

A dark red world map is centered on a grid background of the same color. The map shows the outlines of continents in a slightly lighter shade of red.

F.T.A. Santander Empresas 2

€2,900,000,000 Business Loans ABS

STRICTLY PRIVATE AND CONFIDENTIAL

NOVEMBER 2006



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## Executive Summary

Transaction Structure

Portfolio overview and historical performance

SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

Grupo Santander in the Spanish Market

Source: Grupo Santander

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**F.T.A. Santander Empresas 2**

- Grupo Santander (rated AA-/Aa3/AA) is the largest bank in Europe by market capitalisation (EUR 78 billion as of 30<sup>th</sup> September 2006)
- Grupo Santander is the largest bank in Spain, it is predominantly involved in retail banking however is active in corporate and investment banking
- This is Grupo Santander's 44<sup>th</sup> securitisation, making it by far the largest originator in the Spanish market, with more than EUR 35 billion issued in the last 12 years
- The fund manager, Santander de Titulización SGFT SA, was established in 1992, and has experience in managing 33 funds, with more than EUR 25 billion currently under management

Source: Grupo Santander

- The Santander Empresas 2 portfolio contains borrowers ranging from individuals, very small companies to medium/large companies
- The portfolio concentration is low: loans which represent less than 1% of the total portfolio balance amount to 97.84% of the total portfolio
- 80.76% of the pool carry full corporate guarantee of borrowers, and 19.24% of the pool is secured by mortgages with a weighted average LTV of approximately 88%
- The provisional number of loans is 21,198 with an average outstanding balance of EUR 144,916.97
- This is the second cash CLO backed by a pool of Spanish SME and Corporate loans sponsored by Santander.
- All loans have been originated by the Commercial Banking and Corporate Banking Division of Santander.

Source: Grupo Santander

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**F.T.A. Santander Empresas 2**

- Industry diversification
  - Highest industrial concentration is found in the real estate sector (the pool does not contain any developer loans) with 28.15% and other entrepreneurial activities with 8.05%
- Geographical diversification by volume:
  - Main concentration in Madrid (25.82%) and Catalonia (13.39%)
- The maximum arrears period for any loan on the transfer date will be 30 days
- A swap will guarantee a gross excess spread of 65 bps on a notional equal to all loans in the portfolio except those which are more than 90 days in arrears –
  - the swap is therefore providing interest on loans which may be in arrears up to 90 days.
  - The gross excess spread is the available margin returned by the swap after note interest coupons have been paid, but before other senior expenses of the vehicle have been paid
  - The notional is calculated on a periodic basis, and does not exclude loans which have cured after having previously been in arrears
- The Class A (A1 and A2) Notes are supported by 9.95% structural credit enhancement and the additional annual guaranteed gross excess spread of 0.65%

Source: Grupo Santander



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## Terms and conditions



Series	Fitch/Moody's/S&P	Amount (€mm)	%	CE (*)	Coupon	WAL (yr)	Expected Maturity
Class A1	AAA/Aaa/AAA	1,300.1	44.83%	10.60%	Euribor 3m + [●]	0.89	20/08/2008
Class A2**	AAA/Aaa/AAA	1,365.0	47.07%	10.60%	Euribor 3m + [●]	3.89	20/08/2014
Class B	AA/Aa2/AA	84.1	2.90%	7.70%	Euribor 3m + [●]	7.69	20/08/2014
Class C	A/A2/A	62.3	2.15%	5.55%	Euribor 3m + [●]	7.69	20/08/2014
Class D	BBB+/Baa3/BBB	59.5	2.05%	3.50%	Euribor 3m + [●]	7.69	20/08/2014
Class E	BB+/Ba1/BB-	29.0	1.00%	2.50%	Euribor 3m + [●]	7.69	20/08/2014
<b>Total</b>		<b>2,900.0</b>	<b>100.00%</b>				
Class F	CCC/Ca/CCC-	53.7	1.85%	0.65%	Euribor 3m + 50bps	4.94	20/08/2014
<b>Total</b>		<b>2,953.7</b>	<b>101.85%</b>				

Assumptions: (i) CPR:5%. (ii) No substitution of the initial loans and (iii) 10% of the clean up call is exercised.

(\*) Including 0.65% guaranteed excess spread on the proportion of the pool which is less than 90 days in arrears

(\*\*) no principal repayment before 20-Nov-2008

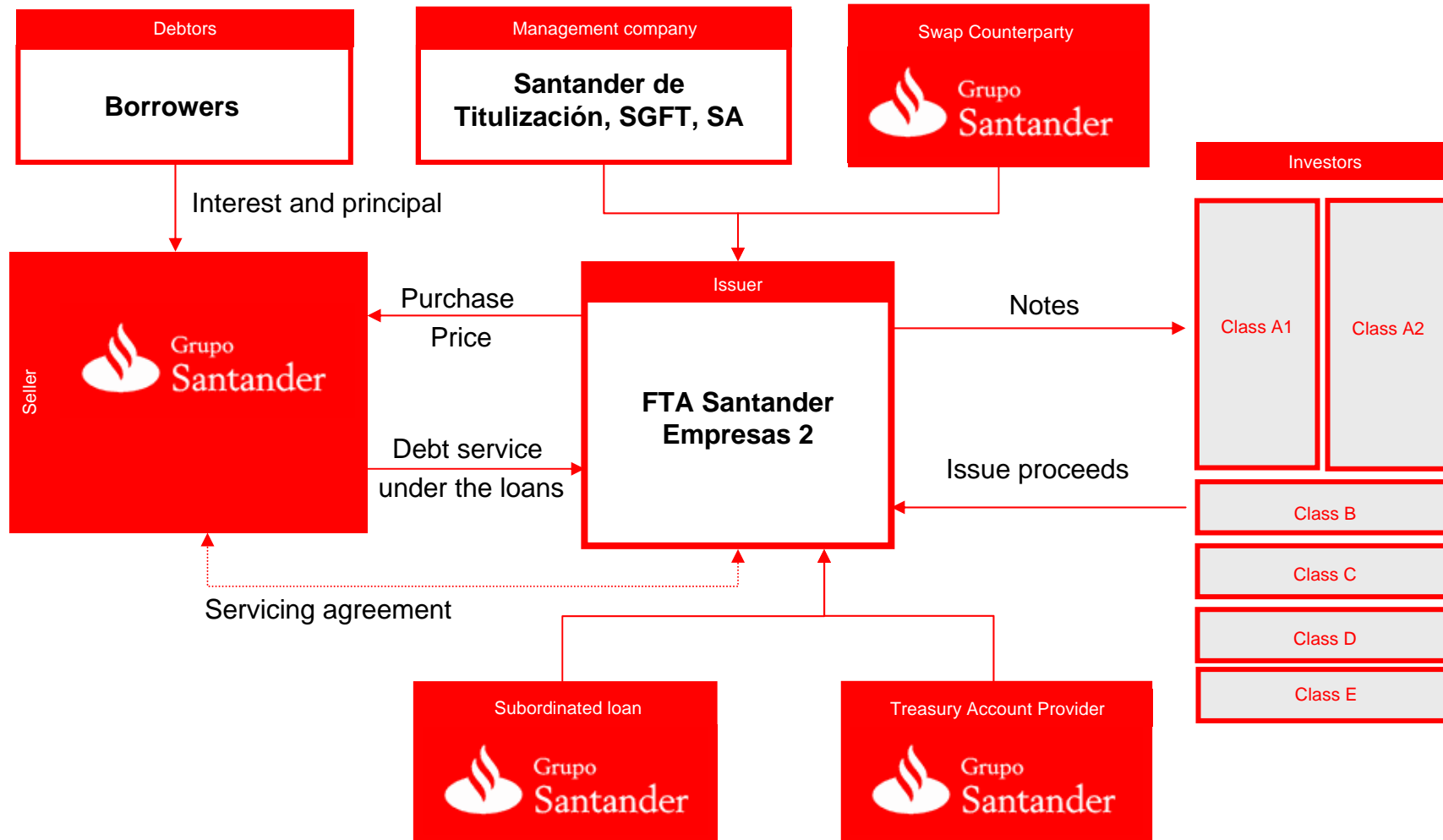
Classes B and C are not offered, and Class F is retained.

<b>Issuer</b>	FTA Santander Empresas II	<b>Amount</b>	EUR 2,900,000,000
<b>Registration at CNMV</b>	05-Dec-06	<b>Incorporation of the FTA</b>	11-Dec-06
<b>Launch/Trade date</b>	11/12/2006 (expected)	<b>Closing and Settlement</b>	11-Dec-06
<b>Listing</b>	AIAF	<b>Denominations</b>	EUR 100,000
<b>Management Company</b>	Santander de Titulización, SGFT	<b>Swap Counterparty</b>	Banco Santander Central Hispano, S.A.

Source: Grupo Santander

## F.T.A. Santander Empresas 2

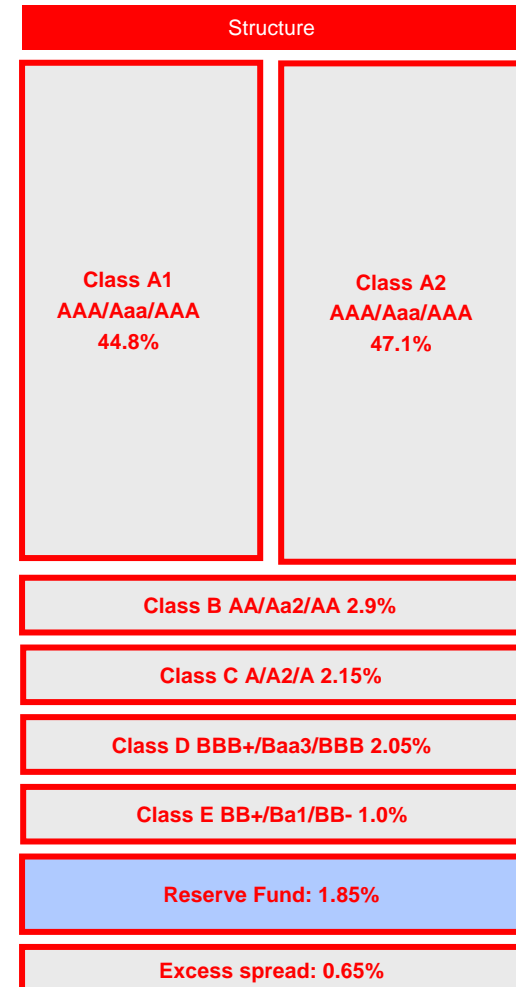
# Transaction Structure



Source: Grupo Santander

## F.T.A. Santander Empresas 2

- The A1 and A2 Classes are supported by the following credit enhancement features:
  - Guaranteed annual gross excess spread of 65 bps of the outstanding balance of performing loans (where performing loans are those which are less than or equal to 90 days in arrears)
  - The net excess spread after deducting senior expenses will be approximately 62.5 bp.
  - Initial fully funded cash reserve of EUR 53.7 million – or 1.85% of the initial balance of the notes
  - The maximum cash reserve during the life of the transaction will be calculated according to a formula described on the next page
  - The Class F Notes will be amortised using reserve fund release amounts, according to the amortisation of the reserve fund
  - An initial 9.95% of credit enhancement contributed by the B, C, D, E and F Classes, as well as the additional 0.65% credit enhancement through the interest rate swap



Source: Grupo Santander

### INTEREST RATE SWAP

- SCH (AA-/Aa3/A+) 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)

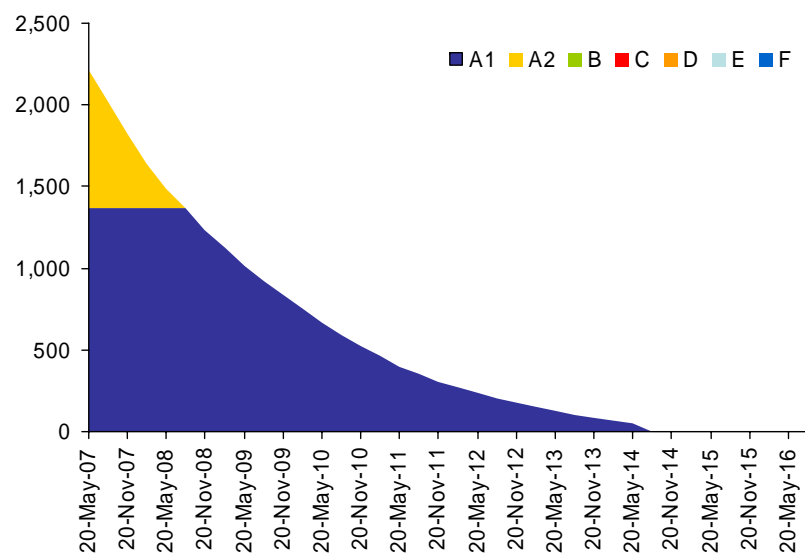
### CLASS F (RESERVE FUND) / CASH RESERVE

- Initial Amount: EUR 53.7 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 53.7 million; and
  - The higher of:
    - 2.5% of the outstanding principal balance of the notes (except class F); and
    - 0.9% of the initial principal balance of the notes (except class F)
- 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
  - If the net accumulated loss is greater than 1% of the initial balance of the assets

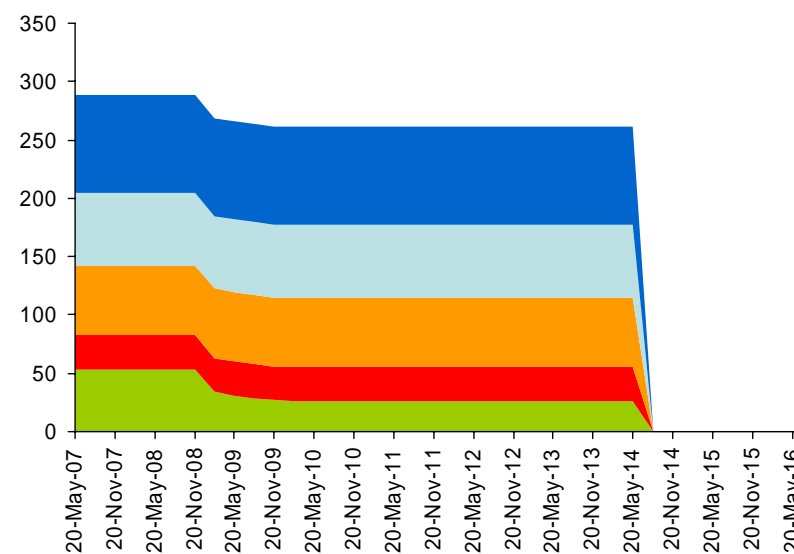
Source: Grupo Santander

## Amortisation profile of the Notes

### Classes A1 and A2 (€ MM)



### Classes B, C, D, E & F (€ MM)



Assumptions: (i) CPR:5%. (ii) No substitution of the initial loans, (iii) no pro-rata trigger applies for classes A1 and A2 and (iv) 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 A1, A2, B, C, D and E is sequential. The classes are pass through securities, except for a principal lock out until 2008 on the Class A2 notes.
- Should any amounts under Series A1 still be outstanding, the sequential order of payment of Series A1 and A2 will be interrupted if 90-day arrears on loans with less than 12 months arrears is larger than 1.5% of the Current Outstandings of Loans. In that event, Funds Available for Amortisation will be applied pro-rata to Series A1 and A2 (or, if applicable, to the deposit available for amortisation of Series A2 after May, 2007).
- Each of the classes pays interest quarterly and principal according to the sequential amortisation rule

Source: Grupo Santander

CPR	0%	3%	5%	7%	10%
<b>Class A1</b>					
WAL (yrs)	0.97	0.90	0.89	0.85	0.79
Expected Final Maturity	20/02/2009	20/08/2008	20/08/2008	20/08/2008	20/05/2008
<b>Class A2</b>					
WAL (yrs)	4.62	4.10	3.89	3.65	3.34
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013
<b>Class B</b>					
WAL (yrs)	9.69	8.44	7.69	7.19	6.44
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013
<b>Class C</b>					
WAL (yrs)	9.69	8.44	7.69	7.19	6.44
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013
<b>Class D</b>					
WAL (yrs)	9.69	8.44	7.69	7.19	6.44
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013
<b>Class E</b>					
WAL (yrs)	9.69	8.44	7.69	7.19	6.44
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013
<b>Class F</b>					
WAL (yrs)	5.98	5.32	4.94	4.67	4.28
Expected Final Maturity	20/08/2016	20/05/2015	20/08/2014	20/02/2014	20/05/2013

Assumptions: (i) No substitution of the initial loans and (ii) 10% clean up call is exercised, (iii) monthly arrears of 0.025% recovering after 12 months and no defaults, (iv) transaction starting on Dec 14 2006, (v) constant CPR speed

Source: Grupo Santander

## Priority of Payments – Standard Application of Funds



- 1 Payment of the expenses of the Fund
- 2 Payments on the swap (other than termination payments under the swap in case of SCH default)
- 3 Payment of interest on Classes A1 and A2 Notes
- 4 Payment of interest on Class B Notes
- 5 Payment of interest on Class C Notes
- 6 Payment of interest on Class D Notes
- 7 Payment of interest on Class E Notes
- 8 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"
- 9 Provision for an amount to be retained in the Reserve Fund equal to its required level
- 10 Payment of Class F interest
- 11 Repayment of Class F Note according to release cash reserve amounts
- 12 Termination payments under the swap in case of a SCH default
- 13 Interest and amortisation of the principal due on the Subordinated Loan
- 14 Variable financial intermediation margin paid to SCH
- 15 Payment of Extraordinary Class F Interests

Source: Grupo Santander



Exceptionally, the normal order of funds application may be changed in the case that certain events occur:

- If a Back-up Servicer was to be activated, its fees would become number 1 in the Revenue Priority of Payments
- Interest deferral triggers will bring interest payment on the B, C, D and E notes to a more junior position (without affecting the overall subordination of the notes) upon certain conditions being triggered:
  - Series B: Gross cumulative outstanding balance of Loans in Default is greater than 8.5% of the initial amount of the Assets and A series are not redeemed in full
  - Series C: Gross cumulative outstanding balance of Loans in Default greater than 6.5% of the initial amount of the Assets and A & B series are not redeemed in full
  - Series D: Gross cumulative outstanding balance of Loans in Default greater than 5% of the initial amount of the Assets and A, B & C series are not redeemed in full
  - Series E: Gross cumulative outstanding balance of Loans in Default greater than 4.25% of the initial amount of the Assets and A, B, C & D series are not redeemed in full

Source: Grupo Santander

## Principal Allocation Priority



1 All amounts available for this purpose will be used to redeem Class A1 until this Class has been redeemed in full

2 Once Class A1 has been redeemed in full and in no case before the Payment Date in November 2008 all amounts available will be used to redeem Class A2. Amounts available received previously to the November, 2008 payment date will be deposited on the Treasury Account and only used to amortise A2 on subsequent dates

3 Once Class A2 has been redeemed in full all amounts available will be used to redeem Class B

4 Once Class B has been redeemed in full all amounts available will be used to redeem Class C

5 Once Class C has been redeemed in full all amounts available will be used to redeem Class D

6 Once Class D has been redeemed in full all amounts available will be used to redeem Class E

Source: Grupo Santander

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## **Portfolio overview and historical performance**

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Grupo Santander in the Spanish Market

Source: Grupo Santander

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**F.T.A. Santander Empresas 2**

## Highly diversified portfolio



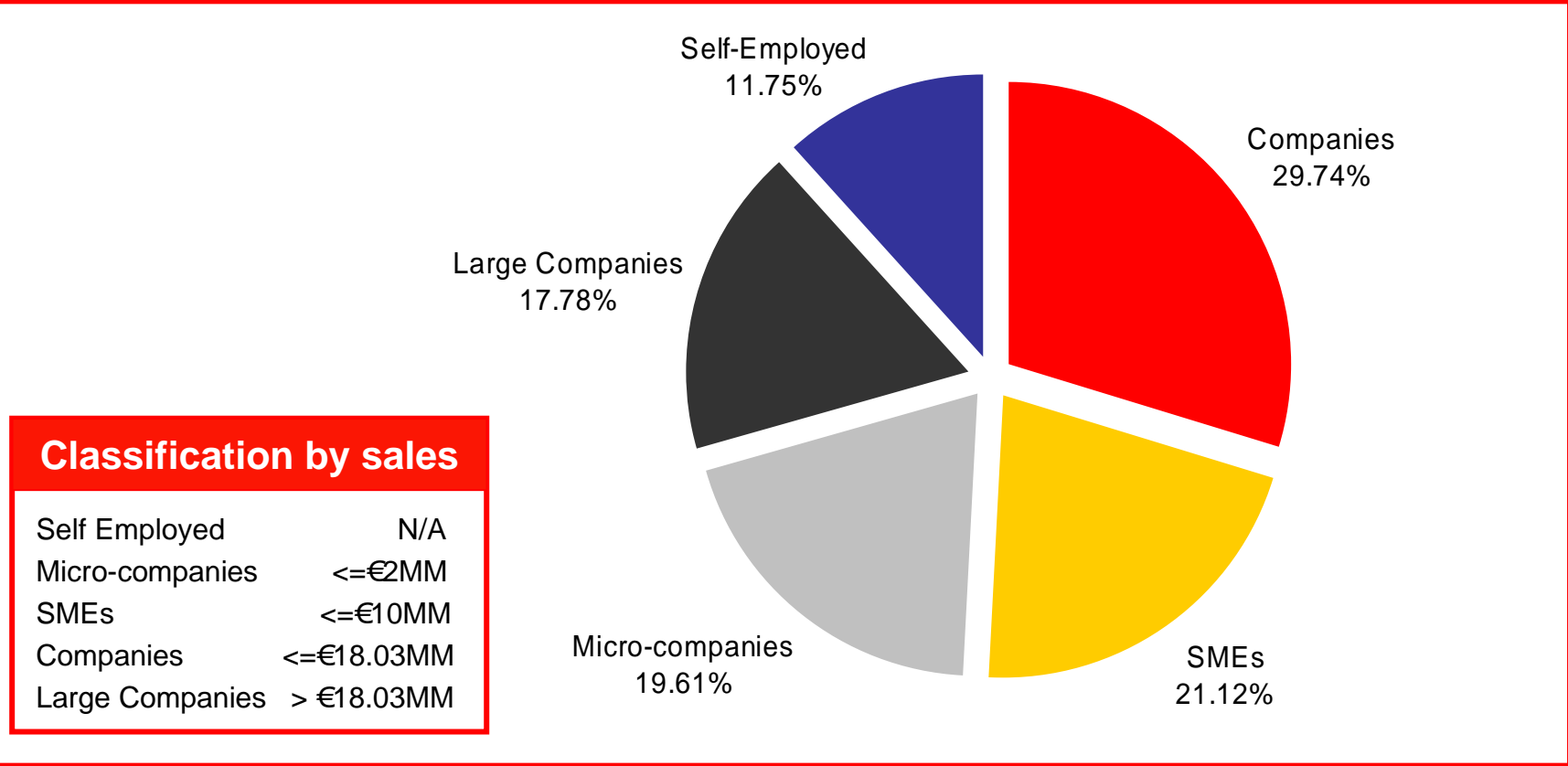
- The collateral comprises a pool of loans granted to borrowers ranging from self-employed individuals (“autónomos”) to medium-large businesses (with a legal address in Spain), for the sole purpose of financing economic activities or in the case of property acquisition only by self-employed
- Number of loans: 21,198 loans
- 19.24% of the loans in the portfolio are collateralised by mortgages, while the remaining 80.76% carry the full corporate guarantee of the borrowers
- The weighted average seasoning of the portfolio is 1.76 years as at 20th November 2006
- Average current loan balance: EUR144,917
- Largest loan equal to : 1.14% of initial transaction size

Source: Grupo Santander

- Top 20 borrowers amount to: 16.74% of the initial portfolio amount
- The repayment frequency of the loans is distributed in the portfolio as follows:
  - 46.2% on a monthly basis
  - 40.3% on a quarterly basis
  - 9.2% on a bi-annual basis
  - 3.7% on an annual basis
  - 0.6% bullet
- 98.05% of the balance of the provisional pool is current or less than 30 days in arrears, 1.48% is in arrears between 30 and 59 days, and 0.44% between 60 and 90 days
- On Incorporation Date none of the loans in the transferred portfolio will be in arrears for longer than 30 days

Source: Grupo Santander

By value



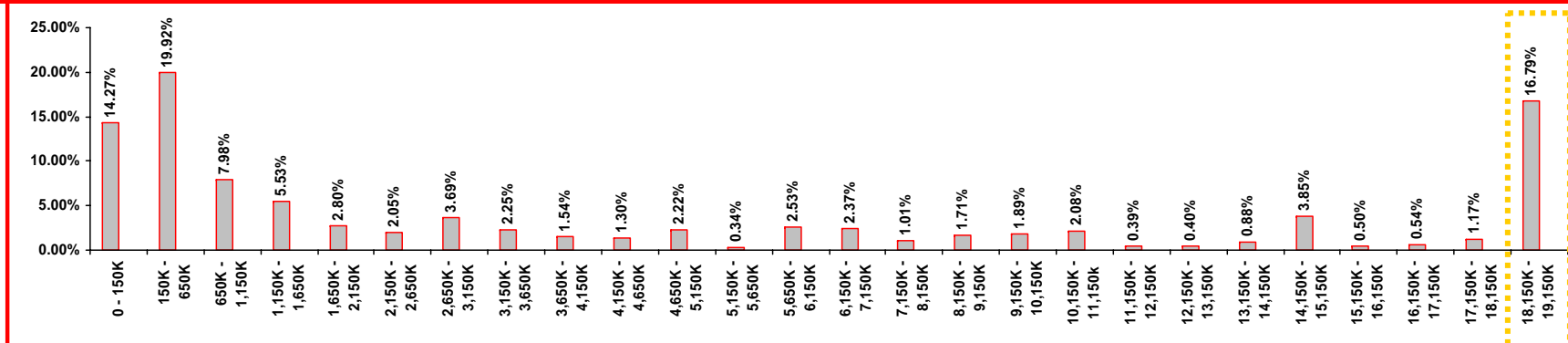
Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander. Classification of borrowers: Internal, Grupo Santander

Source: Grupo Santander

## Analysis by outstanding balance

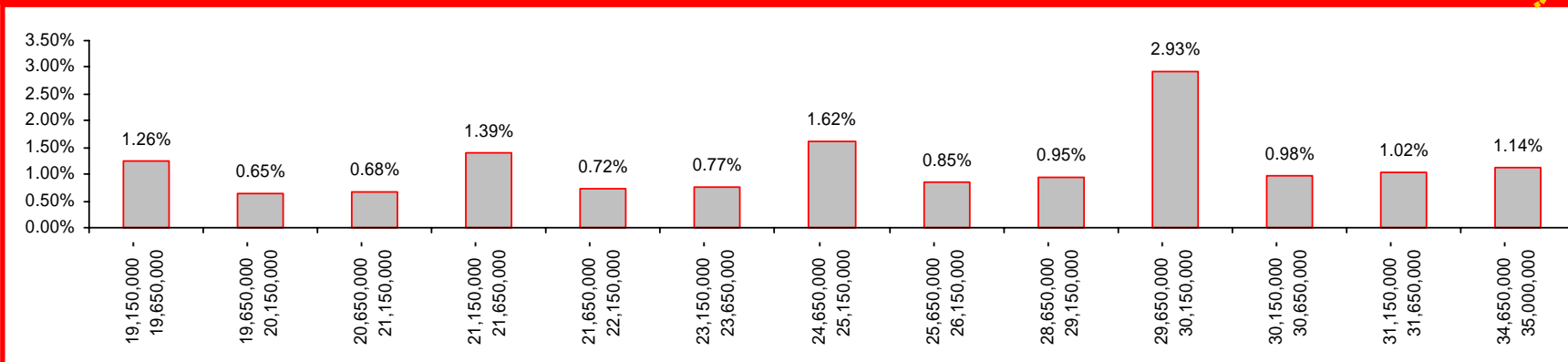


## By current outstanding balance



Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## Distribution of the 20 largest loans



Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## Analysis of the 20 largest borrowers



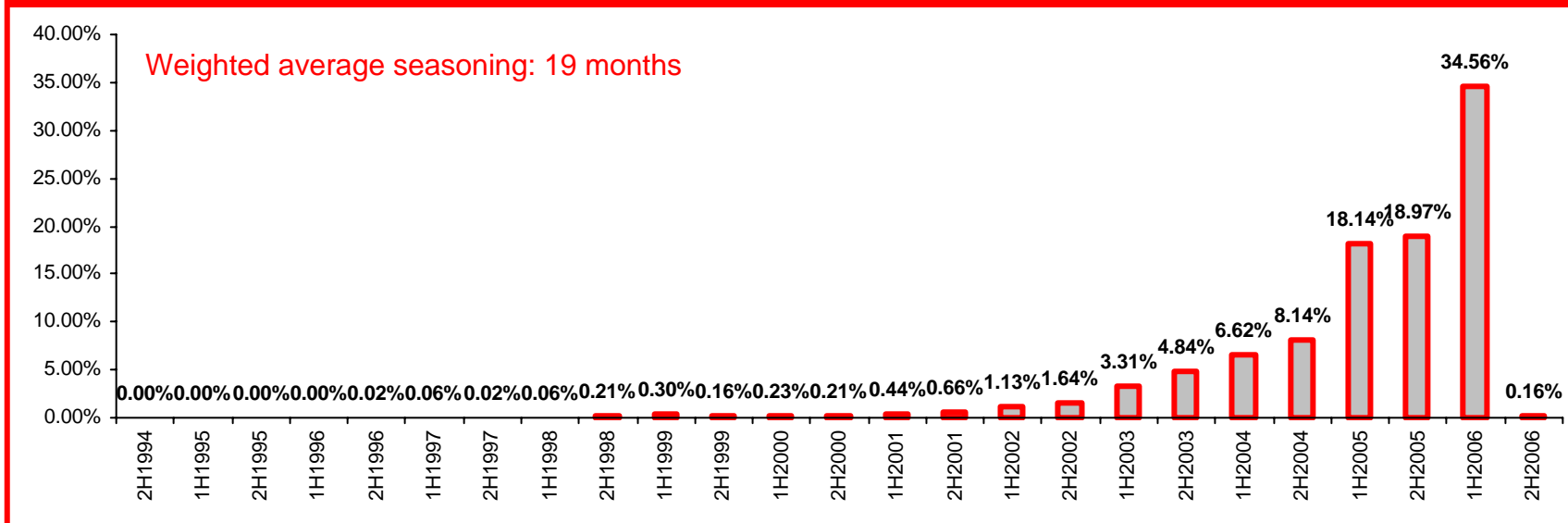
Borrower	Balance	% Balance	Description	Maturity Date	1=Mortgage Guarantee	Rating	Autonomous Community
					2=Personal Guarantee		
BORROWER 1	35,000,000.00	1.14%	Construction of infrastructure (roads)	17-Nov-10	2	8.1	Catalonia
BORROWER 2	19,232,387.00	0.63%	Real estate	29-Sep-07	1	6.5	Madrid
BORROWER 2	14,450,816.00	0.47%	Real estate	21-Feb-09	1	6.5	Madrid
BORROWER 3	31,313,100.00	1.02%	Marine transport	15-Nov-16	2	4.3	Canary Islands
BORROWER 4	30,200,000.00	0.98%	Real estate	24-May-08	2	5.6	Madrid
BORROWER 5	30,000,000.00	0.98%	Management (financial)	01-Jun-10	2	5.4	Andalucía
BORROWER 6	30,000,000.00	0.98%	Management (general)	30-Jun-13	2	7.5	Castilla Leon
BORROWER 7	30,000,000.00	0.98%	Mining, refining, distribution	07-Mar-11	2	6.9	Madrid
BORROWER 8	29,100,000.00	0.95%	Property administration and management	17-Oct-07	2	6.6	Madrid
BORROWER 9	25,976,000.00	0.85%	Other activities	31-Jul-10	2	6.0	Madrid
BORROWER 10	25,000,000.00	0.81%	Manufacture	31-May-07	2	6.0	Madrid
BORROWER 11	24,750,000.00	0.81%	Real estate	30-Jun-15	2	5.0	Madrid
BORROWER 12	23,574,000.00	0.77%	Ice cream	31-Mar-12	2	6.5	Baleares
BORROWER 13	22,015,073.38	0.72%	Cultivation of cereals	15-Jan-11	2	5.2	Andalucia
BORROWER 14	4,675,000.00	0.15%	Wholesale of iron goods	09-Jun-09	2	6.4	Madrid
BORROWER 14	6,000,000.00	0.20%	Wholesale of iron goods	29-Jun-17	1	6.4	Madrid
BORROWER 14	935,274.51	0.03%	Wholesale of iron goods	16-Sep-07	2	6.4	Madrid
BORROWER 14	10,000,000.00	0.33%	Wholesale of iron goods	30-Jan-21	1	6.4	Madrid
BORROWER 15	21,500,000.00	0.70%	Property administration and management	03-Dec-07	2	4.8	Madrid
BORROWER 16	21,169,998.79	0.69%	Property administration and management	27-Feb-15	2	5.2	Pais Vasco
BORROWER 17	21,000,000.00	0.68%	Construction	28-Sep-19	1	4.3	Madrid
BORROWER 18	20,000,000.00	0.65%	Transportation related industry	05-Apr-07	2	6.7	Catalonia
BORROWER 19	19,350,000.00	0.63%	Real estate rentals	17-Dec-22	2	3.1	Extremadura
BORROWER 20	18,971,492.29	0.62%	Transportation of consumer goods	27-Jul-13	2	6.8	Baleares
Totals:	514,213,141.97	16.74%					

Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

The Santander rating scale ranges from 1 to 9, with 9 being the best rating. Ratings of 5 and above are considered to be low risk

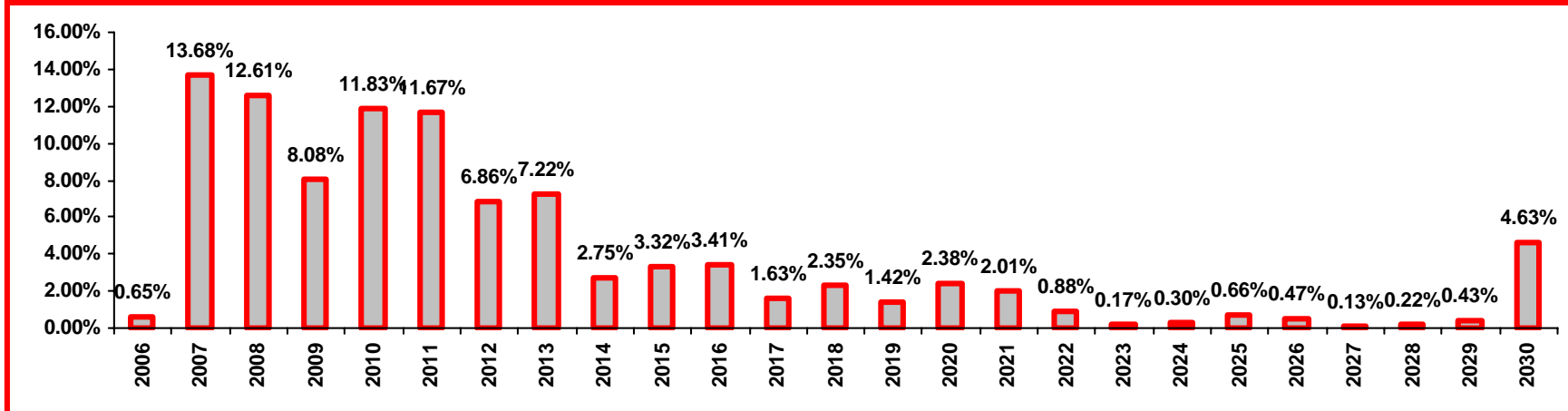


By date of origination



Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## By final maturity date

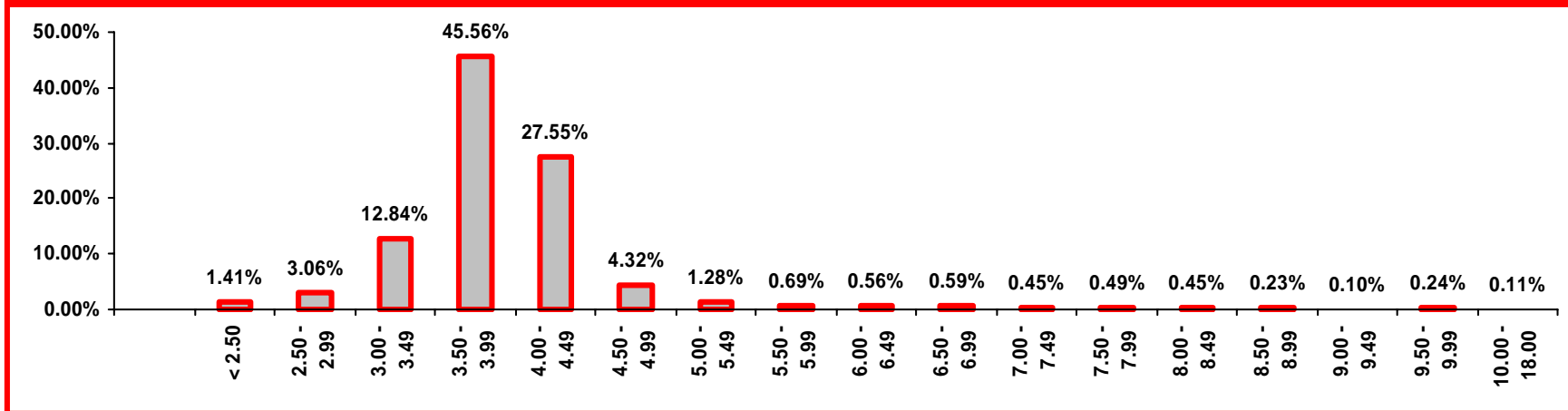


Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

# Analysis by interest rate and reference

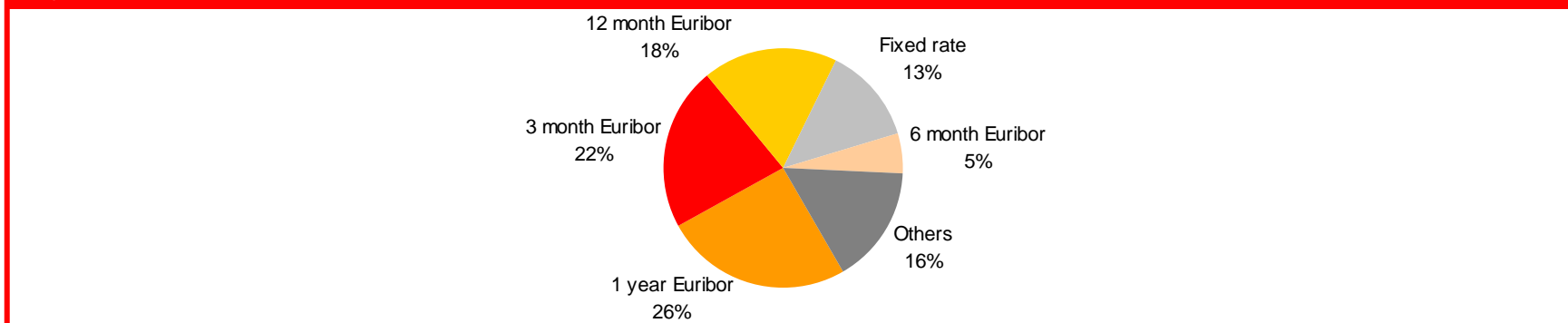


## By Interest rate



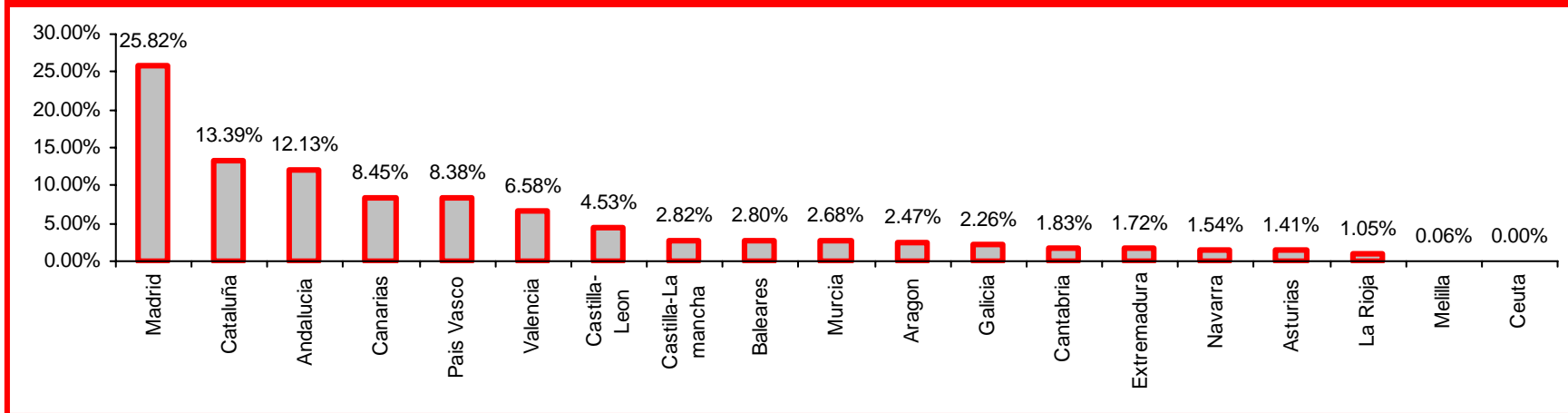
Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## By reference index



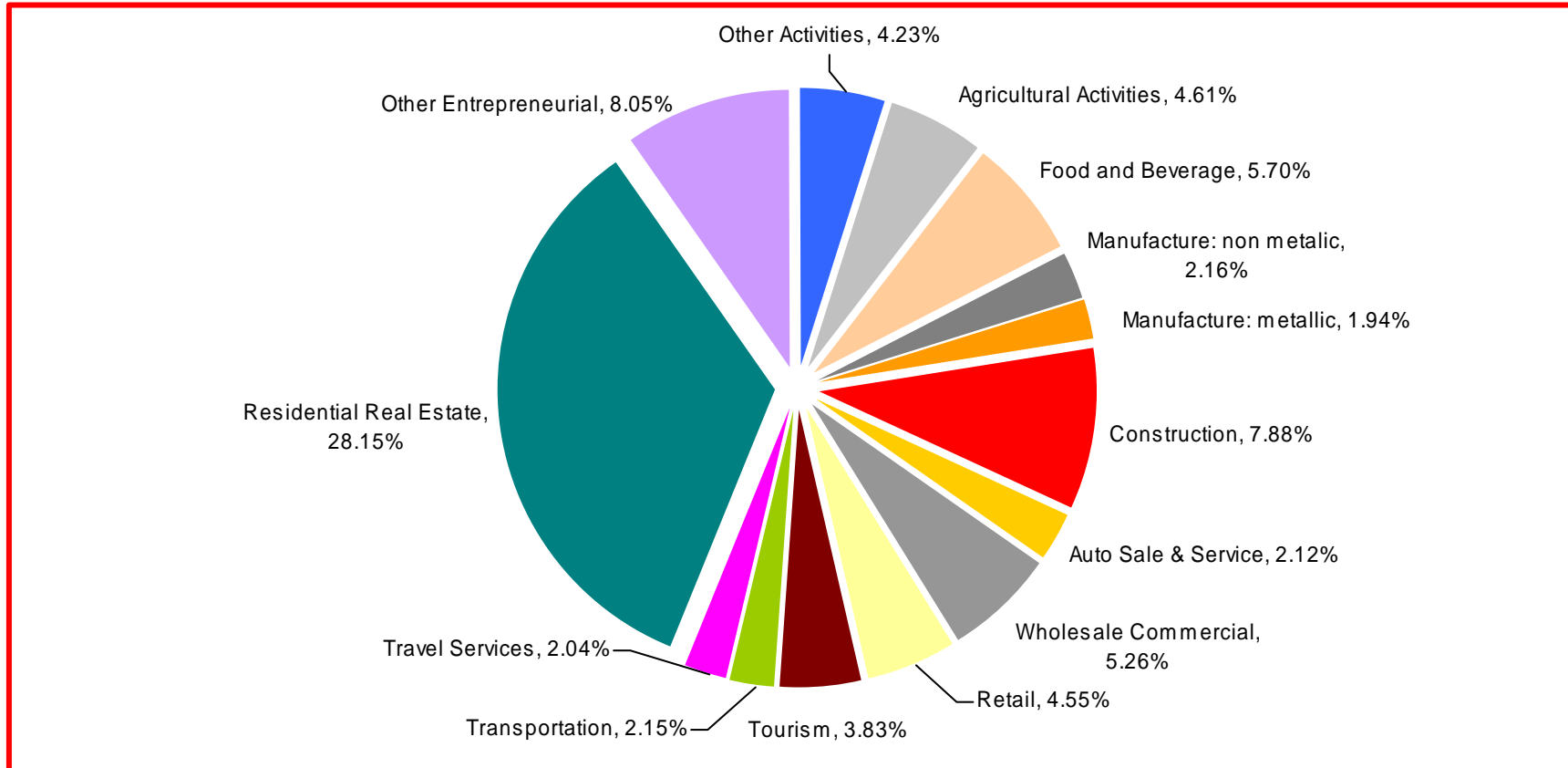
Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## By region



Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

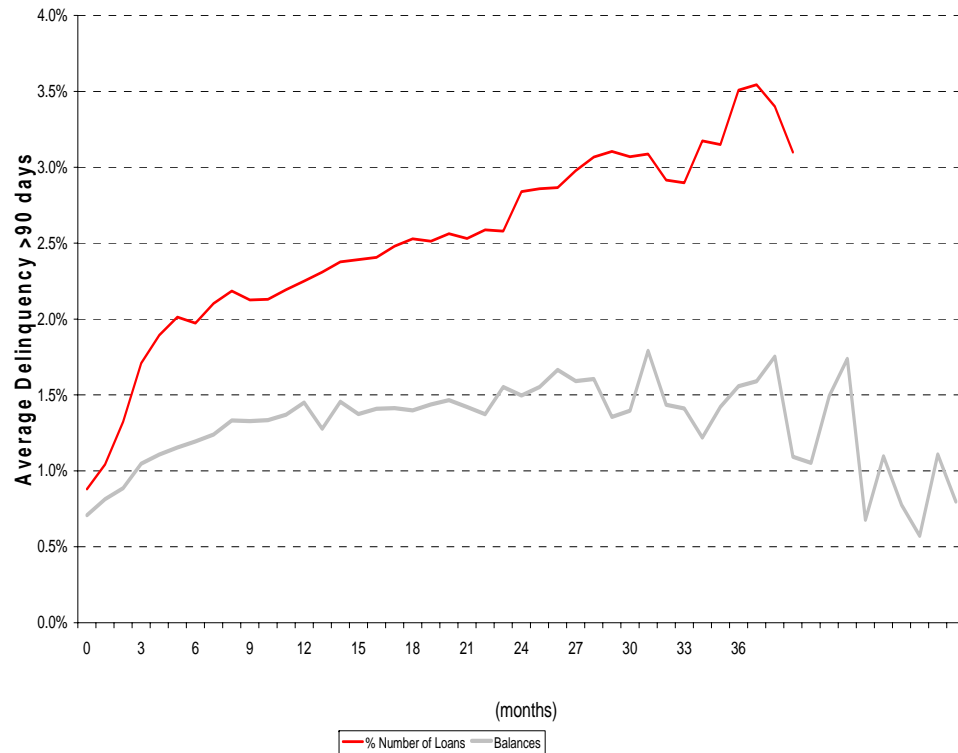
## By industry sector



Provisional pool as of 13<sup>th</sup> November 2006. Source: Grupo Santander

## Systematic Management

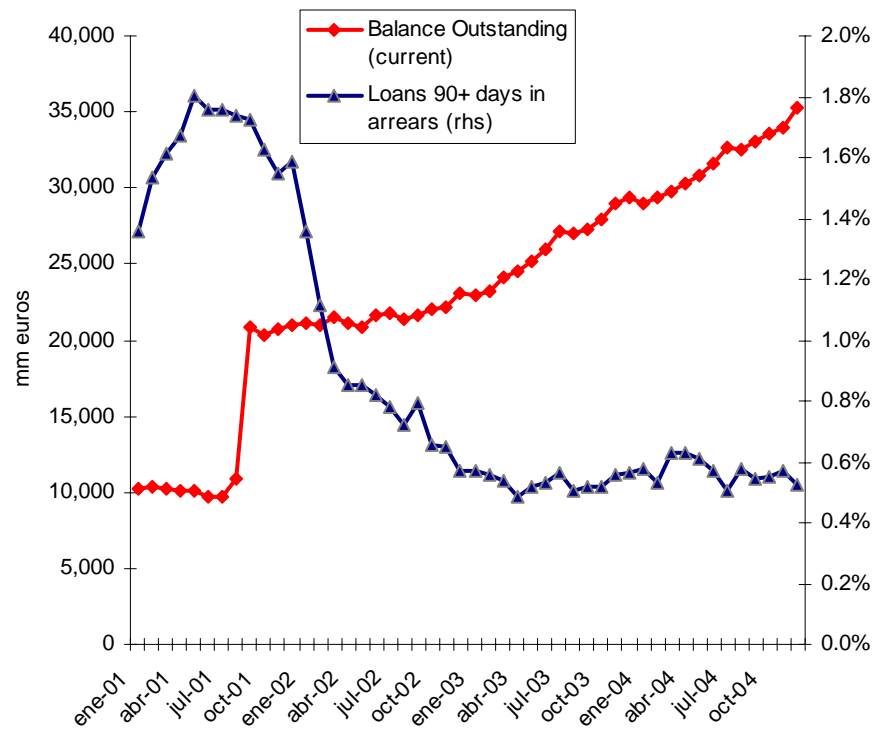
Average Arrears By Months Since Origination



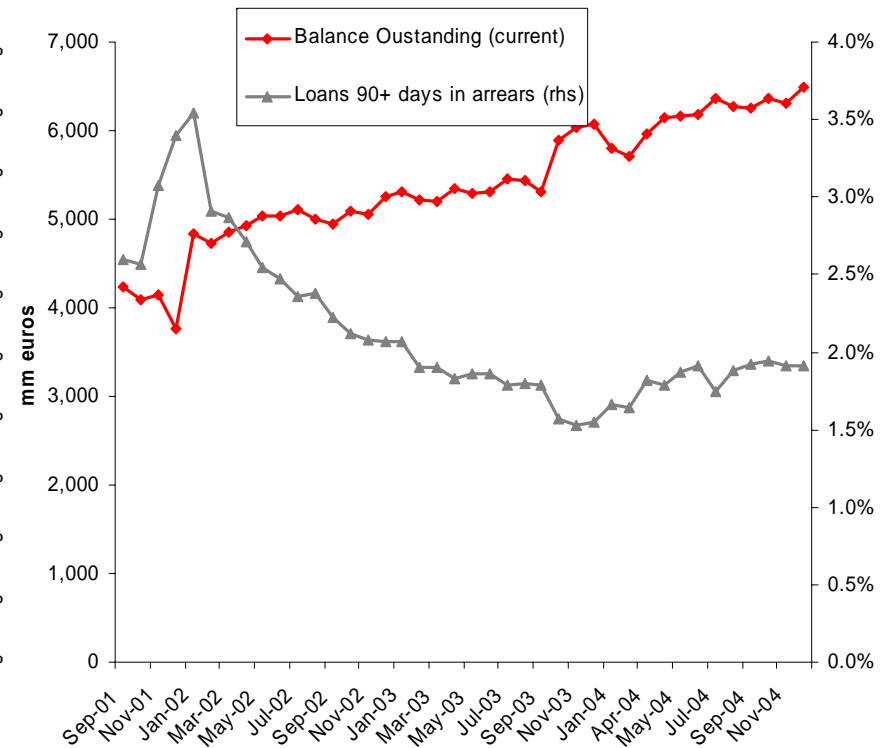
Source: Grupo Santander

Data shows loans which are 90 or more days in arrears, static pool data

## Analyst Management



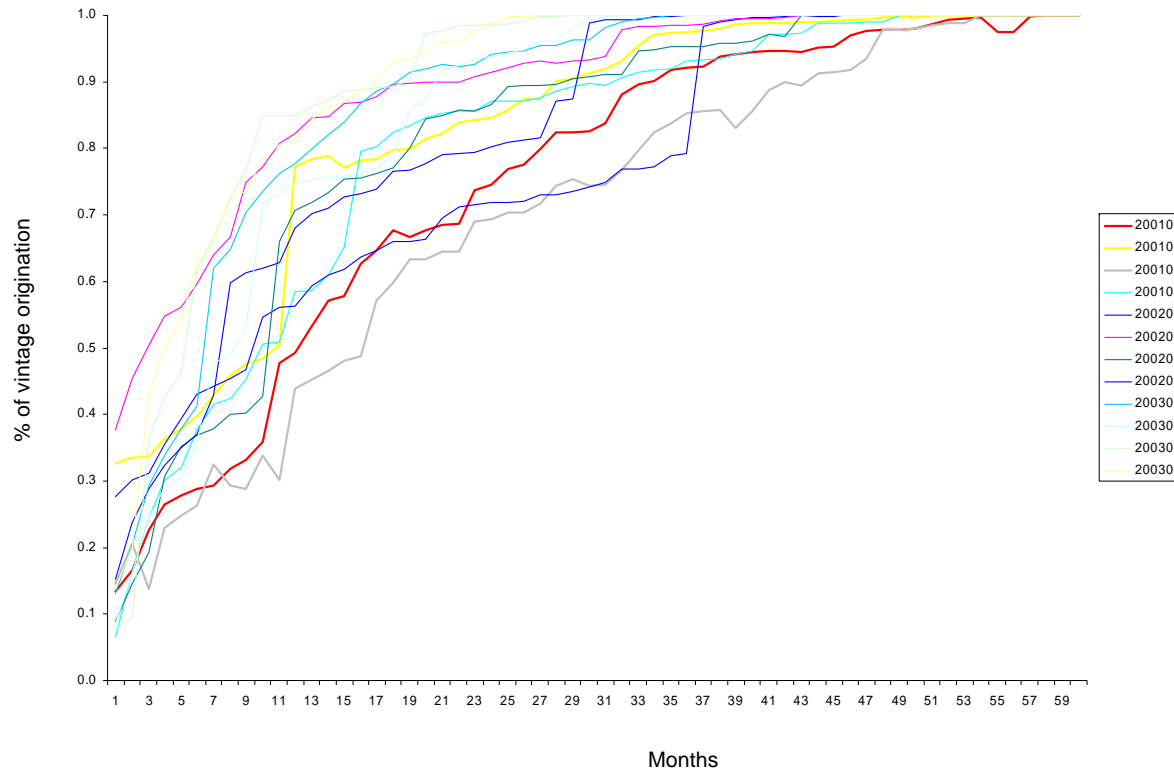
## Systematic Management



Source: Grupo Santander

Data shows arrears calculated taking into account all loans that were current but have entered in arrears in the next 12 months

## All corporate loan clients



Source: Grupo Santander

Data shows loans which have entered into the recoveries division of Santander, how the recoveries evolve over over the ensuing months.



### Arrears

- Zero write offs
- Total non performing balance (% current balance)
  - Under 30 days: 0.05%
  - Over 30 days: 0.02%
- Total non performing balance (% original balance)
  - Under 30 days: 0.07%
  - Over 30 days: 0.03%

### Amortisation

- Monthly maximum annualised prepayment rate: 9.41%
- Average monthly annualised prepayment rate: 4.52%
- Constant annualised prepayment rate : 4.69%

Source: Grupo Santander

Executive Summary

Transaction Structure

Portfolio overview and historical performance

## **SCH Empresas: Origination and Approval, Monitoring and Recoveries processes**

Grupo Santander in the Spanish Market

Source: Grupo Santander

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**F.T.A. Santander Empresas 2**

# 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

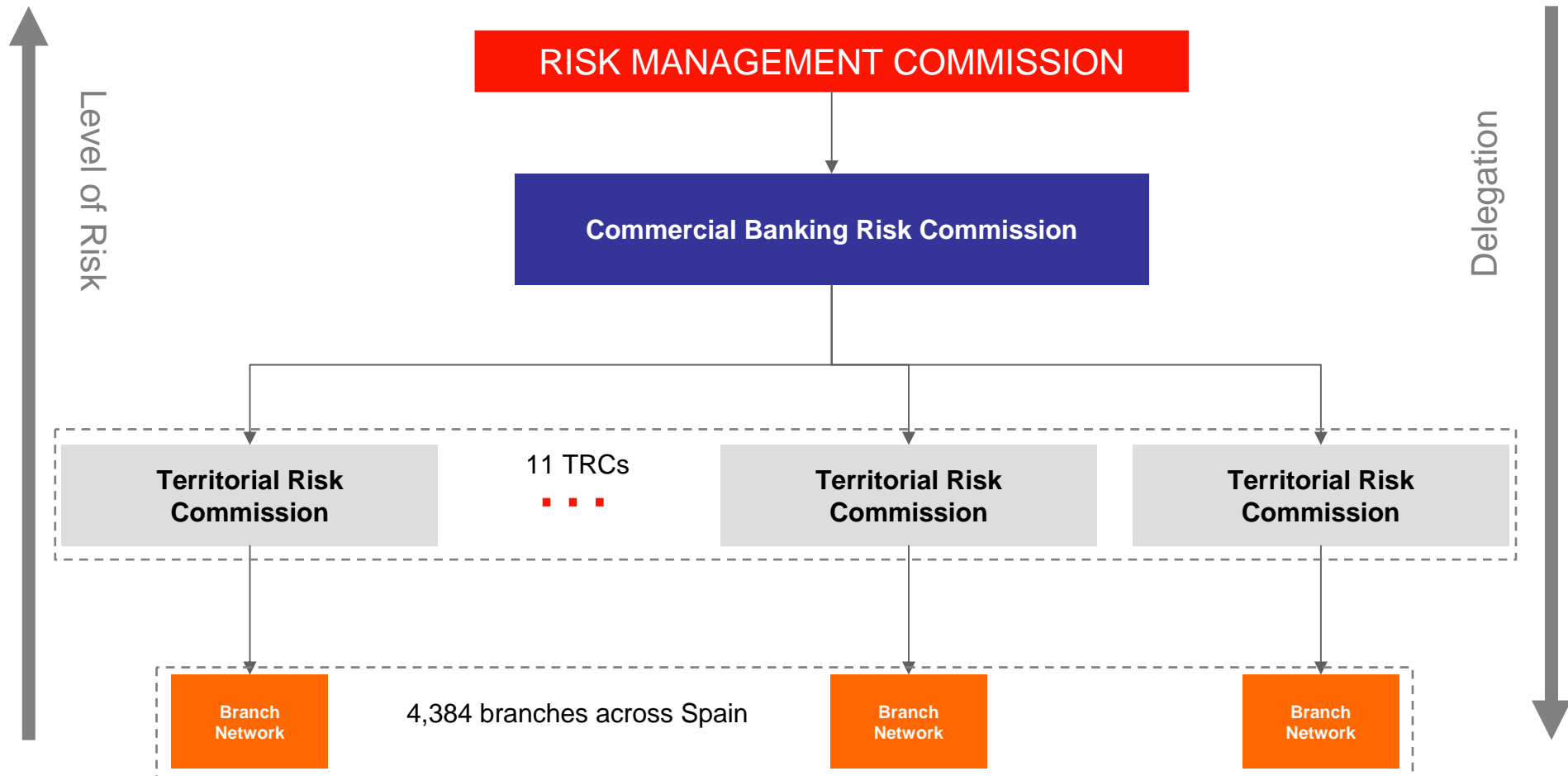
- ◆ All the risk related process within the group (origination, monitoring and recovery) is managed from a single department: the Credit Risk Department. This design allows a homogeneous policy for all risks within Grupo Santander.
- ◆ The Commercial Banking Risk Group is in charge of the origination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

## Independency

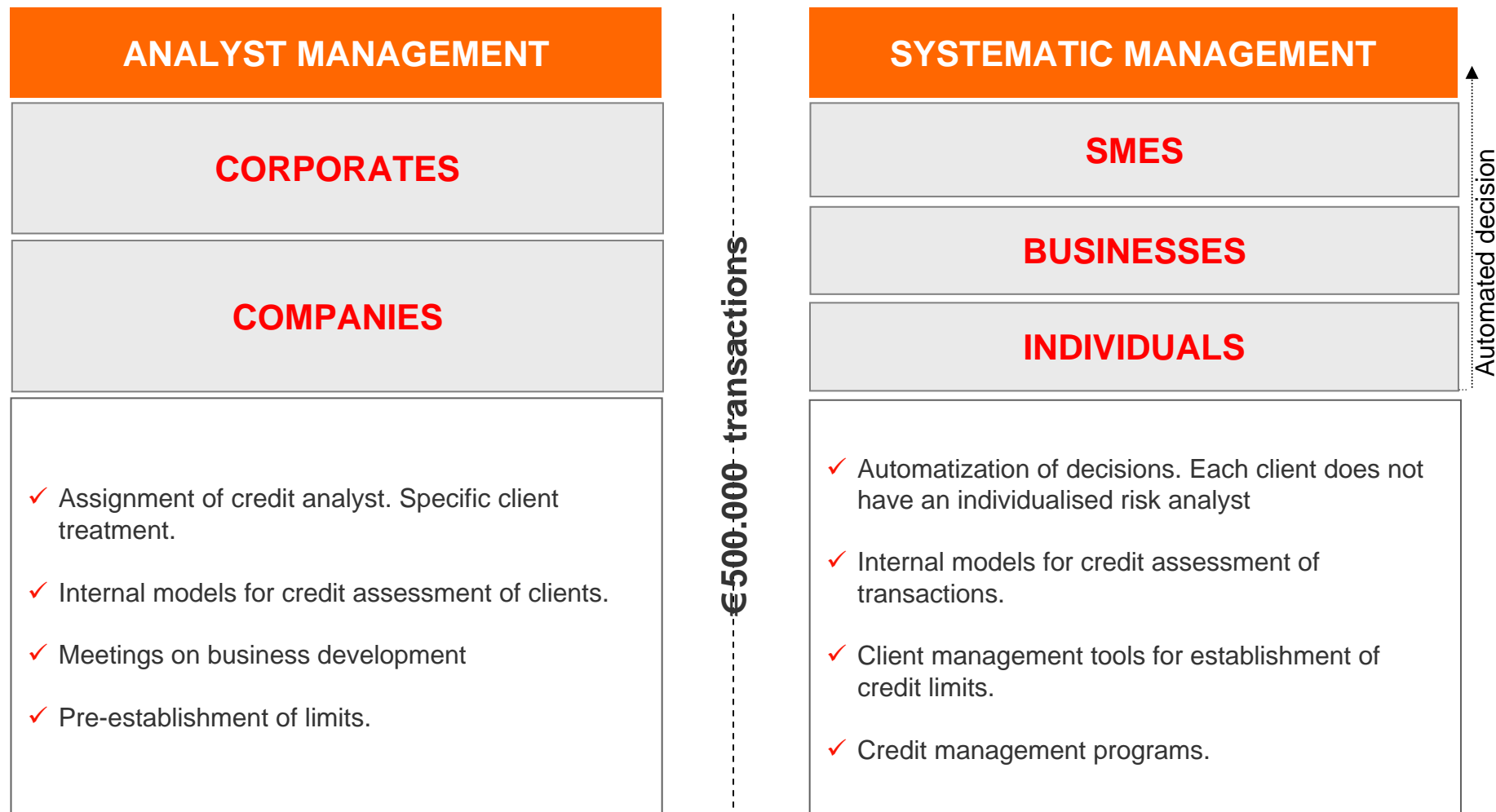
- ◆ Grupo Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area is supporting the Commercial Area in all the processes.
- ◆ In any case the risk management objectives for both areas are the same, in order to guarantee no discrepancies between both areas.

Source: Grupo Santander

- ◆ The Risk Area includes 615 people inside the Grupo Santander:



Source: Grupo Santander



Source: Grupo Santander

## Analyst Management

- Santander rating model is following an **analytic approach**: it defines analysis areas that have to be independently valuated being the final rating a **weighted average** of the different areas valuation

Area	Valuation	Description
Product / Demand / Market	20%	50% valuation of the environment (country, sector, market etc...) 50% relative position among their competitors
Shareholders / Managers	15%	50% shareholders and 50% managers
Acces to Credit	10%	Ability to get credit in the banking system and/or capital markets
Profitability	15%	Ability to generate income in the next future
Resource Generation	25%	Ability to generate cashflow within its normal business
Solvency	15%	Ability to “survive” in a long-medium term

- Each area must be valuated from 1 to 9,3. Changes of 0.1 points
- Each customer rating is review al least **twice a year**

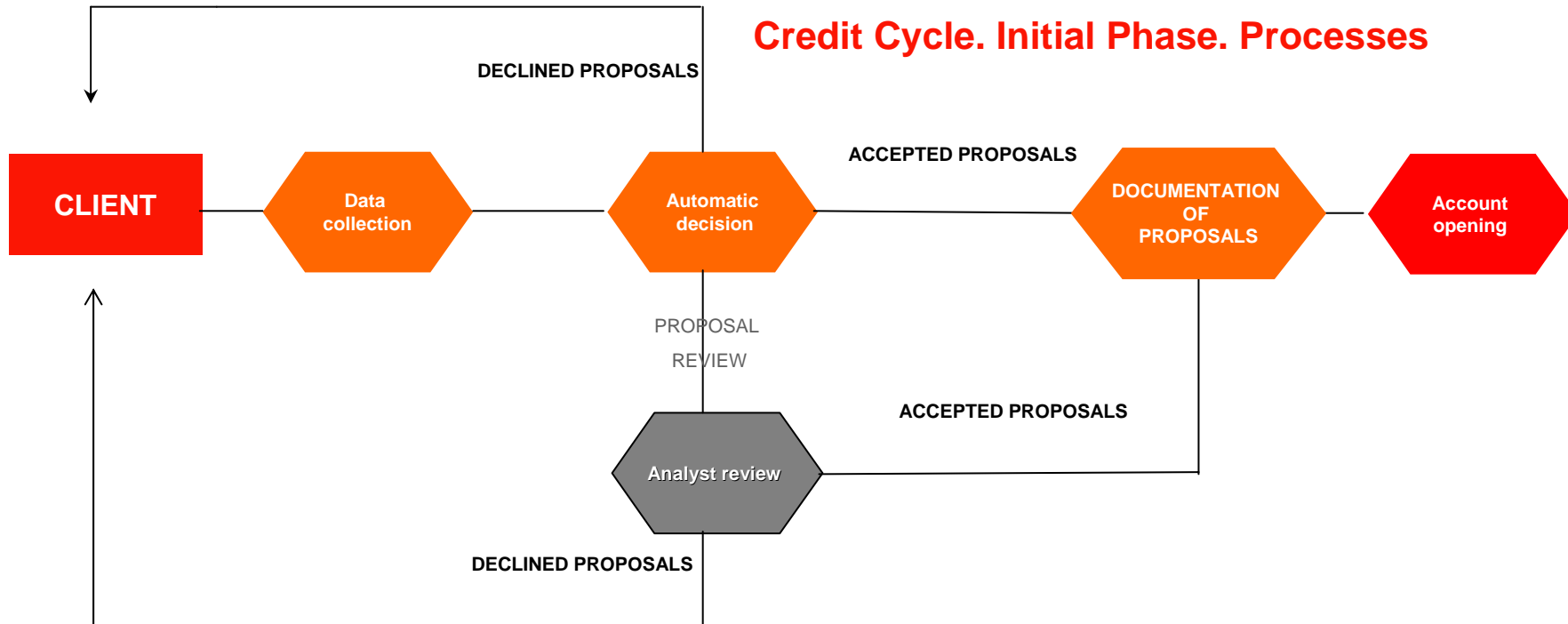
## Analyst Management

- Santander’s Rating System target is to measure the default probability of each counterparty
- It’s a local rating : It’s the default probability of the senior liabilities, pari passu, under domestic legislation, in any currency assuming no existency of any restricction to access foreign currency
- There is a correspondense between rating and default probability
- It uses a single scale that includes any default event excluded transfer risk and convertibility risk

Santander mapped rating with main rating Agencies and Default probabilities.

Internal rating	Moody's	Standard & Poors	Def. Probl. 1 year
9,3	Aaa	AAA	0,017%
9,2	Aa1	AA+	0,018%
9,0	Aa2	AA	0,022%
8,5	Aa3	AA-	0,035 %
8,0	A1	A+	0,056 %
7,5	A2/A3	A/A-	0,089 %
7,0	A3/Baa1	A-/BBB+	0,142 %
6,5	Baa1/Baa2	BBB+/BBB	0,226 %
6,0	Baa2	BBB	0,361 %
5,5	Baa3	BBB-	0,575 %
5,0	Ba1	BB+	0,917 %
4,5	Ba2	BB	1,461 %
4,0	Ba3	BB-	2,330 %
3,5	B1	B+	3,714 %
3,0	B1/B2	B+/B	5,922 %
2,5	B2	B	9,441 %
2,0	B3	B-	15,051 %
1,5	Caa1	CCC	23,996 %
1,0	Ca	CC	38,257 %

**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

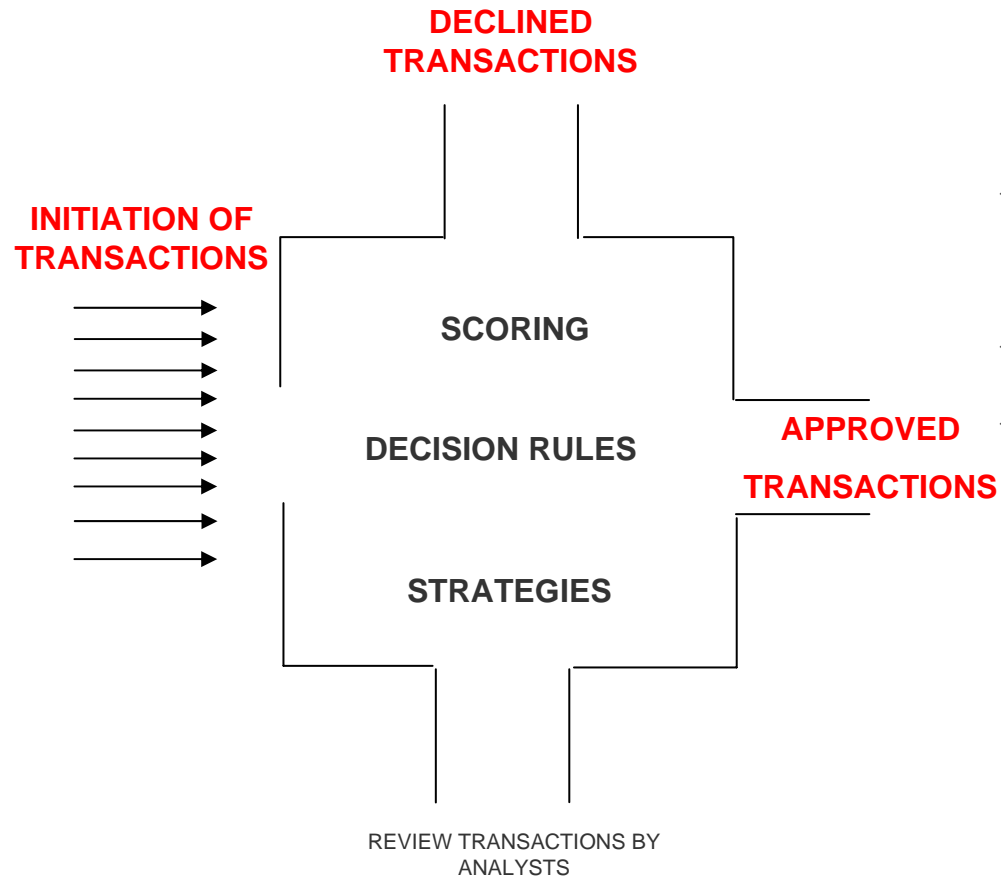
**DOCUMENTATION**

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

Source: Grupo Santander



## 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

Source: Grupo Santander

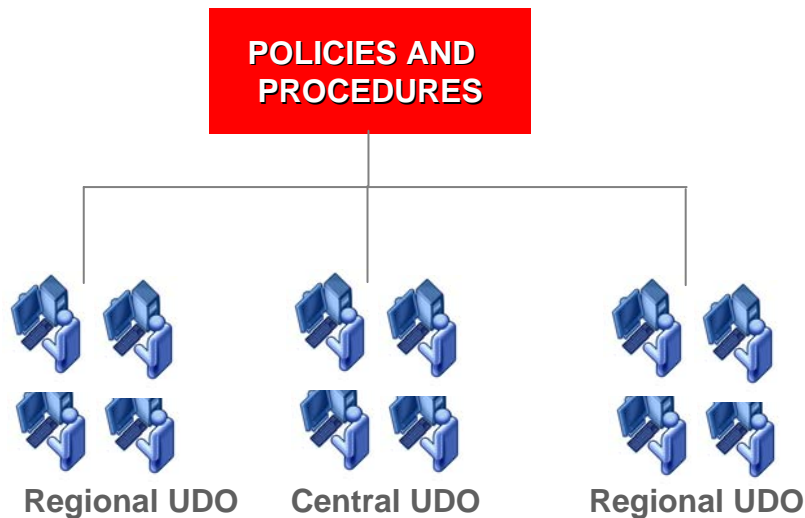
## Evaluation of Applications by Analysts

Those applications where:

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



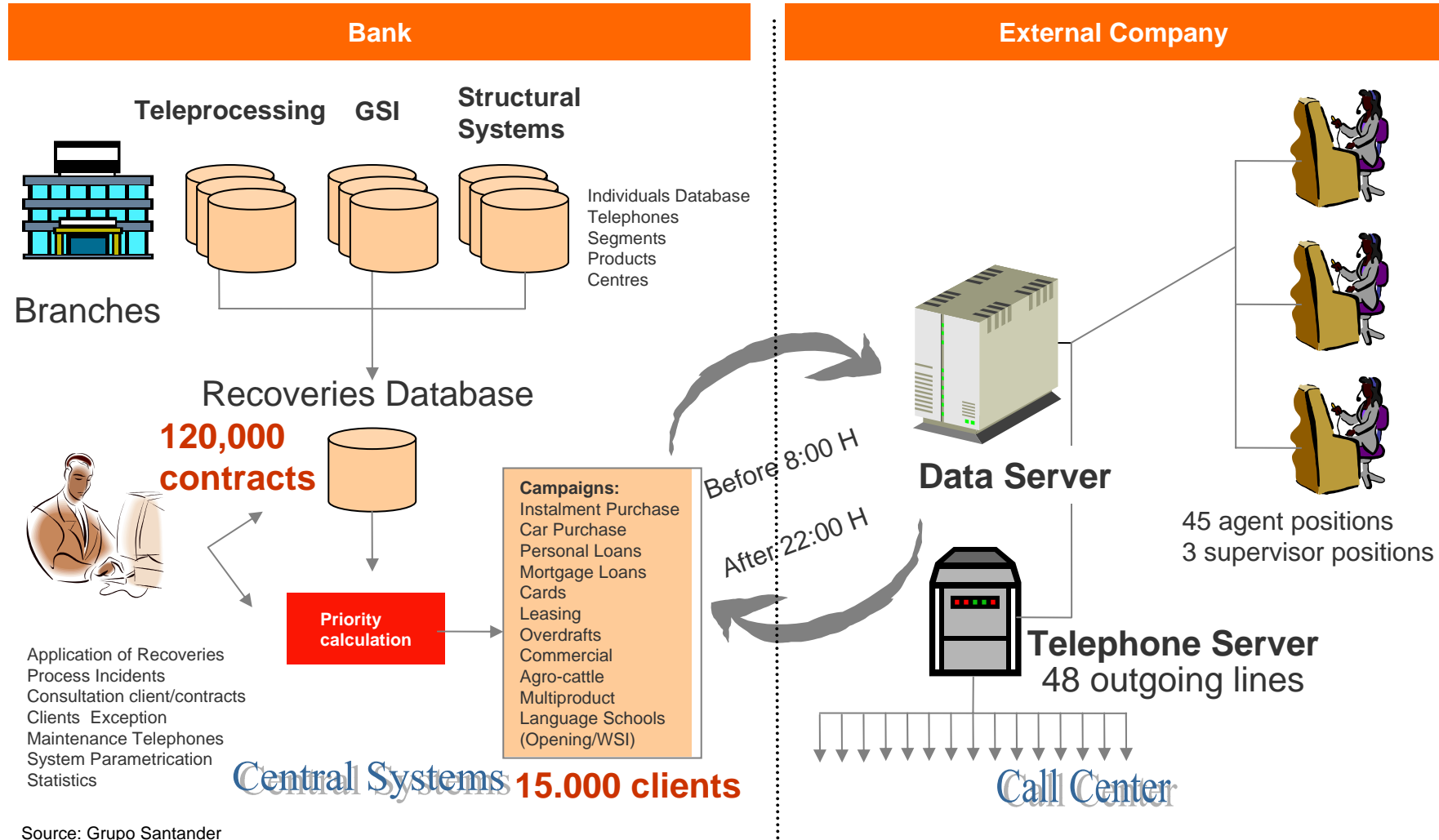
Must be evaluated by an analyst or a branch with sufficient power



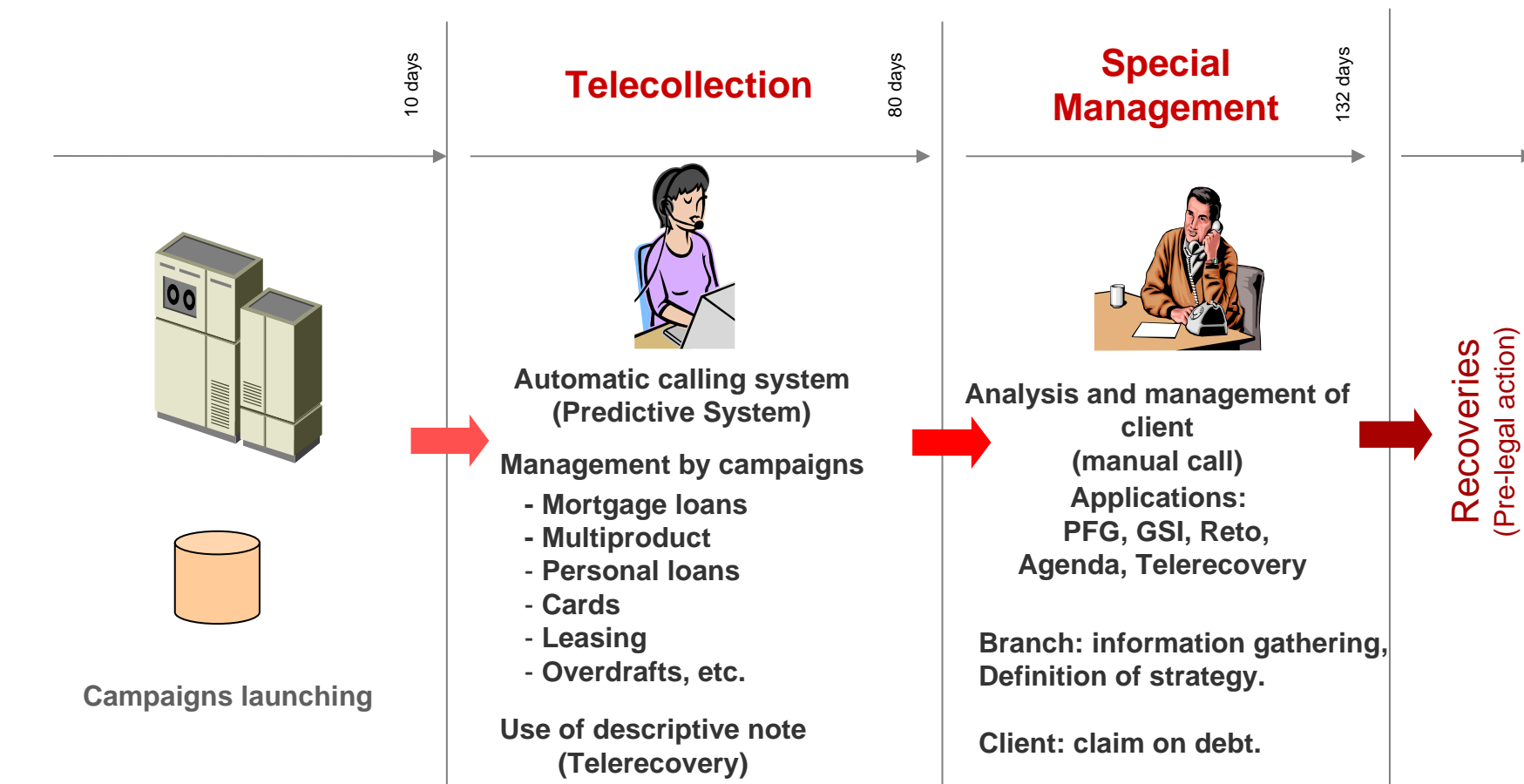
\*UDO = Unidad de Decisión de Operaciones - Transaction Decision Unit

Source: Grupo Santander

- ✓ 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.



Source: Grupo Santander

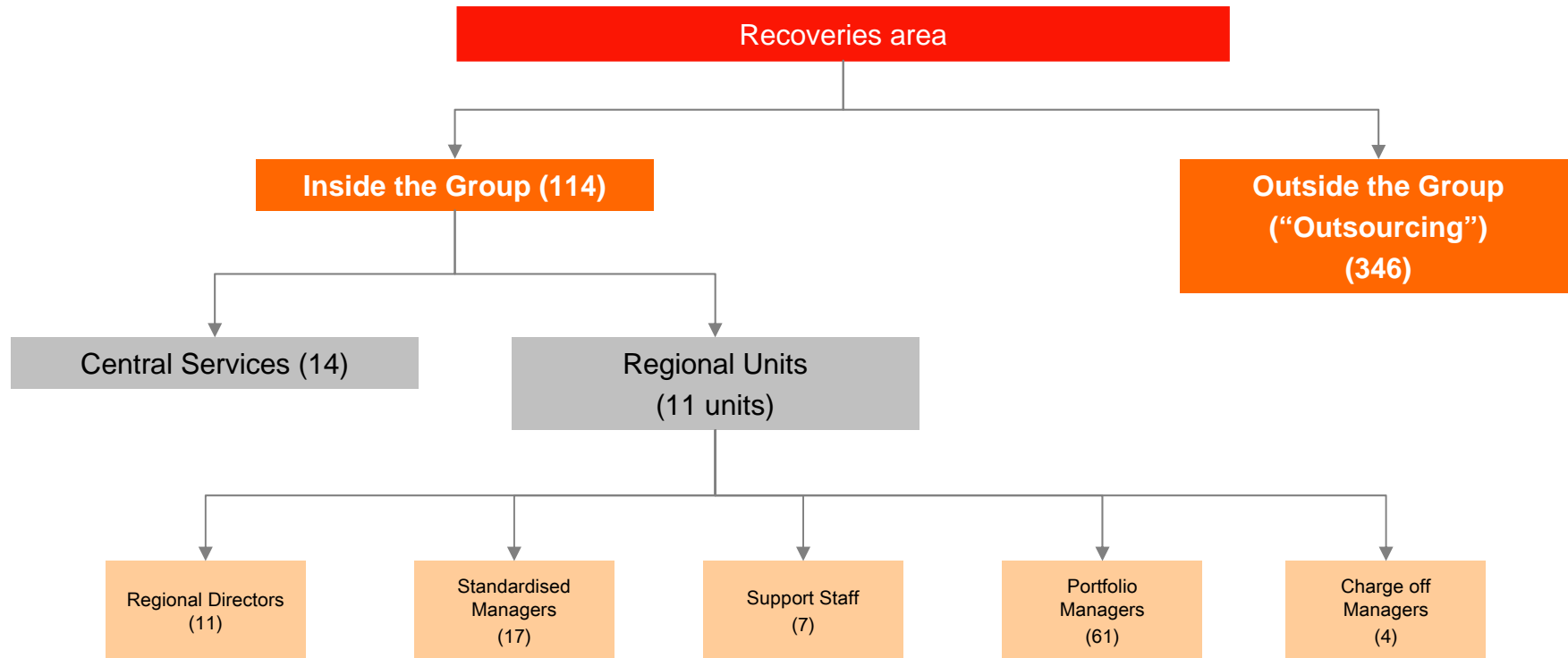


Source: Grupo Santander

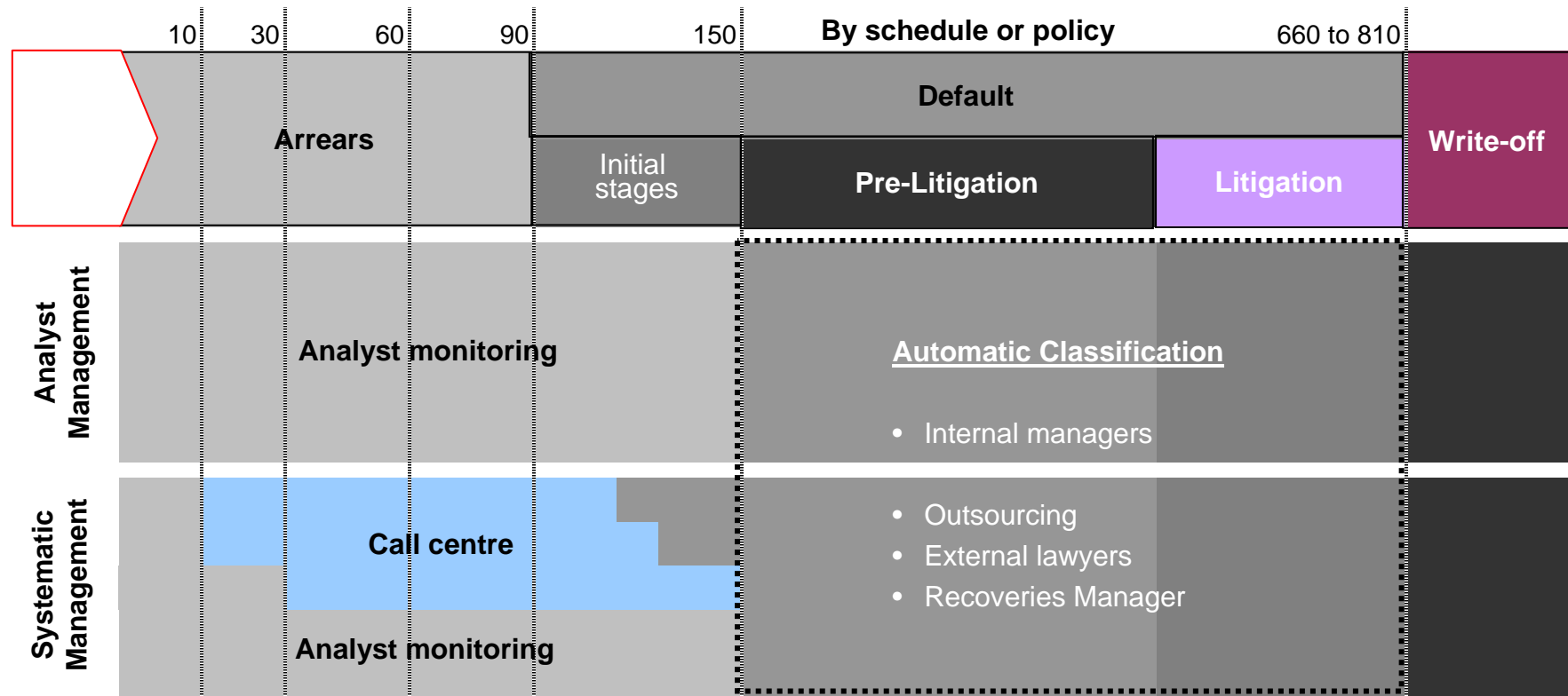
- OPTIMISATION OF INTERNAL RESOURCES
  - More externalisation = more attention to important or unique cases
  - Greater view of the global function of Recoveries and the Resources available. Each operation is largely administered automatically.
- GREATER EXTERNALIZATION OF FUNCTIONS
  - Intensifies recovery 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.

Source: Grupo Santander

- ◆ The Recoveries Area includes 460 people inside and outside the Grupo Santander:



Source: Grupo Santander



Source: Grupo Santander





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SCH Empresas: Origination and Approval, Monitoring and Recoveries processes

## Grupo Santander in the Spanish Market

Source: Grupo Santander

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**F.T.A. Santander Empresas 2**

# Grupo Santander: a retail focused entity...



Basic data	September 2006 data
<ul style="list-style-type: none"><li>◆ Largest financial company of the euro zone by market capitalisation and tenth in the world</li><li>◆ Largest financial group of the Iberian Peninsula<ul style="list-style-type: none"><li>- #1 in Spain by funds under management</li><li>- #4 in Portugal by funds under management</li></ul></li><li>◆ Sixth largest banking group in the UK by total assets</li><li>◆ Amongst the leaders in consumer finance in Europe</li><li>◆ Leader in Latin American banking</li></ul>	<p>(in Billion Euros)</p> <ul style="list-style-type: none"><li>◆ Market capitalisation 78</li><li>◆ Customer funds(1) 720</li><li>◆ Loans 519</li><li>◆ Total funds under management (2) 961</li><li>◆ Attributable income Q3'06 4.9</li><li>◆ Customers (million, as of end of 2005) 66</li><li>◆ Employees 129,000</li><li>◆ Shareholders (million) 2.4</li></ul>

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

Source: Grupo Santander

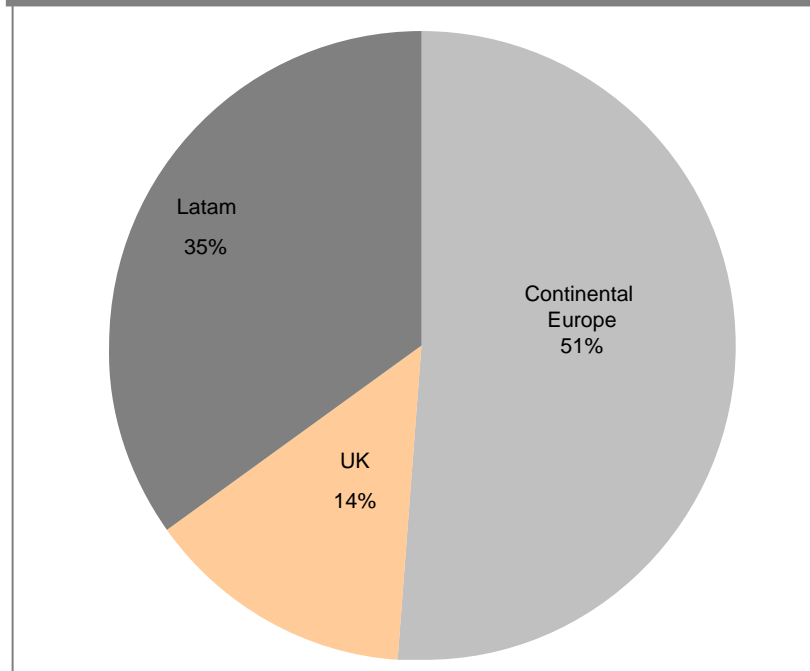
**F.T.A. Santander Empresas 2**

... with diversified business & location

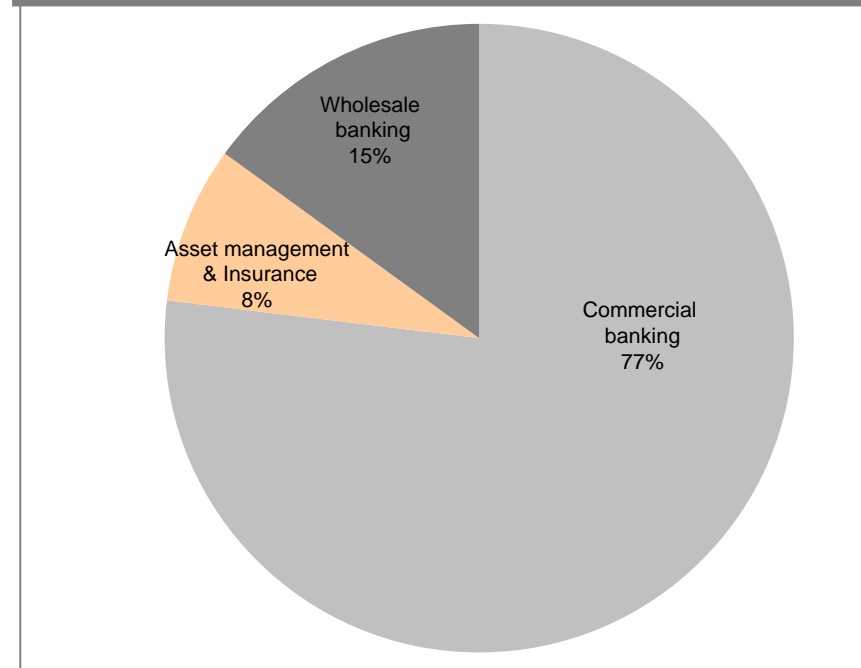


## Group income by Operating Business Areas

Attributable income by geography



Income before tax by business



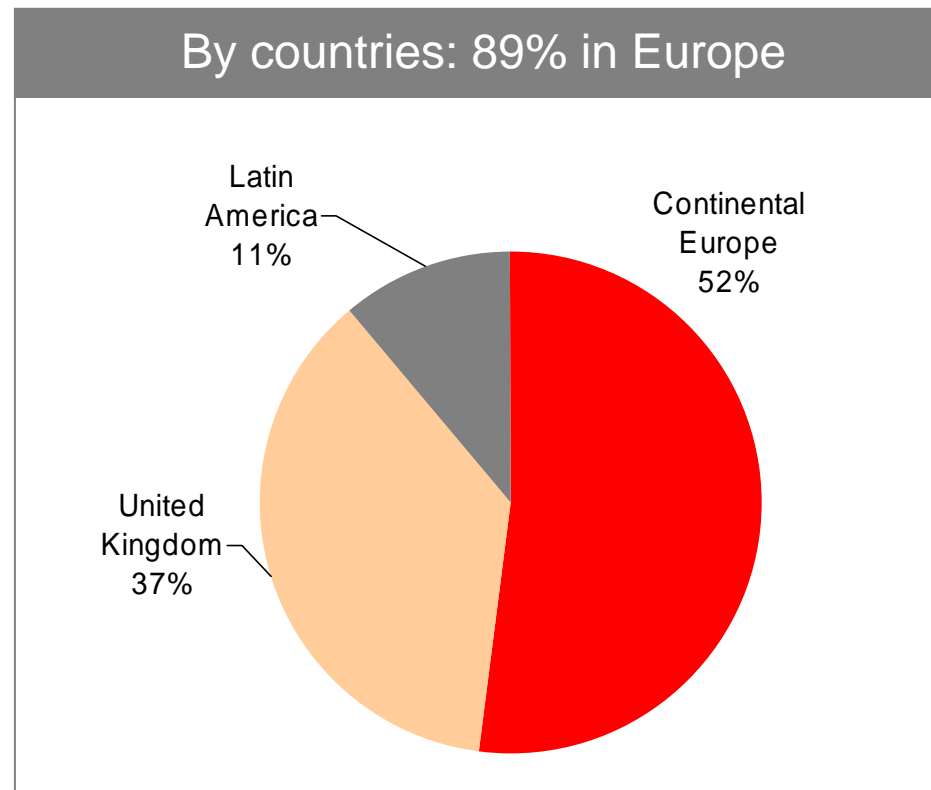
Source: Grupo Santander

% distribution in Q3 '06. Source: Grupo Santander

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



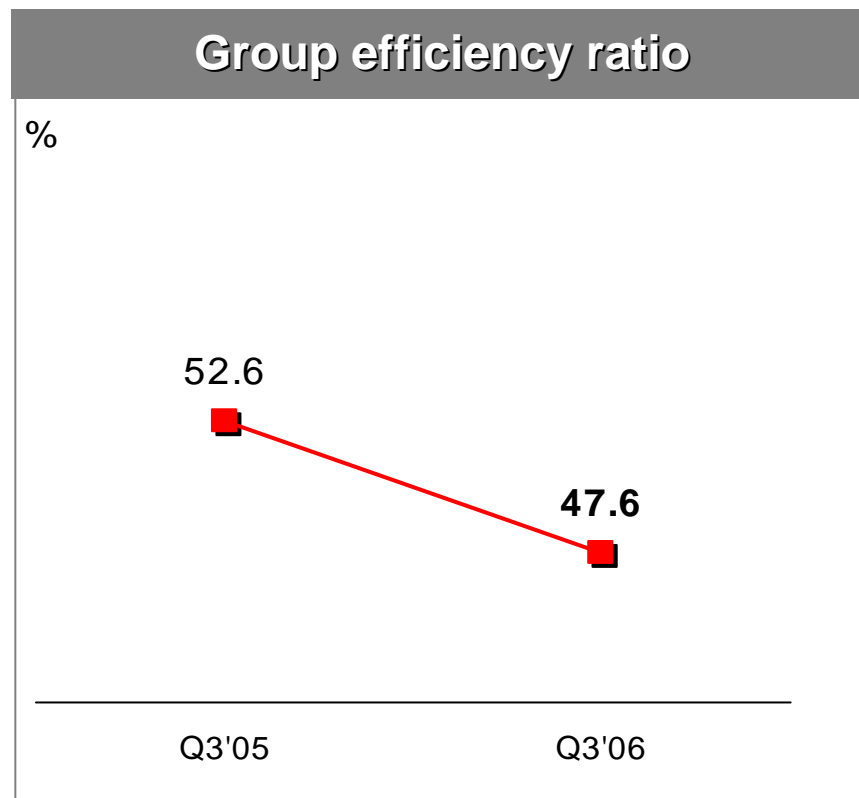
## Breakdown of customer loans\* (%)



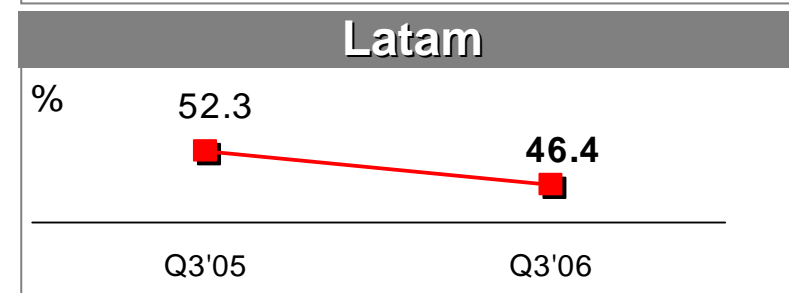
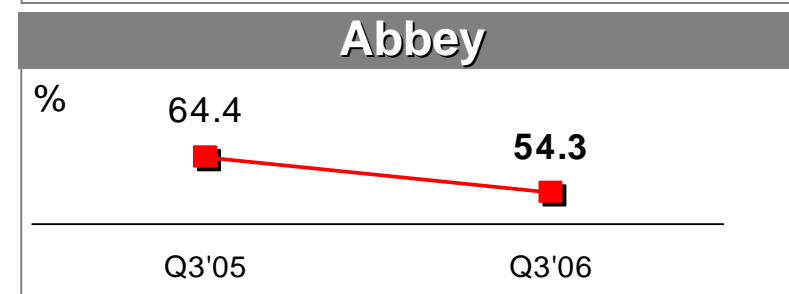
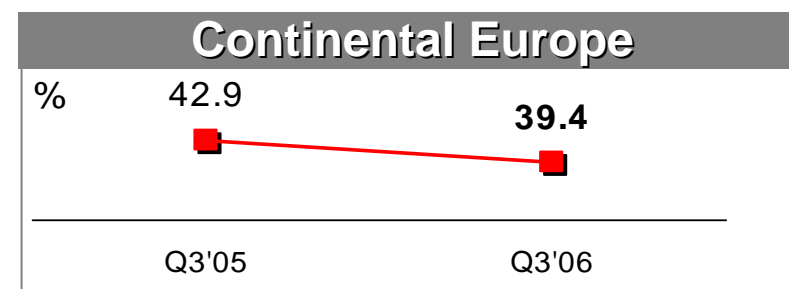
Source: Grupo Santander

(\*) Data as of September 2006

# Achieving an improvement in EFFICIENCY\* in all operating areas



(\*) Including amortisation

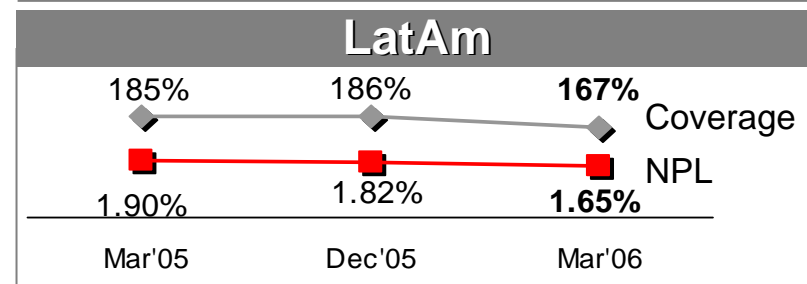
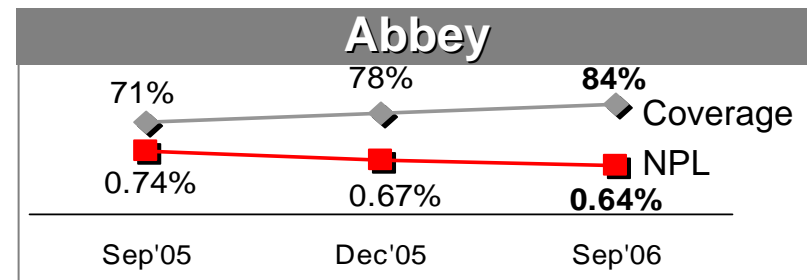
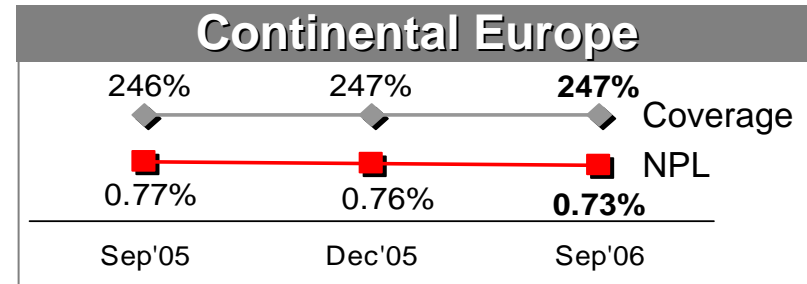
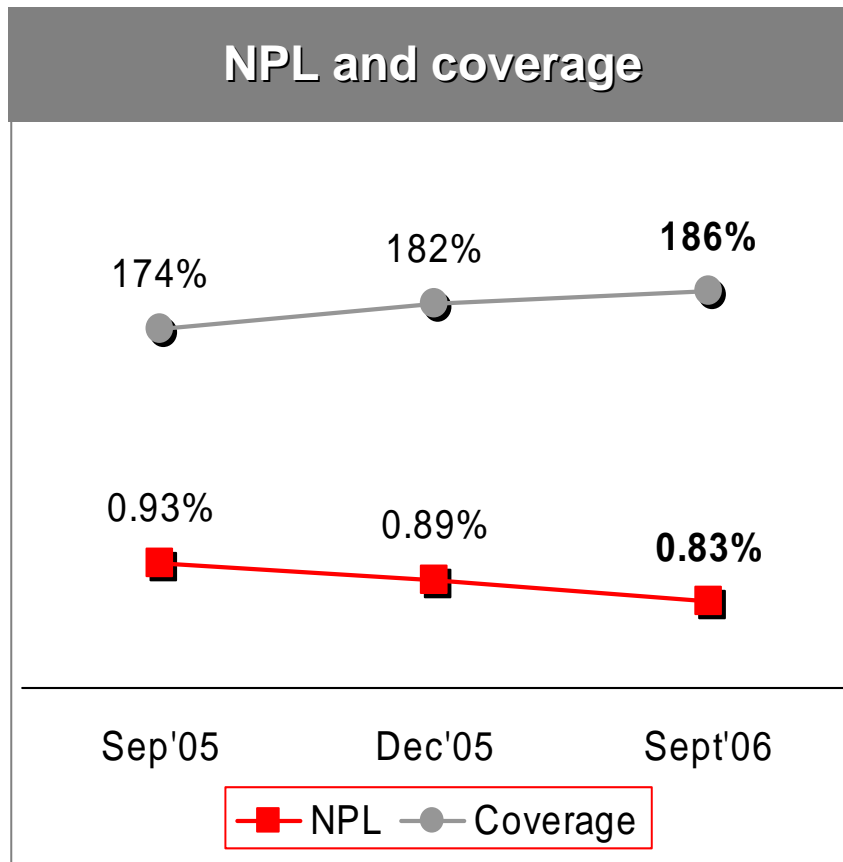


Source: Grupo Santander

# Risk quality: one of the Group's trademarks



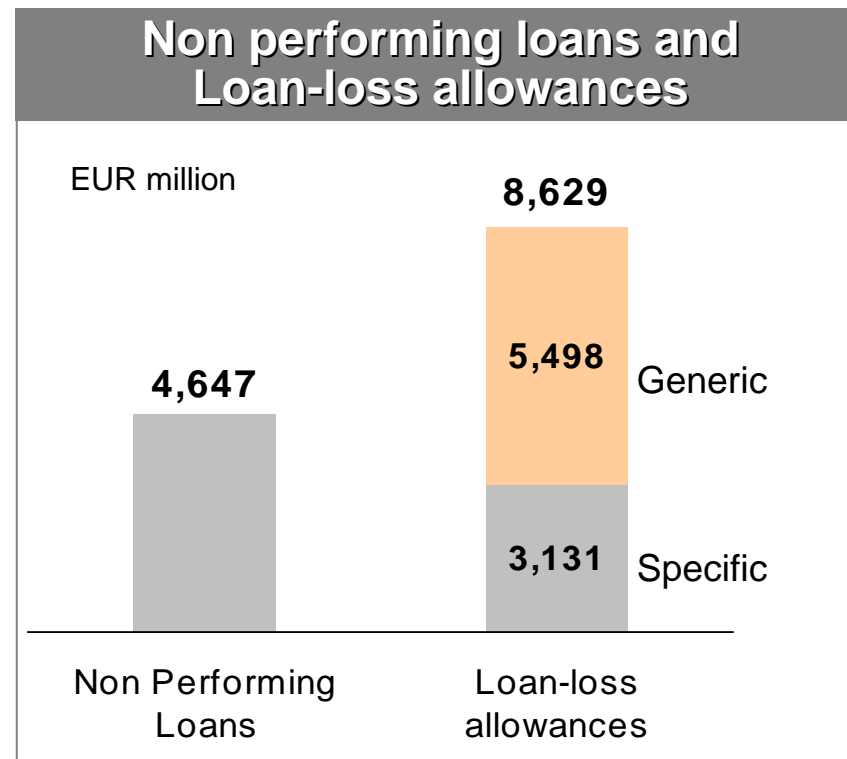
Maintaining historical lows in NPL ratios with a high coverage ratio, compatible with the change in business mix, ...



Risk quality: one of the Group's trademarks



... and substantial loan-loss allowances (approximately EUR 5.5 billion of generic funds)



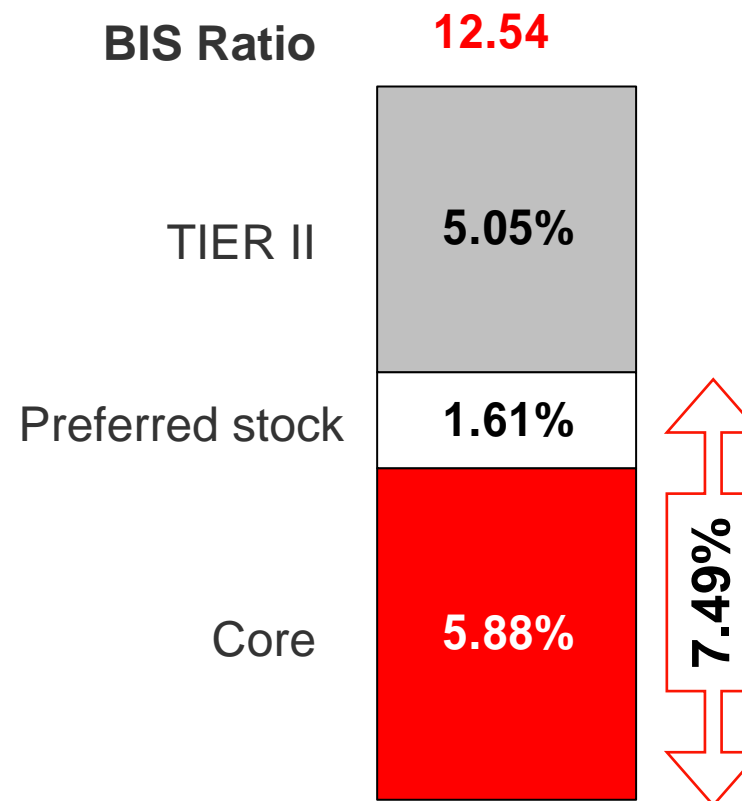
Source: Grupo Santander

# Grupo Santander's regulatory capital



September 2006

	EUR Million
<b>Basic capital</b>	<b>34,232</b>
<b>Complementary capital</b>	<b>23,057</b>
<b>Total BIS</b>	<b>57,289</b>



Source: Grupo Santander

F.T.A. Santander Empresas 2



Name	Institution	Telephone	Email
<b>Syndication</b>			
• Peter Apostolicas	Citigroup	+44 207 986 9000	<a href="mailto:peter.apostolicas@citigroup.com">peter.apostolicas@citigroup.com</a>
• Jason Mann	Citigroup	+44 207 986 9000	<a href="mailto:jason.mann@citigroup.com">jason.mann@citigroup.com</a>
• Keval Shah	Citigroup	+44 207 986 9000	<a href="mailto:keval.shah@citigroup.com">keval.shah@citigroup.com</a>
• Juan Llado	Grupo Santander	+34 91 257 20 29	<a href="mailto:jullado@gruposantander.com">jullado@gruposantander.com</a>
• Silvana Borgatti	Grupo Santander	+34 91 257 20 29	<a href="mailto:silborgatti@gruposantander.com">silborgatti@gruposantander.com</a>
• Lorena Ramirez	Grupo Santander	+34 91 257 20 29	<a href="mailto:lramirez@gruposantander.com">lramirez@gruposantander.com</a>
• Ashley Kibblewhite	Merrill Lynch	+44 207 995 3032	<a href="mailto:Ashley_kibblewhite@ml.com">Ashley_kibblewhite@ml.com</a>
• James Crispin	Merrill Lynch	+44 207 995 3032	<a href="mailto:j_crispin@ml.com">j_crispin@ml.com</a>
<b>Securitisation / ABS Structuring</b>			
▪ Robert Liao	Citigroup	+44 207 986 9234	<a href="mailto:robert.liao@citigroup.com">robert.liao@citigroup.com</a>
▪ Abdulla Ramadani	Citigroup	+44 207 986 4731	<a href="mailto:abdulla.ramadani@citigroup.com">abdulla.ramadani@citigroup.com</a>
▪ Ludovic Nobili	Citigroup	+44 207 986 4694	<a href="mailto:ludovic.nobili@citigroup.com">ludovic.nobili@citigroup.com</a>
▪ Ignacio Ortega Gavara	Grupo Santander	+34 91 289 32 89	<a href="mailto:iortega@gruposantander.com">iortega@gruposantander.com</a>
▪ María José Olmedilla	Grupo Santander	+34 91 289 32 87	<a href="mailto:mjolmedilla@gruposantander.com">mjolmedilla@gruposantander.com</a>
▪ Julio Soto	Grupo Santander	+34 91 289 32 88	<a href="mailto:jusoto@gruposantander.com">jusoto@gruposantander.com</a>
▪ Patrizia Canziani	Merrill Lynch	+44 207 996 3556	<a href="mailto:patrizia.canziani@ml.com">patrizia.canziani@ml.com</a>
▪ Lisa Macedo	Merrill Lynch	+44 207 995 3911	<a href="mailto:lisa_macedo@ml.com">lisa_macedo@ml.com</a>