gross losses applied based on our expectation of a cumulative default curve for the portfolio.

The second stage applies our usual rating methodology, including revising our base case assumptions at the one-year horizon to reflect the assumed deviations as a result of the stressed environment. In the final stage of the analysis we re-rate the transaction at the one-year horizon, after revising our base case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated notes given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Scenario stress and sensitivity analysis

When applying scenario stresses in the manner described above, the results of this modeling are intended to be a simulation of what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling. The implied

base case stresses and scenario stress results are shown in tables 3–5.

Table 3

Scenario Stresses			
Stress horizon—12 months			
Rating variable	Base case	Scenario 1	Scenario 2
Gross loss rate (%)	4.90	6.86	8.33
Recovery rate (%)	37.82	22.69	11.35
Constant prepayment rate (%)	12	9.60	8

Table 4

Scenario Stress Analysis—Rating Transition Results			
Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A	AAA	AAA
Scenario 2	A	AAA	AA
Scenario 1	B	AA-	AA-
Scenario 2	B	AA-	A
Scenario 1	C	BBB	BBB-
Scenario 2	C	BBB	B
Scenario 1	D	B+	B-
Scenario 2	D	B+	B-
Scenario 1	E	B-	B-
Scenario 2	E	B-	B-

Table 5

Cash Flow Impact							
Class		A					
Scenario stress	Worst case run	Principal shortfall			Interest shortfall		
		Amount (€)	Expected loss as a % of the transaction size	Month	Amount (€)	Month	
Scenario 1	N/A	0	N/A	N/A	0	N/A	
Scenario 2	Low prepay/down interest rate/ fast default curve	8.66 million	0.43	107	—	—	
Class		B					
Scenario stress	Worst case run	Principal shortfall			Interest shortfall		
		Amount (€)	Expected loss as a % of the transaction size	Month	Amount (€)	Month	
Scenario 1	N/A	0	N/A	N/A	0	N/A	
Scenario 2	Low prepay/down interest rate/ fast default curve	59.75 million	2.99	107	—	—	
Class		C					
Scenario stress	Worst case run	Principal shortfall			Interest shortfall		
		Amount (€)	Expected loss as a % of the transaction size	Month	Amount (€)	Month	
Scenario 1	Low prepay/down interest rate/ fast default curve	1.23 million	0.06	107	0	N/A	

Table 5

Cash Flow Impact (cont.)							
Scenario 2	Low prepay/down interest rate/ fast default curve	10.03 million	0.5	107	—	—	
Class		D		Principal shortfall		Interest shortfall	
Scenario stress	Worst case run	Amount (€)	Expected loss as a % of the transaction size	Month	Amount (€)	Month	
Scenario 1	Low prepay/down interest rate/ fast default curve	27.72 million	1.38	107	0	N/A	
Scenario 2	Low prepay/down interest rate/ fast default curve	82.40 million	4.12	107	—	—	
Class		E		Principal shortfall		Interest shortfall	
Scenario stress	Worst case run	Amount (€)	Expected loss as a % of the transaction size	Month	Amount (€)	Month	
Scenario 1	N/A	0	N/A	N/A	0	N/A	
Scenario 2	N/A	0	N/A	N/A	0	N/A	

N/A—Not applicable.

Given the structure of the transaction, the more stressful scenario for our cash flow analysis across all classes of notes is a low collateral prepayment rate with a down interest rate environment in a fast default curve.

Given the stresses we applied under scenario 1:

- The class A notes would most likely retain their 'AAA' rating;
- The class B notes would most likely retain their 'AA-' rating;
- The rating on the class C notes would most likely be lowered to 'BBB-'; and
- The rating on the class D notes would most likely be lowered to 'B-'.

Under scenario 2:

- The rating on the class A notes would most likely be lowered to 'AA';
- The rating on the class B notes would most likely be lowered to 'A';
- The rating on the class C notes would most likely be lowered to 'B'; and
- The rating on the class D notes would most likely be lowered to 'B-'.

Under the more stressful cash flow run:

- The class A notes would incur a principal shortfall of €8.66 million in month 107 (after closing);
- The class B notes would incur a principal shortfall of €59.75 million in month 107 (after closing);
- The class C notes in scenario 1 would incur a principal shortfall of €1.23 million in month 107 (after closing);
- The class C notes in scenario 2 would incur a principal shortfall of €10.03 million in month 107 (after closing);
- The class D notes in scenario 1 would incur a principal shortfall of €27.72 million in month 107 (after closing); and
- The class D notes in scenario 2 would incur a principal shortfall of €82.40 million in month 107 (after closing).

The stability of the rating under each scenario is enhanced by a number of features of this transaction, including the

sequential repayment mechanism, the relatively high levels of excess spread guaranteed by the swap, and the reserve fund, which will be fixed for the first three years, and will not allow amortization if the arrears ratio and the default ratio is higher than 1.25%).

Where interest or principal shortfalls occur under the most senior notes, the holders of these notes and/or the trustee can call an event of default. This could lead to multiple events, such as the senior fees of the transaction stepping up, the swap terminating (with the issuer needing to make termination payments), and the post-enforcement priority of payments being applied. All of these events will have an effect on the transaction cash flows.

For the purposes of the analysis above, we make a simplified assumption that the trustee will not call an event of default and that the swap will not terminate.

Monitoring And Surveillance

As of today, we rated five transactions backed by pools of loans granted to Spanish SMEs and originated by Santander:

- FTPYME Santander 2 (October 2004);
- Santander Empresas 1 (October 2005);
- Santander Empresas 2 (December 2006);
- Santander Empresas 3 (May 2007), which in January 2009 we downgraded as follows: (i) tranche B placed on CreditWatch negative (rated 'AA' at closing); (ii) tranche C to 'A-' from 'A+'; (iii) tranche D to 'BB' from 'BBB+'; and (iv) tranche E to 'B' from 'BB+'; and
- Santander Empresas 4 (October 2007), which in January 2009 we downgraded as follows: (i) tranche B placed on CreditWatch negative (rated 'AA' at closing); (ii) tranche C to 'A-' from 'A+'; (iii) tranche D to 'BB' from 'BBB+'; and (iv) tranche E to 'B' from 'BB+'.

Related Research

- Methodology: Updated Counterparty Criteria For Derivatives: Eligibility Of 'A-2' Counterparties Removed In 'AAA' Transactions (published on Oct. 22, 2008).
- General Criteria: Standard & Poor's To Explicitly Recognize Credit Stability As An Important Rating Factor (published on Oct. 15, 2008).
- Methodology And Assumptions: Update To The Criteria For Rating European SME Securitizations (published on Jan. 6, 2009).
- Principles-Based Rating Methodology For Global Structured Finance Securities (published on May 29, 2007).
- Revised Framework for Applying Counterparty and Supporting Party Criteria (published on May 8, 2007).
- A Listing Of S&P's New Actions Aimed At Strengthening The Ratings Process (published on Feb. 7, 2008).
- European Legal Criteria for Structured Finance Transactions (published on March 23, 2005).
- Transition Study: 2008 Marked by Acceleration In Rating Downgrades For European Structured Finance (published on Jan. 27, 2009).
- European Structured Finance Performance Outlook 2009—Troubled Times Ahead (published on Dec. 16, 2008).
- European SME Securitization Outlook 2008—Geographical Expansion And Balance-Sheet Management To Maintain Sector (published on Feb. 22, 2008).

- Assessment Of The Basel II Framework: Credit Card Receivables (published on July 28, 2006).
- The Fundamentals Of Structured Finance Ratings (published on Aug. 23, 2007).
- Structured Finance Glossary Of Securitization Terms 2007 (published on June 11, 2007).
- Why Structured Finance Ratings Can Change Over Time (published on July 27, 2006).
- S&P Announces Leadership Actions Aimed At Strengthening The Ratings Process (published on Feb. 7, 2008).

Related articles are available on RatingsDirect. Criteria, presales, servicer evaluations, and ratings information can also be found on Standard & Poor's Web site at www.standardandpoors.com. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow (7) 495-783-4011.

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