F.T.A. Santander Hipotecario 3

EUR 2.8 bn Spanish Prime RMBS

Strictly Private and Confidential

Subject to CNMV approval

March 2007

Santander

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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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Agenda

- Executive Summary
- Transaction Structure
- Portfolio Overview
- Historical Performance and Comparables
- Origination, Approval, Monitoring and Recovery Process
- Grupo Santander in the Spanish Market
- Expected Timing and Contact Details

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Introduction

- Grupo Santander (rated AA/Aa3/AA by Fitch/Moody's/S&P) is the largest bank in the Euro zone by market capitalisation (EUR 87.5 billion as of 28 Feb 2007).
- Grupo Santander is a very experienced originator and servicer of securitisation transactions.
- The group is by far the largest originator in the Spanish market, with more than EUR 34 billion ABS notes outstanding.
- This transaction is the 3rd prime RMBS backed by high LTV residential mortgage loans.
- Santander de Titulización, SGFT, the group's management company, is highly experienced and manages 37 ABS funds.

Key Features on the Structure

- Very standard and straightforward structure, backed by a EUR 2.8bn portfolio.

- Class A Notes are expected to be eligible as collateral for ECB rediscount facilities.

- The transaction is supported by a strong credit enhancement:

  - A fully funded [0.8]% reserve fund (funded through Class F Notes) (EUR [22.4]m);

  - The structural subordination of the Notes (8.1% for the AAA piece); and

  - An annual guaranteed gross excess spread of 0.75% through the interest rate swap, calculated on the proportion of the pool which is less than 90 days in arrears.

- The ABS Notes will be rated by the 3 rating agencies: Fitch, Moody's and S&P.

Key Features on the Collateral

- Very granular portfolio of 17,782 loans granted to individuals resident in Spain, with an average current loan amount of EUR 166,258.00.

- The loan portfolio consists of high LTV loans (LTV>80%), i.e. loans not eligible as of today for cédulas (Spanish covered bonds), with WA current LTV of 90.21%.

- Very good geographic diversification with a breakdown of the loans in the main regions of Spain (Catalonia 17.24%; Madrid 15.78%; Andalusia 16.89%).

- All loans are floating rate loans, with current WA interest rate of 4.01%.

- Good current WA portfolio seasoning of 18 months.

- All payments are made by direct debit, through a bank account open at Santander.

- Good performance of the 2 previous issues: FTA Santander Hipotecario 1 & 2.

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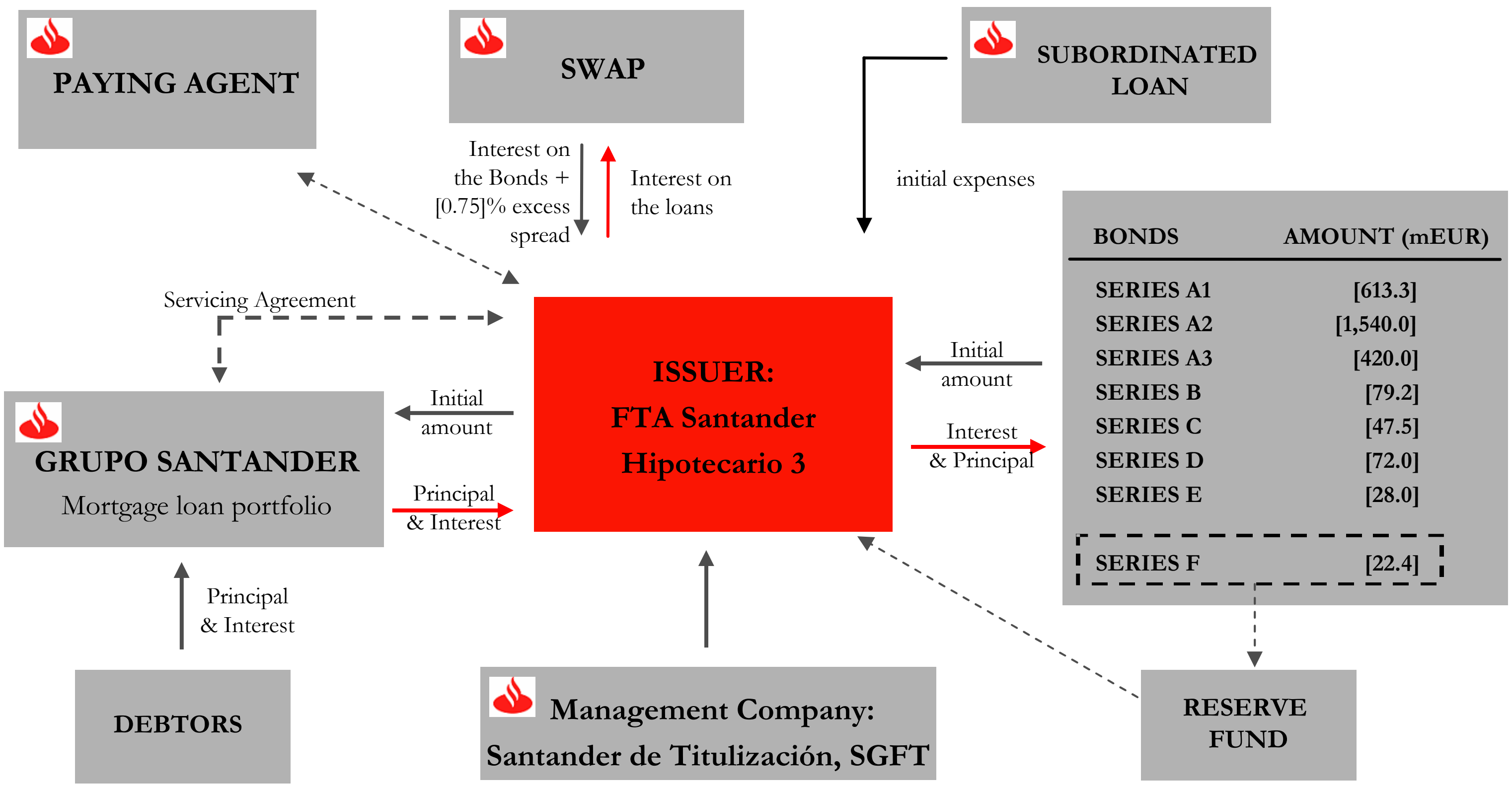
Terms and Conditions

Series	Amount (EUR mm)	Tranching	Credit Enhancement[1]	Ratings (F/M/S&P)	Spread over 3-month Euribor	Average Life (years)[2]	Expected Payment Window
A1	[613.3]	[21.9]%	[8.9]%	[AAA/Aaa/AAA]	[●]bp	[0.92]	18/07/2007 - 18/01/2009
A2	[1,540]	[55.0]%	[8.9]%	[AAA/Aaa/AAA]	[●]bp	[5.07]	18/01/2009 - 18/01/2017
A3	[420]	[15.0]%	[8.9]%	[AAA/Aaa/AAA]	[Pre-placed]	[12.36]	18/01/2017 - 18/04/2022
B	[79.2]	[2.83]%	[6.1]%	[AA/Aa2/AA]	[Pre-placed]	[15.05]	18/04/2022 - 18/04/2022
C	[47.5]	[1.70]%	[4.4]%	[A/A1/A]	[Pre-placed]	[15.05]	18/04/2022 - 18/04/2022
D	[72]	[2.57]%	[1.8]%	[BBB/Baa1/BBB]	[●]bp	[15.05]	18/04/2022 - 18/04/2022
E	[28]	[1.00]%	[0.8]%	[BB/Ba2/BB]	[●]bp	[15.05]	18/04/2022 - 18/04/2022
	2,800.0	**100%**					
F (RF)3	[22.4]	[0.80]%	N.A.	[CCC/Ca/CCC-]	retained	[11.06]	

1 Additionally, there will be a **Guaranteed Gross Excess Spread of [75] bps** through the swap
2 Assumptions: (i) All loans are subject to a [12]% CPR; (ii) interest rate of the loans amounts to [4.01]%; (iii) no loan of the initial pool is substituted during the life of the transaction; (iv) no modifications to the terms of any of the loans within the initial pool; (v) no defaults in the pool; (vi) [0.30]% annual delinquency, and [0.025]% monthly delinquency (more than 90 days in arrears) with a recovery rate of [100]% [12] months after; (vii) the Clean-up Call is exercised; (viii) Classes A1, A2 and A3 Notes are not amortised on a pro-rata basis
3 The Reserve Fund will be funded through Class F, retained by Santander.

Issuer	**FTA Santander Hipotecario 3**	**Collateralised Amount**	**EUR 2,800,000,000.00**
Registration at CNMV	**[•] [March] 2007**	**Incorporation of the FTA**	**[•] [March] 2007**
Launch date	**[•] [March] 2007**	**Closing and Settlement**	**[•] [•] 2007**
Payment Dates	**18th of Jan, April, July and Oct.**	**1st Payment Date**	**18th July 2007**
Listing	**AIAF**	**Denominations**	**EUR 100,000**
Management Company	**Santander de Titulización, SGFT**	**Swap Counterparty**	**Santander**
Governing Law	**Spanish**	**Joint Lead Managers**	**HSBC, Santander, SG CIB**

Transaction Structure



BONDS	AMOUNT (mEUR)
SERIES A1	[613.3]
SERIES A2	[1,540.0]
SERIES A3	[420.0]
SERIES B	[79.2]
SERIES C	[47.5]
SERIES D	[72.0]
SERIES E	[28.0]
SERIES F	[22.4]

Credit Enhancement

▪The structure comprises 7 classes of collateralised Floating Rate Notes supported by the following credit enhancement features:

- Initial fully funded cash reserve of EUR 22,4 million ([0,80]% of the initial balance of the notes) through Class F Notes, retained by the Originator.
- Guaranteed annual gross excess spread of [75] bp on at least the outstanding balance of performing loans (defined as loans current or up to 90 days in arrears).
  After deduction of the management fee and other senior expenses, the annual net excess spread will be approximately [72] bps.
- The structure also incorporates an interest rate swap ("IRS") in order to cover any potential interest rate mismatch between the interest rates applicable to the assets and that of the liabilities of the Issuer. Excess spread is guaranteed through the IRS.

Structure

Class A AAA / Aaa / AAA [91.9]%

- Class A1 AAA / Aaa / AAA [21.9]%
- Class A2 AAA / Aaa / AAA [55.0]%
- Class A3 AAA / Aaa / AAA [15.0]%

Class B AA / Aa2 / AA [2.80]%

Class C A / A1 / A [1,70]%

Class D BBB / Baa2 / BBB [2,60]%

Class E BB / Ba2 BB [1,00]%

Class F (Reserve Fund): CCC / Ca / CCC [0,80]%

Excess spread: [0.75]%

Reserve Fund and Interest Rate Swap

INTEREST RATE SWAP

- Santander (AA/Aa3/AA) will be the swap counterparty of the Issuer
- The Issuer pays the equivalent of all interest actually received from the pool of loans.
- The Issuer receives an amount equal to the sum of (i) the reference interest rate (3-months Euribor), (ii) the weighted average margin applicable to the notes, (iii) a guaranteed gross excess spread of [0.75]%, and (iv) the servicing fee (in case of substitution of the servicer) on the swap notional, equal to at least 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 NOTES / RESERVE FUND

- Initial Amount of EUR [22.4] million ([0.8]% of the initial balance of notes), fully funded on the Closing Date through Class F notes.
- The size of the Cash Reserve will not be reduced until three years have elapsed since the closing date.
- The maximum size of the Reserve Fund shall be equal to the lower of:
  - EUR [22.4] million; and
  - The higher of:
    - [1.6]% of the outstanding principal balance of Classes A, B, C, D, and E notes; and
    - EUR [11.2] million ([0.4]% of the initial balance of notes, Class F excluded),
- The size of the Cash Reserve will not be reduced between two subsequent Payment Dates if either:
  - The Reserve Fund was not at its required level on the previous Payment Date; or
  - The ratio of: (i) the outstanding balance of delinquent loans divided by (ii) the outstanding balance of non written-off loans, is greater than [1]%; or
  - The required reserve fund amount was not fully funded on the previous Payment Date.

Priority of Payments during the Life of the Transaction

1. Ordinary and extraordinary expenses and taxes of the Fund, including management fees to the management company
2. Net payments due under the Interest Rate Swap (other than swap termination due to a default or breach of contract by the counterparty)
3. Interest on Class A1, A2 and A3 Notes
4. Interest on Class B Notes (when not deferred to 9)
5. Interest on Class C Notes (when not deferred to 10)
6. Interest on Class D Notes (when not deferred to 11)
7. Interest on Class E Notes (when not deferred to 12)
8. Retention of the Amounts Available for Amortisation, equal to the difference between the principal outstanding of the Notes (excluding Class F Notes) and [the outstanding performing Loans]
9. Interest on Class B Notes (when deferred from 4)
10. Interest on Class C Notes (when deferred from 5)
11. Interest on Class D Notes (when deferred from 6)
12. Interest on Class E Notes (when deferred from 7)
13. Replenishment of the Reserve Fund
14. Payment of the Ordinary Part of the interest accruing on Class F Notes
15. Retention for Class F Notes amortisation of an amount equal to the positive difference between the balance of the principal pending payment of Class F Notes and the required amount of Reserve Fund
16. Net swap termination payments (under default of the swap counterparty)

17 & 18 — 17. Payment of interest on the Subordinated Loan and 18. Principal amortisation of the Subordinated Loan

19. Payment to the Originator of the administration fee
20. Payment of the Extraordinary Part of Class F Notes interest

Specific Features in the Priority of Payments

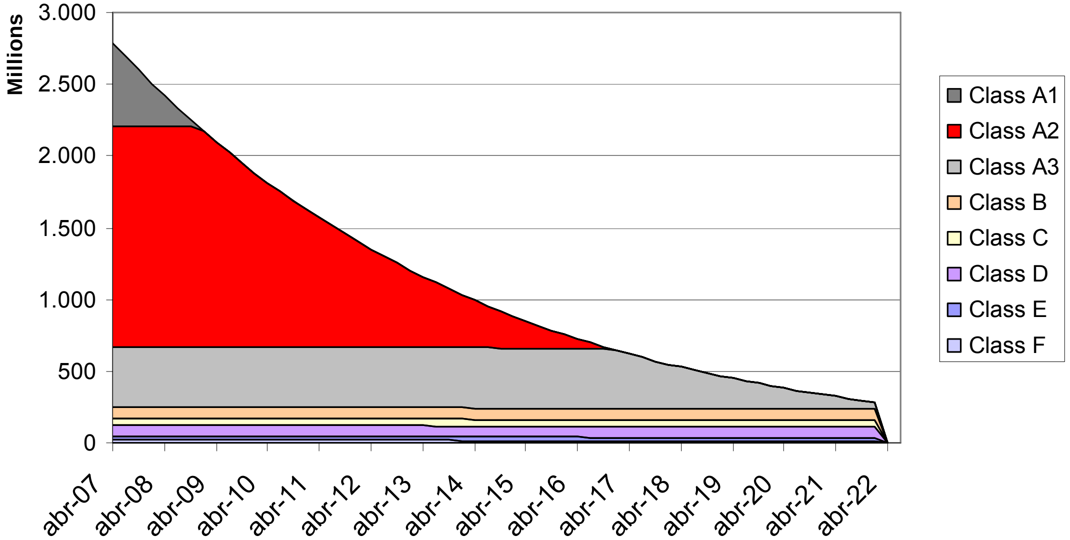
- Interest payment deferral:
  - Interest payments on the Class B Notes will be deferred in the Priority of Payments if (i) the cumulative outstanding amount of Written-off Loans is greater than [14]% of the initial balance of the asset pool, and (ii) Classes A1, A2 and A3 Notes are not fully redeemed or will not be redeemed in the next coupon payment
  - Interest payments on the Class C Notes will be deferred in the Priority of Payments if (i) the cumulative outstanding amount of Written-off Loans is greater than [11]% of the initial balance of the asset pool, and (ii) Classes A1, A2, A3 and B Notes are not fully redeemed or will not be redeemed in the next coupon payment
  - Interest payments on the Class D Notes will be deferred in the Priority of Payments if (i) the cumulative outstanding amount of Written-off Loans is greater than [7]% of the initial balance of the asset pool, and (ii) Classes A1, A2, A3, B and C Notes are not fully redeemed or will not be redeemed in the next coupon payment
  - Interest payments on the Class E Notes will be deferred in the Priority of Payments if (i) the cumulative outstanding amount of Written-off Loans is greater than [6]% of the initial balance of the asset pool, and (ii) Classes A1, A2, A3, B, C and D Notes are not fully redeemed or will not be redeemed in the next coupon payment
- Conditions for the pro-rata amortisation of Class A1, A2 and A3 Notes:
  - Class A1 and/or A2 Notes are not fully redeemed
  - The ratio between (i) the Delinquent Loans and (ii) the Outstanding Loans (excluding write-offs) is higher than 1.5%
  - The Issue is not early amortised
- There won't be pro-rata amortisation of the Class B through Class F Notes under any circumstances

Priority of Payments at Liquidation

1. Ordinary and extraordinary expenses and taxes of the Fund, including management fees to the management company, and administration fee in case of substitution of the servicer by an entity external to Santander Group
2. Net payments due under the Interest Rate Swap (other than swap termination due to a default or breach of contract by the counterparty)
3. Interest on Class A1, A2 and A3 Notes
4. Principal amortisation of Class A1, A2 and A3 Notes
5. Interest on Class B Notes
6. Principal amortisation of Class B Notes
7. Interest on Class C Notes
8. Principal amortisation of Class C Notes
9. Interest on Class D Notes
10. Principal amortisation of Class D Notes
11. Interest on Class E Notes
12. Principal amortisation of Class E Notes
13. Payment of the Ordinary Part of the interest accruing on Class F Notes
14. Principal amortisation of Class F Notes
15. Net swap termination payments (under default of the swap counterparty)
16. Payment of interest on the Subordinated Loan
17. Principal amortisation of the Subordinated Loan
18. Payment to the Originator of the administration fee
19. Payment of the Extraordinary Part of Class F Notes interest

Amortisation Profile of the Notes

Pass through sequential structure



Assumptions:

(i) All loans are subject to a [12]% CPR (the base case scenario); (ii) interest rate of the loans amounts to [4.01]%; (iii) no loan of the initial pool is substituted during the life of the transaction; (iv) no modifications to the terms of any of the loans within the initial pool; (v) no defaults in the pool; (vi) [0.30]% annual delinquency, and [0.025]% monthly delinquency (more than 90 days in arrears) with a recovery rate of [100]% [12] months after; (vii) the Clean-up Call is exercised; (viii) Classes A1, A2 and A3 Notes are not amortised on a pro-rata basis

CPR Sensitivity

CPR Scenario	10%	12%	14%
Class A1			
WAL (yrs)	1,07	0,92	0,81
Expected Final Maturity	18/04/09	18/01/09	18/10/08
Class A2			
WAL (yrs)	5,92	5,07	4,41
Expected Final Maturity	18/07/18	18/01/17	18/10/15
Class A3			
WAL (yrs)	14,24	12,36	10,87
Expected Final Maturity	18/07/24	18/04/22	18/07/20
Class B			
WAL (yrs)	17,3	15,05	13,3
Expected Final Maturity	18/07/24	18/04/22	18/07/20
Class C			
WAL (yrs)	17,3	15,05	13,3
Expected Final Maturity	18/07/24	18/04/22	18/07/20
Class D			
WAL (yrs)	17,3	15,05	13,3
Expected Final Maturity	18/07/24	18/04/22	18/07/20
Class E			
WAL (yrs)	17,3	15,05	13,3
Expected Final Maturity	18/07/24	18/04/22	18/07/20
Class F			
WAL (yrs)	12,75	11,06	9,75
Expected Final Maturity	18/07/24	18/04/22	18/07/20

Assuming the 10% clean up call is exercised and other assumptions on the previous slide

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Overview of the Portfolio

- The collateral is a pool of prime mortgage loans granted to individuals (resident in Spain), all guaranteed by first lien mortgages on properties located in Spain.
- Very good geographic distribution of the pool, reflecting Spanish economy and population: largest concentrations: Catalonia 17.24%, Madrid 15.78%, and Andalusia 16.89%.
- WA LTV: 90.21% (the asset pool is backed by high LTV loans)
- Total current loan portfolio outstanding: EUR 2,956,395,725.76
- Number of loans: 17,782 loans
- WA seasoning of the portfolio: 18 months
- WA remaining term of the portfolio: November 2038
- Current average loan balance: EUR 166,258

Data on the provisional portfolio as of 20 February 2007; source: Santander

Overview of the Portfolio (cont'd)

- The loans portfolio will continue to be serviced and administered under Grupo Santander's advanced administration and collection system.
- Top 1 debtor represents 0.06% of the current outstanding portfolio
- Top 20 debtors represent 0,81% of the current outstanding portfolio
- All loans are floating rate, with a current WA interest rate of 4.01%
- All loans pay by direct debit through an account open at Santander
- All loans pay instalments on a monthly basis
- 96,84% of the balance of the provisional pool is current or less than 30 days in arrears, 1.94% is in arrears between 30 and 60 days, and 1.21% is in arrears between 60 and 90 days
- However, on the incorporation Date, no loan in the securitised portfolio will be more than 30 days in arrears

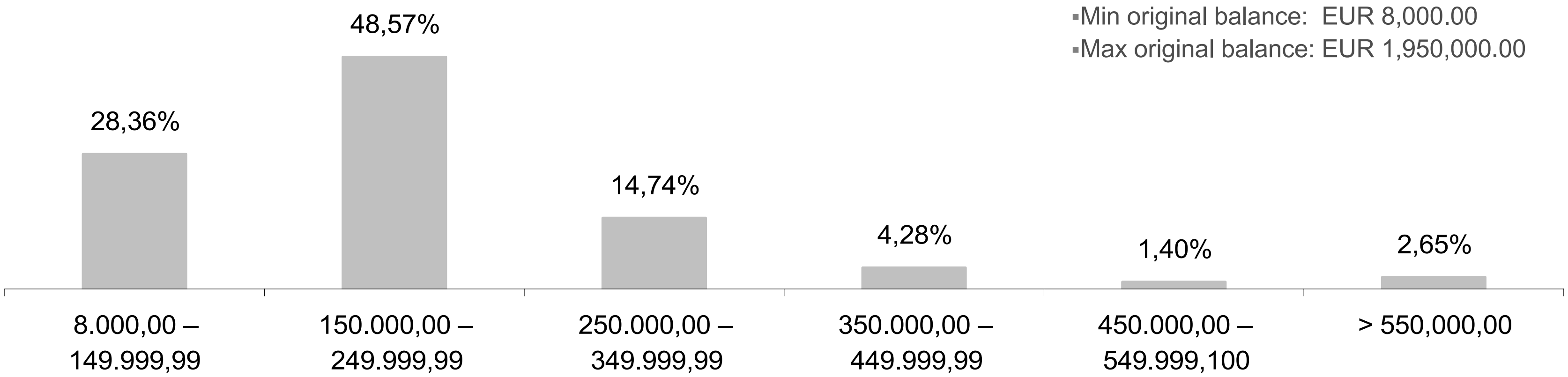
Data on the provisional portfolio as of 20 February 2007; source: Santander

Analysis by Principal Balance

By Original Outstanding Balance (%)

Av. Loan Balance = EUR 170,390.08

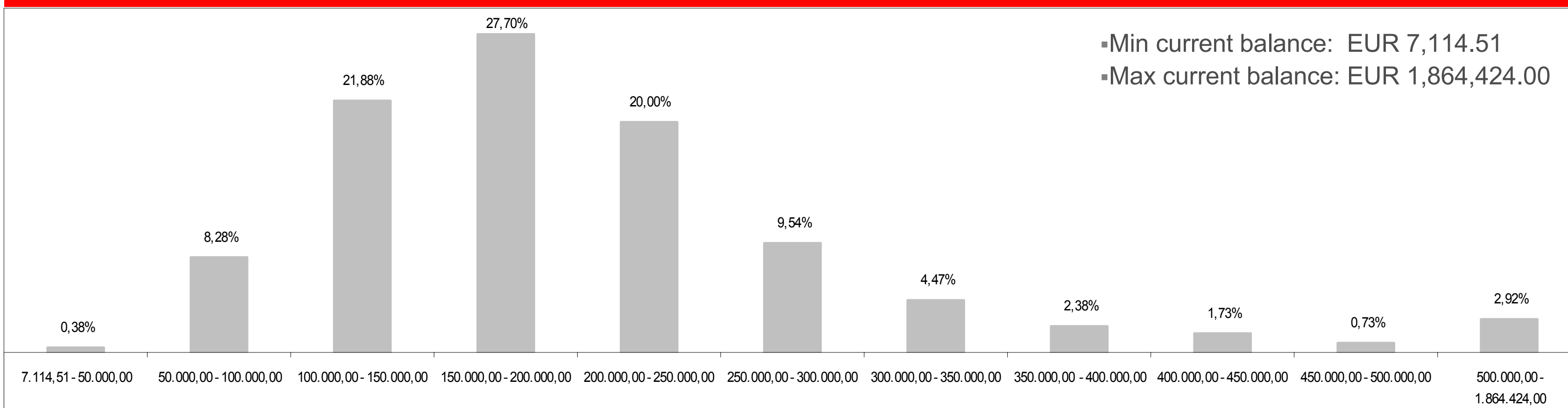
- Min original balance: EUR 8,000.00
- Max original balance: EUR 1,950,000.00



By Current Outstanding Balance (%)

Av. Loan Balance = EUR 166,257.77

- Min current balance: EUR 7,114.51
- Max current balance: EUR 1,864,424.00



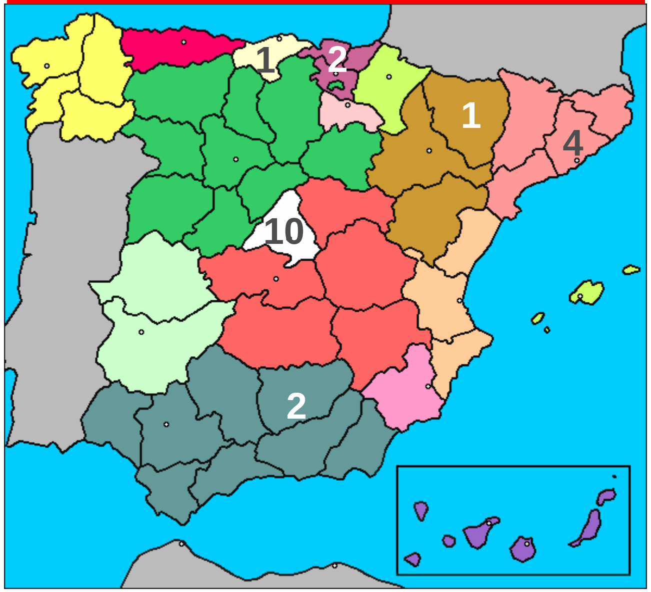
Data on the provisional portfolio as of 20 February 2007; source: Santander

Top Concentrations

Top 20 Debtors

Debtor	Autonomous Communtiy	Property value	LTV	Origination date	Maturity date	Outstanding amount (EUR)	% of total current outstanding
1	Madrid	2.267.322,00	82,23%	28/10/2003	28/10/2023	1.864.423,99	0,06%
2	Madrid	2.019.800,00	80,06%	18/11/2005	18/11/2038	1.617.000,00	0,05%
3	Aragon	1.550.000,00	98,78%	18/09/2006	18/09/2021	1.531.041,47	0,05%
4	Catalonia	1.665.053,10	90,09%	16/11/2005	16/11/2030	1.500.000,00	0,05%
5	Cantabria	1.488.000,00	100,00%	12/05/2005	12/11/2034	1.488.000,00	0,05%
6	Catalonia	1.318.526,05	96,93%	31/07/2006	31/07/2046	1.278.000,00	0,04%
7	Madrid	1.509.958,83	80,80%	03/10/2006	03/10/2036	1.220.000,00	0,04%
8	Madrid	1.200.000,00	97,33%	13/09/2006	13/09/2018	1.167.961,27	0,04%
9	Madrid	1.422.273,72	80,94%	10/12/2004	10/12/2034	1.140.000,00	0,04%
10	Madrid	1.408.454,94	80,12%	11/01/2006	11/10/2036	1.139.563,70	0,04%
11	Madrid	1.345.981,62	81,72%	15/02/2006	15/02/2036	1.100.000,00	0,04%
12	Andalusia	1.103.008,00	96,52%	29/06/2005	29/06/2035	1.064.641,88	0,04%
13	Madrid	1.100.400,00	94,09%	17/03/2005	17/03/2025	1.035.322,57	0,04%
14	Basque Country	1.126.786,19	88,75%	31/01/2006	31/01/2026	1.000.000,00	0,03%
15	Madrid	1.144.221,87	87,20%	20/10/2003	20/10/2030	997.736,09	0,03%
16	Madrid	1.030.868,00	96,24%	06/05/2004	06/05/2036	992.115,77	0,03%
17	Catalonia	1.020.760,86	96,93%	16/09/2005	16/09/2045	989.400,00	0,03%
18	Basque Country	1.089.158,38	88,14%	28/07/2006	28/07/2046	960.000,00	0,03%
19	Andalusia	1.029.496,27	92,12%	16/09/2005	16/09/2025	948.326,37	0,03%
20	Catalonia	1.021.665,91	92,79%	10/02/2005	10/02/2035	947.971,44	0,03%
Top 20						23.981.504,55	0,81%
Total						2.956.395.725,76	100,00%

Location of the Top 20 Debtors:



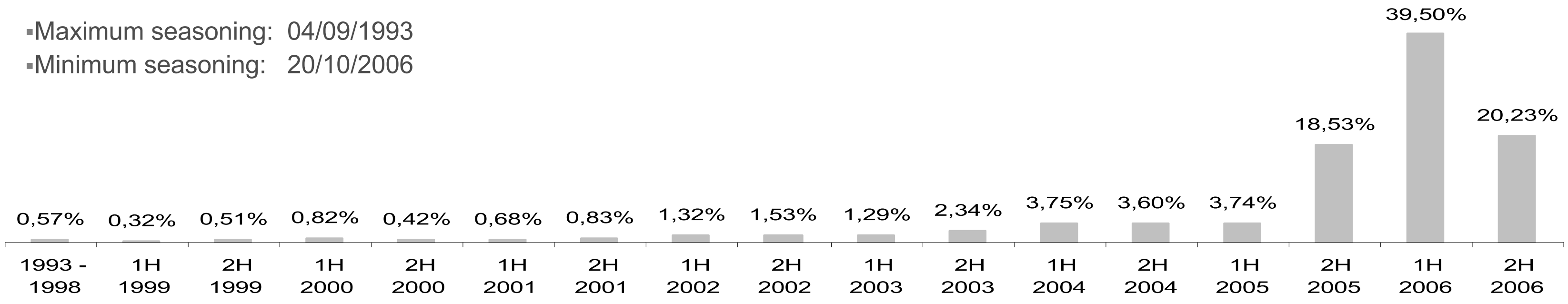
Data on the provisional portfolio as of 20 February 2007; source: Santander

Analysis by Seasoning and Maturity Date

By date of origination (%)

Weighted Average Seasoning = 18 months

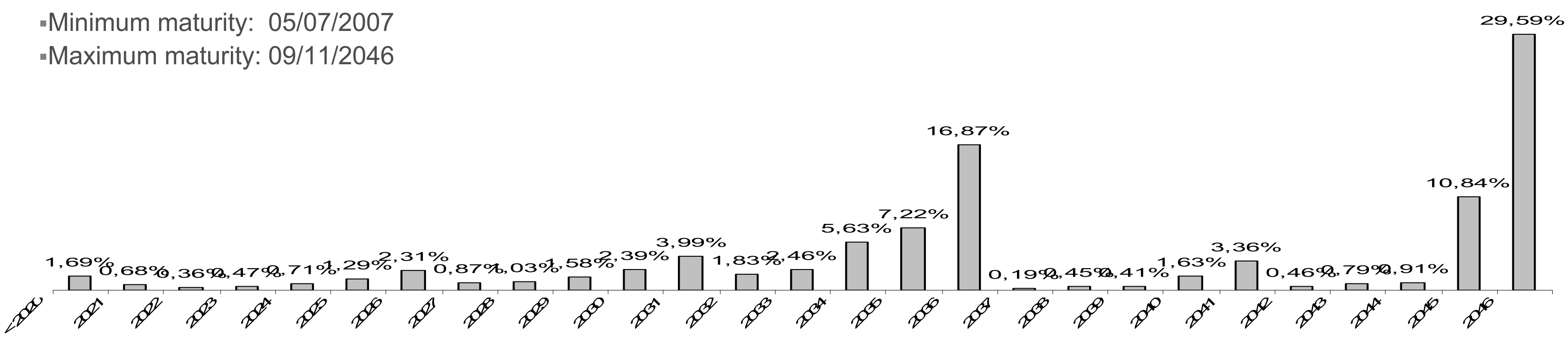
- Maximum seasoning: 04/09/1993
- Minimum seasoning: 20/10/2006



By final maturity date (%)

Weighted Average Maturity = 31.7 years

- Minimum maturity: 05/07/2007
- Maximum maturity: 09/11/2046

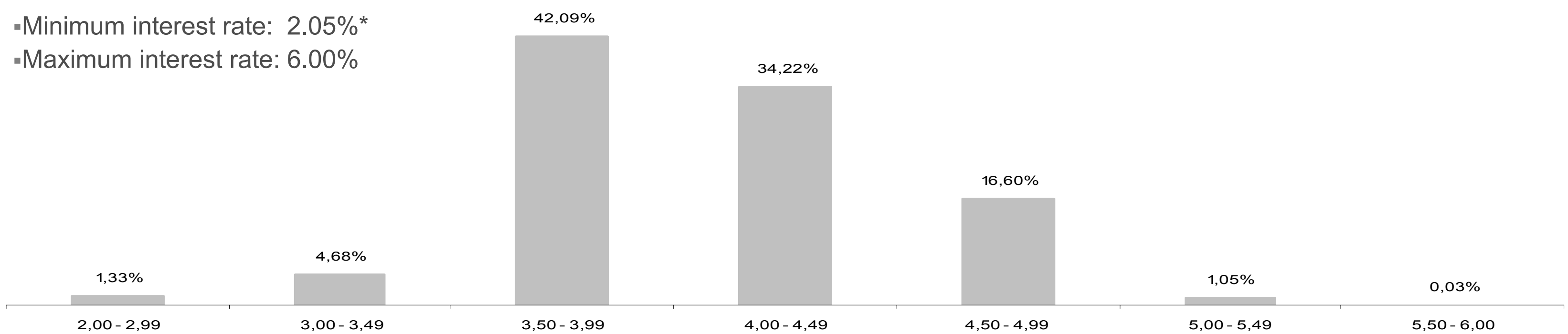


Analysis by Interest Rate

By Interest rate (%)

WA Interest Rate = 4.01%

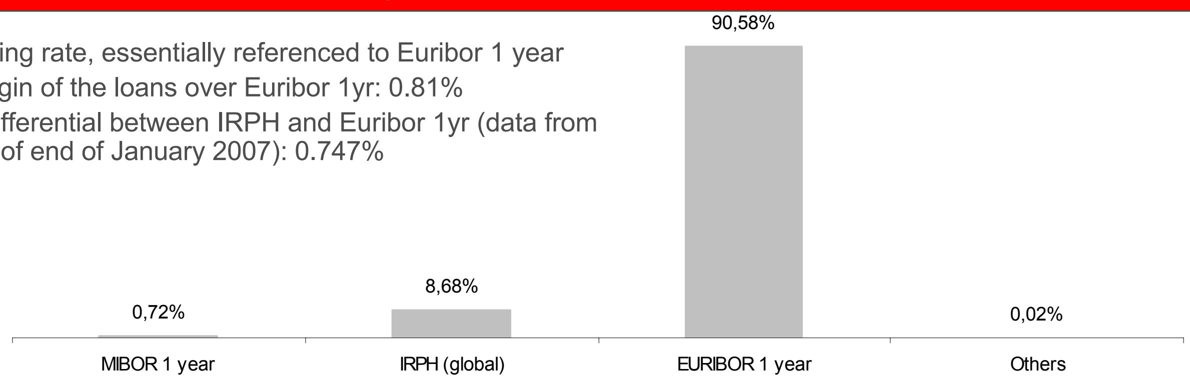
- Minimum interest rate: 2.05%*
- Maximum interest rate: 6.00%



* [1.28]% of the loans have been granted to Santander employees and are referenced to Euribor minus 0.35%

By reference index and by margin (%)

- All loans are floating rate, essentially referenced to Euribor 1 year
- WA Average margin of the loans over Euribor 1yr: 0.81%
- Current spread differential between IRPH and Euribor 1yr (data from Bank of Spain, as of end of January 2007): 0.747%



WA Margin:	0.78%	0.12%	0.81%

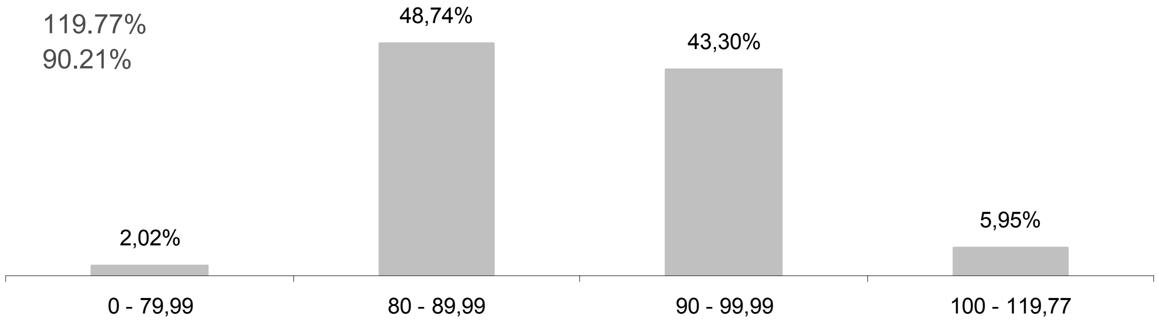
Data on the provisional portfolio as of 20 February 2007; source: Santander

Analysis by LTV

High LTV portfolio (%)

WA LTV = 90.21%

- Minimum LTV: 19.43%
- Maximum LTV: 119.77%
- Weighted Average LTV: 90.21%



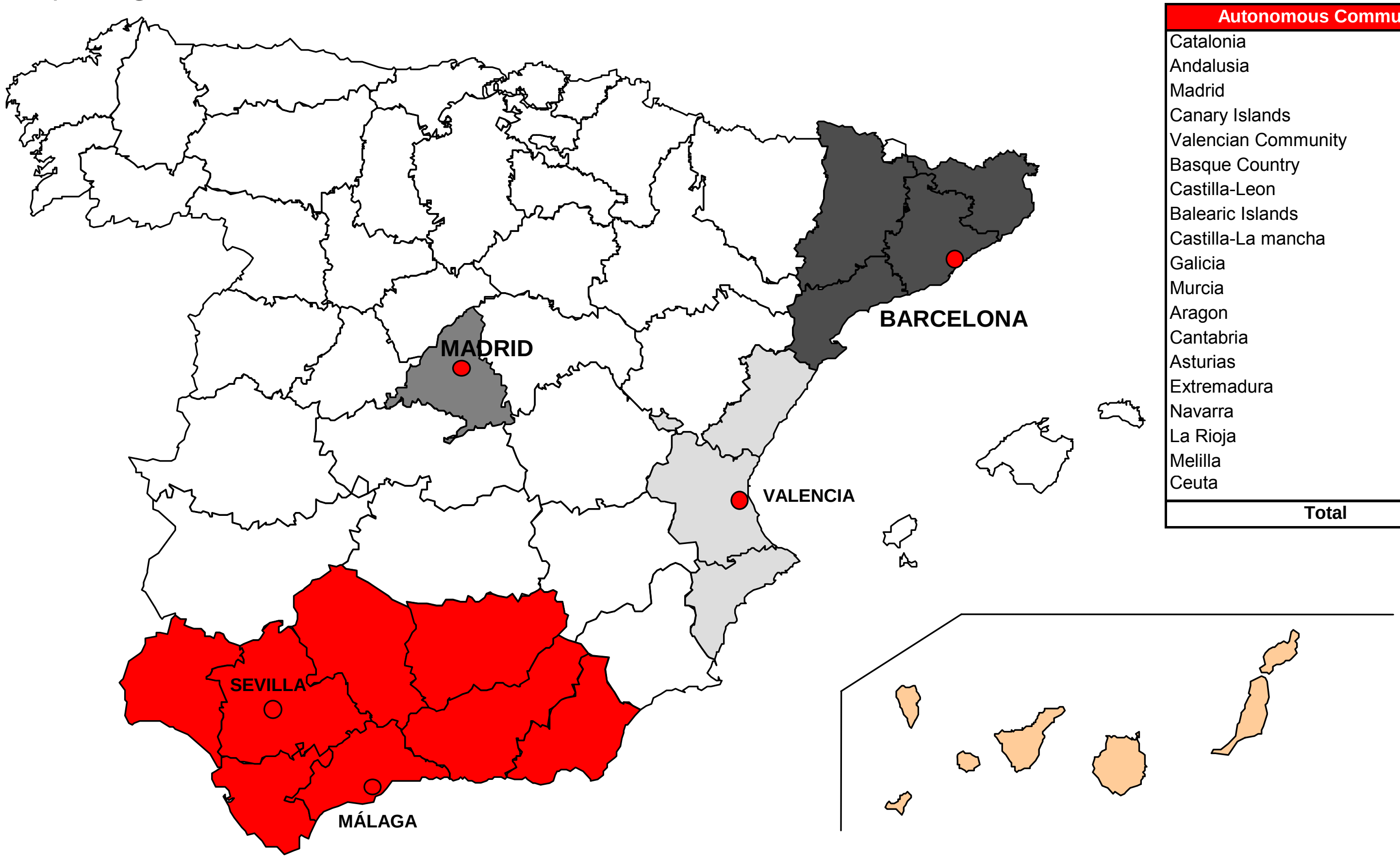
- The transaction is backed by high LTV loans
- Santander is securitising loans that are not eligible for cédulas (Spanish covered bonds) as of today because of their high LTV
- All loans benefit from first lien mortgages over the property
- All properties are located in Spain

Data on the provisional portfolio as of 20 February 2007; source: Santander

Analysis by Geographical Distribution

By region (%)

- Top 5 regional concentrations:



Autonomous Community	%
Catalonia	17,24%
Andalusia	16,90%
Madrid	15,79%
Canary Islands	9,57%
Valencian Community	9,22%
Basque Country	6,48%
Castilla-Leon	4,77%
Balearic Islands	3,46%
Castilla-La mancha	3,38%
Galicia	2,71%
Murcia	2,50%
Aragon	2,18%
Cantabria	1,91%
Asturias	1,39%
Extremadura	1,15%
Navarra	0,62%
La Rioja	0,57%
Melilla	0,10%
Ceuta	0,05%
Total	**100,00%**

Data on the provisional portfolio as of 20 February 2007; source: Santander

Mortgage Insurance Policies

- [38.4]% of the portfolio notional benefits from a mortgage insurance policy
- Insurance Providers:
  - AIG Europe S.A. (AA+ rated by S&P) for [37.26]% of the portfolio, and
  - Genworth Financial Mortgage Insurance Ltd (GEMI) (Aa2/AA rated by M/S&P), for [1.17]% of the portfolio
- Main characteristics of the insurance policies:
  - Work for loans with original LTV between 80 and 97%
  - The insurance premium is paid up-front by the debtor
  - Objective: to reduce, up to a certain amount, the loss incurred in case of foreclosure of a loan, once the property has been sold or the loan has been transferred to a third party
  - Coverage is constant for the whole life of the loan:
    - Coverage of GEMI policy: equal to the difference between the initial loan amount and 75% of the original appraisal value of the property
    - Coverage of AIG policy: equal to the product of the initial loan amount by the difference between the original LTV ratio and 80%
  - *Example*:
    - initial loan amount: 92kEUR, appraisal value of the property: 100kEUR
    - outstanding debt: 87kEUR, and foreclosure value: 85kEUR:

Original LTV: 92%	
Maximum coverage by GEMI:	92k – 75%*100k = 17kEUR
Maximum coverage by AIG:	92k * (92% - 80%) = 11.04kEUR
Theoretical loss:	87k – 85k = 2kEUR
Real loss on the loan:	both policies cover more than the theoretical loss, thus the insurance policy covers the theoretical loss:
	Real loss = 0 EUR

Santander 150 AÑOS

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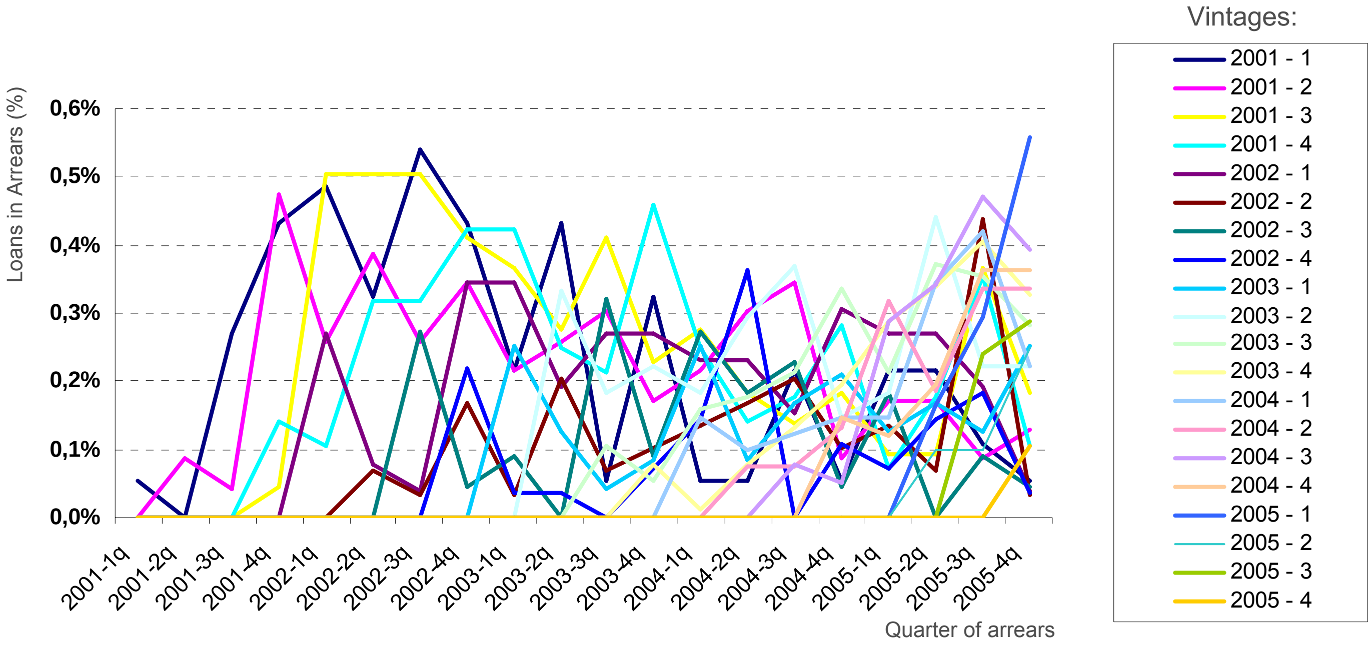
Analysis of Santander High LTV Loan Portfolio

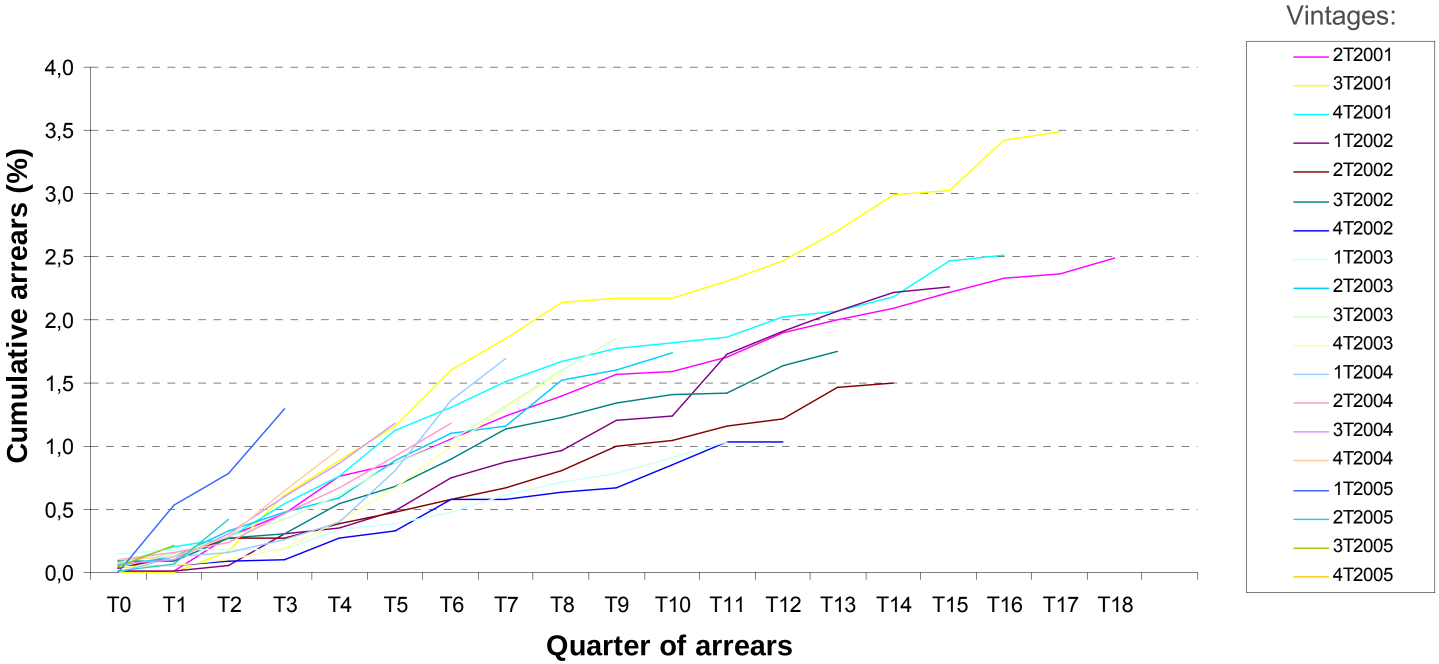
Historical arrears in number of loans



Source: Grupo Santander, based on their high LTV loan portfolio with LTV>80%, originated between Q1 2001 and Q4 2005

Analysis of Santander High LTV Loan Portfolio

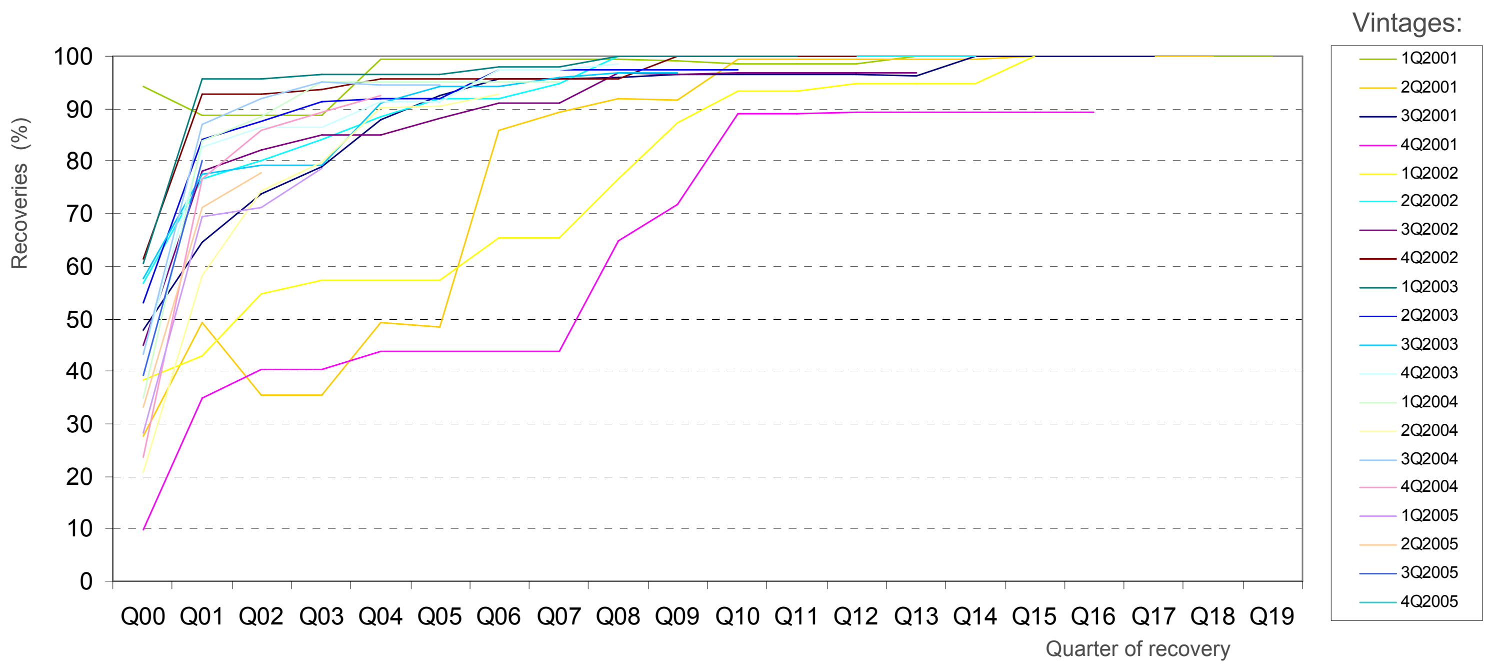
Historical arrears for more than 90 days



Source: Grupo Santander, based on their high LTV mortgage loan portfolio to individuals with LTV>80% and LTV<=120%, originated between Q2 2001 and Q4 2005

Analysis of Santander High LTV Loan Portfolio (cont'd)

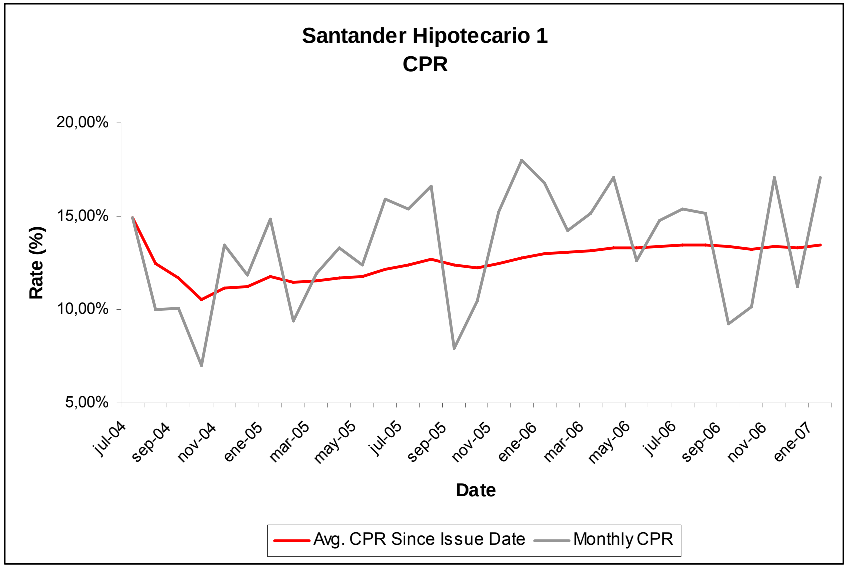
Historical Recoveries (with loans with LTV>80%)

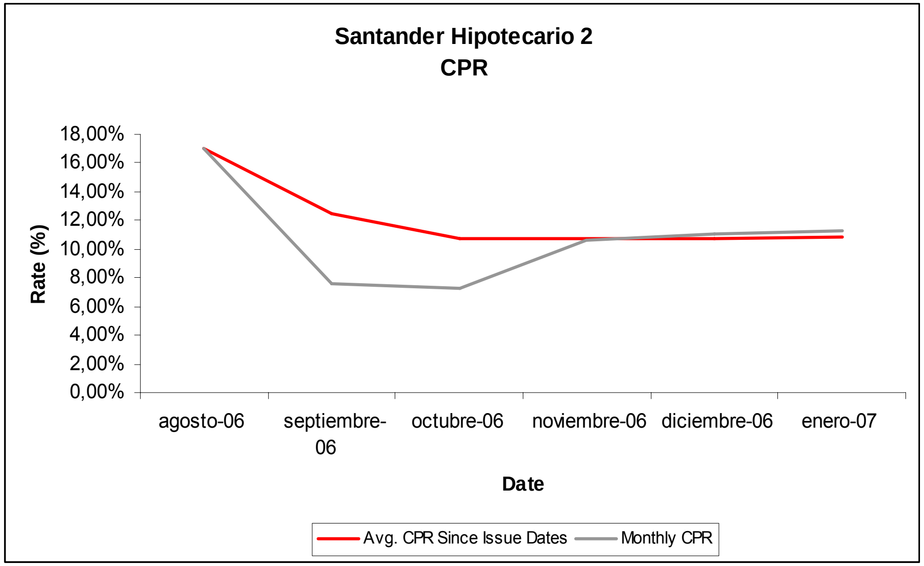


Source: Grupo Santander, based on their high LTV loan portfolio with LTV>80%, originated between Q1 2001 and Q4 2005

Performance of Santander's Previous High LTV RMBS

Historical CPR





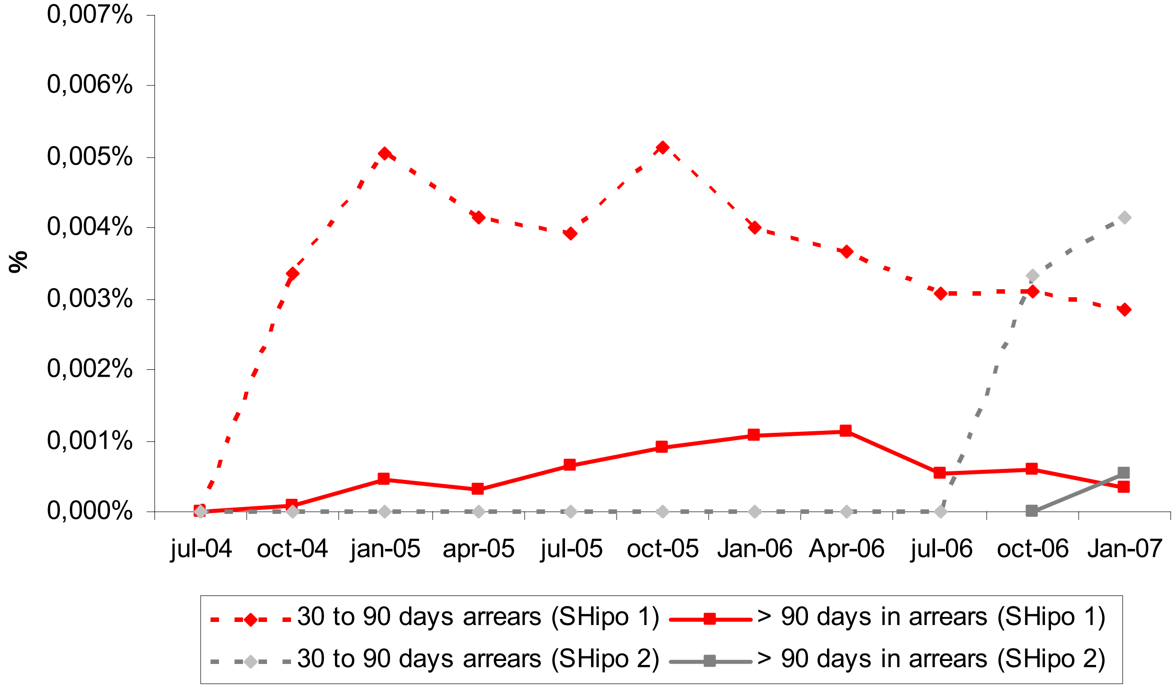
CPR observed in Santander previous high LTV RMBS transactions:

- Average monthly CPR: 13.40% and 10.80% for Santander Hipotecario 1 and 2 respectively
- Cumulative CPR since the launch of the transaction: 12.58% and 12.09% for Santander Hipotecario 1 and 2 respectively

Source: Santander de Titulización

Performance of Santander's Previous High LTV RMBS

Arrears observed for FTA Santander Hipotecario 1 and 2



Arrears below and above 90 days, excluding write-offs

Source: Santander de Titulización

Comparable Spanish High LTV RMBS: Structures

Issue	Santander Hipotecario 1	Santander Hipotecario 2	Madrid RMBS I	Madrid RMBS II	BBVA RMBS 1	Santander Hipotecario 3
Originator	**Santander**	**Santander**	**Caja Madrid**	**Caja Madrid**	**BBVA**	**Santander**
Fitch rating	AA / F1+	AA / F1+	AA- / F1+	AA- / F1+	AA- / F1+	AA / F1+
Moody's rating	Aa3 / P1	Aa3 / P1	Aa2 / P1	Aa2 / P1	Aa2 / P1	Aa3 / P1
S&P rating	AA- / A1+	AA- / A1+	A+ / A1	A+ / A1	AA- / A1+	AA- / A1+
Issue size	**1.875.000.000**	**1.972.600.000**	**2.000.000.000**	**1.800.000.000**	**2.500.000.000**	**2.800.000.000**
Launch date	Jun. 2004	Jun. 2006	Nov. 2006	Dec. 2006	Feb. 2007	Mar. 2007
Capital Structure (in mEUR)					**All indicative data**	**All indicative data**
Class A1	1.718.400.000	1.801.500.000	460.000.000	414.000.000	400.000.000	613.300.000
Class A2			1.340.000.000	936.000.000	1.400.000.000	1.540.000.000
Class A3				270.000.000	495.000.000	420.000.000
Class B	53.400.000	51.800.000	70.000.000	63.000.000	120.000.000	79.200.000
Class C	46.900.000	32.300.000	75.000.000	67.500.000	85.000.000	47.500.000
Class D	56.300.000	49.800.000	34.000.000	30.600.000		72.000.000
Class E		19.600.000	21.000.000	18.900.000		28.000.000
Class F (to fund the RF)		17.600.000				22.400.000
Capital Structure (%)						
Class A1	91,6%	91,3%	23,0%	23,0%	16,0%	21,9%
Class A2			67,0%	52,0%	56,0%	55,0%
Class A3				15,0%	19,8%	15,0%
Class B	2,8%	2,6%	3,5%	3,5%	4,8%	2,8%
Class C	2,5%	1,6%	3,8%	3,8%	3,4%	1,7%
Class D	3,0%	2,5%	1,7%	1,7%		2,6%
Class E		1,0%	1,1%	1,1%		1,0%
Class F		0,9%				0,8%
Capital Structure (ratings)	**M / S&P**	**M / S&P**	**F / M / S&P**	**F / M / S&P**	**F / M**	**F / M / S&P**
Class A1	Aaa/AAA	Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa	AAA/Aaa/AAA
Class A2			AAA/Aaa/AAA	AAA/Aaa/AAA	AAA/Aaa	AAA/Aaa/AAA
Class A3				AAA/Aaa/AAA	AAA/Aaa	AAA/Aaa/AAA
Class B	Aa3/AA	Aa2/AA-	AA/Aa2/AA	AA/Aa1/AA	A/Aa3	AA/Aa2/AA
Class C	A2/A+	A2/A-	A/A2/A	A/A1/A	BBB/Baa2	A/A1/A
Class D	Baa3/BBB+	Baa2/BBB	BBB/Baa2/BBB	BBB/Baa2/BBB		BBB/Baa1/BBB
Class E		Ba3/BB	BB+/Ba2/BB	BB+/Ba1/BB		BB/Ba2/BB
Class F		Caa2/CCC-				CCC/Ca/CCC-
Capital Structure (WALs)	**10% CPR**	**12% CPR**	**17% CPR**	**17% CPR**	**10% CPR**	**12% CPR**
Class A1	5,5	5,07	0,82	0,75	0,86	0,92
Class A2			5,26	3,81	5,23	5,07
Class A3				10,00	14,78	12,36
Class B	15,1	14,28	7,26	7,19	11,22	15,05
Class C	15,1	14,28	7,26	7,19	11,22	15,05
Class D	15,1	14,28	7,26	7,19		15,05
Class E		14,28	7,26	7,19		15,05
Class F		10,52				11,06
Reserve fund						
Amount	28.125.000	17.600.000	71.000.000	62.640.000	37.500.000	22.400.000
%	1,50%	0,89%	3,55%	3,48%	1,50%	0,80%
Form	sub loan	Class F	participative (sub) loan	participative (sub) loan	sub loan	Class F Notes
AAA credit enhancement						
% (incl. RF, excl. swap)	9,85%	8,67%	13,55%	13,48%	9,70%	8,90%
Swap						
Type	"full" swap	"full" swap	basis swap (FTA receives Eur3m - 0,07%)	basis swap (FTA receives Eur3m - [0 to 0,10%])	"full" swap	"full" swap
Gross guaranteed excess spread	0,65%	0,65%	n.a. (basis swap)	n.a. (basis swap)	0,65%	0,75%
Counterparty	Santander	Santander	Caja Madrid	Caja Madrid	BBVA	Santander
Legal Final Maturity	15/07/2042	18/01/2049	22/06/2049	22/08/2049	19/12/2049	tbd

Sources: prospectus, rating agencies

Santander

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Comparable Spanish High LTV RMBS: Collateral

Issue	Santander Hipotecario 1	Santander Hipotecario 2	Madrid RMBS I	Madrid RMBS II	BBVA RMBS 1	Santander Hipotecario 3
Global loan portfolio characteristics: Data as of:	26/04/2004	08/06/2006	18/10/2006	06/11/2006	23/01/2007	23/02/2007
Number of loans	16.839	13.916	13.591	11.152	17.184	17.782
Audited loan portfolio: size	1.918.024.924	2.040.785.095	2.407.124.489	2.073.692.180	2.816.183.366	2.956.395.726
Average loan size	113.904	146.650	177.112	185.948	163.884	166.258
1st lien Mortgage guarantees	100%	100%	100%	100%	100%	100%
WA LTV	87,81%	88,76%	95,33%	93,80%	92,01%	92,21%
Max LTV	99,68%	119,80%	110,00%	110,00%	100,00%	119,77%
Top 1	0,123%	0,106%	0,033%	0,055%	0,019%	0,018%
Loans>500kEUR	560 w/ outst.>240kEUR	73	8	34	9	102 w/outst.>550kEUR
% of audited portfolio	9,88% w/ outst.>240kEUR	2,743%	0,193%	1,060%	0,166%	2,654%
Seasoning, Term						
WA Seasoning (months)	01/06/1991 to 01/02/2004	18,3	19	20	20,96	18
WA Remaining Life (months)	02/07/2005 to 20/01/2039	340	329	328	345	380
WA Remaining Life (years)		28,3	27,4	27,3	28,7	31,7
Interest rate						
Interest rate basis	87,8% Eur 1yr / 9,95% IRPH / 0,19% fixed rate	92,57% Eur 1yr / 7,43% IRPH global	Euribor 1yr	Euribor 1yr	94,55% Eur 1yr / 5,16% IRPH global / 0,29% IRPH banks	90,55% Eur 1yr / 8,67% IRPH global / 0,71% MIBOR 1 yr
WA interest rate	3,07%	3,22%	4,44%	4,45%	4,23%	4,01%
Min interest rate		0,50%	2,75%	2,50%	2,25%	2,05%
Max interest rate		5,78%	5,88%	5,87%	5,95%	6,00%
WA margin	0,68% (Eur 1yr ref. loans)	0,76%	1,13%	1,07%	0,70%	0,81%
Geographic concentrations						
Catalonia	29,83%	17,87%	9,44%	11,51%	25,58%	17,24%
Madrid	16,98%	17,27%	69,94%	67,25%	21,26%	15,79%
Andalusia	13,12%	15,10%	3,13%	3,34%	12,54%	16,90%
Valencian Community		9,39%	3,06%	3,33%	10,31%	9,22%
Basque Country		7,13%	1,73%	1,75%	5,11%	6,48%
Castilla Leon		3,95%	1,42%	1,54%	4,24%	4,77%
Castilla La Mancha		2,74%	4,67%	4,39%	3,45%	3,38%
Balearic Islands		2,48%	0,58%	0,80%	2,91%	3,46%
Canary Islands		9,91%	0,55%	0,68%	2,56%	9,57%
Other						
Artificial write-off	18 months	18 months	6 months	6 months	12 months	18 months
Payment dates	15 Jan, Apr, Jul, Oct	18 Jan, Apr, Jul, Oct	22 Feb, May, Aug, Nov	22 Feb, May, Aug, Nov	19 Mar, Jun, Sept, Dec	18th Jan, Apr, Jul and Oct
Current loans	96,63%	93,19%	86,16%	85,24%	97,74%	96,84%
1 day to 30 days unpaid	2,15%	4,57%			2,26% (16 to 30 days)	
1mth unpaid		1,56%	11,65%	11,30%		
2mths unpaid		0,68%	2,05%	2,79%		1,94%
3mths+ unpaid			0,87%	0,67%		1,21%
portfolio data as of:	26/04/2004	08/06/2006	18/10/2006	06/11/2006	23/01/2007	23/02/2007
settlement	16/06/2004	04/07/2006	22/11/2006	18/12/2006	22/02/2007	[2007]

Sources: prospectus, rating agencies

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Origination & Approval: a Successful Risk Model

Grupo Santander

Segmentation

- The clients are split into two categories. Each category applies different risk management methodologies, reflecting the different behaviour of the risk. These 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 an 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

Independence

- Grupo Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area supports 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 Management Perimeter

ANALYST MANAGEMENT	SYSTEMATIC MANAGEMENT
CORPORATES	SMEs
COMPANIES	BUSINESSES
INDIVIDUALS	INDIVIDUALS

EUR 500.000 transactions

Automated decision

Analyst management

- Assignment of credit analyst. Specific client treatment.
- Internal models for credit assessment of clients.
- Meetings on business development
- Pre-establishment of limits.

Systematic management

- Automatisation of decisions. Each client does not have an individualised risk analyst
- Internal models for credit assessment of transactions.
- Client management tools for establishment of credit limits.
- Credit management programs.

Standardised Risks

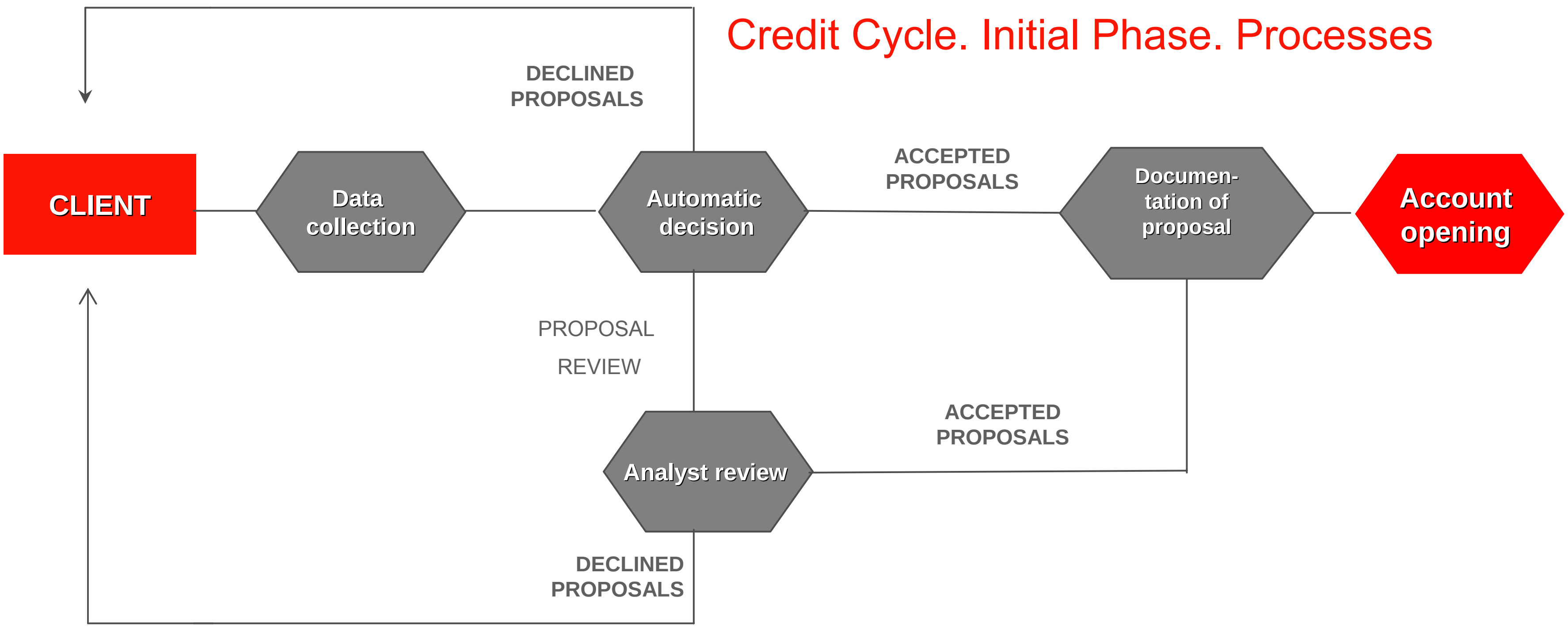
- Credit Risk in Retail Commercial Banking
- Mass automated customer processing:

ADMISSION & MANAGEMENT	DECISION SUPPORT SYSTEMS
RECOVERY	RECOVERY CENTRES
FOLLOW-UP	MANAGEMENT INFORMATION SYSTEMS

- Risk: individuals, small businesses and SMEs

Origination & Approval: Systematic Management

Credit Cycle. Initial Phase. Processes



DATA COLLECTION	DECISION	DOCUMENTATION

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:

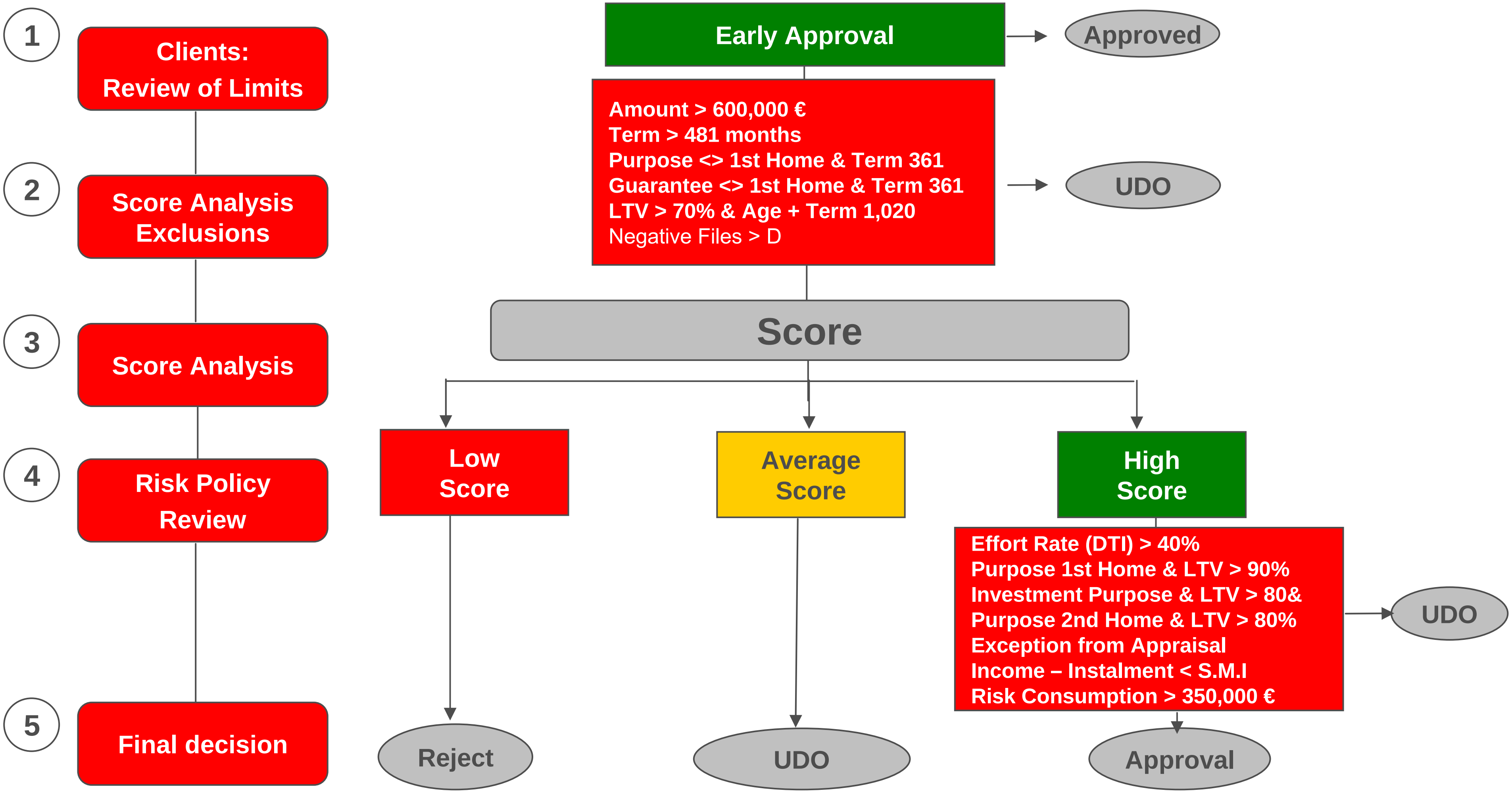
- Analysts
- Procedure

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



Origination & Approval: Systematic Management

Evaluation of Applications by Analysts

Applications where:

- The automatic resolution falls under **"Grey Zone" or "Manual Review"**.
- The automatic resolution was **"application rejected" and a reconsideration has been requested.**

Operations to be reviewed by risk authorisation centre.

- **62 Analysts located in a single Central Unit: Analysts organised in teams in terms of the Regional Head Office originating the operations.**
- **Standardised Decisions: Uniform criteria with respect to Risk, Processes & Service Hours.**
- **Rapid Response: high levels of efficiency & productivity.**
- **Independence in decision-making.**
- **UDO analyst analysis added to automatic decision system result.**

Origination & Approval : Criteria for the Mortgage Loans Analysis

COVERAGE OF THE OPERATION – LTV:

- The requested amount should be within 80% of the value of the property
- Financing may be obtained for more than 80% in the following cases:
  - Contracting a Mortgage Loan Insurance, or
  - Second guarantee, or
  - Solvent guarantor, with stable employment and sufficient income

REPAYMENT CAPABILITY:

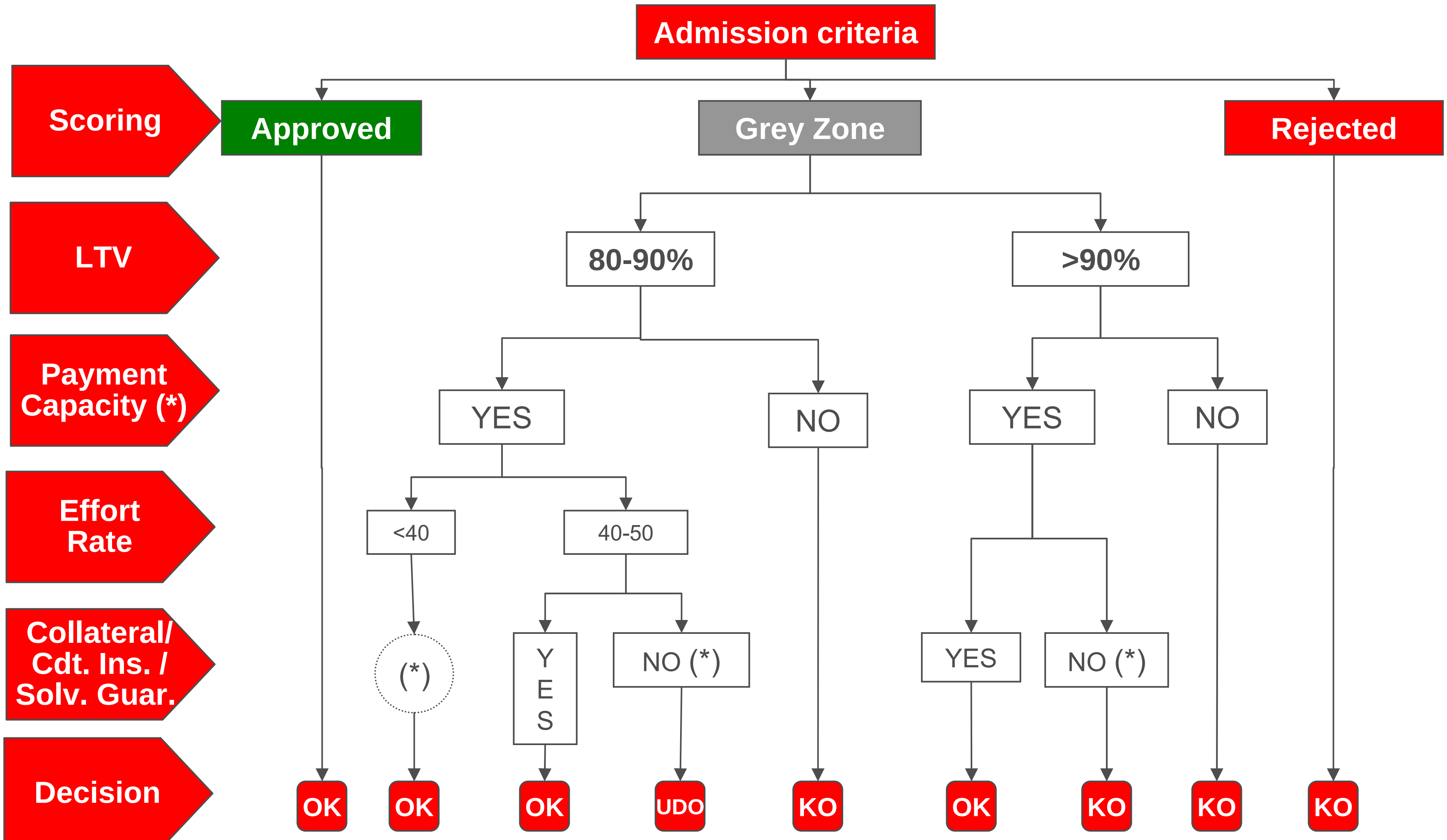
- EFFORT RATE (DTI)
  - The total amount of the instalments to be paid should not exceed 40% of the applicants' income. If it does exceed such percentage, the employment stability, income level and/or position of the account holder should be taken into consideration
- APPLICANT PROFILE
  - Age, marital status, employment situation/contract type, seniority in employment, continuing solvency.
  - Applicants are considered to have stable employment if they have worked continuously for at least 80% of the last two years and have passed the trial period in their present job
- POSITIONS IN OUR BANK
  - Average account balances, ability to save/tendency to spend, development of risks, funds/securities will be taken into consideration

RISK FILE:

- Case histories of applicants, purpose of operations requested beforehand, background information, negative files (internal and external).

OPERATION TERM AND PURPOSE ACCORDING TO PRODUCT DEFINITION & POLICY

Approval Criteria



(*) Payment ability is measured on the basis of a combination of the DTI level, employment stability and level of income/internal positions of applicants.

KO Operation which cannot be approved Except in exceptional circumstances.

OK The operation can be approved

Follow-up: Functions

Information Generation → Information Analysis → Action Plan Definition → Action Plan Implementation

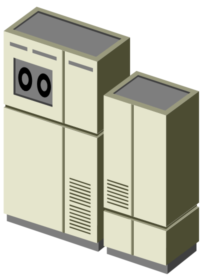
Action Focus

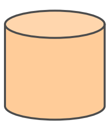
TASKS

PORTFOLIO	CLIENTS	PROCESSES
■ Portfolio Analysis (Risk quality indicators, Flows, production, LTV, TE, etc) ■ Portfolio Management – PGC's – Criteria & Policy ■ Recovery Strategies ■ Business Recommendations ■ Micro Focus	■ Handling of irregular items (Clients & Products NOT recovered) ■ Monitoring & anticipation of deterioration. Risk indicators ■ Important Cases (Groups, operations & clients)	■ Decision models (Stability & performance) ■ Systems ■ Analysis of Participants in Credit Processes (Branches, Agents, DCF, UDO, etc…) ■ Bad practices in Units

Collection: Treatment

10 days





Campaign launching

Telecollection

80 days

Automatic calling system
(Predictive System)

Management by campaigns

- Mortgage loans
- Multiproduct
- Personal loans
- Cards
- Leasing
- Overdrafts, etc.

Use of descriptive note
(Telerecovery)

Special Management

132 days

Analysis and management of client
(manual call)

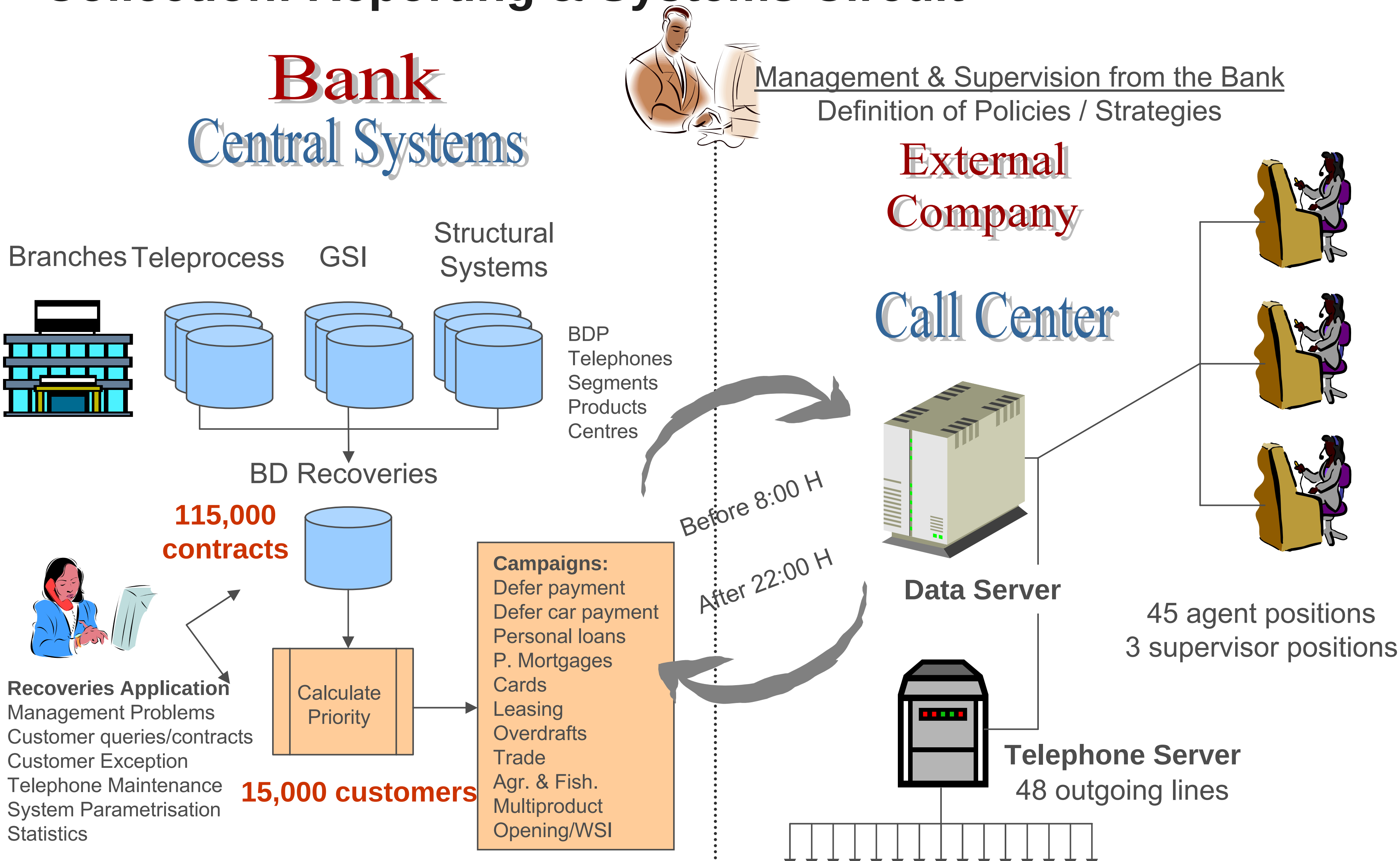
Applications:
PFG, GSI, Reto,
Agenda, Telerecovery

Branch: information gathering,
Definition of strategy.

Client: claim on debt.

Recoveries
(Pre-legal action)

Collection: Reporting & Systems Circuit



Collection: Recovery Unit Functions

Management & Supervision from the Bank

Definition of Policies / Strategies

1 Recovery Manager

2 Assistant Managers - Analysts

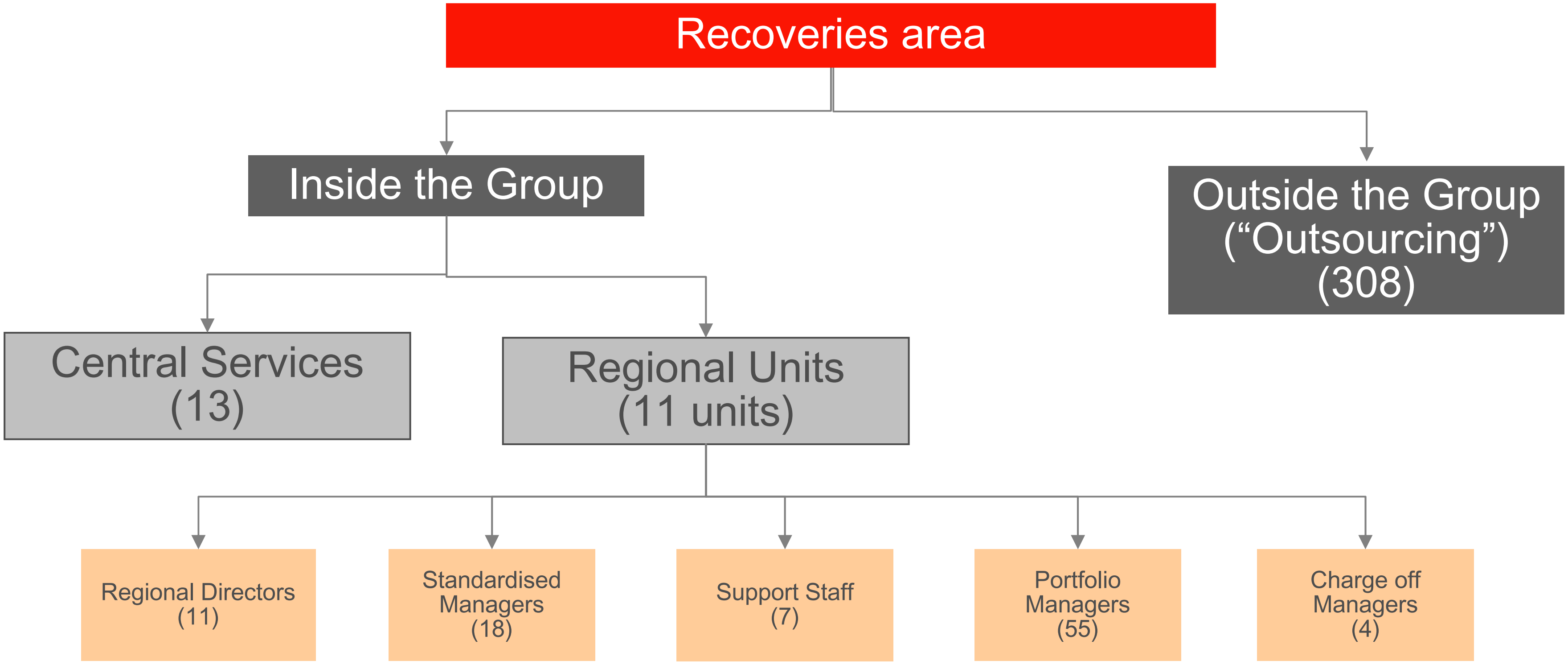
- Design & implementation of Recovery policies and strategies
- Analysis of results obtained, by product, client segment, territorial scope, etc
- Give instructions to the Recovery supplier, in terms of policies to be defined
- Control & follow-up of the steps taken by our supplier (Call Centre)
- Handling of cases of dissatisfaction & special cases with branches or other central departments
- Design of new functions in the Recovery systems, both in-house and those belonging to the supplier

Recoveries: General Policy

- 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 416 people inside (108) and outside (308) Grupo Santander:



Recoveries: Recovery Participants

EXTERNAL COMPANIES (*)

- Companies independent from Grupo Santander.
- Leaders in their field of activity (some at European level)
- Recognised experience & proven effectiveness

INTERNAL MANAGERS (*)

- Banco Santander employees who participate in handing the recoveries outside their working hours.
- Extensive knowledge of the Bank's products & customers

EXTERNAL LAWYERS (*)

- Lawyers & law firms independent from Grupo Santander, but with a sound knowledge of its way of working.
- Proven specialists in judicial and extra-judicial proceedings

RECOVERY MANAGERS

- Banco Santander employees with proven customer management ability (personally handing major customer accounts)
- Experts in handing judicial & extra-judicial proceedings

(*) The remuneration of these collaborators consists of a success-related fee; therefore they do not consume fixed resources.

Recoveries: Global View for Spain

- Customers who still have unpaid debts after being processed by the Central Recoveries or Follow-Up Departments are passed on to the Recoveries Department for further processing. Depending on the product, these customers are transferred between 102 and 150 days after the due date of their operations.
- Based on the volume of the unpaid debts, these operations begin to be handled by the different recovery participants. Thus, for example, lower-volume operations will be processed by the External Companies and Internal Managers. Medium-volume cases will be handled by the External Lawyers, and high-volume or special-case operations will be dealt with by the Recovery Managers.
- The specific aims of Recoveries are to rectify the situation in as short a time as possible and influence the customer's future performance (priority of our products in payment hierarchy), as well as recovering customers to traditional banking business, thus strengthening the business relationship.
- To achieve these objectives, Recoveries contemplate different types of management aimed at acting at all times in accordance with the seriousness of the situation and with the objective of recovering the largest amount possible:

Pre-contentious → **Contentious** → **Write off-management** → **Write off-uncollectible** → **Sale of Portfolio**

Recoveries: Global View for Spain (cont'd)

MANAGEMENT SITUATIONS → See Flow chart

PRECONTENTIOUS

- Temporary situation (45 days) of rapid & intense extra-judicial activity
- For operations > 1,000 €, this is also a preparatory stage
- For the subsequent judicial stage

CONTENTIOUS

- Commencement of judicial proceedings (operations > 1.000 €) by the External Lawyers
- At the same time, extra-judicial negotiations continue

WRITE-OFF UNDER MANAGEMENT

- The continuation of the Contentious situation, but with the difference that although it is provisioned 100% (according to Bank of Spain ruling or at the Bank's own decision), it has been written off the balance sheet

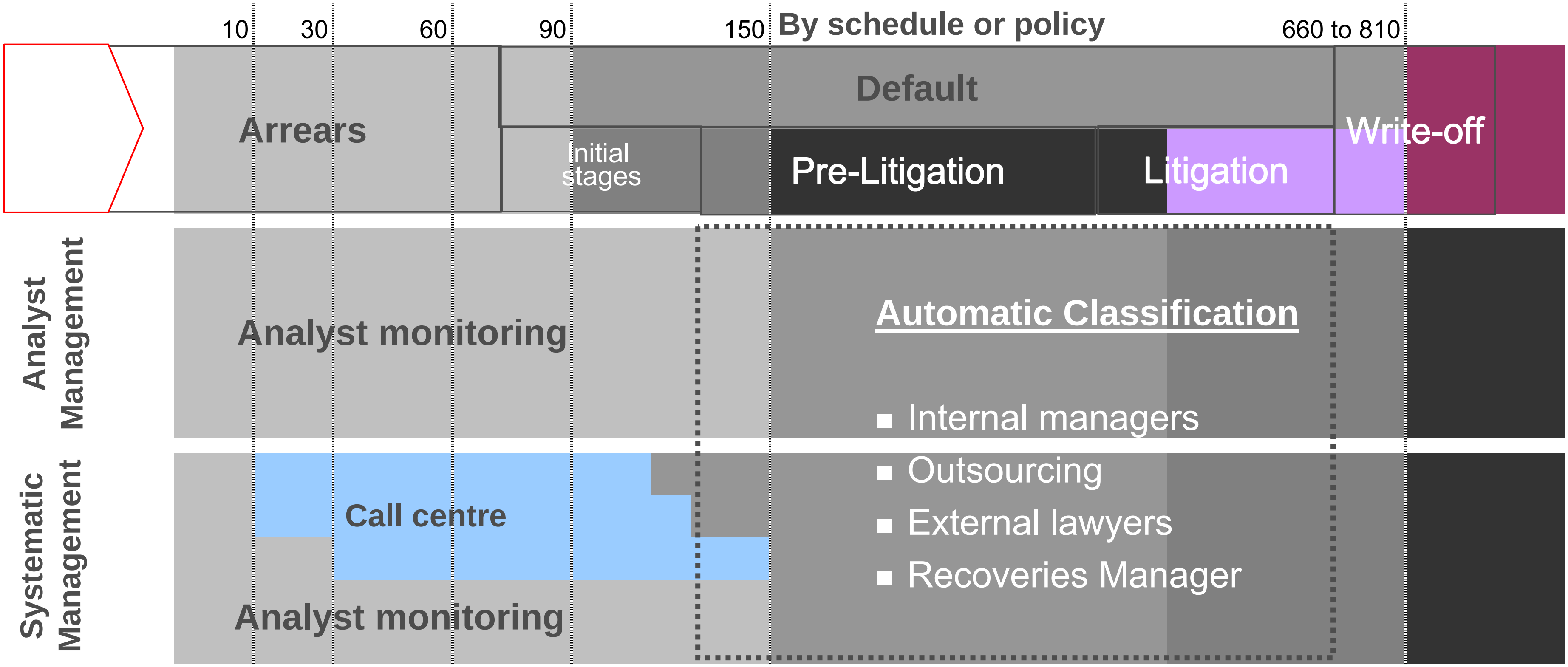
WRITE-OFF UNCOLLECTABLE

- The situation of operations handled judicially and extra-judicially but without any positive results over time

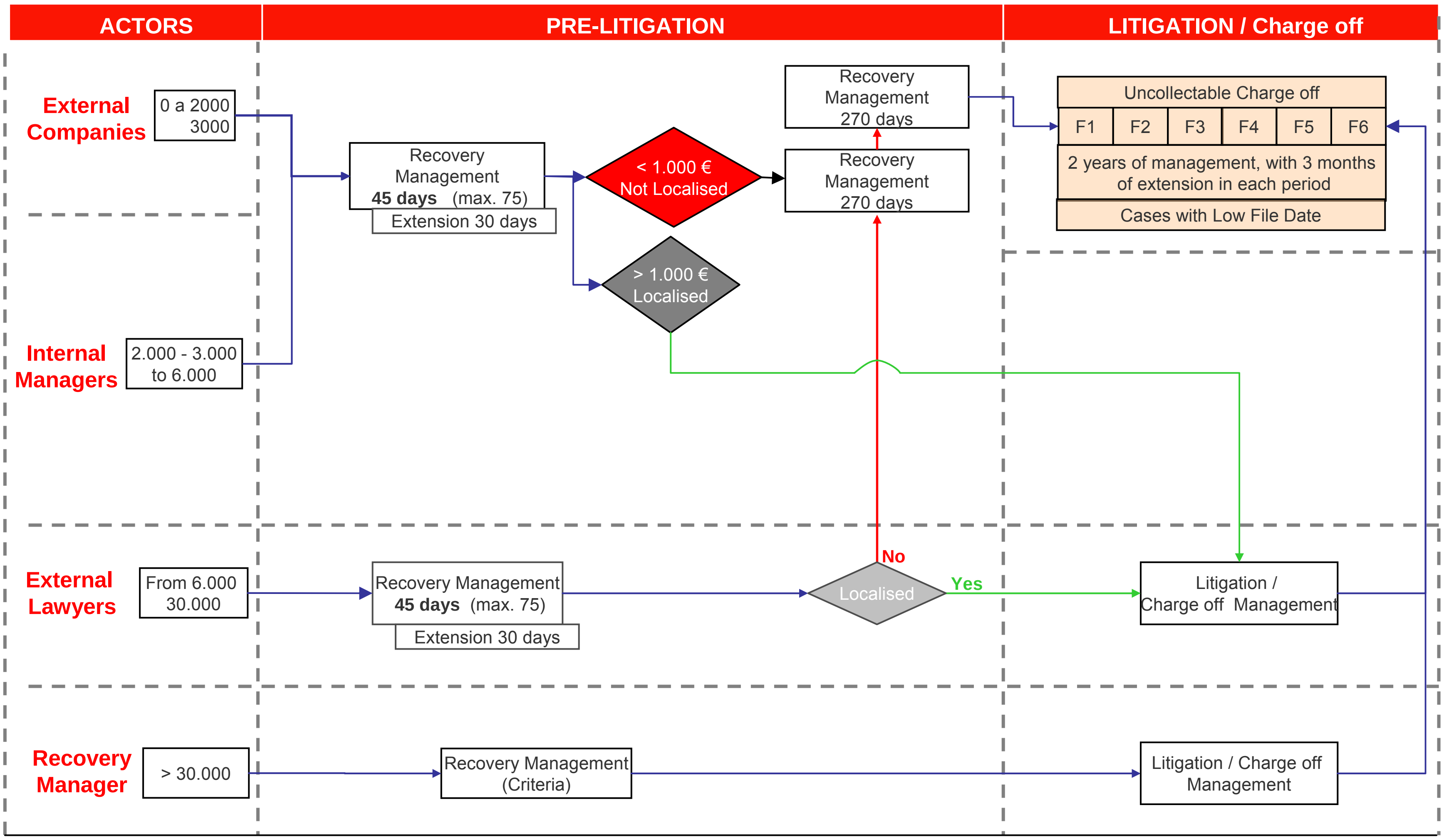
SALE OF PORTFOLIO

- Recovery alternative consisting of the sale of operations to companies outside the Bank (of recognised prestige), once this formula has been considered more profitable than continued negotiation

Recoveries: Global Vision



Recoveries: Flow Chart



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- Executive Summary
- Transaction Structure
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- **Grupo Santander in the Spanish Market**
- Expected Timing and Contact Details

Grupo Santander: a Retail Focused Entity…

Basic data

- Largest financial company of the euro zone by market capitalisation and twelfth in the world
- Largest financial group of the Iberian Peninsula
  - #1 in Spain *
  - #4 in Portugal * (1)
- Sixth largest banking group in the UK by total assets, and third by mortgages.
- Amongst the leaders in consumer finance in Europe.
- Leader in Latin American banking services.
- Largest retail network in Western countries.

December 2006 data

(in Billion Euros)

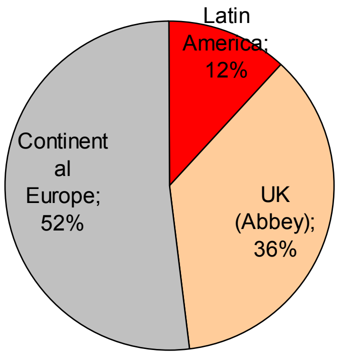
Market capitalisation	88.44
Customer funds (2)	744
Loans	532
Total funds under management (3)	1.001
Attributable income (Dec-06)	7.6
Customers (millions)	67
Employees	129,749
Branches	10,852
Shareholders (million)	2.3

(*) Credits, deposits and mutual funds
(1) 2nd privately-owned bank in Portugal by net income

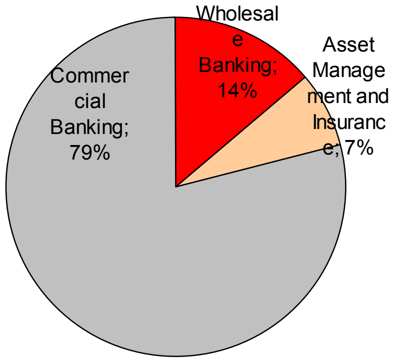
(2) Total funds on and off balance
(3) Total assets + off balance sheet funds

… with Diversified Business & Location

Attributable income by geography



Income before tax by business

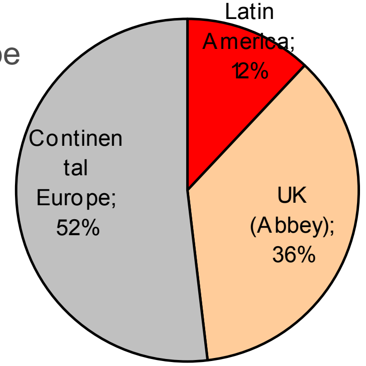


% distribution as of Dec '06. Source: Grupo Santander

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

Breakdown of Customer Loans

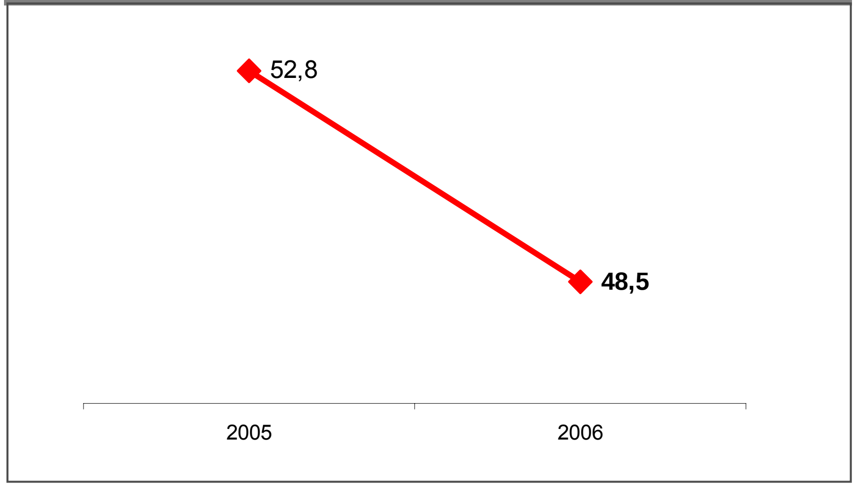
88% in Europe



Data as of December 2006

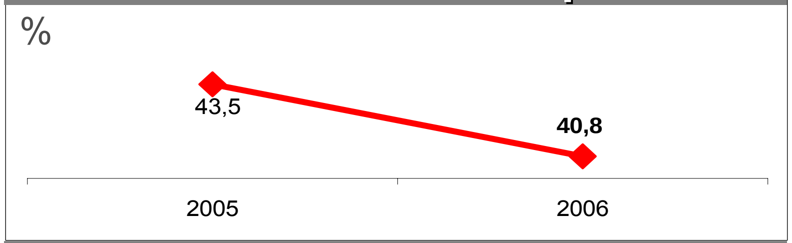
Improvement in EFFICIENCY* in all Operating Areas

Group efficiency ratio

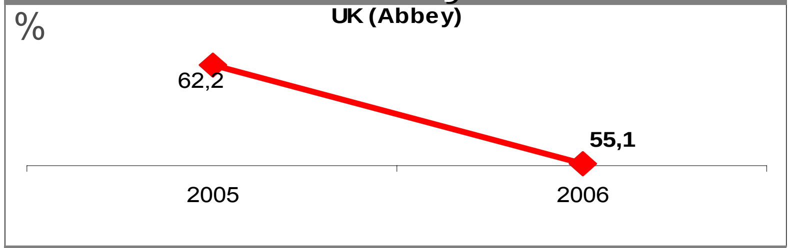


(*) Including amortisations

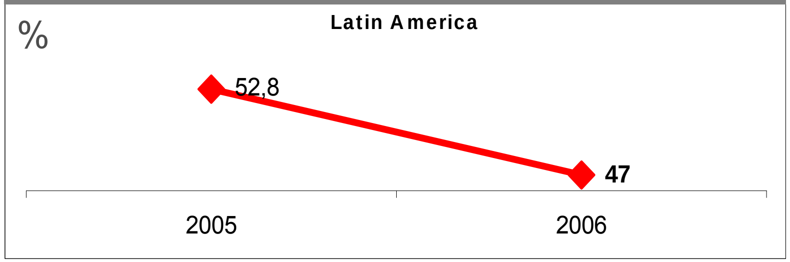
Continental Europe



Abbey



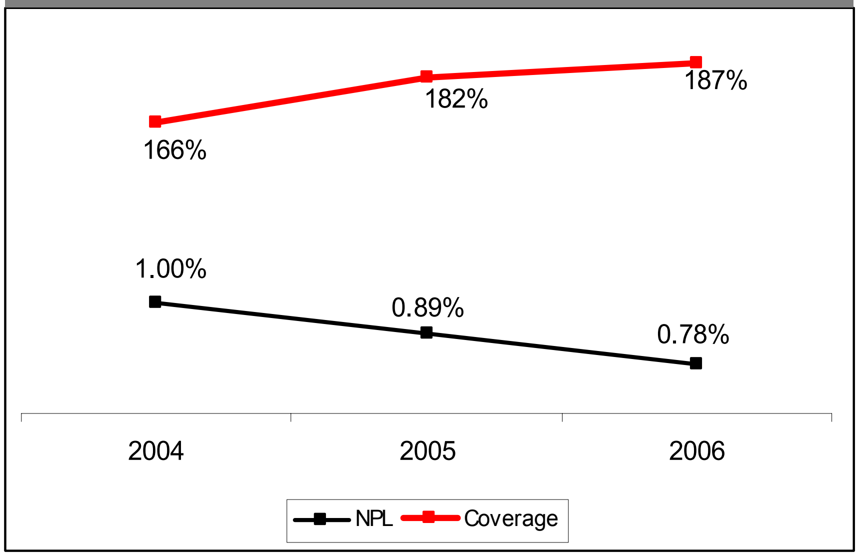
Latam



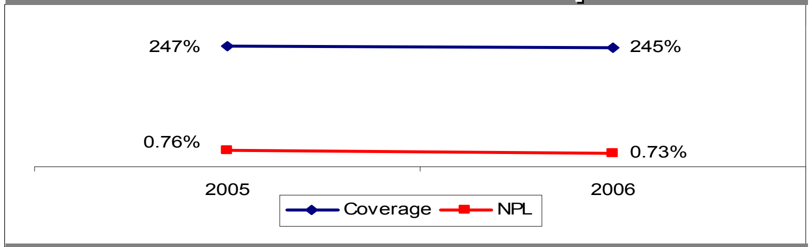
Risk Quality: One of the Group's Trademarks

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

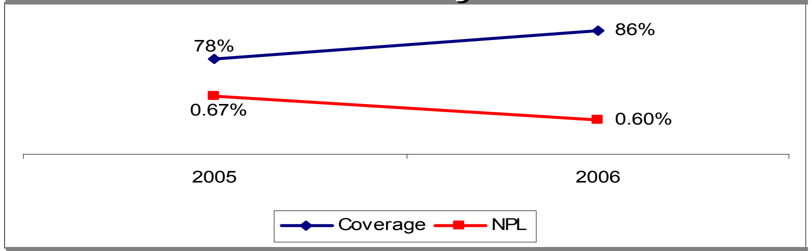
NPL and Coverage



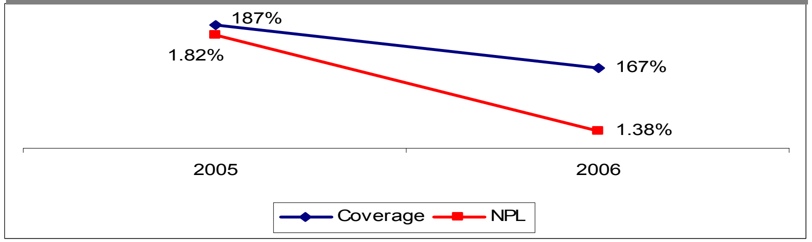
Continental Europe



Abbey

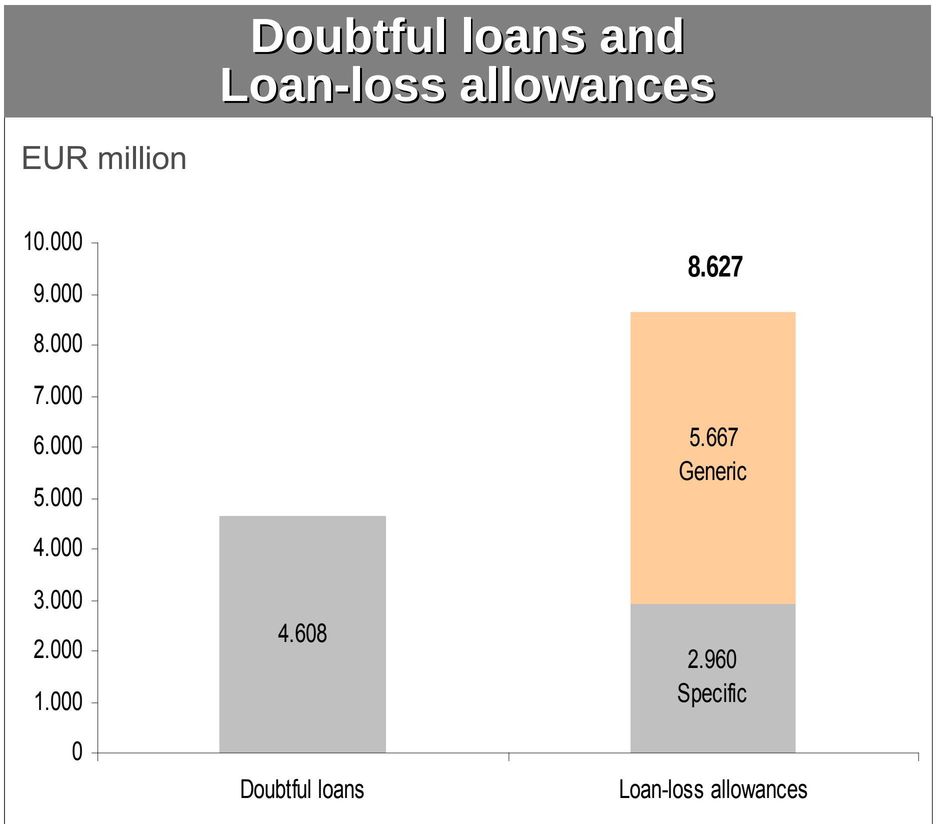


LatAm



Risk Quality: One of the Group's Trademarks (cont'd)

… and substantial loan-loss allowances (approximately EUR 5.7 billion of generic funds)



Key Highlights on the Group's Financial Management

- Maintaining strong liquidity ratios by limiting recourse to short term funding.
- Diversifying funding by markets, products and currencies.
- Optimising balance sheet management, by issuing covered bonds and securitization.
- Monitoring and managing interest rate and currency risk exposure
- Measuring and optimizing the use of economic capital.
- Managing proactively credit risk exposure.
- Coordinating global ALM policy.

Santander Asset and Liability Management policies are focused on maintaining balance sheet strength

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Expected Timetable

▪Announcement:	[12 March]
▪Roadshow:	[week of 19 March]
▪Bookbuilding:	[week of 26 March]
▪CNMV Approval:	[•] [March]
▪Fund's constitution / signing:	[•] [March]
▪Settlement date:	[•]

March 2007

M	T	W	T	F	S	S
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

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Santander

150 AÑOS

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