



F.T.A. Santander Hipotecario 2

€1,972,600,000 RMBS

STRICTLY PRIVATE AND CONFIDENTIAL

June 16th, 2006



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The following materials have been prepared to provide preliminary information about a potential structured transaction involving the issuance and offering of securities ("Transaction") by F.T.A. Santander Hipotecario 2 ("Issuer") in order to finance its acquisition of a portfolio of assets originated by Banco Santander Central Hispano, S.A. ("Originator"). Grupo Santander, Calyon and Dexia (together, the "Joint Lead Managers") distribute the materials upon the express understanding that no information contained herein has been independently verified by any of the Joint Lead Managers. The Joint Lead Managers make no representation or warranty (express or implied) of any nature nor is any responsibility or liability of any kind accepted with respect to the truthfulness, completeness or accuracy of any information, projection, representation or warranty (expressed or implied) or omissions in this presentation and nothing in this presentation shall be deemed to constitute such a representation or warranty or to constitute a recommendation to any person to acquire any securities.

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Disclaimer (II)



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In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of Notes to the public in that Relevant Member State will be made prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that, with effect from and including the Relevant Implementation Date, an offer of Notes may be made to the public in that Relevant Member State at any time: (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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Executive Summary

Transaction Structure

Portfolio overview and historical performance

Santander Hipotecario 2: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

- ◆ Grupo Santander (rated AA-/Aa3/AA) is the largest bank in Euroland by market capitalisation (EUR 69 billion as of 31Dec.05)
- ◆ Grupo Santander is the largest bank in Spain, developing its activity mainly in retail banking but also in corporate and investment banking
- ◆ This is Grupo Santander's 40th securitisation, being by far the largest originator in the Spanish market, with more than EUR 30 billion issued in the last 12 years

Key features (I)



- ◆ Highly granular portfolio, all to individuals resident in Spain, guaranteed with a first-ranking residential mortgage.
- ◆ Previously, Santander issued the serial Hipotebansa RMBS series, until Santander started issuing Cédulas, using the eligible residential mortgages as collateral- notably those that have less than 80% LTV.
- ◆ Those loans over 80% LTV that do not qualify as collateral of Cédulas, but follow exact same credit procedures as “below 80% LTV” loans, are now used in the Santander Hipotecario program.
- ◆ The provisional number of loans is 13.916 with an average outstanding balance of EUR 146,650.26
- ◆ All loans are fully amortising

Key features (II)



- ◆ High Geographical diversification, as befits a nationwide bank:
 - Main concentration in Catalonia 17,87% and Madrid 17,27%
- ◆ The maximum arrears period for any loan on the selling date will be 30 days
- ◆ The swap will cover the first 90 days of interest arrears
- ◆ Class A is supported by 8.75% credit enhancement and an additional annual guaranteed gross excess spread of 0.65% guaranteed excess spread on the proportion of the pool which is less than 90 days in arrears
- ◆ Exceptional performance of similar previous issue Santander Hipotecario 1 with arrears for more than 90 days equivalent to 0,32%

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Grupo Santander in the Spanish Market

Terms and conditions



Series	Amount (€mn)	Tranching	Credit enhancement ^(*)	Rating (Moody's / S&P)	Spread bps over 3-month Euribor	Average Life (years)**	Final** Maturity
A	1,801.5	92.15%	9.40%	Aaa / AAA	[•]	5,07	18-10-2020
B	51.8	2.65%	6.75%	Aa2 / AA-	[•]	14,28	18-10-2020
C	32.3	1.65%	5.10%	A2 / A-	[•]	14,28	18-10-2020
D	49.8	2.55%	2.55%	Baa2 / BBB	[•]	14,28	18-10-2020
E	19.6	1.00%	1.55%	Ba3 / BB	[•]	14,28	18-10-2020
SubTotal	<u>1,955.0</u>	100.00%					
F / RF	17.6	0.90%	0.65%	Caa2 / CCC-	[***]	10.52	18-10-2020
Total	<u>1,972.6</u>						

* assuming Excess Spread of 65 bps

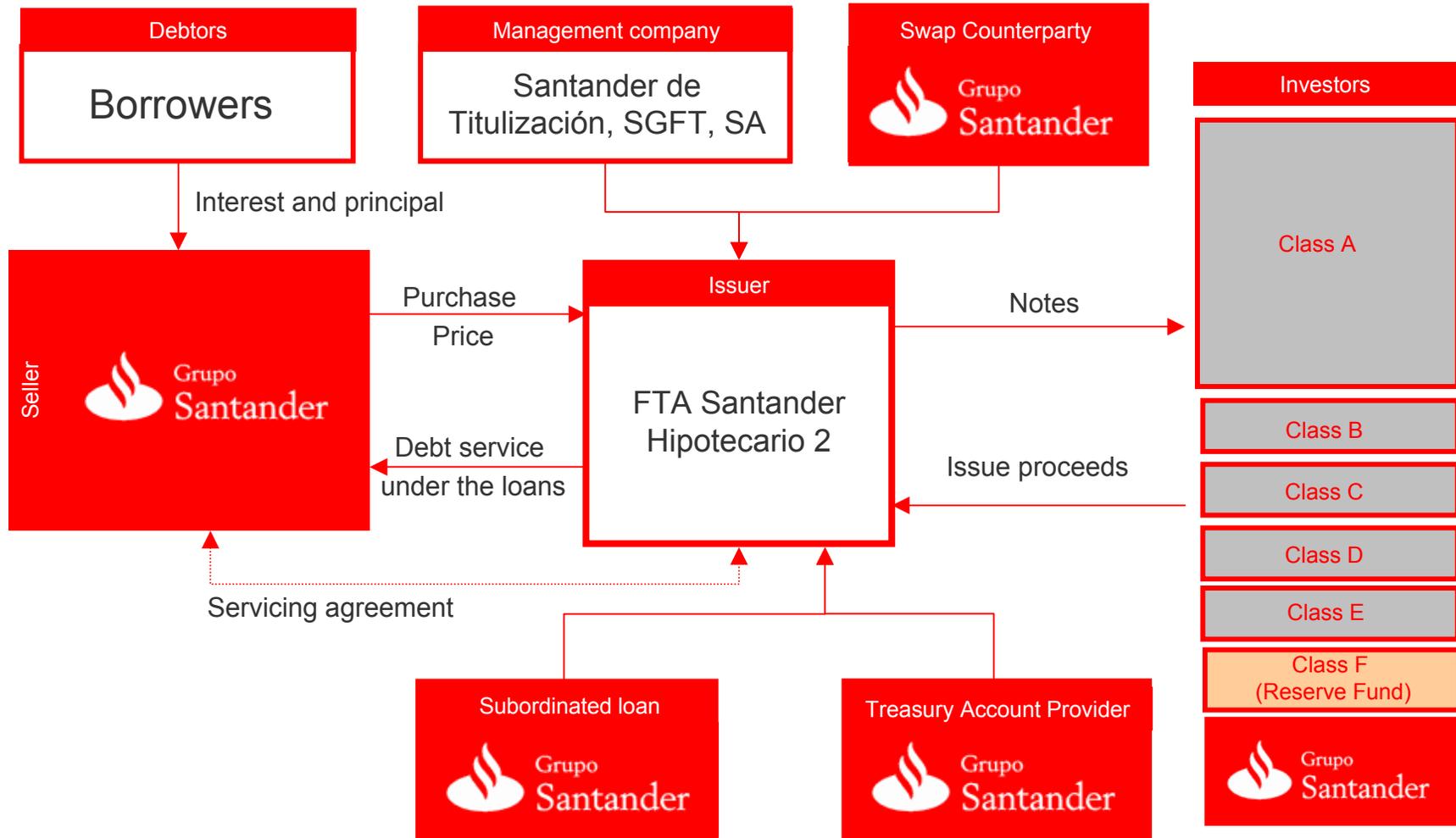
** assuming exercise of 10% clean-up call, 12% CPR, Legal Final Maturity of 18-1-2048, and other standard assumptions, more fully set out in the Folleto.

*** retained

Issuer	FTA Santander Hipotecario 2	Amount	EUR 1,972,600,000
Registration at CNMV	29 June 2006	Incorporation of the FTA	3 July 2006
Launch date	30 June 2006	Closing and Settlement	6 July 2006
Trade date	4 July 2006	Denominations	EUR 100,000
Listing	AIAF	Swap Counterparty	Santander
Management Company	Santander de Titulización, SGFT	Joint-Bookrunners	CALYON, Santander
Governing Law	Spanish		

F.T.A. Santander Hipotecario 2

Transaction Structure



Credit enhancement (I)

- ◆ The A Class is supported by the following credit enhancement features (Ratings: Moody's/S&P):
 - Guaranteed annual gross excess spread of 65 bps of the outstanding balance of performing loans (defined as current or up to 90 days in arrears). The net excess spread will be approximately 62 bps.
 - Initial fully funded cash reserve of EUR 17,6 million (0,90% of the initial balance of the notes) through Class F rated bond retained by the originator.
 - An initial 8,75% of aggregate credit enhancement contributed in addition by the B, C, D, and E Classes.

Structure
Class A Aaa / AAA 92,15]
Class B Aa2 / AA- 2,65%
Class C A2 / A- 1,65%
Class D Baa2 / BBB 2,55%
Class E Ba3 / BB 1,00%
Class F (Reserve Fund): Caa2 / CCC-0,9%
Excess spread: 0.65%

Credit enhancement (II)



INTERT RATE SWAP

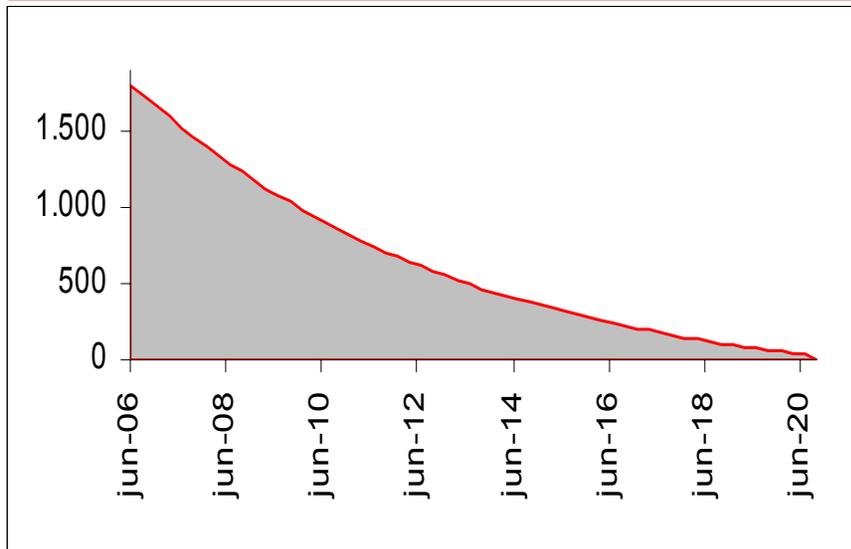
- ♦ Santander (AA-/Aa3/AA) will guarantee via the interest rate swap a gross level of excess spread equal to 65 bps on a notional amount equal to the outstanding balance of the performing assets (performing assets defined as current or not in arrears for longer than 90 days and excluding written-off loans)
- ♦ The issuer pays the equivalent of all interest actually received from the pool
- ♦ The issuer receives an amount equal to the sum of (i) 3 months Euribor, (ii) the weighted average margin applicable to the notes, (iii) 0.65% on a swap notional which is equal to the outstanding balance of the performing assets (performing assets defined as current or not in arrears for longer than 90 days and excluding written-off loans)

CLASS F (RESERVE FUND) / CASH RESERVE

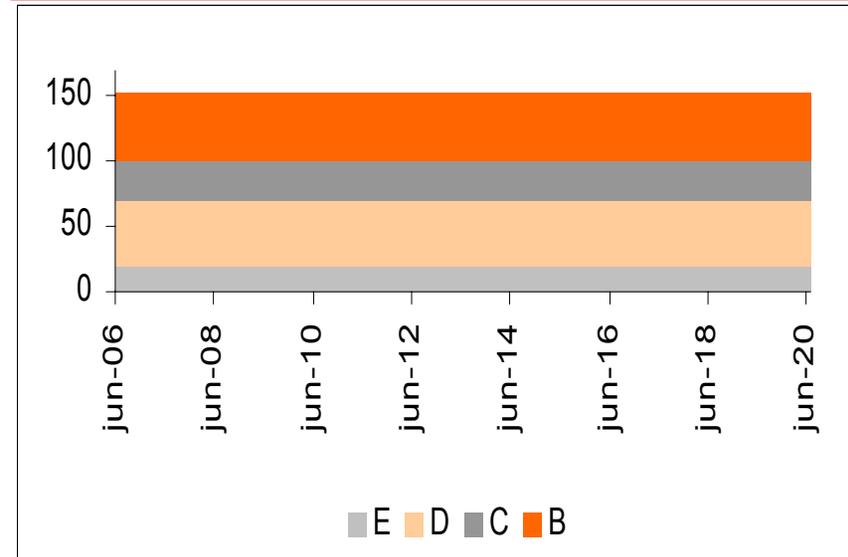
- ♦ Initial Amount for first three years: EUR 17.6 million. Fully funded on the Closing Date
- ♦ The maximum size of the Cash Reserve initially funded by the Class F (Reserve Fund) shall be equal to the lower of:
 - EUR 17.6 million; and
 - The higher of:
 - 1.8% of the outstanding principal balance of the notes; and
 - EUR 8,797,500
- ♦ The size of the Cash Reserve will not be reduced between two subsequent Payment Dates if either:
 - The ratio defined as: (i) the outstanding balance of defaulted loans (more than 90 days in arrears); divided by (ii) the outstanding balance of non written-off loans, is equal to, or greater than 1%; or
 - The Cash Reserve was not at its required level on the previous Payment Date]

Amortisation profile of the Notes

Class A (€ MM)



Classes B, C, D, and E (€ MM)



Assumptions: (i) CPR:12%. (ii) No substitution of the initial loans, (iii) 10% of the clean up call is exercised. These are estimated amortisation profiles and the actual amortisation profile may differ significantly.

- ◆ The amortisation of classes A, B, C, D, and E is sequential
- ◆ Each of the classes pays interest quarterly and principal according to the sequential amortisation rule

CPR sensitivity

CPR		8%		10%		12%		14%		16%
Class A										
WAL (yrs)		6,80		5,82		5,07		4,47		3,99
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018
Class B										
WAL (yrs)		18,28		16,02		14,28		12,77		11,53
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018
Class C										
WAL (yrs)		18,28		16,02		14,28		12,77		11,53
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018
Class D										
WAL (yrs)		18,28		16,02		14,28		12,77		11,53
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018
Class E										
WAL (yrs)		18,28		16,02		14,28		12,77		11,53
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018
Class F										
WAL (yrs)		13,69		11,90		10,52		9,37		8,43
Expected Final Maturity		18/10/2024		18/07/2022		18/10/2020		18/04/2019		18/01/2018

Assumptions: (i) No substitution of the initial loans and (ii) 10% of the clean up call is exercised.

Priority of Payments

- 1 Payment of the expenses of the Fund
- 2 Payments on the swap (other than termination payments under the swap in case of Santander default)
- 3 Payment of interest, sequentially, on Classes A, B, C, D, and E Notes
- 4 Provisions for an amount equal to the difference between the outstanding balance of the Notes and the aggregate outstanding balance of the Loan Portfolio. Such amounts to be allocated in accordance with the "Principal Allocation Priority", sequentially: Classes A, B, C, D, and E Notes
- 5 Provision for an amount to be retained in the Reserve Fund equal to its required level
- 6 Interest on Class F Notes
- 7 Principal on Class F Notes
- 8 Termination payments under the swap in case of a Santander default
- 9 Interest and amortisation of the principal due on the Subordinated Loan
- 10 Variable financial intermediation margin paid to Santander

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Santander Hipotecario 2: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

Highly diversified portfolio



- ◆ The collateral is a pool of performing residential loans granted to individuals (resident in Spain)
- ◆ Number of loans: 13,916 loans
- ◆ The weighted average seasoning of the portfolio is 18 months
- ◆ Average loan balance: EUR 146,650.26
- ◆ Largest loan over issue amount: 0,12%

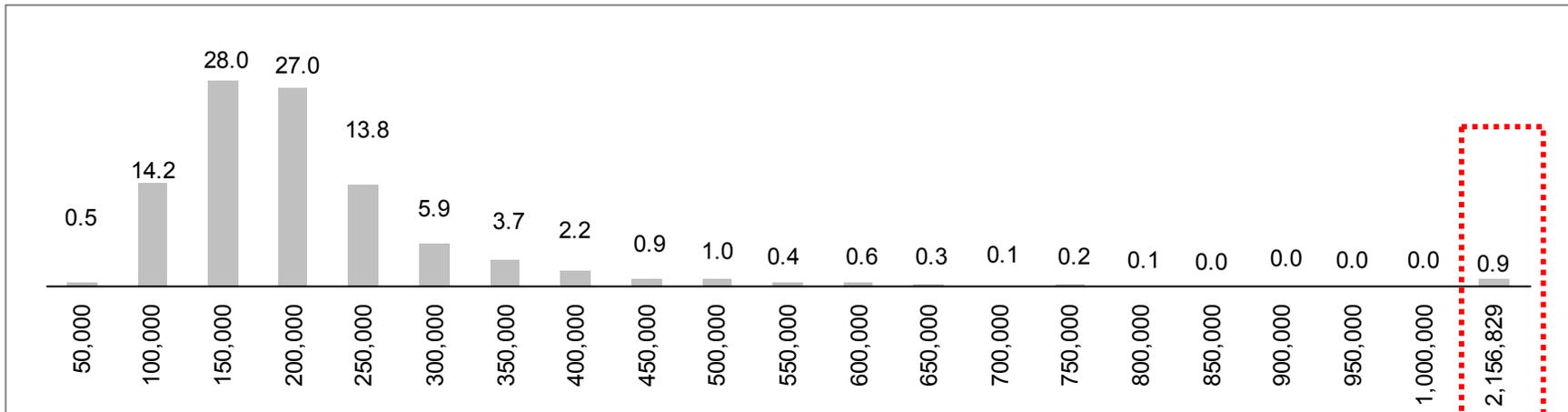
- ◆ Top 20 loans over issue amount: 1,13%
- ◆ The repayment frequency of 99,95% of the loans of the portfolio is on a monthly basis
- ◆ 93,19% of the balance of the provisional pool is current, 4,56% is in arrears for less than 30 days, 1,56% is in arrears between 30 and 59 days, and 0,67% is in arrears between 60 and 89 days
- ◆ On Incorporation Date none of the loans on the portfolio will be in arrears for longer than 30 days

Analysis by outstanding balance



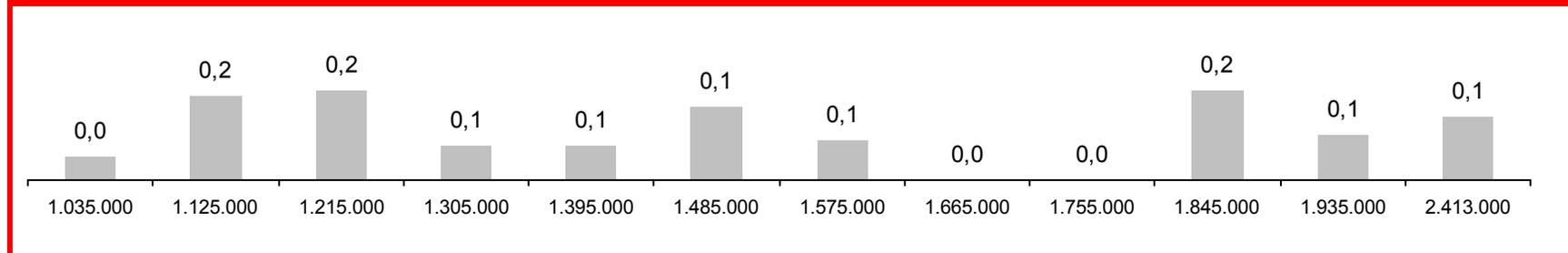
By current outstanding balance (%)

Av. Balance = €146,650.26



Provisional pool as of June 8th, 2006. Source: Grupo Santander

By outstanding balance > €1Mio (%)



Provisional pool as of June 8th, 2006. Source: Grupo Santander

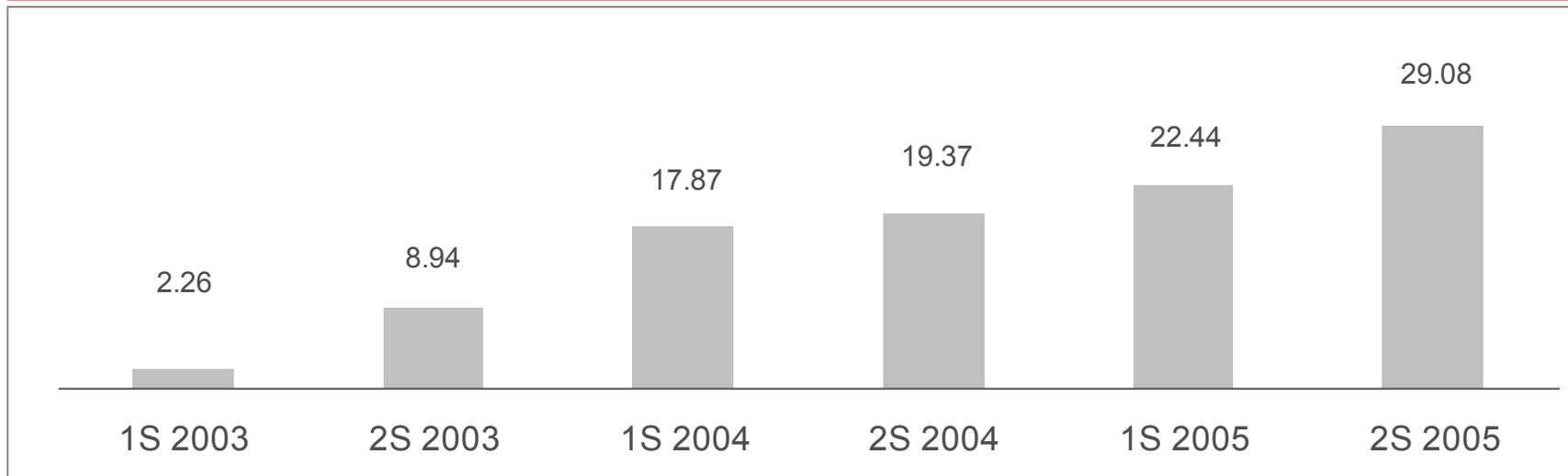
F.T.A. Santander Hipotecario 2

Analysis by seasoning



By date of origination (%)

Av. Seasoning = 18 months



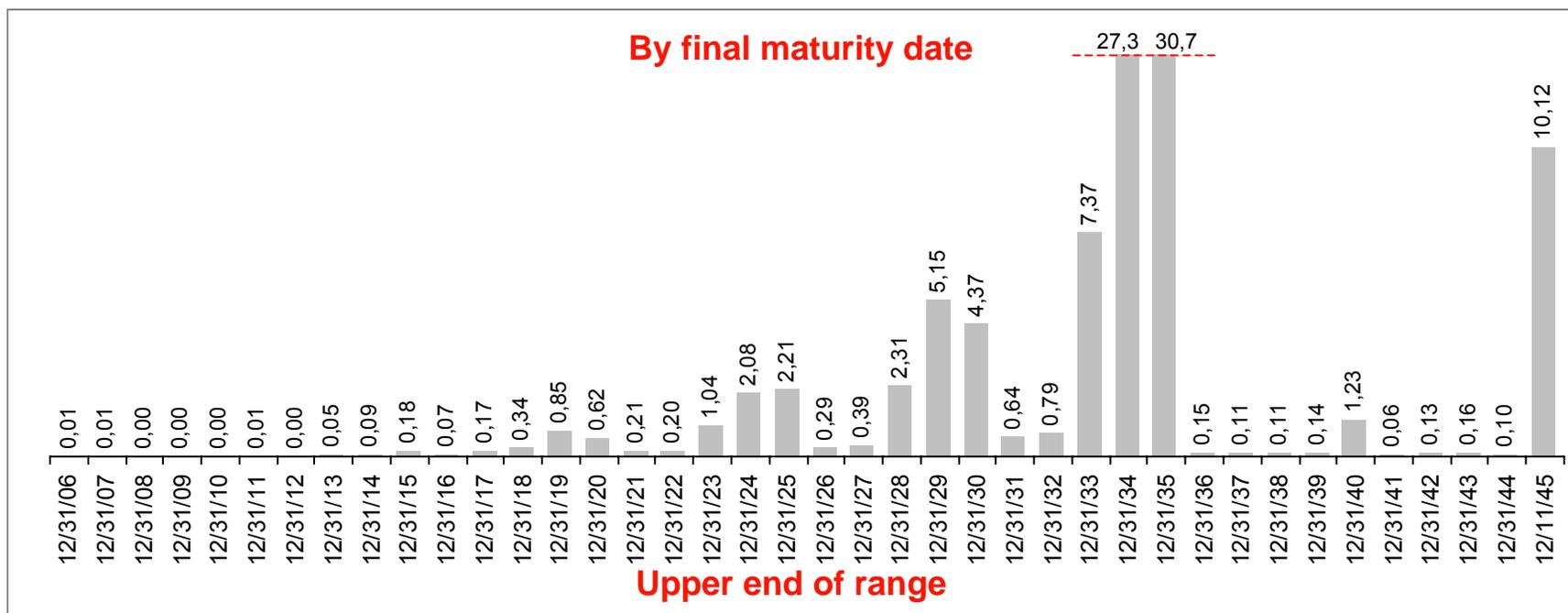
Provisional pool as of June 8th, 2006. Source: Grupo Santander

Analysis by maturity



By final maturity date

Av. Maturity = 27.6 years



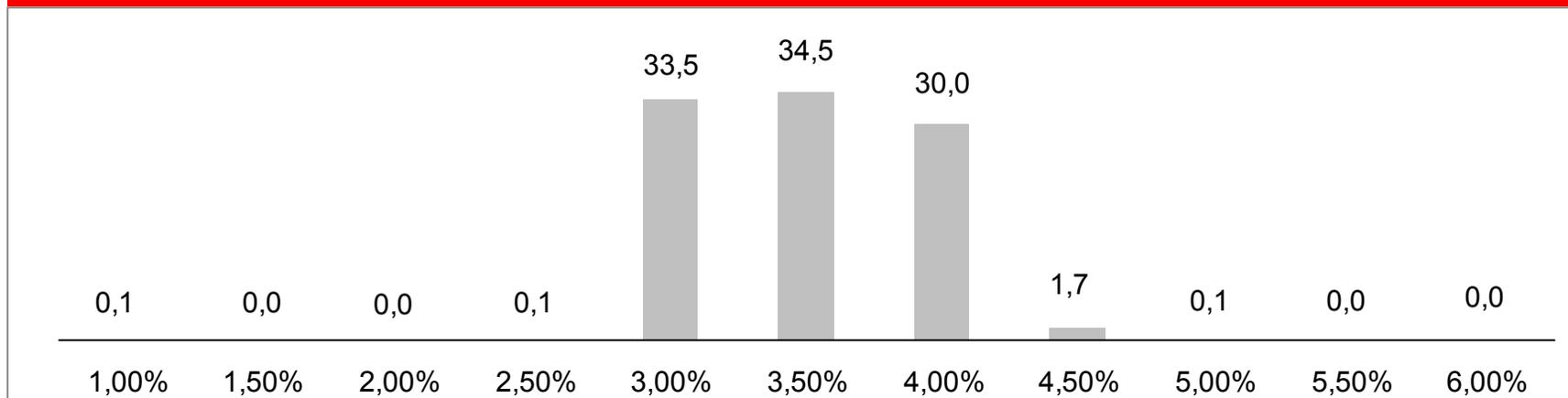
Provisional pool as of September 20th, 2005. Source: Grupo Santander

Analysis by interest rate and reference



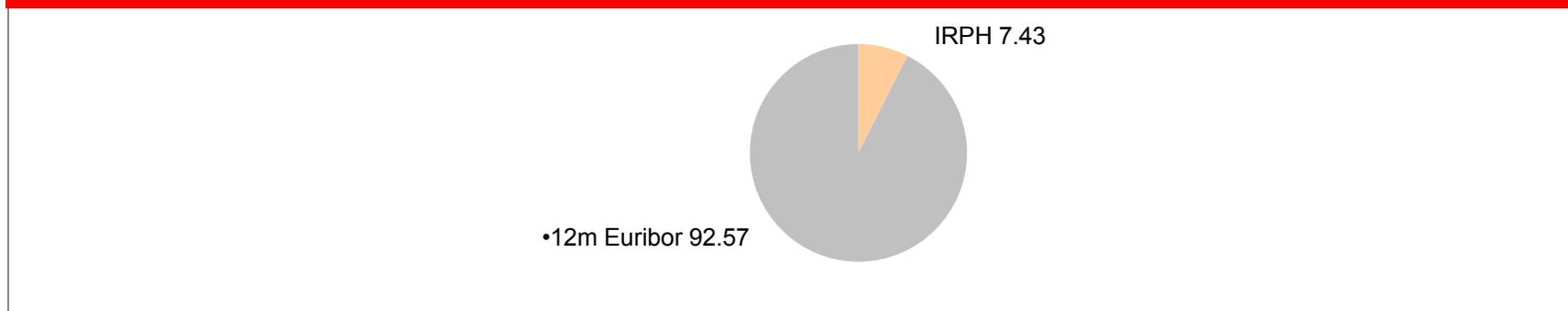
By Interest rate (%)

WA int. rate= 3,22% / Av. Margin = 0,76%



Provisional pool as of June 8th, 2006. Source: Grupo Santander

By reference index (%)

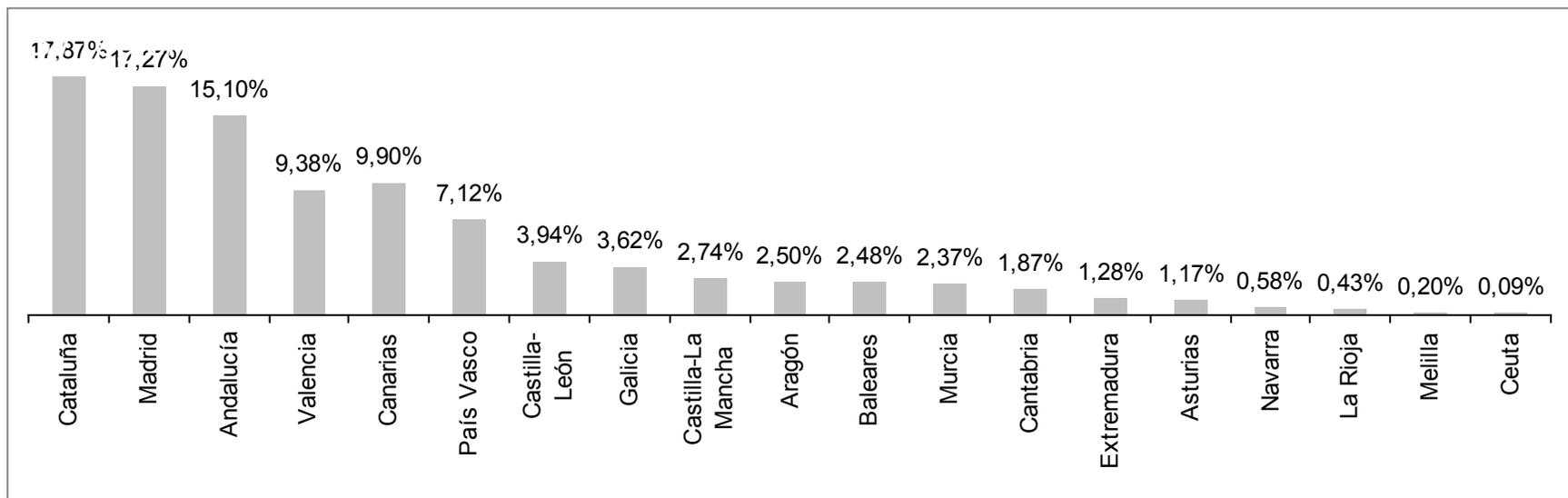


Provisional pool as of June 8th, 2006. Source: Grupo Santander

Analysis by geographical distribution



By region (%)



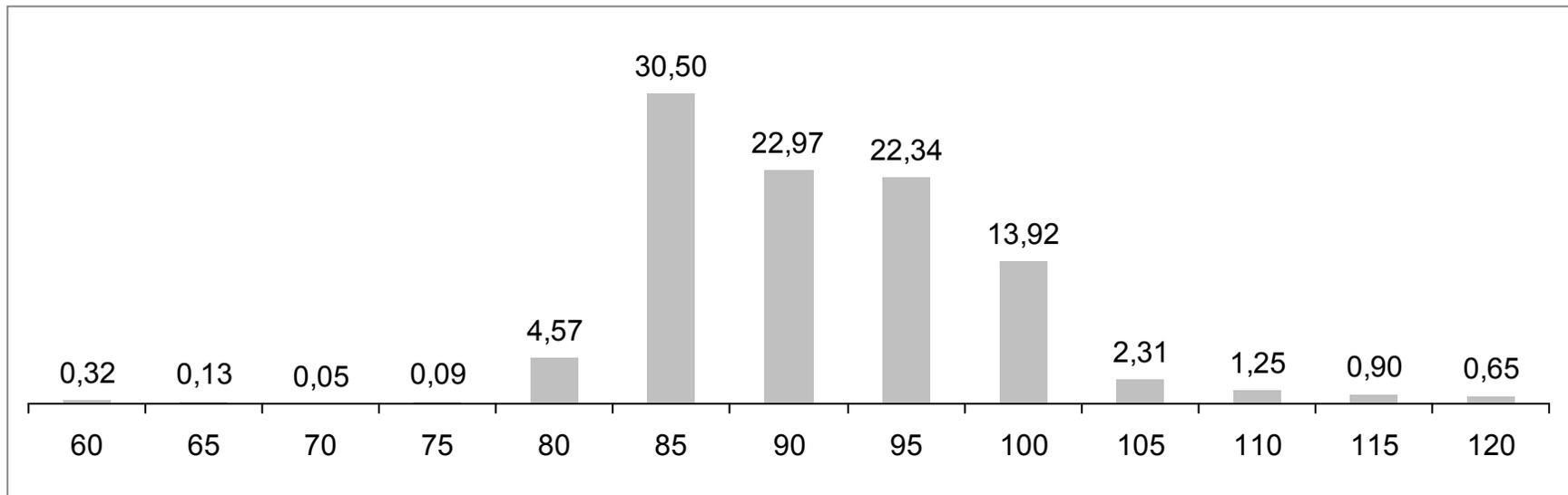
Provisional pool as of June 8th, 2006. Source: Grupo Santander

Analysis by Collateral Guarantee



By Loan To Value LTV (%)

Av. LTV= 88,76%



Provisional pool as of June 8th, 2006. Source: Grupo Santander

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Santander Hipotecario 2: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

Origination & Approval: Grupo Santander has developed a successful risk model



Segmentation

- ◆ The clients are split into two categories. Each category apply different methodologies of risk management, reflecting the different behaviour of the risk. The categories are:
- ◆ **Analyst Management:** actual or potential risk within the Group over EUR 500,000 (inclusion in portfolio)
- ◆ **Systematic Management:** actual or potential risk within the Group less than EUR 500,000

Integrity

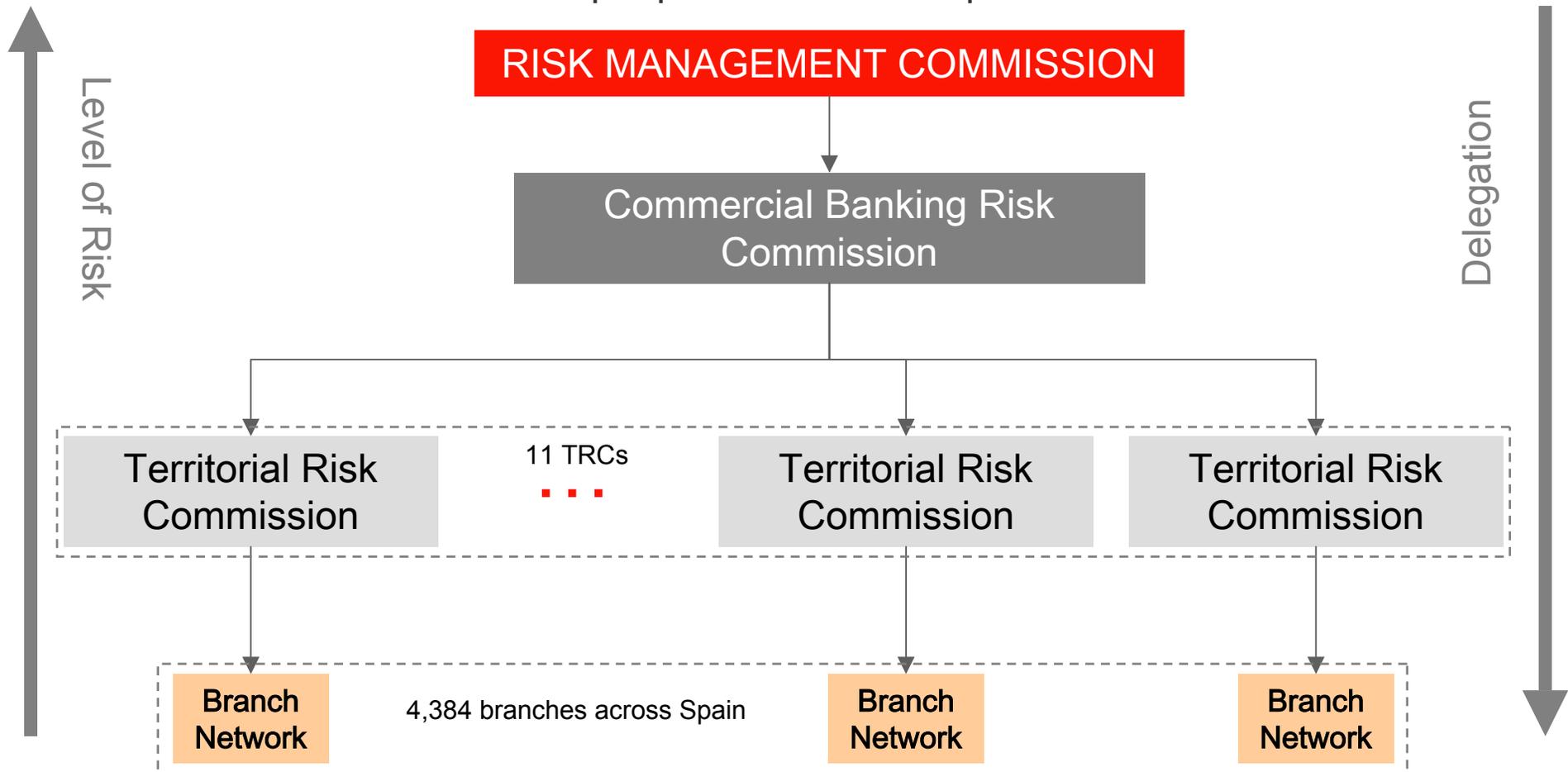
- ◆ All the risk related process within the group (origination, monitoring and recovery) is managed from a single department: the Credit Risk Department. This design allows a homogeneous policy for all risks within Grupo Santander.
- ◆ The Commercial Banking Risk Group is in charge of the origination and monitoring processes.
- ◆ The Recoveries Group is in charge of the recovery process

Independency

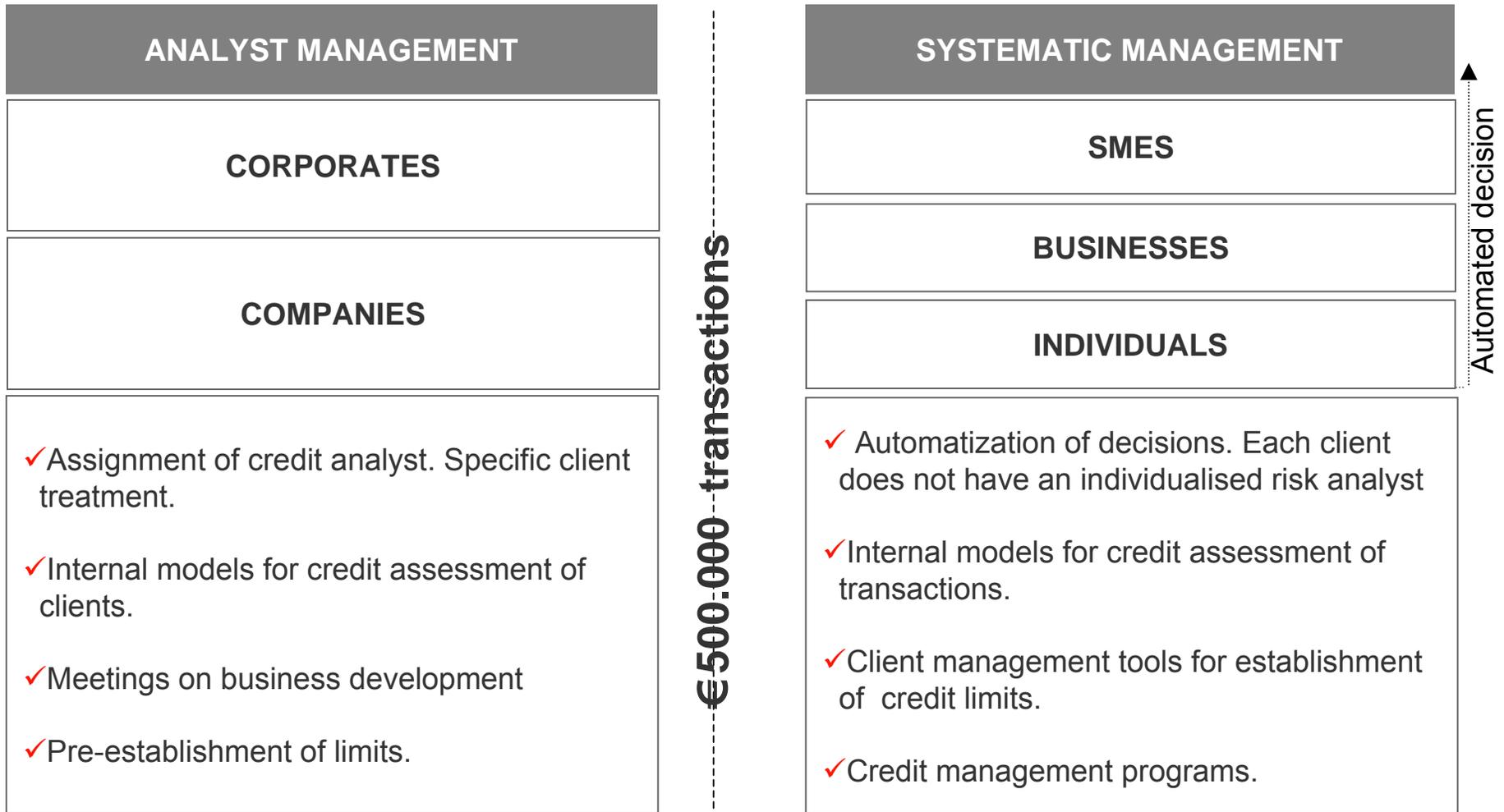
- ◆ Grupo Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area is supporting the Commercial Area in all the processes.
- ◆ In any case the risk management objectives for both areas are the same, in order to guarantee no discrepancies between both areas.

Origination & Approval: Risk approval and delegation structure

- ◆ The Risk Area includes 604 people inside the Grupo Santander:

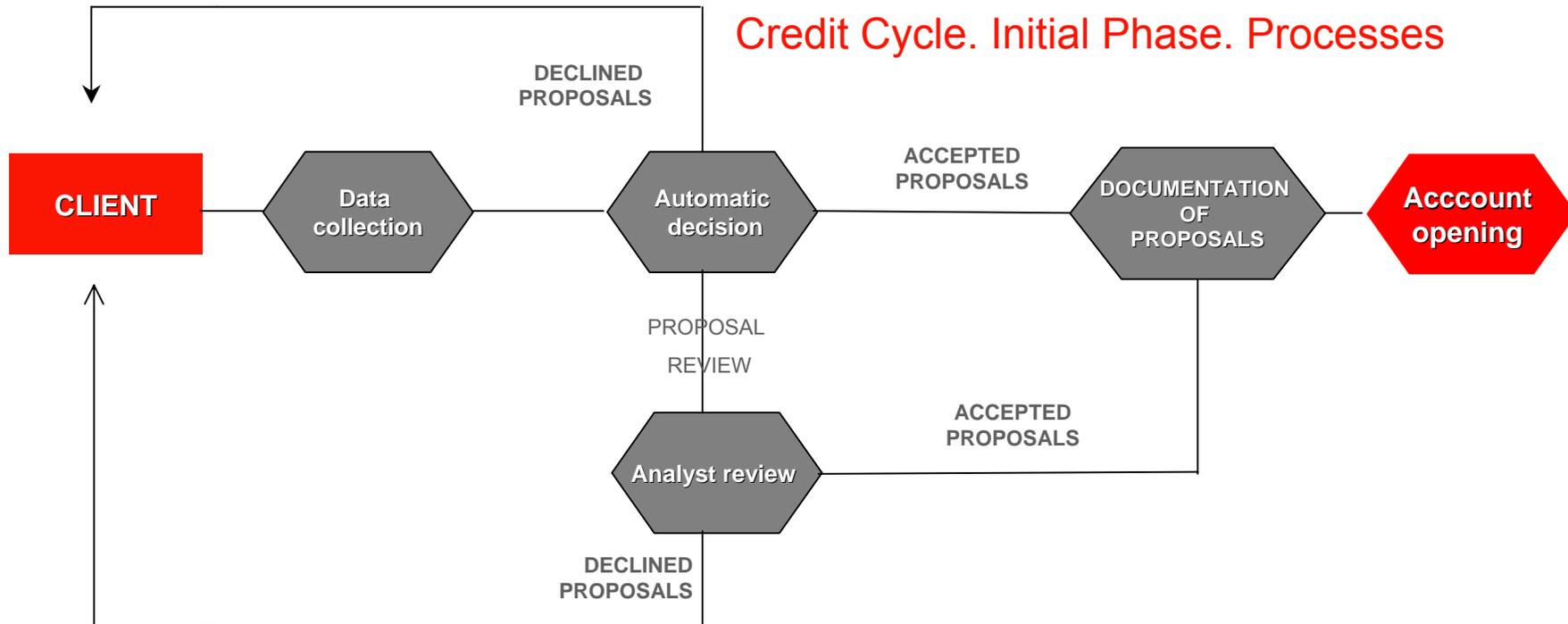


Origination & Approval: Risk Management Perimeter



Origination & Approval: Systematic management

Credit Cycle. Initial Phase. Processes



DATA COLLECTION

- Application, Applicant's data
- Data provided.
- Data researched: Externally and Internally.
- Electronic Applications. Documentation does not travel.

DECISION

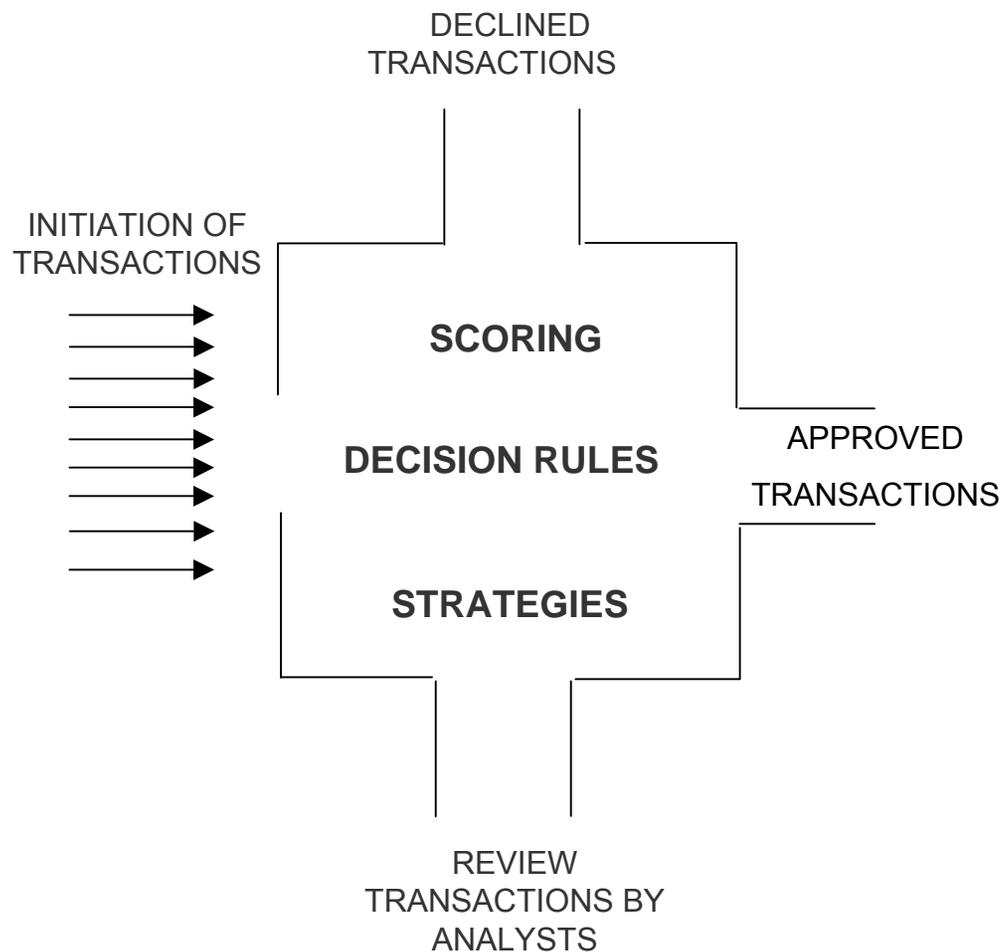
- Automatic System:
 - Scoring
 - Decision rules
 - Strategy.
- Manual System:
 - Analysts
 - Procedure

DOCUMENTATION

- Verification of data compiled in application.
- Identification and signature of all parties to transaction.
- Perfection of contractual documentation

Origination & Approval: Systematic management

Credit Cycle. Admission Phase. Automated Decision Model



Automated Decision Model

- ✓ **Scoring:** Orders the universe of transactions/clients) as a function of Good or Bad.
- ✓ **Rule:** Decision-making on that Universe.
- ✓ **Strategies:** Segments and Differentiates the Universe



1. Measurable Results.
2. Predictable Results.
3. Easy Implementation.
4. Development Capacity

Origination & Approval: Systematic management

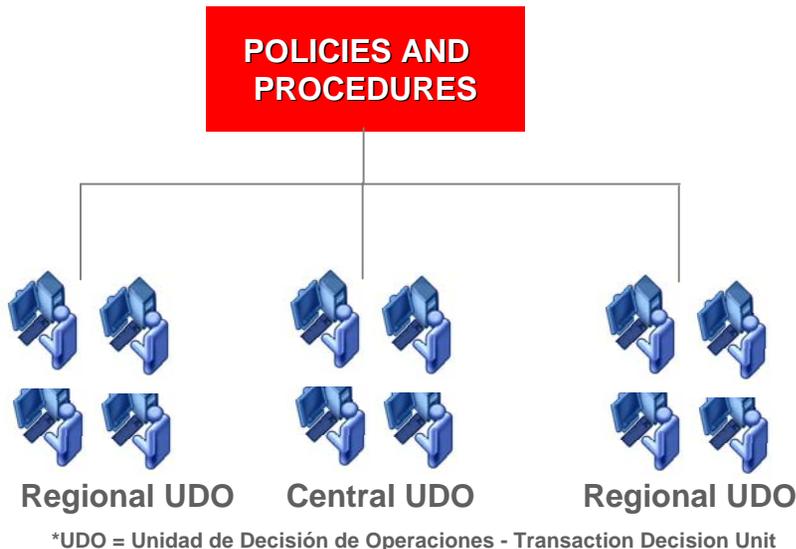
Evaluation of Applications by Analysts

Those applications where:

- ✓ Automatic decision has been **“gray area”** or **“manual review”**.
- ✓ Automatic decision has been Decline and a **reconsideration has been requested**



Must be evaluated by an analyst or a branch with sufficient power



- ✓ The Analyst's decisions are the ones that make reality the Credit Policy of the Organization.
- ✓ During the Evaluation Process the analyst must apply the current Credit Policy, stating the motives for the decision taken.
- ✓ Analyst takes decisions based on the data provided by the electronic systems without access to the underlying documentation of such information.

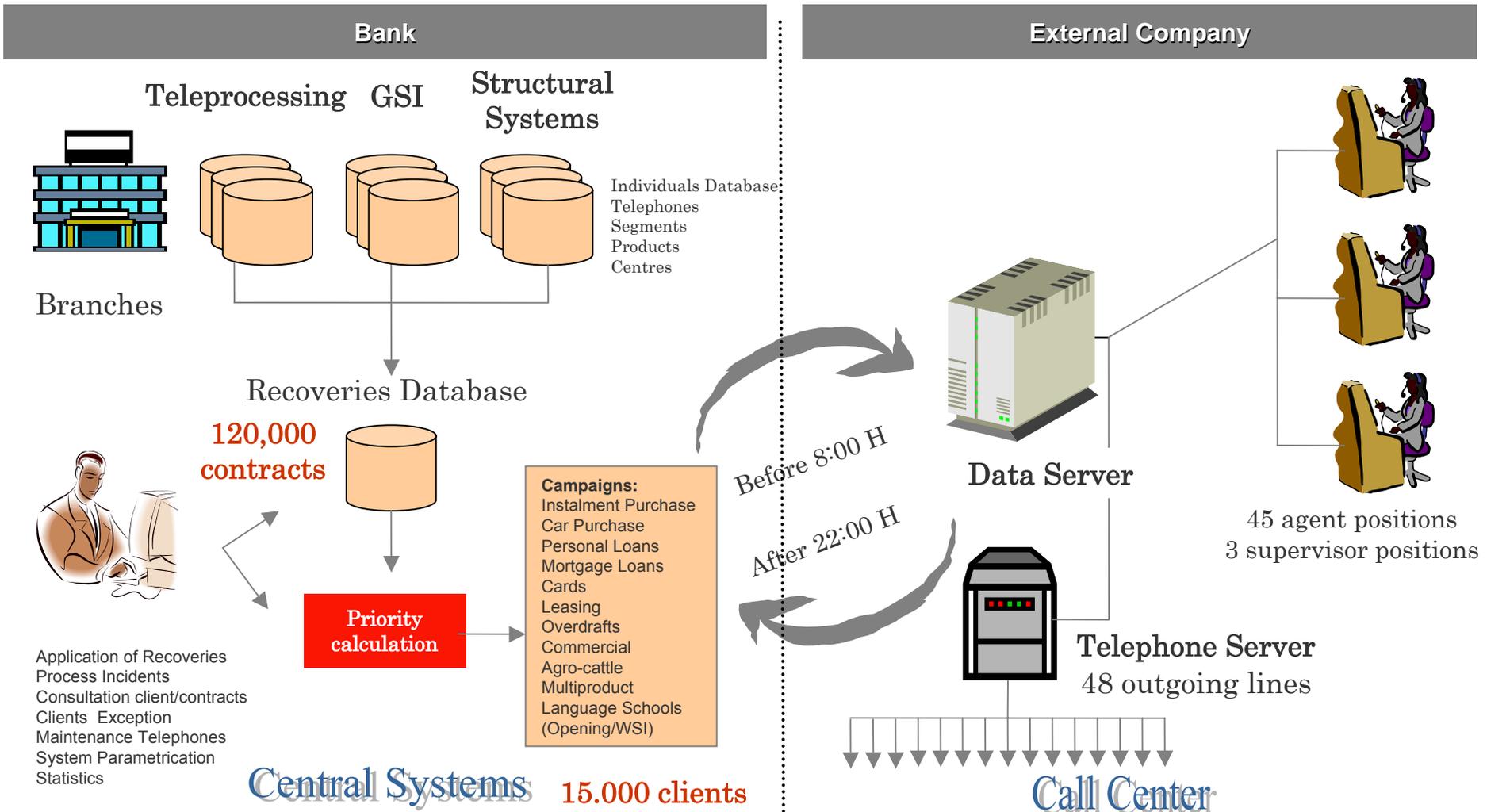
Origination & Approval: Systematic management



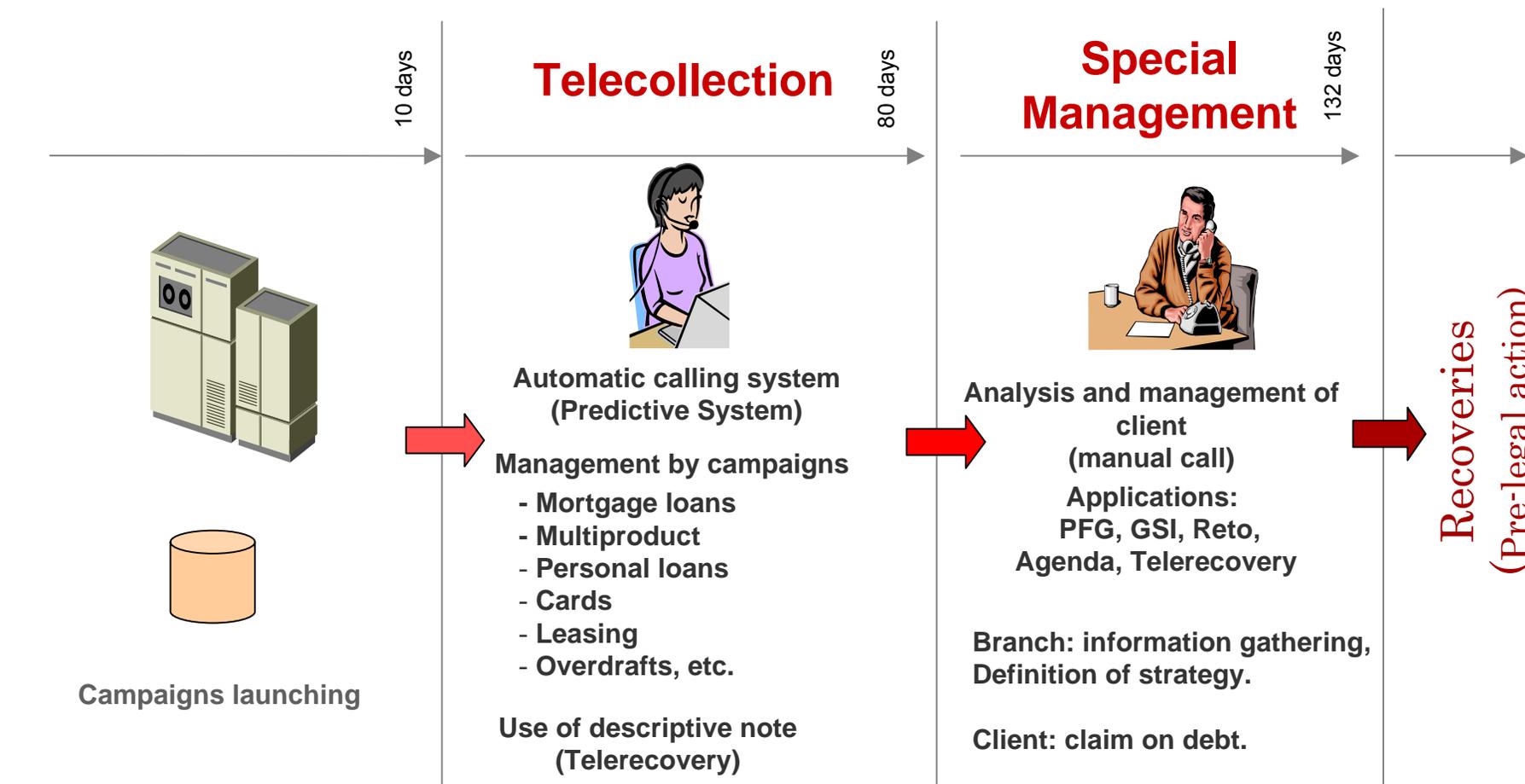
Decision Rules

- ◆ Amount application > Euros 350.000.
- ◆ Application for Risk Consumption > Euros 480.000
- ◆ Seriously Negative Files.
- ◆ Guarantee <> 1st and/or 2nd residence
- ◆ Income < Minimum interprofessional salary.
- ◆ Purpose <> 1st residence and term > 360 months
- ◆ Transaction term > 360 months and Value Guarantee < Euros 90.000
- ◆ Transaction term > 360 months and Income < Euros 1.200
- ◆ Applicant's age < 30 years
- ◆ Guarantee property class <> 1st and/or 2nd residence
- ◆ Loan To Value (LTV) > 100%, for 1st residence
- ◆ Loan To Value (LTV) > 80%, for 2nd residence

Monitoring: Information and Systems Circuit



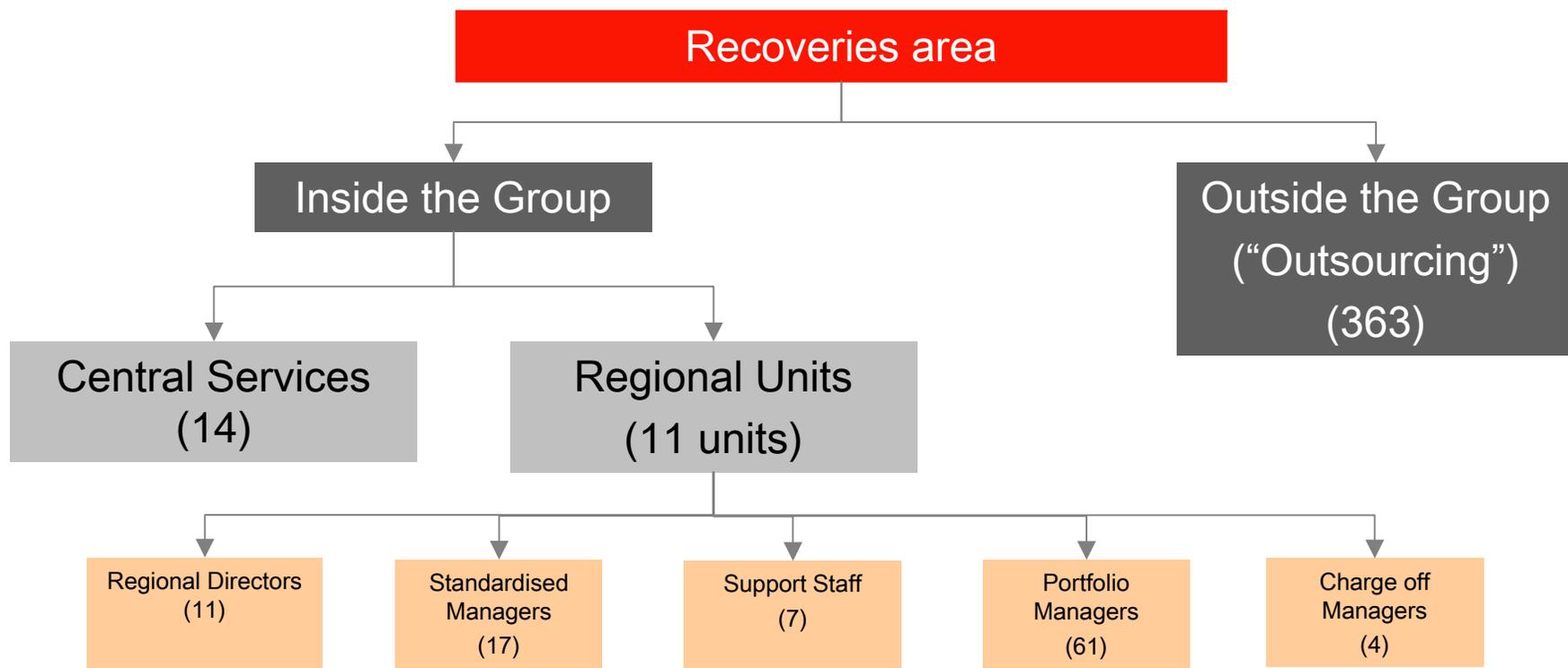
Monitoring: Special Treatment



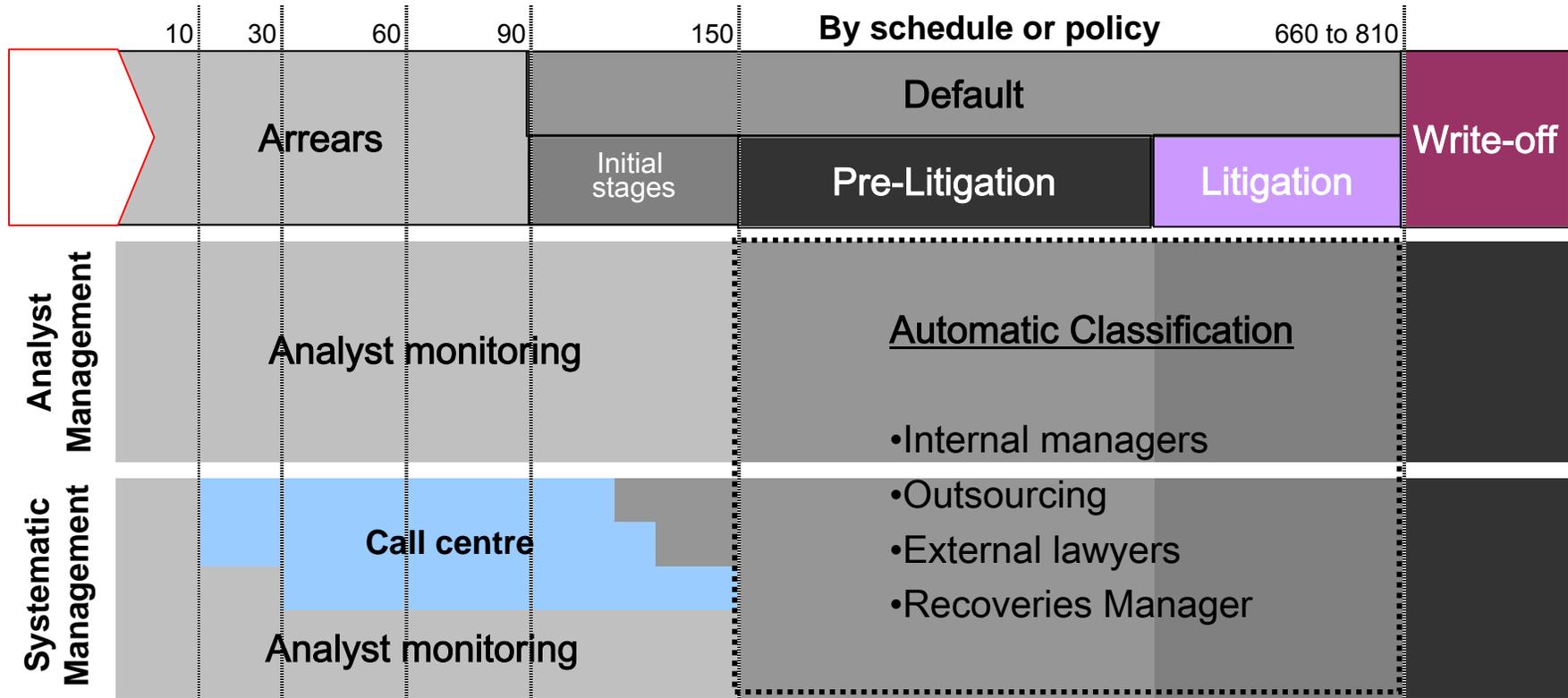
- ◆ OPTIMISATION OF INTERNAL RESOURCES
 - More externalisation = more attention to important or unique cases
 - Greater view of the global function of Recoveries and the Resources available. Each operation is largely administered automatically.
- ◆ GREATER EXTERNALIZATION OF FUNCTIONS
 - Intensifies recovery process by using External Resources (External Lawyers) that can adjust to the volume at any given moment.
 - Increase in Legal Actions for a greater number of cases (previously starting at € 6,000, now at €1,000).
 - Management and actions delegated more to External Resources.

Recoveries: Process & Organisation

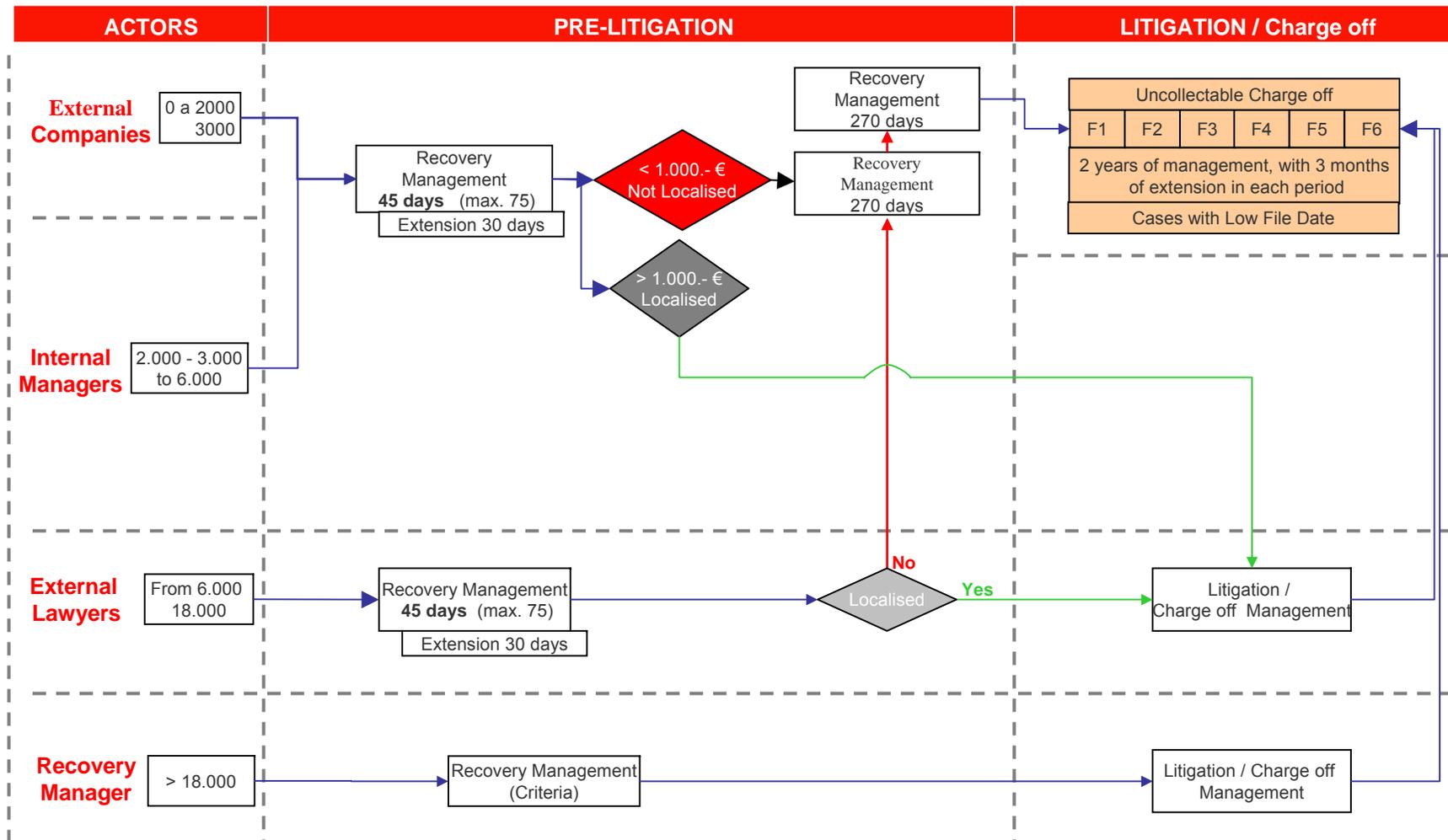
- ◆ The Recoveries Area includes 480 people inside and outside the Grupo Santander:



Recoveries: Global vision



Recoveries: Flow chart



Executive Summary

Transaction Structure

Portfolio overview and historical performance

Santander Hipotecario 2: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

F.T.A. Santander Hipotecario 2

Grupo Santander a retail focused entity...



Basic data

- ◆ Largest financial company of the euro zone by market capitalisation and tenth in the world
- ◆ Largest financial group of the Iberian Peninsula
 - #1 in Spain by funds under management
 - #4 in Portugal by funds under management
- ◆ Sixth largest banking group in the UK by total assets
- ◆ Amongst the leaders in consumer finance in Europe
- ◆ Leader in Latin American banking

March 2006 data

◆ Billion euros	
◆ Market capitalisation	75.4
◆ Customer funds ¹	699
◆ Loans	459
◆ Total funds under management ²	978
◆ Attributable income Q1'06	1.5
◆ Customers (millions)	66
◆ Employees	131,000
◆ Shareholders (millions)	2.4

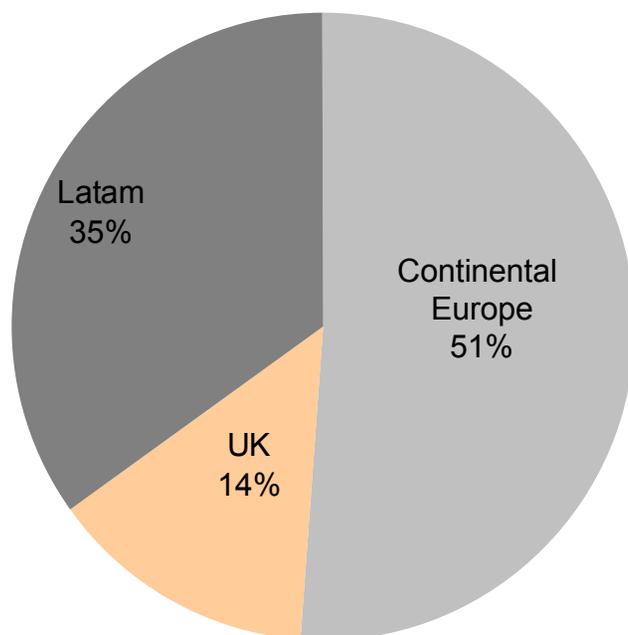
(1) Total funds on and off balance
 (2) Total assets + off balance sheet funds

... geographically & businesses diversified

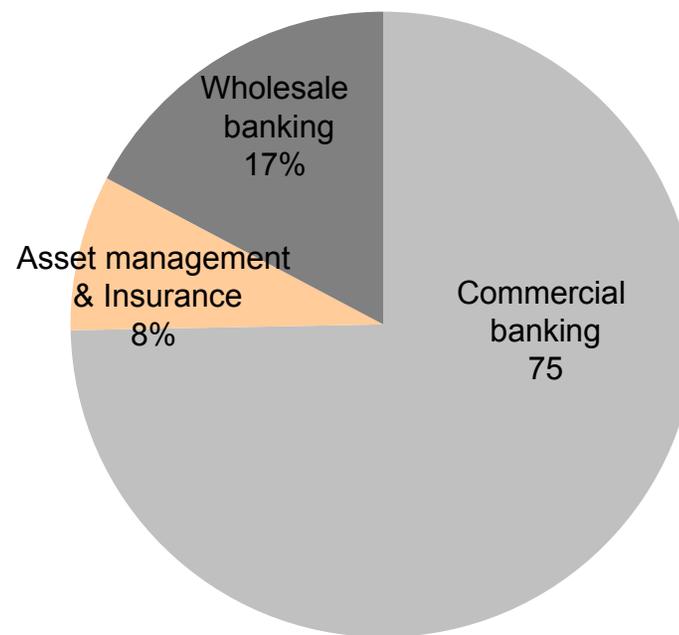


Group income by Operating Business Areas

Attributable income by geography



Income before tax by business

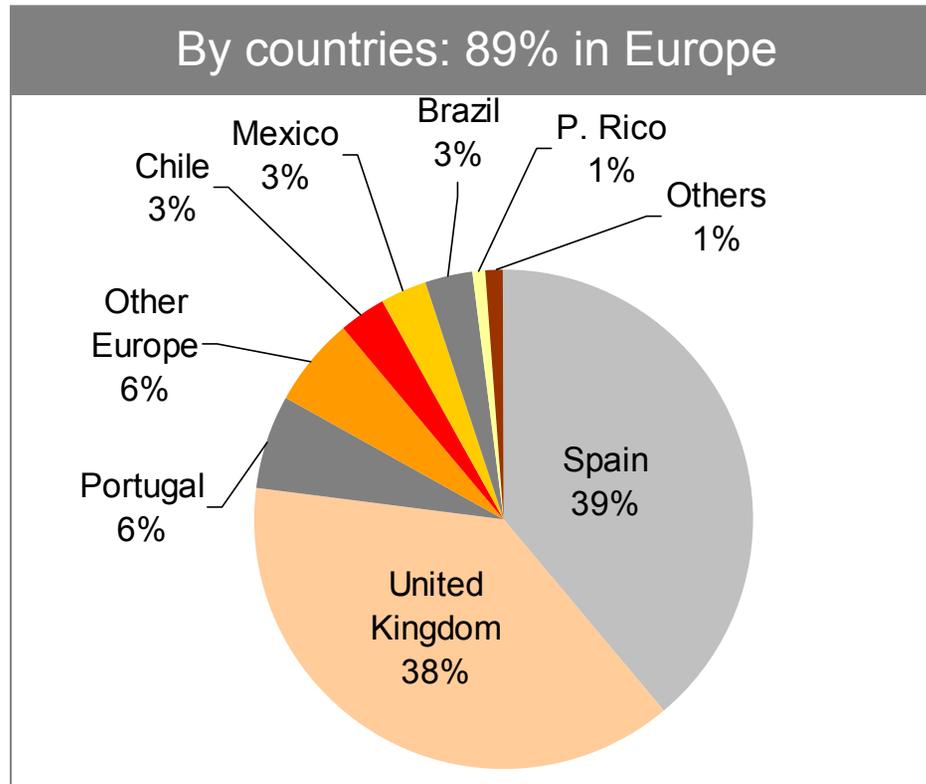


% distribution in Q1 '06. Source: Grupo Santander

A balanced loan portfolio with good exposure permits the Group to have predictable risk



Breakdown of customer loans* (%)

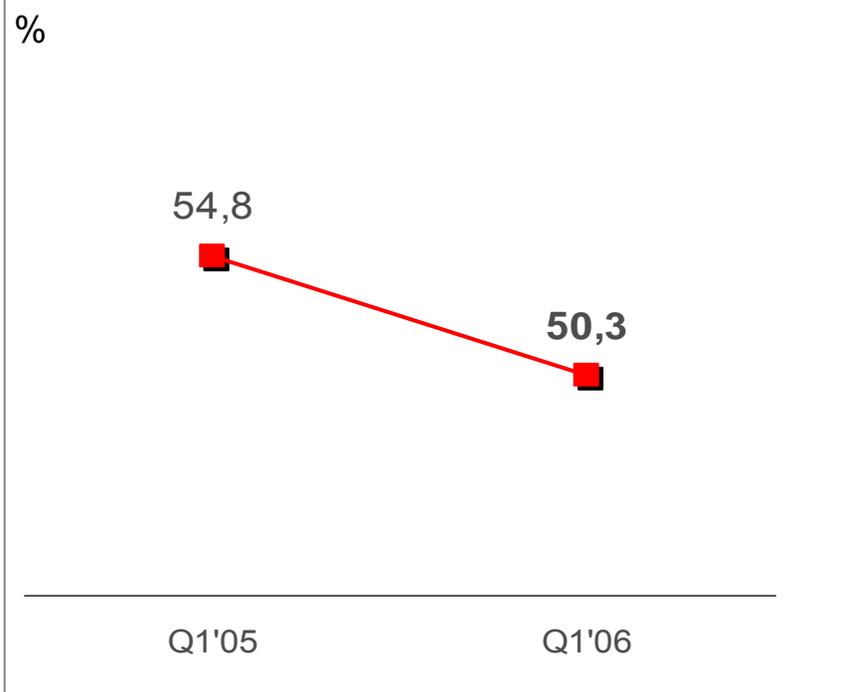


(*) Data as of March 2006

Achieving an improvement in EFFICIENCY* in all operating areas

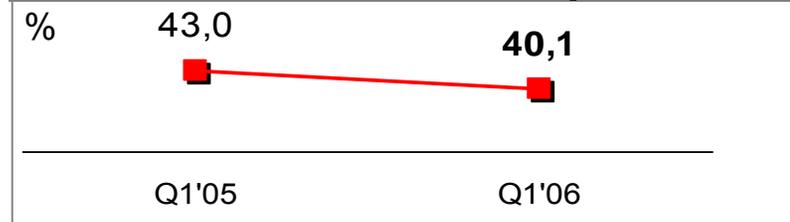


Group efficiency ratio



(*) Including amortisations

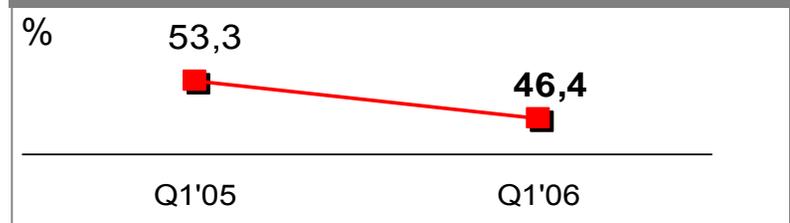
Continental Europe



Abbey



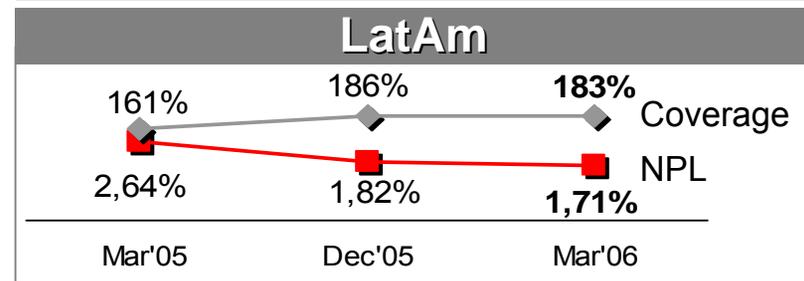
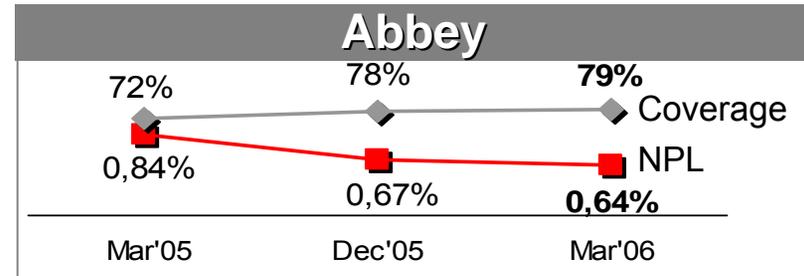
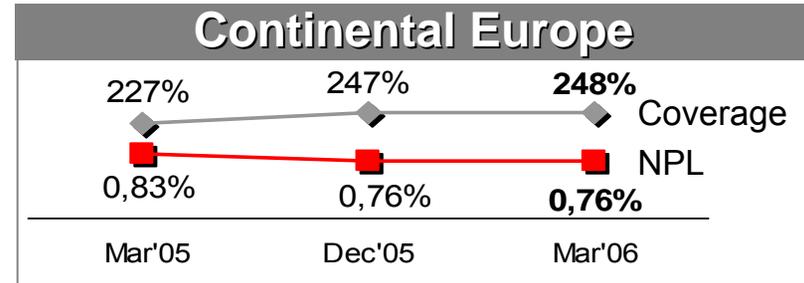
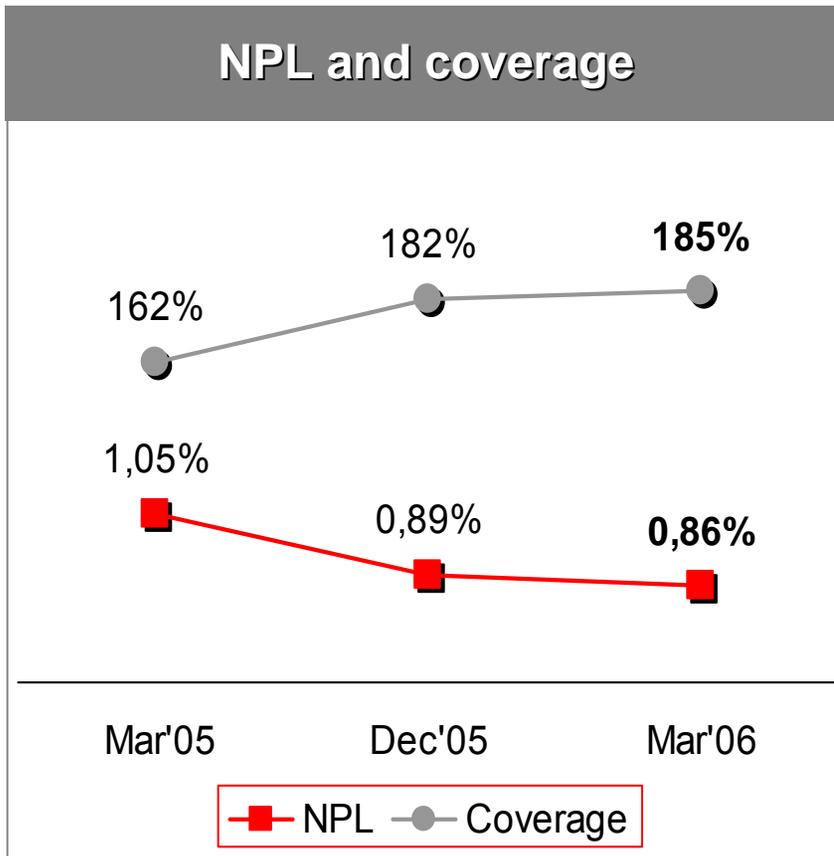
Latam



Risk quality: one of the Group's trademarks



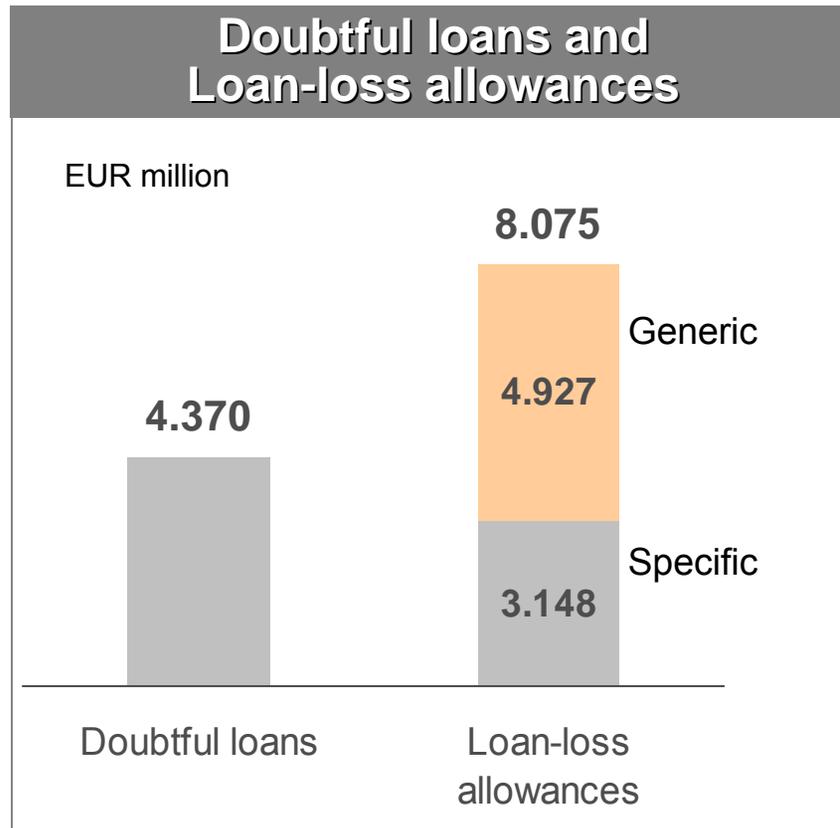
Maintaining historical lows in NPL ratios with a high coverage ratio, compatible with the change in business mix, ...



Risk quality: one of the Group's trademarks



... and substantial loan-loss allowances (approximately EUR 5 billion of generic funds)



Grupo Santander's regulatory capital



March 2006

	EUR Million
Basic capital	25,465
Complementary capital	32,909
Total BIS	54,886

