

F.T.A. Santander Hipotecario 4

EUR [1,230,000,000] Residential loans

Originated by Banco Santander, S.A.

Strictly Private and Confidential

Subject to CNMV approval

September 2007



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Executive Summary - Key Features

Issuer

- FTA Santander Hipotecario 4

Originator/Servicer

- Banco Santander S.A.

Aggregate Principal Amount

- EUR [1,230] million

Portfolio

- Prime Spanish residential mortgages

Settlement Date

- [●] September 2007

Legal Final Maturity

- [15th , October 2050]

Payment Dates

- [15 January; 15 April; 15 July; 15 October]

First Payment Date

- [15 January 2008]

Listing

- AIAF

Denomination

- EUR [100,000]

Swap Counterparty

- Banco Santander S.A.

Governing Law

- Spanish Law; Swap under English Law (ISDA)

Arranger

- Santander de Titulización S.G.F.T., S.A.

Joint Lead Managers



Source: Banco Santander



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Executive Summary - Transaction Highlights

Strong Originator and Manager

- Banco Santander (rated AA/Aa1/AA by Fitch/Moody's/S&P) is the **largest bank group in Europe** by market capitalisation (EUR 83,557 million as of 30th March, 2007).
- Banco Santander is the **most experienced Originator of ABS in Spain** and **leader in the Spanish securitisation market (Europe's second largest market)**, with a proven track record. Banco Santander has executed more than 50 securitisations to date, having securitised its own assets since the establishment of the Spanish securitisation legal framework in **1992**.
- Santander de Titulización S.G.F.T., S.A., established in 1992, is the **oldest securitisation fund manager in Spain**. At present it manages 43 funds for an amount of EUR 41 billion and the single Spanish commercial paper conduit.
- **4th securitisation under the Santander Hipotecario Program**. Previous issues were Santander Hipotecario 1 (June 2004, EUR 1,875 million), Santander Hipotecario 2 (June 2006, EUR 1,972 million) and Santander Hipotecario 3 (March 2007, EUR 2,800 million).

High Quality Collateral

- **Highly granular** portfolio with an average loan size of EUR [176,067].
- All loans in the pool benefits from a **first lien residential mortgage guarantee**; in addition, [39]% of the loans with LTV between [80%] and [97%] have the additional protection of a mortgage Loan insurance provided by G.E. mortgage insurance (AA/Aa2/AA) and/or AIG Europe (AA/Aa2/AA+).
- Geographic concentration follows both Spanish GDP contribution and population distribution.
- **Weighted Average Seasoning** of [12.63] months.
- All payments are made by direct debit, through a bank account open at Banco Santander.

Transaction Structure

- FTA Santander Hipotecario 4 benefits from different sources of credit support and liquidity, including excess spread, cash reserve, artificial write-offs, claims from debtors, guarantees from mortgage insurance companies for some of the loans and subordination.
- The amortisation of the Notes is **sequential with pro-rata switch** once the subordination is doubled, except for the Classes A Notes (A1, A2 and A3), which will amortise sequentially amongst themselves unless certain performance triggers are hit, when they will amortise on a pro-rata basis.
- FTA Santander Hipotecario 4 benefits from an *artificial write-off* mechanism whereby available excess spread will be trapped in respect of loans in arrears for 18 or more months.
- The **guaranteed spread swap** put in place for this transaction guarantees note coupons, the servicing fee in case of the replacement of Santander as servicer, plus 65 bps of gross excess spread. This constitutes the first layer of protection for investors.
- A **reserve fund** of EUR [12.3] million (or a [1]% of the initial amount), **fully funded** at closing of the transaction from the proceeds of Class F Notes, will be in place to cover any potential shortfall on interest and principal.
- Rated by the 3 rating agencies.

Source: Banco Santander

Executive Summary - Portfolio Highlights

- **Highly granular** portfolio: [7.813] loans.
- All loans are paying by **direct debit** from a Banco Santander account.
- **Reduced average loan size** of EUR [176.067,99].
- **First lien** residential mortgage guarantee.
- **Conservative legal framework:** Under Spanish legal framework, **all debtors are fully liable**¹.
- The most concentrated geographical areas in the portfolio are those with higher contribution to Spanish GDP and also the higher population.
- [39]% of the loans with LTV between [80%] and [97%] enjoy the extra guarantee of a **mortgage loan insurance** granted by G.E. mortgage insurance (AA/Aa2/AA) and/or AIG Europe (AA/Aa2/AA)

| Santander Hipotecario 4 Portfolio Highlights | |
|---|--------------|
| Number of Loans | [7.813] |
| Average Loan Size | [176.067,99] |
| WA LTV | [91,22%] |
| Largest 20 Obligors (%) | [1,19%] |
| Monthly payments | [99,50%] |
| Seasoning, Term | |
| WA Seasoning (months) | [13,22] |
| WA Time to Maturity (months) | [378,01] |
| Interest Rate | |
| WA Interest Rate | [4,63%] |
| Min Interest Rate | [2,50%] |
| Max Interest Rate | [7,50%] |
| % of Floating Interest Rate Loans | [100%] |
| Geographic Concentration | |
| Andalucia | [20,10%] |
| Catalonia | [18,73%] |
| Madrid | [14,38%] |
| Valencia | [10,13%] |

(1) In case of delinquency, the debtor can be forced to satisfy all defaulted amounts with up to the totality of their assets, even if those were not specifically in place for a particular transaction

Source: Banco Santander

Capital Structure

| Note Description | Class A1 Notes [Offered] | Class A2 Notes [Offered] | Class A3 Notes [Offered] | Class B Notes [Not Offered] | Class C Notes [Not Offered] | Class D Notes [Offered] | Class E Notes [Offered] | Class F Notes [Retained] |
|--|---|---|---|--|--|---|--|---|
| Amount in Eur mill | [184,30] | [661,90] | [278,00] | [20,90] | [30,70] | [27,10] | [27,10] | [12,30] |
| Credit Enhancement ¹ | [9,60] | [9,60] | [9,60] | [7,90] | [5,41] | [3,20] | [1,00] | N/A |
| Expected Rating (Fitch / Moody's / S&P) | [AAA / Aaa / AAA] | [AAA / Aaa / AAA] | [AAA / Aaa / AAA] | [AA / Aa2 / AA] | [A / A1 / A] | [BBB+ / Baa2 / BBB] | [BB / Ba3 / BB] | [CCC / Ca / CCC-] |
| Expected BIS II Weighting ² | [7%] | [7%] | [7%] | [15%] | [20%] | [75%] | [650%] | Deduction |
| Payment Frequency | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly | Quarterly |
| Final Legal Maturity | [October 2050] | [October 2050] | [October 2050] | [October 2050] | [October 2050] | [October 2050] | [October 2050] | [October 2050] |
| Expected Final Amortisation Date ³ | [15/01/2009] | [17/10/2016] | [15/04/2022] | [15/04/2022] | [15/04/2022] | [15/04/2022] | [15/04/2022] | [15/04/2022] |
| Repayment | Sequential until [50%] of the deal has been repaid; prorata thereafter | Sequential until [50%] of the deal has been repaid; prorata thereafter | Sequential until [50%] of the deal has been repaid; prorata thereafter | Sequential/ Pro- rata | Sequential/ Pro- rata | Sequential/ Pro- rata | Sequential/ Pro- rata | In line with Reserve Fund release amounts |
| Estimated Weighted Average Life ³ | [0,74] | [4,32] | [12,66] | [10,00] | [10,00] | [10,00] | [10,00] | [9,27] |
| Interest | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps | Floating - Act / 360 3m EURIBOR + [•] bps |

¹ Plus [65] bps guaranteed spread swap

² Ratings Based Approach – Basel Committee on Banking Supervision, June 2004

³ Assumptions include: (i) All loans are subject to a [12]% CPR; (ii) no loan in the initial pool is substituted during the life of the transaction;

(iii) no modifications to the terms of any of the loans within the initial pool; (iv) [0,30]% constant annual delinquencies with a recovery rate of [100]% [12] months later;

(v) the Clean-up Call is exercised; (vi) the Classes A1, A2 and A3 are not amortised on a pro-rata basis; and (vii) the classes B, C, D and E are amortised on a pro-rata basis.

Source: Banco Santander

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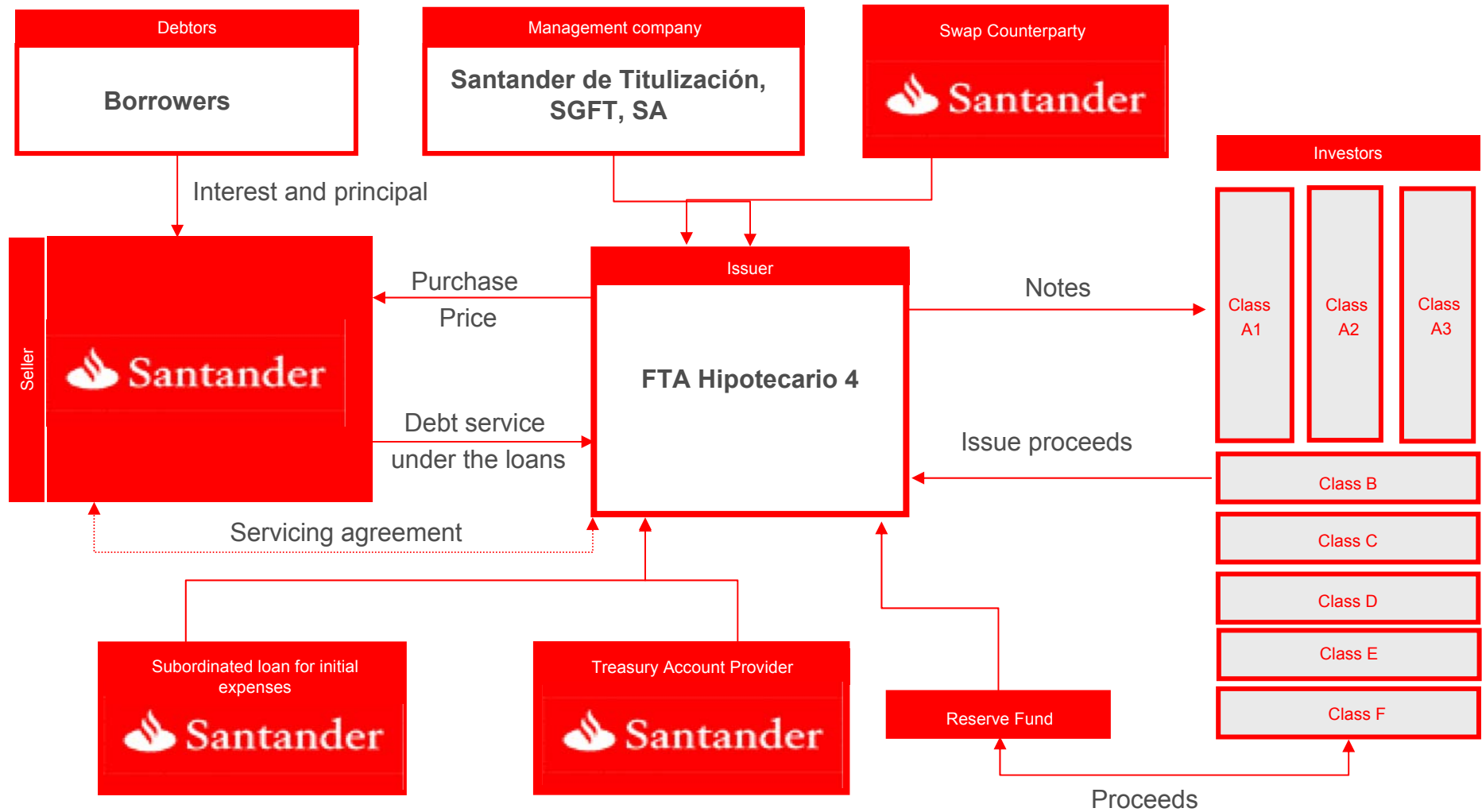
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Structure Overview

- On the Closing Date, FTA Santander Hipotecario 4 will purchase and accept assignment of a portfolio of mortgage loans originated by Banco Santander (the “Portfolio”).
- To fund this purchase, FTA Santander Hipotecario 4 will issue seven classes of notes, the Classes A1 through E Notes and one class of non-collateralised notes, the Class F Notes. The proceeds from the Class F Notes will be used to fund the Reserve Fund.
- The Notes are pass-through securities. Principal collections received in respect of the collateral will be used to redeem the principal value of the Classes A to E Notes; Reserve Fund release amounts will be used to redeem the principal value of the Class F Notes.
- The structure will repay noteholders on a sequential basis unless the pro-rata trigger is hit. If such is the case, the transaction will amortise pro-rata.

Source: Banco Santander

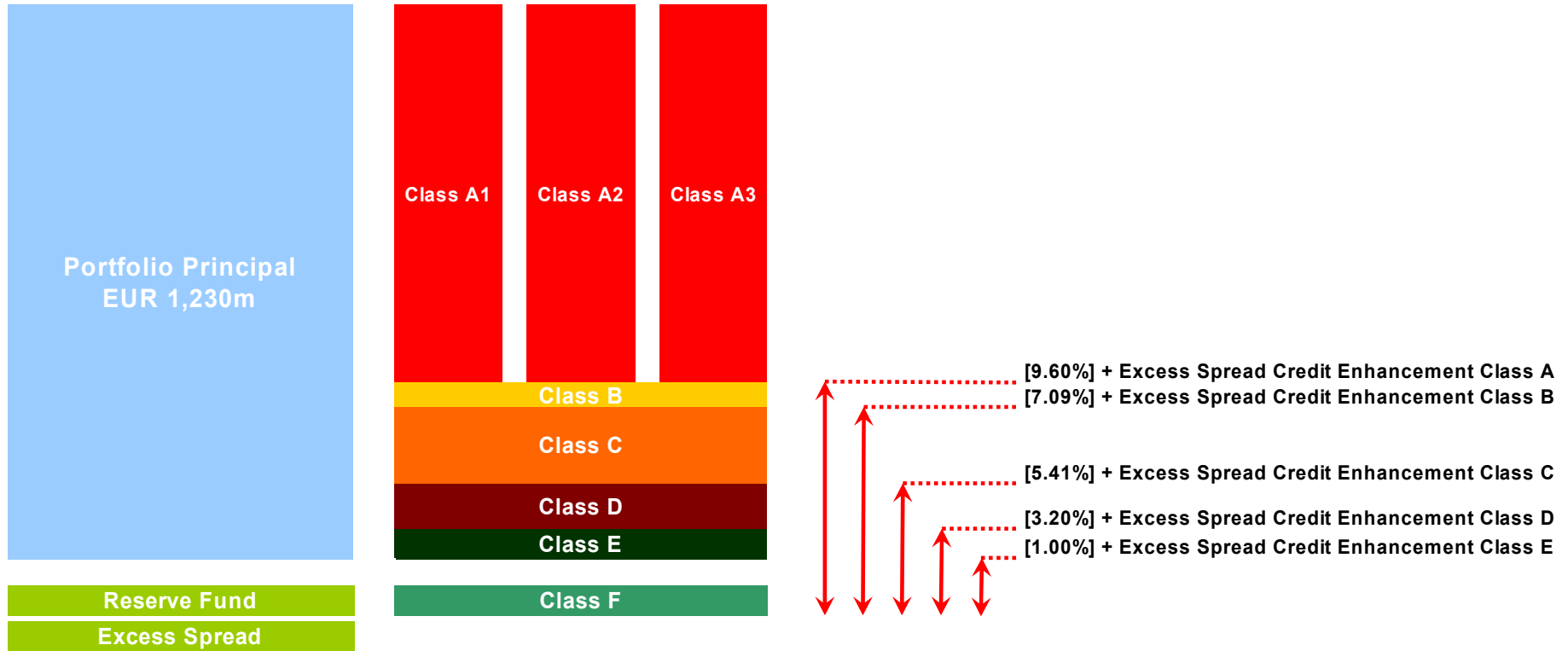
Transaction Structure



Source: Banco Santander

Transaction Structure (cont'd)

- Issue and Collateral Amount: Credit Enhancement



- The Notes are pass-through securities with repayment on a sequential basis until the pro-rata trigger is hit. If such is the case, the transaction will amortise on a pro-rata basis.
- The Issuer has a clean-up call option at 10% of the initial balance

Source: Banco Santander

Credit Support

- Claims over the borrowers and assets securing the loans. All loans benefit from a 1st lien mortgage guarantee.
- **Excess Spread** – Should any losses be realised, excess spread is first used to cover those losses through the waterfall priority of payments. Excess spread is guaranteed at a gross annual level of [65] bps through the swap. It is estimated that this amount is likely to come down to [62] bps net due to senior expenses ¹.
- **Reserve Fund** – Where excess spread is insufficient to cover a loss, amounts may be drawn from the Reserve Fund for this purpose. The Reserve Fund is fully funded at closing ([1.00]% or EUR [12.3]million). The maximum Reserve Fund during the life of the transaction will be calculated according to a formula (described in the following slide).
- **Subordination** – In the unlikely event that losses exceed the above resources, the uncovered amounts will be allocated to investors in reverse seniority order.
- FTA Santander Hipotecario 4 transaction includes **Performance Triggers** that govern:
 - Release of funds from the Reserve Fund.
 - Artificial write-off mechanism trapping of excess spread to cover future losses.
 - Pro-rata versus sequential amortisation.
- In addition, protection against losses is enhanced through an **interest deferral mechanism**:
 - The payment of interest on the Series B, C, D and E notes will be brought to a more junior position if the following respective criteria are met:
 - B Series: written-off loans > [15.70] % of the initial amount, and more senior notes are not redeemed.
 - C Series: written-off loans >[12.00] of the initial amount, and more senior notes are not redeemed.
 - D Series: written-off loans > [8.00] of the initial amount, and more senior notes are not redeemed.
 - E Series: written-off loans > [7.70] % of the initial amount, and more senior notes are not redeemed.

Source: Banco Santander

(1) Senior Expenses are composed of retribution of the Sociedad Gestora, rating agency annual fees, auditors annual fees, etc.

Hedging and Liquidity Support

INTEREST RATE SWAP

- Santander (Aa1/AA/AA) guarantees 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-month 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) and (iv) the servicing fee in case Santander is substituted.

EXCESS SPREAD

- The guaranteed excess spread will be used to meet any shortfalls before its release to the ultimate beneficiaries.

CLASS F / RESERVE FUND

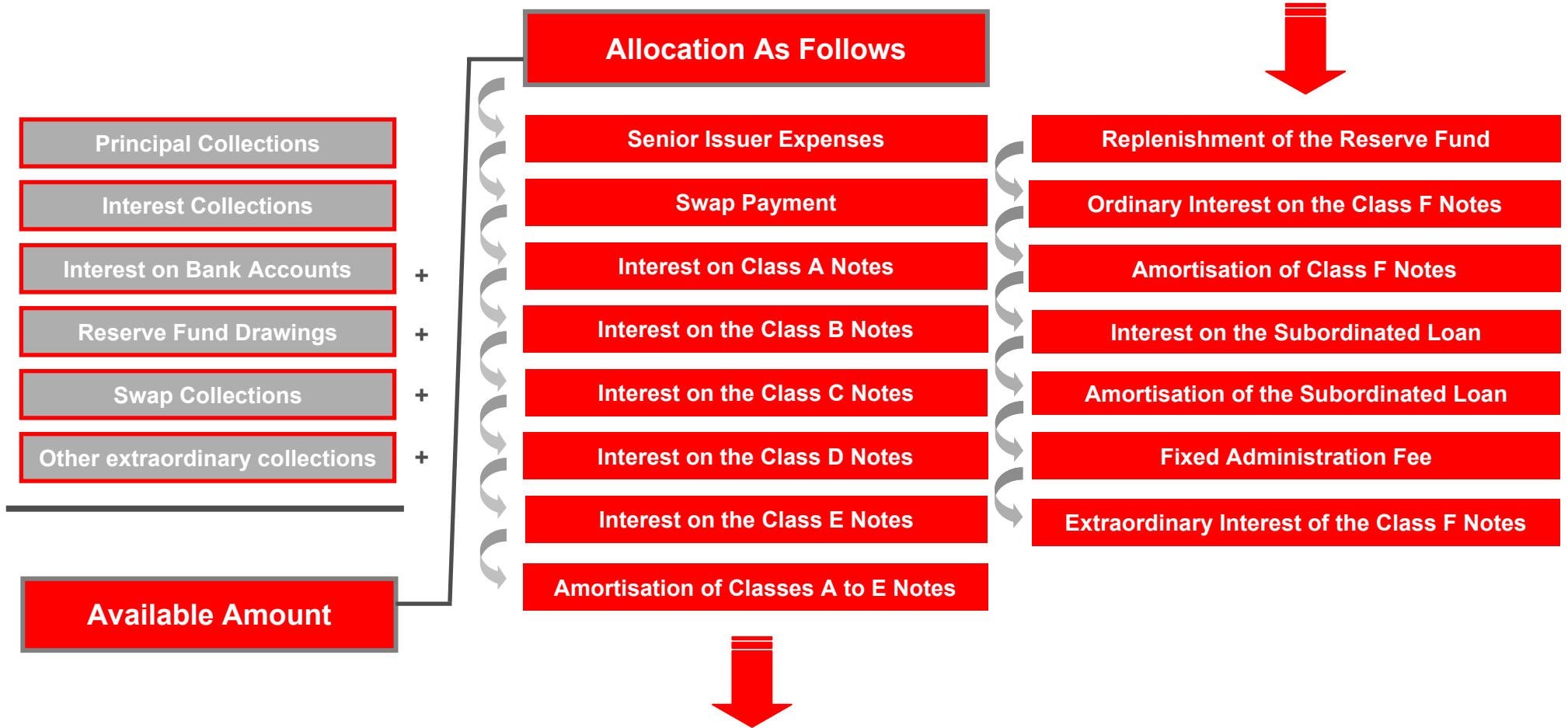
- Initial Amount: EUR [12,3] million (or a [1]% of the initial amount). Fully funded on the Closing Date.
- The maximum size of the Reserve Fund initially funded by the Class F shall be equal to the lower of:
 - EUR [12.3]million; and
 - The higher of:
 - [2.20]% of the outstanding principal balance of the notes (except class F); and
 - EUR [6.15] million.
- The size of the Cash Reserve will not be reduced between two subsequent Payment Dates:
 - Within the first 3 years of the transaction in any case;
 - If the ratio defined as: (i) the outstanding balance of defaulted loans (more than 18 months in arrears); divided by (ii) the outstanding balance of the loans, is greater than or equal to 1%; or
 - If the Reserve Fund was not at its required level on the previous Payment Date.

ARTIFICIAL WRITE-OFF

- The “artificial write-off”, traps available excess spread to cover losses (if any). This way the available excess spread will be used to pay in advance to the noteholders all principal outstanding of loans in arrears for more than [18] months.

Source: Banco Santander

Priority of Payments – Standard Application of Funds



Source: Banco Santander

Priority of Payments – Exceptional Application of Funds

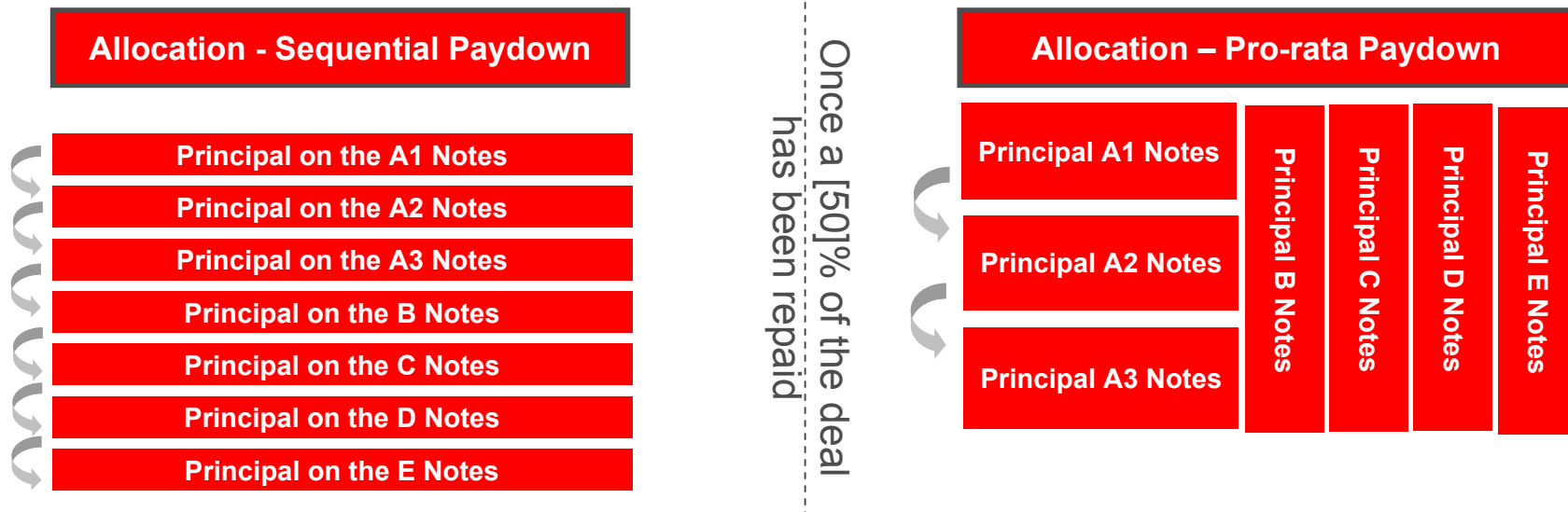
Exceptionally, the normal order of funds application may be changed if certain triggers are hit:

- If a Back-up Servicer is appointed, its fees would rank first in the 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 [15.70%] of the initial amount of the Loans and A series are not redeemed in full
 - Series C: Gross cumulative outstanding balance of Loans in Default greater than [12.00%] of the initial amount of the Loans and A & B series are not redeemed in full
 - Series D: Gross cumulative outstanding balance of Loans in Default greater than [8.00%] of the initial amount of the Loans and A, B & C series are not redeemed in full
 - Series E: Gross cumulative outstanding balance of Loans in Default greater than [7.70%] of the initial amount of the Loans and A, B, C & D series are not redeemed in full

Principal Allocation Priority

- **Paydown Rules**

- Payments of principal on each of the Classes A to E Notes will be made on a sequential amortisation schedule, as opposed to pro-rata, starting by Class A1 and ending on Class E. Under this schedule no class of Notes will start amortising until the previous one has been redeemed in full. If a [50%] of the deal has been repaid and none of the performance triggers are hit, payments will be made amongst classes A to E on a pro-rata basis, while amortisation amongst Classes A Notes will remain on a sequential basis.



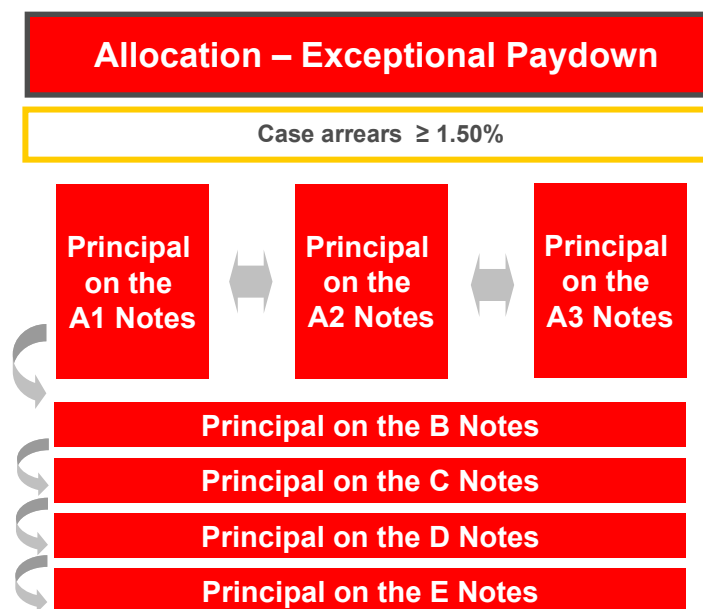
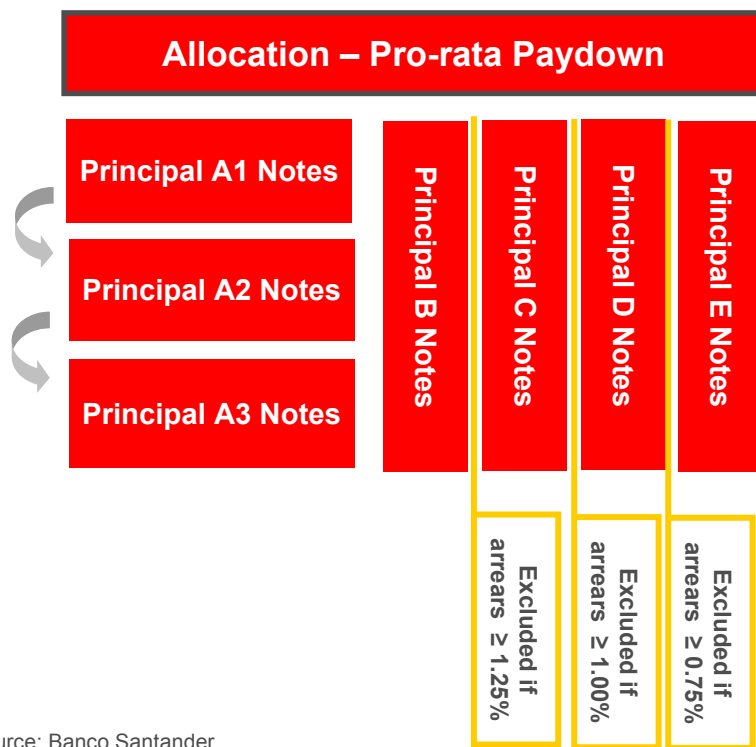
Source: Banco Santander

(1) That is with no installment in arrears for more than 18 months

Principal Allocation Priority (cont..)

• Exceptional paydown rules

- If the following performance triggers are hit, the junior notes will stop amortising in reverse seniority order:
 - If arrears $\geq 0.75\%$ Class E will stop amortising, while classes A to D will continue. After full amortisation of the latter, class E will be amortised.
 - If arrears $\geq 1.00\%$ Class D will stop amortising, while classes A to C will continue. After full amortisation of the latter, classes D-E will amortise on a sequential basis.
 - If arrears $\geq 1.25\%$ Class C will stop amortising, while classes A-B will continue. After full amortisation of the latter, classes C-E will amortise on a sequential basis.
 - If arrears $\geq 1.50\%$ Class B will stop amortising, while classes A will continue to amortise on a pro-rata basis amongst them. After full amortisation of the latter, classes B-E will be amortised on a sequential basis.



Source: Banco Santander

WAL Sensitivity at different prepayment speeds

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS A1 | | | | | |
| WAL (YEARS) | [1,60] | [0,99] | [0,74] | [0,60] | [0,52] |
| DURATION (YEARS) | [1,47] | [0,92] | [0,69] | [0,57] | [0,48] |
| FINAL MATURITY ¹ | [15 10 2010] | [15 07 2009] | [15 01 2009] | [15 10 2008] | [15 07 2008] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS A2 | | | | | |
| WAL (YEARS) | [9,62] | [6,06] | [4,32] | [3,33] | [2,70] |
| DURATION (YEARS) | [7,24] | [4,95] | [3,69] | [2,92] | [2,40] |
| FINAL MATURITY ¹ | [15 01 2026] | [15 01 2020] | [17 10 2016] | [15 10 2014] | [15 04 2013] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS A3 | | | | | |
| WAL (YEARS) | [23,76] | [17,28] | [12,85] | [10,03] | [8,11] |
| DURATION (YEARS) | [13,29] | [11,02] | [9,03] | [7,51] | [6,35] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS B | | | | | |
| WAL (YEARS) | [19,61] | [13,73] | [10,11] | [7,85] | [6,35] |
| DURATION (YEARS) | [11,73] | [9,27] | [7,42] | [6,09] | [5,12] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS C | | | | | |
| WAL (YEARS) | [19,62] | [13,74] | [10,11] | [7,86] | [6,35] |
| DURATION (YEARS) | [11,60] | [9,20] | [7,37] | [6,06] | [5,09] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS D | | | | | |
| WAL (YEARS) | [19,60] | [13,72] | [10,10] | [7,85] | [6,34] |
| DURATION (YEARS) | [11,18] | [8,93] | [7,20] | [5,94] | [5,00] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS E | | | | | |
| WAL (YEARS) | [19,60] | [13,72] | [10,10] | [7,85] | [6,34] |
| DURATION (YEARS) | [9,57] | [7,89] | [6,51] | [5,46] | [4,65] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

| CPR | 4,00% | 8% | 12% | 16% | 20% |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| CLASS F (RF) | | | | | |
| WAL (YEARS) | [17,81] | [12,82] | [9,52] | [7,55] | [6,30] |
| DURATION (YEARS) | [5,65] | [4,97] | [4,38] | [3,96] | [3,67] |
| FINAL MATURITY ¹ | [17 04 2034] | [15 10 2027] | [17 10 2022] | [15 07 2019] | [17 04 2017] |

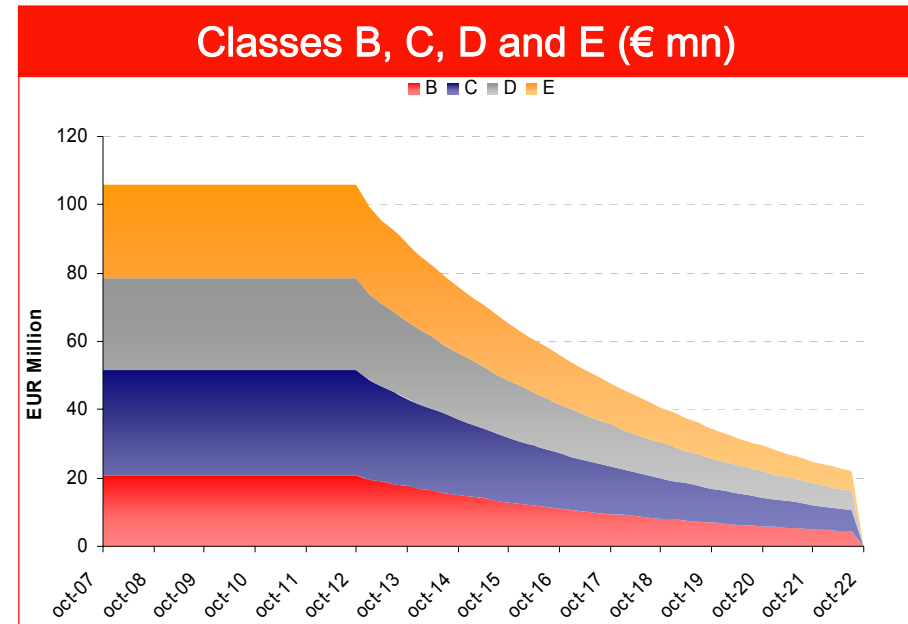
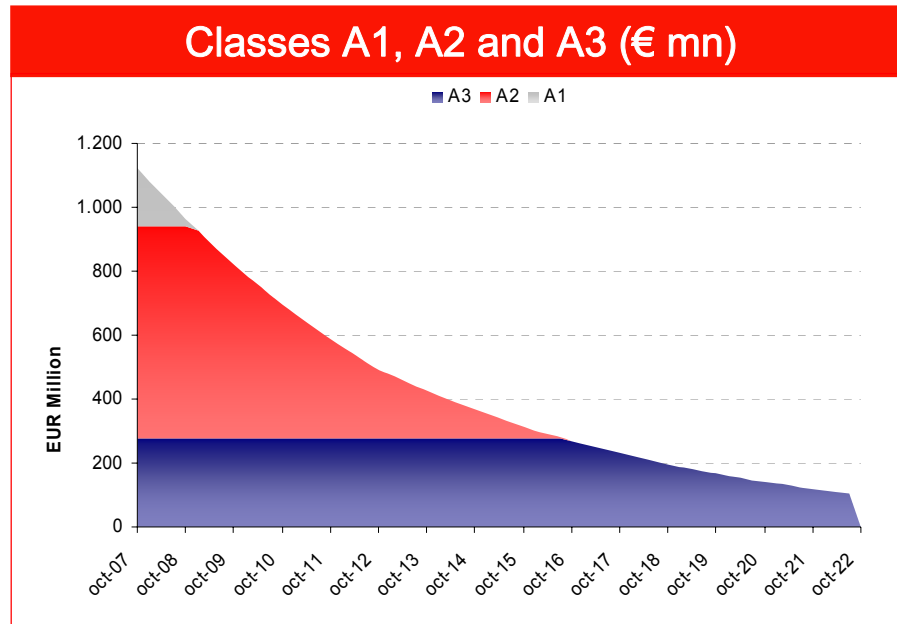
(1) Expected

Assumptions include:

- (i) All loans are subject to a constant CPR;
- (ii) No loan in the initial pool is substituted during the life of the transaction;
- (iii) No modifications to the terms of any of the loans within the initial pool
- (iv) [0.30]% constant annual delinquencies with a recovery rate of [100]% [12] months later
- (v) the Clean-up Call is exercised;
- (vi) Classes B-E are amortised on a pro-rata basis and;
- (vii) Classes A Notes are amortised on a sequential basis

Source: Banco Santander

Expected Amortisation Profile of the Notes



Assumptions include:

- (i) All loans are subject to a [12%] CPR;
- (ii) No loan in the initial pool is substituted during the life of the transaction;
- (iii) No modifications to the terms of any of the loans within the initial pool
- (iv) [0.30]% constant annual delinquencies with a recovery rate of [100]% [12] months later
- (v) the Clean-up Call is exercised;
- (vi) Classes B-E are amortised on a pro-rata basis and;
- (vii) Classes A Notes are amortised on a sequential basis

Source: Banco Santander

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Origination & Approval: a Successful Risk Model



Segmentation

- Borrowers are split into two categories. Each category applies different risk management methodologies, reflecting the different risk behaviours. These categories are:
 - **Analyst Management:** actual or potential risk within the Bank over EUR [•] (inclusion in portfolio).
 - **Systematic Management:** actual or potential risk within the Bank less than EUR. [500,000¹]

Integrity

- All the risk related processes within the group (origination, monitoring and recovery) are managed from a single department: the Credit Risk Department. This allows for a homogeneous policy for all risks within Banco 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

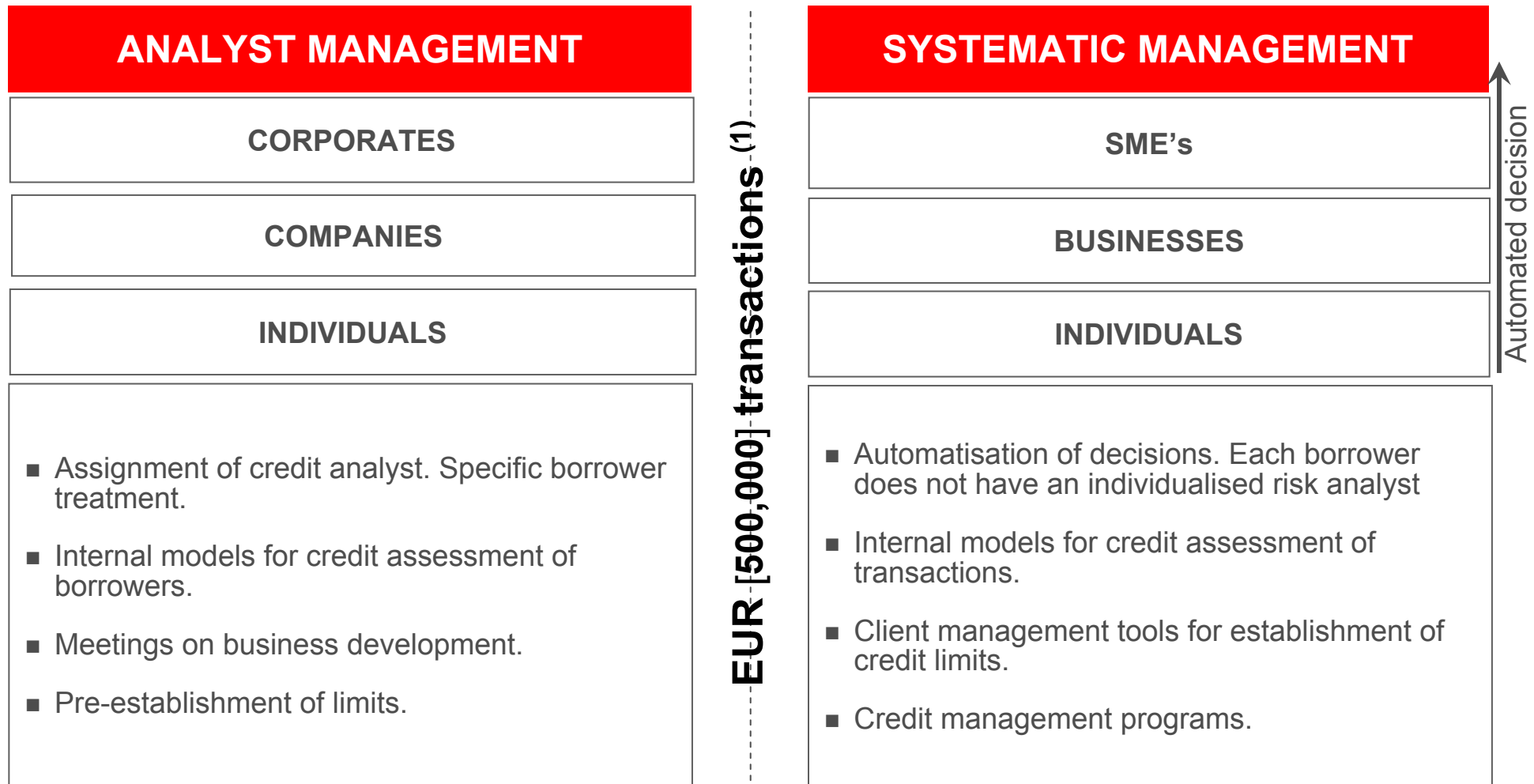
- Banco Santander's Risk Area is independent from the Commercial Banking Area. The Risk Area monitors the Commercial Area in all the processes.
- The risk management objectives for both areas are the same, in order to ensure no discrepancies between areas.

Source: Banco Santander

⁽¹⁾ In some very specific cases, despite the potential risk of the customer being over EUR [500,000], if it is believed that there will not be considerable business with this customer, the operation may fall under *Systematic Management*



Origination & Approval: Risk Management Perimeter

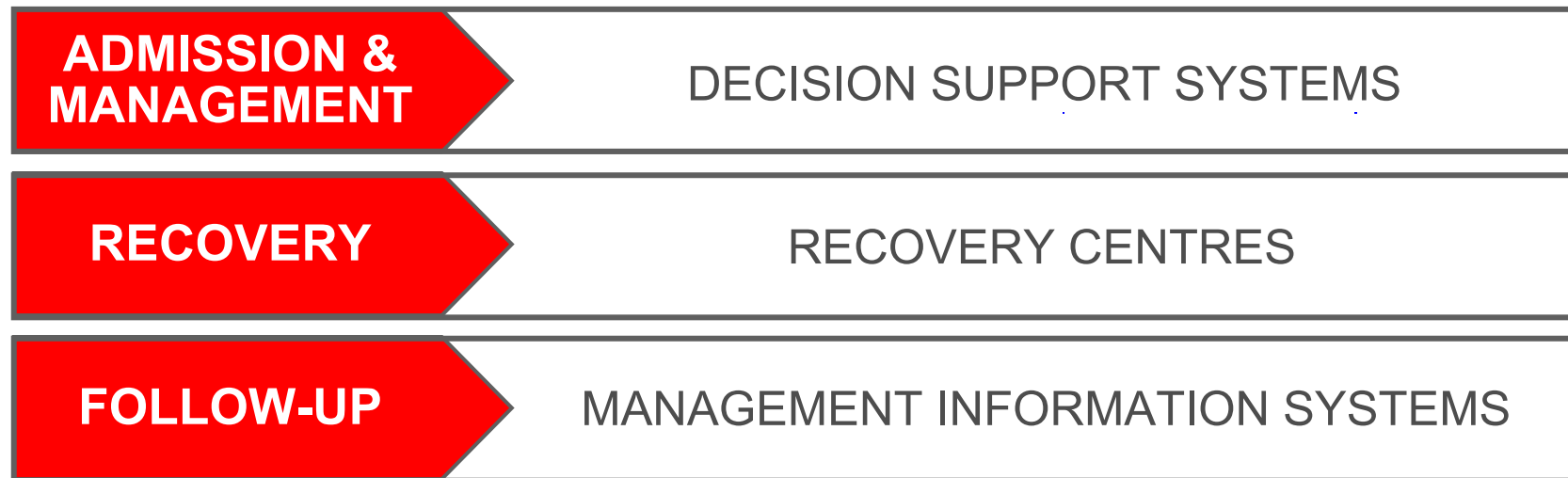


Source: Banco Santander

⁽¹⁾ In some very specific cases, despite the potential risk of the customer being over EUR [500,000], if it is believed that there will not be considerable business with this customer, the operation may fall under *Systematic Management*

Standardised Risks

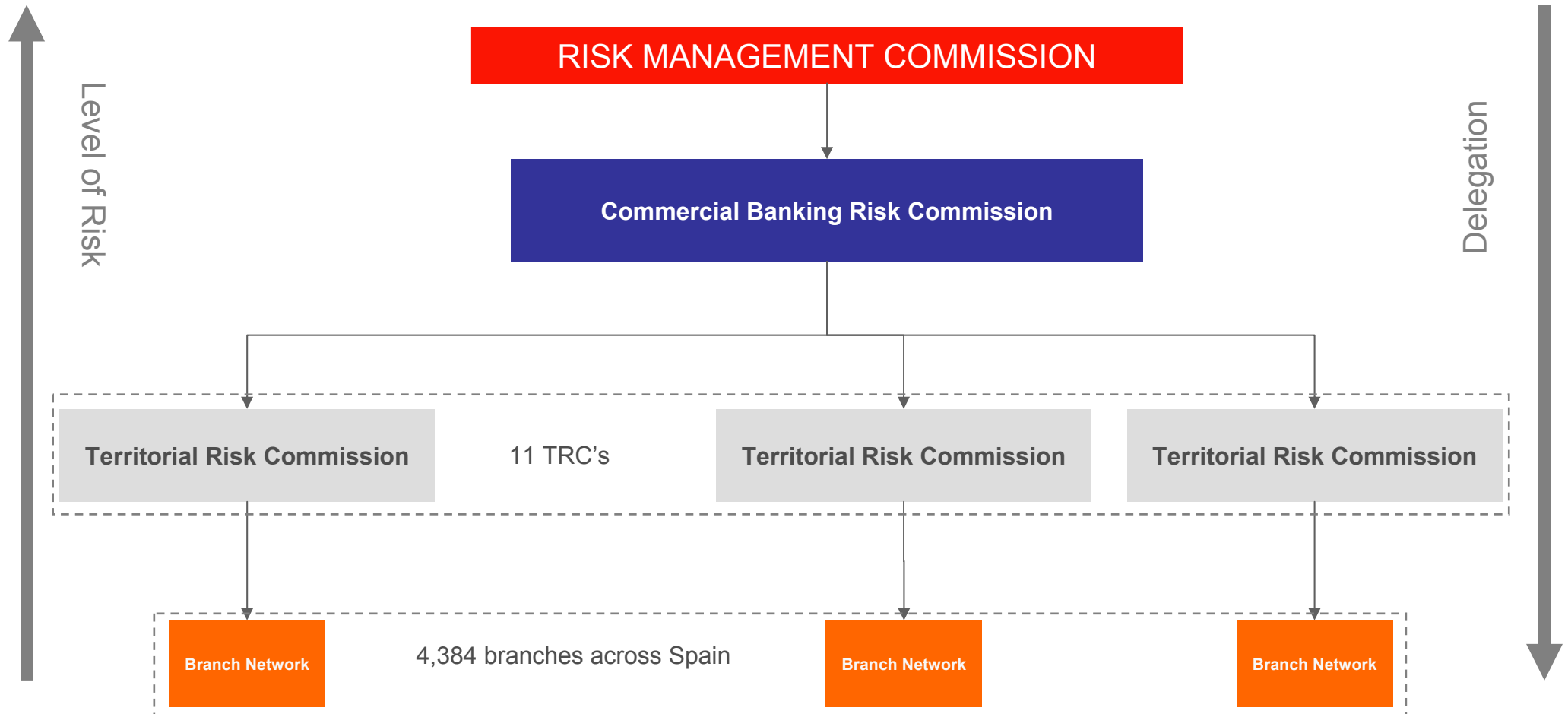
- Credit Risk in Retail Commercial Banking
- Mass automated customer processing:



- Risk: individuals, small businesses and SMEs

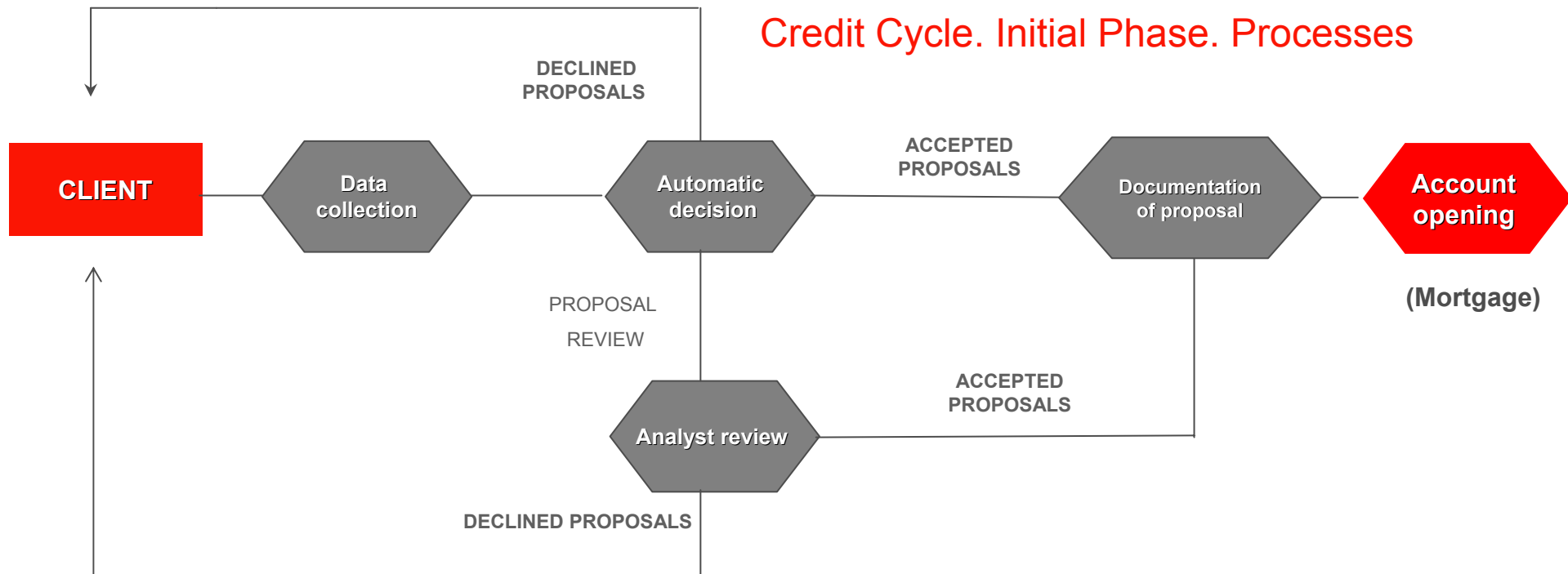
Origination & Approval: Risk approval and delegation structure

- ♦ The Risk Area includes 615 people inside Banco Santander:



Source: Banco Santander

Origination & Approval: Systematic Management



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

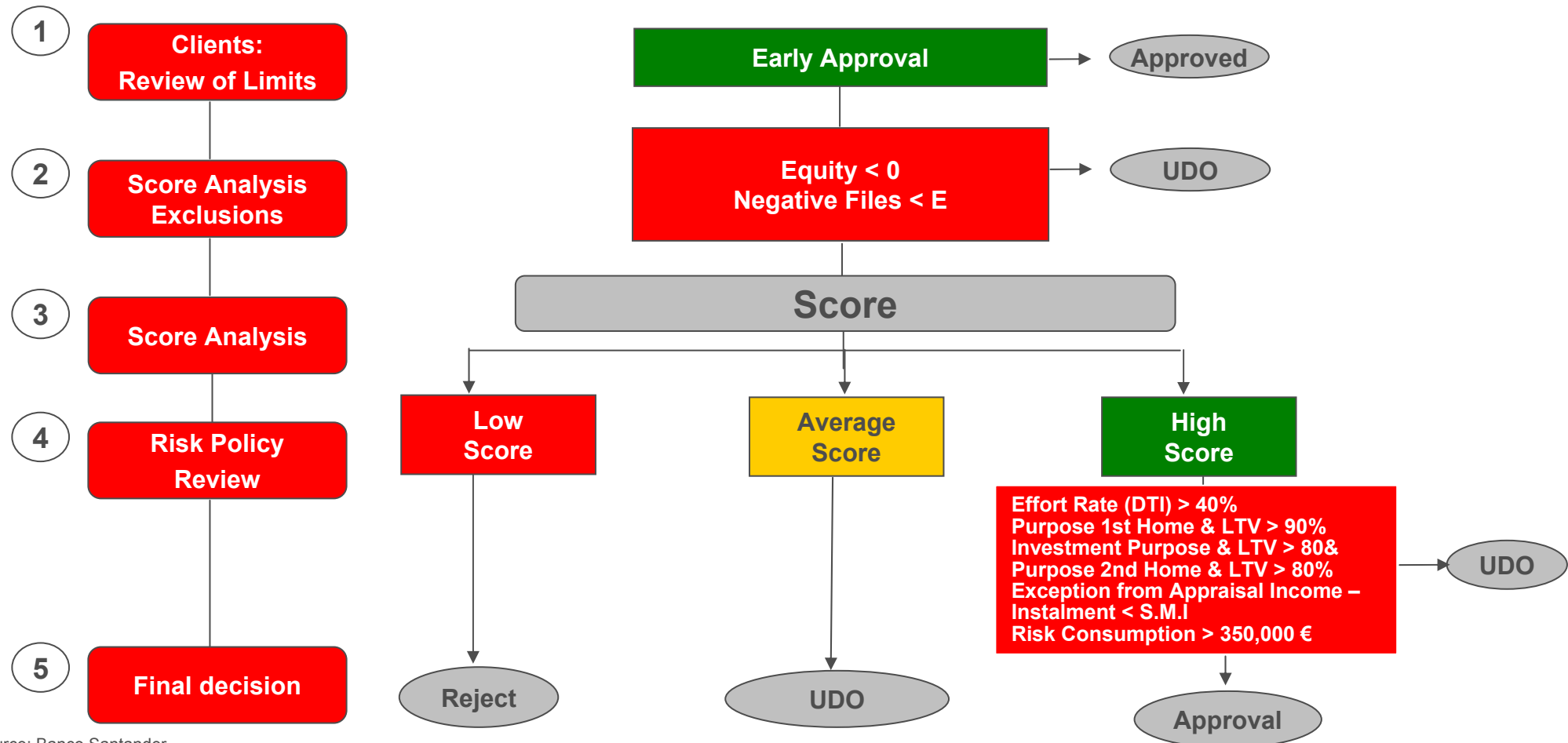
DOCUMENTATION

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

Source: Banco Santander

Origination & Approval: Systematic Management

Credit Cycle. Admission Phase. Automated Decision Model



Source: Banco Santander

Origination & Approval: Systematic Management

Evaluation of Applications by Analysts

Applications where:

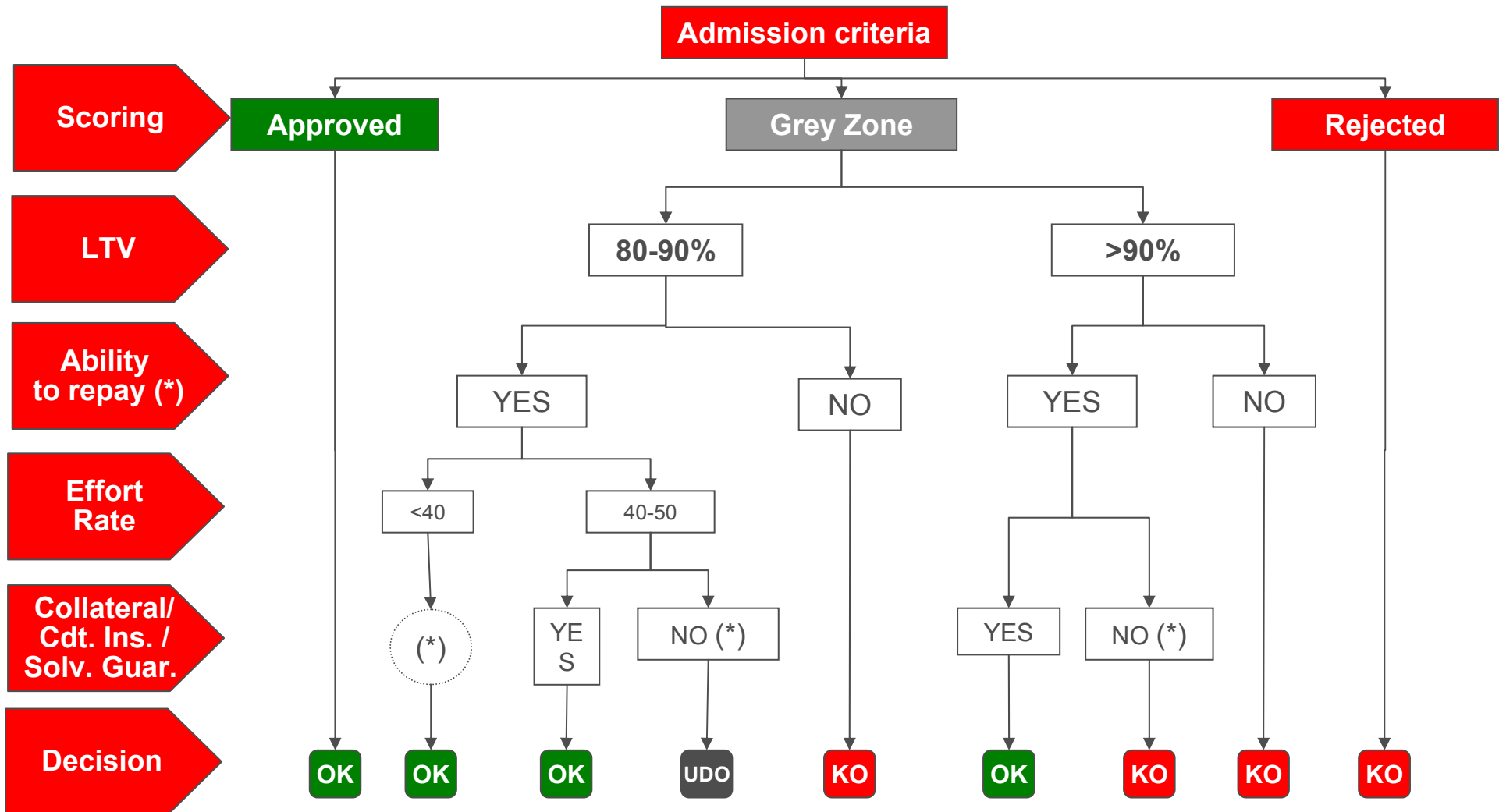
- The automatic resolution falls under “**Grey Zone**” or “**Manual Review**”.
- The automatic resolution was “**application rejected**” and a reconsideration has been requested.

Operations to be reviewed by risk authorisation centre.

- ✓ **95 Analysts located in Operation Decision Units decentralized in 11 Territorials that allow major proximity client/analyst**
- ✓ **Specialization in Business Operation: Territorial UDO’s specialized in operations purpose business.**
- ✓ **Rapid Response: high levels of efficiency & productivity**
- ✓ **Independence in decision-making**
- ✓ **UDO analyst’s analysis added to automatic decision system result**

Source: Banco Santander

Approval Criteria



(*) Ability to repay 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

Origination & Approval : Criteria for the Mortgage Loans Analysis

DEBT COVERAGE – 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:

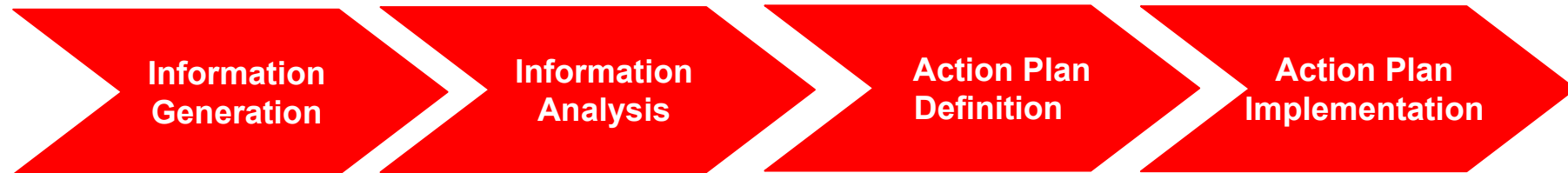
- EFFORT RATE (DTI)
 - The total amount of the instalments to be paid should not exceed 40% of the applicants' gross income. If it does exceed such percentage, the employment stability, income level and/or position of the account holder should be taken into consideration
- APPLICANT PROFILE
 - Age, marital 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

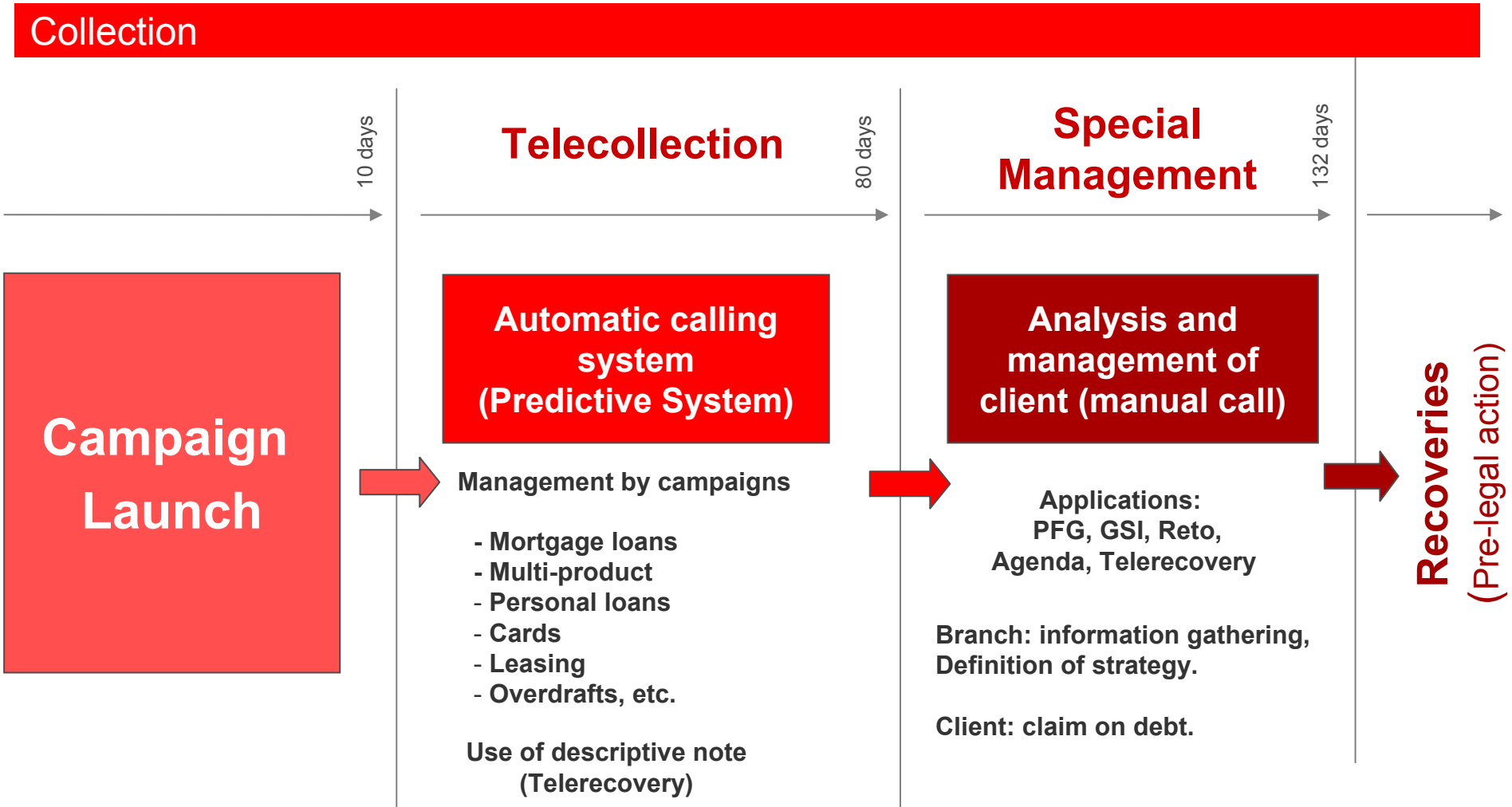
Follow-up: Functions



Action Focus

| | PORTFOLIO | CLIENTS | PROCESSES |
|-------|---|---|---|
| TASKS | <ul style="list-style-type: none"> ■ Portfolio Analysis (Risk quality indicators, Flows, production, LTV, TE, etc) ■ Portfolio Management – PGC's – Criteria & Policy ■ Recovery Strategies ■ Business Recommendations ■ Micro Focus | <ul style="list-style-type: none"> ■ Handling of irregular items (Clients & Products NOT recovered) ■ Monitoring & anticipation of deterioration. Risk indicators ■ Important Cases (Groups, operations & clients) | <ul style="list-style-type: none"> ■ Decision models (Stability & performance) ■ Systems ■ Analysis of Participants in Credit Processes (Branches, Agents, DCF, UDO, etc...) ■ Bad practices in Units |

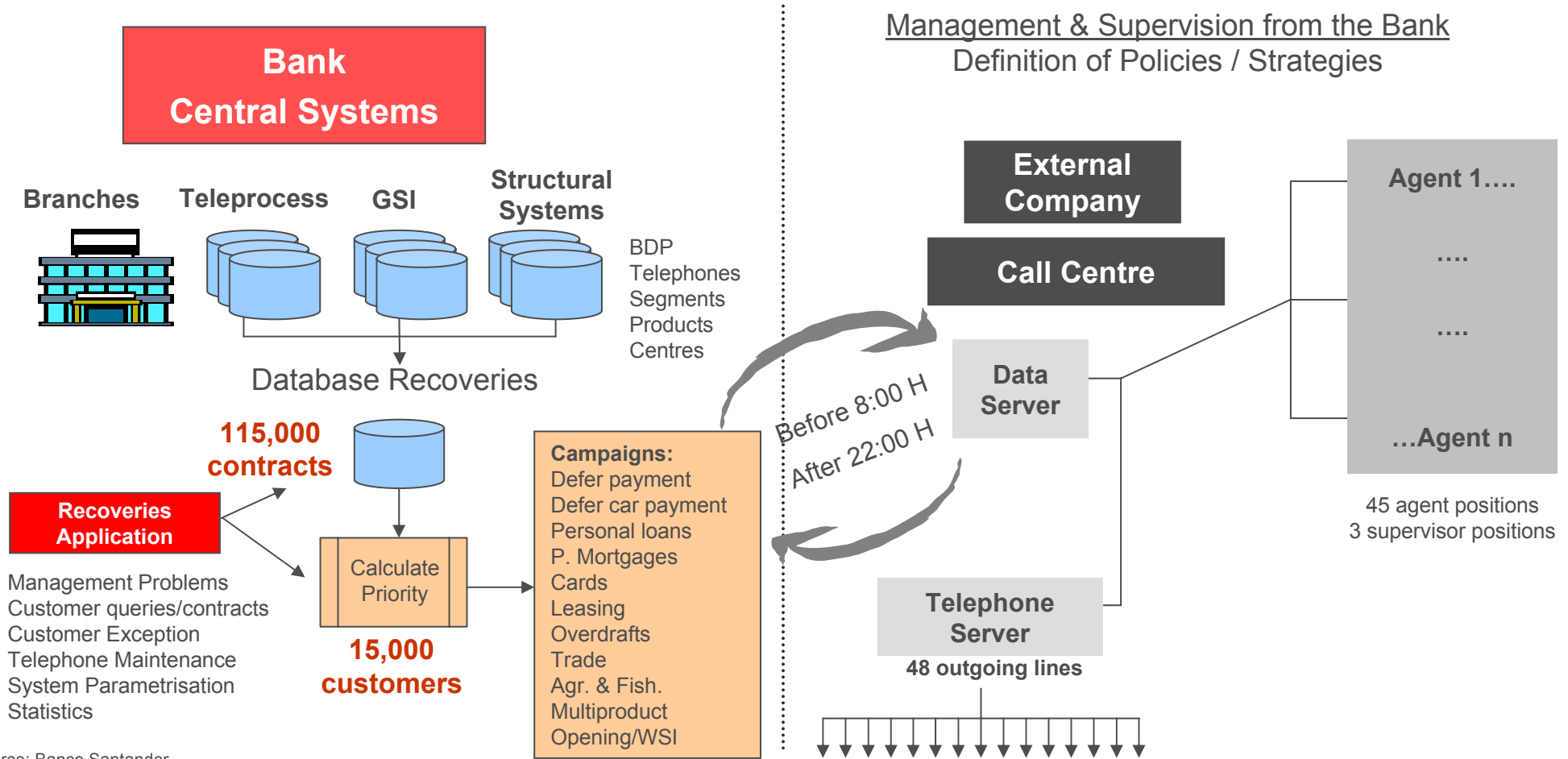
Follow Up: Systematic Management



Source: Banco Santander

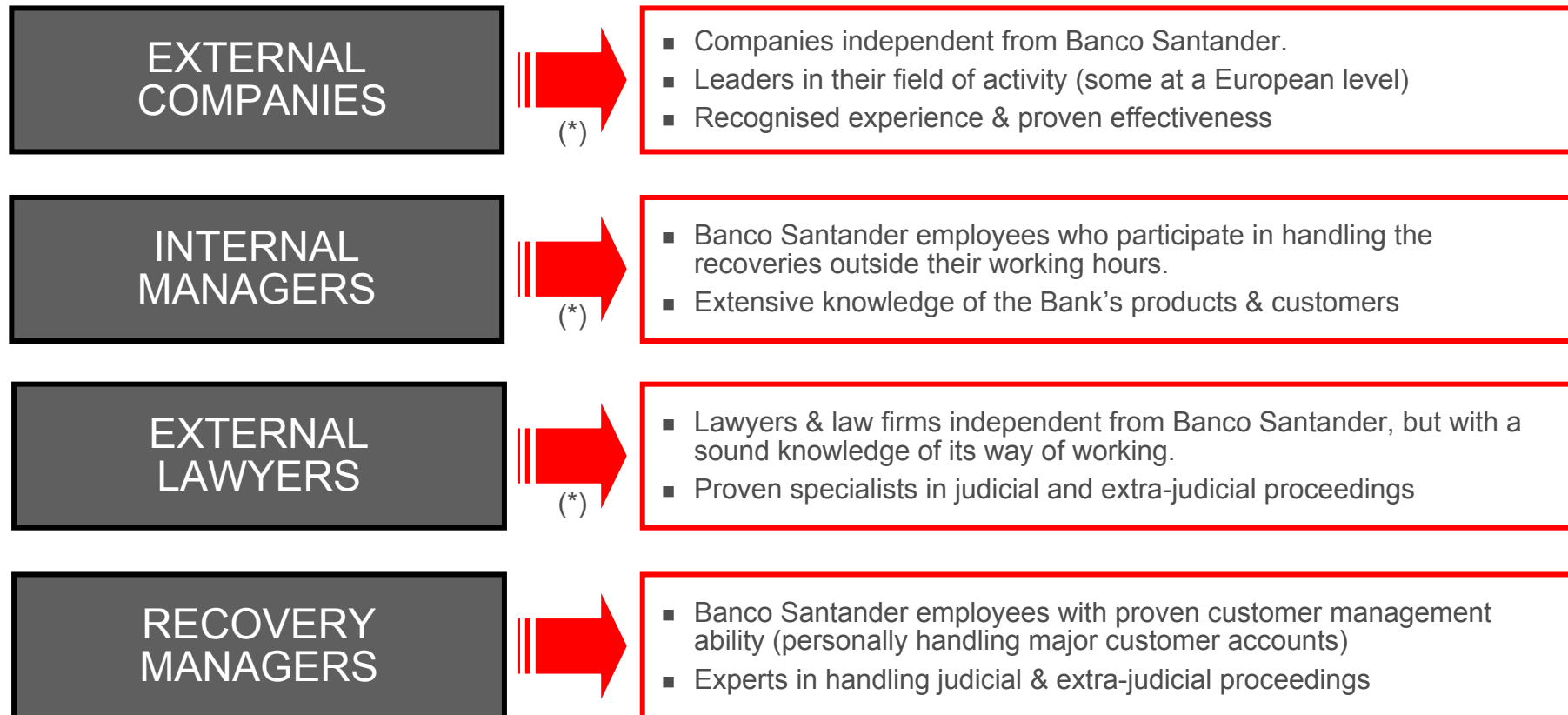
Follow Up: Systematic Management

Collection: Reporting & Systems Circuit



Source: Banco Santander

Recoveries: Recovery Participants

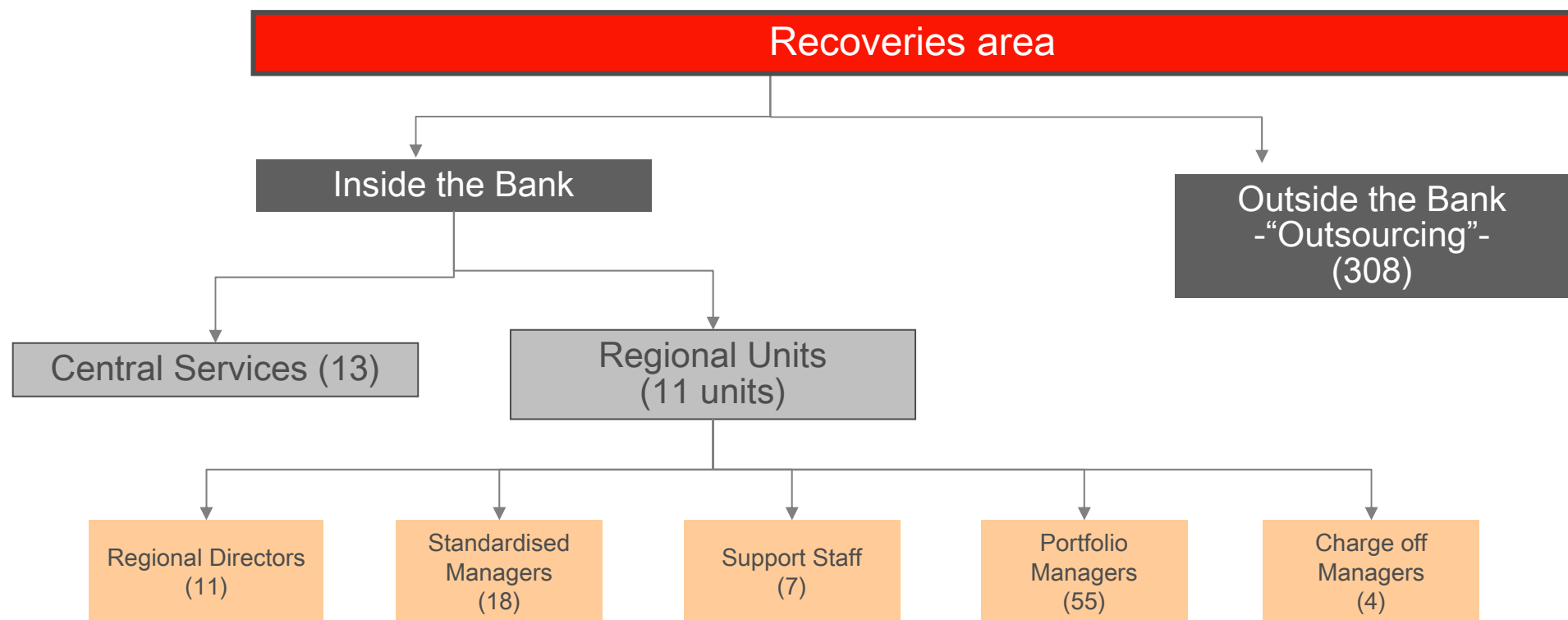


(*) The remuneration of these collaborators consists of a success-related fee; therefore they do not consume fixed resources.

Source: Banco Santander

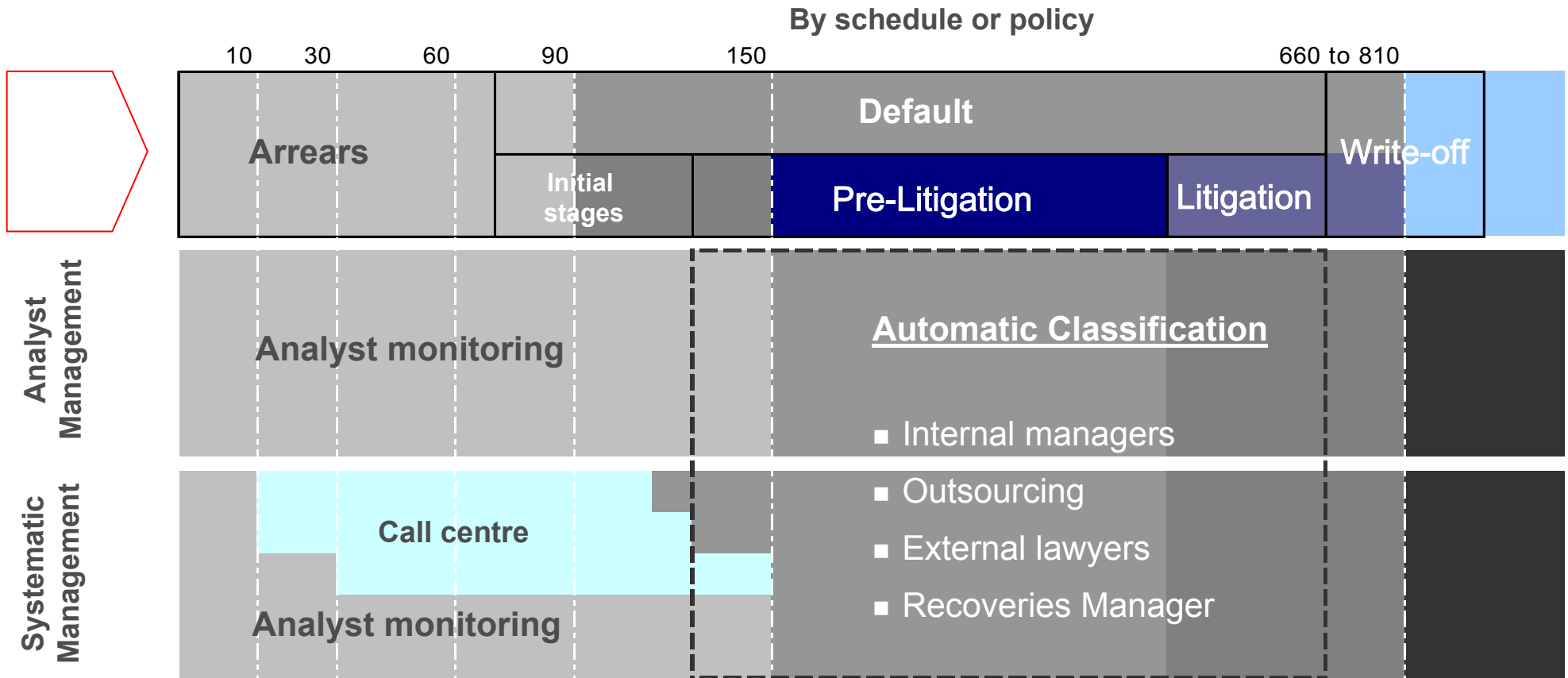
Recoveries: Process & Organisation

- The Recoveries Area includes 416 people: 108 persons internal + 308 external to Banco Santander:



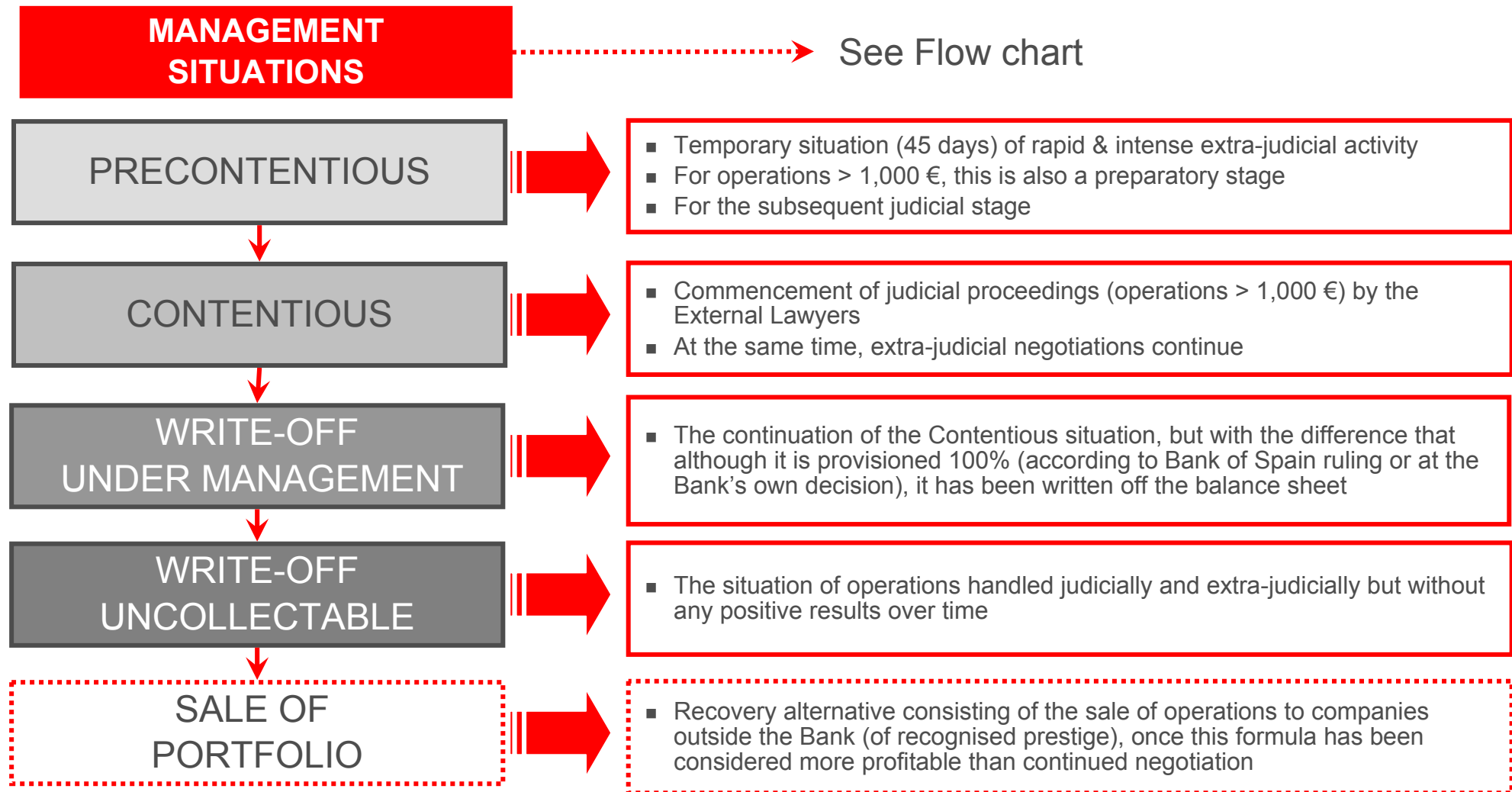
Source: Banco Santander

Recoveries: Global Snapshot



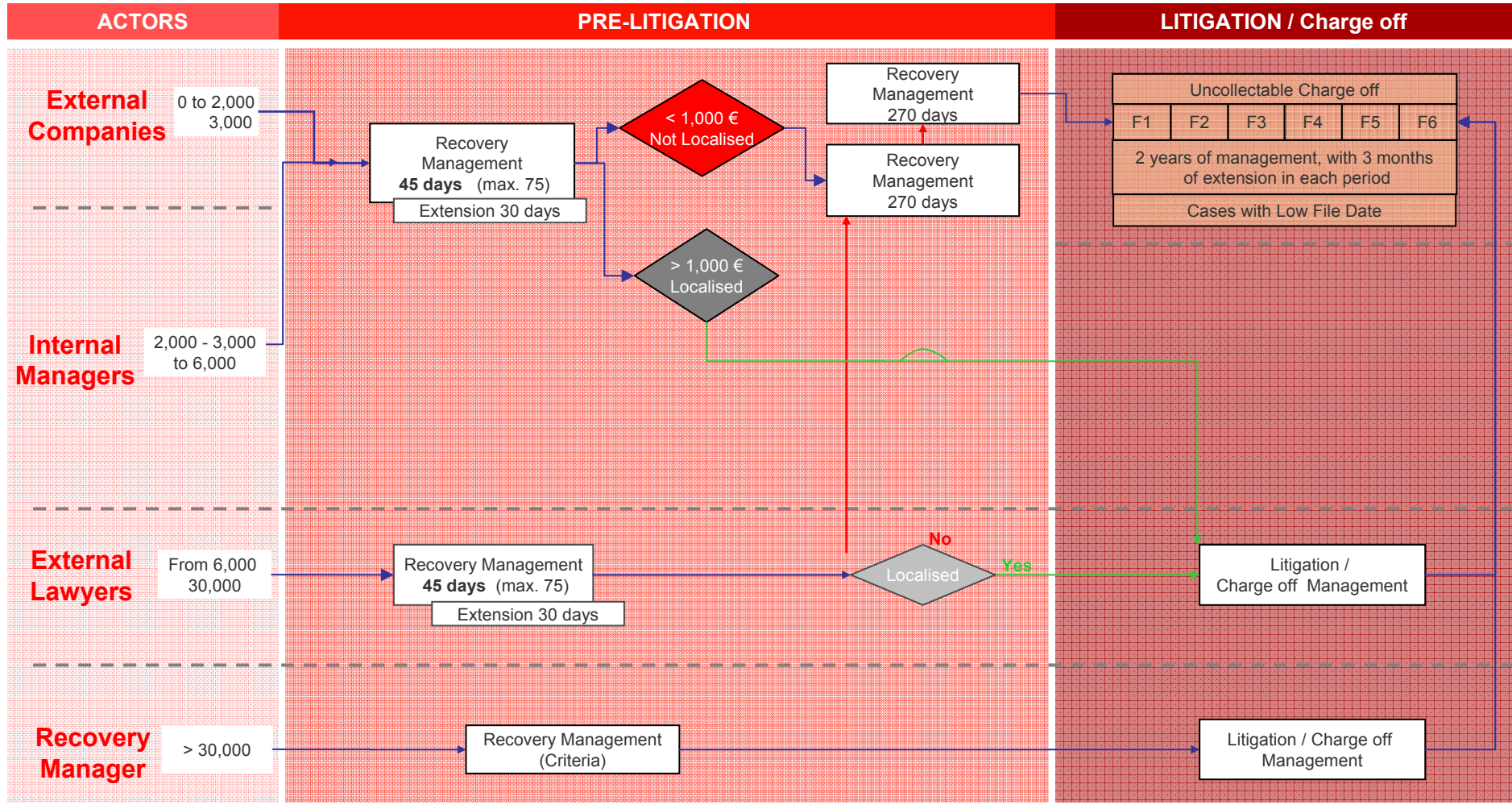
Source: Banco Santander

Recoveries: Global View for Spain



Source: Banco Santander

Recoveries: Flow Chart

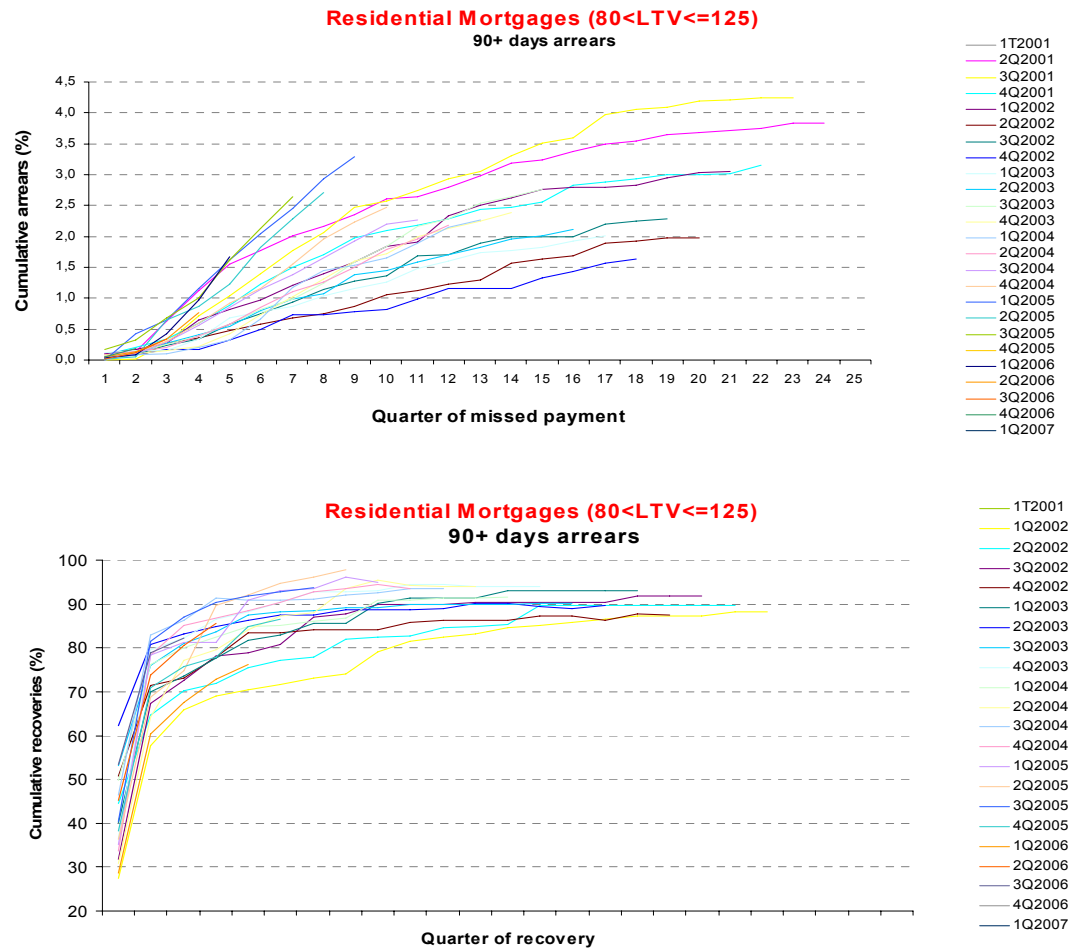


Source: Banco Santander

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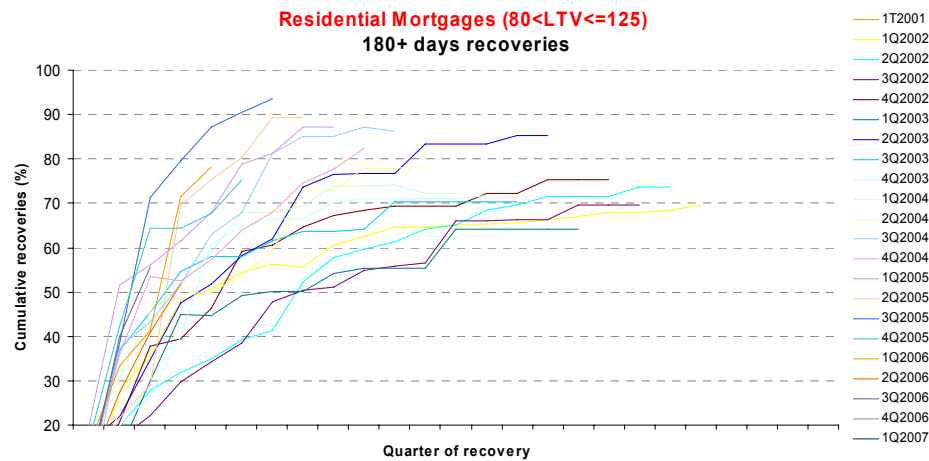
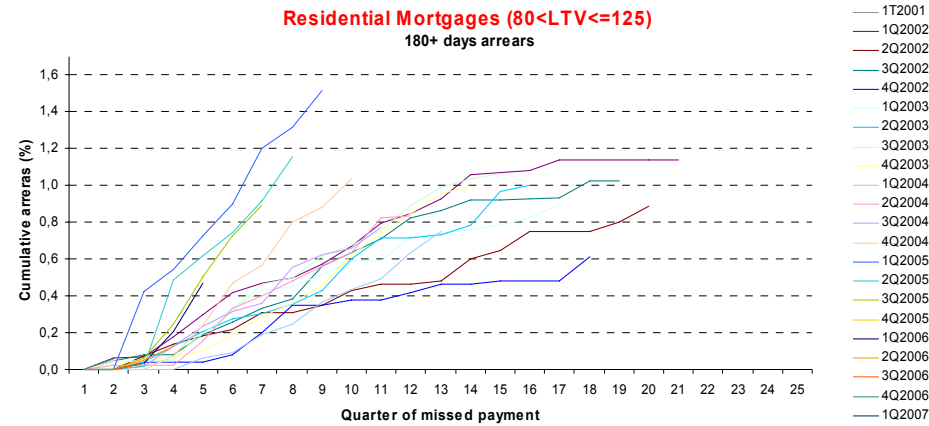
Cumulative arrears and recoveries study 90+ days criteria



Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

Source: Banco Santander data as of June 30th 2007

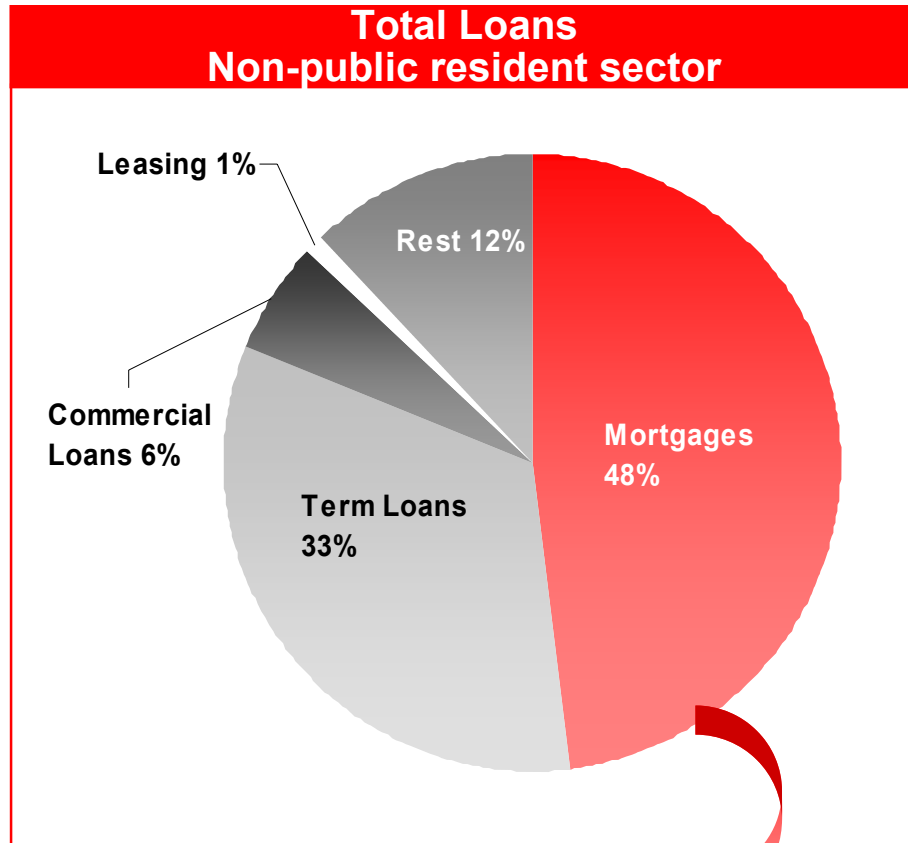
Cumulative arrears and recoveries study 180+ days criteria



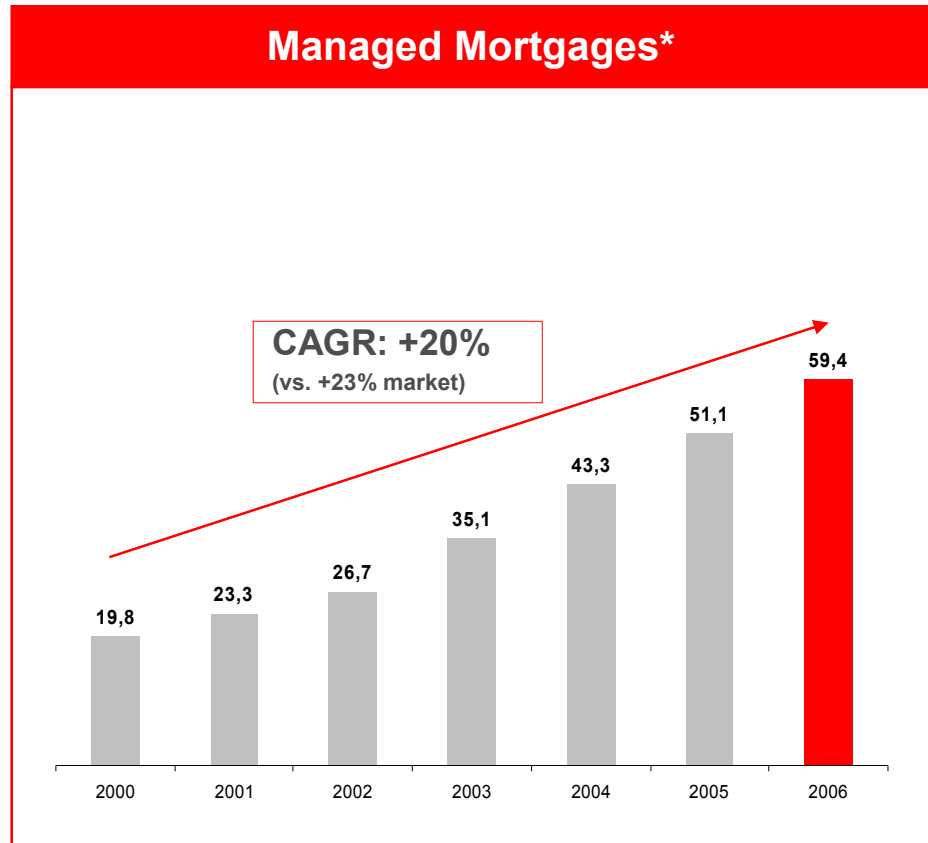
Note: Recoveries are calculated over the amount that entered in arrears during the corresponding period, regardless of the vintage of origination

Source: Banco Santander data as of June 30th 2007

Banco Santander loan book overview



69% Individuals
31% Commercial



Market Share Dec 06:
18% of Banks
7% of total market

Source: Banco Santander

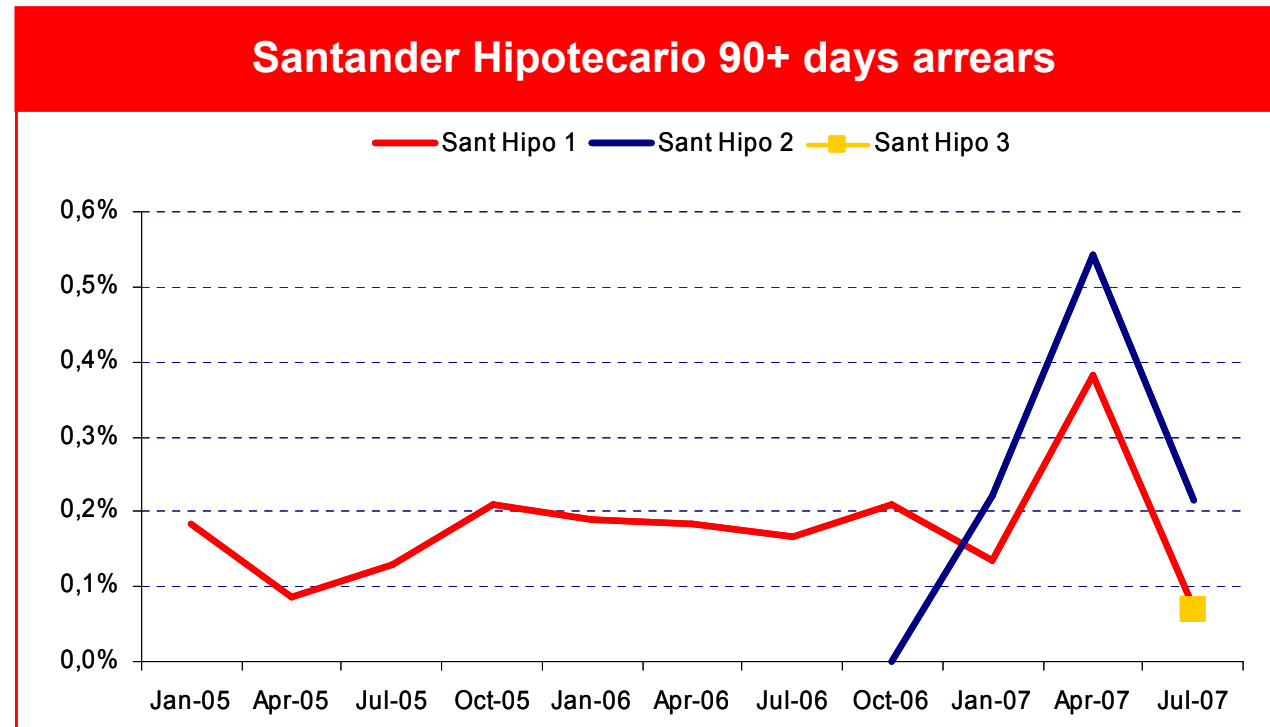
(*) Includes securitisations



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Previous Santander Hipotecario transactions performance



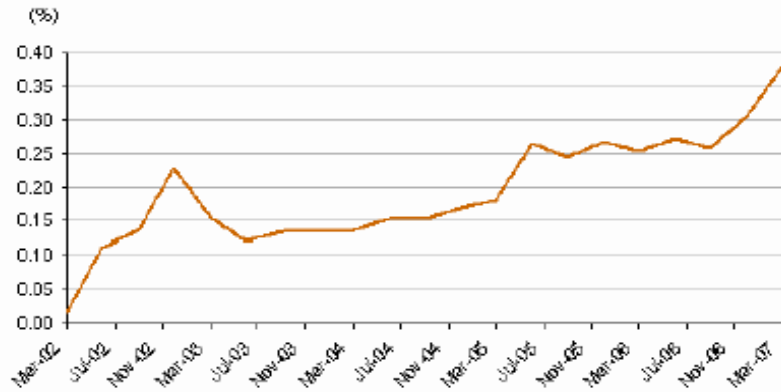
Santander Hipotecario arrears are in line with Spanish RMBS levels (see next slide).

As seen on the above graph the recovery process is one of the fastest in Spain.

Source: Banco Santander

Previous Santander Hipotecario transactions performance (II)

Chart 4a: Spanish RMBS Index Severe Delinquencies



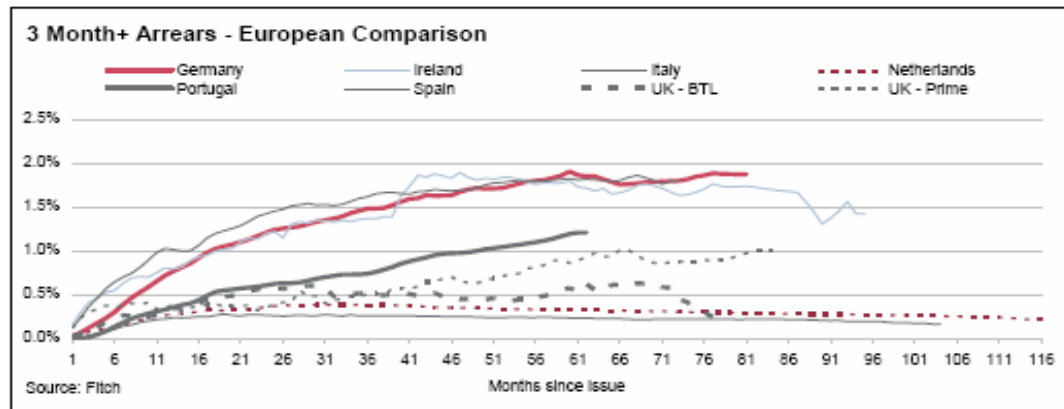
© Standard & Poor's 2007.

“Securitized mortgage assets are maintaining lower delinquency levels than the overall mortgage loans market.”

Standard & Poors: Spanish RMBS Index Report 29-May-2007

“The lowest arrears in Europe can be seen in Spanish RMBS”

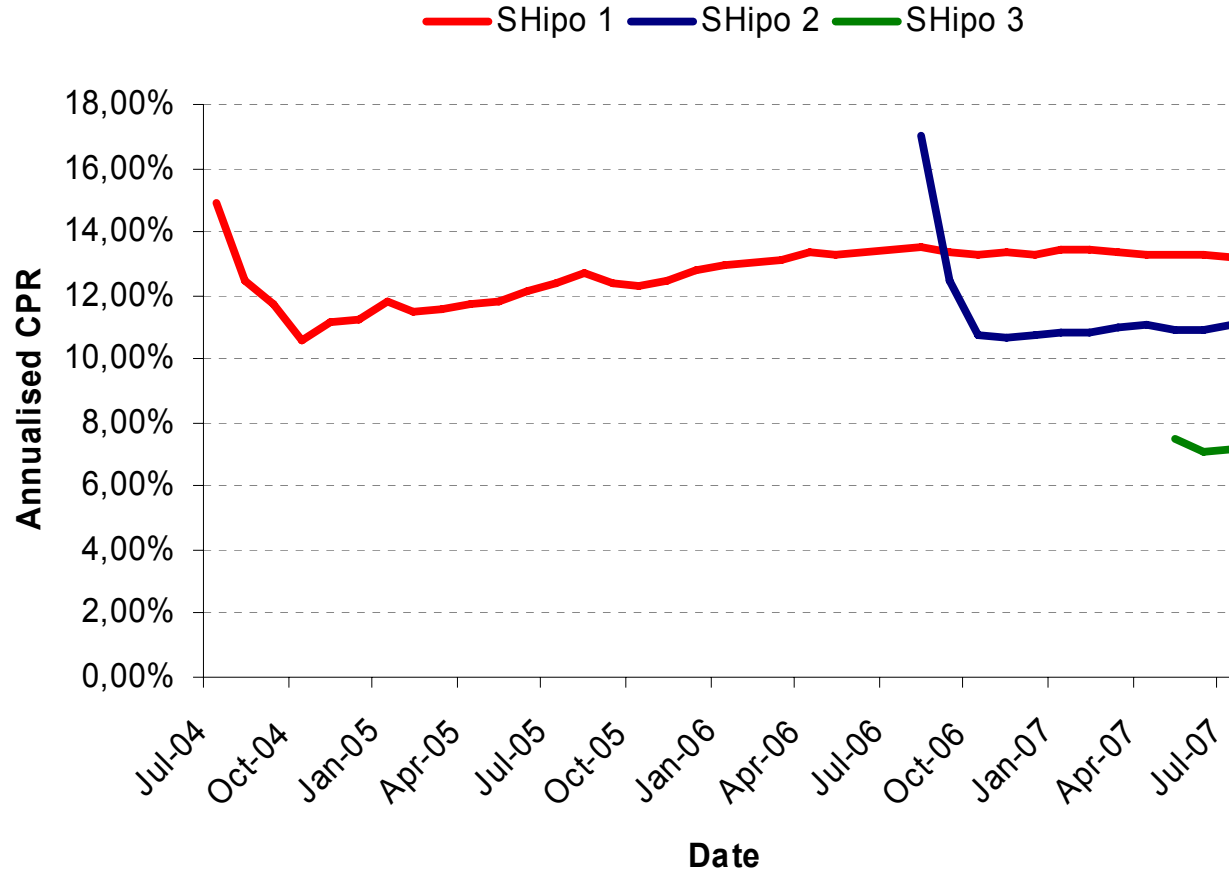
Fitch: Around the Houses –Quarterly European RMBS Performance Update 1-May-2007



Source: Banco Santander. Santander Hipotecario 1, Santander Hipotecario 2 and Santander Hipotecario 3 Investor reports



Previous Santander Hipotecario transactions performance (III)



Comparison with other deals

| Issue | Santander Hipotecario 1 | Santander Hipotecario 2 | Santander Hipotecario 3 | Madrid RMBS III | BBVA RMBS 3 | Santander Hipotecario 4 |
|--|--------------------------|--------------------------|--------------------------|----------------------|--------------------------|---------------------------------|
| Originator | Santander | Santander | Santander | Cajamadrid | BBVA | Santander |
| Fitch | AA | AA | AA | AA- | AA- | AA |
| Moody's | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 | Aa1 |
| S&P | AA | AA | AA | AA- | AA- | AA |
| Issue Size | 1.875.000.000 | 1.972.600.000 | 2.800.000.000 | 3.000.000.000 | 3.000.000.000 | 1.242.300.000 |
| Launch Date | June-04 | June-06 | March-07 | July-07 | July-07 | September-07 |
| Capital Structure (%) | | | | | | |
| AAA's | 91,65% | 92,15% | 91,90% | 94,94% | 91,85% | 91,40% |
| AA's | 2,85% | 2,65% | 2,80% | 1,93% | - | 1,70% |
| A's | 2,50% | 1,65% | 1,70% | 3,13% | 5,20% | 2,50% |
| BBB's | 3,00% | 2,55% | 2,60% | 2,50% | 2,95% | 2,20% |
| BB's | - | 1,00% | 1,00% | 1,81% | - | 2,20% |
| Reserve Fund | 1,50% | 0,89% | 0,80% | 3,60% | 1,30% | 1,00% |
| AAA Credit Enhancement (% includes RF ex swap) | 9,85% | 8,74% | 8,90% | 12,97% | 9,45% | 9,60% |
| Swap | | | | | | |
| Type | Guaranteed excess spread | Guaranteed excess spread | Guaranteed excess spread | Basis swap | Guaranteed excess spread | Guaranteed excess spread |
| Guaranteed excess spread | 0,65% | 0,65% | 0,75% | N/A | 0,65% | 0,65% |
| Counterparty | Santander | Santander | Santander | Cajamadrid | BBVA | Santander |
| Legal Final Maturity | July-42 | January-49 | January-50 | March-50 | February-60 | October-50 |

Source: Banco Santander. Rating Agencies

Comparison with other deals (cont')

| Issue | Santander Hipotecario 1 | Santander Hipotecario 2 | Santander Hipotecario 3 | Madrid RMBS III | BBVA RMBS 3 | Santander Hipotecario 4 | |
|---|-------------------------|-------------------------|-------------------------|------------------|------------------|-------------------------|----------------------|
| Global portfolio characteristics | Data as of | 26-Apr-04 | 08-Jun-06 | 23-Feb-07 | 06-Jun-07 | 25-Jun-07 | |
| N° of Loans | | 16.839 | 13.916 | 17.782 | 17.733 | 20.566 | 7.743 |
| Preliminary portfolio size | | 1.918.024.924 | 2.040.785.095 | 2.956.395.726 | 3.288.190.061 | 3.671.531.545 | 1.363.120.908 |
| Average loan size | | 113.904 | 146.650 | 166.258 | 185.428 | 178.524 | 176.046 |
| 1 st lien mortgage guarantee | | 100% | 100% | 100% | 100% | 100% | 100% |
| WALTV | | 87,81% | 88,76% | 92,21% | 92,20% | 87,71% | 91,61% |
| Max LTV | | 99,68% | 119,80% | 119,77% | 100,00% | 100,00% | 124,99% |
| Top 1 | | 0,123% | 0,106% | 0,018% | 0,035% | 0,016% | 0,720% |
| Seasoning, Term | | | | | | | |
| WA Seasoning (months) | | 19,24 | 18,94 | 18 | 21,2 | 12,47 | 13,22 |
| WA Remaining Life (months) | | 306 | 333,6 | 380 | 359 | 395 | 378 |
| WA Remaining Life (years) | | 25,5 | 27,8 | 31,7 | 29,9 | 32,95 | 31,5 |
| Interest rate | | | | | | | |
| WA Interest Rate | | 3,07% | 3,22% | 4,01% | 4,92% | 4,73% | 4,64% |
| Min Interest rate | | | - | 2,05% | 2,50% | 2,25% | 2,50% |
| Max Interest rate | | | 5,78% | 6,00% | 7,00% | 6,50% | 6,50% |
| WA Margin | | 68 bps | 76 bps | 81 bps | 93 bps | 77 bps | 76 bps |
| Geog. Concentration | | | | | | | |
| Catalonia | | 29,83% | 17,87% | 17,24% | 21,36% | 24,03% | 18,68% |
| Madrid | | 16,98% | 17,27% | 15,79% | 56,23% | 14,55% | 14,38% |
| Andalusia | | 13,12% | 15,10% | 16,90% | 3,33% | 15,58% | 20,10% |
| Valencia | | 5,98% | 9,39% | 9,22% | 3,26% | 12,57% | 10,13% |
| Basque Country | | 6,90% | 7,13% | 6,48% | 1,29% | 3,87% | 3,92% |
| Castilla Leon | | 4,35% | 3,95% | 4,77% | 1,44% | 3,75% | 4,14% |
| Castilla La Mancha | | 2,36% | 2,74% | 3,38% | 4,09% | 3,97% | 3,45% |
| Balearic Islands | | 1,45% | 2,48% | 3,46% | 2,20% | 3,62% | 2,98% |
| Canary Islands | | 4,73% | 9,91% | 9,57% | 0,76% | 4,55% | 9,48% |
| Artificial Write-Off | | 18 months | 18 months | 18 months | 6 months | 12 months | 18 months |

Source: Banco Santander. Rating Agencies

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Banco Santander at a glance

Profile

- Largest financial company in the euro zone by market capitalisation and twelfth in the world (Dec'06)
- Largest financial group in the Iberian Peninsula
 - Largest in Spain*
 - Fourth Largest in Portugal*¹
- Sixth banking group in the UK²
- Among the leaders in consumer finance in Europe
- Leader among Latin American banking franchises
- Largest retail network in Western Europe

Basic data Q1'07

| | |
|---|----------|
| ■ Market capitalisation (30/03/07) | €83.6bn |
| ■ Customer funds ³ | €771bn |
| ■ Gross loans | €531bn |
| ■ Total funds under management ⁴ | €1,025bn |
| ■ Attributable profit (Dec.'06) | €7.6bn |
| ■ Attributable profit (Q1'07) | €1.8bn |
| ■ Customers (millions) | 69 |
| ■ Employees (#) | 134,638 |
| ■ Branches (#) | 10,978 |
| ■ Shareholders (millions) | 2.3 |

(*) By credits, deposits and mutual funds

(1) 2nd privately-owned bank in Portugal by net income

(2) By assets, and 3rd by mortgages

(3) Total funds on and off-balance

(4) Total assets + off-balance sheet funds

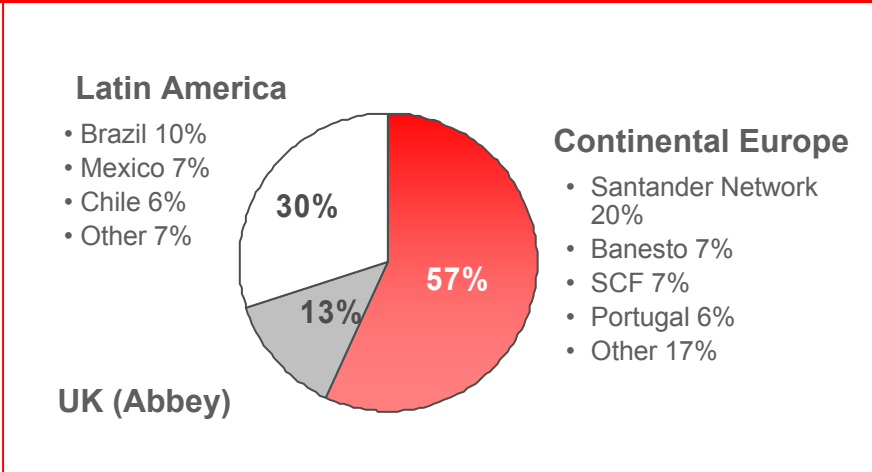
Source: Banco Santander



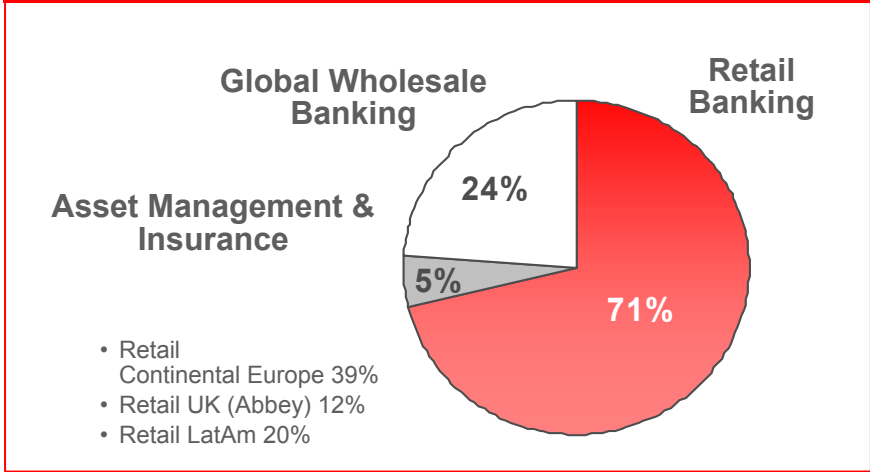
150
AÑOS

... with Diversified Business & Location

Attributable profit by geography

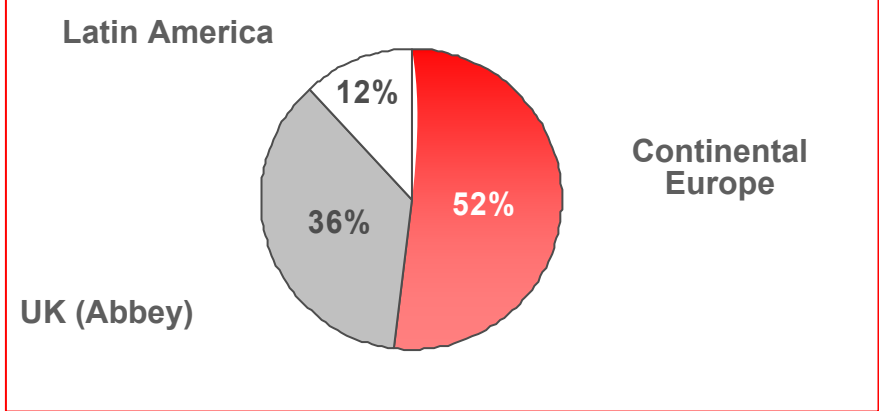


Profit before tax by business



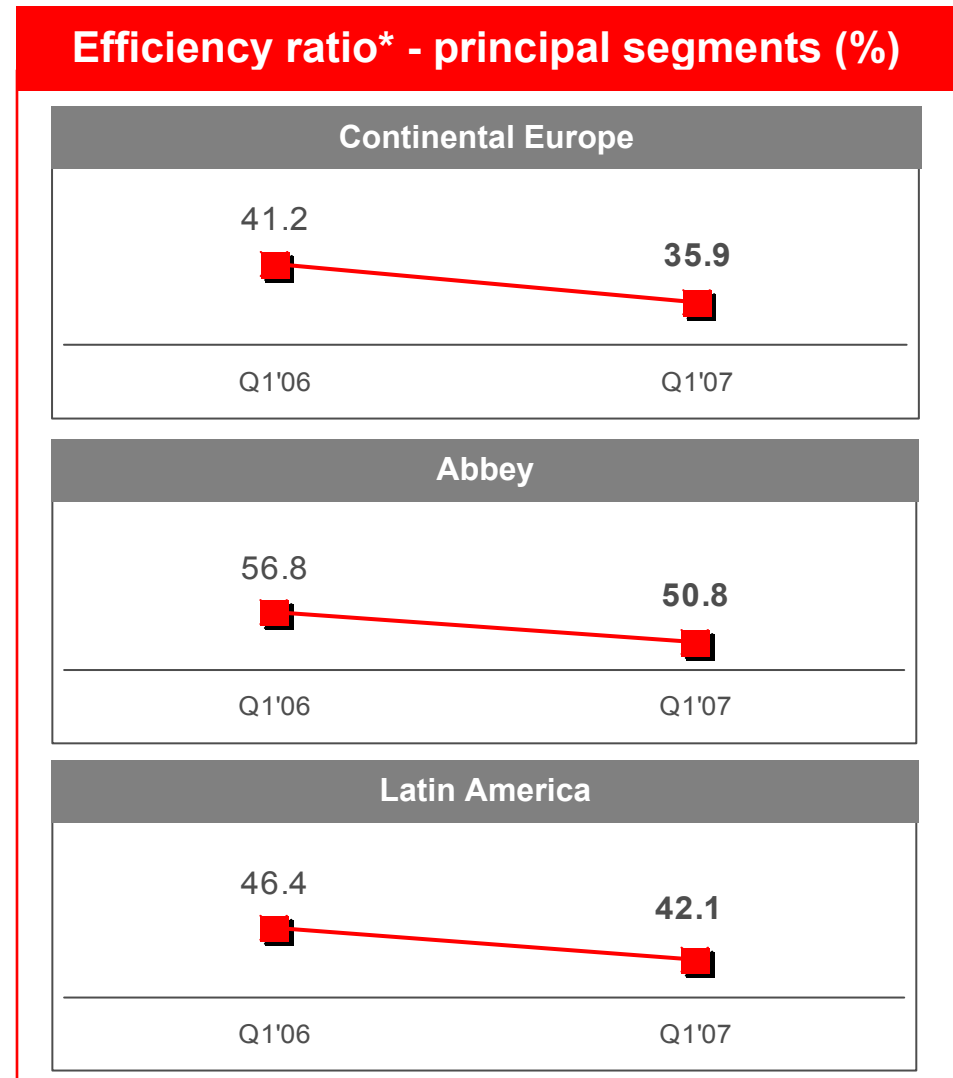
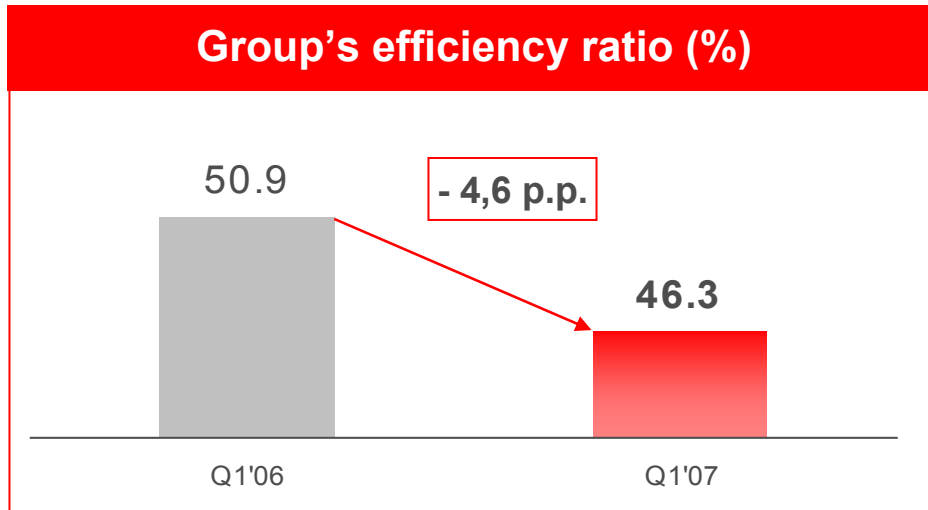
Note: Data as of Q1 '07

Customer Loans



Source: Banco Santander

Group's efficiency ratio



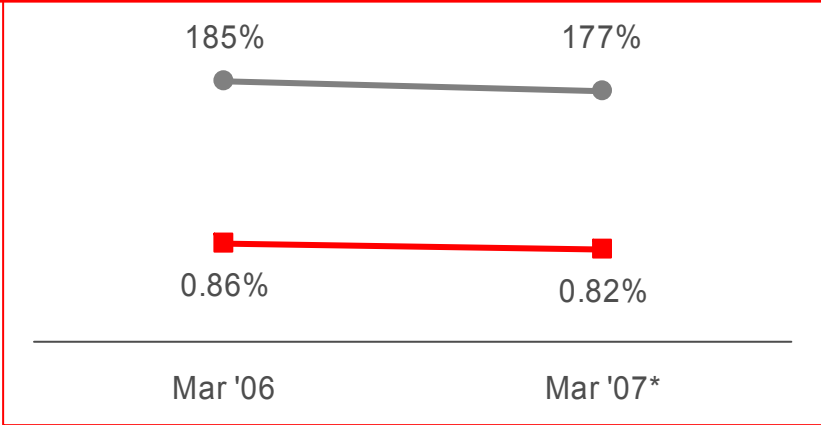
Source: Banco Santander

(*) Including amortisations

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

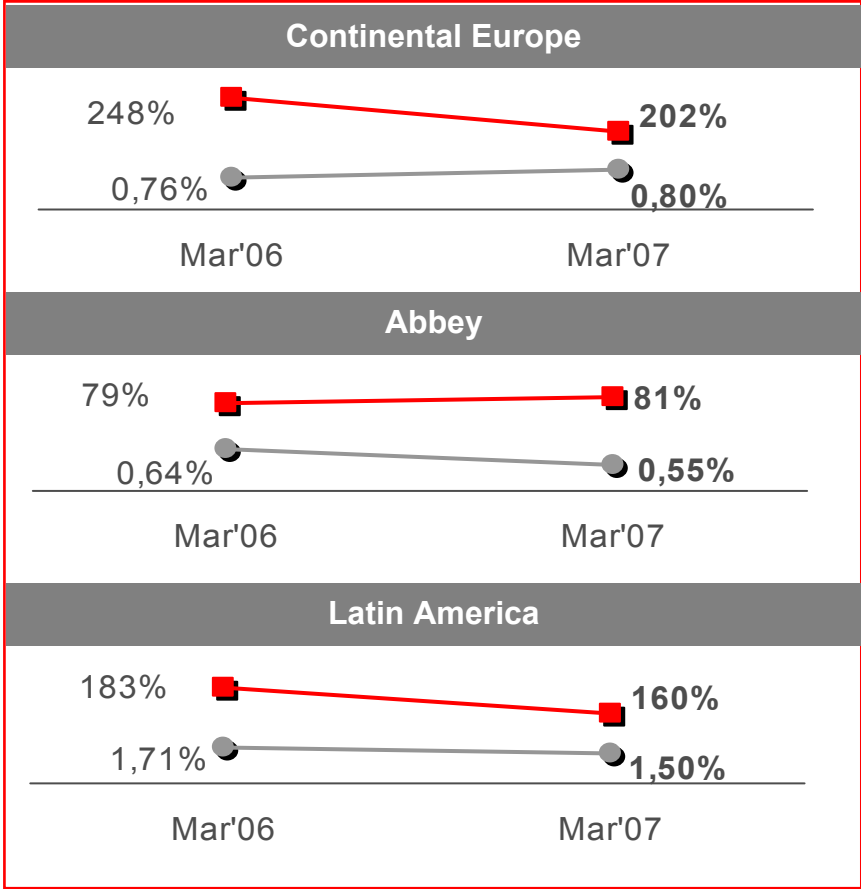
Maintaining historically low NPL ratios with a high coverage ratio, compatible with the change in business mix ...

NPLs and coverage ratios



■ Coverage ratio ● NPL ratio

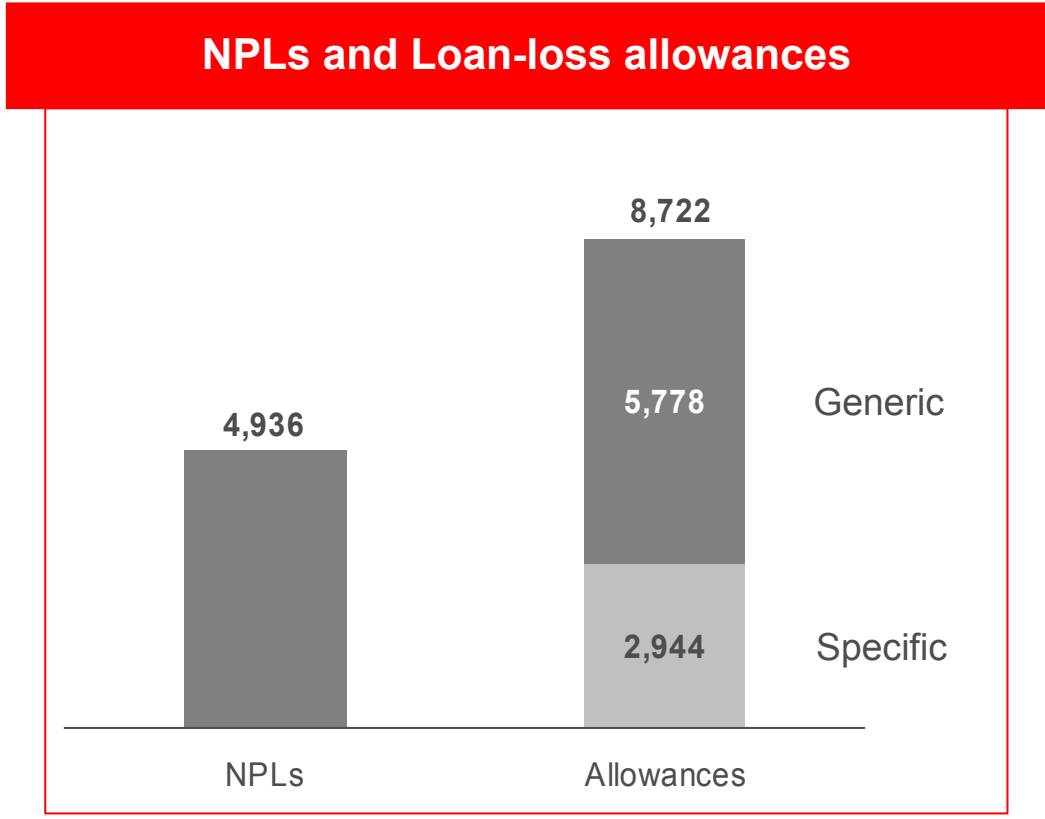
NPL ratio and coverage ratio by areas



Source: Banco Santander

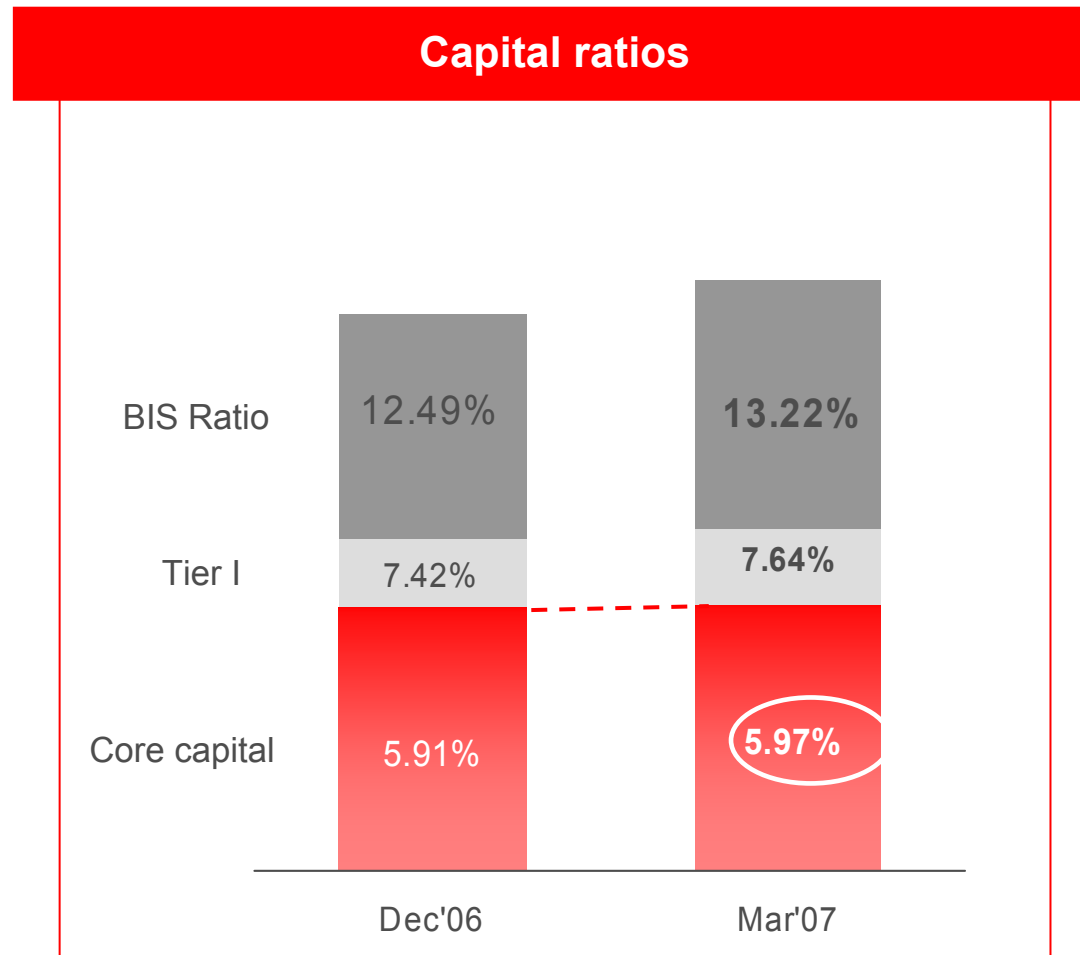
Risk Quality: One of the Group's Trademarks (II)

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



Source: Banco Santander

Banco Santander's Regulatory Capital



Source: Banco Santander

Banco Santander funding objectives

- 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 securitisation
- Monitoring and managing interest rate and currency risk exposure
- Measuring and optimising 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

Source: Banco Santander

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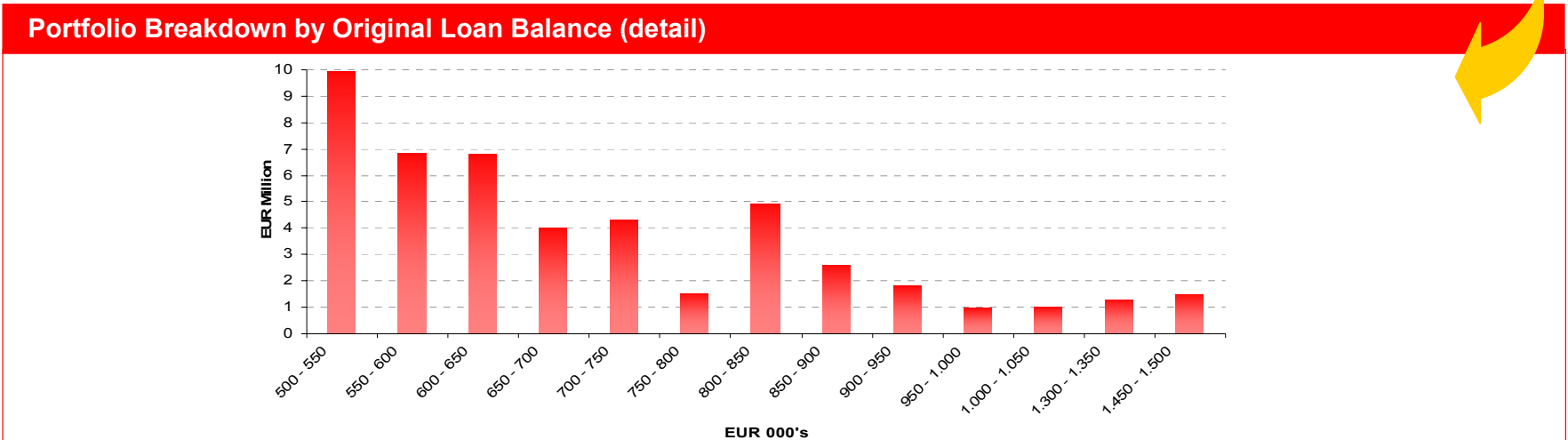
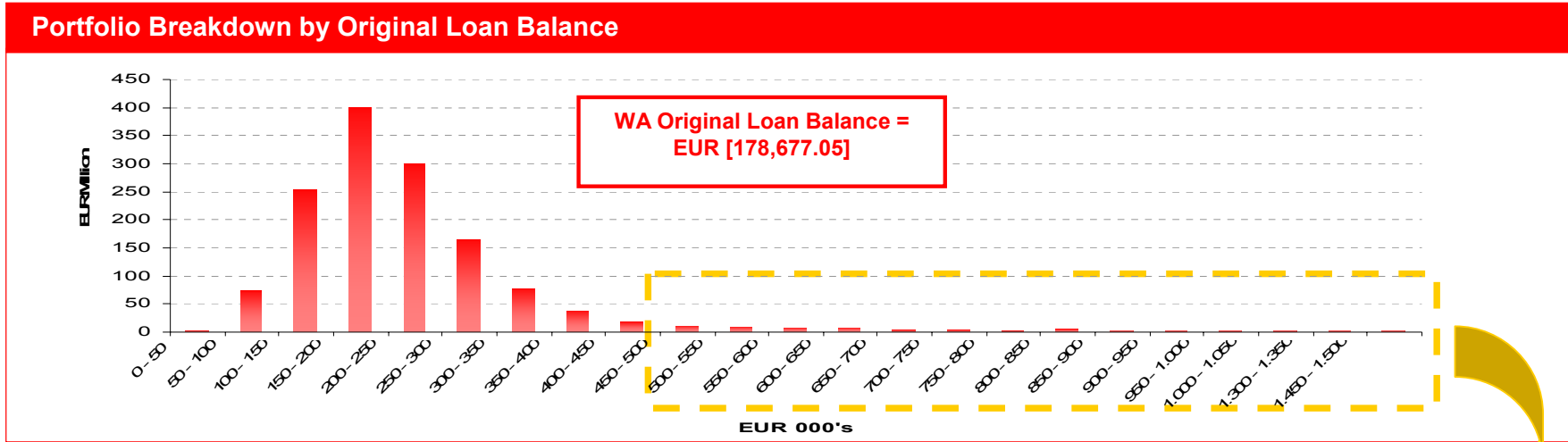
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Portfolio selection criteria

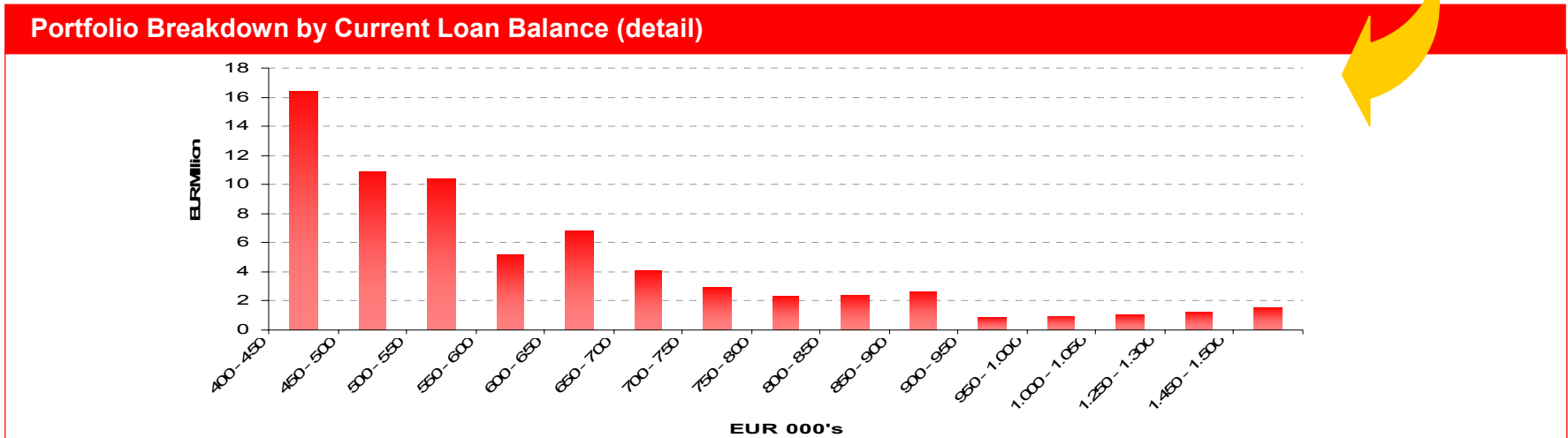
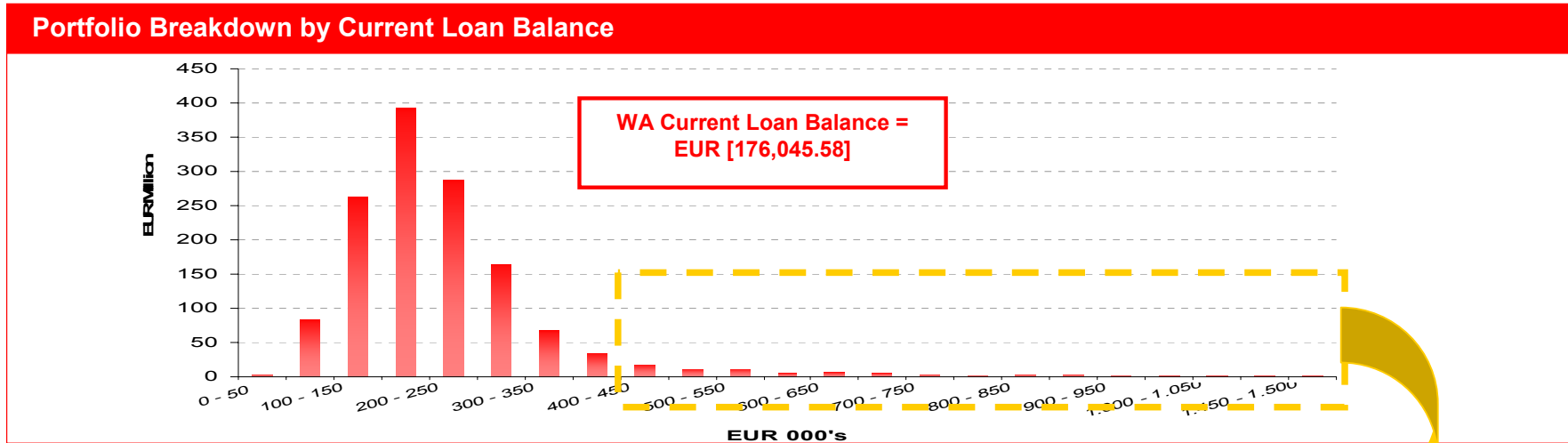
- Not eligible for "Cedulas Hipotecarias" (e.g. LTV > 80%).
- Residential mortgages granted to individuals (Spanish residents).
- Originated by "the Bank" in its normal course of business.
- First Lien.
- Euro denominated.
- No cap nor floor in interest rates.
- Less than EUR 1.5 million outstanding amount.
- All are paid by direct debit from a bank account at one of "the Bank" branches.
- Under Spanish legal framework.
- All loans have been completely drawn.
- No loan has been ever in arrears for more than 90 days. In addition at the issue date no loan will be in arrears for more than 30 days.
- No "flexible products" have been included.

Santander Hipotecario 4 - Breakdown by Original Loan Balance



Source: Banco Santander. Provisional Pool as of August 27

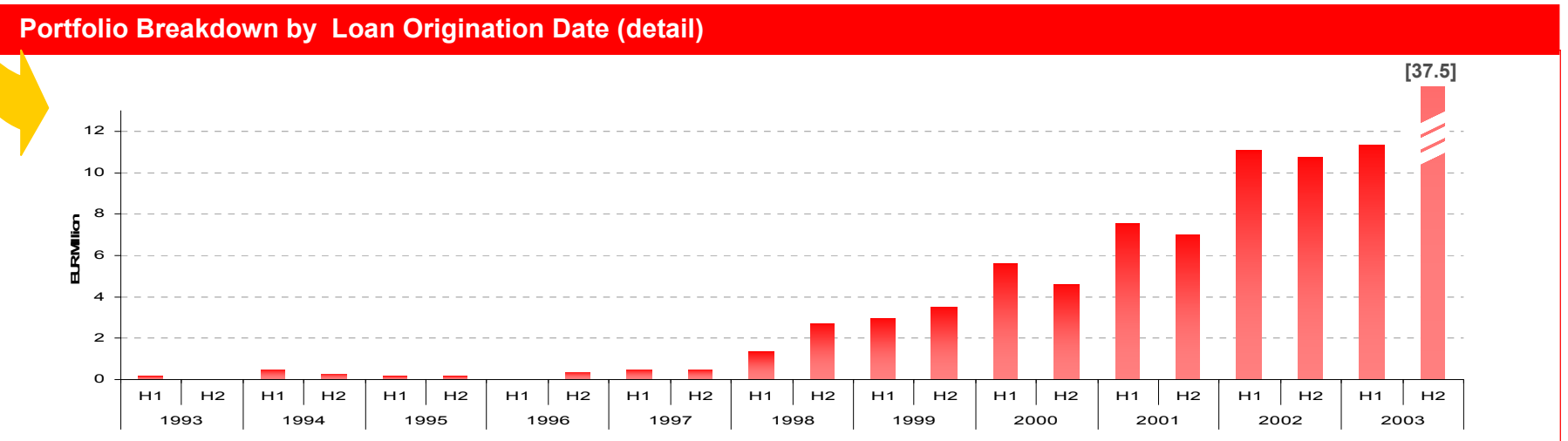
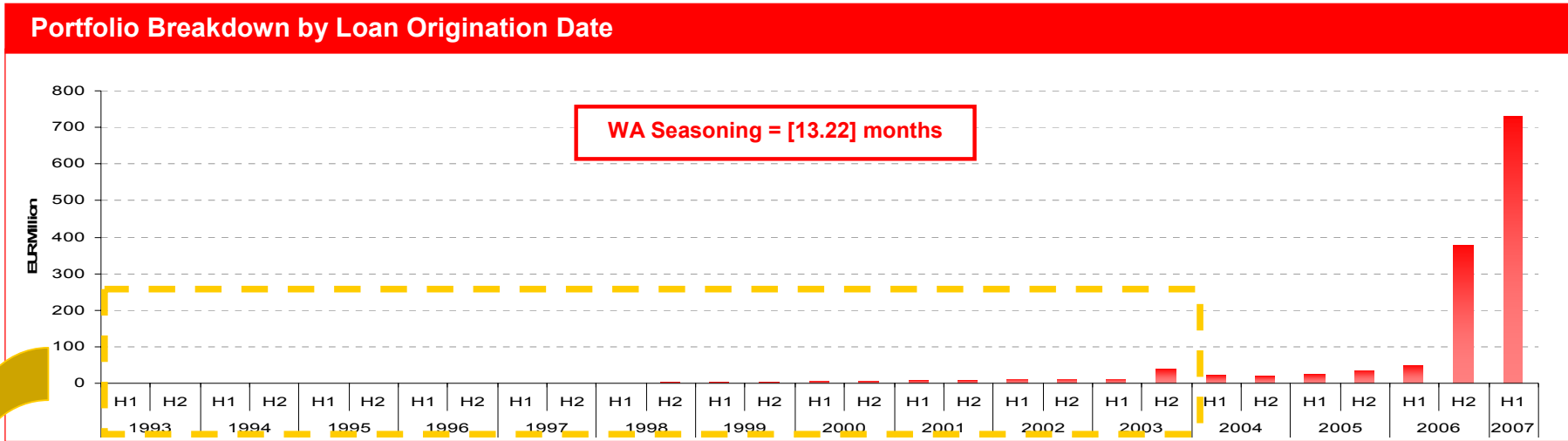
Santander Hipotecario 4 - Breakdown by Current Loan Balance



Source: Banco Santander. Provisional Pool as of



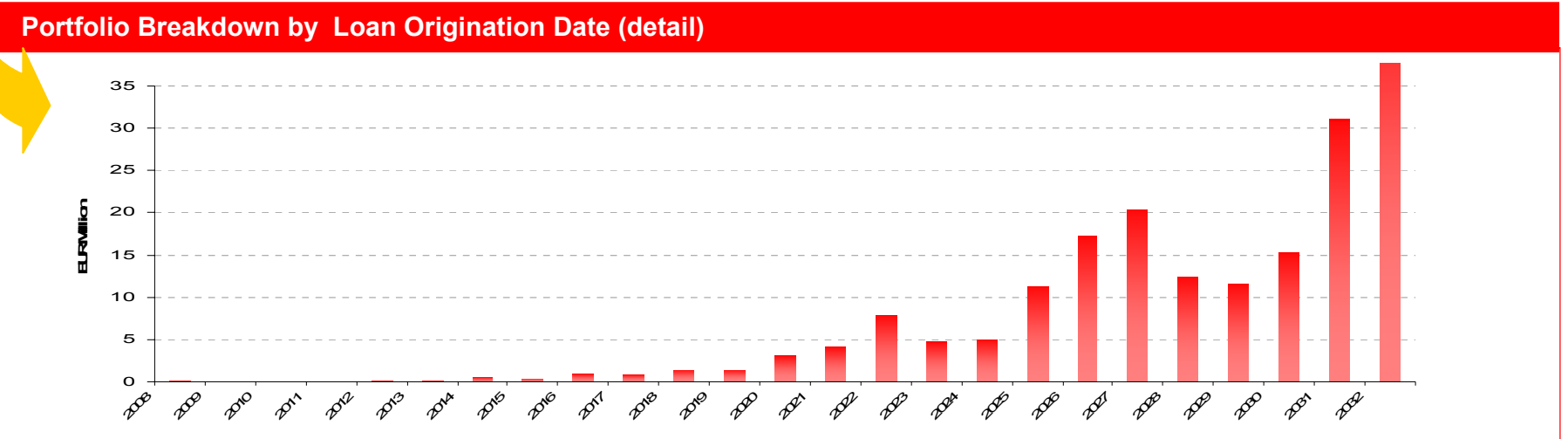
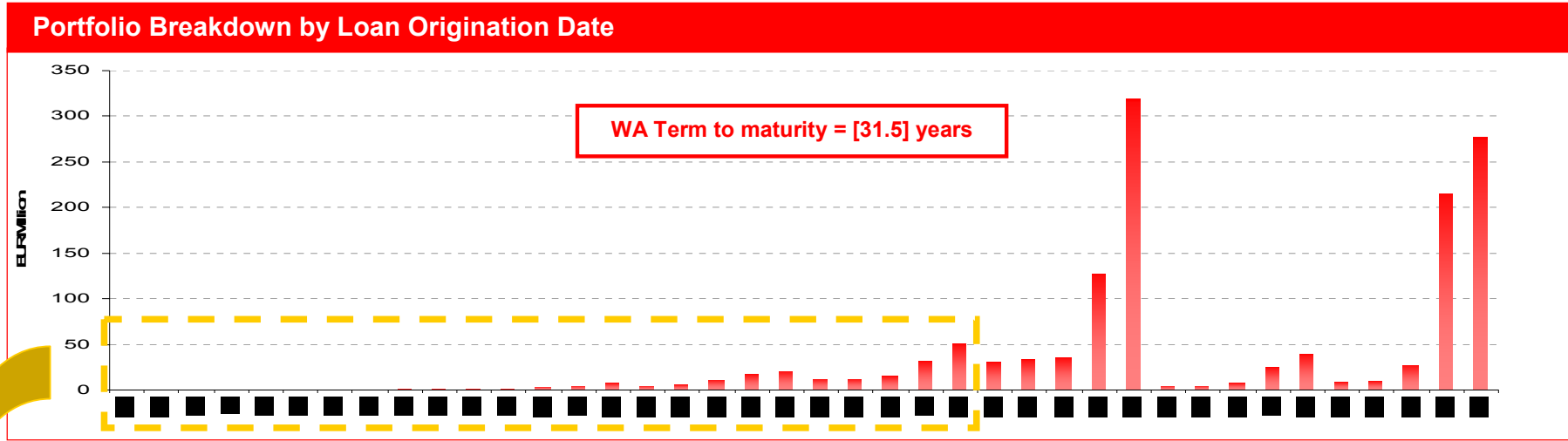
Santander Hipotecario 4 - Breakdown by Loan Origination Date



Source: Banco Santander. Provisional Pool as of



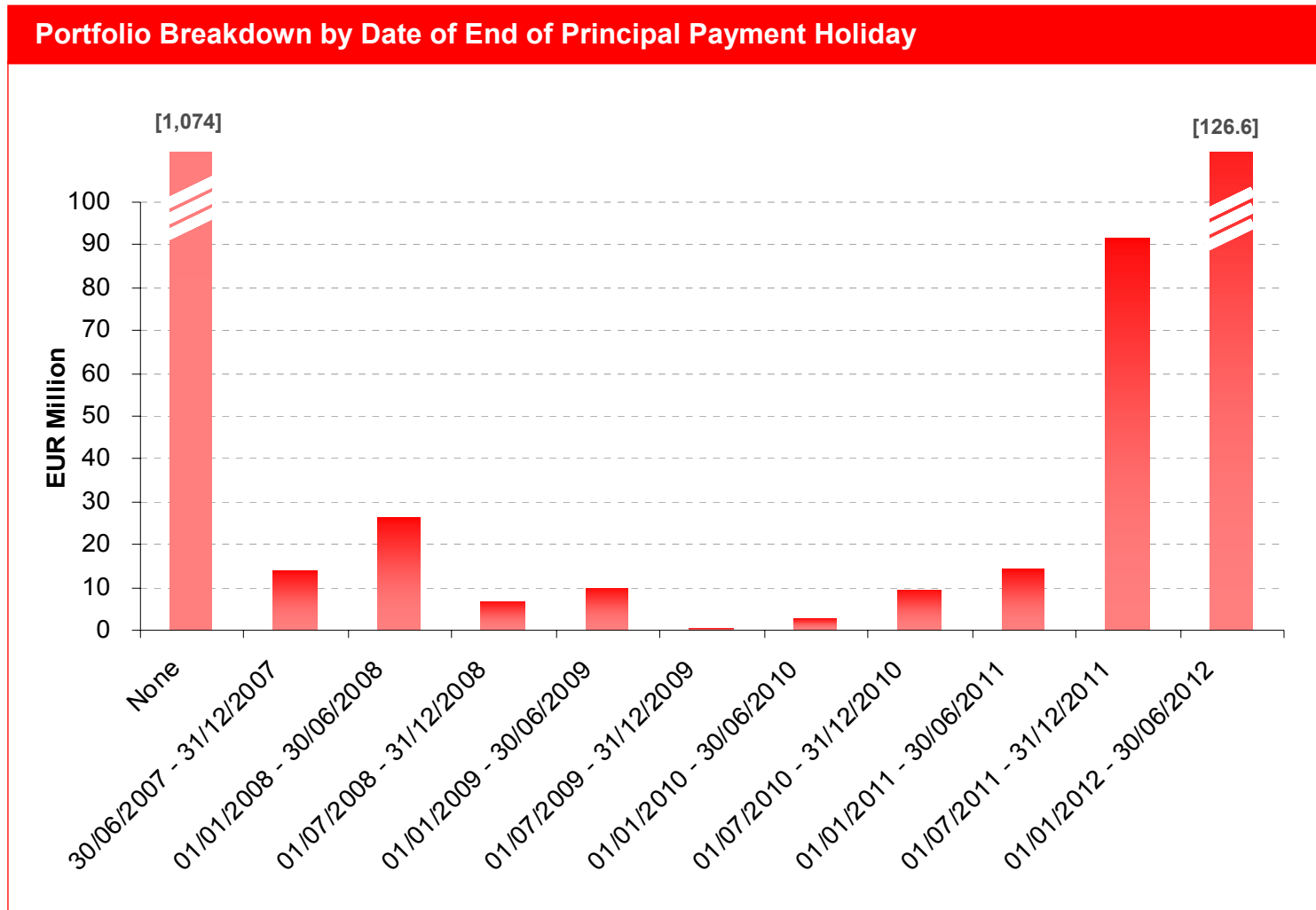
Santander Hipotecario 4 - Breakdown by Loan Maturity Date



Source: Banco Santander. Provisional Pool as of



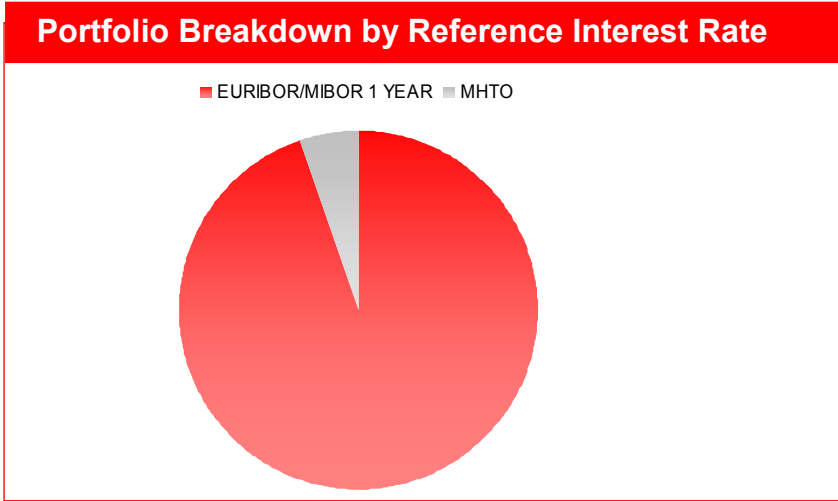
Santander Hipotecario 4 - Breakdown by Principal Payment Holiday



Source: Banco Santander. Provisional Pool as of

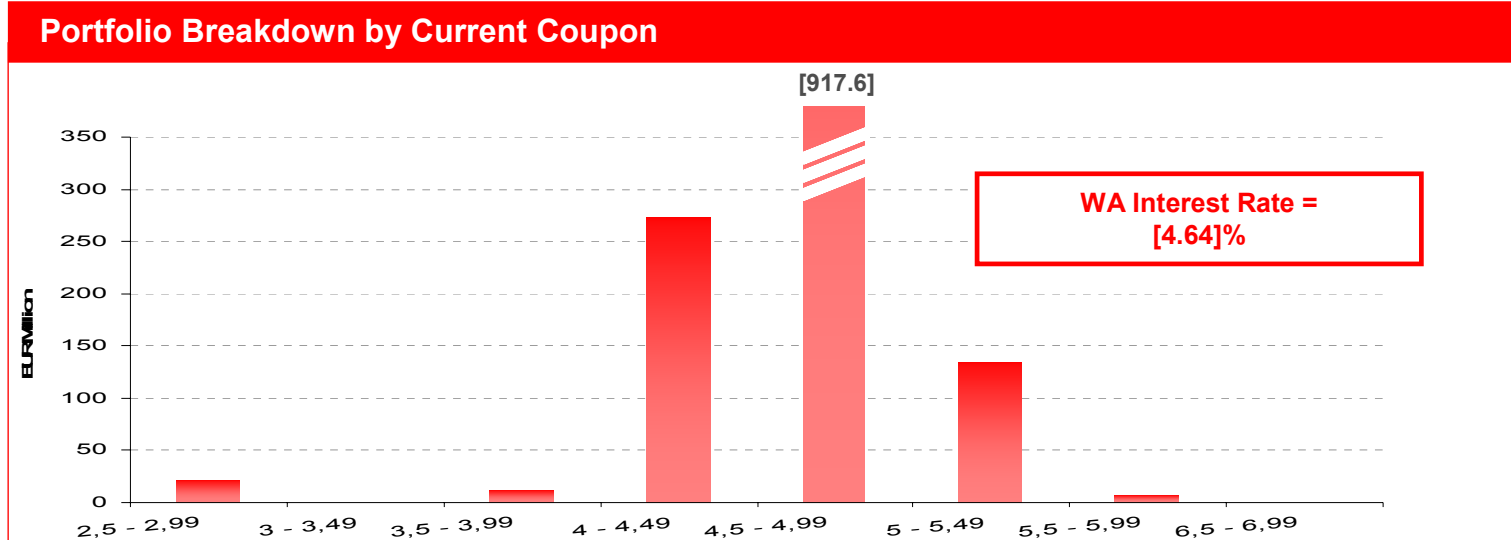


Santander Hipotecario 4 - Breakdown by Reference Interest Rate & Current Coupon



The interest rate mismatch is mitigated by the **guaranteed** Interest Rate Swap

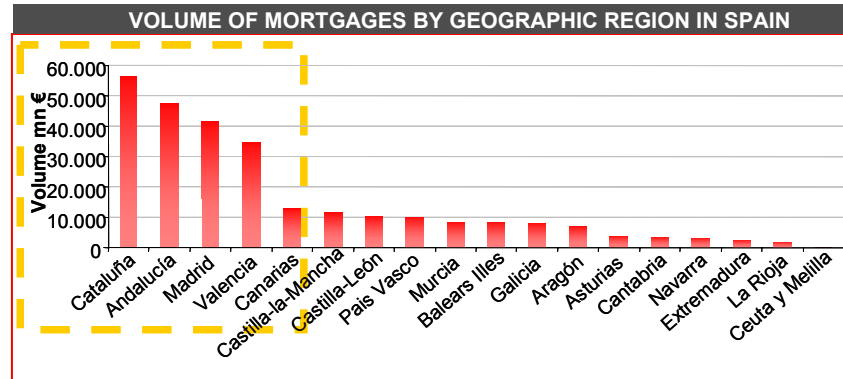
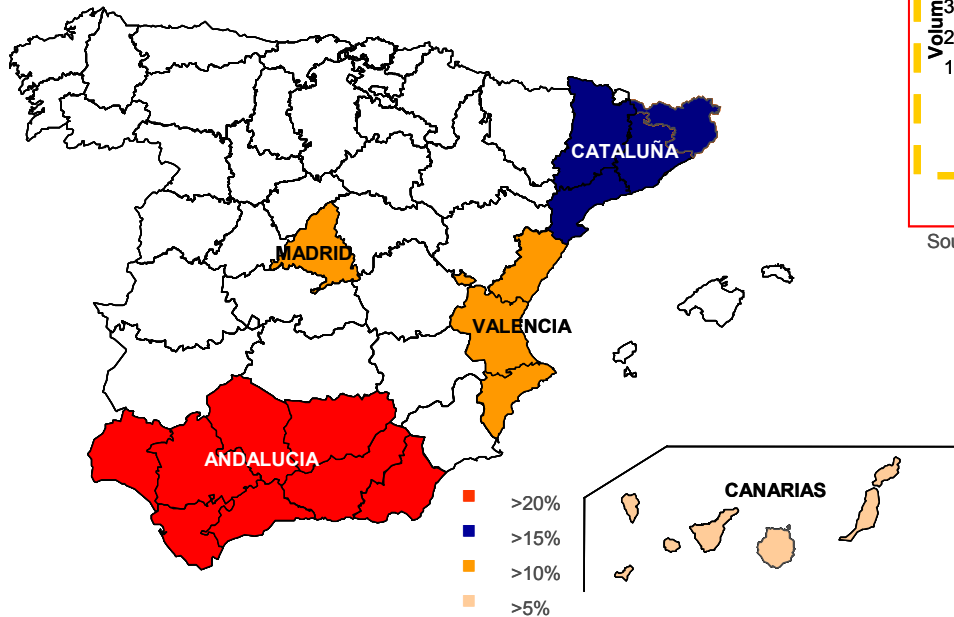
The weighted average interest rate of the portfolio is [4.64]%



Source: Banco Santander. Provisional Pool as of

Santander Hipotecario 4 - Geographical distribution

Top 5 regional concentrations:



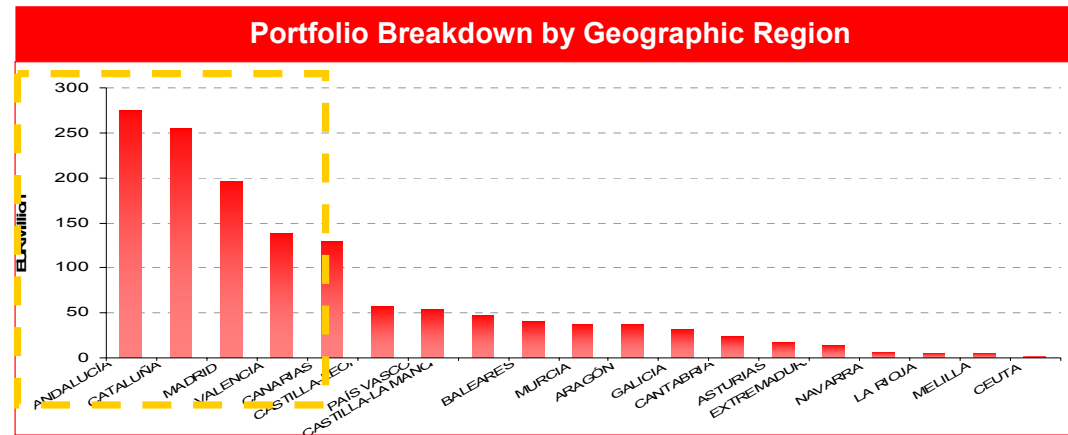
Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

| REGION | % |
|---------------|--------|
| ANDALUCIA | 20,10% |
| CATALUNA | 18,68% |
| MADRID | 14,38% |
| VALENCIA | 10,13% |
| CANARIAS | 9,48% |
| CASTILLA-LEON | 4,14% |
| PAIS VASCO | 3,92% |
| MANCHA | 3,45% |
| BALEARES | 2,98% |
| MURCIA | 2,73% |
| ARAGON | 2,66% |
| GALICIA | 2,32% |
| CANTABRIA | 1,71% |
| ASTURIAS | 1,23% |
| EXTREMADURA | 0,99% |
| NAVARRA | 0,41% |
| LA RIOJA | 0,34% |
| MELILLA | 0,29% |

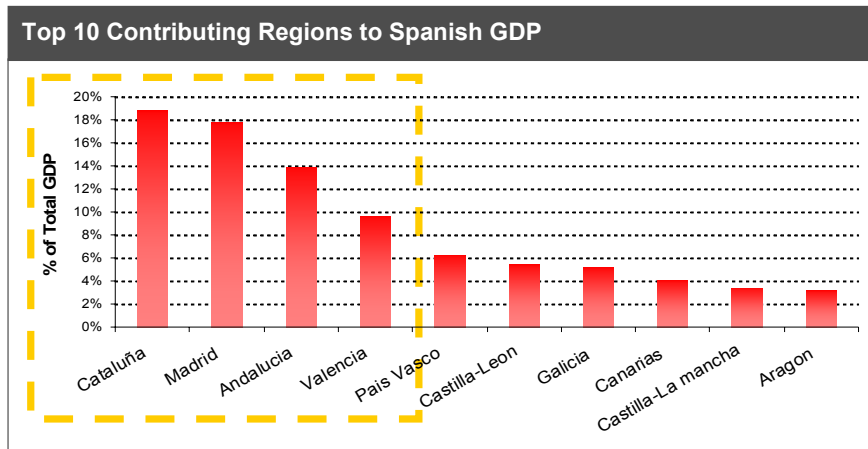
Note: All figures in this section relate to the provisional pool as of August, 2007; Source: Banco Santander

Santander Hipotecario 4 - Breakdown by Geographic Region

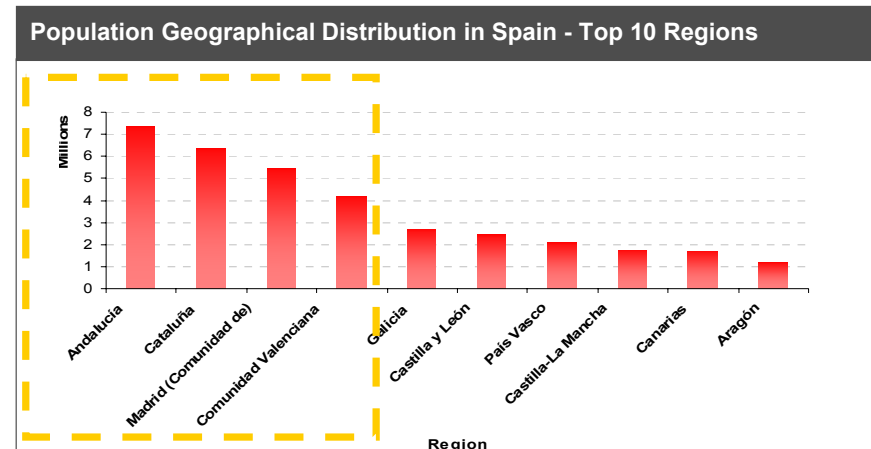
The regions with the highest outstanding balances are also the ones with the highest contribution to Spanish GDP and also the most populated.



Source: Banco Santander. Provisional Pool as of 27th August 2007

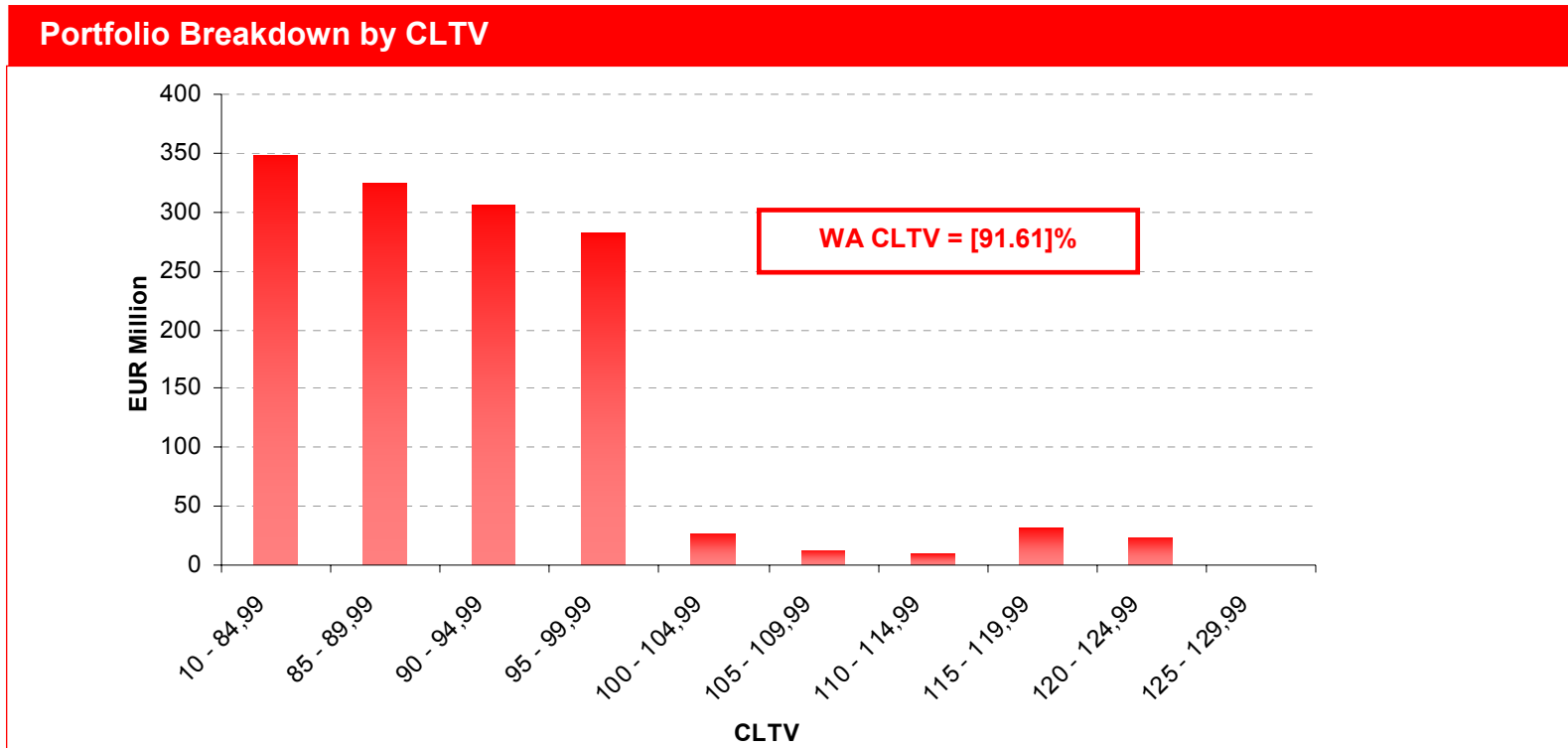


Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)



* Source: INE National Statistics Institute

Santander Hipotecario 4 - Breakdown by CLTV



Source: Banco Santander. Provisional Pool as of



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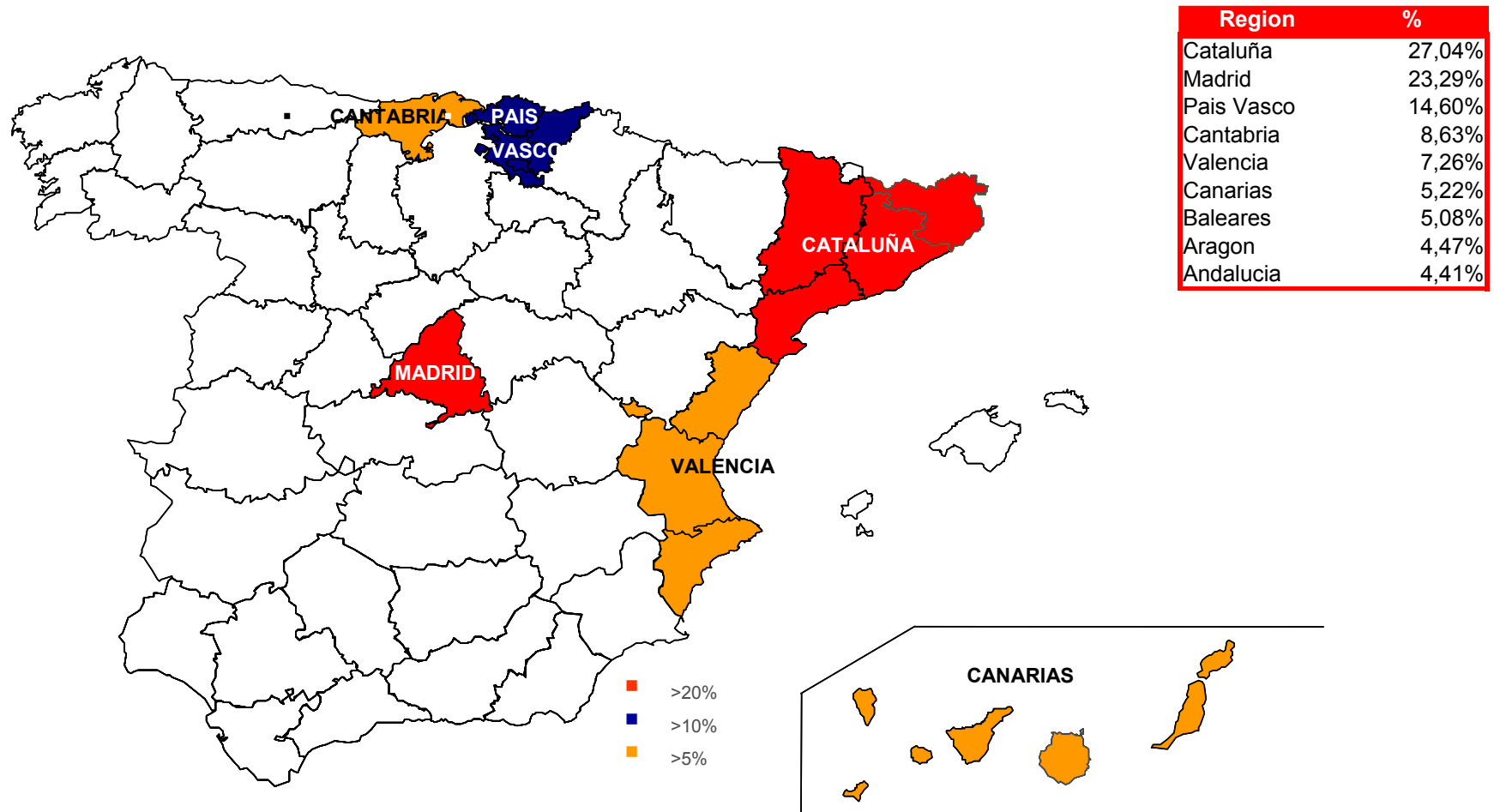
Santander Hipotecario 4 - Top 20 Borrowers: Overview

| Top 20 Borrowers - Overview | | | | | | | |
|-----------------------------|------------|--------------|--------|------------------|---------------|----------------------|---------------|
| Number | Region | Valuation | CLTV | Origination Date | Maturity date | Outstanding | % Outstanding |
| 1 | Cantabria | 1.488.000,00 | 100 | 12/05/2005 | 12/11/2034 | 1.488.000,00 | 0,11% |
| 2 | Valencia | 1.034.667,95 | 121,79 | 05/10/2004 | 05/10/2029 | 1.251.405,30 | 0,09% |
| 3 | Pais Vasco | 1.126.786,19 | 88,75 | 31/01/2006 | 31/01/2026 | 1.000.000,00 | 0,07% |
| 4 | Madrid | 1.159.500,00 | 84,09 | 28/02/2007 | 28/02/2037 | 975.000,00 | 0,07% |
| 5 | Canarias | 931.100,00 | 96,66 | 04/04/2007 | 05/04/2037 | 900.000,00 | 0,07% |
| 6 | Cataluña | 986.938,01 | 91,19 | 17/05/2007 | 17/05/2037 | 899.525,36 | 0,07% |
| 7 | Baleares | 903.635,00 | 96,83 | 30/03/2007 | 30/03/2037 | 875.000,00 | 0,06% |
| 8 | Cataluña | 901.421,77 | 94,96 | 26/04/2007 | 26/04/2047 | 856.000,00 | 0,06% |
| 9 | Madrid | 886.430,59 | 91,63 | 29/03/2007 | 29/03/2032 | 808.280,15 | 0,06% |
| 10 | Madrid | 822.800,00 | 97,97 | 02/03/2007 | 02/03/2032 | 800.243,79 | 0,06% |
| 11 | Pais Vasco | 841.082,90 | 95,12 | 29/01/2007 | 29/01/2022 | 800.000,00 | 0,06% |
| 12 | Cataluña | 810.630,56 | 98,88 | 20/12/2005 | 20/12/2025 | 793.658,86 | 0,06% |
| 13 | Aragon | 863.475,00 | 89,65 | 22/02/2007 | 22/02/2037 | 771.039,51 | 0,06% |
| 14 | Andalucia | 761.834,00 | 99,89 | 10/11/2006 | 10/11/2036 | 761.000,00 | 0,06% |
| 15 | Madrid | 841.753,00 | 87,32 | 10/12/2003 | 10/11/2029 | 735.000,00 | 0,05% |
| 16 | Pais Vasco | 586.453,50 | 122,8 | 29/07/2005 | 29/07/2035 | 717.903,87 | 0,05% |
| 17 | Cataluña | 789.722,38 | 90,45 | 26/04/2006 | 26/04/2031 | 710.138,14 | 0,05% |
| 18 | Cataluña | 600.000,00 | 118,74 | 22/05/2003 | 22/05/2033 | 708.867,98 | 0,05% |
| 19 | Madrid | 788.146,00 | 88,74 | 28/12/2006 | 28/12/2031 | 696.743,39 | 0,05% |
| 20 | Cataluña | 832.662,00 | 83,61 | 09/01/2007 | 09/01/2037 | 693.356,71 | 0,05% |
| Total | | | | | | 17.241.163,06 | |

Source: Banco Santander. Provisional Pool as of 18th April 2007

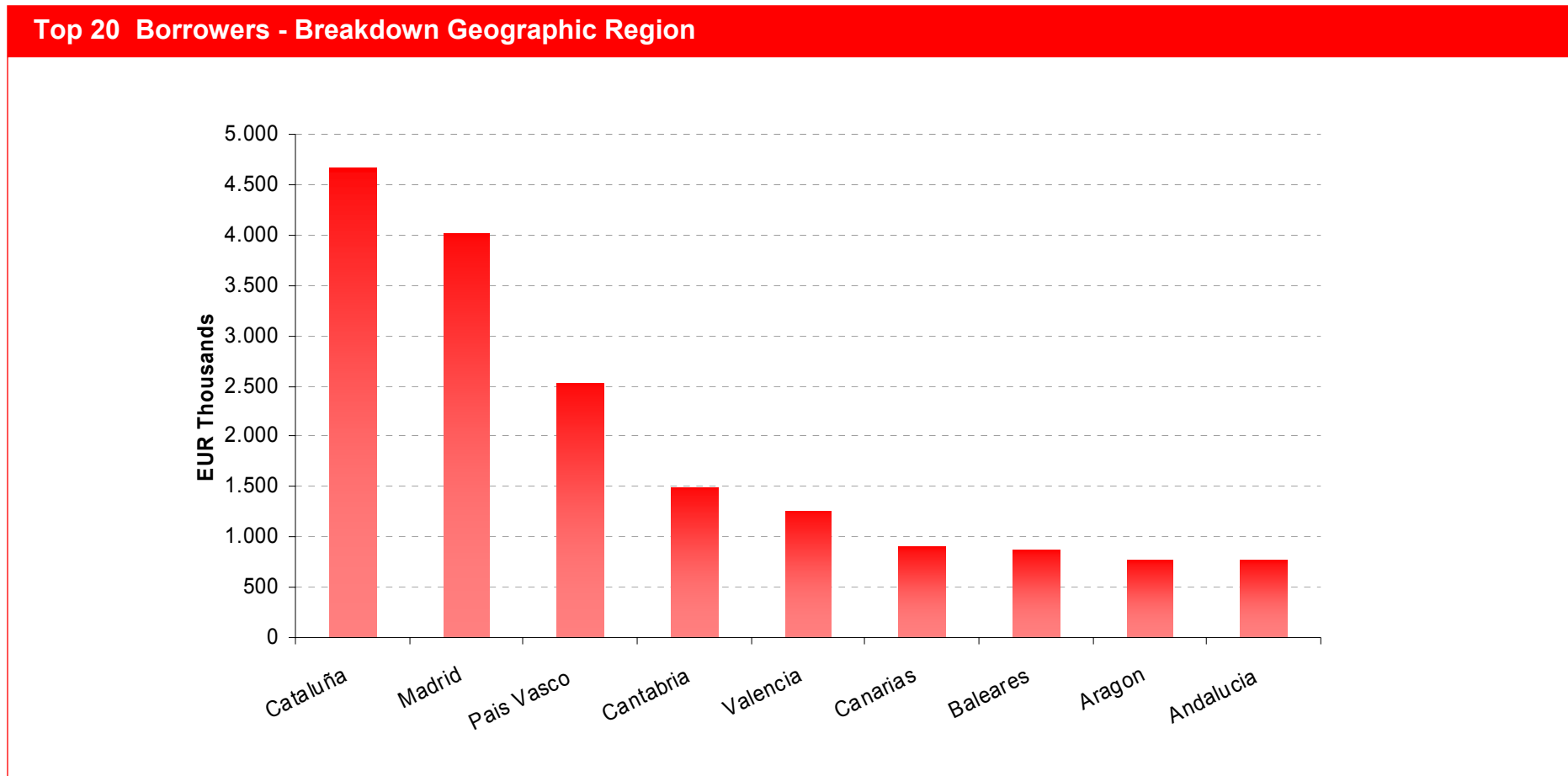
Santander Hipotecario 4 - Top 20 Borrowers: Geographical Concentration

- Top 5 regional concentrations:



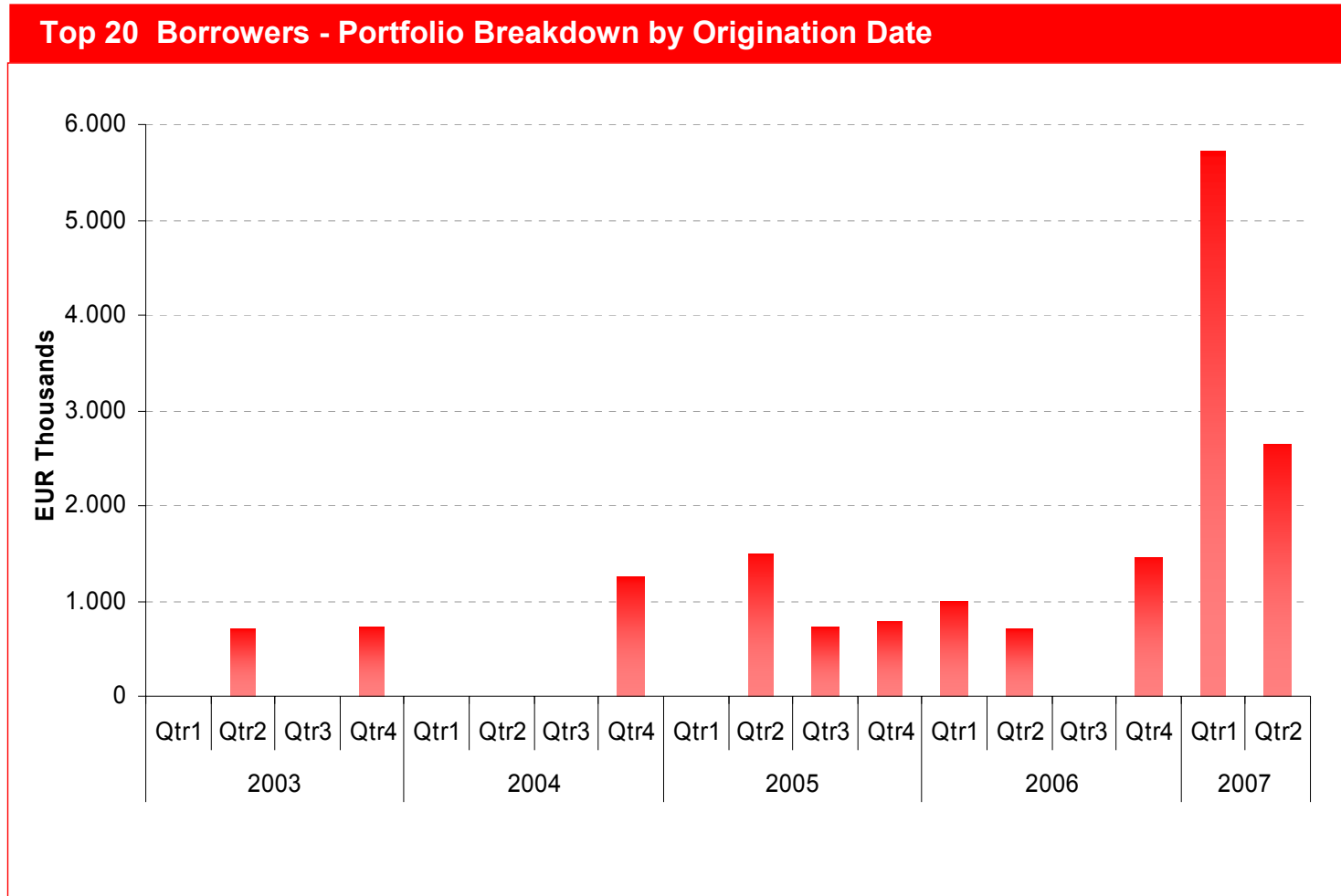
Note: All figures in this section relate to the provisional pool as of 27 August, 2007; Source: Banco Santander

Santander Hipotecario 4 - Top 20 Borrowers: Breakdown by Geographic Region



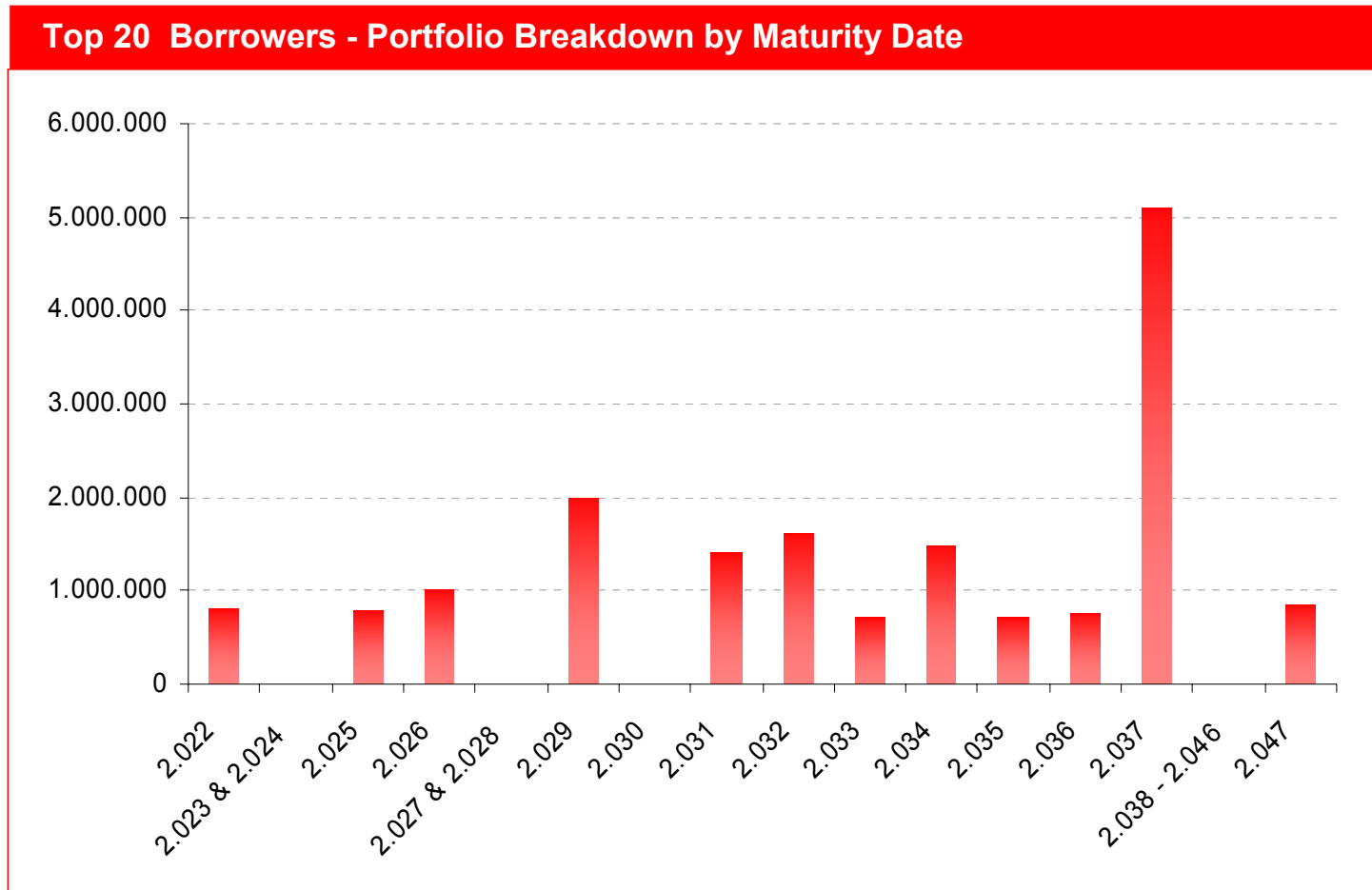
Source: Banco Santander. Provisional Pool as of

Santander Hipotecario 4 - Top 20 Borrowers: Breakdown by Origination Date



Source: Banco Santander. Provisional Pool as of 27th August 2007

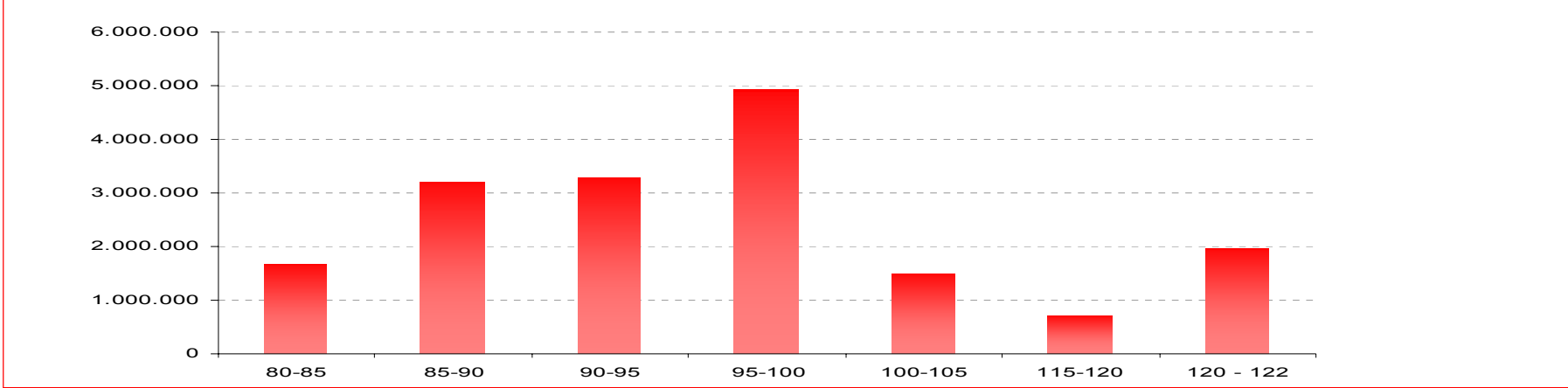
Santander Hipotecario 4 - Top 20 Borrowers: Breakdown by Maturity Date



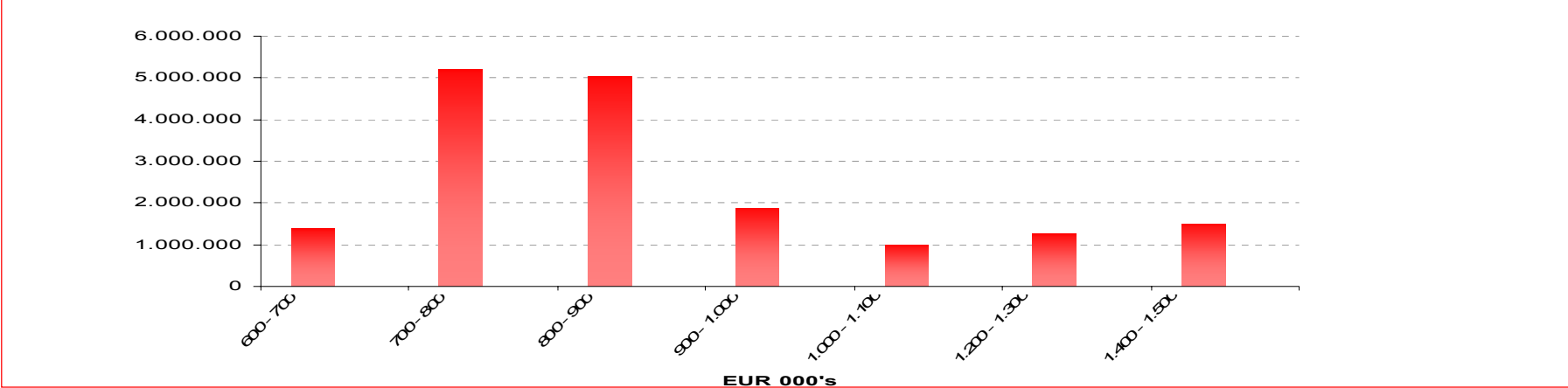
Source: Banco Santander. Provisional Pool as of 27th August 2007

Santander Hipotecario 4 - Top 20 Borrowers: CLTV & Principal Outstanding

Top 20 Borrowers - Portfolio Breakdown by CLTV



Top 20 Borrowers - Portfolio Breakdown by Principal Outstanding



Source: Banco Santander. Provisional Pool as of 27th August 2007

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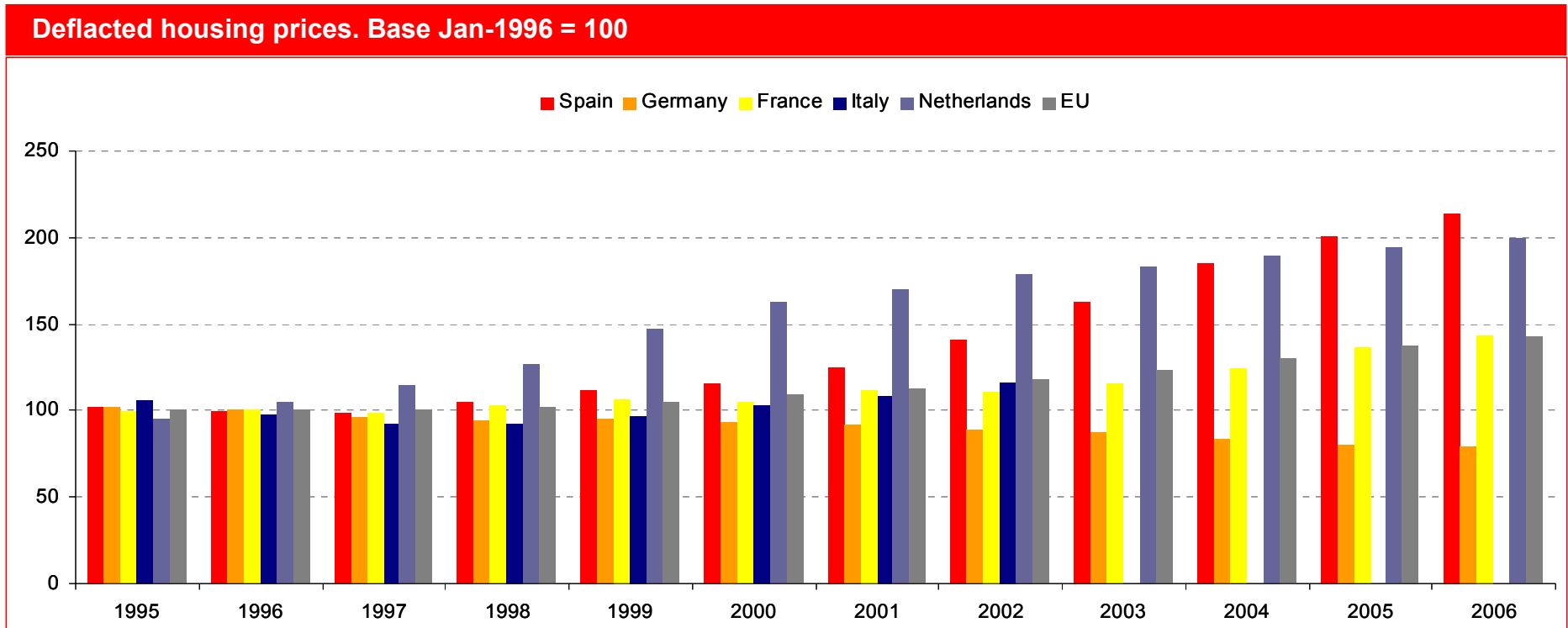
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The Spanish housing market



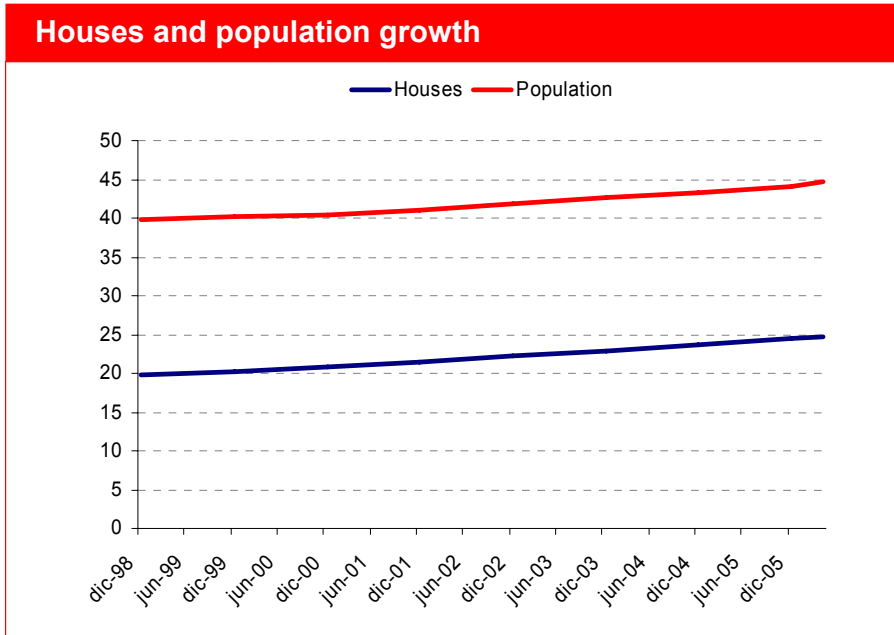
European housing market price growth



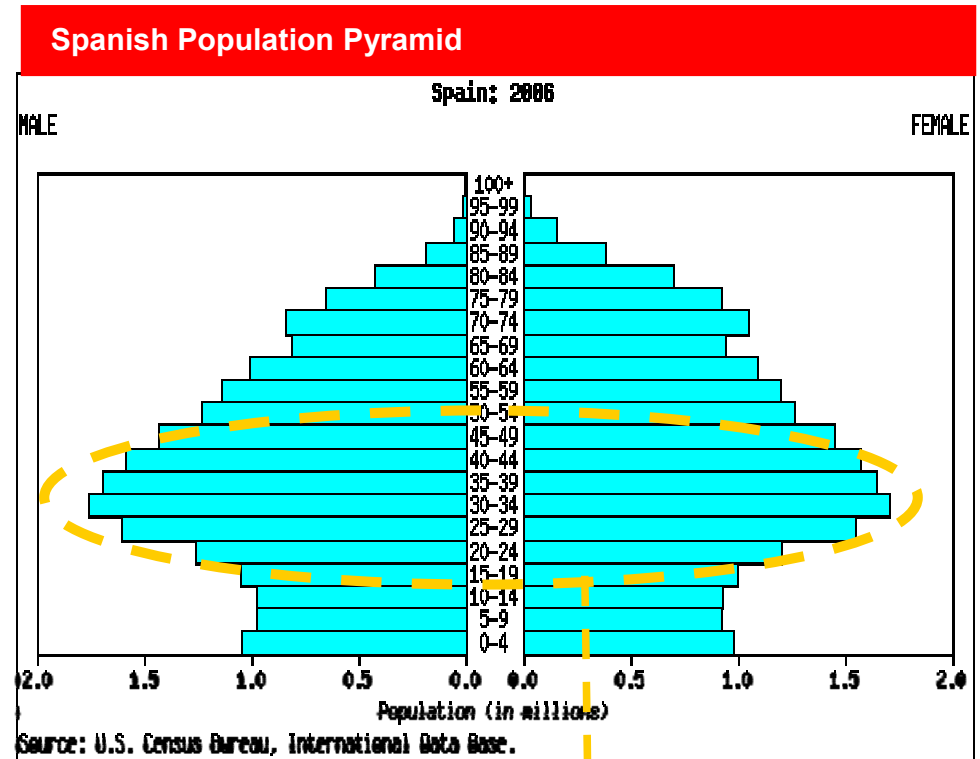
Spain has experienced a steady growth of the housing prices, but in line with other European countries. Several factors explain this.

Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

Demand Factors: Population



Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain) and Bank of Spain

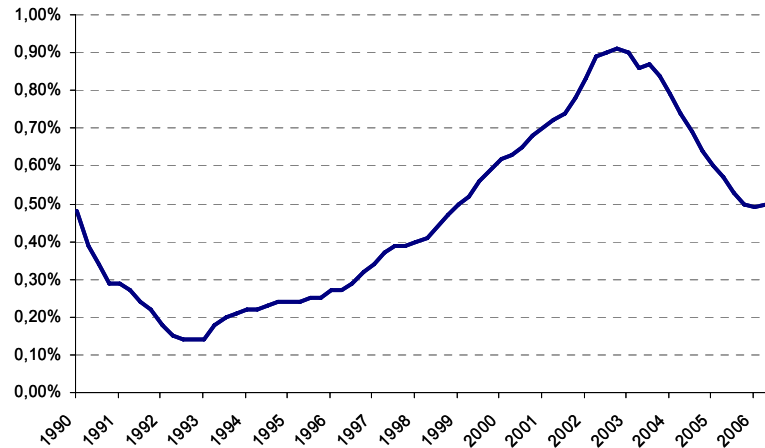


Source: U.S. Census Bureau, International Data Base.

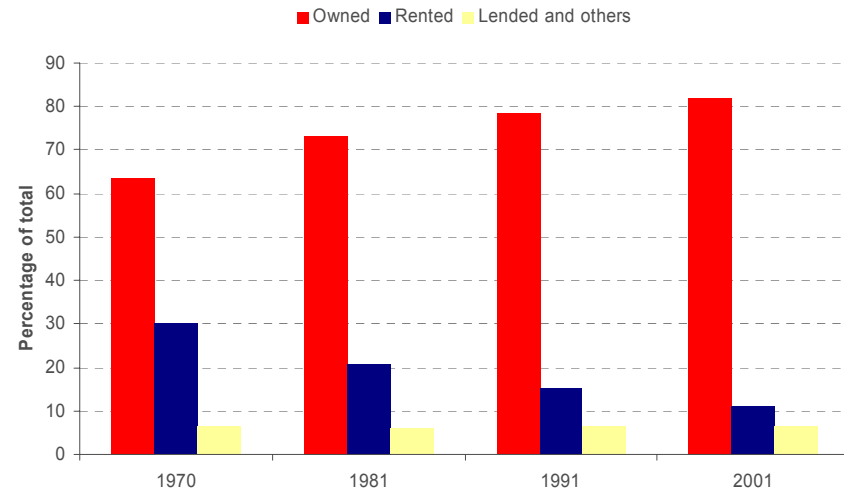
Mid 60's – Mid 70's "baby boom"

Demand Factors: Home ownership & foreign investment

Foreign investment in housing as % of Spanish GDP

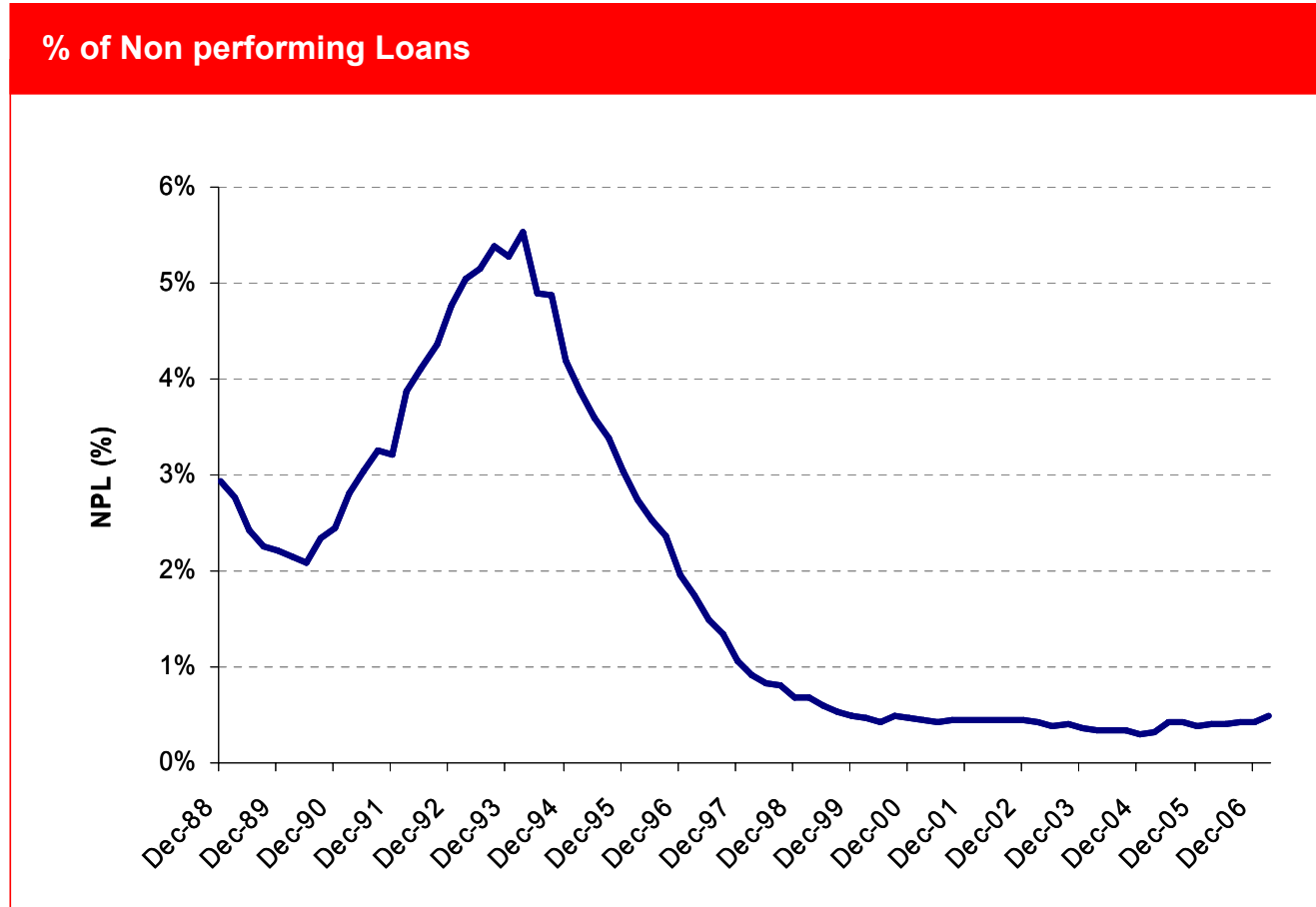


% of housing ownership



Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

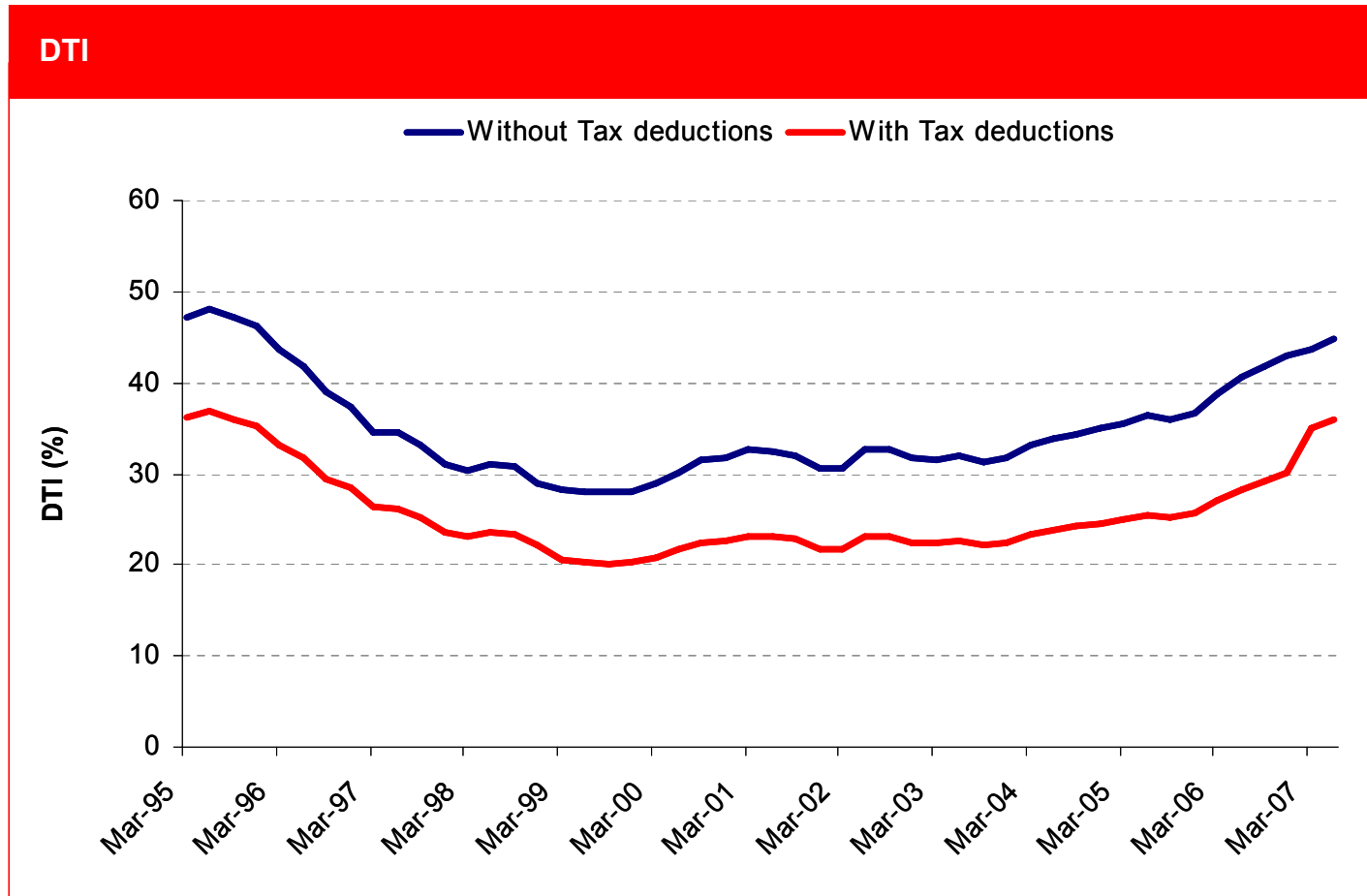
... but maintaining the quality of the assets



Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)



....and affordable income ratios

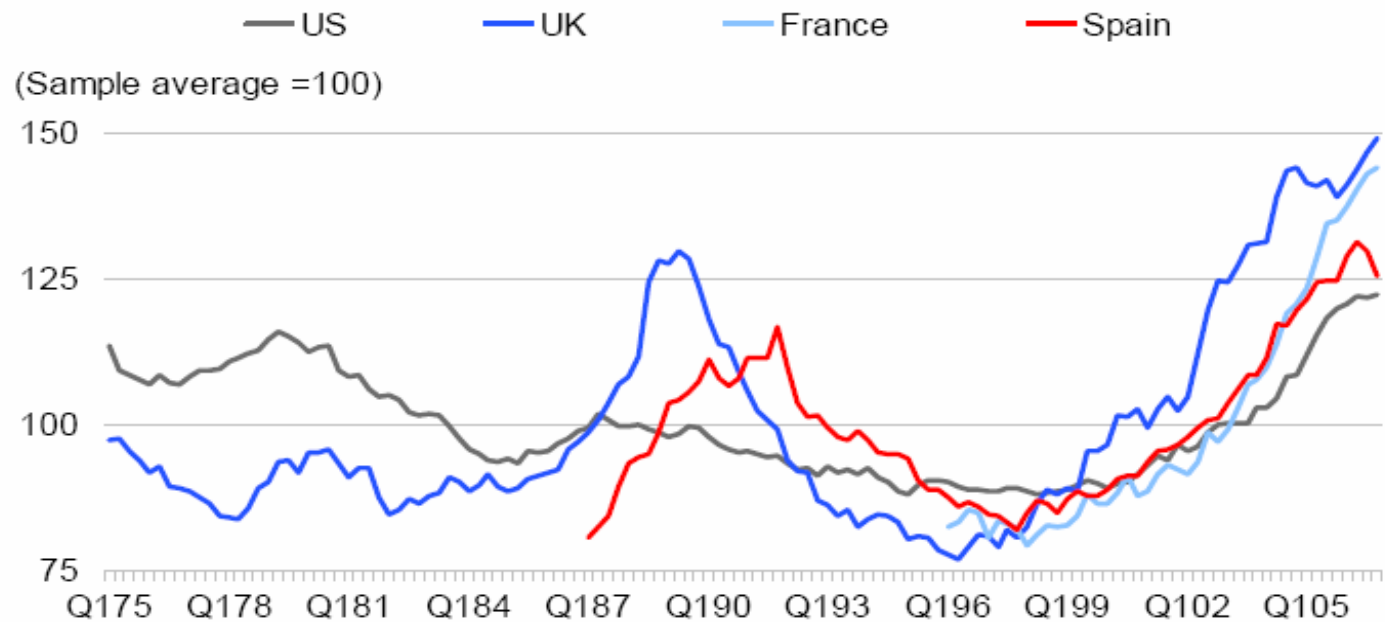


Source: INE - Instituto Nacional de Estadística (National Statistics Institute, Spain)

....and affordable income ratios (II)

“Spanish house prices look less overvalued than the UK or France where the run up in the HP/income ratio has been significantly more rapid since 2002.”

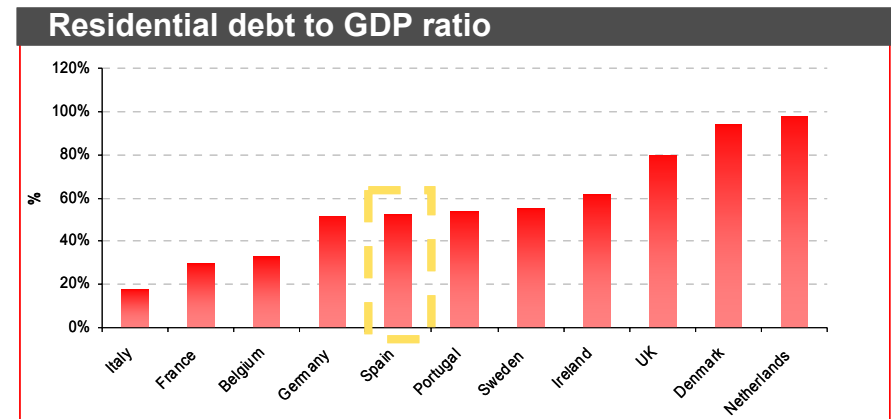
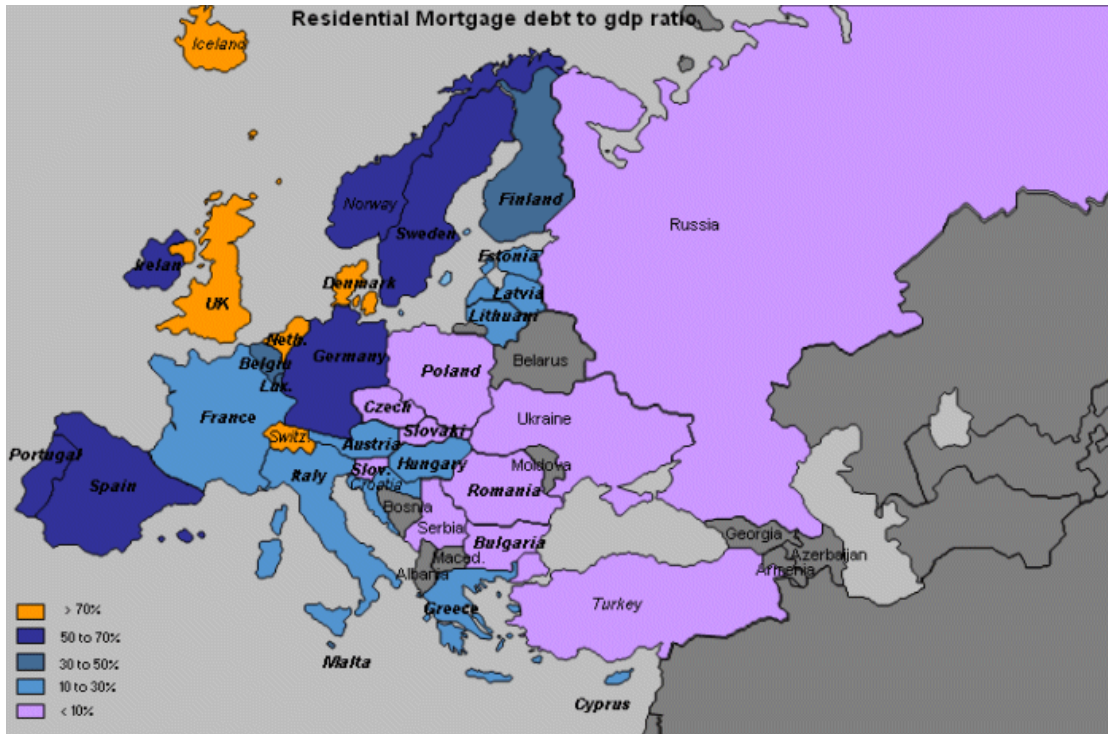
House Price to Income Ratios



Source: Thomson Datastream, Fitch, Banco de Espana, DCLG

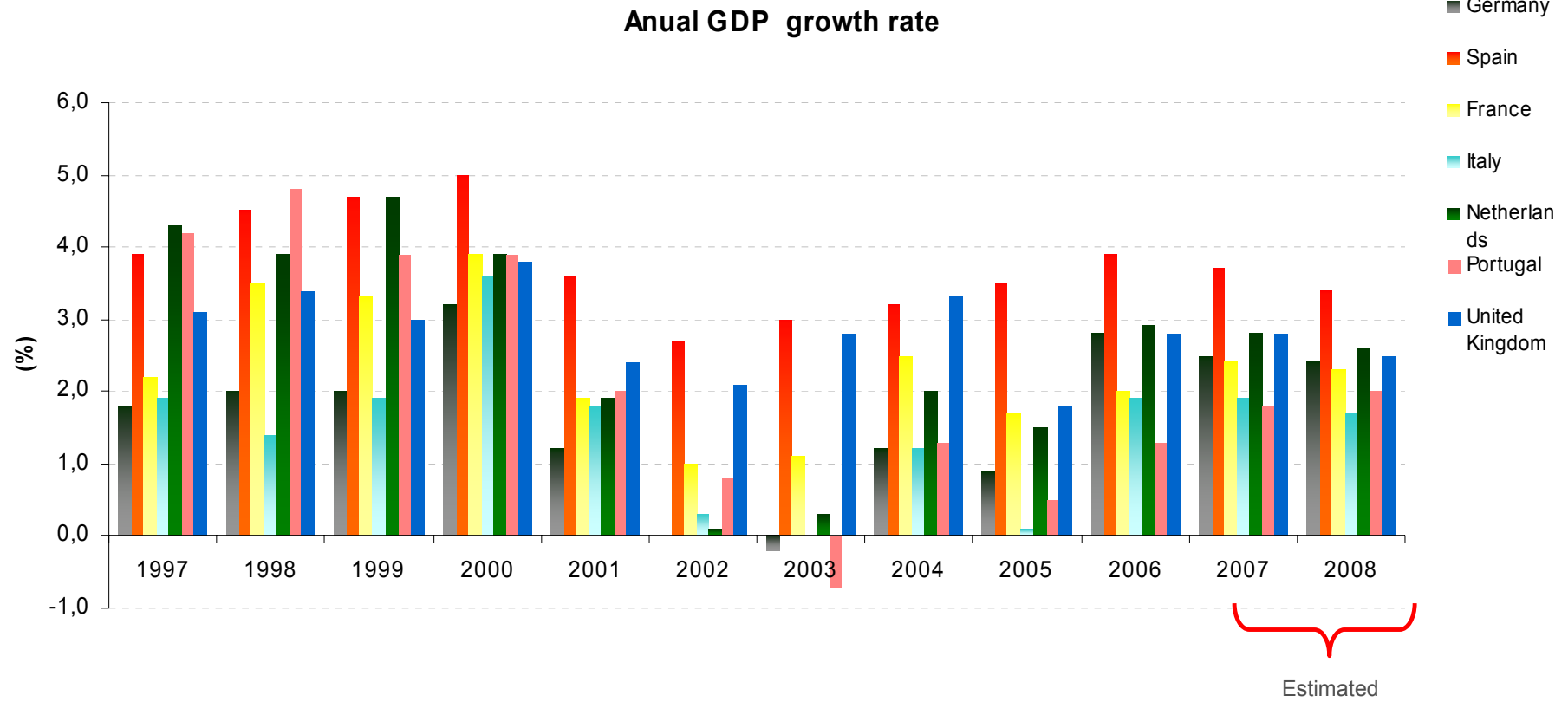
Fitch: Spain: Real Estate Adjustment and Economic Re-balancing. May 2007

...at the average of Eurozone countries



Source: European Mortgage Federation

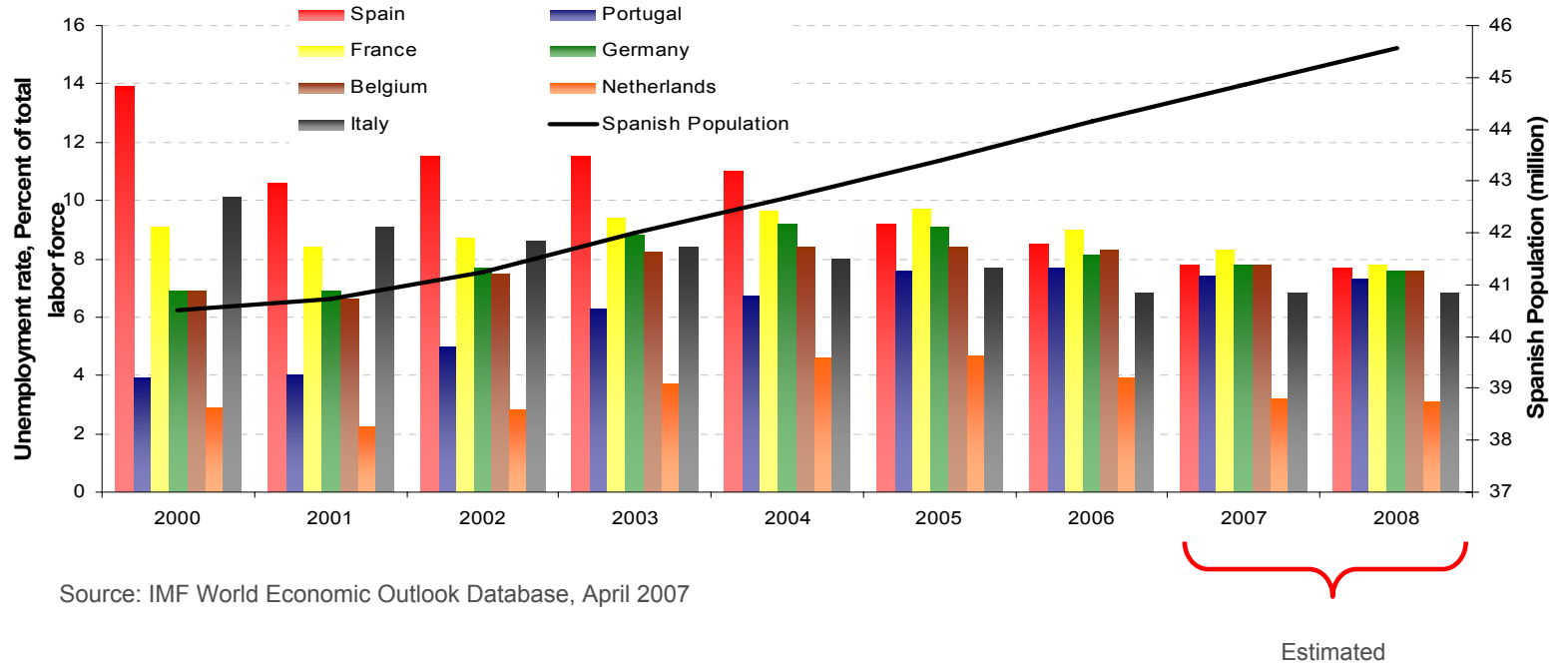
Spanish GDP growth compared with main Eurozone countries



Source: Eurostat

Spanish unemployment rates compared with main Eurozone countries

The immigration phenomenon has endowed the Spanish economy with a de facto flexibility that has contributed to its strong performance to date



Spain—2007 Article IV Consultation, Preliminary Conclusions of the IMF Mission March 26, 2007

SUMMARY

- The budgetary surplus that Spain has been running for the last years will help to cushion any blow if the construction market decelerates.
- Property value growth moving to a sustainable level; a soft landing is expected.
- The housing market is supported by a strong economic climate.
- The strong owner-occupation culture in Spain should continue to provide support to the market.
- Small renting market.

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Expected Timetable

- Announcement: [●] September
- Roadshow: Week of [●] September
- Bookbuilding: Week of [●] September
- CNMV Approval: [25] September
- Fund's constitution / signing: [●] September
- Settlement date: [●] October

| September 2007 | | | | | | |
|----------------|----|----|----|----|----|----|
| M | T | W | T | F | S | S |
| 27 | 28 | 29 | 30 | 31 | 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 |

| October 2007 | | | | | | |
|--------------|----|----|----|----|----|----|
| M | T | W | T | F | S | S |
| 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 | 2 | 3 | 4 |

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