Financiación Banesto 1 Fondo de Titulización de Activos

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

[29 June 2007]

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PROVISIONAL (P) RATINGS

Class	Rating	Amount (million)	% of Notes	Legal Final Maturity	Coupon
A	(P)**Aaa**	€[760.0]	95.00	Oct. 19	3mE + [•]%
B	(P)**Aa3**	€[24.0]	3.00	Oct. 19	3mE + [•]%
C	(P)**A3**	€[16.0]	2.00	Oct. 19	3mE + [•]%
Total		€[800.0]	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 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.

OPINION

Strengths of the Transaction

- Extensive historical information and good information provided by Banco Español de Credito (Banesto, **Aa2/P-1)**
- Banesto's strict and prudent underwriting criteria, together with strong monitoring systems
- Good diversification in the initial pool in terms of geographical concentration
- Relatively good seasoning of the initial pool – 1.3 years
- Granular portfolio, no debtor exceeding 0.02% of the issuance
- Strong Interest Rate Swap provided by Banesto guaranteeing 315 bppa
- Excess spread-trapping mechanism through a 12-month "artificial write-off"
- Sequential amortisation of the notes

Weaknesses and Mitigants

- A revolving period of up to eight quarters could trigger a decline in the credit quality of the portfolio. Moreover the aggregate portfolio test does not provide a level of protections as strong as in other consumer Spanish deals. However, the credit enhancement has been sized accordingly.
- The deferral of interest payments on each of Series B and C benefits the repayment of the series senior to each of them, but increases the expected loss on Series B and C themselves. The reserve fund and the subordination have been sized accordingly to account for this deterioration on the expected loss

STRUCTURE SUMMARY

Issuer:	Financiación Banesto 1 Fondo de Titulización de Activos
Structure Type:	Senior/Mezzanine/Subordinated floating-rate notes
Seller/Originator:	Banco Español de Credito (Banesto) (**Aa2**/**P-1**)
Servicer:	Banco Español de Credito (Banesto) (**Aa2**/**P-1**)
Back-up Servicer:	N/A
Interest Payments:	Quarterly on each payment date
Principal Payments:	Pass-through on each payment date following the revolving period
Credit Enhancement/Reserves:	Spread Reserve fund Subordination of the notes
Hedging:	Interest rate swap to cover interest rate risk provided by Banesto
Principal Paying Agent:	Banesto (**Aa2**/**P-1**)
Management Company:	Santander de Titulización S.A
Arranger/Lead Managers:	Banesto, JP Morgan, Barclays Capital
Arranger:	JP Morgan

IINITAL POOL SUMMARY AS OF MAY 2007

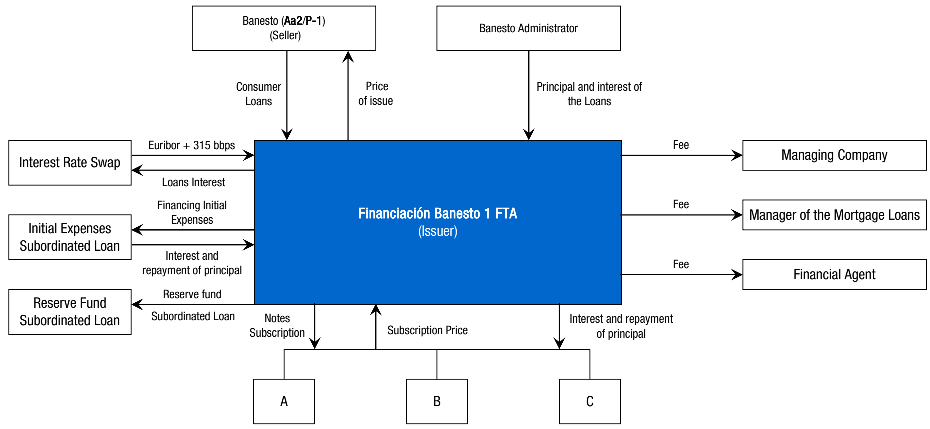
Receivables:	Consumer Loans
Number of Contracts:	123,920
Number of Borrowers:	113,724
Geographic Diversity:	Andalucia 19.10%, Madrid 16.60%, Valencia 11.19%
Remaining Term:	4.5 Years
Seasoning:	1.33 Years
Delinquency Status:	No loans more than 30 days in arrears at time of securitisation
Historical Loss Experience:	Default and recovery rate historical data have been provided

TRANSACTION SUMMARY

Cash securitisation of consumer loans which incorporates a two-year revolving period

Financiación Banesto 1 is Banesto's eighth securitisation transaction overall and the first within the asset class. Banesto intends to continue using securitisation as an efficient funding and balance sheet management tool. Financiación Banesto 1 is backed by a portfolio of consumer loans originated in Spain by Banesto in its ordinary course of business which fulfil the strict credit approval criteria of the originator. The average outstanding balance in the initial pool of each loan is approximately €7,517 with a weighted average seasoning of 1.3 years

Chart 1:
Structure Diagram



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

- A Subordinated Series C, rated (P)**A3**
- A mezzanine Series B, rated (P)**Aa3**
- A senior Series, rated (P)**Aaa**

In addition to the cash reserve, each series of notes is supported by the series subordinated to itself and the securitised pool excess spread. The transaction also incorporates a swap agreement that will hedge the *Fondo* against the risk derived from having different index reference rates and reset dates on the assets and on the notes.

STRUCTURAL AND LEGAL ASPECTS

Interest rate swap

According to the swap agreement entered into between the *Fondo* and Banesto, on each payment date:

- The *Fondo* will pay the amount of interest actually received from the loans; and
- Banesto will pay the sum of (1) the Index Reference Rate of the notes plus 315 bppa,

The spread thus provided through the swap agreement constitutes the first layer of protection for investors.

In the event of Banesto's long-term rating being downgraded below A1, within 30 days Banesto will have to (1) collateralise its obligations under the swap in an amount sufficient to maintain the then current rating of the notes or (2) find a suitably rated guarantor or substitute.

Reserve fund to help the Fondo meet its payment obligations

The second layer of protection against losses is a reserve fund provided by Banesto. It will be used to cover potential shortfalls on interest or principal on an ongoing basis.

At every point in time, the amount requested under the reserve fund will be the lesser of the following amounts:

- 1.20% of the initial balance of the notes
- The higher of the following amounts:
  - 2.40% of the outstanding balance of the notes
  - €5,000,000

The amount requested under the reserve fund will not be reduced on any payment date on which either of the following scenarios occurs:

– The arrears level (defined as the percentage of non-written-off loans that are more than 90 days in arrears) exceeds 1.00%.
– The reserve fund is not funded at its required level on the previous payment date.

In addition, the reserve fund will not amortise during the first 24 months of the life of the transaction.

Guaranteed Investment Contract (GIC) provides an annual interest rate equal to the index reference rate of the notes

The treasury account will be held at Banesto (**Aa2**/**P-1**). 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 some triggers in order to protect the treasury account from a possible downgrade of Banesto's short-term rating. Should Banesto's short-term rating fall below **P-1**, it will have to perform one of the following actions in the indicated order of priority within 30 days:

– Find a suitably rated guarantor or substitute or
– Collateralise its payment obligations under the treasury account in an amount sufficient to maintain the then current rating of the notes or
– Invest the outstanding amount of the treasury account in securities issued by a **P-1**-rated entity.

Banesto guarantees an annual yield of the amounts deposited in the treasury account equal to the Index Reference Rate of the notes.

Payment structure allocation

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, excluding the servicing fee (except in the case of Banesto being replaced as servicer of the loans)
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 A
4) Interest payment to Series B (if not deferred)
5) Interest payment to Series C (if not deferred)
6) Retention of an amount equal to the principal due under the notes
7) Interest payment to Series B (if deferred)
8) Interest payment to Series C (if deferred)
9) Replenishment of the reserve fund
10) Termination payment under the swap agreement (except in the cases contemplated in (2) above)
11) Junior payments
12) servicing fee to Banesto
13) Cash back to Banesto

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 Trigger

The payment of interest on Series B and C will be brought to a more junior position upon the occurrence of the following events:

Table 1:

Series B	Series C
The accumulated amount of written-off loans is higher than 9.00% of the initial amount of the assets pool	The accumulated amount of written-off loans is higher than 7.00% of the initial amount of the assets pool
Series A is not fully redeemed	Series A and B are not fully redeemed

The principal due to the notes incorporates a 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 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)).

INITIAL POOL

Good diversification in terms of geographical concentration

The portfolio will consist of consumer loans granted to residents in Spain, originated by Banesto in its normal course of business. The loans (both the initial and the additional loans) will have to comply with the following criteria:

– The loan has been granted to an individual under Spanish law
– The loan is performing, or if in arrears, for a period not exceeding 30days;
– The borrower has paid at least one (1) instalment under the loan (except for bullet loans);
– The final maturity date does not exceed October 2019;
– The loan is denominated in euros;
– Payments under the loan are made by automatic direct debit to a bank account authorised by the relevant obligor at the signature of the loan contract;
– The credit rights does not arise from a leasing agreement;
– The outstanding balance of the loan is less than or equal to €100,000

The pool will not include lease contracts

Initial Portfolio

As of May 2007, the provisional pool comprises 123,920 loans and 113,724 borrowers, for a total amount of €931.5 million. The loans have been originated between 1999 and 2007, with a weighted average seasoning of 1.33 years and a weighted average remaining term of 4.5 years. The longest loan matures in October 2015.

0.54% of the portfolio corresponds to bullet loans. The majority of the loans (97%) pay through monthly instalments of interest and principal. The rest of the loans pay through quarterly (0.14%), semi-annual (0.22%) or annual (0.55%) instalments.

The interest rate is fixed for 99.02% of the pool and floating for the rest. The weighted average interest rate of the pool is 7.98%.

With respect to loan purpose, most of the loans in the pool were granted for the financing of vehicle acquisition. The main loan purposes and approximate percentages of the provisional portfolio are as follows:

– Vehicle acquisition: 36.49%
– Home refurbishment: 20.04%
– Home equipment: 7.37%

Chart 2:
Portfolio Breakdown by Origination Year

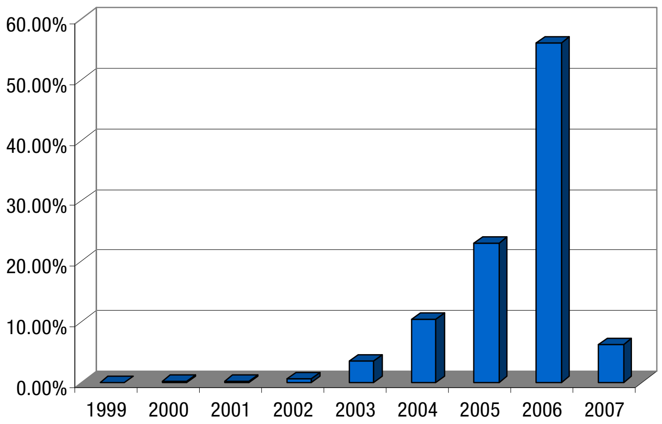


Chart 3:
Portfolio Breakdown by Maturity

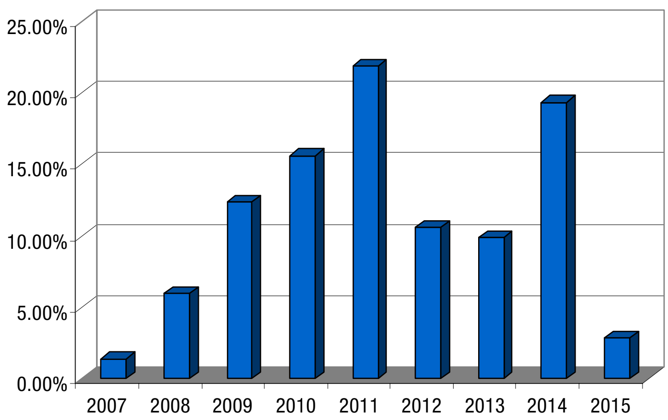


Chart 4:
Portfolio Breakdown by Interest Rate

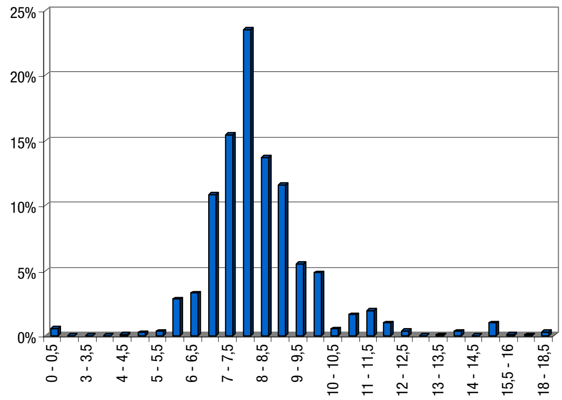
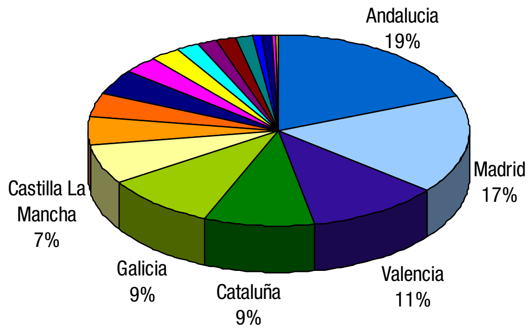


Chart 5:
Portfolio Breakdown by Region



Global eligibility criteria for the additional pools

1) The weighted average interest rate of the Portfolio shall not be less than 6.00%
2) The weighted average seasoning of the aggregate portfolio is equal to or greater than 6 months
3) The weighted average remaining term of the additional portfolio is equal to or lower than 72 months
4) The maximum borrower concentration does not exceed 0.02%
5) The percentage of loans in the portfolio with an amortisation method different from annuity style should not exceed 3.00%
6) The percentage of loans in the portfolio with a monthly or quarterly amortisation frequency should be at least 97.00%
7) The percentage of loans for which the loan contract allows the Borrower to defer any payment (whether principal or interest) after the relevant purchase date does not exceed 5%
8) The maximum regional concentration over the aggregate portfolio does not exceed 25%

Early amortisation triggers

Upon the occurrence of any of the following events, the Revolving Period will automatically terminate and the Issuer will use all the Available Amortisation Funds to redeem the notes on a rigorous sequential basis.

Any of the following circumstances constitute an Early Amortisation Event:

1. Any interests due under any of the Classes of Notes remain unpaid after the relevant Payment Date; or
2. The cumulative aggregate outstanding amount of Written-off Loans divided by the aggregate outstanding balance of the pool at closing exceeds the following levels on the following Payment Dates:

Table 2:

Date	Maximum ratio
19/10/2007	0.31%
19/01/2008	0.62%
19/04/2008	0.93%
19/07/2008	1.24%
19/10/2008	1.55%
19/01/2009	1.86%
19/04/2009	2.17%
19/07/2009	2.48%

3. The originator becomes insolvent, involved in any type bankruptcy procedures or its license to carry out its business is revoked; or
4. Banesto ceases to be the Administrator of the portfolio; or
5. The principal outstanding balance of Delinquent Loans is greater than 2.25% of the total principal outstanding balance of the Outstanding Loans;
6. The Required Cash Reserve Amount it is not going to be at the required level on the current Payment Date; or

7. During two consecutive Payment Dates, the aggregate outstanding balance of Outstanding Loans is less than 90.00% of the outstanding balance of the notes;
8. On any Payment Date, the aggregate outstanding balance of Outstanding Loans is less than 80.00% of the outstanding balance of the notes; or
9. In the event that a new fiscal regulation was introduced in Spain making the sale of additional assets excessively cumbersome for Banesto; or
10. The Swap Agreement is terminated and no replacement acceptable to the rating agencies has been provided within 15 days

Limitations on the renegotiation of the loan

Any renegotiation of the terms and conditions of the loans is subject to the management company's approval. Under exceptional circumstances, the management company authorises Banesto to renegotiate the interest rate or maturity of the loans without requiring its approval. However, Banesto will not be able to extend the maturity of any loan beyond October 2019. Moreover, the renegotiation of the maturity of the loans is subject to various conditions, of which the following are the most significant:

– The global initial amount of loans on which the maturity has been extended cannot be greater than 10% of the initial amount of the pool.
– The frequency of payments cannot be decreased.
– The amortisation profile cannot be modified.

Additionally Banesto is not allowed to renegotiate any interest rate of the loan if the weighted average interest rate on the floating rates loans is below 250 bppa.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Banesto is Spain's fifth-largest financial institution

Banco Español de Credito, S.A. (Banesto, rated **Aa2**/**P-1**/**B-**) is 88.6% owned by Banco Santander Central Hispano (Santander), rated **Aa1**/**P-1**/**B**, Spain's largest financial group with total assets of €779 billion (including Abbey) at the end of September 2005. In November 2003, Banesto's long-term rating was upgraded to **Aa3** from **A1**, following the upgrade of Santander's ratings.

With total assets amounting to close to €76.8 billion at the end of September 2005, Banesto is Spain's fifth-largest financial institution with a market share of 4% in terms of assets. The bank operates through an extensive network of 1,698 branches throughout Spain and has a leading franchise in rural areas. Among banks (excluding savings banks), Banesto holds an 8.9% market share in the banking business: 9.3 % in mortgage lending, 8.2% of customer funds and 7.5% in funds under management.

Since its acquisition of Banesto, Santander has retained the bank as an independent unit within its group. Banesto directly competes with its parent and operates independently from the group's distribution and production capabilities.

Retail banking remains the most important segment of Banesto, contributing 82% of the bank's operating revenue, adding solidity and stability to its franchise. The bank's focus on retail activities also translates into good asset quality. Banesto's asset quality remains very strong and improving, with the ratio of non-performing loans to total credit portfolio (NPL/L) at 0.51% in September 2005 (September 2004: 0.65%), and 364% provided for.

Mortgages – which accounted for 52% of the loan book at the end of September 2005, below the average for Spanish banks – remain Banesto's main growth driver. The following indicators provide comfort with regard to the good credit quality of these mortgages: 96% are first homes, the average loan-to-value ratio is 65% (LTV of 2005 loans is 68%) with an NPL/L ratio of 0.26% as of September 2005. However, lending to inherently riskier real estate developers is also rapidly growing, accounting for 17% of the mortgage book and 8.6% of the loan book at the end of September 2005.

Nevertheless, Banesto's strict and prudent underwriting criteria should, together with strong monitoring systems, continue to maintain asset quality at sound levels.

Operational Review

Moody's has performed an operational review on Banesto. The main areas of review have been: Management, Loan Administration, Arrears Management, Loss Mitigation, Asset Management, IT systems, Reporting, Financial Stability and General Quality.

Moody's also considers the operational and financial stability of a servicer, as well as its ability to respond to changing market conditions. This assessment is based on the company's organisational structure and management characteristics, its financial profile, operational controls and procedures, as well as its strategic goals.

Moody's used Lognormal approach based on default and recovery

Given the large number of assets and the small size of the exposures, Moody's derived the gross loss distribution curve by using the lognormal density law. Moody's based its analysis on the historical performance of sample pools similar to the pool being securitised. The lognormal parameters (mean default and standard deviation) were derived from these historical data, and later adjusted for (1) the seasoning of the portfolio (with different assumptions for the initial and additional pools), (2) expectations of a less favourable macro-economic environment and (3) other qualitative aspects. It is important to note that a loan has been considered as 'defaulted' after 90 days past due. The lognormal parameters assumed were a mean of 2.50% and a standard deviation of 0.63% for the initial pool, and a mean of 3.20% and a standard deviation of 0.80% for the additional pools. Assumptions for recoveries, delinquency, timing of defaults and prepayments were also derived from historical information.

Chart 6:

Cumulative Gross Loss Rate per Year of Origination (90 days pass due)

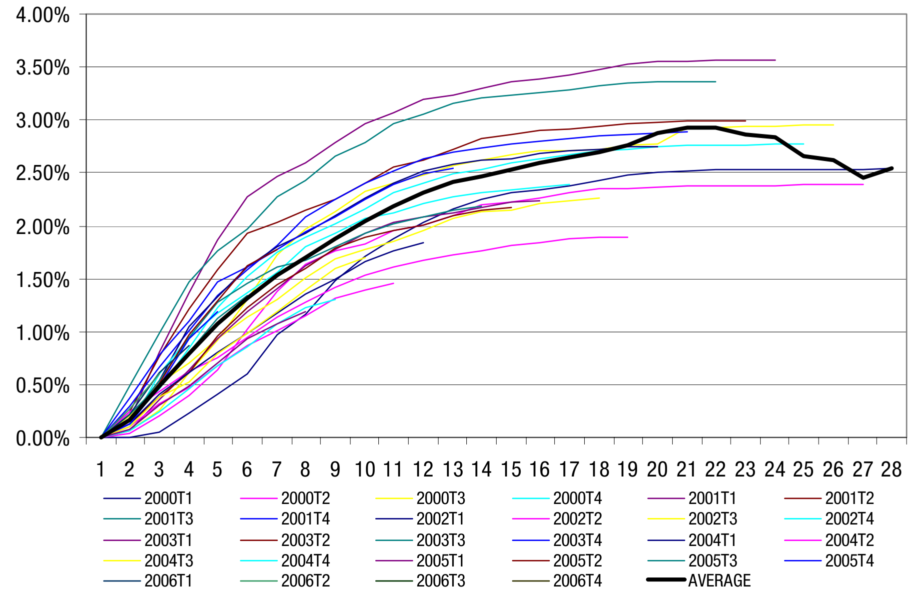
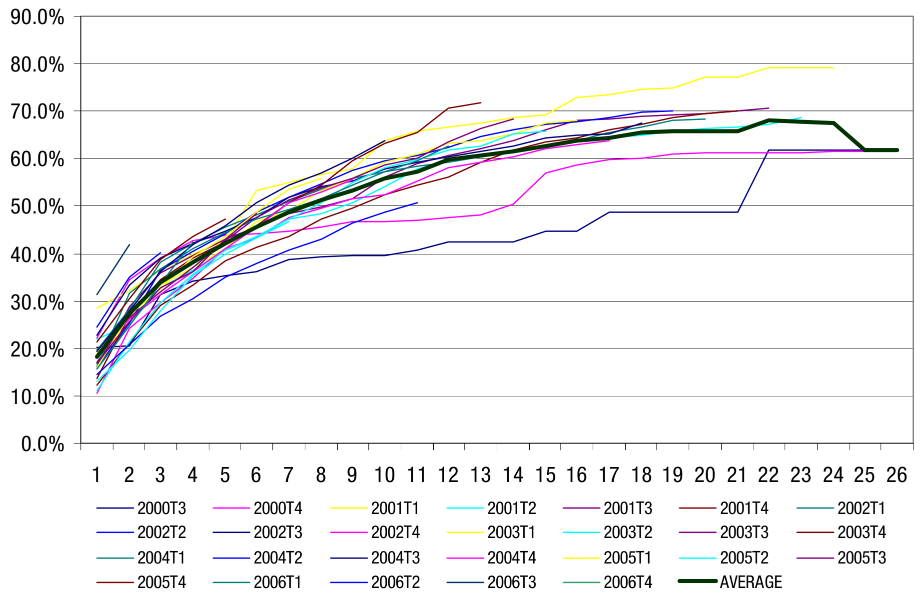


Chart 7:

Cumulative Recovery Rate per Quarter of Origination (90 days pass due)



To determine the rating associated to each series of notes, Moody's used an expected loss methodology that reflects 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 reproduces all deal-specific characteristics. The main input parameters were the gross loss distribution and the assumptions for recoveries, delinquency, timing of default and prepayments. The sensitivity to a variation in the initial assumptions was also tested (for instance, and as expected, back loading the timing of defaults has a considerable impact) and taken into consideration. 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 provisional ratings assigned.

Structural Analysis

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

RATING SENSITIVITIES AND MONITORING

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 its transaction continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

RELATED RESEARCH

Visit moodys.com for further details

For a more detailed explanation of Moody's approach to this type of transaction as well as similar transactions please refer to the following reports:

Pre-Sale Report

- FTPYME Banesto 1, Fondo de Titulización de Activos, October 2004 (SF44313)

Rating Methodologies

- FTPYMES: Moody's Analytical Approach to Spanish Securitisation Funds Launched Under Government's FTPYMES Programme, October 2003 (SF27063)
- Moody's Approach to Jointly Supported Obligations, November 1997 (SF5941)

Special Reports

- Moody's Spanish SME Loan-Backed Securities Index, April 2004 (SF35231)
- Structural Features in the Spanish RMBS Market – Artificial Write-Off Mechanisms: Trapping the Spread, January 2004 (SF29881)
- Moody's Approach to Rating ith-to-Default Basket Credit-Linked Notes, April 2002 (SF13090)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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