Fondo de Titulización de Activos, Santander Empresas 3

ABS / Spain

This pre-sale report addresses the structure and characteristics of the proposed transaction based on the information provided to Moody's as of May 2007. Investors should be aware that certain issues concerning this transaction have yet to be finalised. Upon conclusive review of all documents and legal information as well as any subsequent changes in information, Moody's will endeavour to assign definitive ratings to this transaction. The ***definitive*** *ratings may differ from the* ***provisional*** *ratings set forth in this report. Moody's will disseminate the assignment of definitive ratings through its Client Service Desk. This report does not constitute an offer to sell or a solicitation of an offer to buy any securities, and it may not be used or circulated in connection with any such offer or solicitation.*

Estimated Closing Date

[31 May 2007]

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PROVISIONAL (P) RATINGS

Series	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A1	(P)**Aaa**	€800,000,000	22.86	October 2049	3mE + [•]%
A2	(P)**Aaa**	€1,800,000,000	51.43	October 2049	3mE + [•]%
A3	(P)**Aaa**	€627,500,000	17.93	October 2049	3mE + [•]%
B	(P)**Aa2**	€39,700,000	1.13	October 2049	3mE + [•]%
C	(P)**A3**	€117,300,000	3.35	October 2049	3mE + [•]%
D	(P)**Baa3**	€70,000,000	2.00	October 2049	3mE + [•]%
E	(P)**Ba1**	€45,500,000	1.30	October 2049	3mE + [•]%
F	(P)**C**	€45,500,000	1.30*	October 2049	3mE + 0.50%
Total		€3,545,500,000	100.00		

The ratings address the expected loss posed to investors by the legal final maturity. In Moody's opinion, the structure allows for timely payment of interest and ultimate payment of principal at par with respect to the Series A1, A2, A3, B, C, D and E notes, and for ultimate payment of interest and principal at par with respect to the Series F notes, on or before the rated final legal maturity date. Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

** As percentage of Series A to E*

OPINION

Strengths of the Transaction

- Interest rate swap provided by BSCH guaranteeing an excess spread of 65 bppa and covering the servicing fee should BSCH be substituted as servicer of the pool
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Well diversified pool in terms of geography and industry concentration
- Fully sequential amortisation of the subordinated notes (Series B, C, D and E)
- Good performance of FTPYME Santander I deal

Weaknesses and Mitigants

- Some limitations on the historical information submitted by the originator, relative to other similar transactions. For this reason, Moody's based its analysis on (1) historical information received from the originator for the FTPYME Santander I deal; (2) the historical information received by this deal itself; (3) statistical information from the Spanish SME market; (4) performance of similar deals including its predecessors; and (5) other qualitative and pool-derived aspects
- More concentrated pool than its predecessor (Santander Empresas 2), with six exposures exceeding 1% of the securitised pool.

- A significant portion of the loans (11.2%) pay through semi-annual or annual instalments, which potentially may delay the point in time at which a default is detected in such loans, compared with high-frequency payment loans.
- The deferral of interest payments on each of Series B, C, D and E benefits the repayment of the series senior to each of them, but potentially forces junior rated noteholders to long periods of receiving no interest. Moody's has factored this in its quantitative analysis, and the reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss and the probability of default.

STRUCTURE SUMMARY *(see page 4 for more details)*

Issuer:	Fondo de Titulización de Activos Santander Empresas 3
Structure Type:	Senior/Mezzanine/Subordinated/Equity floating-rate notes
Sellers/Originators:	Banco Santander Central Hispano, S.A. (BSCH, **Aa1**/**P-1**)
Servicers:	BSCH
Interest Payments:	Quarterly in arrears on each payment date
Principal Payments:	Pass-through on each payment date
Payment Dates:	16th day of January, April, July, October First payment date: 16 July 2007
Credit Enhancement/Reserves:	0.65% excess spread 1.30% reserve fund Subordination of the notes Guaranteed Investment Contract (GIC) account
GIC Account Provider:	BSCH
Hedging:	Interest rate swap covering the interest rate risk
Interest Rate Swap Counterparty:	BSCH
Paying Agent:	BSCH
Note Trustee (Management Company):	Santander de Titulización, S.G.F.T., S.A. (Santander de Titulización)
Arrangers:	Santander de Titulización
Lead Managers:	BSCH Merrill Lynch International ABN AMRO Bank, N.V., Spanish Branch

COLLATERAL SUMMARY (AS OF APRIL 2007) *(see page 7 for more details)*

Receivables:	Loans to Spanish corporates
Total amount:	€3.7 billion
Number of Contracts:	25,882
Number of Borrowers:	24,767
Geographic Diversity:	Madrid (24.7%), Catalonia (17.5%), Andalucia (12.3%)
WA Seasoning:	1.85 years
WA Remaining Term:	9.34 years
Interest Basis:	89.6% floating, 10.4% fixed
WA Interest Rate:	4.37%
Delinquency Status:	No loans more than 30 days in arrears at the time of the securitisation
Historical Experience:	No historical information provided in a format satisfactory to Moody's requirements

NOTES

Series	Subordination	Reserve Fund	Total
A1	77.14%*	1.30%	78.44%
A2	25.71%*	1.30%	27.01%
A3	7.79%*	1.30%	9.09%
B	6.65%	1.30%	7.95%
C	3.30%	1.30%	4.60%
D	1.30%	1.30%	2.60%
E	0%	1.30%	1.30%
F	0%	0%	0%

* *Subject to pro-rata amortisation triggers*

TRANSACTION SUMMARY

Cash securitisation of loans granted to BSCH to Spanish corporates

Fondo de Titulización de Activos, Santander Empresas 3 (the "*Fondo*") is a securitisation fund created with the aim of purchasing a pool of loans granted by BSCH to Spanish corporates. Though some major corporates are debtors of the provisional pool, the level of granularity observed in it is in line with that observed in some SME deals. It is the third such transaction (i.e. loans to all types of corporates by size) carried out by BSCH.

The *Fondo* will issue seven series of notes to finance the purchase of the loans (at par):

– A senior tranche composed of three **Aaa**-rated series: a subordinated Series A3, a mezzanine Series A2 and a senior Series A1 (the "Class A")
– A mezzanine Series B, rated (P)**Aa2**
– A mezzanine Series C, rated (P)**A3**
– A mezzanine Series D, rated (P)**Baa3**
– A subordinated Series E, rated (P)**Ba1**

In addition, the *Fondo* will issue a (P)**C**-rated Series F to fund up-front a cash reserve, which will be used to cover any potential shortfall on interest or principal payments to the other series.

Apart from the cash reserve, each series of notes is supported by the series subordinated to itself and the excess spread guaranteed through the swap agreement. The swap agreement will also hedge the *Fondo* against (i) the risk derived from having different index reference rates and reset dates on the assets (as well as fixed-rate loans) and on the liabilities side, and (ii) any renegotiation of the interest rate on the loans.

In addition, the *Fondo* will benefit from a €3.025 million subordinated loan provided by BSCH to fund the up-front expenses and the costs of issuing the notes.

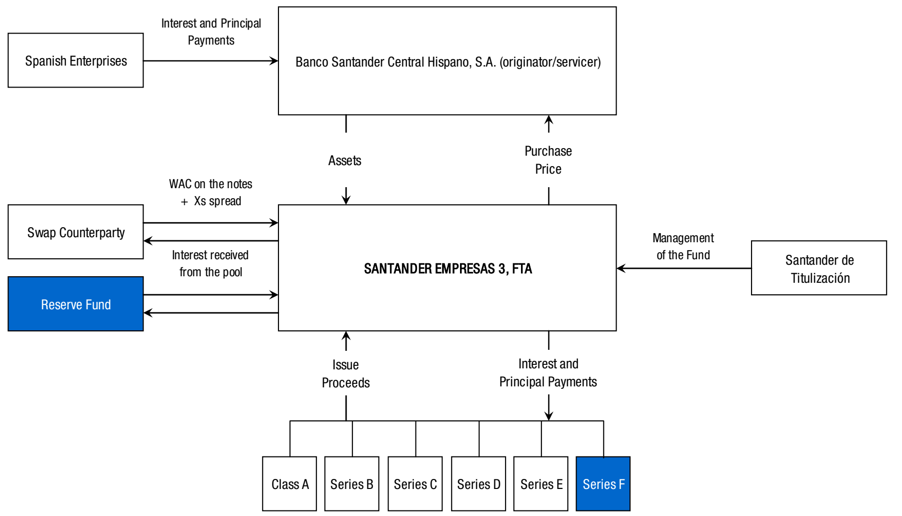
The provisional pool consists of 25,882 loans and 24,767 borrowers. The pool is well diversified across Spain, with a slight concentration in Andalucia given the location of the originators, and is around 37% concentrated to the "buildings and real estate" sector according to Moody's industry classification. 42% of the pool is secured by a first-lien mortgage guarantee over different types of properties.

Moody's based the provisional ratings primarily on: (i) an evaluation of the underlying portfolio of loans; (ii) historical performance and other statistical information; (iii) the swap agreement hedging the interest rate risk; (iv) the credit enhancement provided through the GIC account, the pool spread, the cash reserve and the subordination of the notes; and (v) the legal and structural integrity of the transaction.

STRUCTURAL AND LEGAL ASPECTS

Deal structure incorporating the following key features: a swap agreement guaranteeing 65 bppa of excess spread, sequential amortisation of the subordinated notes, deferral of interest based on the accumulated amount of written-off loans and funding of the reserve fund through the issuance of a series of notes

Chart 1:
Structure Diagram



Interest rate swap hedging the interest rate risk and guaranteeing 65 bppa of excess spread

To hedge the *Fondo* against the interest rate risk (potential mismatch derived from having different index reference rates and reset dates on the assets and on the notes) derived from having a fixed interest rate on the assets side (as well as fixed-rate loans) and on the liabilities side, it will enter into a swap agreement with BSCH.

According to the swap agreement, on each payment date:

- The *Fondo* will pay the interest received from the loans since the previous payment date.
- BSCH will pay an amount equal to the maximum of:
  (1) The sum of (i) an annual rate equal to the weighted average coupon on the notes plus 65 bppa, over a notional calculated as the daily average of the outstanding amount of loans not more than 90 days in arrears since the last payment date; and (ii) the servicer fee due on that payment date should BSCH be substituted as servicer of the pool;

  (2) The minimum of (a) the interest actually received from the pool and (b) an annual rate equal to the weighted average coupon on the notes plus 65 bppa, over a notional calculated as the daily average of the outstanding amount of the portfolio since the last payment date.

  As a result, BSCH will pay the interest actually received under the loans, with a minimum of (1) and a maximum of (2) (b).

This swap structure additionally hedges the *Fondo* against any potential renegotiation of interest rate on the loans, and covers the gap between the interest payments received from the pool and the amount of interest due to the notes on the first payment date.

In the event of BSCH's long-term rating being downgraded below **A2**, it will within 30 business days have to (1) collateralise its obligation under the swap in an amount sufficient to maintain the then current rating of the notes; and/or (2) find a suitably rated guarantor or substitute.

Reserve fund fully funded upfront to help the Fondo meet its payment obligations

Fully funded up-front with the proceeds of Series F, the reserve fund will be used to cover any potential shortfall on items (1) to (12) of the order of priority (detailed below) on an ongoing basis.

At any point in time during the life of the transaction, the amount requested under the reserve fund will be the lesser of the following amounts::

- 1.30% of the initial balance of Series A1 to E
- The higher of:
  - 2.6% of the outstanding balance of Series A1 to E
  - 0.65% of the initial balance of Series A1 to E

The amount requested under the reserve fund will not be reduced:

- During the first three years following the closing date.
- If the arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1%.
- If the reserve fund is not funded at its required level.

The GIC provides an annual interest rate equal to the index reference rate of the notes

The treasury account will be held at BSCH. The proceeds from the loans, amounts received under the swap agreement and the reserve fund will be deposited in the treasury account.

Moody's has set up a trigger in order to protect the treasury account from a possible downgrade of BSCH's short-term rating. Should this rating fall below **P-1**, it will within 30 days have to find a suitably rated guarantor or substitute.

BSCH guarantees an annual yield of the amounts deposited in the treasury account equal to the index reference rate of the notes.

Limitations on the renegotiation of the loan

The management company authorises BSCH as servicer to renegotiate the interest rate or the maturity of any loan without requiring its approval (although this authorisation can be revoked at any point in time during the life of the transaction). Regarding this last issue, some limitations have been put in place:

- BSCH will not be able to extend the maturity of any loan later than September 2046.
- The total initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the sub-pool.
- The frequency of payments cannot be decreased.
- The amortisation system cannot be modified.

Payment structure allocation

At the closing date, the proceeds from the notes will be used to purchase the loans that will form part of the asset pool. The starting expenses and the notes issuance costs will be financed through a subordinated loan granted by BSCH.

On each quarterly payment date, the *Fondo*'s available funds (amounts received from the asset pool, the reserve fund, amounts received under the swap agreement and interest earned on the transaction accounts) will be applied in the following simplified order of priority:

1. Costs and fees;
2. Any amount due under the swap agreement and swap termination payment if the *Fondo* is the defaulting or the sole affected party:
3. Interest payment to Series A1, A2 and A3;
4. Interest payment to Series B (if not deferred);
5. Interest payment to Series C (if not deferred);
6. Interest payment to Series D (if not deferred);
7. Interest payment to Series E (if not deferred);
8. Retention of an amount equal to the principal due under the notes;
9. Interest payment to Series B (if deferred);
10. Interest payment to Series C (if deferred);
11. Interest payment to Series D (if deferred);
12. Interest payment to Series E (if deferred);
13. Replenishment of the reserve fund;
14. Ordinary interest payment to Series F;
15. Principal payment to Series F;
16. Termination payment under the swap agreement (except in the cases contemplated in 2) above);
17. Junior payments;
18. Extraordinary interest payment to Series F;

The extraordinary interest payment to Series F being equal to the difference between the *Fondo*'s available funds and the *Fondo*'s total payments on each payment date.

In the event of liquidation of the *Fondo*, the payment structure is modified with the sole aim of ensuring that any amount due to a series is repaid before any payment to a subordinated series is made.

Interest deferral mechanism based on the accumulated amount of written-off loans

The payment of interest on Series B, C, D and E will be brought to a more junior position if, on any payment date, and for each of these series, the following conditions are met:

- The accumulated amount of written-off loans since closing is higher than 7.85%, 6.5%, 5.6% and 4.7% of the initial amount of the pool for Series B, C, D and E, respectively.
- The series senior to it are not fully redeemed.

Principal due to the notes incorporates an 12-month "artificial write-off" mechanism

The transaction's structure benefits from an "artificial write-off" mechanism. This mechanism is implicit in the definition of the principal due under the notes, which is calculated as the difference between (1) the outstanding amount of the Series A1 to E notes and (2) the outstanding amount of the non-written-off loans (the "written-off loans" being defined as those loans with any amount due but unpaid for more than 12 months (or earlier, if the management company considers that there are no reasonable expectations of recovery under each such loan)).

The "artificial write-off" speeds up the off-balance sheet of a non-performing loan; thus, the amount of notes collateralised by non-performing loans is minimised, and, consequently, the negative carry. However, the most significant benefit for the transaction is that the amount of excess spread trapped in the structure is larger (the excess spread between the "artificial write-off" time and the "natural write-off" time would otherwise be lost). Therefore, the transaction makes better use of the excess spread, allowing for lower levels of other credit enhancement figures.

A principal deficiency will occur, on any payment date, if the issuer's available funds are not sufficient to reimburse the principal due under the notes, according to the cash flow rules stated above (the difference between these two amounts being the principal deficiency).

Principal due allocation mechanism

The amount retained as principal due on item (8) of the order of priority will be dedicated to the amortisation of Series A1, A2, A3, B, C, D and E on a fully sequential basis and by order of seniority. Nevertheless, should Series A1 and/or A2 remain outstanding, the amount retained as principal due will be allocated pro-rata between Series A1, A2 and A3, in the case that the arrears level exceeds 1.50%.

Series F amortisation

The Series F notes will amortise, on each payment date, for an amount equal to the difference, if positive, between the outstanding amount of the Series F notes and the reserve fund's required amount on the current payment date.

COLLATERAL

Well-diversified portfolio of loans granted to corporates across Spain

As of April 2007, the provisional portfolio comprised 25,882 loans and 24,767 borrowers. The loans have been originated by BSCH in its normal course of business, and comply with the following criteria:

- The loan purpose is the financing of the economic activity of the relevant corporate or the acquisition of real estate properties attached to its economic activity.
- All the loans have paid at least one instalment.
- No loan agreement incorporates deferred payments of interest.
- 100% of the principal of the loans has been drawn.
- All the mortgaged properties are fully developed, situated in Spain and are covered by an insurance policy.
- The pool will not include loans granted to real estate developers or lease contracts.

The loans have been originated between 1994 and 2006, with a weighted average seasoning of 1.85 years and a weighted average remaining term of 9.34 years. The longest loan matures in September 2046.

The interest rate is floating for 89.6% of the pool and fixed for the rest, with a weighted average interest rate of 4.87% for the fixed-rate loans and a weighted average margin over the reference rate equal to 0.75% for the floating-rate loans.

The majority of the loans pay through monthly (55.2%) or quarterly (33.5%) instalments of interest and principal. The rest of the loans pay through semi-annual (9.6%) or annual (1.5%) instalments, and a small portion of the pool correspond to bullet loans (0.12%). Apart from this, 17.6% of the pool enjoys a grace period on principal payments (the average length of the grace period being 1.24 years).

Around 42% of the outstanding of the portfolio is secured by a first-lien mortgage guarantee over different types of properties. No information on the type of mortgaged property has been provided. The total weighted average loan-to-value is 75.5%.

Geographically, the pool is well diversified across Spain, with the highest concentration observed in Madrid (24.7%). Around 37% of the portfolio is concentrated in the "buildings and real estate" sector according to Moody's industry classification.

In terms of debtor concentration, the pool includes exposures up to 1.43% of the amount of the issuance, and the sum of the 10 highest debtors represents 10.3% of the same amount. It is worth noting that, according to the originator, around 80% of the provisional portfolio is suitable for securitisation according to the FTPYME programme conditions.

Chart 2:
Portfolio Breakdown by Year of Origination

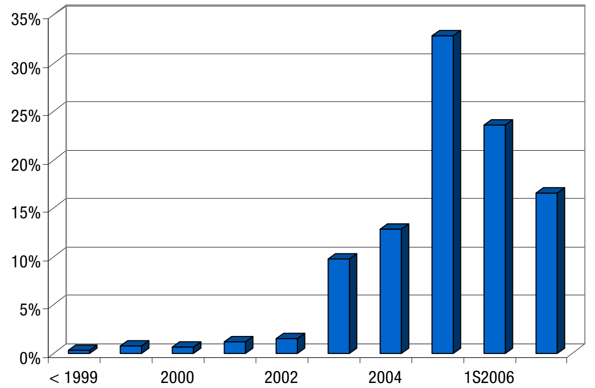


Chart 3:
Portfolio Breakdown by Year of Maturity

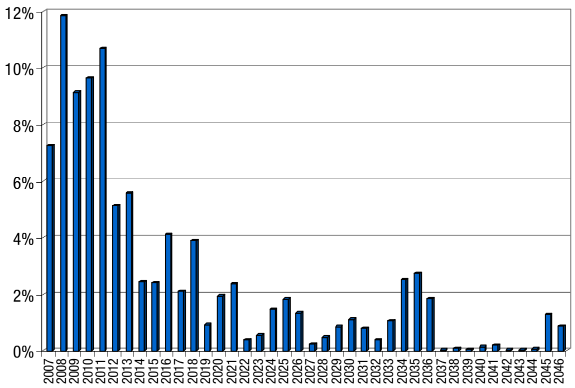


Chart 4:
Portfolio Breakdown by Geographic Diversity

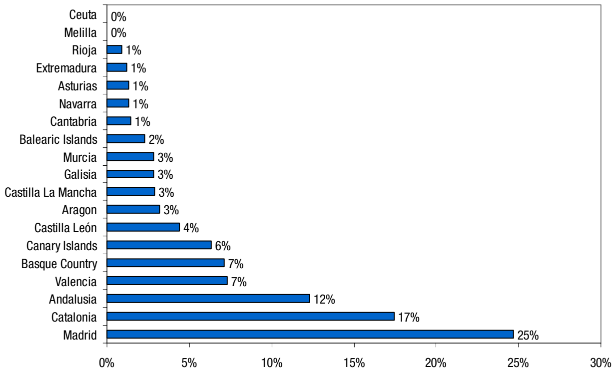


Chart 5:
Ten Most Represented Industry Sectors

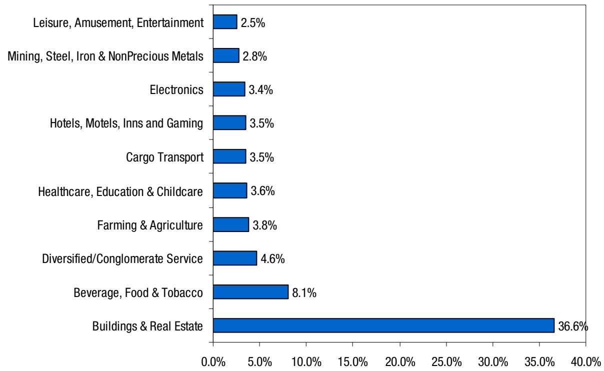


Chart 6:
Portfolio Breakdown by Frequency of Payments

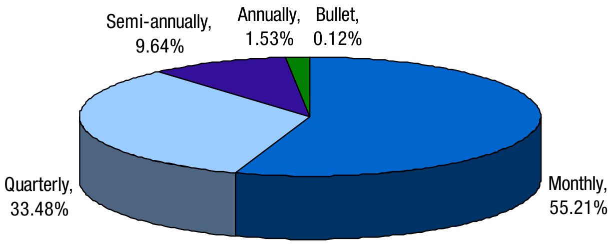
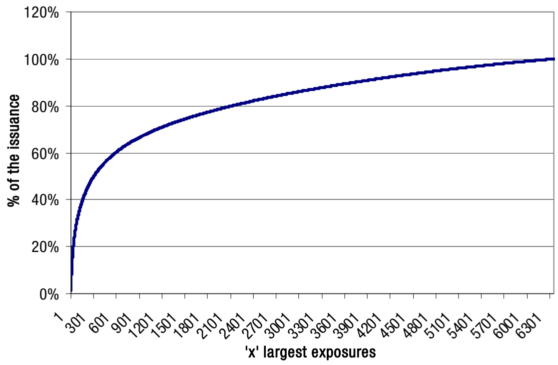


Chart 7:
Debtor Concentration



The originator represents and guarantees that, as of the date of the transfer:

- There will be no amounts more than 30 days past due under any of the loans.
- There has been no breach of any of the loan agreements.

ORIGINATOR, SERVICER, PAYING AGENT AND MANAGEMENT COMPANY

BSCH, the largest financial group in Spain and with a strong international presence, is the originator and servicer of the asset pool

Banco Santander Central Hispano (BSCH or Santander, **Aa1**/**P-1**/**B**) is the largest banking group in Spain, with total assets of €818.1 billion (€509 billion excluding Abbey) at the end of June 2006. The bank has impressive market shares and a strong competitive position across all banking segments. The group holds the following market shares: 22% in assets, 15% in loans and 19% in customer funds (*bancos* + *cajas*).

In addition to operating through the Santander network (2,706 branches and 18,849 employees), business is also carried out in Spain through the bank's subsidiary Banco Espanol de Credito, S.A. (Banesto, rated **Aa2**/**P-1**/**B-**), in which Santander holds an 88.57% stake. At the end of June 2006, Banesto had 1,729 branches and employed 10,629 staff.

Santander has built up a leading franchise in Latin America, holding on average a 9.2% market share in retail banking and 12% in pension fund management in the countries of the region. The Latin American franchise raises the group's risk profile but decisive steps have been taken to mitigate inherent risks.

With the acquisition of the UK's sixth-largest bank and second-largest mortgage lender Abbey National (rated **Aa3**/**P-1**/**C+**) for €12.5 billion in November 2004, Santander became one of Europe's largest financial groups by market value. Until then, Santander's expansion in Europe had primarily been through its subsidiary Santander Consumer Finance SA (SCF, rated **A1**/**P-1**/**C+**), a core strategic unit with a pivotal role in developing the group's consumer finance business in Europe, a market in which Santander aims to play a leading role. As such, SCF has undergone a significant geographic expansion in recent years, establishing a presence in 12 countries across Europe and achieving leading positions in many of them.

In June 2006, Moody's affirmed Santander's ratings following the approval from the US Federal Reserve Board for Santander's acquisition of up to 24.99% of the shares of Sovereign Bancorp, Inc (Sovereign), a US thrift holding company based in Philadelphia, Pennsylvania.

Santander's earnings profile appears to be well balanced. Retail banking remains the main contributor to profits, accounting for around 77% of gross profits as at the end of June 2006

Going forward, we expect the group to maintain strong asset quality across its main geographies. Domestically, some deterioration may occur as a result of expected slower economic growth and an overheated real estate market but, in light of existing high coverage ratios, higher credit costs should be manageable.

Santander is very active in the Spanish securitisation market, especially in the RMBS and SME segment, with 19 transactions launched so far.

Duties as servicer and originator

BSCH will act as servicer of the loans, and will transfer the proceeds from the loans to the treasury account within two days of their being paid by the debtors.

In the event of BSCH failing to perform its obligations as servicer, being subject to a Bank of Spain intervention or an insolvency process, or being affected by a deterioration in its financial situation that, according to the management company, might have a negative impact for the noteholders, it would have to be substituted or guaranteed in its role as servicer by a suitable institution.

Moody's believes that BSCH is currently a capable servicer.

Likewise, the management company may require BSCH, upon an insolvency process or a Bank of Spain intervention, or because the management company considers it appropriate, to notify the relevant debtors of the transfer of the loans to the *Fondo*. Should BSCH fail to comply with this obligation within 3 business days, the notification would then be carried out by the management company.

Paying Agent

BSCH will act as paying agent of the *Fondo*. In the event of BSCH's short-term rating falling below **P-1**, it will within 30 business days have to be replaced or guaranteed in its role of paying agent by a suitably rated institution.

Management Company

Santander de Titulización is an experienced company in the Spanish securitisation market, managing *Fondos* exclusively related to SCH group assets. It is fully owned by SCH group. Currently, it carries out the management of 39 securitisation funds.

MOODY'S ANALYSIS

Moody's used a Monte-Carlo simulation to derive the default distribution in the portfolio, based on mean default estimations

Given the number of assets and the size of the exposures in the portfolio (see section entitled *Collateral*), Moody's decided to derive the gross loss distribution curve through a two-factor Monte-Carlo approach, rather than assuming that it follows a given general density law.

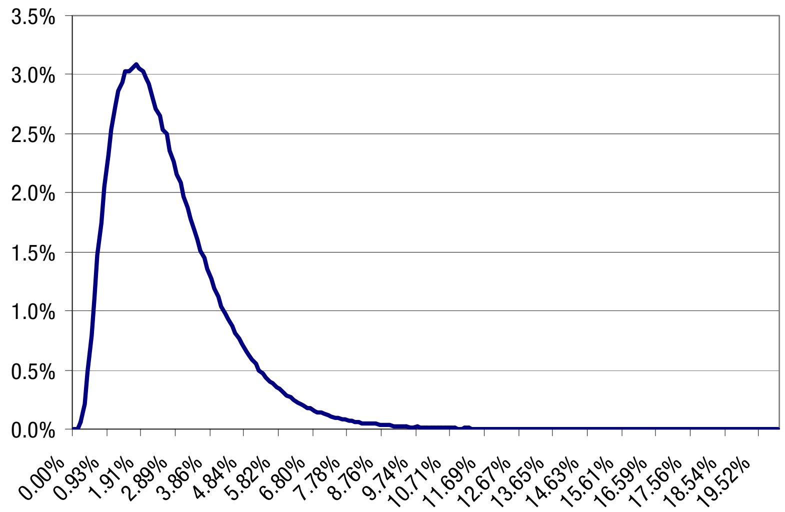
Two basic parameters needed to be assessed as main inputs for the model:

- The gross loss contribution of each single entity, and
- The correlation structure among the different industries represented in the portfolio

As regards the gross loss assumption for the underlying obligors, and given the limitations on the historical data provided by the originator, Moody's based its analysis on (1) historical information received from the originator for the FTPYME Santander I deal; (2) the historical information received by this deal itself; (3) statistical information from the Spanish SME market; (4) performance of similar deals including its predecessors; and (5) other qualitative and pool-derived aspects. The final value retained was around a mean of 2.64%. Assumptions for recoveries, delinquency and prepayments were also derived from the historical information.

As regards the correlation structure that takes into account the portfolio's characteristics, Moody's split the portfolio into 33 groups and, with the purpose of reflecting the diversity shown by the exposures in the securitised portfolio, Moody's made different assumptions, both for the asset correlation within one group and for that between assets in different groups (the two factors in the Monte-Carlo model).

Chart 8:
Default Distribution



The Monte-Carlo simulation was then run, incorporating each exposure's size, default probability and implied asset correlation, thereby giving an outcome equal to the default probability distribution for the portfolio.

To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflected the probability of default for each series of notes times the severity of the loss expected for each series of notes. With this purpose, and in order to allocate losses to the notes in accordance with their priority of payment and relative size, Moody's built a cash flow model that reproduced all deal-specific characteristics. The main input parameters were the gross loss distribution and the assumptions for recoveries, delinquency and prepayments. The sensitivity to a variation in the initial assumptions was also tested. Weighting each default scenario's severity result on the notes with its probability of occurrence, Moody's calculated the expected loss level for each series of notes which, combined with each series' expected average life, is consistent with the ratings assigned.

Finally, it is worth mentioning that Moody's has not taken into consideration the clean-up call in its quantitative modelling. This had a significant effect on the more junior notes. In particular, the Series E notes had an average life greater than 20 years according to Moody's quantitative analysis.

Structural Analysis

Moody's considered how the cash flows generated by the collateral were allocated to the parties within the transaction, and the extent to which various structural features of the transaction might themselves provide additional protection to investors, or act as a source of risk. In addition, Moody's ensured that the transaction is not affected by the bankruptcy of the originator or the servicer of the portfolio.

Legal Analysis

Moody's verified that the legal documents correctly reflect the structure of the deal, as well as the assumptions made in its analysis.

RATING SENSITIVITIES AND MONITORING

The ratings of the notes depend on the portfolio performance and counterparty ratings

Santander de Titulización will, in its capacity as management company, prepare quarterly monitoring reports on the portfolio and on payments to the notes. These reports will detail the amounts received by the issuer during each collection period and will provide portfolio data.

Moody's will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the ratings will be publicly announced and disseminated through Moody's Client Service Desk.

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